

HOUSE OF LORDS BUILT ENVIRONMENT COMMITTEE

INQUIRY INTO HOUSING DEMAND

HIGHBURY GROUP RESPONSE

The Highbury Group comprises an independent group of specialists from the public, private and independent sectors with a membership drawn from housing, planning and related professions; it offers advice and makes representations to Government and other agencies on a variety of subjects, with the aim of maintaining and increasing the output of housing, including high quality affordable housing.

1. What is the current composition of the UK's housing sector? How is the sector structured in terms of private ownership, privately rented accommodation and social housing?

While there remains a severe overall shortage of housing in the UK, most notably in London and the wider South East., much more acute is the shortage of housing affordable by lower income households There is a serious imbalance in the tenure of the existing housing stock, which has been worsened by a series of government policies over several decades and which has not been corrected by the programme of new housebuilding. In England, the stock of social rented homes has fallen, while in the last decade the stock of homes in the unregulated private rented sector has increased, while the number of households in owner occupied homes has fallen, as affordability has worsened. The current structure of new build provision is skewed to a few large oligopolistic (tending to monopolistic) speculative housebuilders who control most of land through options and the buildout rate as well as quality and mix of supply, making often excessive profits with unjustifiable remuneration packages for senior executives.

2. What social and demographic factors shape housing demand in the UK? What are the expected future trends in housing demand?

The most significant demographic change relates to the growth of the elderly population. This is however not evenly distributed across the UK. Other demographic trends are less certain, as in the absence of 2021 census data, the impacts of both departure from the European Union and the COVID19 pandemic are uncertain. It is unclear whether the impacts will be short-term, medium term or long-term, but it is worth noting that international migration has never fallen to anything like the few tens of thousands which were suggested by government as a target and it is implausible in any scenario of 'Global Britain' that this would happen. Current issues of labour shortages and refugee crises illustrate some of the underlying issues. The most recent demographic projections are therefore not necessarily a sound basis for the planning of future housing provision. There is evidence from the mid-year estimates of significant migration from London to the Wider South East though these relate to June 2020 and are therefore a year old. It is important that planning for housing provision is based on evidence of current housing need and demand in different locations, with priority being given to meeting current shortages, rather than seeking to project future demographic changes and their potential impact on housing demand in the longer term. While it is important to pay attention to current evidence of unmet need

and homelessness in setting planning targets for housing numbers and tenure mix, planning in any meaningful sense (for the longer term) should take account of a range of reasoned future trajectories for the population size and structure and associated economic scenarios. Such trajectories should take account of the significance of feedback effects, including the suppression/delay of household formation associated with housing shortage and unaffordability, or the influence of public health policies on mortality, as well as the potential of longer-term planning strategies to influence the location of where housing need is to be met. Key evidence for determining priorities for housing provision in the short- and medium-term current includes data on homelessness, including households in temporary accommodation, overcrowding in social and private rented sectors and waiting lists for social housing.

3. Does the Government's target of 300,000 new homes per year accurately reflect housing demand? Is this target achievable?

The estimate of national housing requirement needs to be revised in the light of 2021 census data and other current data relating to housing needs, as well as reasoned scenarios for future development. While recent trends in mortality and migration might suggest some reduction in overall requirements, the migration data are extremely uncertain (see also above comment) while the mortality data indicate an urgent need to tackle the underlying public health problems. Future requirements should also factor in the need to replace some irredeemably energy inefficient stock to meet carbon reduction targets as well as a likely re-orientation of demand away from high density and small flats to larger accommodation at lower densities in less central locations, as a lasting legacy of Covid and Grenfell. More critical than an absolute target is the need for an up-to-date national estimate of the needs for different types of sub-market housing, and given changing internal and international migration patterns, the regional and local distribution of this requirement. This also needs to reflect trends in household incomes and house-prices. As house-price inflation exceeds increases in average household incomes in many parts of the UK, this puts further emphasis on the need to prioritise the provision of different types of submarket provision. Levels of public subsidy are currently inadequate to ensure the provision of the required social rented homes in both quantitative and qualitative terms. Local authority planning powers need to be strengthened to ensure new development focuses on homes which are most appropriate to meet the needs of those households who cannot access market provision. The most urgent needs cannot be met by focusing on maximising new market units in the hope that sufficient and appropriate social housing units can be piggy-backed onto developer led schemes. There is evidence that greater social and affordable housing provision at local level has a positive effect on the level of private development as well, so providing reinforcement to the general drive for increased provision across the board. Further measures for more proactive involvement of local authorities/public bodies in the land development process discussed below would also help to make these aspirations more achievable.

4. What is the balance of demand for new housing between homes for private ownership, privately rented homes, and social housing? How does this affect the type and tenure required of new homes?

The priority of any government must be the increase in the supply of homes which are affordable by lower income households, and this means primarily social rented homes. In some areas, there is an acute shortage of homes large enough for households with children, including larger households. Unregulated privately rented homes are generally not

appropriate accommodation for such households. In some areas of the country, most notably in London, an increasing proportion of new homes are in the form of small flats, often in high rise buildings. These flats are generally for owner occupation, shared ownership or market rent and are neither affordable by or suitable for lower and middle-income households with children. Even where rents are controlled, the high cost of service charges and the costs of maintenance and repair, now much more critical given the problems of cladding and other materials which involve a serious fire risk, mean such homes are unaffordable by many if not by most households. There needs to be a focus in the development programme on the provision of low and medium rise housing suitable for households with children and including more amenities and which are actually safe to occupy.

5. What can be done to ensure there is a good balance of new homes where they are needed across the UK?

Local plans for housing provision should be set within a context of longer term national and regional plans and targets which have been developed through a transparent evidence-based process. Local planning authorities should only grant consent for developments which are focused mainly on meeting priority housing needs as assessed through their Strategic Housing Market Assessments. Where development capacity is most constrained, priority should be given to the provision of homes for households who cannot access homes for purchase or rent in the market sector. Priority should be given to schemes which provide homes of a size and typology most appropriate for such households. The growth in our ageing population requires a wide range of housing solutions to help meet the WHO aim that the right home can add 5 years of independent living. Most people want to continue to live in multi-generational homes - not all housing for older people is in retirement housing schemes. All homes should meet Lifetime Homes standards. More help with adaptations as well as a wide range of suitable options in different tenures and affordability to respond to local needs are required. In addition to the needs of the ageing population, there is an increasing need to adequately provide good quality and secure supported housing for a range of non-elderly households. Where there is a shortage of development capacity and an imbalance in the tenure of the existing housing stock, local authorities and appropriate housing associations should acquire existing owner occupied or privately rented homes for use as socially rented homes. This may include larger owner-occupied homes which are under-occupied or potentially underoccupied if resold in the market sector.

6. Is the construction sector able to deliver the UK's housing demand? What barriers are facing the sector?

Clearly not given the current housing output which is inadequate in terms of unit numbers, affordability and typology. Barriers include the price of land, the cost of construction materials of which there are significant shortages which drive up prices, the shortage of sufficiently skilled labour, the weakness of the planning system, and most critically, the lack of adequate public sector subsidy to the cost of sub-market provision. Local authorities require the power to acquire land for housing development at existing use value, in order to promote and expedite development involving a range of providers including mainstream housebuilders, SMEs, innovative providers, RSLs, etc, in some cases working in cooperation with major local landowners and/or Homes England.

7. The Government has published its proposals for reform of the planning system. How can the planning system be shaped to meet housing demand?

- What role should permitted development rights play in this?

Permitted development rights reduce the ability of the local planning authority to ensure that new residential development is appropriate to meet priority housing needs and meets the full range of standards for sustainable residential development – economic, environmental and social. Legislation relating to permitted development for conversion of non-residential property and sites for residential development should be repealed and all such application should be subject to normal planning application procedures.

- How might changes to Section 106 agreements shape the provision of social housing?

We do not support the removal of Local Authority powers to negotiate s106 agreements which are appropriate to specific development proposals. Notwithstanding considerable variations in local practice, S106 has been the most successful overall attempt in UK since 1945 to promote inclusionary mixed tenure development and capture of significant land value for this purpose and for associated local infrastructure. S106 has a crucial role in the delivery of affordable homes built each year - in 2018/2019 it was 49 per cent of supply and in 2019/20 it was 51 per cent (Table 1000, Live tables on affordable housing supply in England <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply#live-tables>). It goes with the grain of local decision making and facilitates development by making it more acceptable to local communities.

- How should communities be engaged in the planning process?

While mechanisms for public consultation over both local plans and specific development applications need to be improved, we do not support the removal of local authority decision making powers in relation to specific development proposals under any proposed zoning regime. We would not support increase powers for neighbourhood plans or any mechanism which would give a neighbourhood group or other consultees any veto over a development proposal which was in accordance with an improved local plan, as any such change would obstruct the ability of a democratically elected local planning authority to deliver the objectives set out in its approved plan.

8. What can be done to improve the quality of new homes? How can the design and aesthetics of new homes be improved?

Aesthetics is a secondary issue and a subjective one. The quality of design has to be measured against specific criteria relating to the needs of prospective occupants in relation to both internal and external space and amenities. The Government's new model design code

is a good basis for such assessments. Increased regulation of building standards including construction materials is essential. While quality comes at a cost, there is a much greater cost from construction failures and inadequate standards. The proposed Building Safety Bill is a start, though long overdue. It however does not go far enough. Developers and property owners need to be made fully liable for all capital and revenue costs arising from construction failures and the failures in the management of fire risk, without it being necessary for individual occupants to take legal action for compensation in the courts. Developers who are not meeting their liabilities should not be allowed to pay dividends to shareholders whilst they have unresolved cladding liabilities. Housing quality should be available for all households and not just for those who can afford it, which means much higher levels of subsidy should be available for the provision of housing for lower income households.

9. Is the workforce equipped with the professional, digital and other skills required to meet housing demand, for example in the construction, planning and design sectors? What can be done to overcome skills shortages?

Clearly not as has been demonstrated by a series of construction failures. The regulation of construction needs to be brought back within the public sector and adequately staffed by appropriately trained officers, with reduced dependency on private consultancies who are often subject to conflicts of interest. Local authority planning departments need to be strengthened as do local authority powers in relation to both planning decisions and enforcement. There is a fundamental strategic shortage of suitably skilled and trained staff in almost all areas of work associated with the built and natural environment including surveyors, planners, architects, engineers, landscape architects, fire safety specialists, environmental scientists, construction specialists, maintenance specialists and on-site construction labour (skilled and unskilled). With so much focus on both improving existing stock and delivering new supply this could become an acute problem which requires cross-sector and cross-government strategic approaches and solutions.

10. How does the Government interact with Local Authorities to deliver more homes? How can this relationship be improved?

The current methodology for setting housing targets at local level, which do not adequately reflect local housing requirements and discount any consideration of local development capacity is problematic and has served to obstruct both local plan making and approval and housing delivery. It is important that the focus shifts to type and affordability of new homes from the current focus on the total number of units. The interaction of central and local government needs to focus on the delivery of appropriate new homes including the funding of required sub-market provision. This needs to include more flexibility for local authorities to both raise and utilise resources, and where this is not possible, increased capital grant from national resources.

11. What are the main opportunities and areas of innovation for meeting the UK's housing demand

Modern methods of construction may assist the speed of delivery of new homes, but caution needs to be applied to ensure that the quality of such provision is sound. New methods need to be subject to piloting and assessment before any such programme is rolled out on a

national scale or made mandatory. New housing provision must also have regard to long term management and maintenance costs, fire risk and a range of factors relating to environmental sustainability, including the carbon neutrality target.

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