

APPG CONSULTATION RESPONSE

Summary - recommendations

1. That a Parliamentary Commission be established to consider the emerging changes to work and to housing demand, and their impact on town and city centres, and on commercial and retail property markets. It should explore how current and anticipated changes in these areas should be addressed in public policy and funding.
2. That local authorities (including combined authorities) be required to carry out good quality granular analysis to assess both current and projected local housing needs and to assess the demand for available housing products (subject to viability).
3. That the Land Compensation Act 1961 is reformed to replace 'hope value' with 'fair value'.
4. That local authorities be allowed to determine how best consideration is delivered from their land and assets, subject to a strategic code of prudential governance.
5. That the currently proposed planning reforms be paused; that local authority planning departments be funded to deliver to the existing system; and that proposals be drawn up to speed up the local plan-making system, aligning planning reform with devolution and funding reforms.
6. That part of the additional resourcing for planning departments is directed towards embedding government objectives on place-making, design quality and sustainability, and that quality standards around Permitted Development Rights are strengthened further, with financial contributions by PDR schemes to local infrastructure and affordable housing.
7. That a government-led cross-departmental commission be established to determine how the supply of skills and training in the built environment professions can be improved and increased, including what funding is needed to deliver this, and which sources would be appropriate (e.g. mix of government grant and industry contributions).
8. That government invites proposals from public authorities and housing associations on how it can support the aggregation of demand for MMC.
9. That the Affordable Homes Programme for 2021-26 be doubled to £23 billion, with 50% allocated to social rent schemes, including local authority-led development.
10. That research be undertaken into how the ESG-compliant nature of affordable housing could be promoted more positively to institutional and other investors.
11. That a comprehensive strategy is developed to address the housing needs and preferences of the ageing population, to support a step-change in public and private sector delivery of new homes and housing solutions.

Introduction

In responding to this consultation, we have reversed the order of the questions to better reflect the logical flow of our comments. We would stress that there is much more to be said on the challenges and potential solutions we outline below, but space limits us in doing so.

A. How broken is the housing market?

The present market is failing to deliver the right homes, in the right places, at the right prices. It is particularly struggling to enable sufficient supply of affordable homes. Shelter have identified a need for an additional 3.1 million more social homes in England over 20 years.¹

The housing market is failing to meet the needs of different groups, including:

- People who are homeless, whether street homeless or in formal or informal temporary accommodation;
- Young people and first-time buyers;
- The 'squeezed middle', including key-workers and second-stage movers;
- People wanting to downsize;
- Those with specialist needs;
- The increasing elderly population.

Housing need and affordability

From recent National Housing Federation research², nearly 8m people in England have some form of housing need. For more than 3.8m (1.6m households), social rented housing would be seen as the most appropriate tenure: half a million more households than recorded on official council waiting lists.

Homelessness remains high³. Despite the Homelessness Reduction Act (which places primary responsibility for dealing with homeless people on councils) being in force since 2018, recent research published by MHCLG⁴ found that half of 224 English councils cited the lack of affordable housing as a barrier to meeting their relevant duties. Among London Boroughs, the proportion highlighting this was 68%.

¹ [https://england.shelter.org.uk/_data/assets/pdf_file/0005/1642613/Shelter_UK -
_A_vision_for_social_housing_full_interactive_report.pdf](https://england.shelter.org.uk/_data/assets/pdf_file/0005/1642613/Shelter_UK_-_A_vision_for_social_housing_full_interactive_report.pdf)

² <https://www.housing.org.uk/resources/people-in-housing-need/>

³ See for instance [https://england.shelter.org.uk/media/press_release/280,000_people_in_england_are_homeless,_with_thousands_m
ore_at_risk](https://england.shelter.org.uk/media/press_release/280,000_people_in_england_are_homeless,_with_thousands_more_at_risk)

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/919748/Evaluati
on_of_the_Implementation_of_the_Homelessness_Reduction_Act_Final_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/919748/Evaluation_of_the_Implementation_of_the_Homelessness_Reduction_Act_Final_Report.pdf)

In the private rented sector, the most recent English Housing Survey⁵ reported more than a quarter of renters have difficulties in paying rent: nearly two-thirds had no savings, and households spend on average one-third of their income on rent, increasing to nearly half for those aged 16-24. Meanwhile, the number of households in overcrowded conditions has doubled over 10 years to more than a quarter of a million. Research by Shelter and YouGov⁶ found that one in four private renters (2m adults) have felt physically ill or sick because of housing problems or worries in the last year. The pressures of the pandemic, such as lockdown and unemployment, will have exacerbated the stress suffered by many.

As well as the unaffordability of much private rented housing for those in housing need, the ratio of property purchase costs to income has worsened significantly over the past 20 years. In 1997, the median purchase cost as a multiple of median earnings was 3.5. In England in 2019, it was 7.8⁷. While the current position is mitigated by the exceptionally low costs of borrowing, entry barriers to mortgages are high and loan-to-value levels reducing. Moreover, the overall figures mask dramatic differences at local level, where the range is between 2.8 and 40. Eight of the 10 least affordable areas are in London, highlighting a particular issue for people wishing to live and work in the capital.

Housing quality and supply

The challenges of housing supply vary considerably across the UK. The relative wealth and success of London and the South-East for instance has created considerable differential in house prices but also the dynamics of development economics: what may be viable in the South is not in many parts of the North, despite huge tracts of brownfield land that could theoretically be used for housing.

On the supply side, delivery is a lengthy process, given the need to access suitable land, secure planning consent and physically construct new development. Supply is therefore inelastic and insufficiently responsive to demand. Speeding up planning (though not at the expense of quality and contributions to planning obligations) and drawing on safe modern methods of construction can help. It is worth noting that 380,000 homes granted planning permission between 2011 and 2019 remain unbuilt, 40% of all homes with planning consent in England⁸.

The UK's existing housing stock is among the oldest in West Europe. This presents a challenge in upgrading existing homes (such as retrofitting as part of the drive for zero carbon). The English Housing Survey has identified that 18% of the stock (4.3m homes) does not meet the Decent Homes Standard, rising to 25% in the PRS. This is not a rented sector problem: many older owner-occupiers under-occupy poor quality homes they cannot afford to maintain.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902866/EHS_2018-19_Life_Course_Report.pdf

⁶ https://england.shelter.org.uk/media/press_release/2_million_renters_in_england_made_ill_by_housing_worries

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<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/2019>

⁸ https://england.shelter.org.uk/media/press_release/40_of_homes_granted_planning_permission_go_unbuilt

Poor housing condition is a significant contributory factor to poor health, which means indirect cost to the public purse in health impacts.

Private and public landlords alike face significant challenges in dealing with fire safety and replacing external wall systems that present fire risk. The costs of this are substantial; much greater than the sums offered by government. Moreover, as well as the potential threat to life and limb that many such buildings present, there are indirect effects such as the inability of leaseholders to sell affected properties.

Homes that people want to live in, in places where they want to live

Demand for housing is crucially also about location, space and amenity.

The pandemic has hastened changes in people's expectations and requirements; homeworking is here to stay. Numerous surveys have shown overwhelming numbers of employees in jobs that can be done from home, wish to continue remote working most of the time. Where they have choices over the homes they rent or buy, they will need space to accommodate homeworking. The kind of 'small boxes' developed recently in locations such as Harlow under permitted development rights will prove wholly unsuitable, especially for younger people unable to access more suitable homes.

Moreover, access to green space and local amenities is important, in providing facilities to relax, exercise and meet practical needs. We anticipate a growing focus on the neighbourhood in future development.

Changing towns and cities

Alongside this, there is significant decline in demand for commercial and retail space. Businesses where much of the workforce can work remotely will reduce their office footprints. Retail businesses unable to continue operating on customer footfall will equally significantly reduce or abandon their accommodation. If not addressed, we can expect major decline in the use of high streets and city centres.

With the current relative resurgence of the housing market, from pent-up demand plus purchasers taking advantage of the stamp duty 'holiday', properties in rural areas are in increasing demand. This reflects their typically being cheaper than properties in urban areas, having more space available, plus gardens and access to parks and green spaces. Additionally, where people can work from home, they will commonly not mind a longer commute into the office for one or two days a week.

These changes present an opportunity and a challenge. Much redundant office and retail space could be suitable for conversion to residential, with sufficient quality checks. Where premises are not capable of conversion, there will often be scope to demolish and build housing on the vacant sites. Some commercial players are already taking steps to address this⁹.

⁹ See for instance <https://www.insidehousing.co.uk/news/news/john-lewis-seeking-partners-for-conversion-of-former-stores-to-affordable-rented-housing-67344>

In this context, we recommend the APPG considers the type of approach set out in 'The 15 Minute City'¹⁰, that is being promoted in cities such as Paris and Melbourne.

Recommendation 1

B. What are the challenges of delivering the required number and mix of housing units that the UK needs to meet current and future demand?

We now address those issues we believe most urgently need to be faced in delivering new homes. As noted above, housing markets differ considerably across the country. Policies for planning and investment need to be capable of variation to address local conditions.

Recommendation 2

Land availability and value

The cost and availability of land are a significant barrier to the delivery of affordable homes.

Whilst there has been progress via changes in the NPPF and NPPG in 2018 (rebasng the benchmarking of land value to Existing Use Value Plus in planning viability), there is inconsistency in the way land is valued through the compulsory purchase system.

The Land Compensation Act 1961 should be reformed so that landowners receive fair market value for their land, curtailing the excesses of 'hope value' which rewards them simply for holding onto assets that can be made more valuable through others' hard work. Research by thinktank Civitas¹¹ highlights that land reforms could significantly reduce the cost of developments, making more affordable housing projects viable.

Such a change would encourage more local and public authorities to acquire land for development. Acquisition would be cheaper, more viable and straightforward, while also reducing risk. The substantial value released could be allocated towards design excellence, place-making, infrastructure improvements and higher levels of affordable housing of all tenures.

We are not advocating a punitive system but one where reward is shared more evenly and fairly.

Through the forthcoming devolution reforms, we believe government should give councils and other public agencies autonomy over their land and property assets to decide what constitutes best consideration in the broadest sense. Currently many decisions need to be referred to the Secretary of State and Treasury, which can be lengthy and uncertain.

Such autonomy could be accompanied by strategic guidance setting out the broad obligations on such authorities to ensure sound use of assets in accordance with prudential codes and holistic approaches to property valuation.

¹⁰ See Ted talk by Prof Carlos Moreno of the Sorbonne - https://www.ted.com/talks/carlos_moreno_the_15_minute_city?language=en#t-460735. Also see for instance <https://www.ft.com/content/c1a53744-90d5-4560-9e3f-17ce06aba69a>

¹¹ <http://www.civitas.org.uk/content/files/thelandquestion.pdf>

[Recommendation 3](#)

[Recommendation 4](#)

Planning

It is commonly accepted that the current planning system is dysfunctional.

Despite improvements, local plan processes take too long, as do many individual applications; the quality of new schemes is variable across the country; and there is uncertainty for developers about securing planning consent and levels of contribution to planning obligations. Resulting delays to construction projects have knock-on effects on the number of new homes delivered.

However, we believe the fundamental proposals to change the planning system in the new Planning White Paper are oversimplistic in diagnosing the problems, will be highly complicated and protracted in implementation, and appear at odds with the desire to devolve power.

It is also unclear how the proposed Infrastructure Levy will genuinely deliver more contributions to both local infrastructure and affordable housing. It appears more likely to reduce the provision of affordable housing, given that over 40% of new affordable housing delivery since 2015 has come via Section 106¹².

Moving from a plan-led discretionary system to a plan-led non-discretionary zoning system may in fact have the reverse effect to that intended, i.e. deterring innovative economic investment and delivery of new homes.

We welcome the proposals to speed up the local plan process and moves to more digitisation. However there remains a significant barrier: councils simply do not have sufficient resources to support proactive development. The Royal Town Planning Institute argues additional annual investment of £422m is needed to reverse the impacts of cuts to English councils' planning budgets and create the capacity required for effective placemaking¹³.

[Recommendation 5](#)

[Recommendation 6](#)

Construction skills, capacity and training

We do not have enough people with the skills to plan, develop and build the new homes needed nationally. Skilled professionals are leaving the industry for better paid sectors, or for other countries following Brexit, and too few new professionals are joining via training and apprenticeships, as was highlighted in the 2016 Farmer Review¹⁴.

Government and councils should consider innovatively how to attract more people into the sector: collaborations with further education centres; partnerships with local builders, contractors and

¹² <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>

¹³ <https://www.rtpi.org.uk/policy/2019/november/resourcing-public-planning/>

¹⁴ <http://www.cast-consultancy.com/wp-content/uploads/2016/10/Farmer-Review-1.pdf>

civil engineers; and local and national campaigns to attract new workers should all be pursued; alongside significant investment to encourage new entrants to housebuilding, and attract skilled workers from abroad.

Modern methods of construction (MMC)

In part, the challenge of insufficient skilled workers can be addressed through greater use of offsite manufacture of housing. Despite growth in MMC over recent years, it still provides only a tiny fraction of overall new housing output. Yet MMC is quicker than traditional construction, is typically cost-competitive above six stories in height and is better suited to a physical distancing environment. It can also support meeting zero carbon expectations through better use of building technology.

However, MMC is not practical on all sites (for instance low-level developments), while there remain difficulties over some of the materials involved¹⁵. And skilled workers are still required, especially given the necessity of detailed specification and manufacture of offsite units.

[Recommendation 7](#)

[Recommendation 8](#)

Funding and investment

The level of truly affordable housing supply over the past 10 years has not been sufficient to meet demand. Only 4% of the homes provided through the first round of the Shared Ownership and Affordable Homes Programme were for social rent, far short of the current level of need.

We note the findings of research by the Affordable Housing Commission¹⁶ that in 2019, one in five households were under housing stress (4.8m households), almost 40% of those in the lower half of national income distribution. This applies in the social housing sector (where rents are lower but so are incomes), the owner-occupier sector (affecting particularly older homeowners in unfit property), and the private rented sector (where many households spend over 40% of their incomes on rent).

Increased grant funding is necessary, targeted at those in greatest need, to provide truly affordable tenures. This would stimulate the economy where needed, and also save significant public monies being used to revenue-fund private landlords through Housing Benefit and Local Housing Allowance.

We recognise government's desire to increase levels of home ownership. However, the proposed approach to the new Affordable Homes Programme could fail to deliver the increase in shared ownership that government seeks. In particular, we note the proposal to move from an initial 25%

¹⁵ See for instance <https://www.insidehousing.co.uk/insight/are-two-fires-on-the-shetland-islands-a-canary-in-the-coal-mine-for-modular-construction-68170>

¹⁶

<https://static1.squarespace.com/static/5b9675fc1137a618f278542d/t/5f0f2ac03943be1b6c76e623/1594829506521/Making+housing+affordable+after+covid+19.pdf>

stake and further staircasing tranches of 10% under present arrangements, to an initial stake of 10%, with 1% increments being possible, and with the responsibility for the first 10 years' worth of maintenance falling to the social landlord. This is likely to make many schemes unfundable, from the investor perspective, as well as highly bureaucratic to administer. Many social landlords could well seek to develop schemes outside the grant regime, or scale down their development activity.

More positively, the increasing focus on the UK affordable housing sector we see at present from institutional and private investors seeking ESG (Environmental, Social, Governance) investments that address the UN Sustainable Development Goals¹⁷, is welcome, and is to be encouraged.

[Recommendation 9](#)

[Recommendation 10](#)

Older people's housing

Many older people across the country 'under-occupy' their homes. Much family-sized housing could be made available if under-occupiers could be encouraged to 'downsize'. The incentive to do so is too rarely available though: people will not leave homes they have lived in for many years, unless they are offered high-quality alternatives. This means homes with reasonable amounts of space, access to suitable facilities and amenities, and proximity to the communities they know.

Private sector retirement villages tend to be popular. There are relatively few in the social sector, other than those run by ExtraCare Charitable Trust and Anchor Hanover. When such villages are developed, close to population centres and including a good range of amenities, they are invariably popular, with residents and councils alike. The most successful are high-quality schemes, typically with 250-300 apartments, occupying a large footprint (4-5 acres). Commonly the tenure is mixed, with both rented units (for local authority nominees) and purchased.

With more sites made available in suitable locations, and some funding, there is considerable potential to develop more such schemes. This would then enable more existing family homes to become available for those in housing need.

Greater choice for older people is also needed in terms of tenures. In our experience, many older owner-occupiers would welcome the opportunity to become renters (subject to affordability), so as not to be responsible for property maintenance.

[Recommendation 11](#)

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¹⁷ See for instance <https://www.socialhousing.co.uk/news/19-funders-poised-to-adopt-social-housing-esg-reporting-standard-68131>

APPENDIX – THE AUTHORS OF THIS CONSULTATION RESPONSE

Greg Campbell, Partner

Greg has been a strategic management consultant for over 20 years. He has worked directly with around 500 organisations across the UK and Ireland. He has extensive national networks and is a frequent speaker on the operating environment and corporate strategy.

He has led governance and strategy reviews for councils, housing associations, care providers, leisure trusts and charities. He has advised the government housing regulators for England and the Republic of Ireland on regulation matters, and led Campbell Tickell's work with the Irish housing regulator to develop all three branches of regulation: finance, governance, and service performance. He has led troubleshooting and service improvement assignments for a range of councils, housing associations, care providers and charities. He has advised on business development and growth matters for both non-profit and commercial organisations, including mergers and acquisitions, market analysis, service design and branding.

Greg is a Chartered Member of the Chartered Institute of Housing. He has been a non-executive board member of two housing associations, and a housing development consultancy. He is currently a strategic adviser to a social impact investor, Funding Affordable Homes. In his earlier career, he worked in the housing association, local government, IT and voluntary sectors.

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Maggie Rafalowicz, Director

Maggie has been with Campbell Tickell for 10 years. She leads for the consultancy on local government, housing development and regeneration. She has worked across England and Ireland with councils, arm's length management organisations (ALMOs) and other council-owned companies, housing associations, developers and housebuilders. Her work has encompassed advising on estate regenerations; housing options appraisals; housing, development and older persons' housing strategies; business development; setting up development companies and new registered housing providers; advising on joint ventures; and bid writing for major developers.

She previously served as a chief officer at London Borough of Brent for 10 years, where she led on housing strategy and regeneration, and was responsible for the development of 6,000 homes. She led on planning and implementing a series of major housing regeneration schemes using a range of different funding models. These included Wembley, Stonebridge, Chalkhill and South Kilburn. She chaired the West London Local Authorities Affordable Housing Group covering seven boroughs and developing a joint housing strategy.

Prior to that, Maggie was an Investment Manager at The Housing Corporation, covering one-third of London and leading on supported housing for the London Region. She was formerly Head of Finance for a London-based housing association, and a non-executive Board member of a medium-sized South East housing group.

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Danny Kaye, Senior Associate Consultant

Danny is a senior development, property and housing professional. A Chartered Surveyor, he is a member of the Policy Council of the Town & Country Planning Association, an Academician of the Academy of Urbanism, and a member of the Residential Committee of the British Property Federation. He is an independent member of Enfield's Council's Housing Advisory Group and past Vice-Chair of the National Housing Federation's London Development Group. He has held senior positions at The Guinness Partnership, Peabody Trust, English Partnerships and the Commission for the New Towns. He started his career in investment & valuation at real estate consultants Healey & Baker.

Danny has extensive experience of delivering mixed tenure residential development and regeneration projects and programmes in London, the South East and South Midlands. He has a strong track record in managing and realising value from property and land assets; and in identifying, negotiating and securing property, development and construction transactions and partnerships. He has reviewed the property portfolios of a range of housing associations and non-profit bodies, and he has provided development, regeneration and commercial viability advice to a number of local authorities.

Danny has recently been appointed as an expert advisor to the Mayor of London's Housing Delivery Taskforce.

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Annie Field, Consultant Researcher

Annie has a range of research skills, both academic and professional, covering qualitative and quantitative methods. She provides research and project support across the full range of Campbell Tickell's areas of focus, with particular expertise in housing policy, care and support, organisational culture reviews and governance. In this role, she has worked with government departments and agencies, local authorities, housing associations, care and support providers, and charities. She also has frontline experience, having worked as a support worker in both residential care and day services for adults with autism.

Annie completed an MSc in Social Policy (Research) at the London School of Economics in 2017, with a particular focus on housing policy, mental health support and research methods. She had previously gained a first-class degree in Philosophy, Politics and Economics from the University of Oxford. She recently completed the Chartered Institute of Housing's Level 4 qualification in Housing Practice.

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