

‘HOUSING: where will the next generation live?’ introduced by Lord Best

LUNAR SOCIETY DISCUSSION DINNER, 18 May 2017

The fourth of our discussion dinners held at Edgbaston Priory Club over the last year focused on housing. It was led by Richard Best, the cross-bench peer who chairs the All Party Parliamentary Group on Housing and Care for Older People; and who sponsored the Homelessness Reduction Act 2017. Reflecting the practices of the original Lunar Society, he introduced the topic before dinner, initiating table discussions over dinner, and after dinner responded to issues raised by guests, in a Q&A chaired by Alan Wenban-Smith (Chairman of the Lunar Society).

Introducing the issue

The price of homes has risen faster than incomes over the last decade, and this has been accompanied by declining rates of new building. Affordability, especially for newly-forming households, has become a national political issue.

The Chairman stressed the Lunar Society's role as a neutral forum for discussion of such issues: the Society aims to bring together people with knowledge, interest and ideas, and to encourage debate, but does not itself take positions or offer a political platform. To inform debate, the attached graphics showed the historical distribution of tenure, output of new homes by tenure since WW2, and official projections of households to 2039.

Lord Best's introduction

Richard Best welcomed the fact that housing features significantly in the party platforms for the election to be held on 8 June 2017, both in manifestos and elsewhere, reflecting acceptance of its real importance across the spectrum. Most attention is paid to increasing the output of new homes, but while a lot of catching up is necessary it will take a long time for that to make much difference to the problem of affordability. In the meantime, we must focus on preventing matters getting even worse, by making better use of the homes we already have. Lord Best commented on examples of action under both headings.

Under the heading of prevention, he drew attention to the following:

- Prevent homelessness becoming a consequence of personal housing crises. The Homelessness Reduction Act (signed into law just before the election was called) provides a 2-month stay before evictions. It requires Councils to use the time to draw up a personal intervention plan (as the best Councils, like Lambeth, already do), rather than wait for the bailiffs and only then deal with the problem. The Act provides £61m for staffing.
- Economic and industrial measures which encourage jobs growth in places which make better use of existing homes, including transport links which improve access between homes and work.

Household projections suggest up to 250,000 more each year. The three main factors driving this are increased life expectancy (nearly 20 years since WW2 = an extra generation), immigration (though immigrants are often using/sharing unwanted accommodation), and new household formation through natural population increase and the subdivision of households following family breakdown. Implications include:

- The private market has been 100-150,000 pa since recovery from WW2. Until 1980 the gap was filled mainly by Council housing, but Housing Associations (HAs) have not approached such numbers (Figure 2).
- Party manifestos all propose to build more, but private housebuilding cannot bridge the gap, because to be affordable prices would have to fall, making profitable development impossible.

The picture is complicated by changes in the tenure of the existing stock of homes (Figure 1). Private renting has grown from 9% to 18% since 2000 as private landlords compete for owner-occupied stock, and now account for 5m homes. Council housing has lost share both to former tenants (under Right to Buy) and to Housing Associations (half their increase has come from stock transfer from Councils). Some implications are:

- The growth in private renting through Buy to Rent has not added to stock, many of the 1.9m mainly small landlords lack the skills and resources to maintain their properties to good standards.
- The current direction of policy would reduce the number of landlords (to an estimated 1.3 m) in order to secure higher standards in the sector.
- A few Councils (Birmingham is a good example) are continuing to use their land and financial resources – not least in partnership with housebuilders and housing associations – to maintain a supply of new homes.
- Large scale Build to Rent is a real possibility, as a good return is feasible and pension funds seek long-term income flow needed to pay pensions.

Discussion

Issues raised in the course of the discussion included the following (under Chatham House rules questions are not attributed, but with his agreement Lord Best's (RB) responses are).

- What could be done to better align the various property tax regimes (eg Council Tax, Stamp Duty, Capital Gains Tax on second homes). RB: Extending Council tax bands and revaluation would make sense but may be unpopular, while surcharges on empty overseas buyers may be popular but difficult to administer. Stamp Duty holiday for a limited period would help motivate downsizing; a CGT holiday would enable struggling landlords to sell up.
- While large scale Build to Rent might add to the stock, would the rents be affordable to low income families? RB: Affordable rents for low income families would be likely to continue to require subsidy: without this will only be a middle market niche. Even in London, there is a limit to how much could be provided in this way. HAs can borrow at lower rates than housebuilders so should be able to offer lower rents, but gap between market and Housing Benefit cap (currently £60/wk in London and £35/wk B'ham) is making renting to lowest income groups increasingly difficult. International comparisons suggest Govt would need to pay Housing Benefits nearer market rents until there is a more adequate supply to bring prices down. There will be a continuing need for subsidised housing in some form.
- What are the implications of tax relief on Buy to Rent mortgages no longer being available at the higher rate – will this not reduce the incentive to invest? RB: the intention of the measure is to limit and professionalise private renting.
- The effect of present planning policies is that the shortfall in B'ham's housing requirements will force greenfield land releases, eg provision of land in places like south Redditch, where there are unlikely to be many jobs. Is this sensible? RB: Need to do more to plan places where jobs and housing are well-related (though note lessons of Poundbury, designed for walk/cycle to work but higher income residents tend to work elsewhere, while local jobs are taken by in-commuters.
- Many landlords show little interest in maintenance with multi-occupation and deteriorating stock, while OAPs are not being catered for by builders. How can a better relationship be created? RB: There will be a squeeze on landlords, with enforcement of standards. An example is Newham's 'dawn raids' on unlicensed lettings with collaboration from Police, HMRC etc, funded from fines. Encouragement for downsizing would be highly beneficial to older people and to younger generations. Councils are now required to plan for OAPs (though resources to implement this remain problematic)
- One of the big problems of homelessness is not having any where to put things: should some of the money/effort in helping homeless be put into storage. Would Park homes be a solution to shortages of skilled builders? RB: The storage idea is a good one. Despite the Mobile Homes Act 2013, further measures may be needed to deal with the problem with park homes because of the powerful position of site landlords vis a vis owners/tenants: this might need attention if sector extended. Factory production of new homes will be significant but this requires training for local people if not to rely on immigrant labour.
- Does the focus on numbers risk further decline in quality and size? When numbers were the focus in 1960s and 70s, it led to tower blocks that had to be demolished (eg Ronan Point) and places like Kirby with no services or jobs. RB: Garden city ideas may provide better examples for the future, we hope.
- Mergers between HAs and housing developers (eg L&Q) may be a route to volume + quality needed? There seems little appetite for regeneration, but must we not reinvest in the housing improvement areas of 30+ years ago (HAAs and GIAs)? RB: HAs are becoming bigger (3 now have 100,000+ homes), so should be able to operate on the scale needed. They can ensure social mix in a way that neither housebuilders nor Councils are able to do. A renewed governmental interest in regeneration is now needed.
- In the past public sector could represent 'patient capital', able to think about long-term benefit, not just immediate return. How can we secure contribution from land value towards the kind of housing provision we need (including affordable housing, quality environment, services and infrastructure) when Treasury rules demand open market value from public sector landowners? RB: Government must be more insistent that sales by public sector landowners take account of the value to society of gaining more affordable/ social housing, taking a broader view of where public benefit lies.

Where will the next generation live? Lunar Society 18 May 2017

Background numbers

Figure 1: Housing stock by tenure, England 1971-2015 (DCLG Table104)

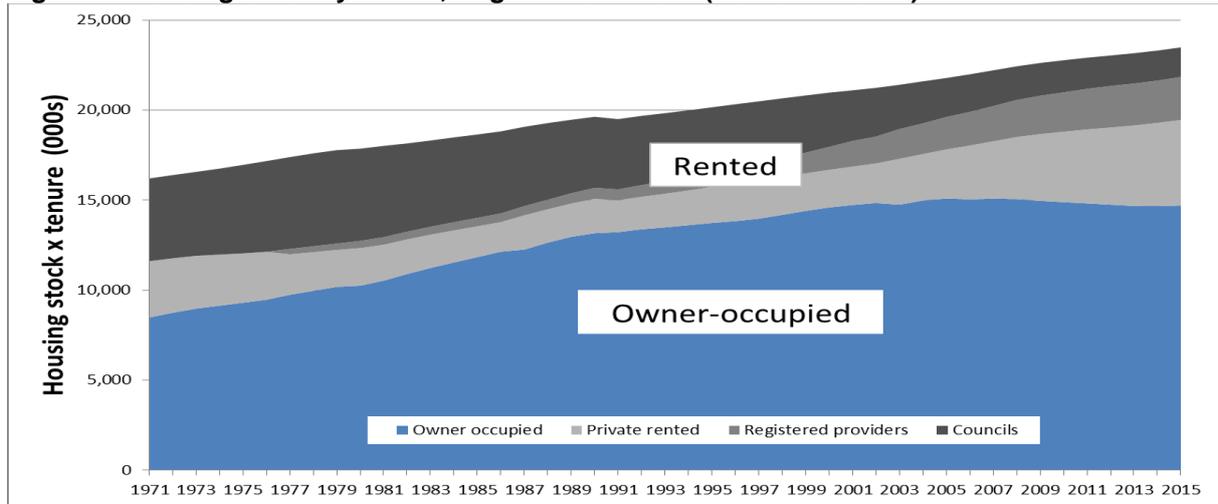


Figure 2: New housing provision, England, 1947-2014 and projected needs 2014-39

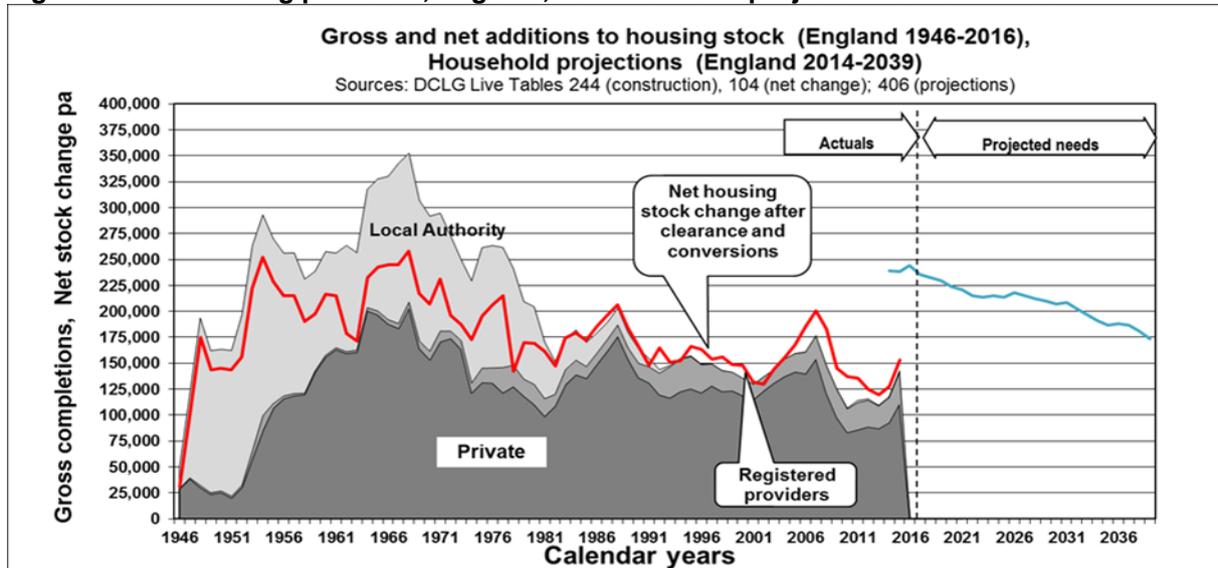


Figure 3: Projected housing needs by present age-group, England, 2011-2031

