

g15 housing white paper consultation response

Introduction

The g15 is grateful to be given the opportunity to offer its perspective on the recent housing white paper.

We are glad the Department recognises housing associations' recent contribution to delivering new homes. As the Paper points out, our sector was responsible for around a third of all new housing completed over the past five years, including homes for sub-market rent, extra care and low-cost home ownership, and is well-placed to deliver more with the right support.

The white paper includes several announcements which will enhance the sector's development capacity. Its commitment to consulting on a new rent settlement is particularly encouraging. As is its move away from an exclusive focus on home ownership towards a wider development vision including Affordable Rent.

However, some issues remain if Government is to fully unlock the sector's development potential. Housing associations are eager to become strategic delivery partners of Government and are determined to work in partnership with the Department for Communities and Local Government (DCLG) and other departments to maximise our contribution. We have, therefore, listed twelve recommendations for Government to enable housing associations to build more homes.

Most of all we need a reliable supply of land and a long-term rent settlement, which cannot be unwound by Government.

Our offer

Our offer is to exploit the measures announced in the white paper to build substantially more homes. The g15 has already identified the capacity in our organisations to deliver around 180,000 new homes in the period to 2025, provided we're able to work with partners to create the conditions for increased housing supply. This will require investment of £50 billion over ten years. This means credit rating agencies and lenders must have confidence in the security of our future rental revenue streams.

We will also seek to become more efficient. Housing associations have taken a number of steps to drive up efficiency including merging, reducing operating costs, encouraging use of online services and increasing their exposure to commercial activities to create cross-subsidy. But we are aware the sector can do more. Along with over 240 other associations, we have signed up to a sector scorecard pilot intended to benchmark and further drive efficiency.

Our recommendations

We have listed twelve recommendations covering the entirety of the White Paper.

On rent setting...

1. ***Work with the sector to develop a new approach to rent setting.*** Housing association boards should have freedom to set their own rents. Devolving responsibility for rent setting to housing associations would allow the sector to more effectively address local housing need and affordability. Failing that, Government should return to the original CPI + 1% formula.

Housing associations need certainty over their rental income in order to invest in building new homes. For every £1 invested by Government, the g15 invests another £6 from its own resources. Our future plans therefore hinge on the confidence of private investors and rating agencies. A long-term rent settlement would increase confidence and significantly increase the number of homes the sector is able to deliver.

Our output is particularly sensitive to rent rise formulas. If Government committed to CPI + 1% rather than CPI flat, the g15 could potentially generate sufficient additional financial capacity to develop approximately 10% more homes per annum. That would equate to approximately 10,000 more homes over a 10 year period, or 50,000 more homes over a 30 year period, above existing plans.

On land...

2. ***Take a more interventionist approach to accelerate the release of surplus public land.*** Land is the single most significant challenge to ramping up our development programmes and achieving our 180,000 home ambition. A long-term commitment to land supply offering a ten-year pipeline of clean, serviced, and consented land would give housing associations the confidence needed to invest in building new homes.
3. ***Develop a new national land strategy*** outlining the different contributions to be made from brownfield sites, surplus public land and urban densification. We need a long-term target for new home delivery, perhaps three million over ten years, and a more joined-up approach to bring forward a sufficient amount of land.
4. ***Conduct a sensitive reappraisal of Green Belt designation.*** Green Belts are heterogeneous areas comprising Areas of Outstanding Natural Beauty alongside previously-developed land. Yet the protections afforded to them are universal. A review of the Green Belt based on clear criteria would preserve protections for valuable land, whilst also enabling a more rational response to local housing needs.
5. ***Offer more incentives for public landowners to release surplus land at discounted prices.*** Government might consider enabling public land owners to keep

some or all of the receipts from sale (with a requirement they are recycled into investment for the public good) instead of these going to the Treasury.

On construction skills...

6. **Provide leadership and funding to address a lack of capacity in the construction industry.** The white paper features several positive announcements on land and planning, but there is little mention of the construction industry. For a truly joined-up approach, Government needs to address the emerging skills and labour shortage, which threatens to limit the rate of new home delivery. The g15 is eager to play its part. In building 180,000 new homes we'll be able to secure apprenticeships through large scale procurement and help significant numbers of people into jobs. Some g15 members are taking innovative steps to tackle the construction skills shortage head on. One has ambitions to open a training academy to encourage training and employment opportunities in the construction and house building sector. Many of the g15 already facilitate apprenticeship programmes. But Government needs to take a strategic approach to develop the construction industry. We would welcome further discussion to explore how construction and housing can contribute to Government's Industrial Strategy.

On reducing spend on housing benefit...

7. **Redress the balance between demand- and supply-side subsidy** to maximise the supply of sub-market rented homes. We welcome relaxations on the types of homes funded through the 2016/21 Affordable Homes Programme. The fewer restrictions on funding, the more homes housing associations are able to deliver. However, there is still no grant funding available for homes at social rent. This contrasts to the situation in London where the Mayor is offering grant funding for a new "London Affordable Rent" product approximating social rent. Offering grant for new homes at social rent is the long-term solution to reducing the housing benefit bill.

On planning...

8. **Streamline the planning system to increase the rate at which new development is approved.** Our experience of the planning system is it can be bureaucratic, slow and inadequately resourced. It is not unusual for it to take over three years to get a workable consent on large sites. Promises to increase funding for planning departments and recruit and retain the best planners are especially welcome.
9. **Strengthen the transparency of viability assessments.** Section 106 agreements are routinely flaunted by private developers with planners sometimes unable to challenge the underlying accounting assumptions. Increasing scrutiny and transparency would increase the amount of affordable housing delivered through planning gain.
10. **Consider replicating the GLA's threshold approach to s106 nationally.** The Greater London Authority is consulting on a threshold approach to viability, whereby developers promising at least 35% affordable homes will not have to submit their

viability assessments for scrutiny. We suggest Government monitors the proposal closely with a view to rolling an equivalent approach out nationally.

On supported housing funding...

11. **Introduce dedicated LHA caps for extra care homes and pay costs through Universal Credit.** Dedicated caps would ensure providers are disciplined in controlling their operating costs, while recognising extra care requires a higher service charge to cover essential costs.

On efficiency...

12. **Offer the sector certainty over its future rental income.** Housing associations have taken a number of steps to drive up efficiency including merging, reducing operating costs and developing a new sector scorecard. Government can help by offering rent freedoms or a long-term rent settlement with rents rising at CPI + 1%.