Preface

Given the gravity of the situation we find ourselves in, housing's fundamental social and economic role and transformative capacity to drive change and growth assumes even greater significance. What was already a radical and exciting agenda for housing in the aftermath of last December's general election result now becomes a pivotal 'win or lose' moment for national renewal.

This paper sets out - alongside Localis' own suggestions - twenty separate views from individual experts and a wide range of organisations as to how we use the primacy of place to direct a return to housing growth and with it renewal. I am very grateful to each of our contributors for their consideration in finding the time to put pen to paper during the midst of this crisis to map innovative and pragmatic approaches. Especial thanks to Richard Fitzgerald for his technical assistance and mastery of housing statistics.

As such, this is a collection of individual essays which should not be assumed to be the views of any other. Each separate essay should be read and understood in its own light as offering deep understanding and practical solutions to unlocking some of the many complex problems which the COVID-19 response currently poses to housing.

As a collection, however, these essays offer both deep experience and firm understanding of the unprecedented situation we are living through. The essays also present means that are both astute and creative yet rooted in reality for escaping the short to medium term difficulties and improving on what was before - or to take the phrase of the moment 'Build Back Better'.

This paper is divided into four principal parts

- **Part A:** The role of housing in promoting opportunity and prosperity for all
- **Part B:** The role of investment in place in leading renewal
- **Part C:** The role of housing in supporting the most vulnerable and engaging with society
- **Part D:** The role of planning in creating successful and sustainable communities.

Jonathan Werran, Chief Executive, Localis

Localis Analysis: kickstarting housing delivery post-COVID-19

Paul Carter CBE
Chairman, Localis C19 Housebuilding Commission

In recent years, the number of new homes built in the UK has increased dramatically as successive governments have placed a high political priority on "the right to a good home". Nevertheless, we continue to play housing catch-up as numbers of new homes built have not kept up with demand as a consequence of the significant rise in the UK's population, alongside major changes in the country's demography.

As a local government leader/senior councillor for many years, and with a lifelong career as a housebuilder, I have experienced at first hand significant economic recessions: the stockmarket collapse of 1987; the 9/11 tragedy of 2001 and the banking crisis of 2008. All had an immediate impact on the housebuilding industry and saw delivery numbers fall dramatically. We are now undoubtedly facing a worldwide recession post-COVID-19 of greater severity than anything previously experienced. However, the pent-up demand and need for more new homes to be built will not abate.

In the endeavour to support the Government's response to this national challenge and adding to the recent series of Localis papers on housing, as a longstanding Board Member, I commissioned a further report seeking answers to the question:

"What measures could the Government put in place post-lockdown that would create an environment conducive to building more homes, enable the housebuilding industry to get back to work, help deliver the Government's target of one million new homes by 2025 and continue to provide and grow employment for the 2 million people employed in this important part of the national economy?"

I invited leading contributors from all sections of the housebuilding industry representing businesses and organisations big and small to address this question through a series of essays. Each was asked to present their own individual and innovative views on what measures they considered necessary to be put in place by the Government to avoid a housing recession and consequent job losses.

Before drawing out a summary of the key recommendations from the essays, it is important to remind ourselves of some of the fundamental housing data.

The economic impact of housing

The construction industry provides close to 2 million jobs or 7%[1] of the national jobs total. With an output multiplier of 2.049, the third highest of any sector in the UK economy, every £1 invested in the industry generates over £2 in the wider economy[2].

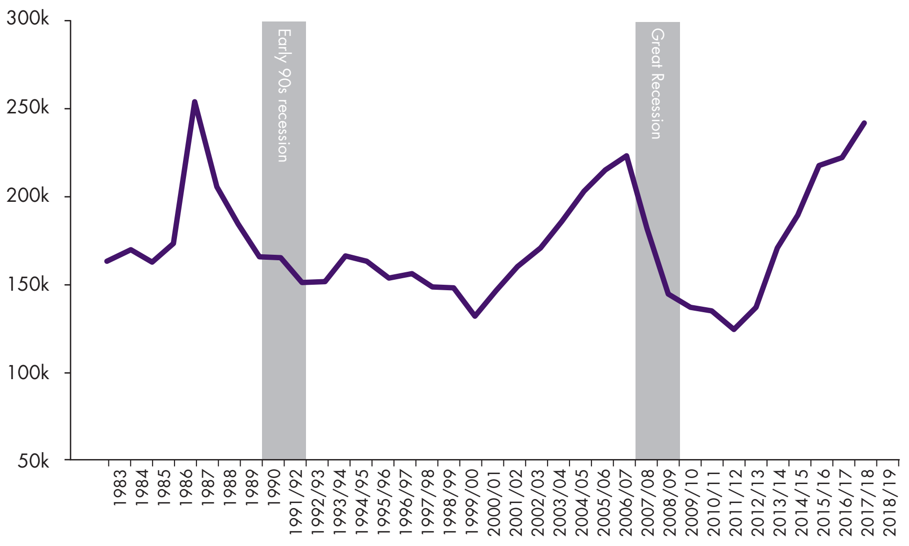
New house building delivered £47bn of output in 2019 of which 60% was delivered by smaller enterprises employing less than 100 people[3]. When the construction industry is building, the country is working.

Recessions hit hard and long

Over several years, the Government has acted in good faith and has increased housebuilding to levels last seen in the 1960s, reaching 241,335 net new dwellings[4] in 2018/19. But recent recessions show the economic impact of COVID-19 could hit hard.

Following the early nineties recession, housebuilding fell to around 150,000 net new dwellings a year and remained at this level for a decade, before construction began to steadily increase - reaching above 200,000 a year by 2006. The "Great Recession" of 2008/09 then brought housebuilding back down to below 150,000 a year in 2010 and it was another eight years before dwelling completions again achieved a level above 200,000 a year.

Figure 1: Recessions and housebuilding: annual increase in England's dwelling stock



Source: MHCLG Live Tables

1 ONS, Annual Population Survey

2 ONS, Input-output analytical tables

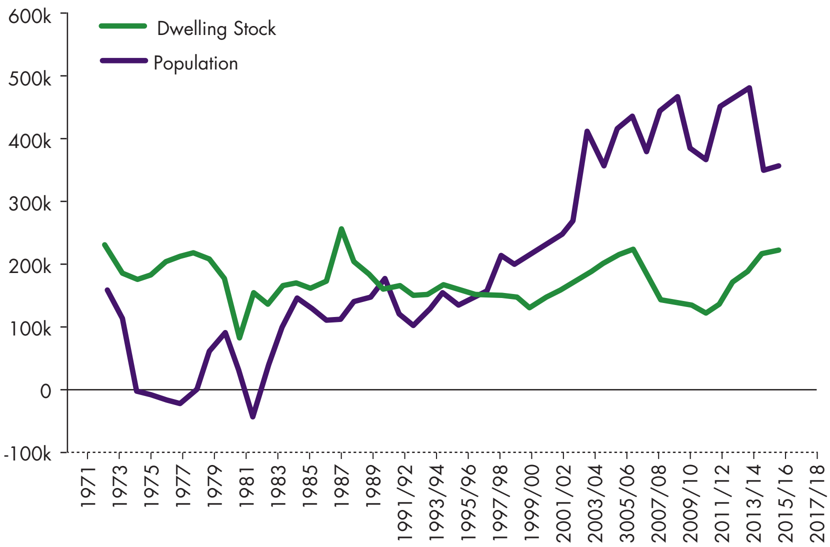
3 ONS, Output in the construction industry

4 MHCLG Live tables, Table 104

Housing demand remains high and national ambitions are still to be delivered

COVID-19 will not affect the underlying figures. Demand based on historic population and household growth simply outstrips supply. Local authority housing lists remain long, and new homelessness responsibilities place further pressure on councils.

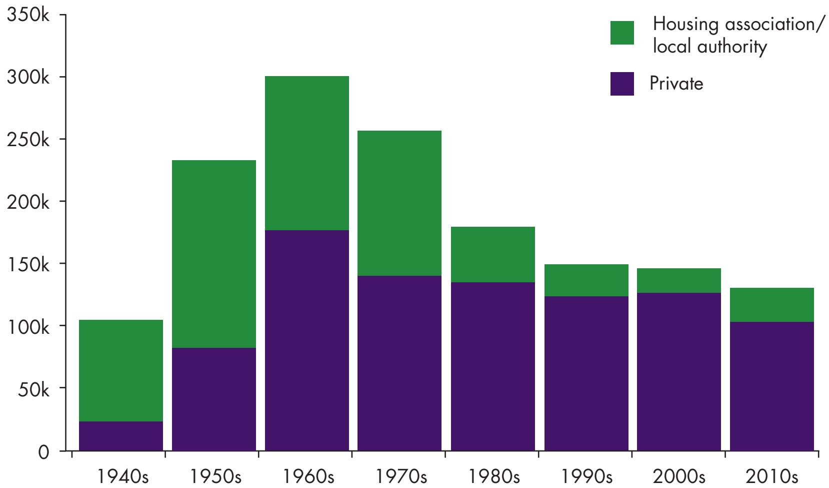
Figure 2: Comparison of dwelling stock and population increase, England 1971-2018



Source: MHCLG Live Tables/ONS mid-year estimates

National ambitions remain high, but an average of 300,000 new dwellings a year was only achieved in the 1960s with a significant public sector contribution. Reliance on the private sector has grown significantly, but it has never been able to maintain an average new build rate above 200,000 a year in any decade since 1945.

Figure 3: Annual average number of new build dwellings per decade, 1945-2019



Source: MHCLG Live Tables

Home ownership has fallen

A direct consequence has been home ownership. Over the last fifteen years, nearly half the gains in home ownership in the period since 1979 have been lost, with home ownership levels now at 63.8%, down from 69.1% in 2004 and compared to 57.3% in 1979. For those aged 20 to 24 the chances of setting up their own household and owning their home are about 2%.

A potential recession brings a further problem. While house prices fell during the last two recessions leading to negative equity for some, at the same time re-possessions peaked as people fell into arrears with mortgage payments.

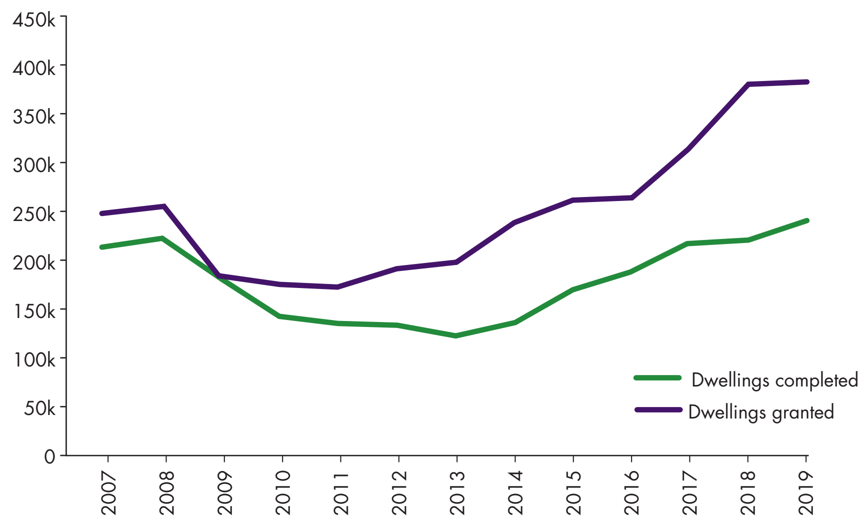
Planning and infrastructure go together

The capital investment in infrastructure in the main lags behind housing delivery on the ground, exacerbated over the last 10 years of austerity. As a consequence, the necessary transport and community facilities have not been provided around new communities.

Elsewhere, planning permissions have been granted, local community and political capital has been spent, but houses stubbornly refuse to come out of the ground. In many cases, the answer again is the need for timely infrastructure investment and viability.

While housebuilding delivery is rising, the gap between the number of units granted planning permission each year and the number of completed dwellings continues to widen.

Figure 4: Dwelling units: planning vs. completions



Source: MHCLG Live Tables and Glenigan dataset

In the last five years the annual number of units with planning permission has increased from 261,900 to 384,700 and yet today annual completions remain below 250,000 units. In the last decade 2.6 million units have had planning permission granted but only 1.7

million have been completed over the same time period.

Viability and development finance continues to be an issue, with infrastructure delayed, viability threatened and housing stalled. With post-COVID-19 house prices forecast to fall this situation will be further exacerbated. However, land values have continued to rise and land owners have enjoyed massive multiples in land values following receipt of residential zoning in Local Plans. The opportunity to raise a significant levy/tax on this gain could potentially harvest in excess of an additional £4bn per year.

Figure 5: Landowner gains calculation

	£ per acre (agricultural)	£ per acre (landowner sells to developer)	Landowner gains (multiple)
North East	9,047	327,424	**40.6**
North West	9,047	447,072	**53.8**
Yorkshire and The Humber	9,047	473,860	**56.8**
East Midlands	9,047	387,480	**47.3**
West Midlands	9,047	510,204	**60.8**
East of England	9,047	1,111,886	**127.3**
London	9,047	10,152,811	**1,126.7**
South East	9,047	1,582,949	**179.4**
South West	9,047	717,419	**83.7**
England	9,047	1,405,068	**159.7**

Note: potential current windfall gains, which landowner may realise, depending on actual price paid by developer. At price shown developer can pay currently required contributions to local authorities for infrastructure, build houses and make profit (VOA estimate of values) and bear the costs of obtaining planning permission. National average agricultural land used, but there is not major variation by region in average agricultural land value.

Building for Britain's Recovery

The figures are thought provoking and the challenge facing the national housebuilding industry is very real. However, in Britain, we have a housing and construction industry to be proud of. With a receptive Government prepared to change and adapt to the new world post-COVID, the

Government's housing target for 2020-2025 can still be achieved.

Summarising the vast array of innovation, ideas and recommendations in the essays is a Herculean task and I apologise for any omissions in the summary.

Government led support: liquidity and spatial planning

- Extend the Help to Buy scheme for a further two years.
- Increase the capital allocations to Homes England to support viability on stalled and brownfield sites. Conditional upon housing delivery to defined timelines. Increase allocations to Homes England for more affordable homes.
- Review CIL/s106 regulations – explore Land Value Capture on all new sites allocated in developing Local Plans.
- Reintroduce Spatial Planning powers across a broader geography setting out infrastructure needs and identify funding sources for delivery. Note the 'Duty to Co-operate' has failed to deliver.
- Incentivize Modern Methods of Construction (MMC) – support demand pipeline.
- Rationalise and speed up the allocation of government grants (e.g. Housing Infrastructure Fund, Single Housing Infrastructure Fund etc) – to streamline the current system which is marked by excessive fragmentation and delay.
- Extend support to SME builders through the expansion of the 'Housing Growth Partnership scheme' supported by Lloyds Bank and Homes England.

Local authorities: freedoms, flexibilities and capacity

- As a result of COVID-19 disruption, extend all existing planning consents for a further year.
- Planning authorities to be flexible on the tenure mix of developments - to meet different demands post-COVID, particularly to promote first homes, extra care housing etc.
- Planning authorities to be flexible on the timing of existing s106 payments and conditions – flexibility conditional on accelerating housing delivery over a defined timeline.
- Infrastructure investment to be provided in advance of housing delivery wherever possible. Strategic authorities to be supported to forward fund or provide gap funding. Government to reintroduce a new local government Capital Supported Borrowing Scheme (intimated to be introduced in the recent fair funding review of local government).
- Higher priority to be given to Key Worker Housing both on housing waiting lists and through the introduction of the First Homes initiative.

- Red tape and bureaucracy to be reduced in both planning and building regulation compliance - utilising digitisation to the full.
- An acceptance that planning departments are underfunded. Could local authorities be allowed to increase planning fees accordingly to deliver a slicker and faster planning service?
- Planning presumption for SMEs in favour of development for sites of less than 50 homes.

Developers and market-makers: certainty, risk-sharing and engagement

- Stronger partnerships to be established between local government, housing associations, housing providers and Homes England, encouraging risk sharing with housing providers of all types with local authority housing companies and Homes England.
- At least five year certainty to be given to housing association agreements over rental levels (Local Housing Allowance) to enable providers to demonstrate a stable and sound business exists to facilitate future funding and housing growth.
- Should property prices fall, loan to value ratios change restricting ability to borrow as banks reduce their appetite to lend to housebuilders and similarly with mortgages for homebuyers. Solutions need to be found.
- Extend mortgage lending period for those under 40-years of age by five years.
- Reduce Stamp Duty paid for a limited period to stimulate sales and demand.
- General support for the Government's 'First Homes' initiative.
- Incentivise institutional and pension fund investment including self-invested personal pensions (SIPPs) in Buy-to-Let on conditional three to four-year assured shorthold tenancies.
- "Master developers" to embrace contract between developer, community and councils, with greater co-creation in plan design to release social value and promote placemaking.
- National conversation to be introduced on the importance of good planning. What is wanted by communities? What good planning can achieve to help influence the society they would like to see created.
- Planning focused on people rather than just houses.

Additional suggestions from Localis

- Government/Treasury to review the taxation/levy on windfall planning gains on greenfield sites.
- Government to review the Land Compensation Act 1961 - no longer fit for purpose.

- To aid and abet land assembly by local authorities specifically for new towns/new villages CPO powers should be reviewed.
- Reboot the 'One Public Estate Initiative', too much redundant public land remains undeveloped which could provide a significant number of new homes, with strict penalties for non-compliance.

I believe these essays and their insightful recommendations are a major and timely contribution on how we can get Britain building again and for which I thank contributors. We must avoid at all possible cost a housing recession. To achieve this innovative funding mechanisms will need to be found. Fundamentally, we need to put the communities first and establish new and stronger relationships between local government, developers and other public agencies working with a Government which puts housing high in its order of priorities as it was so eloquently put by Elizabeth Froude from Platform Housing, '*The fundamental basis of a healthy and successful life is a safe and secure home*'.

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