

Round Table discussion at Millbank House, London

Innovative investment in affordable housing – creating an inclusive market

Wednesday 26th November 2014

ATTENDEES

1. Richard Bacon MP
2. Alan Benson, Thames Valley Housing Association
3. Lord Richard Best - Chair
4. Dr Tim Brown, De Montfort University
5. Dr Gemma Burgess, University of Cambridge
6. Anna Clarke, University of Cambridge
7. Douglas Cochrane, Lloyds Banking Group
8. David Cowans, Places for People
9. Richard Donnell, Hometrack
10. James Hall, senior researcher to John Healey MP
11. Roger Jarman, Housing Quality Network
12. Joe Kilroy, Royal Town Planning Institute
13. Ros Lishman, De Montfort University
14. Gail Mayhew, Property Market Innovation Group
15. Professor Larry Murphy, University of Auckland
16. Professor Michael Oxley, University of Cambridge
17. Will Perry, Homes and Communities Agency
18. Jamie Ratcliff, Greater London Authority
19. Professor Jo Richardson, De Montfort University
20. Tim Rothery, Social Finance
21. Joe Sarling, National Housing Federation
22. Jonathan Seager, London First
23. Robert Thickett, The Building Societies Association
24. Canon Andrea Titterington
25. Vanessa Walker, Network Idea
26. Chris Walker, Policy Exchange
27. Peter Walls, Gentoo
28. Roger Wilshaw, Places for People

Discussion

A group of experts came together at the House of Lords, under the chairmanship of Lord Best, to consider ways to boost innovation in the provision of affordable housing. In discussion the following points were made:

- **Innovation**: For many years the Dutch Government has provided dedicated housing innovation funding to test out new ideas. The UK Government should examine the approach in the Netherlands. There was a broad consensus around the table that there is insufficient emphasis on “trying out new ideas” in the UK housing industry. It was noted that there was a specific issue on the need for innovation from local authorities (especially council leaders and CEOs).
- **Land**: The meeting discussed the land market at length and reflected on the direct connection between high house prices and land value uplifts noting that land is a monopoly good but is not regulated like other monopolies. There was some support for the proposals in the Lyons review to limit the amount of value uplift going to the landowner when designating land for housing and to use that uplift instead to fund new infrastructure to support new housing. A similar approach had been suggested by the winner of this year’s Wolfson Prize on garden cities. Some colleagues argued that the business models of the major builders mean that they cannot put in the major infrastructure for communities. We therefore need to separate the development of land and infrastructure from the development of housing. A further suggestion was that greater use should be made of partnerships (e.g. local housing companies) between councils, housebuilders, housing associations to unlock underused public land.
- **Infrastructure**: The meeting took the view that insufficient attention has been paid to ensuring that other infrastructure improvements, such as major transport projects, unlocked new land for housing and helped to de-risk the investment. In a world of constrained public capital more could be done to sweat the investment in transport and use it to unlock private investment in housing. The potential of a housing and investment bank was noted.
- **Local authorities**: There is increasing interest from local authorities in forging strategic partnerships to grow their housing stock. Freeing local authorities from current best value constraints would enable them to use their land to get many more new housing developments away. The meeting heard that almost forty local authorities have created new housing companies in the last eighteen months. Given the ability of local authorities to borrow at a much lower cost than the private sector there was scope for more partnerships that shared local authority borrowing and private sector risk and expertise. Innovative approaches – like the Manchester Housing Investment Fund –

should be studied and similar approaches marketed to other local authorities

- **Neighbourhoods:** There was a view that the focus on more affordable housing created a danger that the focus on sustainable communities and neighbourhoods would be lost.
- **Diversity:** The meeting was sceptical about the ability to meet our ambitions for housing growth with current delivery models. In particular there was a strong view that greater diversity of housing providers was needed. Colleagues felt that more should be done to grow the small builder sector and to encourage a greater market in self-build (or custom build where individuals commission a new build based on a recognised plan). The meeting noted that in Germany almost 40% of all housing is custom build suggesting significant growth opportunities
- **Taxation:** The meeting considered the pros and cons of tax incentives, in particular the benefits and costs of adopting a system of conditional tax incentives (based on the American and French systems). Colleagues agreed that tax credits had delivered significant volumes in France, the US and Ireland but concerns were raised that the approach carried a heavy bureaucratic burden (disputed by some in the room). The meeting was clear that lessons could be learnt from these approaches overseas with a number of colleagues suggesting existing tax incentives such as those on social investment could be easily extended to cover housing. It was noted that the use of tax reliefs in the UK is now more common. There was a consensus that it would take at least five years for a national system to be up and running even if there was cross-party political support (and there was a sound economic case). There was also a suggestion that removing VAT from renovations could help bring more empty homes back into use
- **Leadership:** Colleagues noted that, even in a world of constrained public spending, there was more Government could do to boost supply by providing clear leadership and stretching ambition. It was noted that previous surges in house building had occurred during equally challenging economic times.

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