



Briefing 15/2

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The Lyons Housing Review - Mobilising across the nation to build the homes our children need

To: English contacts

For information – Contacts in Scotland, Wales and Northern Ireland

Key issues

Need for concerted government action to encourage a step change in the building of new homes.

Biggest constraint is the shortage of land made available for building

The importance of creating attractive places and housing for all cannot be ignored.

1. Introduction

The Lyons Review is from the Housing Commission for England set up by Ed Miliband to inform Labour Party policy and it can be found [here](#).

2. The Report

The report takes as its starting point the fact that more homes are needed and that we face the biggest housing crisis in a generation with too few houses having been built over decades. It notes that at least 243,000 homes a year are needed to keep up with the number of new households being formed, whilst last year only 109,000 were built with an average of only 137,000 homes a year over the last ten years. The report states that without a change it is predicted that England will be short of up to two million homes by 2020.

It highlights consequences such as further increases in house prices and rents continuing to rise faster than earnings, millions of working people unable to afford the homes they want, and their children and grandchildren facing the fear of never being able to afford the homes they need, alongside volatility in the national economy and damage to the prospects for growth by reducing labour mobility and undermining the ability of our towns and cities to attract new businesses.

2.1 Why we don't build enough houses - The report notes two major causes of the crisis. First, that there is not enough land being brought forward for new homes and that this artificial scarcity of land for housing has created distortion in the land market, limiting the rate at which new homes are built and incentivising the acquisition and trading of land.

Secondly, it notes that the nation's capacity to build homes has shrunk drastically highlighting that fifty years ago, the public and private sectors between them built over three hundred thousand homes a year, whereas now, reliance is on just a small number of volume house builders and as a result far fewer homes are built. It also points to changes in the industry noting that during the 1980s there were on average 10,000 active SME builders (those building 500 units or less) delivering around 57 per cent of all output compared with 2013 when there were only around 2,800 active small builders producing 27 per cent of all new homes. For much of the period between 1948 and 1978, local authorities were responsible for building more than 90,000 homes a year

whereas last year it was just 1,000 homes. Housing Associations have played a crucial role, building on average 18,800 new homes per year between 1978 and 2013, but this is only a fraction of what the public sector built in the post war era.

2.2 A roadmap to tackle the housing crisis - The report sets out a roadmap to tackle these underlying issues and increase house building to at least 200,000 homes a year by 2020. It highlights the need to focus on ensuring that both the public and private sectors develop the capacity they need to meet targets; to build high quality homes that people want to live in, in places that will thrive, where communities can prosper and where the environment is protected for future generations; and providing more choice and affordability too by building more of all tenures.

The report promotes an approach which seeks to refocus public and private investment for the longer term, making better use of land and assets and encouraging a longer term equity stake in development to provide a return for investment; and highlight priorities for future investment when this becomes possible. Public expenditure is a matter for the next government but housing must be a key priority for capital expenditure in the next Parliament.

The nature of need in different areas of the country is noted as well as the fact that there is no area in the country that does not face the challenge of providing homes for its children noting that every community must accept the challenge and they must have a stronger say locally so they can make sure the new homes really do meet the needs of local people, are in the places they want to see them built and deliver benefits to the wider community.

2.3 National leadership and a focus on delivery – one of the main themes of the report is that the Government must provide long term political leadership by making housing a national priority.

Decisions about how and where new homes should be built should be taken locally by local authorities and their communities with the tools, flexibilities and devolution of funding needed but on the basis of clear commitments that housing need will be met. Current funding programmes for housing should be consolidated and devolved to local authorities in city and county regions.

2.4 Making more land available for housing in the right places and ensuring that it is developed – the report states that constraints on the supply of land do more than limit the number of building plots available, they also encourage a business model for developers that limits the rate at which those plots are then built out.

The focus should be on councils to identify sufficient land for new homes in local plans with strengthened ability to do so alongside a requirement to plan across boundaries to meet needs in a housing market area. The report also advocates stronger partnership working through the planning system, timely response to planning conditions and full cost recovery to ensure planning is properly funded.

Councils should also have “use it or lose it” powers to incentivise faster development, giving them the ability to levy council tax on plots allocated for housing in plans where homes are not built within reasonable timescales as if the houses had been built, and to compulsorily purchase such land where necessary. The report also recommends shortening the life of planning permissions and creating greater transparency in the land market to make it clear not only who owns what land, but also to make public which developers have taken out options on land with the potential for new homes. This openness will help communities to ensure that where they have made land available for the homes they need, these homes get built.

2.5 Giving communities the power they need to shape the places in which they live and deliver the homes they need – communities, through local councillors, should make the decisions about how places grow and the report recommends that local authorities play a much more energetic role in leading housing development for their communities. They should be provided with greater powers to bring forward developments working with partners, through Housing Growth Areas, giving councils the ability to act as lead developers on behalf of their communities, with greater control over: where the homes should go; the speed of development; the design and quality of schemes; and the specification of a greater mix of tenures so that they can attract a wider range of house builders into the market. The creation of a generation of New Homes Corporations, led by local authorities, to bring together private developers, Housing Associations, and investment partners to use powers

and funding to deliver the new homes, with clear and accountable outcomes to local communities is also recommended.

2.6 A bigger and more diverse house building industry - Action is needed to support the house building industry the report notes, to encourage the volume house builders, provide policy stability and a supply of land supported by planning reforms, alongside more risk sharing and working with the public sector. To revive the SME sector, a package of support, in particular reducing the cost and risk of making an application on a small site and providing access to government guarantees for bank finance is needed. Encouragement of a wider range of organisations commissioning and developing housing as well as support for self and custom build and community led housing initiatives is also suggested.

The report also states that external capacity constraints must be addressed, especially in the supply chain for skilled labour and opportunities for greater use of off-site build technologies.

2.7 Housing for all – the need to address choice is included. It states that a choice of homes is needed to reflect people’s ability to pay and the different stages in their lives; to help people secure their own home through much more attractive shared ownership schemes, as well as more quality homes to rent; housing for an ageing population must also be a priority, with more market choice for those wishing to downsize so as to free up larger family homes; with more done to provide homes for social and affordable rent for those on the lowest incomes and the most vulnerable.

Affordable housing must be a priority for taxpayer funding as the fiscal position improves over time whilst housing associations will need to adapt to a tougher climate for public subsidy and find alternative means of unlocking investment capacity.

The report states that councils can and should return to a significant role in commissioning and building social housing, partly through New Homes Corporations; by sharing risks in partnerships with developers; and also through active asset management and new models like local housing companies. It will also be necessary to look at better use of the Housing Revenue Account for councils, where they can demonstrate a clear investment plan, with active management of the overall borrowing headroom by the Treasury.

2.8 Garden Cities and Garden Suburbs – the report notes that it clearly makes sense to build on brownfield land where possible and the brownfield first policy should be strengthened, but that building Garden Cities, Garden Suburbs and reshaping and expanding existing towns will be essential to meeting housing need over the medium to long-term. As such the next government should immediately initiate such a programme so that local authorities can come forward with proposals.

2.9 Funding infrastructure – addressing the problem that the current system doesn’t produce enough funding for relevant infrastructure which then leads to conflict between councils and developers and holds up both planning decisions and building is also highlighted. The fundamental problem of failure to effectively capture the increase in the value of land which is created by the community’s decision to release it for building needs solving. The report proposes amongst other things the separate negotiation of development gain on large sites and greater use of contracts to assist land assembly and development partnerships, reformed compulsory purchase order powers to incentivise landowners to invest in land partnerships and targeted public investment with the attraction of greater private sector investment in homes and infrastructure.

2.10 Design and the environment – based on the notion that new housing requires public support and that it should improve the quality of people’s lives, good design, informed by an understanding of what makes homes environmentally sustainable, is considered indispensable. The report also promotes entrenching better design through better planning and greater focus on the quality of place. A commitment to good design would be reinforced by adopting the zero-carbon standard, setting minimum space standards for new build and streamlining housing standards.

3. The roadmap

The report provides a roadmap for the next government stating actions which should be taken on day 1 such as establishing home building as a clear priority with an ambition to get at least 200,000 homes built a year by

2020. In the first 50 days, to create a Housing Observatory as a single repository for key data, forecasts and analysis on housing to assist policy making as well as re-tasking the HCA in particular to support locally determined housing development with skills and institutional investment. In the first Queen's Speech, amongst other actions, to introduce powers for Housing Growth Areas and New Homes Corporations, update New Town legislation for a new generation of Garden City Development Corporations.

The Chancellor's First Budget statement should include confirmation of the consolidation of housing funding streams into the economic development fund to be devolved to city and county regions and clarify the amount available and confirm support for a new programme of New Homes Corporations. Within the first 100 days the new government should publish clear guidance on expectations for timescales for the completion of local plans, their subsequent monitoring and the circumstances in which a formal Strategic Housing Market Plan will be required together with sanctions if requirements are not met and publish guidance on the release of surplus public land.

Further points on the roadmap include a coherent strategy for housing policy and actions to be followed over the life of the Government and actions to confirm progress with Garden City developments and New Homes Corporations, alongside a national spatial assessment to result in guidance as part of the NPPF to inform local plans and major developments and ensure national infrastructure decisions are linked to opportunities to build more homes.

4. Recommendations

The report's recommendations cover a wide range of topics in detail and include the following – Housing as a priority for Government; ensuring Government is focused on delivering more homes; certainty of measures to support housing demand; guarantees to support housing supply; increasing land for housing through Local Plans; ensuring local access to new homes; transparency in the land market; Compulsory Purchase Orders; better use of public land; skills in the house building industry; a bigger role for manufacturing in the creation of new homes; ensuring quality and design standards; Zero Carbon Homes; more quality homes for market rent; and housing for older people.

5. APSE comment

The report is a comprehensive study into the range of factors influencing supply and demand for housing and is welcome in order to push the topic higher up the political agenda, highlight the gap between need and supply and ensure it retains a profile as the election nears.

Three factors emerge clearly from this and a range of other studies on meeting housing demand – it is a very complicated business; it cannot be left to the market; and local authorities, and the wider public sector, have a key role to play.

Part of the problem is that the house building sector is viewed as just that – a single sector – when in reality is made up of many different elements, all subject to their own varied limitations and external factors. Examples commonly quoted from a very long list (and some repeated in this report) include the shortage of people with appropriate technical and craft skills; an unwillingness to invest in new construction techniques; the issue of identifying the increase in the value of land which is created by planning permission; the current shortage of bricks; and even the vagaries of the weather. These are major topics in themselves and the fact that they are often grouped together can cause complication.

The scale of the larger house builders means they are more able to ride out some of these problems, have greater influence amongst suppliers and in the market for land. They are a different animal to the SMEs that the report refers to and there is common agreement about the need to support smaller builders and so expand the number of companies able to build homes.

The mix of different organisations within the sector is a further complication and includes, amongst others, finance providers, land owners, a range of professions, government agencies, local authorities, estate agents, housing associations and many private suppliers each looking to maximise their profit.

The report calls for an expansion in the type of organisation looking to commission homes and mentions supermarkets and churches. If such an expansion became reality it would indeed be welcomed. APSE has long argued that the scale of the problem the nation faces is such that it cannot be delivered by the arrangements currently in place. Houses being commissioned by organisations that would not normally do so will result in even greater pressure on builders and the capacity of the sector cannot expand overnight. Such demand may lead to an expansion in the number of building companies in the longer term but not immediately. Meanwhile shortages of materials, skills, plant and equipment will still be limiting factors, whoever commissions the properties.

Although the complicated nature of the problem is not used as an excuse to address the problem in this report, it could be argued that some consider it as a reason for not recommending radical approaches. For example, the report states that 243,000 houses are needed every year to keep up with the formation of new households yet the report consistently refers to a target of 200,000 homes, significantly below the number needed. Providing a sufficient number of homes to meet demand is a tough and complicated nut to crack but it will not be solved by aiming for a lower target than is needed nor by tinkering with existing arrangements. Radical new ideas and approaches are required and they should be encouraged.

The fact that the market is unable to provide the number of homes the nation needs is recognised in this document. It acknowledges that private house building sector is vital if the target of 243,000 homes per year is to be met but that other sectors are needed too. Never in recent history has the private sector been able to provide the number of homes needed and it should not be expected to do so now. If the suppliers cannot provide an adequate number of homes, clearly the market will not function properly. This also highlighted in the report with references to for example, high current purchase and rental costs, land banking and the potential inability of future generations to buy the home they want. The market successfully provides a large majority of homes but if profit depends upon scarcity then it will never provide all the units demanded. This needs to be accepted and we need to look elsewhere for a solution.

The solution must come from the public sector. This is recognised in the report with a number of recommendations promoting new public sector agencies, extra powers and legislation and as well as interventions such as changes to the planning system, financial support for the private sector and design and environmental standards. There is a case for significant investment in publicly funded housing led by local authorities. The impact in terms of bringing stability to house builders, generating jobs, feeding the supply chain and boosting the economy is massive alongside the impact of providing homes for those who desperately want to buy or who are desperately in need of social housing. The report reiterates the role of local authorities as leaders of their localities and the role they have in making decisions for the good of local citizens and businesses. There can be no doubt that those who are making decisions to build new council houses and encourage the private sector to build, would do more if they had access to the funds to do so. They are an example to those who have yet to take a more active role in increasing supply – as the report notes ‘Every one of these communities must accept this challenge’.

The recommendations referring to local authority powers to support land assembly in Housing Growth Areas and set up New Housing Corporations as well as encouragement for all councils to submit a local plan by December 2016 are welcome and they reflect the central role local authorities have in meeting demand. They are able to make a substantial contribution not only through undertaking their strategic role across their authority but to commission and, resources permitting, build homes themselves. They were successful large scale house builders through the 1960s and 1970s and proved then that with the right financial and political backing they could build many homes and manage them effectively.

The role of local authorities needs to be greater, wider, more forward thinking, effective for longer and more radical. The gap between supply and demand is a problem which has not developed overnight and will not be solved overnight. It is highly likely that we will be talking in the same terms in 10 years’ time unless we approach the problem in significantly different ways than we do today. If it is a major problem now, then without the kind of ideas that may have appeared taboo in the past, we know it will remain so in future, just as we know it is too important to ignore.

The recommendations for Home Growth Areas (giving local authorities greater powers to bring forward developments in those areas) and New Housing Corporations (acting as delivery agents with powers for a

stronger role in land assembly) are area based with powers outside of existing arrangements. Yet the problem of a lack of supply is not a problem limited to specific areas. Why allocate powers selectively when the problem is not limited geographically? If the solution is appropriate for one area it is appropriate for all.

The traditional approaches do not reflect the whole in terms of potential solutions. All tenures, all sizes, all providers especially self-build are needed to meet demand. New ways of thinking about land ownership, finance for large and small developments, investment in research and development of materials and building techniques and the types of organisation commissioning and supporting homes are needed to make the whole process leading to homes being built becoming easier, quicker, more accessible and more local.

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