

## **Highbury Group on Housing Delivery**

### **REVISED DRAFT Response to MHCLG Select Committee Enquiry on Local Government Finance and the 2019 Spending Review**

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 (see footnote ).

While the group's main focus is on housing supply, we recognise that changes in housing policy and funding alone cannot generate an adequate response to the current crisis in undersupply, which is most acute in relation to the undersupply of low cost rented housing of good quality and with security of tenure. In order to correct this deficiency, a very significant increase in grant from central government to local authorities and to housing associations is required, both in terms of the total quantum of grant and in terms of the level of subsidy per new home. We are however also concerned that the wider framework for the funding of local government in England is mitigating against the most efficient use by local authorities of resources in relation to meeting their statutory housing duties.

We are concerned that with the significant constraints on local authorities' revenue resources, housing services are being deprioritised (together with other services such as libraries, youth services, parks and recreation provision) in order to focus available resources in adult and child care services, which are widely regarded as more critical statutory services. We are also conscious that many local authorities are disposing of land and property assets, including housing assets, to generate receipts to support investment priorities, which may or may not include housing investment. Planning powers may also be used to generate receipts (through Community Infrastructure Levy, planning obligations and increased council tax income) rather than to deliver the maximum potential output of new social rented and other sub-market housing provision. Council policies are increasingly being driven by the drive to maximise receipts from asset disposal in the medium-term, and in some cases to avoid budget deficits in the short-term, rather than to deliver long term strategic policy objectives to meet the needs of residents. Such approaches can be to the disadvantage of the most vulnerable residents, both now and in the future.

In our view this crisis in local government finance is severely limiting the ability of many local authorities to meet their statutory requirements, not just in relation to the requirement to meet the housing needs of current and future residents, but to provide the investment in social infrastructure and services essential to the provision of sustainable neighbourhoods and communities. It is unsatisfactory that the delivery of such policy objectives be increasingly dependent on private finance. The position has often been most acute in the case of estates 'regeneration' projects where the reliance on private finance has sometimes led to the displacement of existing social housing tenants. The availability of specific national investment programmes to support estate regeneration (as operated under

previous programmes such as Estate Action and the Estates Renewal Challenge Fund) would ensure that existing social tenants were not disadvantaged. It is our view that housing challenges, both in relation to the needs of existing council and housing association tenants, as well as the need for additional genuinely affordable homes, cannot be fully met without a radical restructuring of local government finance. We would stress that removing limits on local authority borrowing and the lifting of Housing Revenue Account caps, while very welcome, is insufficient for those authorities who do not have the capacity to raise the revenue to fund additional borrowing.

We assume the committee will also have regard to its own recommendations in its recent report on land value capture. It would be useful to estimate the total contribution that the implementation of these recommendations would generate in relation to the total financial requirements of local authorities and the variation between different regions and local authority areas. We would also recommend that the committee revisit the recommendations of the IFS 2010 Mirrlees review of the tax system in relation to the division of tax raising powers and tax revenues between central and local government.

In our view, some, if not all, of the following policies need to be introduced:

- a) While recent increases in funding through Homes England and the Mayor of London are welcome, there still remains a significant gap between public funding available and investment requirements. We therefore need a significant increase in the rate of government housing grant per home (whether through Homes England or through the Mayor of London) to meet the full capital costs of development net of the funding supportable by rents at social housing target rents. This level can be calculated on a similar methodology for that used by the former Housing Corporation for the Total Cost Indicator based grant regime;
- b) Restoration of central government formula grant based on an assessment of the gap between assessed expenditure needs and the capacity of each LA to meet these needs from local resources;
- c) Removal of the limits on local authorities' ability to increase council tax rates;
- d) A revaluation of the rateable value of all residential property;
- e) The power for a local authority to introduce new council tax rate bands for higher value property;
- f) The power for a local authority to introduce council tax multipliers relating to size of property and occupation levels and to introduce higher rates of tax in relation to i) vacant residential properties, and ii) residential properties which are not occupied as primary residences;
- g) Replacement of stamp duty for residential properties with a capital gains tax, with a proportion to be retained by the local authority (the remaining proportion being paid to the national exchequer)
- h) The power for a local authority to introduce a tourist tax per capita per night applying to stays in hotels and other tourist accommodation such as AirBnB;
- i) Abolition of permitted development provisions in relation to office to residential conversion, so that such developments are liable to standard requirements relating to

planning obligations, Community Infrastructure Levy and planning charges and therefore make an appropriate contribution to local authority resources.

Note: The views and recommendations of the Highbury Group as set out in this and other papers are ones reached collectively through debate and reflect the balance of member views. They do not necessarily represent those of all individual members or of their employer organisations. The group's core membership and previous statements and research presentations are on the group's website:

<https://www.westminster.ac.uk/highbury-group-on-housing-delivery>

Duncan Bowie

Chair, Highbury Group on Housing Delivery

Bartlett School of Planning, UCL

[duncanbowie@yahoo.co.uk](mailto:duncanbowie@yahoo.co.uk)