Reset, Recharge, Deliver: A Budget for Housing

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Reset, Recharge, Deliver: A Budget for Housing
A 12 point plan for solving Britain's Housing Crisis

Foreword by Sir Steve Bullock DL
Chair of the Housing & Finance Institute

The Housing & Finance Institute plays a significant role in accelerating housing delivery – from policy change to preparing councils to be 'Housing Business Ready' through practical workshops and training. The Institute was established in 2015 to work cross-sector and cross-party to support practical and technical work to build the homes needed across the country, and to identify the practical and policy blocks and barriers which prevent homes being delivered.

In 2023 we published two reports which propose ways forward on public rental housing and building homes for homeless families – so that the costs and pressures for those in greatest need of stable affordable rented housing can be addressed.

In 2024 it must be recognised that there is a great urgency about the housing situation, against a sharp fall in housebuilding confidence. Decisions must be made with great speed to implement immediate measures which could alleviate some of the pressures and address the damage they are causing. Such measures can give hope to the millions in housing need and reduce pressure on the nation's balance sheet too. Now is the time to act with resolve and purpose.

This HFi paper "Renew, Recharge, Deliver: A Budget for Housing – A 12 point plan for solving Britain's housing crisis" sets out the immediate steps which can make a real impact in beginning to turn things around, to set the country's housing journey back on track and begin to deliver the homes our country needs.

It is a journey on which all can and should embark. A national mission to build the homes our nation needs.

Sir Steve Bullock

Chair, Housing and Finance Institute

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Foreword by Sir Steve Bullock DL	Page 1
Introduction by Natalie Elphicke OBE MP	Page 3
12 point plan to solve Britain’s Housing Crisis	Page 4
Part One: More money to build more homes	Page 5
Part Two: More Homes on the Ground Faster	Page 8
Part Three: Cutting the cost of temporary housing	Page 11
Part Four: Power up the councils	Page 14
Are you Housing Business Ready?	Page 18
About the Housing & Finance Institute	Page 19

INTRODUCTION by Natalie Elphicke OBE MP

Head of Housing Delivery, The Housing & Finance Institute

From homelessness and affordable housing to home ownership and housebuilding, Britain's housing crisis is acute. Over the last 12 months the situation has become worse, not better, and the impact of poor housing, homelessness and housing costs are impacting on millions of people and across the generations.

With such a serious housing situation, it is perhaps inevitable that many politicians and commentators are fixed on long-term solutions to the housing crisis.

Yet many of the options, solutions and answers are available, right here and now. It is unquestionable that a complete reversal in housing could be made, setting the country back on track to provide high quality and affordable homes for home ownership and affordable rent – starting with the Chancellor's Budget in March 2024.

This twelve-point plan to solve the housing crisis should be the cornerstone of a Budget for Housing. It is grounded in decades of practical knowledge and experience from the HFi board and the HFi professional, industry and local government network. This plan would change the direction of travel and transform the experiences and life chances of millions of people across the country.

From a market perspective, there are real positives to consider as we turn the corner into 2024, including a more positive outlook for inflation and interest rates. There is a significant amount of housing stock ready to be built across the country. Builders are poised, planning permissions are secured and there remains untapped institutional finance ready to be strategically directed into housing.

Now, more than ever, it is time to come together to build the homes our nation needs.

Reset, Recharge, Deliver: A Budget for Housing
A Twelve Point Plan to solve Britain's housing crisis

Part One: More Money to Build More Homes

1. Mortgage deposit help for first-time buyers and families for new homes, including a deposit advance government loan, government deposit guarantee and pension contribution flexibility.
2. A level playing field for all regulated housing providers through reform of corporation tax and the streamlining of SDLT reliefs.
3. Make housing management agreements easier and simpler to enter into by reforming VAT.

Part Two: More Homes on the ground faster

4. A new lighter touch planning regime for small business and smaller sites, with "permission in principle" widened from conservatories and extensions to smaller sites and building conversions.
5. A presumption to build on Brownbelt land – brownfield land in the Greenbelt that is disused and could provide new homes, rather than continue to be wasted.
6. A level playing field for providing social and affordable housing so that any registered housing provider can off-take social and affordable homes in any local authority area.

Part Three: Cutting the Cost of Temporary Housing

7. A national mission to build 100,000 new affordable homes to tackle temporary housing and waiting lists.
8. Cutting costs to councils and Government by over £3billion a year and providing a £15Billion boost to the economy.
9. Enable councils to reduce their housing waiting lists and manage housing need more actively and flexibly.

Part Four: Powering Up the Councils

10. Reward councils for housebuilding by, at least, doubling the New Homes Bonus as an additional grant for local government, in line with its original purpose to encourage extra housing delivery. Additional and substantial planning delivery grants would be a genuine incentive for housing delivery.
11. A fairer Right to Buy with a cap on the discount limited to the rent paid between years 3-10 for newly built properties.
12. Making it easier for councils to partner with institutional investors and housing providers, including increasing the number of council homes in the General Fund.

Part One: More Money to Build More Homes

1. Mortgage deposit help for first-time buyers and families for new homes, including a deposit advance government loan, government deposit guarantee and pension contribution flexibility.
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3. Make housing management agreements easier and simpler to enter into by reforming VAT.

A Crisis in Housing Delivery

Approaching Budget 2024 the challenge for Britain delivering the homes that Britain needs is extremely serious. During 2023 housebuilders have been tackling a challenging business and policy environment. For smaller builders this is particularly acute with smaller sites not being brought forward adequately in local plans, expensive and complex planning processes and barriers in accessing development finance.

These housebuilding challenges are being borne out in the indicators described by the industry including:

- The third quarter of 2023 showing the lowest quarterly figure in planning permissions for sites granted since 2006.
- An estimated 77,000 homes a year being blocked through changes in housing targets and the new national planning policy framework.
- Environmental overrides, like nutrient neutrality, blocking the delivery of around 150,000 new homes.
- A reduction in the housing pipeline for sites and homes approved for housing of around 15% (equivalent to a shortfall of more than 30,000 homes a year)
- England has fewer available homes for its population than any other comparable developed nation.
- England has the lowest rate of available properties per population than all OECD countries.
- The UK has the oldest housing stock in Europe, as well as one of the highest proportions of substandard and inadequate homes.

Without positive improvements in the market and supportive action being taken urgently, the housebuilding industry have warned that housing supply could continue to fall, perhaps the lowest levels in a decade.

Why more money is needed to build more homes

There is not currently the level of investment needed to build the homes Britain needs. The recent challenges faced by the housebuilding industry are significant:

- Mortgage finance access challenges, especially the challenge of saving for a mortgage deposit which is hindering the purchase of new build market housing.
- Lack of new build social and affordable housing due to the constrained state of the public finances.
- A situation where housing association and council resources are currently being focused on a repair backlog, including for damp, mould and building safety issues, rather than the construction of new homes.
- There is untapped institutional investment appetite for housebuilding.

Mortgage Deposit help to support building new homes

If housebuilders don't have confidence that homeowners can access mortgages at an affordable rate or raise a deposit, then they will build fewer new homes.

A particular challenge for homebuyers, especially first-time buyers, is getting a deposit together for a mortgage. Rightmove last year said that the average price for a first-time buyer's home was £225,000. For an average first-time home the deposit required is between 5% and 10% - £11,250 to £22,500. The average age of the first-time buyer is 33 years old, according to Savills, compared to 29 years old in the 1990s, according to research by Which.

Any scheme to assist with mortgage deposits at this time risks driving up house prices unless more homes are built. For this reason, mortgage deposit support schemes – like Help to Buy which is now being phased out - have rightly included assistance to put down a deposit for a newly built home.

The new mortgage deposit schemes recommended in this paper would help more people access mortgage finance for a new home of their own. The aim of the deposit schemes would be to get home buying and housebuilding back on track meaning 30,000 more homes and home owners a year.

How could mortgage deposit support work?

Different circumstances suit different people. For that reason, a new mortgage deposit scheme would have three options for first time buyers and families to purchase a newly built home:

- Deposit advance, where the deposit is lent to the first-time buyer by the Government and repaid through taxes, similar to the student loans scheme.
- Deposit guarantee, where the Government guarantees the deposit for the mortgage provider.

- Pension contribution flex, where a first-time buyer is able to channel pension contributions to a home deposit ISA which can only be used for a mortgage deposit (or back to the pension if not ultimately required).

However, in each case the deposit support should be for a deposit on a new home so that these measures fully support supply side increases to build more homes faster.

Tax reform to support social and affordable housebuilding

The state of the public finances following the pandemic means that government will struggle to invest in new social housing. Meanwhile housing associations and councils are struggling with a repair backlog, resulting in their scaling back of housebuilding programmes. New money is needed from the private sector – particularly institutional investment.

The Housing and Regeneration Act 2008 opened up the social and affordable sector to new 'for profit' housing providers. These new housing providers can help provide more money to housing associations as well as to bring new players to the market. Since the credit crunch, new housing providers backed by institutional capital have come to market -with billions of pounds invested to date.

A level corporate tax playing field: The potential for increasing institutional investment has not yet been fully realised. A major stumbling block is that the new "For Profit" providers do not have the same Corporation Tax exemption that traditional housing associations benefit from. A more level tax playing field between different types of social and affordable housing provider would encourage more entrants and increased investment, making a huge difference to the capital available to build more social and affordable homes.

For institutional investors establishing new mutual or for profit Registered Providers, the cost and complexity of implementing tax efficient investment structures acts as a real barrier to investment in social and affordable housing, where returns are already modest compared to other asset classes. By the same token, housing associations are often forced to implement over-complex legal and financing structures in order to access the private capital they need to help them grow.

Tax reform would make a dramatic difference - by simply treating all social and affordable housing providers the same. It need not be a complex change – for example, any housing provider registered with the Regulator of Social Housing to be made exempt from Corporation Tax, whatever their status. The attractiveness of the sector to institutional investors would be greatly increased, so increasing investment in social and affordable housing by institutional funds. The cost to Treasury would be more than offset by the economic stimulus resulting from the increased building of new social and affordable homes.

VAT Reform: At present, while many housing associations don't have the money to build more homes, they have the capacity to *manage* more homes. Unfortunately, the application of (irrecoverable) VAT on housing management agreements acts as a barrier to streamlining the provision of these housing management services to other housing providers. Abolishing VAT on outsourced housing management would make a huge difference. It would allow housing associations to work with a broader range of partners, from institutional investors to local community-based managers. Tax reform would also mean that partnerships between institutional investors and housing associations would be easier to arrange.

SDLT**:** Stamp duty reform would also help reduce complexity and increase capacity across the sector – by streamlining Stamp Duty Land Tax reliefs for registered providers of social housing.

Currently there is a patchwork of multiple stamp tax reliefs, some based on charitable status and others working alongside grants from Homes England or the Greater London Authority. These reliefs do not always work in concert with each other. For those registered providers operating on a for-profit basis, relief is only available on grant funded schemes. A long overdue simplification which would immediately stimulate housing provision would be to simply exempt all registered providers of social housing, whatever the status of the organisation, from SDLT. Simplification of SDLT relief would act as an additional stimulus for private capital to invest in affordable housing supply.

Part Two: More Homes on the ground faster

4. A new lighter touch planning regime for smaller business and smaller sites, with "permission in principle" widened from conservatories and extensions to smaller sites and building conversions.

5. A presumption to build on Brownbelt land – brownfield land in the Greenbelt that is disused and could provide new homes, rather than continue to be wasted.

6. A level playing field for providing social and affordable housing so that any registered housing provider can off-take social and affordable homes in any local authority area.

Planning Barriers

Getting more homes on the ground is an incredibly slow process. The challenges include:

- Whether it's one home or 1,000, too much of planning regulation remains the same. This is particularly tough on small business builders - there is no effective light touch regime in planning as exists for small businesses elsewhere.
- Disused land in the Greenbelt which is no longer required for its original purpose is hard to develop. This Brownbelt land is now quite sizeable and constrains housebuilding and incremental local growth.
- Affordable housing offtake, required by 106/planning agreements, is difficult to achieve when housing associations lack the funds for new homes. This has the effect of holding up new affordable housing and entire developments alike, slowing up getting more homes on the ground.

More homes can be delivered faster on the ground with a lighter touch regime for smaller businesses, re-using wasted Brownbelt land, and a level playing field for providing social and affordable housing.

Tackling environmental overrides, like nutrient neutrality, which are holding up around 150,000 homes is necessary if more homes are to be brought forward. This needs to be done by tackling the source of these issues, not simply by adding more taxes or complicated approaches on developers, which in turn drive up house prices and are another barrier for small housebuilders.

Simpler planning for smaller sites

Currently there is too little difference in planning terms between larger scale developments that can have a significant impact on communities and much smaller sites. A lighter touch planning regime for smaller sites and building conversions would make a real difference to small business housebuilders.

This could be achieved through an expansion of the role of 'permission in principle' in granting consent for new housing on smaller sites and for building conversions. Permission in Principle is already used for things like home extensions and conservatories. Widening Permission in Principle would help reduce the burden on local planning departments and boost small businesses alike. Much bandwidth that is currently taken up dealing with objections to very minor developments would be freed up for larger scale proposals. This small business proposal would alleviate pressure on overstretched planning departments, it would also boost local SME housebuilders, who are naturally better suited to the development of small sites. De-risking the planning process for SME builders with permission in principle would cut costs and the burden of planning regulation.

A small business 'permission in principle' regime would also support the natural evolution of towns and villages and would capitalise on the efficiency of incremental and organic growth in areas which are already connected with utilities, roads and other local services. The net result is to tip the balance away from larger greenfield developments which invariably have a greater environmental impact.

A presumption to re-use the Brownbelt

The waste of disused and wasted land located in the greenbelt – **Brownbelt land** – is a major concern. Enabling brownbelt land to be re-used and developed in an attractive way in keeping with local settings would require minimal legislative or financial application. As part of re-using Brownbelt land, councils should be required to review their land designation to identify Brownbelt land and provide information on how this land may be re-used. A presumption to build could then apply to such land.

Examples of brownbelt in the greenbelt include former petrol stations, a waste plant in West London, and waste land in Surrey which was once separating two towns, a purpose now completely achieved by the six lane M25 motorway. Other examples include former airfields, such as Wisley in Surrey, a 74 acre site for 2,000 homes which has faced a decade long battle to be brought into productive use. This is in spite of the former airfield having been disused and wasted for some 50 years.

Reusing Brownbelt land will help protect both the environment and agricultural land. It is important that available derelict and unused land in the Brownbelt is put to use in order to reduce the pressure for green field development.

A level playing field for social and affordable housing off-take

With housing associations currently unable to build much new housing, as set out in the previous section, the development of a number of sites has stalled. This is because section 106 agreements often call for social and affordable housing elements to be built first – and sometimes by particular preferred housing providers. One solution to this would be to allow any registered housing provider able and willing to take on the housing concerned to be able to do so. Additionally, planning guidance should require that any registered housing provider be permitted to take on social and affordable housing in any location. Further, where funding capacity is blocking the provision of new and replacement homes, then councils may wish to consider whether an allocation of affordable housing could be gifted outright as part of the development and held in perpetuity for that purpose which some councils have been exploring.

Housebuilders are generally happy to build social and affordable housing and local authorities are of course keen to increase the supply of social and affordable housing within their areas. Yet housebuilding is currently being held up by housing associations and councils are suffering from funding capacity constraints. This is why there is a need for any registered housing provider with capacity to be able to take on schemes in need of unblocking, so long as social housing allocations are first offered to the council area in which the homes are provided.

Part Three: Cutting the Cost of Temporary Housing

7. A national mission to build 100,000 new affordable homes to tackle temporary housing and waiting lists.

8. Cutting costs to councils and Government by over £3billion a year and providing a £15billion boost to the economy.

9. Enable councils to reduce their housing waiting lists and manage housing need more actively and flexibly.

Why more affordable homes are needed

More affordable homes are needed as homelessness and temporary accommodation are on the rise:

- nearly 300,000 households faced homelessness, an increase of some 7% of the previous year.
- there was a significant increase – over 27% - in households facing homelessness where private rented tenancies were coming to an end.
- the number of households in temporary accommodation approached 105,000, the highest on record.
- a 30% increase in people assessed by local authorities as sleeping rough.
- Household overcrowding is a significant issue - two million children in England are living in overcrowded, unaffordable or unsuitable homes.

As set out in the HFi's paper "A Time for Good Homes", the four fundamental pillars of a good home are Stability, Flexibility, Affordability and Opportunity. The adverse impact of poor housing on health, opportunity, work and productivity should make tackling these issues a key priority for any government. Currently many families in temporary accommodation are housed in expensive Bed & Breakfasts or poor quality (and expensive) private rented sector accommodation.

The current approach carries a massive cost to the nation's finances:

- the Local Government Association reported in October that the current bill for temporary accommodation stands at £1.7bn.
- the overall housing benefit bill had an estimated cost of over £23 billion in 2022 and could rise to more than £70 billion by 2050, according to an influential report in 2018.

- as private sector rents have hit record levels, there is pressure to increase housing benefit, to plug the gap between Local Housing Allowance levels and real-world rents.

A new affordable housebuilding programme would be financially efficient, transform lives, costs much less, so reducing pressure on local and national finances. It is readily available and deliverable, right here and now. The current government policy to use the costly private rented sector and hotels is driving up the costs - as is adding regulation to the private rented sector to reflect its extended role in delivering long term affordable and social housing, to which the private rented sector is less well suited.

More responsible, affordable and secure renting is important. This is why, as set out in the HFi's "A Time for Good Homes", a large scale affordable housebuilding programme is needed. The result would be more and better homes that cost less.

Build 100,000 homes to tackle waiting lists and cut temporary housing costs

In early 2023, the HFI released *Operation Homemaker: A national mission to house the homeless and build the affordable homes we need*. The policy proposals laid out in Operation Homemaker provide a way for central government and councils to discharge the statutory duty of providing a permanent living situation for those who have found themselves in temporary accommodation. The underlying premise of Operation Homemaker is a shift from short-term hotel, Bed & Breakfast or other very expensive temporary private rented placements to less expensive new homes that make strategic use of the currently available capacity across the UK market, from institutional finance to SME housebuilders.

The paper highlighted the crisis in temporary accommodation and its ruinous impact on council finances: 75 percent of the cost of temporary housing comes from housing benefit, with significant additional costs falling to councils. There is a pressing need to scale up the delivery of temporary and affordable homes.

Cutting costs to councils and Government by over £3billion a year and providing a £15billion boost to the economy

Since the publication of Operation Homemaker, this situation has got worse, with over a quarter of a million households now assessed as being owed a homelessness prevention duty in the year to October 2023. The Local Government Association reported in October that the current bill for temporary accommodation stands at £1.7bn.

There is also strong demand for private rented housing - for emergency provision, temporary accommodation, lower income renters, 'Generation Rent', and older downsizers- in a market dominated by many individual private landlords and record rent levels.

The plan laid out in *Operation Homemaker* calls for an acceleration in the building of affordable elements within mixed tenure communities, securing affordable housing delivery despite adverse market conditions/construction downturn. This aims to build 100,000 extra homes over an 18-month period.

The potential overall economic uplift from measures set out in Operation Homemaker would amount to a GDP boost of over £15bn. Effective deployment of government investment harnesses much more private capital. For example, the National Housing Federation have reported that currently for every £1 of government investment in building new homes, up to £6 of private capital is unlocked by housing associations.

The savings on the housing benefit bill through the provision of suitable long-term housing for those currently in temporary accommodation would amount to over £1Billion. It is expected that councils would save most, if not all, of the £1.7billion a year bill for temporary accommodation. This is because Homemaker homes would cost so much less than the current hotels, bed & breakfast or expensive temporary private rented housing.

A detailed approach to unlocking of institutional capital into building public sector homes was set out in another HFi paper in 2023 through a 'Public Rented Homes' model.

Helping councils to reduce their waiting lists

A key policy step of Operation Homemaker would be to allow councils greater control over the allocations of both transitional and affordable housing for priority needs groups within their areas. In addition to the purchase of newly built homes, councils may also wish to purchase existing properties in order to reduce the overall cost to the council and the tenant of private sector renting.

With capital funding unlocked and council flexibility assured, the scheme could be put into place by establishing and empowering a non-governmental taskforce to oversee delivery, supported by a core team and working with delivery partners and technical specialists. This would help councils to reduce their housing lists and manage local housing more actively and flexibly.

The political and industry response to Operation Homemaker has been positive. There has been strong engagement from across the housing sector and a cross-party recognition of the social and economic imperative for a substantial affordable housebuilding programme.

Delivering homes for affordable housing must be transformed into a genuine mission of government. One that requires more than acknowledging the scale of the problem – it requires a sea change in approach that will ultimately transform thousands of lives for the better and save billions of pounds of taxpayers' money at the same time.

Part Four: Powering Up the Councils

10. Reward councils for housebuilding by, at least, doubling the New Homes Bonus as an additional grant for local government, in line with its original purpose to encourage extra housing delivery. Additional and substantial planning delivery grants would be a genuine incentive for housing delivery.

11. A fairer Right to Buy with a cap on the discount limited to the rent paid between years 3-10 for newly built properties

12. Making it easier for councils to partner with institutional investors and housing providers, including increasing the number of council homes in the General Fund.

Barriers holding back councils

Current rules and guidance mean that councils can:

- struggle to finance and build council housing for social and affordable local homes;
- find it hard to joint venture with institutional investors or other housing providers to secure funding;
- have too little financial incentive to build; and
- face a deluge of guidance which is not prioritised and is sometimes contradictory and which can serve to undermine local leadership.

There should be a change to power up the councils and better support and reward local authorities to deliver the homes that are needed across the country. Delivery of housebuilding is an investment in current and future productivity and also reduces state spending in the longer term. So councils should be financially rewarded for providing new homes through housebuilding delivered in their area.

Double the New Homes Bonus

Undoubtedly the construction of new homes could be incentivised through direct financial incentives for local government. All the more so at a time when local councils find themselves under financial pressure. A successful initiative for such incentivisation has been the New Homes Bonus. At its peak in 2016/2017 it was worth over £1.4bn to local government. But this has dwindled to only around £291million in 2023/2024. That is a reduction of around 80% in nominal terms, and an even greater reduction in real terms (adjusted for inflation).

Doubling the New Homes Bonus, as additional grant funding for local government, would strongly incentivise councils to support new homes in their areas. There is a strong case for going further, and resetting the amount of the council bonus for homes more in line with the former Planning Delivery Grant scheme, which was more generous and provided more significant additional funds to councils. Such an approach could be a genuine incentive to delivery.

While there have been calls for the new homes bonus to be linked to levelling up missions or environmental targets, its original purpose was simply an incentive to build extra homes in a way that was simple, transparent, predictable and flexible. A grant that empowered councils to decide how to spend the money in line with local community wishes, where local authorities were awarded substantial grant money to ensure that the economic benefit of growth was more visible to the local community. That is as relevant now as when the scheme was introduced in 2011.

Too often the lack of a visible connection between housing and additional community benefit and investment becomes a local barrier to additional homes. Making the economic and social benefits of housing delivery more visible and relevant to local communities helps to secure local support. The New Homes Bonus is one way of incentivising local housing delivery.

Accordingly, it is recommended that the New Homes Bonus should be relaunched and at least doubled in value for each additional home delivered within a council area. The bonus for social housing should be more dramatically increased from its current £350 per home to £1,000 per home to provide an extra incentive for councils to build more social and affordable housing.

A Fairer Right to Buy

The Right to Buy had existed since the 1936 Housing Act and thousands of properties had been bought by tenants. The 1980 Housing Act extended the policy and has provided a ladder to home ownership for many Britons.

Over the years the application of the policy, the number of qualifying years, percentages and caps has been changed - sometimes to encourage its use, sometimes to restrict it.

Currently, the qualifying period for the right to buy policy is three years for a social housing tenant to get a discount of 35% of the value of the home. However, the financial arrangements entered into by councils to finance new housing may be in excess of 20 years. There is a case to be made that nowadays, because of the way social and affordable housing is financed, this policy acts as a disincentive for councils to build new social and affordable housing.

It is, necessarily, a very different concept to dispose of older housing stock, which has served an economic value to social housing and which itself may need additional longer term maintenance, and the disposal of brand new properties which have not yet paid for themselves in terms of the financing and their purposive intention as social housing.

Right to Buy has moved away from its original roots in property costs and the value of rent paid, to a scheme which is estimated to an additional giveaway of value over and above rent paid estimated at up to £2billion since 2012. To put this giveaway in context, this is equivalent to 10,000 additional affordable homes over the last decade.

The operation of this additional subsidy is explained by the LGA as follows: “The minimum discount applying against current values is simply a “broken” concept when comparing to rent paid: This is exemplified in the example below: a property worth the national average (outside London) of £138,000 with a tenant occupying a property for three years has paid rent (at the national average of c£85/week outside London) of £13,260 whereas the minimum discount for a house is 35% after 3 years, or around £48,000.”

An immediate reform would be for the Right to Buy discount to be capped at the value of the rent paid within the relevant three-year period, and only after 10 years would be rent cap be disapplied so that the discount would be awarded without reference to the rent cap. In this way long-term tenants would benefit from the full discount rate. This reform would make Right to Buy fairer.

This additional headroom in ‘surplus subsidy’ could be reinvested in an affordable housing delivery programme or in a broader home ownership deposit scheme, helping lower income families to buy a home of their own. In relation to newly developed homes, it may be better, from an economic and social value perspective, to convert the Right to Buy discount to a Right to Buy deposit scheme – so that tenants can purchase another property, including in new build home or shared ownership schemes.

These measures would encourage local authorities to build more social and affordable housing and make for a more efficient and productive use of the overall affordable housing stock.

Making it easier for councils to enter housing partnerships

Rules and guidance make it hard for councils to access institutional capital in a similar way to housing associations and other housing providers. Making it easier for councils to partner or joint venture would create a more level playing field for councils. It would transform the amount of institutional investment going into councils and help unleash a new generation of council housebuilding.

Reform is needed to allow local authorities to have much greater flexibility to create joint venture companies with institutional investors and housing partnerships. These partnerships would still be required to be regulated registered providers of social housing, so they would remain within the social housing regulated regime. However, councils would be more able to work with institutional investors and other housing providers to seek additional outside investment to build more homes.

Another barrier for local council housing delivery is a legacy one for councils who no longer have their own housing stock, as a result of a stock transfer to a housing association, or now have very low levels of housing stock. Such councils are required to operate a ring fence for council owned housing.

The current threshold for this ring fence is extremely low for the staffing, resourcing and application of ring fenced housing management. The reasons for the ring fence for housing were to prevent councils misusing rent for other purposes than for looking after rental properties. Ensuring that stock is properly managed is of course vital but these reasons are out of date and the threshold should be higher where there is a partnership arrangement.

Raising the threshold for the number of homes a council can have in its housing stock before needing to set up a Housing Revenue Account, would make housing management and housing partnerships easier. In addition, there are councils who may want to build a portfolio of better managed rented stock in the private rented sector by purchasing existing private rented properties in order to drive up housing standards and reduce rental and other costs. This reform would enable a mix of rented housing within the council's general fund portfolio.

POSTSCRIPT – ARE YOU *HOUSING BUSINESS READY* ?

Too often there is a view emanating from central government and internalised within local government that it was no longer the business of councils to be directly involved in housing provision. Yet successive decades of under-supply have shown that this cannot be the case – and every player must be on the pitch.

The Housing & Finance Institute's landmark **Housing Business Ready** programme was designed to power up the councils. It works with council leaders and officers to showcase great examples of housing delivery by councils partnering with others and to help councils access the tools and solutions available to them. The Housing Business Ready programme puts council leadership within local communities at the centre of the housing agenda.

The Housing Business Ready programme has worked with over 60 councils and its HFI Springboard programme delivered jointly with the Local Government Association and supported by Homes England and others has generated positive activity within the sector.

Understanding the art of the possible in a supportive and collaborative way is essential to building the homes our country needs. The Housing & Finance Institute has a range of tools and resources to help councils do just that.

These include:

- Housing Business Ready – A guide to shaping up municipal muscle for housing delivery
- Planning toolkit – Driving Planning Permissions into Housing Delivery
- Financing approaches and mechanisms which councils have used to increase housebuilding

The Housing & Finance Institute

Working together to build the homes our country needs.

Find out more at: www.thehfi.uk

ABOUT THE HFI

Who we are

The Housing & Finance Institute was established in 2015 with the support of UK Government, businesses and councils. Its creation was a recommendation of the Elphicke-House Report 2015. The HFI is a not-for-profit organisation.

What we do

The Housing & Finance Institute acts as an accelerator hub, to increase knowledge and capacity in order to speed up and increase the number of new homes financed, built and managed across all tenures.

How we work

At the HFI, we do the following:

- share best practice through workshops, networking and our landmark 'Housing Business Ready' programmes, that support capacity building in councils to explore the housing their communities want and need
- publish policy papers
- engage across a range of stakeholders.

We are not politically affiliated with a particular party or business/industry. Views and recommendations expressed in this paper are not those of individual board members, unless otherwise indicated.

Our Board

Sir Steve Bullock DL chairs the HFI Board. He is non-executive chair of several social housing providers. He was formerly the Executive Mayor of the London Borough of Lewisham, Executive Lead on Housing for London Councils and Chair of the LGA Commercial Board.

Natalie Elphicke OBE MP is HFI's head of housing delivery. She is a national specialist in complex housing finance and housing delivery. Prior to her election to Parliament in 2019, she advised central and local government including as an expert adviser to the Ministry of Housing, Communities and Local Government (MHCLG) on the development of the national strategy for estate regeneration, as well as co-authoring the influential independent Elphicke-House Report 2015 on the role of local authorities in housing supply.

Cllr Keith House has been the Leader of Eastleigh Borough Council since 1994. He co-authored the influential independent Elphicke-House Report 2015 on the role of local authorities in housing supply. He is a leading figure on housing and local government.

Keith served on the board of Homes England for many years and has held a number of roles in national advisory bodies in the LGA and elsewhere.

Rob Beiley is a Trowers & Hamlins partner with over 20 years' experience advising housing associations, local authorities, developers and institutional investors on a broad range of housing related matters. He chairs the British Property Federation's Affordable Housing Committee.

Claire Kober OBE is Managing Director, Homes, overseeing the Pinnacle Group's housing and property management contracts and sits on Pinnacle's Executive Committee. She was formerly the Leader of the London Borough of Haringey and Chair of London Councils.

Emma Webster is ESG and Corporate Affairs Director for Lifestory Group leading on national policy work and site specific political and community engagement activities across the group. She was a local Councillor for 16 years and has held various Cabinet positions, including Highways and Transport, Regeneration, Community Safety and Housing.

Calum Mercer is the Finance Director at the Institution of Civil Engineers. He is an experienced and highly commercial strategic leader with a strong track record of developing and growing businesses, particularly capital intensive businesses with long term service delivery requirements. He co-authored two reports on innovation in housing delivery and finance and measuring and using social impact in not for profits.

SOURCES and RESOURCES

Part One: More Money to Build Homes

- Glenigan/ HBF Housing Pipeline Report (December 2023)
- Lichfields Planning Matters, (February 2023)
- HBF Housing Horizons, international comparison (October 2023)
- HBF Budget Submission 2024
- Savills research (May 2023) forecasts that For Profit providers will own 113,000 homes by 2028 with £3.7bn invested to May 2022.
- Housing People, Financing People, N Elphicke Policy Exchange (2010).

Part Two: More Homes on the ground faster

- Rightmove House Price Index (April 2023)
- Savills How first-time buyers have adapted to rising house prices (July 2023)
- Which/FT Adviser: Covid pushes up average age of first-time buyers (March 2022)
- HMG (2020) – Planning for the Future
- Gallent, de Magalhaes and Freire Trigo (2020) – Is Zoning the Solution to the UK housing crisis?
- London's Green Belt is far from a rural idyll - so we must build on it to solve the housing crisis, Siobhain McDonagh MP (May 2018, Telegraph)
- Wisley Airfield Surrey (BBC July 2022, BBC April 2016)

Part Three: Cutting the cost of temporary housing

- DLUHC (2023) – Statutory homelessness in England: financial year 2022-23
- New Statesman: Spending on housing benefit by government departments (November 2022)
- CSJ A Social Justice Housing Strategy (October 2018)
- Let's fix the housing crisis, National Housing Federation (January 2024)
- A Time for Good Homes - The Housing & Finance institute/ Radian 2018
- DWP Benefit Expenditure and Caseload Tables, 2023
- "A Social Justice Housing Strategy", Centre for Social Justice Report
- £850 median monthly rent, highest ever recorded. Source: ONS bulletin (2023)
- House of Comms Research briefings: Housing conditions in the
- private rented sector (England) (December 2022)
- Operation Homemaker, The Housing & Finance Institute/Natalie Elphicke (March 2023)
- The Guardian (2023) – Councils in England paying £1.7bn a year to house people in temporary homes
- National Housing Federation, New Blueprint to deliver affordable homes 2024
- A new blueprint to delivery affordable homes, Jackie Sadek and Peter Bill, The Housing & Finance Institute/Localis February 2023

Part Four: Powering Up the Councils

- Core Spending Power, Provisional Local Finance Settlement, 18 December 2023
- APPG For the Housing Market & Housing Delivery (2023) – Hacking Housing
- LGA response the new homes bonus consultation (2021)

- New Homes Bonus: final design scheme (Department of Communities and Local Government), February 2011
- LGA/ Association of Retained Council Housing/National Federation of ALMOs: Research into the Right to Buy within the Housing Revenue Account (January 2023)
- Government HRA resources: Housing Revenue Account (HMG website)

Reset, Recharge, Deliver: A Budget for Housing
A Twelve Point Plan to solve Britain's housing crisis

Part One: More Money to Build More Homes

13. Mortgage deposit help for first-time buyers and families for new homes, including a deposit advance government loan, government deposit guarantee and pension contribution flexibility.
14. A level playing field for all regulated housing providers through reform of corporation tax and the streamlining of SDLT reliefs.
15. Make housing management agreements easier and simpler to enter into by reforming VAT.

Part Two: More Homes on the ground faster

16. A new lighter touch planning regime for small business and smaller sites, with "permission in principle" widened from conservatories and extensions to smaller sites and building conversions.
17. A presumption to build on Brownbelt land – brownfield land in the Greenbelt that is disused and could provide new homes, rather than continue to be wasted.
18. A level playing field for providing social and affordable housing so that any registered housing provider can off-take social and affordable homes in any local authority area.

Part Three: Cutting the Cost of Temporary Housing

19. A national mission to build 100,000 new affordable homes to tackle temporary housing and waiting lists.
20. Cutting costs to councils and Government by over £3billion a year and providing a £15Billion boost to the economy.
21. Enable councils to reduce their housing waiting lists and manage housing need more actively and flexibly.

Part Four: Powering Up the Councils

22. Reward councils for housebuilding by, at least, doubling the New Homes Bonus as an additional grant for local government, in line with its original purpose to encourage extra housing delivery. Additional and substantial planning delivery grants would be a genuine incentive for housing delivery.
23. A fairer Right to Buy with a cap on the discount limited to the rent paid between years 3-10 for newly built properties.
24. Making it easier for councils to partner with institutional investors and housing providers, including increasing the number of council homes in the General Fund.