

CEO Forum

“Housing and the Budget – prospects for 2018”

December 2017

Key words: house building supply and volume, digital manufacture, affordability, smaller sites, partnerships, design and build, local housing companies, local councils, devolution



The conclusions of the Forum are:

- The recognition in the budget that diversity in the housing market is necessary to achieve the ambition of 300,000 homes a year by mid 2020s is welcome
- Housing associations with land holdings can build more swiftly than housebuilders would as they can create their own local market. Housing associations can move from one business model to another, depending on the viability or tenure mix of a site, so are well placed to respond to calls to increase volume.
- Design and build is not suitable for small contractors on small sites but these could be architect led to encourage development; larger contractors will generally work on sites of 20 plus units, which has resulted in a backlog of small sites with development potential.
- Local authorities are in a good position to support the development of smaller sites; on their larger sites, they could develop much more quickly but do they have to set up a Local Housing Company (LHC) to do this?

The autumn 2017 budget had several important announcements for housing –with £15.3bn over the next 5 years added to the £44 bn announced in October. Additional funding will support affordable housing, Help to Buy, a Land Assembly Fund and planning delivery grants to focus on design quality. SMEs will be supported by loans from the Home Building Fund. There is growing recognition that the reliance on home builders to build all the homes needed has limitations; with the extension of grants from the Housing Infrastructure Fund, local authorities have a significant role to play in unlocking land opportunities.

Adam Challis opened the debate welcoming the fundamental point in the White Paper “Fixing our broken housing market” which is that the structure of housing delivery has to change, evidenced by explicit support for Build to Rent, SMEs and RPs. 2018 will be a big year as Homes England gears up for delivery and links housing with infrastructure. Looking forward, product performance and procurement are set to benefit enormously through the feedback loop driven by the uptake in Digital Construction – including BIM, off-site construction and active learning through management – which will drive down waste and delays. But house price forecasts over the next 5 years will see growth of circa 2% pa, meaning operating models will need to be refined to survive. The capital structures which have kept HPI steady for nearly two decades could begin to unwind as dual incomes become the new “norm” and quantitative easing which has kept the base rate low becomes unsustainable.

John Marr considered that the government had been taking action to make home ownership attractive and there is good availability of competitive mortgage products for first time buyers. The budget announcement of a £2 million competition to support FinTech firms develop solutions that help first time buyers ensure their history of making rental payments is recognised in their credit scores and mortgage applications could provide welcome help for many would-be buyers who are currently renters. There was still no clarity from government on how and the extent to which Help to Buy might be continued beyond March 2021, when it is due to end, although extra funds for the scheme until then were announced earlier in the year. Findings from recent UK Finance research shows that people who have used the scheme have higher incomes and buy more expensive properties than those who have not used the scheme: overall in England, Help to Buy enables households to spend almost £54,000 more on their home purchase than they may otherwise have been able to. The budget, although including some supply-side measures, did not tackle the perennial challenge of the tension between managing the welfare/ housing benefit budget and increasing affordable housing supply - whether government funding should be channelled into bricks rather than benefits?

For **Elaine Bailey**, the driver for partnership working is that sites can be brought forward earlier for development, built out faster and funds can then be recycled. The Hyde Group operate a range of partnerships, including 50:50 JVs with volume housebuilders and construction JVs where they buy land and take the development cost with a contractor who builds out at cost with both parties sharing risk and reward. The latest initiative which could be replicated in other areas is with Brighton and Hove Council. Both the council and The Hyde Group have sites, some adjacent to each other. Both parties put in funds as patient investors and The Hyde Group will develop. This approach will deliver 1,000 homes over 5 years with 500 homes for rent at the local average wage and 500 for shared ownership.

Tonia Secker had assessed that the budget announcement of the extension of £1bn

headroom for the HRA could be limited in its impact when applied nationally. When considering the amount of new housing that might be delivered through this route, innovative councils might consider they could achieve more output through partnerships. Devolution is stimulating a number of interesting prospects- with housing associations coming together to approach combined authorities with a house building offer and also with the alignment of the local housing offer to the industrial strategy. Where government could help directly would be to relax the rules on council land disposal and in particular, clarify what has already been stated that the right to buy will not apply in relation to LHCs.

The Housing Forum is grateful to NHBC for hosting this CEO Forum.

The following took part:

- Neil Jefferson, Chief Operations Officer, NHBC (Co-Host)
- Andy von Bradsky, Chairman, The Housing Forum (Co-Host)
- Shelagh Grant, CEO, The Housing Forum (Co-Host)

- Jon Wardle, Director, AMCM
- Chimi Shakohoxa, Partner, Capsticks
- Jane Owen, DCLG
- Jim Briggs, Managing Director, Durkan
- Adam Challis, Head of Residential Research, JLL
- John East, Strategic Director for Growth & Homes, LB Barking and Dagenham
- Rob Griffiths, Deputy Chief Executive, Longhurst Group
- John Carleton, Executive Director for Property & Investment, Orbit Group
- Ian Wall, Housing Strategy Officer, Royal Borough of Greenwich
- Andy Gattrell, Development Director, Swan Housing Group
- Elaine Bailey, Chief Executive, The Hyde Group
- Tonia Secker, Partner, Housing & Regeneration, Trowers & Hamlins
- Professor Janice Morphet, UCL
- John Marr, Senior Policy Advisor, UK Finance
- Mark Bradbury, Head of Capital Assets, Southampton Council