



Government Response to House of Lords Economic Affairs Committee Report: Building More Homes

Presented to Parliament
by the Secretary of State for Communities and Local Government
by Command of Her Majesty

December 2016



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Print ISBN 9781474139533

Web ISBN 9781474139540

ID 08121611 12/16

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

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Introduction

The House of Lords Economic Affairs Committee conducted an inquiry into the economics of the UK housing market with a final report released on 16 July 2016.

The Government thanks the Committee for its report and agrees that we need to build more homes as a country to make housing more affordable for everyone. The Government will be setting out a comprehensive package of reform to increase housing supply in our Housing White Paper which we will publish in due course.

The Autumn Statement confirmed additional investment of £5.3 billion to support the construction of new homes across a range of tenures. This enables us to submit a response covering some of the Committee's recommendations.

We would also reference the recent publication of the Government Response to the Report of the House of Lords Select Committee on the Built Environment (November 2016, CM 9347).

Recommendations

The Committee made 13 points in their report. Set out below is the Government's response where possible, with further detail to follow upon the publication of our White Paper.

The Government's Housing Target

- 1. The Government's target of one million new homes by 2020 is not based on a robust analysis. To address the housing crisis at least 300,000 new homes are needed annually for the foreseeable future. One million homes by 2020 will not be enough.**
- 2. To achieve its target the Government must recognise the inability of the private sector, as currently incentivised, to build the number of homes needed.**
- 3. The Government's focus on home ownership neglects other tenures; those on the cusp of ownership are helped and those who need secure, low cost rental accommodation are not.**
- 4. Local authorities and housing associations must be incentivised and enabled to make a much greater contribution to the overall supply of new housing. Without this contribution it will not be possible to build the number of new homes required. The likely reduction in the housing benefit bill over the long-term is a further reason to increase the supply of social housing.**

The Government has set an ambition to deliver 1 million homes. We expect that housing built by private developers will account for the majority of homes built by 2020. This will include private sector contributions to Government programmes such as the Help-to-Buy: Equity Loan which we have extended to 2021. The Government has always been clear that our ambition depends on conditions in the wider economic landscape and current housing market indicators appear strong. Housing new build starts in the year to 30 September 2016 were up 4% on the year before and private new build housing starts are at their highest financial year level since 2007-08.¹

¹ DCLG House Building; new build dwellings, England: September Quarter 2016, (24 November 2016)

However, the Government agrees with the Committee that we have much more to do as a country to build more homes and that the Government has a role to play in making sure our housing market works for everyone. Since the report's publication, the Government has launched a £3 billion Home Building Fund, a fund which will provide loans for SME builders, custom builders and offsite construction, and which will unlock large sites throughout England. We have also announced £1.7 billion of investment for our 'accelerated construction' initiative to deliver homes on surplus public sector land. The Autumn Statement confirmed a further £5.3 billion package of investment in the Autumn Statement to take our planned investment in housing to over £25 billion for the Spending Review period. This will include a £2.3 billion Housing Infrastructure Fund where local authorities in high demand areas will be able to bid for funding for infrastructure to unlock the delivery of up to 100,000 homes.

The Government will also invest an additional £1.4 billion into the Affordable Homes programme and we will relax grant restrictions to ensure that providers are able to deliver homes across Shared Ownership, Rent to Buy, and Affordable Rent. This flexibility and additional investment for affordable housing providers is a proven mechanism to boost supply and will ensure that providers have the resources to meet the housing needs of people at different stages in their lives.

Local Authority building

- 5. The Government must ensure local authorities who wish to build social housing have access to the funds to do so. The current restrictions on the ability of local authorities to borrow to build social housing are arbitrary and anomalous. Local authorities should be able to borrow to build social housing as they can for other purposes.**
- 6. We endorse the efforts of local authorities to innovate, cooperate and enter into partnership with others in the housing sector. We encourage local authorities to share their experience and expertise to ensure the proliferation of successful schemes.**

The Government took steps in the last Parliament to provide additional borrowing headroom to councils. At Autumn Statement 2013, £300 million of additional borrowing was made available to councils in England and £127.2 million was taken up by 20 councils in 2014-15. In 2014 we saw the highest number of council housing starts for 23 years.² In 2015-16, local authority borrowing headroom is set to be some £3.4 billion on top of almost £2.5 billion of general Housing Revenue Account reserves accumulated by local authorities.

The Government agrees with the Committee that there are examples of local authorities developing new and innovative ways to build more homes – particularly through Local Housing Companies. We have been clear that we support authorities using companies to deliver market housing for sale or rent and they have matched our ambition to release additional land with capacity for at least 160,000 homes.

² DCLG, Live Table 244 <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

Building on public land

- 7. A senior Cabinet minister must be given overall responsibility for identifying and coordinating the release of public land for housing, with a particular focus on providing low cost homes.**
- 8. The number of new homes the Government expects to be built on public land by 2020 amounts to nearly one third of their housebuilding target. The Government should ask the National Infrastructure Commission to oversee the number of homes that are actually built on public land.**
- 9. The release of public land provides a good opportunity to support the building of low cost homes and help smaller builders return to the market. The requirement to achieve best market value when releasing public land should be relaxed.**

The Government is determined to play its part in increasing the number of homes by freeing up its unused or under-utilised land and buildings. During the last Parliament, the Government exceeded its target of releasing surplus land with capacity for 100,000 homes. Up to March 2015, the Government disposed of surplus public sector land with the capacity to deliver 109,000 new homes. We have since committed to releasing additional land with capacity for at least 160,000 homes, an ambition now matched by local authorities.

The Government agrees with the Committee that the use of public sector land for housing represents an opportunity to diversify the house building market. In October, we confirmed that we will take direct action to fix the housing market through piloting our 'accelerated construction' initiative to speed up house building on public sector land. The programme involves £1.7 billion of investment in England and aims to make the best possible use of public sector land to encourage small and medium-sized builders, new developers and those using innovative methods of construction to build at up to double the rate of traditional house builders. Our primary focus at present is on identifying and assembling suitable sites, and undertaking detailed planning studies. Precise delivery numbers will depend on the outcome of this work and we will keep the Committee updated on our progress.

Planning reform

- 10. To incentivise local authorities and provide more resources for stretched planning departments, the Government should allow local authorities to set and vary planning fees in accordance with the needs of their local area.**
- 11. There is a large gap between the number of planning permissions granted and the number of houses actually built. We recommend that local authorities are given the power to levy council tax on developments that are not completed within a set time period.**
- 12. Overall, planning should be simpler, more transparent and more helpful to small builders.**

The Government strongly believes that our planning reforms to date have done much to streamline the planning system and remove barriers to development. 83 per cent of major applications were determined on time between April and June 2016, which is the highest percentage on record. In addition, in the year to 30 June 2016, the reformed planning system has given permission for 277,000 new homes.³ Finally, our reforms to Permitted Development Rights have led to a strong contribution to housing supply from conversions and changes of use in addition to new house building.

However, the Government agrees with the Committee that the challenge is to turn planning permissions into new housing starts as swiftly as possible. Our White Paper will set out a further package of reforms to ensure that our planning system better supports housing delivery. We are also clear that it is the responsibility of the house building industry to be more transparent and forthcoming in agreeing a trajectory for build-out rates on sites with local authorities.

Use of the existing housing stock

13. Council tax is regressive. The bands should be amended so that owners of more expensive properties contribute proportionally more than owners of less expensive properties. This should be done in a revenue neutral way.

Council tax re-banding would require a wholesale council tax revaluation. This would hit ordinary home owners with higher taxes, including taxing their home improvements since they purchased the property. In the Welsh council tax revaluation and re-banding exercise in 2005, two-thirds of the net rises were amongst homes (originally) in Bands A to C: the revaluation hit the less well-off households the hardest.

Council tax is not a wealth tax. It is a charge for the use of local services. The current banding system reflects that larger homes make slightly greater use of local services, but it intentionally avoids the issues with the previous poll tax or domestic rates regimes.

This Government believes a revaluation is unnecessary and expensive and could lead to increased council tax bills. Council tax in England has fallen by 9 per cent in real terms since 2010-11. Collection rates remain extremely high at over 97 per cent and there is no public desire for a revaluation of council tax bands.

³ DCLG Planning Application Statistics, June Quarter 2016 (15 September 2016)

ISBN 978-1-4741-3953-3



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