

## The New Housing Bill: People, Planning or Productivity?

**Abstract:** *The Conservative government's agenda is beginning to take shape. What has it to say about the things that matter most to communities? Let's start with the Housing Bill.*

When the May election returned a Conservative majority, LocalismWatch [speculated](#) on its implications for grassroots communities. Three months on, the shape of things is becoming clearer, although many details remain to be resolved. We've tried to filter out the rhetoric and clichés to make sense of what the government plans to do – and why.

### What do we know so far?

Three documents stand out. The [Queen's Speech](#), delivered on 27 May, outlined a five-year legislative programme. It includes a Housing Bill, whose stated purpose is to 'help provide more hard working people with the chance to own their own home, increase housing supply and access to home ownership'. Also of importance is a Cities and Local Government Devolution Bill, promoting 'the devolution of powers to cities with elected metro mayors [and] helping to build a Northern Powerhouse'. Other measures relevant to localism include Energy, Energy Security and High-Speed Rail Bills.

The [summer 2015 Budget](#) seeks to fix the public finances and run a surplus by 2020 through £37 bn of 'further consolidation measures'. These amount to £12 bn of welfare cuts and £20 bn of other public spending reductions, set against a relatively modest £5 bn in combatting tax evasion. Their total impact will, of course, vary widely, with the worst effects on those communities and individuals already penalised and overlooked by government policies.

The Treasury's [Productivity Plan](#), *Fixing the Foundations: Creating a More Prosperous Nation*, followed in July. It amplifies the Budget through schemes to encourage inward investment and create a 'dynamic economy'. Among these are proposals for 'a modern transport system, with a secure future', 'reliable and low-carbon energy, at a price we can afford', 'planning freedoms and more houses to buy', 'resurgent cities, a rebalanced economy and a thriving Northern Powerhouse'. We'll analyse the other measures in later posts, but let's start with the Housing Bill.

### What's the Housing Bill trying to do?

Although it isn't entirely silent on the so-far-unmet challenge of providing homes for all who need them in the places where they're needed, its main emphasis is on ownership and even better opportunities for the construction industry. In other words, it's profits not people.

The Bill would [extend the Right to Buy](#) (RTB), at a discount of up to 70%, to a potential 1.3 million Housing Association tenants in England. To help fund this, local authorities would be required to dispose of their 'high-value' vacant council dwellings, raising an estimated £4.5 bn. They would then have to build replacement homes with the proceeds, and the surplus used to fund RTB. The government says that it would make up any difference.

But has the government got its sums right, and will what's proposed help solve the housing crisis? The National Housing Federation (NHF) which represents the UK's housing associations, says that the

RTB extension is 'not a genuine solution to our housing crisis'. It [calculates](#) that the scheme would cost around £11.2bn, if every eligible tenant in England took up the offer. The Institute for Fiscal Studies (IFS) [claims](#) it could cost 'billions of pounds' over the next parliament, and 'worsen the UK's underlying public finance position'. The government argues that by selling off these homes, and building one-for-one replacements, this will effectively double the available housing stock and raise the proportion of home-owners in England. The NHF observes, however, that since 2012, only 46% of RTB homes sold have been replaced, despite a requirement for councils to do so.

More to the point, very few Housing Associations in London – where pressures are greatest - think they can replace any at all, given the huge gap between the returns on discount sales and construction costs, plus the fact that their rent levels were frozen in the summer Budget. On top of this, [36% of RTB homes](#) in the capital are now owned by private landlords, whose income is boosted by housing benefit payments, thus draining public coffers. To compound the problem, news has recently emerged of [a doubling in RTB scams in London](#). The London Boroughs' Fraud Investigators' Group calculates that during 2014-15 at least 3% of RTB applications in the capital, worth approximately £23m, were fraudulent. Widening the scheme to a multiplicity of Housing Associations is likely to exacerbate matters.

How would the RTB extension relieve the burden of insufficient affordable homes in rural areas, which hits young people hardest and threatens the sustainability of many communities? The Council for the Protection of Rural England (CPRE) [estimates](#) that while around 20% of urban homes are 'affordable', this drops to around 8% in rural areas, due to higher building costs and issues of community engagement.

Most rural housing developments are small scale, but recently-adopted national planning rules mean that individual applications on sites for 10 or fewer dwellings don't need to provide for affordable homes. Over 465,000 social housing units in rural England have been sold since RTB began in the 1980s. The CPRE argues that the Housing Bill will make affordable homes scarcer still, through RTB sales and the bureaucratic hurdles involved in providing new affordable replacements. It has set out a package of policy solutions that are appropriate to rural communities.

Glastonbury Festival organiser Michael Eavis, who has previously gifted several acres of farmland to Housing Associations for affordable homes, has [condemned](#) the government's proposals. Foreseeing that these houses "would be sold off in no time to people from outside", thus defeating the whole purpose of the exercise, he's reluctant to donate any further land.

Then there's the legal argument. The Bill seems to be directing charities on how to use their assets: many Housing Associations have charitable status. Current law prohibits charities from disposing of assets for less than their full value for purposes that have a political or private, but not charitable, benefit. The NHF's CEO, David Orr, [says](#) that this measure "would be a fundamental re-writing of the agreement between government and civil society".

Hence, from many standpoints, the proposals offer little hope to the estimated [1.37 million households in England languishing on affordable housing waiting lists](#). And although the Budget and Productivity Plan reduce tax relief on the finance costs of Buy to Let landlords, the scale of this is

dwarfed by ongoing swingeing cuts to council budgets. Given their role as local housing, planning, social care and public health authorities, this will severely limit their ability, to provide not just decent social housing in their areas, but decent public services in general.

### **Another offer you can't refuse?**

The Housing Bill also promises to increase the supply of new starter homes, exclusively offered at a 20% discount to first-time buyers aged under 40. Additionally, it seeks to progress the Right to Build, giving self-builders the right to a plot from a council and access to a repayable fund. Last year, the Department for Communities and Local Government (DCLG) invited expressions of interest from councils willing to create and promote a register for custom builders and make suitable serviced plots available at market value. It selected 11 local authorities as [Right to Build Vanguard](#)s, with a view to extending the scheme across England.

This is nothing new. Previous administrations have tried to increase housing supply through self-builds and new homes sold on special terms to first-time buyers. In 2010, former Housing Minister Grant Shapps, a man much noted for his inventiveness, [launched a 'self-build revolution'](#), pledging that the proportion of such homes in England would grow from 10% to 25% by 2020. But in 2013, the government [blocked attempts](#) by shadow Communities Minister Hilary Benn to reveal progress with the initiative, claiming that they could not provide the information because to do so 'would prejudice the effective conduct of public affairs'. Benn appealed to the Information Commissioner, who ordered the figures to be released.

They showed that whereas in 2009 - under a Labour government and in the depths of recession - there had been 11,800 self-build starts, this had fallen to 10,400 in 2011. Worse still, the government claimed it didn't hold any statistics for 2012 - even though over five months had elapsed since the period covered by the data. Adding to the government's woes, the 2011-14 Get Britain Building programme, of which self-builds were a key element, and set a target of 16,000 new houses over three years, [delivered only 715 dwellings](#).

A commitment to 200,000 new starter homes by 2020 was a key plank in the 2015 [Conservative manifesto](#), and figured in the Queen's Speech, Budget and Productivity Plan. In theory, this aims to break the 'generation rent' culture, where more and more young people, not just in London and the South East, cannot raise a mortgage deposit. The numbers projected require an even bigger land allocation commitment from local authorities than is needed for Right to Build. It also needs changes to current planning regulations, including a presumption in favour of such development and exempting builders from paying a fee (known as a Section 106 agreement and/or Community Infrastructure Levy) to compensate for the development's environmental or infrastructure costs.

Proposed changes to the Localism Act would give communities preparing neighbourhood plans powers to allocate land for a variety of new home developments. The overwhelming tendency, however, is for such communities to seek lower development targets than those set by their local planning authorities.

A fundamental problem with the starter homes initiative remains one of affordability. As the Bureau of Investigative Journalism's Nick Matthews [points out](#), even a 20% discount places these properties

beyond the reach of most people on a £27,000 average wage. Matthews also offers a persuasive summary of why the housing market is in its current state, noting that councils are forced to spend huge sums for placing people in temporary accommodation, coupled with the forced exodus of homeless families out of Central London.

### **There are bigger issues at work**

An overriding factor is the stance of the building industry itself. Over the past decade, 60% of Britain's largest housing developers – including the Crown Estate and the Duchy of Cornwall - regularly failed to deliver the recommended number of affordable homes. As [Bob Colenutt](#) has shown, developers increasingly use what are known as *viability assessments* (outlined in the government's [National Planning Policy Framework](#)) to reduce their affordable housing obligations when applying for planning permission. There is no agreed methodology for these, and indeed the whole system is shrouded in secrecy. Developers ask councils to keep their commercial secrets and costs confidential, so the figures they use to justify reducing affordable homes are rarely disclosed, even to councillors. Freedom of Information requests from individuals and groups are routinely turned down.

Colenutt argues that viability assessments defeat the objectives of a fair and open planning system. They make developers' and landowners' individual circumstances a material consideration, putting finance above the planning merits of mixed development. The secretive assessments foster suspicions about relationships between local authority leaders and developers. Ultimately, they can undermine statutory local plan policies and indeed, the stated objectives of the embryonic Housing Bill. Not surprisingly, many community groups are calling for legislation to ensure greater transparency and the removal of viability assessments from national planning policy. The tone and content of the government's emerging agenda, however, make this unlikely.

The Conservative Manifesto, Queen's Speech, Budget and Productivity Plan all speak the language of power and productivity. They are replete with terms like *ambition*, *hard-working families*, *world-beating productivity*, and *driving the next phase of growth* – with outcomes to be *delivered with urgency and pace*. They tell us that we must be *bold enough as a country to take the difficult decisions required to deliver this whole-heartedly*. Long-cherished concepts central to localism, such as sustainability, reciprocity and social wellbeing, if referred to at all, appear as mere afterthoughts to the greater end of productivity.

But difficult decisions, because they're difficult, are all the more likely to be *wrong* decisions, and it surely follows that they should be based on an extensive and unimpeachable body of evidence. As we've amply demonstrated in this piece and [previously](#), evidence-based policy isn't the government's house style.

As a foretaste of what's likely to come, St Johns and Trinity Islands, a £1 bn development project in the heart of Manchester, has just been launched. It will comprise an arts centre, hotels, parks and 3,000 flats. Of the £110 m funding for the proposed arts centre, to be named The Factory, George Osborne has pledged £78 m. Local taxpayers must find the remainder. Metro-mayor-in-waiting Sir Richard Leese, [proudly told](#) The Guardian: "It will be a new cultural institution, the like of which doesn't really exist anywhere else in the world, never mind the county."

A spokesman for the developer, Allied London, said that the flats, to be located on 'peripheral and difficult sites', would "appeal to the mass market" over the next eight to ten years. None, however, will be available for rent as social housing. While saying that the scheme would make the area self-sustainable and include 'significant affordable housing', Council Chief Executive Sir Howard Bernstein wouldn't clarify what this meant, apart from wanting the council to give young people 'stepping stones' on the housing ladder. Asked whether Manchester risked becoming like London, where only the rich can live in the centre, Bernstein retorted: "Bollocks." Readers are invited to make their own inference: LocalismWatch already has.

The Housing Bill is due to be presented before Parliament in the autumn. We'll do our best to keep you updated.

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