

CEO Forum held by The Housing Forum and NHBC -15th July 2015

"The new politics of housing "

Key words: housing supply, affordable housing, starter homes, social housing rents

The Housing Forum met to consider the July 2015 budget and how the Government will approach their manifesto commitments for housing supply, home ownership, welfare, efficiency and devolution.

In his opening remarks, **Stephen Teagle** highlighted the impact of these policies on future housing supply. At the heart of this agenda are incentives to accelerate planning decisions and refocus on home ownership and devolved powers. Initial analysis of the removal of the social housing rent covenant, the 1% rent cut over 4 years, is that it will have an impact on house building capacity in the social sector and on the direct commissioning of new homes by local authorities affected by rent controls. A key area for Government is the starter homes brown field initiative offering 20% discount on market price to first time buyers.



The conclusions of the forum were:

- 🏠 There is a strong underlying demand for housing, particularly in London and the market for home ownership is positive
- 🏠 Housing associations have a fundamental role to play in providing housing for those who cannot access the market
- 🏠 Housing association's development focus is likely to move into more sale and PRS options, reducing affordable homes supply
- 🏠 Planning support is needed if purpose built PRS is to become affordable

Paul Tennant set the starting point at analysis of the immediate impact of rent changes on the affordability of homes and on residents.

- 🏠 Orbit as an organisation had transformed the structure of their business to ensue on going delivery of pipeline of new homes. The impact of the right to buy extension and stock reductions will lower loan capacity and it is possible some housing associations will not continue with affordable rent over the next 5 years but will go into market sale.



- 🏠 Housing associations have a fundamental role to play in providing housing for those who cannot access the market. Whilst market housing is the drive of Government, the part that housing associations play has not been well understood; for example, Orbit has been involved in home ownership since 1980, has been building for market sale for the last 4 years, and will generate surpluses from sales to reinvest in more homes. Importantly during the last recession, housing associations continued to build counter cyclically which kept the industry going, we must not overlook this in the event of future market downturns.
- 🏠 The response of housing associations should be to analyse fully and carefully the potential impact on business and take a rounded view and get the informed perspective of the investment sector, the CBI and other trade organisations. The response that then follows has to be proportionate and fully communicated with affordable housing well-articulated as a central part of social investment. Working methods should encourage greater partnership, with health sector and local councils in particular.

“Fixing the foundations”, known as the Productivity Plan was published the day after the budget and **Andy von Bradsky** in his commentary highlighted the plan’s emphasis on building more homes that people can afford to buy, effectively re-defining affordable housing.



- 🏠 Devolution may offer potential for groups of local councils to take a strategic view of housing supply and streamlining local plans is welcome; local plans currently lack adequate detail on the fine grain of local need and without planning support for purpose built PRS, this tenure is not likely to expand to become affordable.
- 🏠 There is potential for a wider spectrum of affordable homes, including custom built, and starter homes. The Forum saw the starter homes initiative as a means of opening up former industrial land for residential development. As a discounted market sale product for a fixed term, there are likely to be complexities about resale.

Bob Heapy gave the perspective from a growing regional housing association.



- 🏠 The pragmatic approach is to undertake a measured view of the impact of rent reductions on revenue and capital. In the meanwhile, development and asset investment schemes will be delayed and other treasury management options, including the use of funds to reduce debt and retain high value assets as security for the future, will be explored.
- 🏠 Development focus is likely to move into more sale and PRS options so quotas for affordable housing will reduce. Discretionary spending will have to be reduced but housing associations can respond by sharing back office services and accelerating and intensifying partnership working.

Ian Davis of NHBC believed the political and economic environment for house building was at its strongest and most positive since 2007, and probably for a decade. Underlying demand

for housing remained strong, particularly in London and in the southeast and NHBC's registrations figures showed the recovery had spread to most regions in the UK.

- 🏠 The market for home ownership is positive and supported through government policies and proposals such as help to buy, first time buyer initiatives and action on developing a positive planning environment such as the National Planning Policy Framework.
- 🏠 The HBF has reported that in the year to March 2015 councils across England granted permission for 261,000 new homes – the highest annual total for 8 years.
- 🏠 The recently announced Productivity Plan's proposals for further planning freedoms will only encourage more development. NHBC registered 154,000 homes to March 2015 and current forecasts suggest this could reach 160,000 in the current year, equating to about 190,000 homes across the UK based on NHBC's market share. If growth continues at modest 2%-3%, over 200,000 homes could be being built across the UK in 3-4 years' time.
- 🏠 However, labour and skill shortages could hold back growth but may give more opportunities for offsite manufacture.
- 🏠 Other issues to watch include house price inflation which is forecast to outstrip household income growth, reducing the affordability of homes.

Although house builders are increasing output, the Forum noted that the Government is also looking at how to encourage more SMEs to increase output and grow housing numbers, and there would be more policy initiatives to come.

The following took part in the CEO Forum

- 🏠 John Anderson, Executive Director, Kier Living
- 🏠 Mike Basquill, Strategic Projects Director, Southern Housing Group
- 🏠 Chris Brown, Chief Executive, Igloo Regeneration
- 🏠 Ian Burnett, Chief Executive, United Living
- 🏠 Robert Clark, Managing Director, Durkan Ltd
- 🏠 Graham Colls, Chief Executive, Magna Housing Group
- 🏠 Bob Heapy, Chief Executive, Town & Country Housing Group
- 🏠 Ashley Hook, Chief Executive, MHS Homes
- 🏠 David Keeling, Director of Development & Sales, Cross Keys Homes
- 🏠 Mark Mitchener, Managing Director – Construction, Rydon Group
- 🏠 Stephen Teagle, Managing Director Affordable Housing & Regeneration, Galliford Try & Deputy Chair and Board Member, The Housing Forum (Chair)
- 🏠 Paul Tennant, Chief Executive, Orbit Group
- 🏠 Paul Underwood, South Thames Regional MD, Croudace Homes Ltd
- 🏠 Marc Vlessing, Chief Executive, Pocket
- 🏠 Andy von Bradsky, Chairman, PRP
- 🏠 Alan Wright, Partner – Architecture, bptw partnership
- 🏠 Ian Davis, Operations Director, NHBC (Co-Host)
- 🏠 Shelagh Grant, Chief Executive, The Housing Forum (Co-Host)

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