

Spend, spend, spend?



In the Spending Review the Chancellor announced that the government will provide £4b for housing associations, local authorities and private sector developers to build shared-ownership dwellings, and promised £400m for housing associations and private developers to build 8,000 homes designed for older residents or those with disabilities. We ask Julie Doyle, Chief Executive, Longhurst Group, Richard Claxton, the Chairman of Pellings, and Lee Sugden, Chief Executive at Salix Homes, their opinions.

Do you see the Spending Review as a positive force – what would you have hoped to see?

Julie: Housing matters. Housing associations have been saying it since their inception, but this year we've seen a seismic shift in public, and therefore political, interest in what we're doing as a nation to house our next generation. With the Spending Review the chancellor announced the biggest push in government funded house building since the 1970s. That has to be seen as a positive, but in the depths of a severe housing crisis is it enough?

We always hope to see more investment and that was there, along with a commitment to remove planning restrictions and further planning reforms which is another positive step towards getting more foundations laid. However there is still call for far more investment, especially in a broader range of homes. 400,000 affordable homes over the next decade comes nowhere near to meeting demand, especially as social housing stock begins to disintegrate as Right to Buy rolls out.

Without a clear message on how stock will be replaced it does leave me asking what will happen to those people for whom home ownership will always be out of reach. The message about house building is a positive one, but these measures are just the first step towards ending the housing crisis and many more will have to come if we're to succeed.

Richard: The outcomes from the Spending Review for the housing sector were more positive than many in the sector anticipated and all investment in the UK's housing stock is to be welcomed. However the Housing Bill will probably have more of a long term impact on the sector. Ideally, a more flexible approach to the tenure of the affordable

housing element for 'social developers' will make more schemes financially viable. There are also systemic capacity issues concerning our ability to deliver housing in the UK which neither the spending review or the Housing Bill will fix short term.

Lee: It is very good to see housing high on the political agenda. I think the sector has rallied around the crisis in housing very successfully and the message is out there in all political dimensions that we simply need to build more places for people to live. Of course what differentiates the different political persuasions is what exactly this new housing should look like, and specifically whose needs it should cater for. We have a Conservative majority so it should come as no surprise to see home ownership high on the agenda and the Spending Review reflected these ambitions. I am pleased to see support for good quality affordable housing of all tenures in the Spending Review.

Do you think that the option of 'not just affordable to rent, but affordable to buy' is putting the focus on owning, when in many cases some people are better suited to renting?

Richard: The move towards affordable home ownership is the biggest shift in housing policy for 30 years, and the aspirations of 'generation rent' shouldn't be ignored, especially by those of us who are comfortably in home ownership with a rapidly appreciating asset. However, in order to maintain diversity and avoid further ghettoization of British society a full range of tenures must be maintained. The market is not simply divided between private and social housing developers. In fact many so-called social developers (local authorities and housing associations) are building significant numbers of units for sale

which then pay for social rent, affordable rent and shared ownership homes.

The risk with Affordable Sales is that with this new 'discounted sale' tenure in the mix the numbers will no longer add up sufficiently. For developers with a social purpose and especially for developments that involve the demolition and re-provision of existing low quality, low density socially rented properties, this may be difficult to reconcile.

Lee: I suppose the questions could also be reversed in that in many cases some people are better suited to affordable home ownership. The housing economy needs to have a balance of products that meets the needs of the people. I think the challenge for Housing Associations is what part of that housing economy do you want to be part of? Many Housing Associations already take part in affordable rent, market renting, shared ownership and even outright sale already. Of course, most of the roots and values of our sector is founded in the affordable rented sector, but it has long been recognised that we have a greater role to play in the wider housing economy. If that is the case nothing much has changed in what we do, just the focus for taxpayers' support has changed. However, the sector should never lose focus of its roots. Many people rely on the products and services that we provide simply to get by, we cannot allow ourselves to forget those who are in most need, and the offer to those at the lowest end of the housing economy, including those who are outside of it, such as the homeless population, who should remain a key part of what we deliver.

Julie: I agree that homes should be affordable to rent and to buy. The issue that we're facing as a country though is that for far too many people neither option has been affordable for some time. Focussing on just one option doesn't acknowledge the diverse needs of



Julie Doyle

our communities, and we need to maintain a good supply of a range of housing options, both for sale and for rent, so that we don't find ourselves simply tipping the balance without solving the problem.

Addressing the housing shortage is becoming somewhat of an emergency – would money that is put in to help to buy schemes be better used simply getting homes built?

Lee: I think we have all come to terms with the fact that resources are finite and it is the job of the elected Government to make decisions about how those resources are spent to achieve the maximum impact and outcomes. Help to Buy will support homes to get built as it will increase the availability of starter homes to more people and therefore de-risk developers' investment decisions. It is clear the days of using public money to subsidise new affordable rented homes to the extent that has been in recent memory are gone. Housing Associations now need to decide if they have a role to play in developing starter homes. I think we do and I think many will start to do more in that space.

Julie: There is a desperate need for more homes in the UK, and building those homes will help make the housing market more accessible. That will take time, and in the meantime we still need to be exploring options that help people find a home now. Help to Buy isn't a universal solution, nor is it likely to be a long term solution, but it has helped thousands of people settle in to a good quality home sooner rather than later.

Richard: The evidence is that previous Help to Buy schemes that operated during the economic downturn did encourage developers to reopen stalled projects, build them out and consequently add to the



Richard Claxton

housing stock. However in the current 'hot' housing market this is less relevant. The new help to buy is more of an attempt to support affordability. In truth the housing industry is at full capacity in all senses, and building more homes per year will be difficult without long term commitment to address skill shortages and significantly more use of offsite construction methods.

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Do you think that central government is too involved in local housing associations' business?

Julie: Housing is a national issue, so it's understandable that the government are looking for ways to find comprehensive solutions. Just as we're seeing more call for devolved regional powers to address the needs of local communities, housing associations also need individual freedoms to adapt to changing needs. As a sector, we've entered into a new partnership with government which is founded in our commitment to help them deliver their vision for the future of the UK's housing market. The partnership has many strengths, not least of all that it gives us an opportunity to demonstrate our value and prove why we must retain our independence.



Lee Sugden

It is so important that we are able to make decisions that make the best commercial sense for us as individual businesses.

Richard: Housing Associations own transferred housing stock which was originally paid for by the taxpayer, or which has been developed by them with the assistance of public grant. Their main income stream is housing benefit. Many HAs have charitable status, with the tax benefits that brings. On that basis it is perfectly acceptable that Government sets policy and retains an element of monitoring and control through the Housing and Communities Agency. However as we move into an environment with zero grant and reducing rent caps, Government should allow HAs to develop innovative structures that respond to this new environment and allow for improved efficiencies and flexibility. We are already seeing this with initiatives such as the Voluntary Merger Code for HAs as well as the proposed reduced regulation in the Housing Bill.

Lee: Housing Associations have been and remain reliant on public money to fund both ongoing operations and investments. It is inevitable that Government decisions, as a key stakeholder, will have an influence on our business. Changes to either Housing Benefit or the grant regime will be considered as an influence and involvement in our business, however, I am not sure this is the case in reality. Rather they are financial decisions that have an impact as a direct result of our reliance on that source of funding. In my view regulation of rents is long overdue for a change and I hope the closer link between Local Housing Allowance and benefit levels is as a precursor to removing rents from regulation and allowing Housing Associations to better reflect the local housing economy in their rents regime.

