Inquiry into the barriers to delivering council housing

Response to APPG on Council and Social Housing inquiry from the Highbury Group on Housing Delivery

Summary

The Government's target of 1.5 million new homes over its 5 year term should contain a target for new social rented homes. Recent housing development has not provided the appropriate range of new homes to meet objectively assessed housing need. Families with children are in expensive temporary accommodation, while others are in homes that do not suit their special needs. Investment in new social rented homes in the form of government grant needs to be at least trebled with a programme of at least £120 billion over the next ten years. The definition of affordable housing needs to be related to household incomes, rather than to market prices and market rents, with affordability for social rented housing defined as no more than 30% of net household incomes (net of benefits) for the lowest quartile of households.

Systemic and localized barriers

- Increasing costs of construction materials, land and labour.

- Acute shortage of construction workforce – skilled, semi-skilled and unskilled.

- Excessive burdens on development in the form of planning costs, infrastructure levies and environmental levies, leading to much private led development being unviable and making cross-subsidy from private development to social tented housing through planning gain no longer possible in most locations.

- Increasing opposition from local communities and from local councils to significant development proposals, often justified in part by concerns about lack of infrastructure and environmental impacts and by type and lack of affordability of development outputs. This is worsened by increasing localism, following changes in local political control, and lack of strategic planning at local, sub-regional, regional and national level.

- Overall and most critically a lack of public sector investment, both in terms of overall grant and in terms of grant available for each new home.

- Financial constraints on local authorities.

- Lack of development capacity within local authorities and housing associations, both in terms of use of resources to maintain existing stock and in terms of staffing capacity in disciplines such as planning, design and development.

- Inadequate powers for local authorities to acquire both land and existing residential buildings, including vacant units.

Realistic and desirable policy objectives

1. New housing development should respond to the objective housing need evidence in local or sub-regional strategic housing market assessments; and where development capacity is limited, priority should be given to meeting the most acute needs.
2. Planning permission should only be granted for new residential development which responds to objectively assessed housing need.
3. Direct public funding and indirect subsidy (through land value subsidy or planning gain should be focused on meeting the needs of those who cannot access market housing.
4. Both funding and the use of planning powers should ensure an appropriate range of house types and sizes to meet different assessed requirements, including the provision of housing appropriate to the needs of elderly people, people with disabilities and people with support needs.
5. All new homes should meet required construction standards, space standards and should meet standards relating to efficient energy use, efficient water use, and contribute to zero carbon objectives.
6. All new homes should be in locations which have good access to affordable public transport, social amenities including leisure and open space.

How desired policy objectives can be achieved

Government should do a rapid review of local authority housing needs assessments across the country and require by a certain date that they are completed or updated.

Government to ensure that the housing needs assessments contain estimates of need for different types of sub-market housing, with social rented housing as a distinct category, and local requirements for different special needs.

Government should set national targets for different types of new housing, with a separate target for social rented housing, based on a national aggregate of assessments of housing requirements.

Government to provide a definition of affordable housing linked to incomes or provides guidance on what the government expects. The Highbury Group recommends that for social rented housing this should be in the range of 30% net average household income for the lowest quartile of households (as applied in the original London Plan).

Government funding should therefore be targeted primarily on those who are unable to access the private market and are therefore in need of social rented housing. It is increasingly evident that neither councils or housing associations have the resources to fund new social rented homes at affordable rent levels and that cross-subsidy from private developments is not able to deliver this housing either in quantitative or qualitative terms. Public subsidy to new social rented housing needs therefore to be significantly raised both in terms of grant per home and overall level of national subsidy. The current funding of £5 billion a year needs to be increased to at least £15 billion a year.

Government funding to be targeted on meeting the assessed need for family size homes as well as small homes, and housing suitable for elderly and disabled persons. Value for money assessments of bids for grant should be undertaken on the basis of cost per bedspace not cost per unit

Both the built form and location of new development should be appropriate for the intended occupants, and should be in locations which have good access to affordable public transport, social amenities including leisure and open space

Social housing to be managed by regulated bodies, such as local authorities, housing associations and housing cooperatives.

Homes England, as the main government agency for funding sub-market housing (with the Mayor of London carrying out this function in London) needs to focus on funding the provision of social housing through regulated bodies which are non-profit making.

Funds should be allocated across the country in accordance with relative housing need and projects allocated funds on a value for money basis in agreement with the relevant statutory housing authority. This will ensure funds are only allocated to sites which are deliverable and schemes which are appropriate to meeting housing needs.

Local Authorities should have the power to acquire development land at Existing Use Value, compulsorily if necessary. Powers to acquire vacant properties) including unsold new properties) on a discounted basis, or to take over the management of such properties to ensure that they are occupied, are required

The Right to Buy should be terminated. Local authorities should have the power to buy back former Right To Buy properties on a discounted basis, equivalent to the proportionate discount on which the properties were originally sold.

Local authorities should be funded to buy back appropriate properties on the open market so that the supply of social rented homes can be increased. Powers for local authorities to take over the management of privately rented properties for use as socially rented housing need to be strengthened.

Lessons from past experience in UK

Even in more stringent times of post WW2 and in the 1970s, investment in new and existing housing that households could afford led to periods of some prosperity and growth. Most of this new housing was well built and desirable, in places that people wanted to live. The focus on providing new and better homes promoted improved health, education and employment.

We have experienced decades of underinvestment in social housing combined with an unregulated private market and an output of new homes by developers which is both insufficient and unaffordable for the majority of households in the UK.

Central government funding of social housing, through non-profit making regulated bodies, saves public money as no financial return (profit) is required. Under previous funding regime, value for money was achieved in agreement with the relevant statutory housing authorities and this ensured that funds were only allocated to sites which were deliverable and schemes for meeting housing needs.

When the majority of funding switched to the former Housing Corporation in the 1980s and 1990s, it operated to achieve cost effective schemes and delivered housing targets. The housing funded included homes for families but also for smaller households in sheltered housing for older people to rent, supported housing for people with special needs and new housing provided through schemes for alternative ways of living thereby accommodating a range of communities. With Homes England, and the GLA in London much higher levels of public investment than in recent years will be required, but will result in significant revenue savings to the public sector in the medium and longer terms.

The government’s housebuilding target including a significant increase in new social housing for rent will reduce major revenue costs. New affordable housing of the right type and size will reduce homelessness; improve health and give a good start in life for children of poorer households. More new affordable housing will contribute to economic growth in local areas and increase jobs, skills and purchasing power; while achieving energy efficient homes to meet climate change targets.