

**INFLUENCING / INFORMING / NETWORKING**



## **CEO FORUM - HELD BY THE HOUSING FORUM AND NHBC - JANUARY 2015**

### **TOPIC: "THE LYONS HOUSING REVIEW"**

#### **PRINCIPAL SPEAKER**

#### **SIR MICHAEL LYONS**



**"Mobilising across the nation to build the homes our children need"** is the Oct 2014 report from the review led by Sir Michael Lyons. The report calls for a new balance between a national drive to ensure that the needs of the future are properly reflected in the plans of today and giving local communities the power to ensure that homes appropriate to their needs are built in the right places. **Sir Michael Lyons** set out the road map to build 200,000 new homes a year, acknowledging that this is a big stretch and only once in 30 years has this been achieved. The clear message of the review is that there is not a set of single actions, but a whole range of approaches which will have to be addressed collectively to achieve this. Sir Michael set out four main issues:

- 🏠 Why isn't housing more visible in political priorities if it really does matter to the general public?
- 🏠 We need bold national leadership and effective local leadership on this topic
- 🏠 Are we unduly preoccupied with owner occupation as the tenure of preference, is it a realistic aspiration, or holding back the progress of other alternatives?
- 🏠 What has to be done to tackle land undersupply?

Housing construction delivers on the ambition to strengthen the economy and its growth has an immediate positive domestic impact, yet output has been allowed to shrink and we are facing a long term structural deficit. Savills have stated recently that if there are no significant changes in policy, the result will be a shortage of 2m homes by 2020. To address this, the nation needs bold leadership nationally, with the Prime Minister and Chancellor ranking housing within their top 3 priorities and a wide range of building organisations, their R&D and investors all confident that commitment to the expansion of house building is worth taking the risk.

To address this, the system has to be quicker, less uncertain and less costly. Every council must be expected to meet its contribution in supply to meet their locally assessed housing numbers.





**Keith Exford, Group CEO, Affinity Sutton** set out why it is time for a market wide housing strategy - to rebrand the profile and public image of housing associations who potentially could add 80,000 to supply but will need a differently structured system to do this. Who, and in what circumstances, will have access to subsidised housing needs urgent clarification-as we are currently dealing with an inconsistent and arbitrary system of widely

differing rents as a consequence of historic funding regimes. Efforts to spread very low subsidy levels, have resulted in products like affordable rent and intermediate rent being offered to applicants for whom they are unsuitable and poorly understood by the public. The consequence of reductions in housing subsidy rates is that housing association house building is now dependent on cross subsidy through development for sale programmes which therefore can no longer be counter cyclical and able to support a falling housing market. There needs to be a recognition that housing associations will have to operate commercially in some areas to bridge the funding gap. Moreover, the higher risks implicit in lower public funding and welfare reform make it necessary for councils and housing associations to renegotiate nominations agreements (currently 90% in London) to recognise the potential cost and impact of tenancies failing. Affordable Rent should be viewed as an intermediate rental product and is generally unsuitable for those needing social housing.

**Bill Hughes, L&G**, explained their commitment to working with top quartile local authorities to invest in housing as a strategy to encourage others to follow. L&G have made a connection between housing, real estate and infrastructure which supports the definition of significant housing schemes as infrastructure. L&G have been lending to housing associations and have also structured sale and leaseback agreements, and have deployed a range of funding models across the student accommodation and care home sectors. PRS is one form of tenure that can offer certainty of delivery at volume but providers will have to design for PRS as a distinct offer to ensure high occupancy, management efficiency and attractive net yields. Tenure opportunities are widening and having invested £2.5bn in housing in the past two years, L&G is looking to build out its 27,000 unit pipeline, and broaden its influence over regeneration within the UK.

The **debate continued** by examining the role of local councils. There can be planning barriers in some areas but many have sought actively to bring forward development. Where councils can be effective is with a broader concept of their role, in encouraging more market and affordable housing and not setting the limit of their concern at social housing, but enabling mixed tenure homes for ordinary people. Companies have been set up to borrow to build and the HRA ring fence can secure an income stream. Setting up a council company to provide homes direct can be an important offer to investors and help deliver a mixed price offer with a locally determined mix. Although there is massive ambition, capacity is a concern, with up to 10 - 15 years of learning needed in some places.

Transparency around regeneration should not be underestimated. Some communities consider that regeneration will not deliver anything for them but will push up living costs which leads to community distrust over housing plans. Outside London, 40% of councils still

do not have a local plan to meet housing need, often in the very areas which should be the engine of the country.

- **KEYWORDS:** Building, communities, investment, councils, subsidy

The following delegates attended:

- 🏠 Mike De'Ath, Partner, HTA Design LLP
- 🏠 Nick Duffy, Projects Director, M3 Capital Partners
- 🏠 Keith Exford CBE, Chief Executive, Affinity Sutton
- 🏠 Pat Hayes, Executive Director of Regeneration & Housing, London Borough of Ealing
- 🏠 Andy Hill, Chief Executive, Hill Partnerships
- 🏠 Bill Hughes, Managing Director, Legal & General Property
- 🏠 Sir Michael Lyons
- 🏠 Dale Meredith, Group Development Director, Southern Housing
- 🏠 Jon Milburn, Guinness South Development Director, Guinness Partnerships
- 🏠 Cllr James Murray, Executive Director for Housing & Development, Islington Council
- 🏠 Philip Pamment, Director, Project Services, PRP and Chair of the Housing Forum Working Group – "Building Homes for the Future"
- 🏠 Cllr Lib Peck, Leader of the Council, Lambeth Council
- 🏠 Charlie Scherer, Chief Operating Officer, Willmott Dixon
- 🏠 Chris Tinker, Chairman Regeneration Division, Crest Nicholson
- 🏠 Alan Wright, Partner - Architecture, bptw partnership
- 🏠 Mehban Chowdery, Regional Director - London, NHBC (Co-Host)
- 🏠 Shelagh Grant, Chief Executive, The Housing Forum (Co-Host)

**Forum Chair**

- 🏠 Ben Derbyshire, Managing Partner, HTA Design LLP and Chair of The Housing Forum



With thanks to NHBC for hosting this forum.