Weston Homes

Get Britain Building

FABIAN MEMBER POLICY GROUP REPORT

LOCAL GOVERNMENT AND HOUSING MEMBER POLICY GROUP

Edited and compiled by Christopher Worrall and Adam Allnutt, with contributions from Bob Weston, Eve McQuillan, Ant Breach, Branwen Evans, Peter Tulip, Chris Curtis MP, Dr Tim Leunig, Gemma Gallant, and many more...

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About the Local Government and Housing Member Policy Group

We are a Fabian Society Members Policy Group on the future of Local Government, Housing, and Land Use Regulation. We have come together to produce this member led report into the problems that have caused the housing crisis and some of the solutions we believe can bring it to an end.

The Local Government and Housing Member Policy Group is a network of Fabian Society members focused on local governance and housing. It works independently from the rest of the Fabian Society. This publication represents the views of the named author(s) not the collective views of the policy group or the Fabian Society as a whole.

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Foreword

Elsie Blundell, MP for Heywood and Middleton North &
Dan Tomlinson, MP for Chipping Barnet

STANDING AS parliamentary candidates - and knocking on thousands of doors in constituencies - during the 2024 General Election campaign served as a reminder, if we needed one, of the many ways in which the housing crisis has had a devastating impact on people's lives across our communities and this country.

Our housing catastrophe isn't confined to city centres but has rippled out to constituencies like ours in the suburbs of great cities (Manchester & London). People across 21st century Britain are living in accommodation that is either sub-standard, expensive or unsafe – sometimes all of the above.

As set out by those who have contributed to this pamphlet, the housing issues that blight this country – after 14 years of Conservative government – are varied and far-reaching.

We have too few homes in this country, and we aren't building in the right places – with price signals being ignored as Conservative governments prioritised politics over when the country needs.

Social homes, which provide a bedrock of security for millions of families, are an important part of the supply mix and have been under-invested in by previous governments too – with too much uncertainty for housing associations, who have an important part to play in expanding supply.

Private renters feel the burden of under-supply acutely, with high rents and poor-quality homes an all-too-common feature of renting in Britain today.

The number of households facing homelessness in England today is the highest since records began.

Our planning system is haphazard, with local plans missing in too many places, and even in those places with an up-to-date local plan the discretionary and, frankly, chaotic nature of our planning system means that we don't hear enough from all sections of society.

Too many new-build homes are poor quality, and thousands of Britons who move into new homes find that rather than being able to relax they spend their time fighting for remedial works which need to take place. This Labour Government must now work at pace, implementing the changes that our housing system so desperately needs.

Tackling the housing crisis must be at the core of the growth mission of this Government, making sure that everyone is able to live in a safe, secure, decent home.

The proposed changes to the NPPF are welcome, and we await with interest the Planning and Infrastructure Bill. Councils need more support to process applications, and the planning system needs to be rebalanced towards getting good applications through in a fair and consistent way.

We need to give residents more certainty around what can be built in their local areas, and more confidence that new homes will come with the new infrastructure that is required.

We support the Devolution Bill's objectives to give metro-mayors the powers to create Local Growth Plans, and the government's commitment to the biggest increase in social and affordable housebuilding in a generation.

Labour's manifesto commitments can be built upon with new ideas, and it's been great to read the contributions in this pamphlet.

From the need to form and sustain partnerships that provide more tailored housing for older people, fulfilling the demand for downsizing that 3 million people across the country have. To the need for reforms to unlock more affordable housing, with bold proposals contained in the pages ahead.

If we can build the homes the country needs, alongside communities fit the future with access to amenities, green spaces, and sustainable transport options then the legacy of this government when it comes to the housing crisis will be one we can all be proud of.

To help SME housebuilders like ourselves play our part to build much-needed homes, beyond the proposed planning reforms, the Government should use the Autumn Budget to introduce fiscal measures to support First Time Buyers.

Executive Summary

Christopher Worrall &
Adam Allnutt – LGH Fabians

FABIAN SOCIETY Member Policy Group for Local Government and Housing is proud to put forward the following recommendations as part of its latest collection of essay contributions:

1. **Support for SME Housebuilders** by creating a planning system that provides certainty and more support for first-time-buyers and British MMC manufacturers
2. **Representative Planning Consultation** that is inclusive, reflects local demographics, and more widely consulted utilising digital marketing to overcome self-selective bias of the current voluntarily consultation system
3. **Innovative Partnership Models** for temporary accommodation that reduce balance sheet pressures for local authorities
4. **Low-Income Housing Tax Credits** that enables new homes for social rent, increasing investible pipelines pension funds, and gives local authorities delegated authority over allocation
5. **YIMBY (Yes In My Back Yard) Devolution** bargain that unlocks growth, reorganises local authorities to enable effective administration of local finances, and flexible zoning
6. **Planning Reforms for Retirement Housing** that include greater certainty of outcomes, specific targets for specialist housing, stamp duty exemption for movers into retirement housing, and expansion of Homes England OPSO programme
7. **Urban Greening** put at the heart of new development right from the start with mandatory implementation of the Green Infrastructure Framework

Get Britain Building

To get Britain building we need to give SME housebuilders more certainty, writes Bob Weston – Chairman of Weston Homes

IT IS REFRESHING to have a government fully committed to addressing Britain's housing crisis. Getting Britain building and delivering 1.5m new homes in the coming Parliament is the single most important way we can achieve sustained economic growth.

As Chairman of Weston Home – an Essex based medium sized housebuilder, I wholeheartedly welcome Labour's mission to reform the planning system. We must put the aspirations of families first but currently housing supply is being severely restricted by many different causes.

We have not delivered the homes Britain needs at the pace that communities' demand. The proportion of 18 to 34 year-olds living with their parents in the UK has now overtaken the proportion living independently with their own children.

The Government's proposed reforms to the NPPF are a critical first step, but there is much more to do. I welcome the return of mandatory housing targets and Labour's embrace of the significant opportunities of the Grey Belt. The plan to empower combined authorities offers the chance to think more strategically and unlock many sites, while the promise of New Towns could open housing opportunities for tens of thousands of families. The proposed reforms of the planning system will, however, take at least 2 years to start bearing fruit.

To rely on these policy and legislative changes alone to achieve the target number of 1.5 million homes within the next 5 years will not accelerate home building now, without some further actions to rebuild consumer confidence and that of the financial sector. The primary driver of the housing market is the ability of First Time Buyers to take their first step on the property ladder, which then provides the capital flows for homebuyers further up the chain.

Therefore, Weston Homes urges the Government to consider the recommendations made in the HBF's 'Broken Ladder' report of September 2024, calling for a new equity loan scheme for First Time Buyers.

At Weston Homes, I am proud that more than half of our customers were First Time Buyers in 2023. However, this has been dropping steadily from a higher proportion over the last few years, which is alarming.

For the first time in 25 years, there is no government-backed support scheme to help with first property purchases. It is critical that we address the supply crisis, but there is concern that unless the Government recognises the crucial part played by First Time Buyers, Britain will not see the dramatic shift in homeownership in this Parliament.

By helping First Time Buyers, the overall market will improve. This will stimulate the house builders to deliver more new homes more quickly from sites for which they already have planning to proceed – and in doing so, to deliver their Section 106 Affordable Housing obligations.

For every 2 private homes delivered, around 1 affordable home is also provided – it is a virtuous circle of delivery of both private and affordable new homes. This is 'low hanging fruit' that can be harvested while the planning reforms take effect.

To get Britain building, I would urge the government to look at how planning decisions are made at the local level.

Planning applications should take weeks, not months or years. The current process is extraordinarily complex, unpredictable and involves significant financial risk for a SME housebuilder like Weston Homes. Cumulatively, supporting SME housebuilders is the answer to seeing a significant increase in the number of new homes built; but to achieve this goal, there is a need for greater certainty about whether sites and applications will secure permission.

An over-reliance on an ever-decreasing number of volume housebuilders is unhealthy for market competition and invariably can constrain the supply. The top 10 housebuilders already provide less than half of the total number of properties delivered in the UK each year – and it is highly unlikely that the volume housebuilders will be able to double their output.

However, the SME sector can double theirs and widen their geographic reach. Speed of delivery also matters. The faster we can build safe, warm, and energy-efficient homes, the faster they can be sold to First Time Buyers looking to start a family or move for work. That's why Weston Homes encourages the Government to use its green industrial strategy to back a range of Modern Methods of Construction (MMC).

Through British Offsite – our manufacturing subsidiary – Weston Homes has become a MMC specialist developer delivering their homes using the next generation in home construction methods. Operating one of the largest automated assembly lines in Europe from our MMC factory in Essex, British Offsite can deliver an apartment 30% faster compared to traditional methods

While at the same time overcoming one of the major challenges to getting Britain building – the lack of skilled labour in the construction sector.

Brick by Brick

How SME housebuilders are crumbling under uncertainty writes
Eve McQuillan - External Affairs Manager, LPDF

BUILDING THE NEXT generation of social homes is integral to addressing the housing crisis. Waiting lists are growing far quicker than new social homes are being built. At the start of the year, it was calculated that 1.3 million households are on local authority waiting lists. Time is of the essence – social housing delayed is social housing denied.

Being on the waiting list means being stuck paying exorbitant rents in the private sector or in overcrowded housing, or, for those in temporary accommodation, being housed far away from friends and family. In some parts of the country, the waiting list for overcrowded households now lasts a whole childhood.

Overcrowding has a substantial impact on educational attainment – ensuring an adequate supply of social housing for low-income families with children is crucial.

The new government has put housing delivery at the core of its economic strategy. For real progress to made towards tackling the housing crisis the delivery of new housing needs to rapidly increase. The commitment to building new housing is clear, but the government needs to take concrete steps to ramp up delivery. Building new social housing must be at the core of this. Politicians have signalled that they see reforming the planning system as key to getting Britain building, and that private sector will need to ensure that it is delivering new social housing.

This will mean we need to expand the capacity of the housebuilding sector as a whole, and to ensure a high proportion of newly built homes are for social rent.

Small and medium sized builders have a crucial role to play in delivering more homes, and therefore more social homes. Moreover, for a government keen to put housebuilding at the heart of its economic strategy, supporting SME builders can lead to increased economic development in parts of the country where it has been lacking.

Yet SME builders face significant challenges. Delays in the planning process can present severe hurdles for SME builders.

Without the capacity to hold land with no return for years on end or the ability to pool planning risk across a larger portfolio, SME builders are disproportionately impacted by our slow and insecure system.

Indeed 93% of SME home builders stated that delays represented a major barrier to growth.

Government and Local Authorities can create a supportive environment for SME builders and in doing so increase the capacity of the homebuilding sector as a whole to deliver more social homes.

Crucial to this is bringing forward more small sites, suitable for fewer than 100 homes. This needs to sit alongside much needed planning reform, which should make the planning system quicker and less risky, by ensuring requirements are detailed from the outset.

Research shows that if SMEs were building at the same rate as they did in 1995, an extra 30,000 homes could be delivered each year . With an increase in delivery, government could then use planning requirements to ensure that a substantial percentage of these were for social rent.

Small sites also have the advantage that they are typically quicker to deliver new homes, and less complex, making building cheaper. In 2023 only 38,000 homes gained planning consent on sites of fewer than 100 homes. This is half the number that gained consent in 2017.

Increasing the availability of sites suitable for smaller builders will enable SMEs to remain or enter the market. In 1990, 39% of homes were built by SME builders. By 2017 only 12% were. The number of SME housebuilders is falling.

The reasons behind this are multiple. Interest rates present a disproportionate challenge to SMEs but the planning system remains a key concern.

Government and local authorities planning departments can ensure a steady supply of suitable land for SMEs. The problem is particularly acute in London where only 12% of homes granted consent over the last three years are on sites of fewer than 100 homes. Across the country, only 25% of homes are on such sites .

This is a risky strategy for local authorities. If large sites are held up, significant numbers of much needed new homes will be delayed. Increasing the supply of small and medium-sized sites will allow a more secure pipeline of delivery.

Alongside the challenge of land availability, we need to ensure that S106 affordable housing is taken on and managed so that people can live in these social homes. On small sites, this is a particular challenge.

Registered providers, already struggling financially, usually find smaller groups of social housing more expensive to manage. Repairs and maintenance teams typically need to travel further – there aren't the same economies of scale that come with a large estate.

To overcome this challenge, government needs to improve housing associations' finances. This is a national challenge.

At the very least need certainty around future rents to enable them to increase borrowing capacity. Government should also ensure grant funding comes forward for social housing which is a crucial public investment. At a local level, councils and housing associations can work together to ensure there are effective management arrangements.

In some cases, council staff, already closer to smaller towns and villages, may be better placed to carry out repairs and day-to-day management.

If these key challenges can be overcome, there are several advantages to SME constructed social housing. Whilst making them less able to navigate the current planning risk, the business models of SME builders can have benefits in terms of the quality of housing.

Yet complaints regarding faults in new-build homes are increasing , SME builders do not have the same ability to return to fix poor quality construction. Their incentive to build properly the first-time round is greater than for larger housebuilders.

For tenants, and the councils and registered providers that go on to manage new homes, this is clearly preferable. Larger housebuilders have national level supply agreements. This means that their houses typically look the same wherever they're built.

SMEs, focused in one area, can procure locally. The homes they construct can then have a local character. Their supply chains can have a concentrated localised benefit to the economy through the economic multiplier effect.

Where councils are building new council housing, working with local contractors can mean councils are able to promote economic activity in their broader local construction sector.

While failing to expand the capacity of the sector as a whole to deliver and without bringing forward more land, we're missing out on thousands of new social homes a year.

There is no substitute for publicly funded social housing, but if developer contributions are to remain a key part of social housing delivery, we need to maximise the ability of all parts of the sector to build the homes we need.

Supporting SME led delivery can put building at the heart of localised economic growth, and create high-quality homes, fit for the future.

Each social home represents a family whose opportunities are transformed by safe, secure and affordable housing. It's time to make sure builders of all sizes can step up and deliver the homes we need. F

YIMBY Devolution

How a devolution bargain can unlock growth and housebuilding writes
Ant Breach – Centre for Cities

A BOOST IN housebuilding depends on a strong system of English local government. Whether it is absorbing planning reforms, boosting growth, or responding to homelessness, local authorities are the key.

Unfortunately, English local government is in trouble. A web of problems is damaging prosperity and services, and making it impossible for councils to absorb big changes to planning and housebuilding.

A decade of severe cuts that has left councils across the country and of all colours on the brink of bankruptcy. But this is only the most obvious issue.

The local finance system also penalises poorer places for growing their economies (and thereby the national economy) and makes it difficult to borrow to invest in infrastructure. It also levies a regressive council tax system that hits the poorest hardest.

A higgledy-piggledy geography of councils then impedes local economic policy and services, and the discretionary planning system makes it as difficult as possible to get stuff built.

As these issues are so interconnected, the politics of solving each problem individually are challenging, even before we start on planning reform. But precisely because of this, a devolution bargain can be struck by reforming all of these issues together, as the new Centre for Cities briefing, Devolution Solution, explains.

The geography of English local government needs to be reorganised and planning reforms need to introduce a new flexible zoning system. This is of course very politically challenging. But it opens up a way to solve many of local government's problems – rescuing them from bankruptcy and giving them tax raising powers over a much fairer local tax base.

For the toughest bit of the devolution bargain – changing the geography of English local government – the same logic as the Redcliffe-Maud proposal almost implemented by the Harold Wilson Government in 1969 still applies.

We need bigger local authorities that contain both poorer urban areas with their affluent suburbs – think of merging Hull with Beverley and the rest of the East Riding.

Centre for Cities has produced a map in Devolution Solution that shows how. With big unitary councils in the shires and two-tier authorities with metro mayors responsible for planning in the big cities, the number of planning authorities would be reduced from over 300 to around 50.

One big improvement would be to planning. As local authorities would match housing markets, and transport planning and town planning would no longer be done by different authorities, a new flexible zoning system could be introduced that would allow for strategic planning at a regional scale. But the other big improvement is it unlocks fiscal devolution. The obvious worry with fiscal devolution is that poor areas with a smaller tax base might lose out.

However, this can be avoided if three principles are achieved – first, that devolution is to authorities with geographies matching local economies and containing a mix of affluent and poorer neighbourhoods; second, that less national redistribution that would come with fiscal devolution is balanced by more local redistribution; and third, that councils should always gain higher revenues from higher local economic growth and housebuilding.

With a new geography in place, reforming council tax goes from being a bitter medicine to a sweet spot in the devolution bargain. Instead of painful proposals that maintain central control and wallop Londoners and residents of the South East, fiscal devolution would allow the new local authorities to flex proportional tax rates for each council tax band around local house prices, turning council tax into a locally flat or progressive tax.

As council tax is currently so locally regressive, this flexing would unlock council tax cuts for most households in every part of the country, from Wigan to Westminster. Taking a fiscally neutral approach, we estimate 68 per cent of households across England would get a £493 council tax cut from fiscal devolution, paid for by a £1,016 increase for 32 per cent of households in each authority's most locally expensive properties. Alongside council tax, other fiscal changes are needed to complete the devolution bargain.

Full devolution of business rates; a small local income tax with autonomy over the allowance and rates; varying rates of retention of locally generated national income tax revenues at a regional level for redistribution; a simple per head grant; and a shift in borrowing to municipal bonds financed by households saving in Municipal ISAs are the other pieces of the fiscal bargain.

The point of these is that local funding would become much more buoyant – receipts would automatically rise for councils as housebuilding and job creation increase. The devolution bargain would therefore give councils the ability to pay for services through growth, supporting the national economy, providing financial security to local government with minimal outlays for the Treasury, while also being fairer for the average local taxpayer in every part of England, and delivering planning reform. These reforms are complex and will take time to implement. But fixing local government is the key to better local economies, local housebuilding, and local services. If the Government is serious about unlocking growth, there is no alternative.

Housing Association 2.0

Public and private sector must work closely together to unlock the full potential of land writes Branwen Evans – Director of Sustainability and Policy, Thriving Investments

AFTER THE SECOND World War British cities, left battered by bombing raids and where construction had ground to a halt, faced a sudden population surge with the late 1940s "baby boom".

This exacerbated the strained housing situation and, as more families sought stable homes, the nation recognised the urgent need for quality housing – a need that would shape housing policy for decades.

In response, housing associations (HAs) began to play a growing role in addressing the crisis. Initially small-scale and local, they soon expanded into key players, gaining critical mass, in the effort to provide affordable homes for all.

But it wasn't just about roofs over heads. Over time, HAs became more than housing providers; they became lifelines for vulnerable communities, ensuring support for people facing economic and social challenges.

Now, as the UK faces another inflection point on housing, the mission of HAs is evolving once again. With housing needs reaching breaking point, there's a renewed drive to tackle this issue head-on.

HAs are uniquely positioned to help, but they must adapt to meet the increasingly complex needs of the people and communities they serve.

Operating with significant debt, and despite the very real impact of the rent-cut during the austerity years, (which cost Places for People (PFP), conservatively, £50m), HAs have managed to maintain a degree of financial stability through the scale of their operations.

Their large portfolios provide a reliable income stream, and it's this certainty that keeps them afloat despite economic pressures. But long-term sustainability is essential.

The sector is calling for, and desperately needs, a long-term rent settlement to ensure steady income and foster solid business planning, so they can continue providing good homes to those who need them.

At PFP, we own or manage more than 240,000 homes across all tenures, 73,000 of which are social homes. We run over 100 leisure centres, improving health and wellbeing.

We are also a leading affordable housebuilder, with the biggest building pipeline in our sector. In all, we serve over a million Customers and are committed to creating and supporting thriving communities.

But as the organisation looks to the future, it recognises one of its greatest challenges is optimising resources – particularly land. Proposals to reform the National Planning Policy Framework (NPPF) and tackle barriers like nutrient neutrality are positive, but there's more to be done.

"The public and private sectors must work more closely together to unlock the full potential of land, particularly for large-scale, transformative developments"

For example, land, planning and housing institutions are still not working collaboratively in the context of land assembly, release and development. In addition to causing delays to delivery, the full potential of land remains untapped.

We envision a future where public interest-led partnerships come together to acquire and develop land in a strategic and impactful way.

This model could be used for economically important sites that generate job growth and urban regeneration projects that transform old neighbourhoods into new, thriving communities.

In Sheffield, for example, this approach is being tested, bringing together a variety of stakeholders to unlock the potential of the city. In addition, while Homes England has played a strong role in handing out grants, we would like to see them being open to more creative approaches to finance and to be empowered to work more robustly with partners – with greater flexibility over funding to work with more challenging sites.

Collaboration and action must go hand in hand and given the scale of the challenge, we do not expect there to be a 'silver bullet' – a range of approaches are needed. PFP are also exploring new models for financing affordable housing, looking beyond traditional sources of capital.

One promising approach is tapping into pension funds. PFP's investment arm, Thriving Investments, has already established a proof of concept with their mid-market rental (MMR) fund, "New Avenue Living." The fund has secured investment from two large UK pension funds to develop 1,500 energy-efficient homes close to Scottish city centres. With an index-linked yield and long-term capital growth, the model is proving that institutional investment in housing can work.

Building on this success, PFP is developing a key worker fund with the Greater Manchester Combined Authority, showing that scaling these initiatives can help meet the housing challenge on a broader scale.

But scaling up requires more than just financial innovation – it demands a stable policy environment. Legislative mechanisms that protect rent certainty for affordable homes would help reduce the risks for investors and ensure long-term stability for both housing providers and residents.

“Yet it’s not just land and financial models that need attention – there’s also a pressing need to invest in people”

The construction industry is grappling with a severe skills shortage, and the labour market is struggling to keep up with the increasing demand for affordable homes.

To address this, PFP is leading the charge and launching PFP Thrive, an education initiative, with a trade skills academy at its heart that prepares the sector for the future.

Focused on three key areas –addressing the current trade skills shortage through apprenticeships, preparing workers for future demands (such as sustainability).

In addition to this, improving training quality– the academy will help ensure that the sector has the trade skills it needs to thrive.

With a refreshed skills base the industry can gear up to support growth rather than hold it back. We know that HAs’ work is far from done.

The housing crisis won’t be solved overnight, but with stronger collaboration between the state, private sector, and social enterprises like PFP, there is hope.

And, as iron sharpens iron, the collective effort of all involved will only make the outcome stronger and more resilient.

In the end, the story of housing in the UK is not about buildings – it’s about the people that call them home and the thriving communities they create.

As long as there are needs to be met, and opportunities to be fulfilled, organisations like PFP will continue to rise to the challenge, shaping a better future for all. F

Housing Dilemmas Down Under

What lessons can be learned from Australian housing politics, writes Peter Tulip – Chief Economist, Centre for Independent Studies

THE HOUSING POLICY debate in Australia has focussed on land use regulations. In this contribution I discuss estimates of their effect, then the policy debate and how it differs from other countries. I then summarise recent policy initiatives and difficulties.

Estimates

Planning restrictions are a major reason why housing in Australia is so expensive. For example, they are estimated to raise the price of the average apartment in Sydney by 37%. Table 1 shows some other estimates.

This uses the most popular approach, the difference between sale prices and the marginal cost of supply, which Glaeser and Gyourko call the "zoning tax".

These estimates essentially represent the value of permission to build, which the zoning system keeps scarce and hence expensive. The estimates strike many observers as surprisingly high.

However, they are in line with other information, including the increase in land value that accompanies upzoning (Kendall and Tulip, Appendix A; Millar, Vedelago and Schneiders).

Table 1: The Contribution of Planning Restrictions to Property Prices

Detached Houses, 2016			Apartments, 2022	
	*$AUD**	*% of price*	*$AUD**	*% of price*
Sydney	$489k	42%	$357k	37%
Melbourne	$324k	41%	$128k	19%
Brisbane	$159k	29%	$17k	3%
Perth	$206k	35%		

Source: Kendall and Tulip; NSW Productivity Commission.

The estimates are qualitatively similar to those found in expensive cities in the United States (Gyourko and Krimmel), Canada (von Bergmann and Lauster; CMHC), New Zealand (Lees), and elsewhere. And they are supported by an enormous quantity of other research (Been, Ellen, and O'Regan; Schleicher; Barr; Gleeson; Hoskins) which finds large effects of zoning restrictions using a wide variety of approaches and data.

The policy debate

These research results have been emphasised in public discussion and government reports. This includes the Commonwealth Productivity Commission, the NSW Productivity Commission (2021, 2023, 2024), the Parliamentary (Falinski) Inquiry into Housing Affordability and the 2024 Commonwealth Budget Papers (Budget Paper 1, Statement 4).

A few vocal planning academics dissent from the research consensus (Phibbs and Gurran; Pawson et al). I have argued that their objections are simple misunderstandings.

For example, they attribute high prices to strong demand rather than unresponsive supply, not recognising that these factors interact; the explanations are not alternatives. The market failure is that supply does not respond to the increased demand. When challenged, the "supply deniers" have not defended their position.

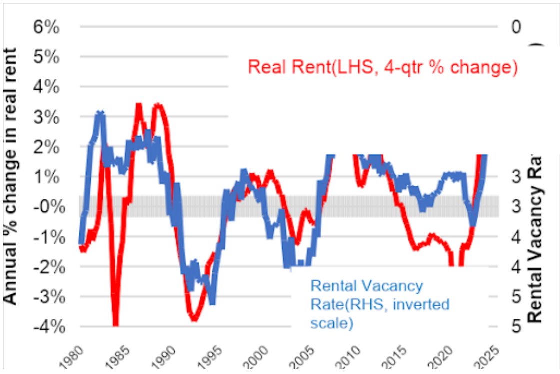
Of more importance, the wider public is not convinced by the research. The Susan McKinnon Foundation asked 3000 Australians "In your opinion, what impact will building more homes in your city/suburb/neighbourhood have on housing prices?"

Only 27% of respondents agreed with the economic research that it would reduce prices.

A third replied it would actually increase prices with the remainder being neutral or not responding. These responses are similar to those reported in US opinion polls (Nall, Elmendorf and Oklobdzija).

The public responses are difficult to understand given the very clear effect of supply and demand on the cost of housing. For example, as Chart 1 shows, the rental vacancy rate (properties advertised as available for rent divided by the stock of rental housing) drives changes in real rents. As of mid-2024 , rents are rising quickly and this seems clearly attributable to the tightness of the housing market.

Chart 1: Vacancy Rate and Change in Real CPI Rents; Australia



Source: Saunders and Tulip, updated. Note that the same close relationship is evident in Canada and the United States.

That the public does not see increased supply as the remedy is a puzzle and a major obstacle to better policy. There are many suggested explanations; one being that the public has difficulty with economists' assumption that "other things are equal" (specifically, demand).

Political rhetoric has swung dramatically in the past few years. There is now a bipartisan consensus that housing affordability is one of the country's very top social problems and that the solution is "supply, supply, supply" to quote the then Federal Minister for Housing, Julie Collins.

Politicians from both major parties, including the NSW premier and the Queensland housing Minister, self-identify as "YIMBYs". Leading newspapers, including the Australian Financial Review, the Sydney Morning Herald and the Age have editorialised in favour of allowing much more density.

Recent Policy Initiatives

In August 2023 the Prime Minister and state Premiers agreed on a national target of 1.2 million new homes over 5 years, emphasising the need for looser planning. The Federal government is providing up to $4.5 billion to assist and encourage States to meet their share of the target.

This target is ambitious if not unrealistic. It is close to recent cyclical peaks, suggesting it is within reach. However, it represents a large increase in construction, which will be difficult to achieve given subdued demand and widespread reports of labour shortages.

The announced targets fall well short of what is needed to solve the housing crisis. An increase in the dwelling stock of about 10 to 15 per cent, in addition to what would normally be supplied, might be needed to eliminate the shortage estimates in Table 1, assuming an elasticity of housing demand of about -0.4 (as estimated by Saunders and Tulip and Abelson and Joyeux).

In contrast, the national target represents growth in the housing stock of 2.2 per cent a year, which is only slightly more than trend population growth, about 1.5%. Given that the demand for dwellings per capita increases with income, the reduction in the shortage may be small. Nevertheless, it is a start; and it focuses the discussion on the central issues.

Most of the political debate has occurred at a state government level, where responsibility for land use regulation and many other aspects of housing policy lies. The debate is most advanced in New South Wales (NSW), the most populous and expensive state, where the governing Labor Party has announced a series of policies aimed at boosting supply.

One of the most controversial has been Transport-Oriented Development, which allows 6-storey apartment buildings within 400m of 37 train stations, on land that is currently zoned for low density. Another has been the announcement of housing targets for local councils, which sum to 377,000 dwellings, NSW's share of the national target of 1.2 million dwellings noted above.

These and other policies will be implemented by local councils, which directly administer most planning approvals, subject to state government constraints.

However, many councils have signalled opposition and it is not clear how they will be made to co-operate. Councils can be replaced with an administrator, and obstructionist councils have successfully been threatened with this in the past.

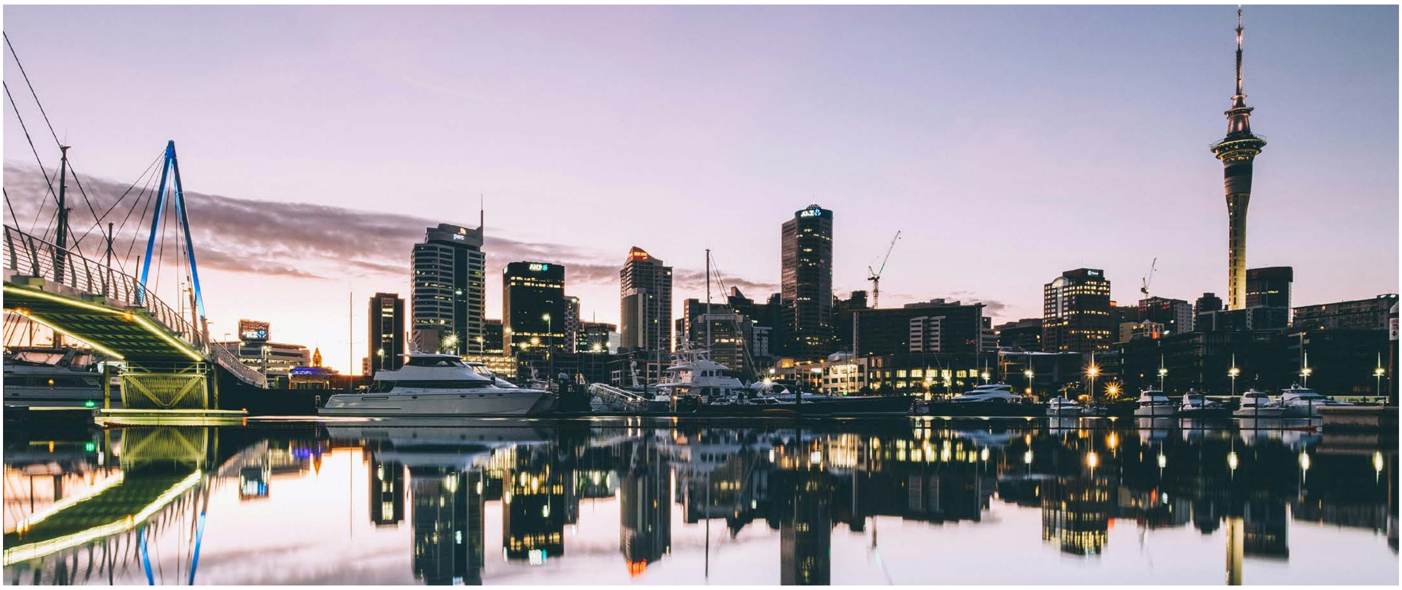
Yet discretionary remedies may provoke obstruction so that the central government is blamed for locally unpopular development, while the councillors portray themselves as fighting for their community.

Automatic upzoning might lead to a clearer attribution of responsibility. Foreign remedies, including California's "Builder's Remedy" and England's "presumption in favour of sustainable development," have been suggested as alternatives, though their effectiveness in isolation is not clear.

Political comparisons abroad

The nature of the housing debate in Australia has similarities and differences compared with other countries. Overwhelmingly, the opposition to increased density is based on fears that it will change "neighbourhood character" -- what is often called a conservative or "right-NIMBY" stance.

We have "left-NIMBYs" but they lack influence outside a few niches, in particular the Greens Party (which controls the balance



of power in some legislatures), the social housing lobby and the planning profession.

They do not control local governments as they do in big US and UK cities and hence they are not a major force to contend with. That means that issues like gentrification are much less important. And our debate is less mainstream versus leftist academics and more experts versus the public.

Though "debate" overstates the quality. There is little dialogue between opposing views. Much public discussion (for example, the Greens party's call for rent controls and higher taxes on landlords) is not supported by the available research. As in other countries, divisions over housing policy do not align with conventional political groupings.

The right is split, with many free marketeers being leading advocates for zoning reform, opposed by conservatives who fear change. The left is also split, with egalitarians who want to transfer income from wealthy landowners to lower income renters, being opposed by interventionists who mistrust the market.

Opinion is Divided

Opinion polls show the public supports proposals to increase density as an abstract principle. For example, 50% of NSW voters support plans to put medium density around train stations while 31% oppose.

However, nearby residents loudly oppose actual proposals. Politicians, especially on local councils, appear to be very sensitive to this opposition.

While in Australia it is still not clear how this inconsistency should be resolved. So tensions will remain between central governments wanting housing affordability, and local governments wanting to restrict supply.

But making consultation more inclusive, with lessons learned from New Zealand and Canada, could be the answer. F

INCLUSIVE PLANNING

Engaging Communities for Better Housing Outcomes

Weighing Everyone's Opinion Equally

Chris Curtis, MP for Milton Keynes North.

BEFORE ENTERING PARLIAMENT, I spent nearly a decade in the polling industry. Today, the industry is all about "representative samples," a concept that has its roots in the 1936 U.S. presidential election. For decades before that, the Literary Digest magazine was considered the gold standard for predicting election results. They mailed surveys to millions of their subscribers, believing that sheer size would guarantee accuracy.

But in the 1936 election, this method failed spectacularly. The magazine predicted that Republican candidate Alfred Landon would defeat President Franklin D. Roosevelt in a landslide.

In reality, Roosevelt won his own historic landslide, losing only Maine and Vermont. The Literary Digest poll was off by 39 percentage points, with errors in 20 states.

What went wrong?

The magazine suffered from response bias. Those who returned the surveys tended to be wealthier, suburban homeowners, not representative of the broader electorate.

Meanwhile, George Gallup tried a different approach. Instead of aiming for a massive sample, he focused on a smaller, more scientifically chosen group of 50,000 people that accurately reflected the population's diversity in terms of age, gender, and income. Gallup's prediction was off by just 1.4%, and the modern polling industry was born. From my years in polling, the most important lesson I learned is the value of listening to everyone, not just the loudest voices. Unfortunately, this principle isn't always applied in political decision-making, especially in planning consultations.

Polling consistently shows that those opposed to new developments are more likely to participate in these consultations than supporters. A recent study in San Francisco, analysing over 40,000 responses, revealed significant biases in terms of race, gender, age, and homeownership. This skews the data and creates an illusion that voters are overwhelmingly against new developments in their areas. And it's not just the consultations; our mailboxes and inboxes are also full of anti-development voices.

But representative polling paints a different picture. The last three YouGov polls show that 49% of voters support new building in their local area, compared to 42% who oppose it. Among Labour voters, a whopping 64% support local building projects.

The people of Milton Keynes North agree that there is a need for more housing. Give My View's findings in this report show 49% of respondents support the fact "we need more homes". When it comes to listening to renters in Milton Keynes North, this figure rises to 75%.

This isn't to say that people don't have concerns about new developments. Polling from Labour Together shows that people are most concerned about the impact on local services, like GP availability, and whether new homes are genuinely affordable. People want new developments to contribute positively to their communities by providing infrastructure, affordable housing, and green spaces.

Instead of addressing these concerns and finding solutions, politicians too often listen to a vocal minority that opposes all new development. This approach has serious consequences. It damages democracy by amplifying the voices of a small, unrepresentative group, while ignoring others.

It has also led to poor policymaking. The supply of new housing in the UK has failed to keep up with demand, with the average house price for a first-time buyer now eight times the average income, compared to five times in 2004.

In my constituency of Milton Keynes, over 1,000 families are living in temporary accommodation. Many people are reaching their late 30s before they can afford to buy their own home.

To solve this problem, we need more representative methods to gauge public opinion accurately. New techniques and organizations, such as Public First, Iceni Projects, and Give My View are emerging to help achieve that.

The immersive research, combined with polling undertaken by Public First supported by Leeds Building Society, found almost two-thirds of respondents think residents need to be supportive of development before they can go ahead.

But eight-in-ten respondents felt local councils and developers should be required to seek the views of the wider community. As opposed to local authorities only considering views from those motivated enough to directly comment on planning proposals. The report found just one-in-ten was opposed to a more representative approach.

It is time we embrace more representative methods to understand public sentiment. It's time to ensure we hear from everyone, not just the most vocal. By doing so, we can make better decisions that truly serve the needs and desires of our communities. F

The Case for Inclusive Planning

The problem with our planning system is not that everyone can have their say, writes Dr Tim Leunig – Director, Public First and Former Government Advisor

THE CASE FOR more houses nationally has been made and won. In recent years the proportion of young adults able to own their own home has fallen by a fifth while the proportion living with their parents until their mid-30s has risen by a fifth. This is not a good society, and Labour are right to back the builders, not the blockers.

Every new house will, by definition, be in someone's backyard. It is one thing to make the case for more houses in the abstract, quite another to find locations for 370,000 houses a year. Any MP will tell you of community campaigns against new housing.

Those campaigns are never representative. They are coalitions of the willing - or to be more accurate, coalitions of the unwilling. Research by Einstein, Glick, and Maxwell show participants in neighbourhood level institutions concerning planning are typically older, richer, and much more likely to be well-housed. They do not speak for the whole of the community.

This is both the problem and the solution. The problem with our planning system is not that everyone can have their say, but that those who have their say are held up as representing the wider community. We need to change the planning system so that local councils and developers are obliged to listen to a representative cross section of local people.

This is what happens in other countries. New Zealand used to be like us - restrictive planning leading to unaffordable housing. Then came the Christchurch earthquake, and the need to build quickly. Other places in New Zealand learned from Christchurch - and went out and consulted their communities on building more.

They consulted on things that were innovative for them - such as terraced housing, and flats above shops. Having received support from the community for these ideas, they then allowed builders to build those things. Housing became more affordable in places where these changes happened. Proper consultation leads to more houses, supported by the community.

"Proper consultation builds consensus, and, quite simply, works"

At Public First, we ran our own consultation supported by Leeds Building Society. We went to Earley and Woodley, on the southeastern edge of Reading – typical of areas with high housing costs. We did a representative online survey, and we walked up and down local high streets, sat in cafes and went into shops talking to local people, face to face.

Not one person we spoke to had ever responded to a planning issue. None of them had ever had their voices heard. Our planning system privileges the voices of people who are time-rich, well-educated and confident. We found consensus on the problem: four in five people agreed that it was hard for young people to afford a place of their own. As one woman, in her sixties, remarked:

"There's not enough housing is there? Young ones can't get on the ladder, people are thrown out of their flats with families. The big problem in Britain is housing"

We found consensus that the current system does not work: "People have got so fed up with successive governments just not listening. They don't take any notice of what we say, so why bother?". As well as being clear on the problem, people are clear on the solution. Three in four want more houses in their area. They do want consultation - councils should consider the views of the whole community, which can only happen if they "make it easy" to be involved: "I'm happy to fight for stuff if you tell me how to fight and make it easy, but I don't want to drive it". Again, four out of five want councils and developers to be obliged to consult the community fairly and equally. Two thirds believe that development is not legitimate if local people are not properly consulted. That isn't to say that they want direct democracy, and they understand that sometimes tough choices will be needed: "Local people should always have a say, but you shouldn't expect it to happen the way they think all the time."

This, then, is the way forward. Councils should consult properly on their local plan. They should draw together a representative sample of people in the areas affected. Those people should be listened to properly, their hopes and fears taken seriously. Our evidence - and international experience - shows that people understand the need for more housing when housing is unaffordable.

They have good ideas about what is needed to ensure those new homes become part of the community. That is not to say everyone will agree – sometimes tough choices will have to be made. But by consulting widely, politicians can be confident that those tough choices are seen as necessary, and are supported by the majority of local people. The system must therefore be made more representative. More inclusive. After all, eight-in-ten respondents felt local councils and developers should be required to seek the views of the wider community. Rather than simply consider views from an over represented minority. **F**

Engaging Beyond the Usual Suspects

Now is the time for a representative consultation revolution writes Gemma Gallant, Director of Engagement & Place, Iceni Projects

TRADITIONAL CONSULTATIONS ARE held in village halls and community centres, with attendees made up primarily of the usual suspects – middle aged or older, white and majority male. As observed by Einstein, Glick, and Palmer in the US, as well as by many of a community engagement expert in the UK. The decisions which these consultations inform are then made in council chambers where the same usual suspects reconvene to voice their concerns to councillors, who usually know them on a first name basis. Sound familiar?

On the digital side, local authorities' planning portals need the user to set up an account to participate in consultations. The service, which was arguably originally set up to make things easier, makes the process harder for anyone not used to using a computer or navigating such systems. Indeed, only those with especially strong feelings on a plan are likely to take part – and stronger feelings usually equate to objections.

This long-used approach misses out huge swathes of our communities, risking a small minority disproportionately influencing the decisions which affect a majority.

Inclusive consultation takes more time and effort. The big issue with wider inclusion in the consultation process is that the broader community experience challenges in their day to day lives which prevent them from seeking out and participating in such consultations.

These reasons vary from time-poor parents juggling work and childcare to multicultural communities where English is not their first language, younger people who don't think the consultation affects them, to those who aren't used to using computers or are uncomfortable about attending formal meetings, and indeed many more.

We need to work harder to get inclusive consultation results which genuinely reflect the views of our communities rather than those of a select few. Our residents deserve better.

Consultation Reform

With the new Labour Government pledging a raft of planning reform measures which include modernising the planning system, we have a golden opportunity to mandate for better consultation.

We need to make it as easy as possible for people to get involved, which means taking consultation out to the community – both in-person and online - and opening the process right up to truly maximise involvement.

Going back to basics

Engaging with communities where they already are, on their terms, is vital to start shifting the order of priority. This means hosting informal engagement events on the high street, at fairs and fetes, with schools and youth groups, at sports events and with faith groups.

It means really understanding the people who make up our communities and going out to them. With our society moving at a faster pace than ever before, in-person activity must be paired with digital engagement, again taken to the spaces people already use.

Give My View is a particularly successful platform which produces engaging digital surveys and markets them through Facebook and Instagram to reach specific areas and demographics, successfully engaging thousands of people who have never engaged before.

Most residents do not know much about the planning process unless they have had previous direct involvement with it, so we should not take any prior knowledge for granted.

All consultation content has to be in plain English, using simple, conversational language which everyone can understand; including images, avoiding jargon and spelling out what things really mean. The same principle in simplicity of language applies to translation.

Most residents neither know what a Local Plan is, nor understand the importance of getting involved in the consultation process. There is a clear distinction in understanding and knowledge.

A very small minority of residents who are 'in the know' are well-informed and understand what site allocations mean in practice, quizzing planners on all manner of planning-related issues. However, many of the residents we meet at the more inclusive consultation events have not engaged with Local Plans before, nor do they understand how they work in practice.

Young people and those set to most benefit from new housing is particularly disenfranchised, which makes them some of those least likely to take part in consultations as they currently stand. Greater use of digital approaches which tap into social media along with engaging with young people face-to-face at schools, colleges and universities, on high streets and at events will dramatically increase their participation.

Councils already have the contact details for everyone on their housing lists - those living at the sharp end of the housing crisis - so engaging these people in the consultation process, in the way that best suits them, would be a brilliant and logical step forward.

Creating community ownership

If a wider section of the community is involved in Local Plan consultations, the scene will be better set for allocated sites to come forward in the future.

The community will not be taken aback about plans for new communities, and rather will understand the 'what and why' behind them, easing the friction between local authorities, developers and councils.

Further, the greater involvement a resident has through the decision-making process, the higher their level of ownership at its conclusion.

When new places are created, residents who have helped to inform the creation of that place feel that they have a stake in it. In turn, they are more welcoming of new neighbours and the new homes our country so desperately needs.

Breaking the Echo Chamber

Wider communities often understand the need for change, writes Harry Quartermain and Lia Butler – Give My View

GIVE MY VIEW understands the limitations of the current most widely used consultation methods, and how they lend themselves better to specific groups within the community.

The silent - often agnostic - majority goes unaware or unheard when it comes to developments in their area, and their voices are often drowned out by a vocal and motivated minority.

Wider communities often understand the need for change, as well as the need for housing. Speaking to them in a method that is modern, flexible, and in the palm of their hands allows us to hear more of that perspective more frequently.

To reach these communities en-masse and in a cost-efficient way, we harness social media platforms to reach people where they are: getting on with their lives rather than in a village hall. This allows us to cast the net much wider than traditional forms of consultation ever could.

We optimise our campaigns to maximise engagement allowing us to inform and educate communities about development and its context.

LGH Fabians used Give My View to get an understanding about the public's attitude towards development and the extent and type of public consultation that accompanies it. Give My View targeted people located in the areas of Alperton, Milton Keynes North, and Chipping Barnet for this research.

Overall, the Give My View survey received 9,165 votes from 1,369 people over seven days. In addition to voting, these visitors provided 140 pieces of written feedback which provides more detailed opinions, in their own words, about these issues.

Alperton is within the London Borough of Brent. It forms the southern part of the town of Wembley, on the border with the London Borough of Ealing. Alperton is in the Brent West constituency, which in 2024 returned Barry Gardiner for Labour on a 3,793-vote majority and a 41.7% vote share (11.6% swing against Labour vs the notional 2019 results).

Milton Keynes North includes Central Milton Keynes and areas to the north including Wolverton, Newport Pagnell and Olney. The constituency has been held by Labour since 2019 and returned Chris Curtis for Labour on a majority of 5,430 and a 42% vote share (3.5% swing to Labour). Reform UK came in third place, taking 6,164 votes and 13.4% of the vote share.

Chipping Barnet forms part of the London Borough of Barnet. The Chipping Barnet constituency has been held by a Conservative since its creation for the February 1974 general election. In 2024 the constituency changed hands for the first time as it returned Dan Tomlinson for Labour with a majority of 2,914 and a 42.1% vote share. A 10.8% swing against the Conservatives resulted in only a 2.1% swing to Labour, with Reform UK and the Green Party picking up 3,986 (7.8%) and 3,442 (6.8%) votes respectively

Milton Keynes North

The people of Milton Keynes North agree that there is a need for more housing, with 49% of respondents selecting 'We need more houses', of which this was pertinent to renters. Of whom 75% held this attitude. To build on this, we can see that Social Housing is a key priority for this community, followed by Homes to Buy.

We asked the respondents to distribute their ideal proportion split for each housing type, the responses indicated: Social housing 55%; Homes to buy 33% & Homes for private rent 12%. A high percentage of homeowners responded to the survey in Milton Keynes North and only 25% of them believe there should be fewer houses in their area. The people in Milton Keynes North who rent or live in a property that is council owned are the biggest advocates for more housing in the area, and within both groups 'we need more houses' received over ¾ of the votes.

When looking at the types of homes that this community would like to see, the data collected indicates that there is a need for family homes.

Chipping Barnet

In Chipping Barnet most respondents agreed there is a need for more homes. Within this overarching need, we can see that this area believes there is mostly a need for homes to buy with an average of 44% of the votes distributed to this housing type, followed by social housing with 36% and finally homes for private rent with 20%. Across the board, homes for private rent have been deprioritised and homes to buy gained the highest distribution of votes.

Renters in Chipping Barnet are the keenest to see more houses in the area. At the same time, it is the people who have lived in the area between 1 - 10 years who are most keen to see more houses in the area. Like Milton Keynes North, we can see that there is a need for family homes, with 69% of the respondents who said they wanted more houses stating that they have children.

Alperton

The survey results in Alperton suggested that many of the respondents in this area wanted 'fewer houses' locally. According to the GLA's London Planning Data Store, since 2020, the London Borough of Brent has approved 15,096 new homes. 13,368 of these have been flats or maisonettes, with just 23 new terraced or semi-detached homes approved in the period.

According to the ONS, between the last two censuses (held in 2011 and 2021), the population of Brent increased by 9.2%, from around 311,200 in 2011 to around 339,800 in 2021. The population here increased by a greater percentage than the overall population of London (7.7%), and by a greater percentage than the overall population of England (up 6.6% since the 2011 Census). This significant change, not only to the number of people but also the type of housing in the area, is reflected in the results that we received from this area.

The survey of Alperton received responses from a range of age groups. When compared to the ONS population data, the youngest and oldest age groups are slightly under-represented and the bulk of the audience in the 35-64 age range is over-represented in our results. This demonstrates that on-line surveys are not exclusively a tool for engaging with a more youthful audience.

The survey of Alperton indicates a certain level of development fatigue, which in the face of the recent changes in the area may be understandable. However, interrogating the results further indicates some prominent groups within the cohort which skew the results. There is a large group of the community who own the property they live in, have lived in Alperton for over 20 years, and believe fewer houses are needed in this area. Interestingly, looking within the category of those who have stated that more houses are needed, a significant proportion of these respondents rent their property and have lived in Alperton for less time.

Open to Change?

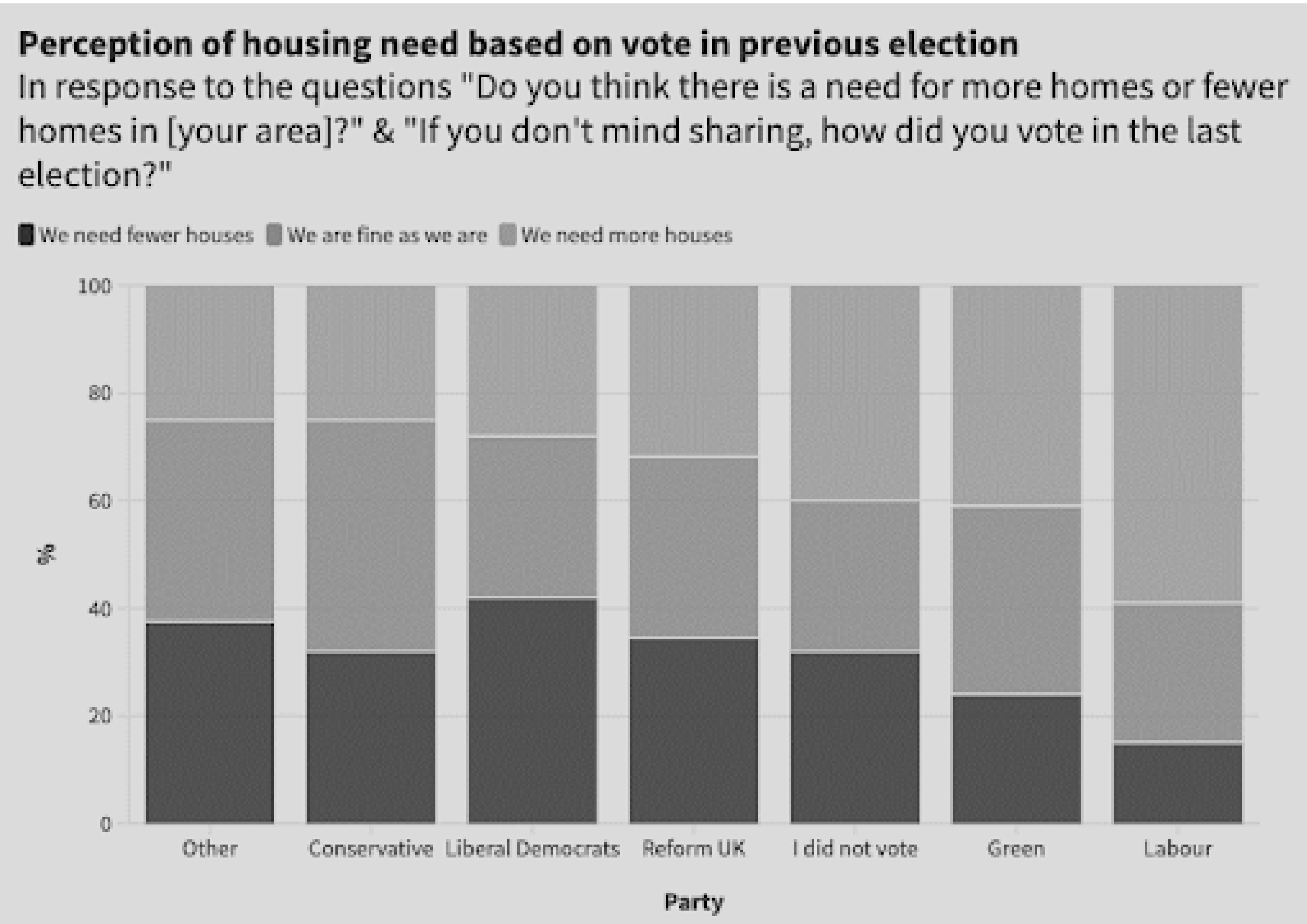
It is clear from our research that communities are, overall, open to change. They see the need for new housing and the various benefits that new housing can deliver.However, the picture is not uniform; areas that have witnessed recent and rapid changes in population and housing type are clearly exhibiting some level of development fatigue.

Even in these areas, examining responses from segments of the population that either don't already own a property, or have only recently moved to the area, shows strong support for new developments. Further, when you look at people's voting preference, based on how they reported to have voted in 2024, you can see that a majority of Labour voters support the need for more housing.

Using a range of consultation methods, including geographically and demographically targeted online consultation solutions like Give My View, allow a wider and typically under-represented section of the community to have a say about policy and developments, allowing a more complete picture of local opinion to be painted.

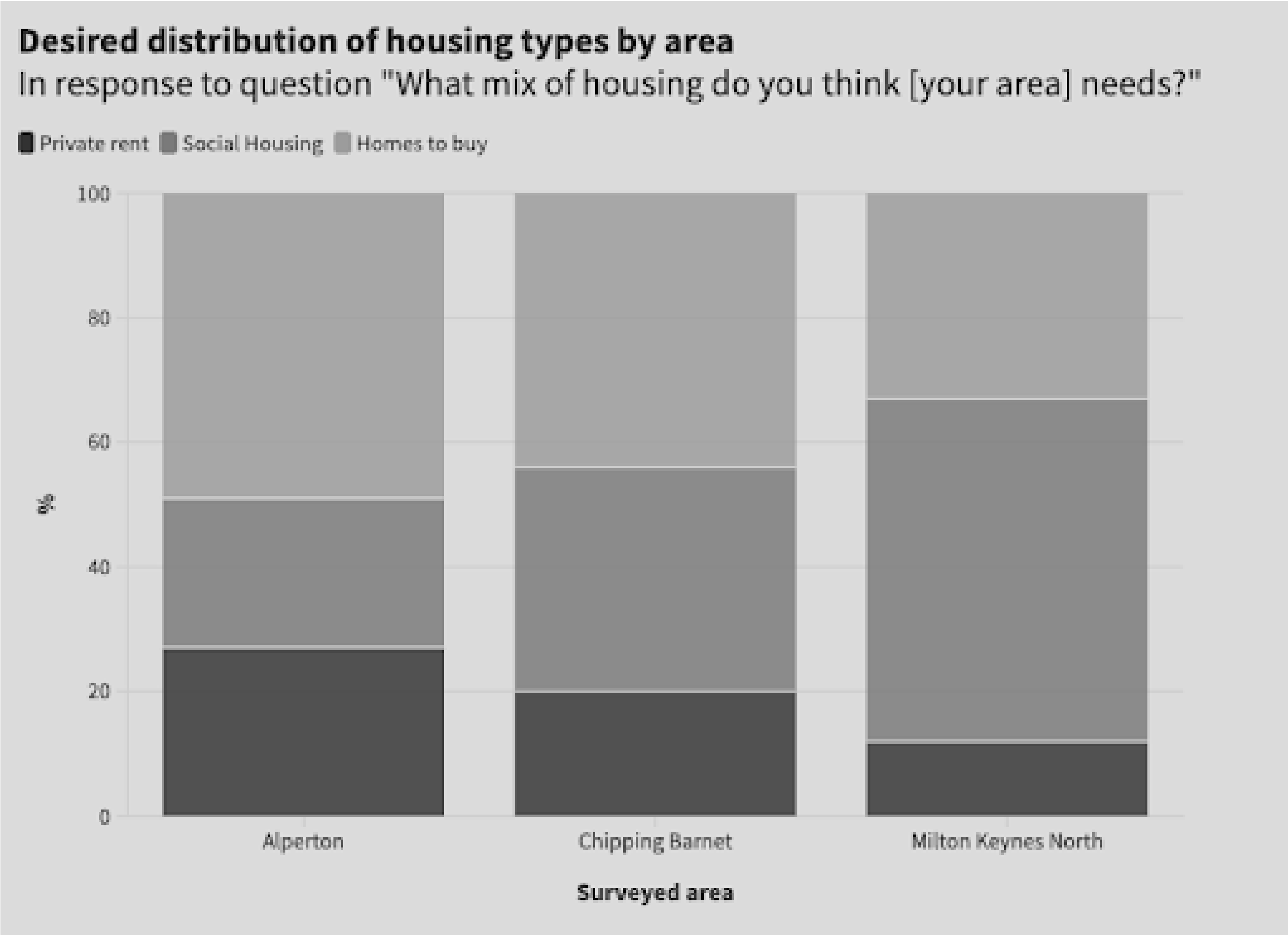
Perception of housing need based on vote in previous election

In response to the questions "Do you think there is a need for more homes or fewer homes in [your area]?" & "If you don't mind sharing, how did you vote in the last election?"



Desired distribution of housing types by area

In response to the question "What mix of housing do you think [your area] needs?"



"It's rarely as simple as a binary yes or no. It's time to stop assuming that public opinion is monochrome and start seeing the full picture in high definition"

Beating the Bias


How New Zealand overcame consultation bias through representative surveys, built more homes, and achieved better outcomes writes Stu Donovan and Oscar Sims

OVER THE LAST decade, New Zealand has adopted housing policy reforms that seek to streamline approval processes and enable more supply. Evidence finds these reforms have both boosted supply and improved affordability.

The following sections of this article, first, provide a background to these reforms; second, summarise evidence of their effects; and third, consider their implications.

Ultimately, this article hopes to motivate citizens, policy makers, and elected representatives – both in New Zealand and internationally – to enact further, more ambitious housing policy reforms.

Background: When political pressure intersects with policy opportunity

From 2010 to 2015, the political zeitgeist around housing policy in New Zealand suddenly shifted. For those of us working in urban policy at the time, you could almost see it happening.

The Overton window for housing – that is, the policies that were deemed acceptable – moved before our eyes.

The first signal of this came from the political arena. In 2015 John Key, who the year before had been re-elected as Prime Minister for a third term, was widely criticised for suggesting that New Zealand did not have a housing crisis.

The strong public reaction to this statement seems to have surprised Key's government. In response, Key defended his government's record by pointing to housing policy reforms, such as streamlined approval processes, which they had progressed since circa 2012.

For people working in housing policy, public dissatisfaction with housing outcomes in New Zealand was not a complete surprise and something that we had seen coming. Data from the OECD, for example, consistently ranked New Zealand close to bottom in terms of housing affordability.

What was more surprising was how quickly the vibes shifted. For whatever reason, more than a decade of research, advocacy, and media seemed to suddenly cut through with the wider public. Vocal popular dissatisfaction with housing outcomes in New Zealand then intersected with a unique policy opportunity.

In 2010, seven councils in Auckland were amalgamated into one to rule them all, with a population of approximately 1.5 million covering an area of just under 5,000 square kilometres.

The new Auckland Council had subsequently set to work developing a standardised set of rules for development, which became known as the Auckland Unitary Plan ("AUP").

Sadly, Council's initially ambitious spatial plans for Auckland were gradually worn down by anti-housing voices. Perhaps stung by the perception they weren't doing enough, Key's government – led by the deputy Prime Minister, Bill English – seemed to recognise the opportunity the AUP presented to expedite housing policy reforms.

A combination of political pressure from central government, consistent advocacy from grassroots organisations, and an independent hearings panel ("IHP") managed to overcome the anti-housing forces within Auckland Council.

The final version of the AUP enabled significantly more housing across three-quarters of the city.

In this slightly tumultuous fashion, Auckland adopted the AUP in 2016 and – with the stroke of a pen – enabled more housing. While this milestone was celebrated by many people at the time, few – us included – understood just how important the Auckland Unitary Plan would turn out to be.

Big and fast: The direct and indirect effects of upzoning in Auckland

In the local Māori language, Auckland is known as "Tāmaki Makaurau", which translates loosely to "Auckland, desired by many", in reference to the appeal of the city's location and resources.

From 2016 onwards, the city that is desired by many managed to build many new homes. Indeed, building approvals in Auckland quickly surged to levels that were 40% higher than any other point in recent decades – at the same time as approvals in other New Zealand cities remained flat. Many of these approvals, moreover, were associated with medium-density developments in upzoned areas. Approvals for townhouses, for example, increased twelve-fold. Two studies have analysed the effects of the AUP and found that it led to significantly higher building approvals that were equivalent to a 4-9% increase in dwelling stock in just 5-6 years.

A related study analysed the impacts of the AUP on housing costs and found it caused rents to fall by 28%. The impacts of the AUP were big and fast.

At the same time, and in stark contrast to traditional public consultation methods, representative surveys were starting to confirm strong support for pro-housing policies. The growing nexus between emerging evidence on the AUP and shifting opinion saw housing – a sleeper issue for so long – come to the political fore.

In this context, Jacinda Ardern unexpectedly led the Labour Party to victory in the 2017 general election, in which housing policies featured prominently. Initially, Labour's policies focused on public subsidies for new housing, Kiwibuild, which promised to build 100,000 homes by 2028 and provide a pathway to homeownership for working- and middle-class first-home buyers.

Direct reform of the planning system did not feature prominently in Labour's 2017 manifesto. Sadly, Kiwibuild continued to miss its targets, which were eventually dropped. In the wake of the AUP's ongoing success and Kiwibuild's persistent failures, a re-elected Labour Government opted to change tack. From 2020 onwards, Labour progressed initiatives to explicitly reform New Zealand's planning system.

The apex of this new approach was the development of national policy that directed local councils to enable more development. This direction was both broad, in that it encouraged upzoning in high demand areas, and specific, in the sense that it required upzoning in centres and around transit where there was national policy interest.

The supply-side housing policy reforms enacted by the Labour Government are discussed in detail in this article, although the main point for our purposes is that some of these reforms stuck (e.g. the National Policy Statement on Urban Development, or "NPS-UD") whereas others didn't (e.g. the Medium Density Residential Standards, or "MDRS"). Although the success of the AUP helped forge broad-based political support for supply-side policy, the exact shape of that policy remains contested.

More promisingly, New Zealand's new National-led Government has begun to progress its own supply-side housing policy reforms, namely the Going for Housing Growth programme.

In this way, perhaps the largest indirect effect, or legacy, of Auckland's experience with the admittedly imperfect AUP is that it helped to consolidate political and popular support for housing policy reforms.

Stepping back: Wider lessons for housing policy

Despite some missteps, widespread political and public support appears to exist in New Zealand for ongoing supply-side housing reforms. In this context, what are the main lessons for elsewhere?

First, we suggest the government needs to be willing to intervene in council decisions. Auckland's upzoning turned out to be a stunning success, but it was opposed by Council at the time and very nearly did not proceed. More generally, there seems to be a political economy problem whereby housing has dispersed (regional if not national) benefits but concentrated (local) costs. Councils thus face much weaker incentives to supply housing than is optimal.

In New Zealand, this realisation has motivated broad support for stronger national direction. The NPS-UD, for example, is currently being strengthened by New Zealand's new government even as the MDRS is being weakened.

Second, government intervention in local decisions needs to be carefully motivated and targeted. The unravelling of the bipartisan political consensus on the more prescriptive MDRS, for example, serves as a warning.

This suggests that government intervention in council decisions needs to be clearly motivated (e.g. by problems that confront the government) and targeted (e.g. to specific areas that alleviate said problems). In New Zealand's case, there seems to be broad support for the direction in the NPS-UD for councils to enable more housing and upzone around centres and transit. In contrast, the direction in the MDRS to upzone more widely did not enjoy enduring support.

Third, evidence matters. Both evidence on the effects of planning policies as well as evidence of public support for housing. Evidence on the success of Auckland's upzoning, for example, provided a strong evidence base for policy.

Similarly, representative surveys showing broad support for housing appear to have swayed some decision-makers. This was also the case in Vancouver, Canada.

Where, as shown in Table 1 below, representative surveys used for the Jericho Lands projects in Vancouver found stark contrasts in differences in support between "self-selected" voluntary consultation polls versus those that are more inclusive.

For this reason, governments and civil society groups that are keen to progress housing policy reforms would be well-advised to invest in gathering evidence, for example, by way of funding research and representative surveys.

Hopefully, Auckland and New Zealand's experiences helps to inspire and motivate citizens, policy makers, and elected representatives – both in New Zealand and internationally – to enact further housing policy reforms. The widespread benefits of more housing compel us to act. F

Table 1: Representative Public Opinion Research versus Self-Selected Survey

Topic	Self-Selected Survey Shape Your City	Representative Survey Citywide Market Research	+/-
Overall Response to Jericho Lands Site Plan	38% "like" or "really like" 48% "dislike" or "really dislike"	65% "like" or "really like" 9% "dislike" or "really dislike"	+27% -39%
Parks and Open Spaces	53% "like" or "really like" 26% "dislike" or "really dislike"	78% "like" or "really like" 5% "dislike" or "really dislike"	+25% -21%
Transportation and Connections	54% "like" or "really like" 25% "dislike" or "really dislike"	73% "like" or "really like" 6% "dislike" or "really dislike"	+19% -19%
Land Use	49% "like" or "really like" 40% "dislike" or "really dislike"	68% "like" or "really like" 12% "dislike" or "really dislike"	+19% -28%
Density	34% "like" or "really like" 53% "dislike" or "really dislike"	52% "like" or "really like" 14% "dislike" or "really dislike"	+18% -39%
Building types and heights	30% "like" or "really like" 58% "dislike" or "really dislike"	49% "like" or "really like" 19% "dislike" or "really dislike"	+19% -39%
Public amenities	49% "like" or "really like" 36% "dislike" or "really dislike"	63% "like" or "really like" 15% "dislike" or "really dislike"	+14% -21%

Source: Vancouver Sun, 2024 Massive Jericho project inches ahead as polls show vastly different views

HOMES FOR SOCIAL RENT

A Role for Institutional Capital

The Critical Shortage of Homes for Social Rent

Matt Downie - CEO of Crisis

A FUTURE WHERE homelessness is ended is achievable. This means a country in which people rarely lose their home, and if they do, there's a quick solution. To many this might seem radical, even impossible. But we've seen glimpses of what's possible when national Government prioritises the lives of people who are homeless, both across Britain and in other nations. We know that with the right political will homelessness is solvable.

Currently rising rents, increasing living costs and a severe lack of truly affordable housing mean more and more people are being pushed into homelessness. Right now, we're breaking records in homelessness for all the wrong reasons. The number of households facing homelessness in England today is the highest since records began.

Thousands of children are stuck in temporary accommodation, forced to call a damp and mouldy B&B home and some have tragically never known anything else. In London over 4,000 people were forced to sleep on the streets in just a three-month period between April and June this year. This cannot continue. Behind these numbers belies the devastation and human cost of homelessness. The worry and anxiety parents face thinking about uprooting their children from their schools and social networks; the fear of losing your home and sanctuary; and at the very worst end, contending with poor mental and physical health from living in accommodation not fit for purpose, or bedding down on our streets exposed to severe weather.

The time for change is now. While we are undoubtedly facing steep challenges, opportunity and hope also awaits. With a new government, there is a chance for a new approach to homelessness – one which tackles the root causes, and which focuses on evidence-based solutions that help people have the dignity of a home as quickly as possible.

That's why it's promising that from the start, the Westminster Government has committed to put our country back on track to ending homelessness. Homes must be at the heart of its approach. A safe and settled home is the foundation on which people can build a decent life and meet their true potential.

Having a decent home is vital for good health and wellbeing and makes it easier for people to succeed at work and in education, to maintain relationships with family and friends and to contribute to their community. Making sure that everyone has a safe and truly affordable home benefits us all, creating a stronger, more productive society where everyone can play their part.

Social housing is vital to ensuring that people experiencing homelessness can access secure, affordable housing, providing a route out of homelessness or avoiding it altogether. But for decades, successive governments have failed to address a mounting crisis in the supply of social housing. Homes have been sold or demolished and we simply haven't been building enough to replace those being lost. Reversing this trend will be critical to ending homelessness.

That's why it's particularly welcome to see the government has pledged to deliver the biggest increase in social and affordable housebuilding in a generation, and it has already started taking action to make this a reality. The intentions set out in the government's national planning policy framework on social housing – making clear there needs to be a minimum requirement for social homes – is an important first step towards building up to the number of social homes we need every year to end homelessness. Alongside this, the Renters' Rights Bill announced in the King's Speech has the potential to transform the sector by giving private renters much needed security and protection from homelessness.

The government has also promised a long-term housing strategy. The high cost of housing is pushing people into poverty and over time towards homelessness, as well as making it harder for people to find a new home when they are homeless and having a long-term strategy to deliver the 90,000 social homes a year that we know are needed to meet housing need is critical to addressing this. The foundations to achieve this are starting to be laid, and we need the government to continue being bold in its ambition to deliver the social homes we desperately need, and ensure people who are homeless and at risk can access them.

In this pamphlet, Homes for Social Rent, we see the immediate need to overcome the financial challenges faced by local authorities following the significant rise in temporary accommodation.

We welcome the recommendations to explore innovative partnership models that consider how we increase housing supply over decades. Not just overnight.

To address the critical shortage of homes for social rent, there needs to be a range of solutions and we welcome the innovative approaches set out by the contributors.

This Government has the chance to make history and set us on a path to a future free from homelessness. Let's help them achieve it.

Failing to Meet Statutory Obligations

The situation for those living in temporary accommodation is dire, writes Cllr Jack Shaw – London Borough of Barking and Dagenham

THE RISE IN temporary accommodation is the human face of the housing crisis. In the words of the Deputy Prime Minister, Angela Rayner, it's a "national scandal", and the most recent snapshot reveals that the situation is becoming more acute.

Over 117,000 households are now in accommodation they cannot call their own – and within those households are 151,630 children. The number of children in temporary accommodation is equivalent to the population of Cambridge – which stands at the highest level since Labour introduced the measure in 2004. This is the legacy that the Conservative Party has left in towns and cities across the United Kingdom.

The discourse surrounding housebuilding has, for the most part, coalesced around the economics of housebuilding. Overwhelming evidence suggests that housebuilding can boost economic growth, create employment opportunities, regenerate public space and improve housing affordability.

Though there are a small number of vocal supply-side sceptics, there is a broad consensus emerging in the United Kingdom, but also further afield in pockets of New Zealand and the United States. The economic 'rationalist' reasons for housebuilding are compelling – and entire books have been dedicated to them. Much less attention has been paid to the moral and affective case for housebuilding and it is time to re-insert humanity into the housing debate.

Even the language of households to describe families in temporary accommodation does not give the crisis the explanatory power it deserves. Instead, the language of households obscures the humanity of the men, women, children that live in temporary accommodation. It sanitises the poor quality of their living arrangements, which in too many cases is unacceptable.

More serious attention should be paid to the victims of the housing crisis living in temporary accommodation. Families are living in hotels with shared facilities, in overcrowded accommodation, miles for their support network or forced to change school or employment.

In some cases, families are sharing toilets and kitchens with strangers. Many homeless families have additional physical or mental needs, some victims of domestic abuse or have experience of substance or alcohol misuse.

As a result of the failure to build homes, in London children are now spending their entire childhoods in temporary accommodation - with the worst cases including children in accommodation for two decades. According to a recent Freedom of Information Request, one family in a non-descript hotel in Hackney has been there for 2,929 days.

While the quality of housing is a central concern for all Britons – it has long been a particular concern for progressives on the centre left, and often a barrier to building more homes. Yet the situation too many families find themselves in puts into sharp focus the reticence to build homes over, for example, the number of parking spaces or – more spuriously - a singular mulberry tree.

Under the current planning regime, the voices of the families in temporary accommodation that stand to gain from new housebuilding remain unheard and their needs should carry more weight.

For their part, local authorities sit at the intersection between long-term national policy failure and their statutory duties to support those that need support the most.

Authorities are in an unenviable situation. Since 2010, Conservatives have adopted an explicit "trim the fat" approach by under-investing in them, thereby forcing authorities to salami-slice services. The rise in homelessness is now placing existential pressure on authorities – putting them at risk of de facto 'bankruptcy', formally known as a Section 114.

As a result, they have fewer resources at a moment when the demand for services is most acute. Newham set this challenge out clearly in August: it estimates it'll spend 10 per cent of its budget in 2024-25 on supporting families in temporary accommodation, but that will increase to 33 per cent by 2027-28.

In response, authorities are increasingly placing families outside of their boroughs. This is not a London-centric issue, or even an issue that only affects cities – with many sub-urban areas now placing families outside of their administrative boundaries.

Perhaps the most Orwellian example is Tower Hamlet, which has created 'zones' outside of the borough to codify its approach to temporary accommodation and in doing so it risks creating a punitive policy of 'worthy' and 'unworthy' homeless families giving new meaning to zonal planning.

Other authorities are failing to meet their statutory obligation to notify those authorities where they place families – meaning that some families find it more difficult to access services they are entitled to use.

This is clearly unsustainable, some pockets of innovation have emerged. Maidstone – which won the Local Government Chronicle Award for Housing in 2021 – used predictive analytics to bring together information on common causes of homelessness. It required data-sharing across organisations and through employing it Maidstone was able to identify families before they became at risk of homelessness in order to intervene early.

They prevented dozens of families from becoming homeless and saved thousands is staffing. Elsewhere new public-private models for financing temporary accommodation more sustainably have emerged.

Croydon is a case in point, having joined forces with Legal

and General which is leasing the authority 250 two- and three-bedroom homes on a 40-year lease. The authority will set the rents at the Local Housing Allowance rate and Legal and General will generate a return on investment through the innovative partnership arrangements it has with Croydon.

The cost to Croydon is cheaper than the alternative: later-stage inventions such as sourcing emergency accommodation or placing families in hotels.

The failure to build more homes – or to adopt more innovative approaches to support families transition out of temporary accommodation – is deeply personal. It risks denying families agency over the lives by preventing them from settling in permanent accommodation.

Foregrounding the humanity of the families that suffer the consequences of the housing crisis can strengthen the economic consensus that the 'coalition of growth' advocate.

From Temporary to Permanent Accommodation

Our model considers housing needs over decades - not just overnight,
writes Ike Mbamali - Director, Prowgress

HOUSING IS OFTEN described as a place to live, or a roof over your head. But not all roofs are created equal. A stay in a hotel could be a welcome break for a couple, or a bleak and alien environment for a family in need of a home. Accommodation can provide shelter without autonomy, lodgings without community. Offering a permanent home to a family gives them the confidence and the consent to get to know their neighbours and become involved in the locality. A lack of permanent housing contributes to loneliness, exclusion, and at the extreme end even anti-social behaviour or violence.

My personal experience of Britain's housing system informs my beliefs about social housing and my work with HSH and Ulo Homes through Prowgress. After arriving in London from Nigeria as a child, we moved in with my aunt in Wandsworth, eight of us in two rooms. The cramped conditions had me climbing the walls, and I was a terror to my teachers and relatives in the early years.

When my mother was accepted to study chemical engineering at Imperial, she applied for council housing in Kensington and told us we would be moving soon. In a few short months I shared a bedroom with just one brother, in a new flat not far from the Kings Road in Chelsea. I was able to put my head down and earn a scholarship to a boarding school in Herefordshire, and my family was able to put down roots and flourish.

Challenges for local authorities

My experience demonstrates everything that is good about social housing in this country, but it is an opportunity that is slipping away. Migration to the UK has increased, reaching record highs in 2022, but homebuilding has stagnated. British people, particularly the young and the working class, are finding it impossible to get a home. This has led some people to adopt a siege mentality.

In 1968 we built 352,000 homes for a population of 55 million, but in 2022 we completed about half that for a population that has risen to 67 million. Smarter people than me are discussing targets, planning and market reforms to increase supply in this publication, so I will dig into just one subset of those numbers. In 1968 local authorities built 144,000 units, not far off the entire 2022 economy. Yet this shrank to 1,620 units by 2022. This lack of supply for those most in need is throwing sand in the gears of social progress.

My experience of working with local government is that people are hard-working, knowledgeable and doing the best by their voters with dwindling resources. Spending has been cut across the board on all services bar social care, which will command greater resources to deal with an aging population. The Local Government Association predicts a funding gap of £15 billion between 2021 and 2024/25. There have been 12 section 114 notices from local authorities indicating severe financial distress since 2018, with the next most recent back in 2000. Money is short, and houses are expensive. We help local authorities to solve the second problem in spite of the first.

The pain of Temporary Accommodation is widely felt

I first came across the problem when I saw that a flat I owned was earning far more than the market average in rent. When I asked the agent why this was, he told me that it was being let to the local authority on a nightly basis for use as Temporary Accommodation (TA). This is housing provided to homeless individuals and families while they await permanent housing, often in hostels and B&Bs. Meant as a temporary solution, it is the daily reality for Britain's "hidden homeless", including over 145,000 children and 20,000 babies, with 3,700 families stuck in TA for over five years. Local authorities pay inflated rates, often charged on a nightly basis, draining taxpayers' money while depriving children of a home. This cost £1.8 billion nationally in 2022/23, up from £1.4 billion in 2018/19, with 60% of this expenditure taking place in London. The harm it causes children and families is all too clear.

A spiralling rental market is causing housing costs to rise for local authorities as well as households. Local authorities cannot invest in housing stock to provide permanent homes because their budgets are tied up paying for families in urgent need of accommodation. This vicious cycle is trapping British children in a liminal state, depriving them of security and community. Young people are doing their homework under hotel lamps, unsure where they will be sleeping on a daily basis.

Passing the buck by shrugging and calling for more budget is doing them a disservice in the current economic climate.

A new take on housing benefit

Our approach revisits existing spending from a new perspective. Government spends £30 billion on housing benefit, which ends up in the hands of landlords. But what if we took this money, currently acting as government stimulus for a supply-constrained private rental sector, and used it to help solve rather than exacerbate the problem?

At Prowgress, we consider housing needs over decades, not just overnight. We see housing benefit as investment capital rather than an operational expense: using it to acquire and build social housing for local authorities. These properties are leased back to the authorities for 40 years, and typically ceded to them for a nominal fee when the lease is up. All for less than the ongoing cost of housing benefit.

Local authorities are risk-averse, careful stewards of budgets. This stands to reason, given how important their services are to the lives and wellbeing of vulnerable people. That is why we hold ourselves to the highest standards on funding, working

exclusively with trusted, institutional backers deploying patient capital, such as Legal and General.

In terms of the bottom line, partnering with Prowgress to source 1,000 units leads to annual savings of £10 million relative to TA. It enables estimated savings of £75 million NPV compared to funding acquisition through a PWLB loan. And on top of that it strips out purchase costs, legals, stamp duty, right to buy and associated staff costs, as well as keeping the borrowing off the balance sheet to prevent it tying up more capital.

Our structure ensures that Right to Buy does not apply, so councils can discharge homelessness duties while increasing their housing stock rather than see it continue to dwindle. We build these homes sustainably, with a clear goal of forming communities.

We are initially focused on London and the south east, where need is greatest. But we hope that this model can extend to any local authority looking to deliver housing while reducing their budget.

Giving back

My family has never taken for granted everything that this country has done for us. Our welcome and the support extended to us by the state gave us a sense of duty to match our ambition, inspiring two of my siblings to work for the NHS as doctors and a third to become the first ever black female professor in the UK.

A child arriving today is not guaranteed the same reception. Our housing crisis combined with rising cost of living has created a scarcity mentality, in contrast to the abundant mindset of the past. As our housing becomes more scarce, expensive and low-quality, this has inflamed tensions, creating perceived in-groups and out-groups that is spilling into unrest.

Housing alone will not solve this problem, but I believe that it can play a huge role. I believe that downstream effects of constrained housing supply causes needless social, economic and political damage. Addressing this shortfall provides opportunity for Britain's young people, while ensuring that we can still offer a warm welcome to the best and brightest from abroad. F

Tackling the Crisis of Temporary Accommodation

How Redbridge is exploring innovative housing solutions by Cllr Vanisha Solanki, London Borough of Redbridge

EVERYONE DESERVES A safe, secure, and sustainable place to call home. However, for a growing number of families, temporary accommodation has tragically become not a short-term solution but a long-term reality.

Temporary accommodation spans everything from bed and breakfasts to hostels and hotels—far from ideal living conditions. The escalating crisis of temporary accommodation reflects systemic failures in housing provision and social support, compounded by a chronic shortage of affordable housing.

With a persistent underbuilding of homes and Local Housing Allowance (LHA) rates having been frozen for four years before their increase in April 2024, the number of households in temporary accommodation in England continues to soar, reaching alarming new heights.

According to government data released last year, the number of households in temporary accommodation in England reached an unprecedented high of 105,750.

The situation is particularly dire in London, where the number of children in temporary accommodation also hit a record high, reaching 138,930 by the end of June. Shockingly, more than 82,000 of these children reside in the capital.

These figures paint a grim picture of the harsh realities faced by thousands of families across the country. Behind each statistic lies a story of hardship, uncertainty, and instability. Temporary accommodation, originally intended as a short-term fix, has tragically morphed into a long-term predicament for far too many, trapping families in a cycle of poverty and housing insecurity.

One of the primary drivers of this crisis is the chronic underbuilding of housing stock. For years, successive governments have failed to meet the demand for affordable homes, resulting in a severe shortage. This imbalance between supply and demand has pushed housing prices beyond the reach of many, forcing them into temporary accommodation as a last resort.

Another challenge exacerbating the crisis is the freezing of Local Housing Allowance rates, which determine the maximum housing benefit available to private renters. Although LHA rates were finally increased in April 2024 after being frozen for four years, they had already failed to keep pace with rising rents, leaving tenants with an ever-widening gap between what they can afford and the actual cost of renting in the private sector.

Consequently, more individuals and families are being pushed into homelessness or forced to rely on temporary accommodation for shelter. In London, where the housing crisis is particularly acute, the situation is dire. The capital continues to bear the brunt of this crisis, with over 60,000 households now living in temporary accommodation—a significant increase from the previous year.

This failure to address the escalating crisis not only undermines the well-being of affected families but also places immense strain on local authorities and public services.

In London, many local authorities, including Redbridge Council, where I proudly serve as the Cabinet Member for Housing and Homelessness, are grappling with significant budgetary challenges due to the increasing costs of temporary accommodation (TA). The situation has become increasingly untenable; in the 2022/23 financial year alone, Redbridge Council spent a staggering £52 million on temporary accommodation—a figure that is simply unsustainable.

Addressing these challenges requires a comprehensive and holistic approach—one that targets both the immediate needs of those in temporary accommodation and the long-term goal of reducing dependency on such housing. At the core of our strategy is facilitating pathways to employment for residents.

Through the Work Redbridge initiative, we are actively supporting residents by offering tailored employment programs that provide the skills and resources necessary for securing sustainable employment. Stable employment is a crucial step toward enabling individuals to afford private sector rents and move out of temporary accommodation.

Furthermore, Redbridge Council is committed to discharging our duty to the private rented sector through a series of innovative initiatives. These include rent deposit schemes, rent guarantee programs, and landlord incentives designed to encourage the acceptance of tenants transitioning from temporary accommodation.

Additionally, recognising the mismatch between Local Housing Allowance (LHA) rates and market rents within our borough, we are relocating some residents to areas where LHA rates are more in line with the market reality. These areas offer safe, secure, and sustainable housing options that meet the needs of our residents. Feedback from those moving out of the borough has been overwhelmingly positive, with many expressing relief and satisfaction at the improved living conditions.

A crucial element of our strategy is also the prevention of evictions and the securing of tenancies. We collaborate closely with landlords to prevent evictions, offering mediation services and support for rent arrears. By safeguarding tenancies, we aim to reduce the risk of homelessness, thereby reducing the pressure on our already strained housing budget.

However, we recognise that one of the biggest challenges we face is the ever-increasing demand for temporary accommodation—something largely beyond our control.

To mitigate this, Redbridge Council is exploring innovative housing solutions, including identifying lower-cost accommodation options and entering into strategic leasing agreements with developers. These measures are designed to secure affordable, safe, and suitable housing for our residents, ultimately reducing our reliance on costly temporary accommodation.

Redbridge Council's approach to managing the temporary accommodation crisis is a testament to our broader commitment to finding sustainable, long-term solutions to the housing crisis.

By focusing on employment, providing robust support services, and implementing strategic housing initiatives, we are not only working to alleviate budgetary pressures but also striving to help our residents achieve stability and independence.

The Time to Fix the Section 106 System is Now

The current situation is storing up problems for future housing delivery, writes Neil Jefferson - Chief Executive, Home Builders Federation

IT IS BECOMING increasingly clear that this country does not have homes, of any tenure, to house its growing population. In fact, last year's Home Builders Federation's (HBF) report, Housing Horizons, found that England has far fewer homes relative to its population compared to many other developed countries, with just 434 dwellings per thousand inhabitants—well below France (590), Italy (587), and trailing woefully behind the OECD average of 487.

The outlook for Affordable Housing and homes for social rent is even bleaker, with the proportion of social and affordable rented homes dropping from 20% of the total housing stock in 2000 to just 16% in 2023, despite increasing demand. It is also a situation that shows no sign of improving in the short term, with the appetite among Registered Providers for purchasing Section 106 units in decline.

While the causes of the ubiquitous housing crisis are numerous and complex, at the heart of the problem is a failure to build enough new homes. That is not to say progress hasn't been made, after all housing supply in England is now up 79% on the 2012-13 trough, when supply fell to just 130,610 net additions. However, the supply of new homes, of all tenures, is still falling consistently and considerably short of the nation's need and has done for many decades.

After a particularly difficult period in which developers struggled to get spades in the ground in large part due to the increasingly unpredictable, cumbersome, politicised and costly planning process, the new Labour Government's recent swathe of planning announcements has provided some much-needed light at the end of the tunnel. In particular, the reinstatement of mandatory housing targets, introduction of 'grey belt' into planning policy and increased capacity for Local Planning Authorities (LPAs), have been warmly welcomed by the home building industry.

However, if the Government is to meet its manifesto pledge of delivering "the biggest increase in social and affordable house building in a generation", it is vital that the issues with the existing system of developer contributions, particularly regarding Section 106 agreements, are also addressed in tandem.

Through the cross-subsidy Section 106 system, private housing delivery has consistently been responsible for half of all new Affordable Homes built each year, including one third of social rented housing. Ensuring the system is fit for purpose into the next decade will be of utmost importance, not just for those of us in the housing sector striving to support the Government's ambitious housing delivery targets, but also for the households whose lives are often transformed by these new homes.

However, we recognise that one of the biggest challenges we face is the ever-increasing demand for temporary accommodation—something largely beyond our control.

Affordable Homes are being built but no one wants to buy them

The past two years has seen a gradual reduction in the number of Registered Providers (RPs) actively participating in the market to acquire Section 106 Affordable Homes.

RPs are facing a conflux of challenges with increased financing costs, hitherto static rents in real-terms and major issues with damp, mould and building safety necessitating investment in existing stock ahead of acquiring new houses and flats.

What may have at first seemed to outsiders like a Housing Association-specific issue that would have little bearing on total housing delivery and other parts of the sector, has proven to be demonstrative of the interconnectedness of the overall housing market and its key actors. Without a healthy, functioning RP sector, the market struggles, private housing delivery is affected, and local authorities face problems in addressing local housing needs.

To better understand the real-world impact, HBF conducted a survey of a small number of our members earlier in the year which led to an estimate that there were tens of thousands S106 Affordable Housing units detailed planning permission that remain uncontracted. Perhaps most concerningly, over a third of these homes are due for completion either this year or next.

However, the current situation is also storing up problems for future housing delivery as without an active RP market, an increasing number of sites are being delayed or paused. While larger builders on bigger sites may react by slowing down construction pace to avoid running into the buffers, for many small builders operating with project-based finance, drawing down their development finance is contingent on having a contract in place to sell S106 homes to RPs or councils. This aids cashflow and gets them on site.

As a way forward, some Local Authorities are allowing S106 units to be converted to other tenures, such as First Homes or Rentplus, using cascade mechanisms in S106 agreements. While such flexibility is necessary in the short-term, at a time when the number of people on Local Authority waiting lists is the highest for a decade, the loss of social rented and Affordable Rent Homes is a bitter pill to swallow.

However, in other cases, LPAs are unwilling to consider cascade arrangements as part of Section 106 agreements. While this is their prerogative, it leaves home builders in limbo with legal obligations to provide Affordable Housing but with no active market in place to purchase them.

Solving this issue is in the interests not only of the home building industry, but local authorities, Registered Providers, Government and most importantly, those in need of a home. Finding a

resolution will certainly not be simple but with collaboration across the sector, can be achieved.

What about infrastructure

Over recent years, the proportion of developer contribution funds allocated to Affordable Housing has grown due to a reduction in Government grant funding for Affordable Housing. For instance, in 2018/19 more than two-thirds of the value of the total developer contributions in England was allocated to Affordable Housing, an increase from 51% in 2005/6.

However, with more money being invested in Affordable Housing, there is less to be spent on more 'visible' local infrastructure such as road improvements or educational facilities. Consequently, this is having a detrimental impact on local communities' support of development and in some cases, prevents the homes from being built at all.

Given the development of Affordable Housing is heavily reliant on S106 contributions, this is problematic for a government set on ramping up the supply of new homes across all tenures. And so, it is important that the need to fund other forms of infrastructure is not forgotten in discussions about how best to reform the system of developer contributions.

S106 is not beyond repair

Following the Government's recent confirmation that it is dispensing with its predecessor's plans to introduce a new Infrastructure Levy, future reform must take place within the parameters of the existing developer contribution system.

This announcement was welcomed by industry, as while S106 has its challenges, a system that generates around £7bn in developer contributions each year is clearly not beyond repair.

The aim, instead, should be to ensure that these vital community and infrastructure contributions are coming to fruition in a timely manner and that RPs and local authorities have the requisite capacity to acquire and manage new properties and infrastructure that comes with them.

With the need for change firmly on the radar of policy makers, it is imperative on us all to make the case for the changes needed to increase the supply of much needed Affordable Housing and homes for social rent. F

A New Fiscal Incentive for Social Rent

Could a new fiscal incentive spur pension fund investment in social housing asks Krista D'Alessandro – Senior Policy Advisor, Pensions and Lifetime Savings Association

IN RECENT YEARS, the government has set its sights on encouraging UK pension funds to play a bigger role encouraging domestic economic growth, given that investments made by UK pension funds are widely recognized as strengthening the economy and generating long-term domestic investment.

At the PLSA, we have welcomed this ambition, though our primary priority has remained ensuring that any policy developments work in the best interests of UK retirement savers. We previously identified six areas where current barriers to UK growth could be removed to spur growth, including the creation of possible fiscal incentives.

Our recent report, Pensions & Growth: Creating a Pipeline of Investable UK Opportunities, identifies key areas that most require investment, one of which is social and community growth funds, and within this – social housing.

Research shows that to generate enough private capital to meet UK demand for social housing, the Government will need to invest, on average, £14.6 billion each year between 2021 and 2031 for a housebuilding programme worth a total of £46.2 billion per year.

Further, to retrofit the existing social housing stock to meet the Government's target of achieving EPC C standard (and contribute towards the UK's net zero goal), a total investment of £104 billion is needed according to the LSE.

To address this, our report highlights four policy interventions: planning reform, capital allowances for private investors, long-term CPI-linked rental ceilings, and learning from successful affordable housing tax incentives in the U.S. Although the new Government has made clear its plans to address planning reform, more needs to be done to confront the scale of investment need.

The creation of a fiscal incentive that channels pension fund investment into social housing could serve as an economic win-win: increasing the supply of social housing across the country – and promoting economic growth – while simultaneously securing strong retirement returns for pension fund savers.

UK Pension Fund Investment

There are three types of funded workplace pension schemes in the UK: defined contribution (DC) schemes; defined benefit (DB) schemes; and Local Government Pension Schemes (LGPS). These are all run differently, and each has varying member demographics, risk appetites, liabilities, and long-term strategies and objectives.

Though these differences have important implications for scheme investment strategies, the fiduciary duty of those charged with overseeing each type of scheme – to act in the best interest of scheme beneficiaries – is shared between them.

For trustees and managers to invest funds to any given asset – including social housing – that asset must offer attractive, risk-adjusted returns, net of fees.

This does not mean, of course, that pension funds are not able to invest in social housing. For example, the Church of England Pension Scheme holds several social housing bonds with their buy and maintain bond portfolio.

The Clywd Pensions Fund is making contributions to inclusive economic development across its portfolio of investments, and 3,369 new homes have been developed in areas where lower-cost homes are needed, of which 27% are affordable housing.

Despite this, it is important to continue to consider further ways to stimulate investment in social housing, and one fiscal incentive worth considering is the Low-Income Housing Tax Credit in the U.S.

A U.S. Example of How to Fund Affordable Housing: The Low-Income Housing Tax Credit

The Low-Income Housing Tax Credit (often referred to as the Housing Credit or "LIHTC") is a federal tax incentive program in the U.S. responsible for nearly all the affordable rental housing build and preserved across the country. Since its inception in 1986, it has financed 3.85 million affordable homes for nearly 9 million low-income families.

It is also responsible for generating widespread economic benefit. As of 2022, the Housing Credit has generated approximately $716.3 billion in cumulative wages and business income, $257.1 billion in cumulative tax revenues, and approximately 6.33 million jobs per year.

Other programs – like the New Markets Tax Credit, which focuses on community development – have been modelled in its image, given this success. There are a few key elements of the Housing Credit program that make it successful in the U.S. that could potentially appeal in the UK – including to pension funds.

1. The Housing Credit is stable – it's a permanent part of the federal tax code with strong, bipartisan support.
    a. The Housing Credit was created by the Tax Reform Act of 1986 and each year, states receive a housing credit allocation based on population size. Given its stability and long-term success, the Housing Credit has secured strong bipartisan support. Current legislation to expand the Housing Credit has support among Democrats and Republicans alike, in both the House of Representatives and the Senate.

2. The Housing Credit is a federal tax program run at the state level – giving local communities more control.
    a. Though it is a federal program, the Housing Credit is administered at the state level, and only affordable housing developments that satisfy state needs are built. This devolution of spending translates to targeted housing support for specific populations across the U.S., such as families, seniors, veterans, and those with disabilities. In the UK, this could mean improving energy standards across newly developed or rehabilitated affordable housing properties where it is most needed, to reduce costs and increase efficiency.
3. The Housing Credit is a pay-for-success model – affordable housing properties must be built, maintained, and occupied (for a minimum 15-year compliance period followed by a 15-year extended use period) for tax credits to flow.
    a. Once a state awards its available tax credits to developers – who win these through a competitive application process, again, based on that state's specific needs – developers can then seek investors who provide the upfront affordable housing development equity. In a potential UK model, this is where pension funds come into the equation.
    b. Investors then receive tax credits over a 10-year period in exchange for providing upfront equity, but only after the property is successfully built and housing low-income individuals. Housing Credit properties are monitored on a regular basis, and the IRS can recapture tax credits for non-compliance.
    c. In the U.S., Housing Credit syndicators serve as intermediaries between developers and investors, as well as provide ongoing asset management to ensure property compliance and tax credit delivery. This relieves investors from much of the on-the-ground administration, which could also appeal to pension funds.

Conclusion

Ultimately, for pension funds to invest in the UK where there is strong need – including social housing – the current risk/reward equation needs to change. The PLSA's six policy interventions (Fig. 1) and our proposals on enhancing the pipeline of investible opportunities in the UK are a strong place to start.

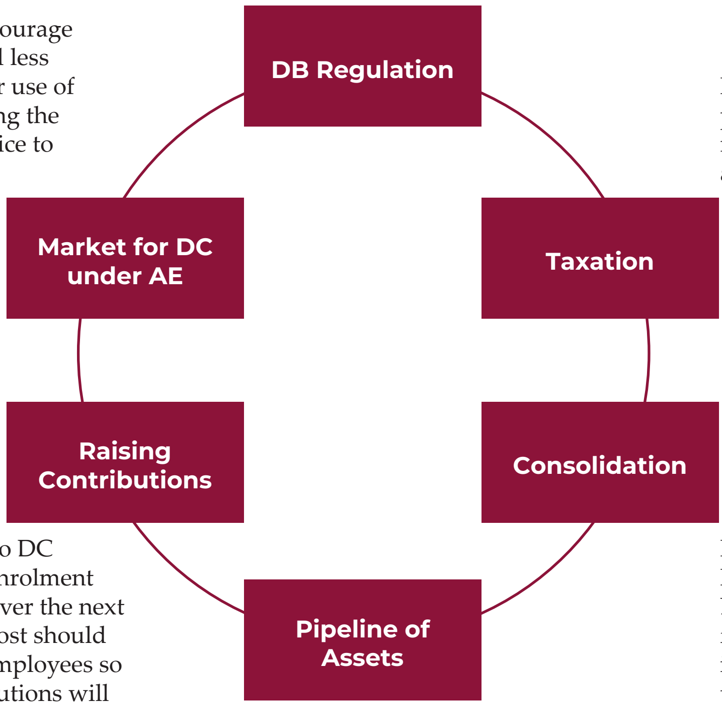
A fiscal incentive like the U.S. Housing Credit – given its strong success – should also be considered, and if developed appropriately, could both help UK savers secure strong retirements as well as bolster the country's economy at large.

Figure 1: The PLSA Six Policy Interventions

Introducing greater flexibility into the funding regime for private sector DB schemes, in particular for open DB schemes and those schemes with longer investment time horizons.

Taking a range of actions to encourage more focus on performance and less on cost, for example, the greater use of Value for Money tests and setting the right regulatory regime for advice to employers and schemes.

Introducing fiscal incentives for pension funds to improve the risk/reward equation, making UK assets more attractive for schemes.



Increasing the flow of assets into DC schemes by raising automatic enrolment contributions from 8% to 12% over the next decade. Most of the increased cost should fall on employers rather than employees so that, by the early 2030s, contributions will be made on a 50/50 basis.

Prioritising the passage through Parliament of a Bill to place DB superfunds on a statutory footing and carrying forward, in a pragmatic way, its current programme of measures related to DC Master Trusts and the LGPS.

Ensuring there is a stream of high-quality investment assets suitable for pension fund needs. This should involve action by both Government, to foster the right regulatory environment, and entities such as the British Business Bank and private sector fund managers to bring new, innovative and appropriately priced products to market.

Overcoming the Fiscal Barriers to Affordable Housing Investment

Why the government will need to explore new financing tools if it is to meet its target of building 1.5 million homes this parliament, by Marley Miller, Associate Director, Global Counsel

THE LAST TIME England managed to build 1.5 million homes in one parliament was over half a century ago. This too was under a Labour government. Every year that ended with Howard Wilson as Prime Minister, more than 300,000 houses were built.

It's a record of which Keir Starmer will be envious. Indeed, his government has already lifted two policies from Wilson's playbook: setting very ambitious housing targets (though these fall a touch short of Wilson's 500,000 a year goal) and committing to a new generation of new towns – the first wave since Wilson laid the foundations for Milton Keynes in 1967. Yet, one key element of Wilson's blueprint, which Starmer will struggle to emulate, is the role of the social housing sector. In 1969, almost half of all new homes were built by local authorities or housing associations. Today, they account for less than 20%.

The challenge for the chancellor Rachel Reeves as she stares down the fiscal "black hole" ahead of her first Budget in October is the huge expense of government housebuilding programmes. It is for this reason that she has championed the case for planning reforms, which tend to incur no cost.

These planning reforms are very welcome and long overdue. They will incentivise local authorities to plan for more homes, make more land available for development in areas that are struggling to meet their needs and pave the way for greater intervention in communities which are failing to build.

However, they are unlikely to be enough to deliver 1.5 million homes this parliament. This is partly because many of the reforms will take time to have an impact as councils develop new local plans.

Perhaps more importantly, it is because the high interest rates the government inherited have dampened demand for new developments, causing major housebuilders to slow down construction.

This makes the case stronger for more direct financial interventions. The Housing Secretary announced in July that the government will introduce greater funding flexibility in the Affordable Homes Programme. This will help to address the shocking underspends we saw under the last government, with Michael Gove returning £1.9 billion he'd failed to use to the Treasury.

More importantly, Angela Rayner promised to unveil the details of future government investment in housing at the spending review next spring. This should include a substantial new Affordable Homes Programme. But the government should also use this moment to consider innovative financing mechanisms which can deliver further affordable homes with less of a fiscal burden for the government.

One option which others have explored in more detail in this pamphlet are Low Income Housing Tax Credits (LIHTC), which have helped build more than 3.5 million homes in the US since their introduction in the 1980s.

LIHTC works through US States allocating federal tax credits to developers to help with their construction costs for affordable housing. These tax credits are offered over a 10-year period, but the developer sells them on to investors, usually large financial institutions, in order to get the upfront equity required for building projects.

The process is complex and carries administrative costs. Yet it has two clear advantages for the chancellor's priorities. Firstly, LIHTC would have a much smaller impact on the government's fiscal rules. Unlike typical government housebuilding programmes, for which the costs are added to the government's balance sheet as they are spent, the tax credits are spread out well beyond the government's 5-year spending forecast, while the development can start immediately.

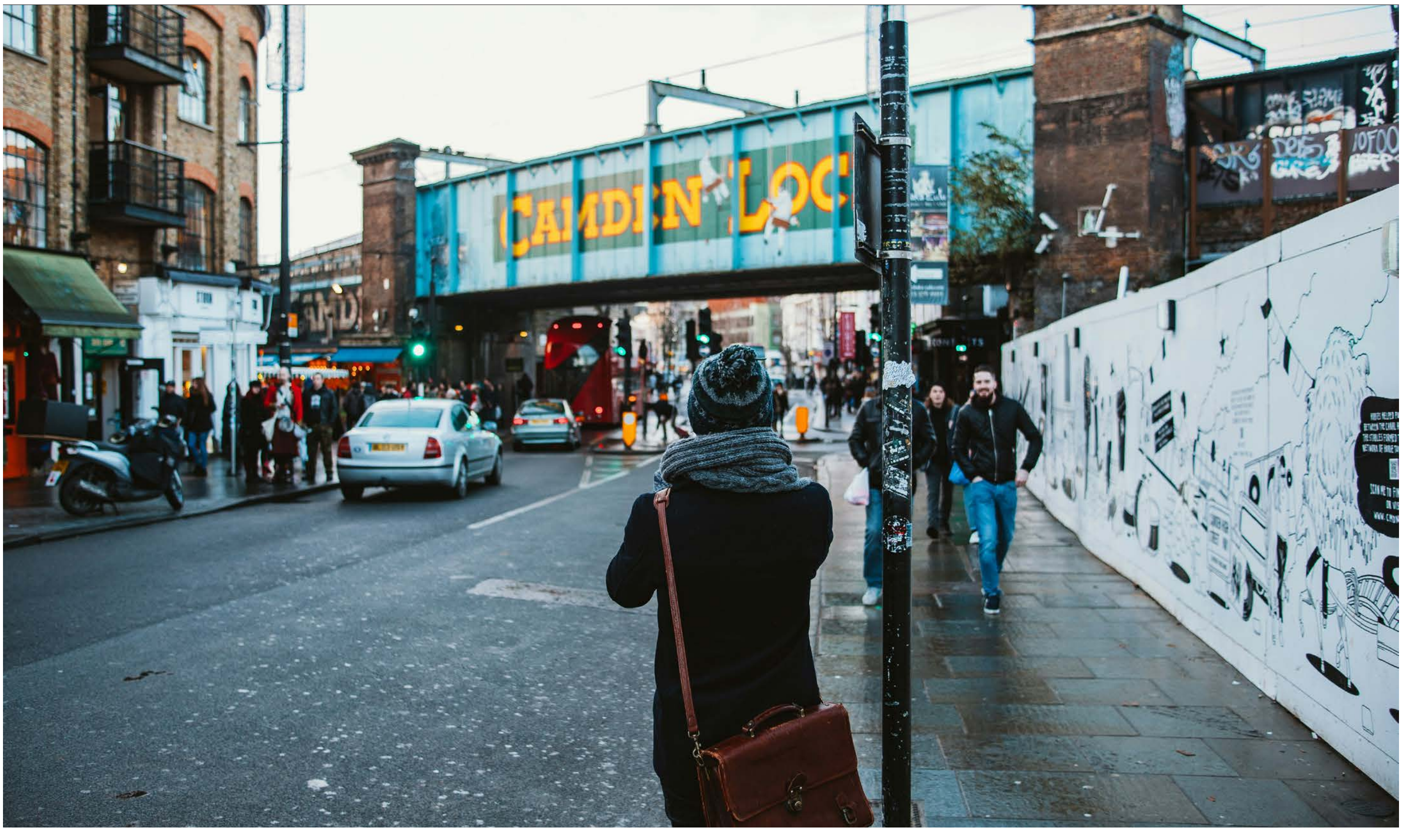
As a result, compared to existing programmes, a mechanism like LIHTC could leave the chancellor with more fiscal headroom for other priorities. Secondly, LIHTC would create a channel to support greater private sector investment. In line with the ambitions of the chancellor's Pensions Investment Review, this could enable pension funds to invest in housing and support the government's growth mission.

Another option which the government should explore as part of its devolution agenda is supporting mayors to raise more money on capital markets to support affordable housing projects.

Municipal bonds are used widely in New York City and other US metropolitan areas to fund affordable housebuilding programs but in the UK are less common. One reason for this is that local authorities in the UK have the option to borrow via the central government using the Public Works Loan Board (PWLB). However, this isn't always the cheapest option for local authorities. It also has drawbacks for central government. While the government generates interest payments from PWLB loans, the use of this mechanism also means it is the guarantor and any lending is added to the government balance sheet, impacting the fiscal rules.

In 2014, local authorities decided to establish their own mechanism for raising capital from financial markets: the Municipal Bond Agency (MBA).

Through the MBA, local authorities jointly guarantee bond issuances, enabling them to access cheaper interest rates, reducing their long-term borrowing costs. Depending on how these bonds are structured, they could also reduce some of the near-term fiscal pressures facing the Chancellor.



Promoting greater uptake of municipal bonds would not be without risks. Firstly, there has been limited use of the MBA – indeed, Lancashire County Council is the only authority to have issued a bond to date. The government may need to consider how the make them a more attractive prospect.

For instance, through targeting smaller amounts of grant funding to be used alongside municipal bonds or devolving further fiscal powers to ensure local communities receive a greater share of the tax uplift from successful regeneration projects. Secondly, many local authorities are currently facing significant financial difficulties and often don't have the specialist financial skills required to consider these more sophisticated mechanisms.

If the government is to encourage mayors to employ innovative financing approaches, it may need to start by reviewing their resources.

Section 106 and Beyond

Reflections 10 years on from the Winston Churchill Memorial Trust study,
by Vic O'Brien – Affordable Housing Consultant

THE TIME MAY now have come for a UK Low Income Housing Tax Credits system to be introduced due to the changes in the affordable housing sector over the last few years and the arrival of a new Labour Government, committed to increasing housing production especially affordable housing.

Ten years ago, I took a paid 4 week sabbatical from my then role as Development Director of a UK housing association, and, with funding from the Winston Churchill Memorial Trust, undertook a study of the USA's Low Income Housing Tax Credit (LIHTC) system.

My research involved meeting with senior and junior people working in the US LIHTC world in Boston, New York, Raleigh, and Washington DC. This included developers, State Housing Authorities, Federal staff, banks and syndicators.

As is the case for affordable housing in the UK, in the US the rental stream generated by affordable housing is insufficient to fund the interest and loan repayments on the debt required to build new affordable homes. In the US, as a rough rule of thumb, c.40% of the cost of building a new affordable home can be funded from the rental stream. Capital income derived from Low Income Housing Tax Credits (LIHTC) was mostly the means by which the other 60% of the cost of building a new US affordable home was funded.

The LIHTC system works by Corporations being able to invest in Low Income Housing and off-set this expenditure through tax credits applied to their tax liability over a 10 year period. The tax credit is $1 for every $1 the Company invests in qualifying Low Income Housing. The capital investment is made in year one and the tax credits are given over ten years.

The LIHTC funding system is subject to a range of administrative controls to ensure that good quality well managed Low Income housing is produced. Each State is awarded an allocation of Low Income Tax Credit funding by the Federal Government. The State Housing Authority publishes a Qualified Allocation Plan which sets out its funding priorities. Developers then work up projects against this plan and apply for funding. If their proposals are approved, the developer then lines up the funding for their project through a LIHTC syndicator. The developer then develops the project and, once complete, applies for confirmation from the State that the scheme qualifies for tax credits. Once this is in place the developer draws the investment supported by tax credits and loans to fund the affordable housing scheme.

The administration of the US LIHTC system has similarities with the UK affordable housing grant funding system. In the UK, Homes England publishes a prospectus for its investment programme which typically runs over 3 to 5 years, which is similar to States publishing their Qualified Allocation Plans. The funding is then applied to development projects according to a detailed set of rules. Both the US and UK systems are subject to extensive checks to ensure compliance to funding requirements.

A downside to introducing LIHTC to the UK is that tax credits will result in forgone tax, thus reducing tax revenue to the Treasury. However, there are a number of factors that offset this:

1. The capital investment is raised in year one and the tax credits are given over 10 years.
2. The increase in affordable housing production from the investment driven by LIHTC will generate tax revenues.
3. Tax revenues will also be generated through the ongoing management and maintenance of these new homes.
4. The increase in affordable housing resulting from a LIHTC system, would also reduce the number of households living in very expensive temporary and emergency accommodation and thereby reducing Government expenditure.
5. Unlike UK Government affordable housing grant funding, which is funded via tax and spend, a UK LIHTC system lies outside of Government expenditure.

The initial focus for rapidly increasing affordable housing production should be to encourage House Builders to ramp up production of new homes on their existing significant land banks, as obtaining Planning Permission on new sites often takes several years.

At present, there is a slowdown in house production which is driven by a slowdown in the private new home market and this in turn has resulted in house builders experiencing slow sales rates. House Builders are already engaging with Housing Associations and For Profit Registered Providers to acquire their new homes in volume deals.

However, the success of this approach has been limited due to Housing Associations' lack of financial capacity and for the For-Profit Registered Providers the limited grant subsidy available. The introduction of a UK LIHTC system could provide this necessary additional subsidy.

One of the conclusions of my research in 2014 was that the core principle of the LIHTC system of giving tax credits to support investment in affordable housing, was something that should be the subject of further research into the net benefit of adopting the principles of this system in the UK. This conclusion is now even more compelling given the Government's commitment to deliver 1.5 million homes over the next 5 years because:

1. The present limit to investment in affordable housing due to limited Housing Association financial capacity and limits to the amount of subsidy available,
2. The even larger number of households housed in temporary accommodation than in 2014,
3. The lack of Government financial resources to invest in new affordable housing, and
4. The extensive landbanks of the national Housebuilders on which the production of new affordable homes could be immediately and substantially ramped up if additional subsidy was available

Next steps

The next step in considering introducing a LIHTC system into the UK, is to commission and in depth study into how LIHTC could operate in the UK to fund new supply, solve Section 106 funding gaps, and the rehabilitation of existing poor quality housing stock.

An economic review exploring what impact it would have on forgone tax revenue from the granting of Tax Credits against the increased tax generated by the increase in construction and housing management activity should be derived from pilot schemes across the country.

The Practical and Political Evolution of US LIHTC

How LIHTC became the engine for affordable housing production, writes
Jenny Netzer - Former CEO of TCAM, LLC

THE U.S. LOW-INCOME Housing Tax Credit (LIHTC) has evolved from an untested idea to the country's engine for affordable housing production and preservation. LIHTC was created by the Tax Reform Act of 1986, which gutted tax benefits associated with real estate investing. LIHTC's advocates hoped the new tax credit would offset the damage to rental housing investment of the Act's other tax provisions.

In fact, LIHTC's impact has far surpassed original expectations, effectively leveraging public resources – in the form of forgone tax revenue – to generate billions of dollars of private investment and produce over three million units of affordable rental housing.

The design of the LIHTC program inspired the entrepreneurial energy that made it a practical success – and developed a broad network of political support. In retrospect, it's clear that several key features of the program's design drove these outcomes. Vesting authority in the states to allocate the federal tax benefits allowed for tailoring for local conditions and constituencies, exponentially increased the number of officials engaged in the program and avoided the involvement of a ponderous federal bureaucracy. The bare bones nature of the federal requirements left room for state agencies and local real estate developers room to work out the practical realities of siting, financing and building the properties.

The competitive – and public -- process for winning tax credits allotments through submission of proposals consistent with a state allocation plan expedited the evolution of state plans and development of expertise on the part of developers and investors and spawned an ecosystem of specialized lawyers and tax and compliance advisors.

Local real estate developers responded relatively quickly to the new and untested program. The early movers among them understood that supply-side tax incentives were being offered to build affordable rental housing and went to work trying to put deals together. As the first group of practitioners worked with state finance agencies to get deals done, they worked through issues, modified their processes, learned from each other and from mistakes. More developers entered the market and pressed for changes in state plans and administrative processes. In short, success built on success as entrepreneurial energy proved and improved the program's effectiveness in generating affordable rental housing that met community needs across a wide variety of markets.

The evolution of the capital markets to fuel significant increases in production and the program's financial efficiency was a longer, rockier process. The capital provider precedent in mind when the program was designed were the wealthy investors whose tax benefits had been obliterated by the Tax Reform Act that created the LIHTC program. But other aspects of tax reform limited that opportunity, and housing developers struggled to find ways to monetize the future stream of tax credits to generate sufficient equity to get the projects financed and built.

Corporate investors were the best candidates for using a ten-year stream of tax benefits to shelter profits, but were wary of the risk – would they get their tax credits? -- and apprehensive about being associated with affordable housing.

Pursued relentlessly by investment brokers and syndication firms from the pre-tax reform tax-shelter days, a handful of tax directors at major corporations eventually invested to reduce their tax rates. A few banks also became cautious investors, risking relatively small amounts with the initial objective of meeting community reinvestment act requirements. Once tax credits started slowly and the investment product proved itself to be relatively low risk, the number and appetite of corporate and bank investors expanded.

The expanding equity market added to the virtual cycle of the program's development in at least two other ways. First, it brought more debt capital into affordable housing. Private mortgage lenders had been reluctant to write long-term mortgages for properties that were thought to have very little equity behind the loans, and developers had to rely on government lenders for the permanent debt needed to take out their construction loans.

Second but equally if not more important, corporate investors now joined housing developers in political support for the LIHTC program, making sure members of Congress from both parties understood the benefits to their constituents and districts. The design of the program as a tax expenditure was also politically appealing and shielded it from the budget appropriations process. Solid bipartisan support led to the renewal of the LIHTC program in 1989 and the program becoming a permanent part of the tax code in 1993. Political support has continued to aid in legislative expansion and improvements to the program.

As investors perceived less risk in the investment and, in the case of bank investors, built entire departments for the purpose of LIHTC investing, the supply of capital increased. Bank investors'

low cost of capital eventually drove most other investors out of the market.

In fact, lower returns meant more equity per tax credit dollar, so that states' tax credit allocations built much more affordable housing than in the early days of the program. The program continues to leverage billions of dollars a year in equity and debt capital for affordable rental housing.

In sum, many factors contributed to the success of the LIHTC program in the United States. When initially enacted, no one knew how or if the program would work. Nearly 40 years later, the program has been a resounding practical and political success. But now that the approach is tested and proven, the UK and other countries do not have to wait 40 years to prove it works.

Low-Income Housing Tax Credit (LIHTC): A Brief Overview

How LIHTC works in practice. by Andrew Lozano, Senior Policy Manager, Affordable Housing Tax Credit Coalition

CREATED BY THE Tax Reform Act of 1986, the Low-Income Housing Tax Credit (Housing Credit) is a federal tax incentive designed to promote investment in the production and preservation of affordable rental housing in the United States. The program operates as a public-private partnership.

In this arrangement, the private sector's financial resources, obligations, and priorities are aligned with the public sector's regulatory and legislative authority. This blends public oversight with private investment to address critical housing needs across the U.S.

Such an approach sets itself apart from other federal housing subsidy programs in the U.S., such as Section 8 and public housing, as well as social rent housing in the United Kingdom, by relying on private equity investments incentivized through tax benefits rather than direct government funding.

Furthermore, the Housing Credit functions as a supply-side subsidy, focusing on incentivizing the production and preservation of affordable housing. By exchanging tax credits for equity investments in affordable housing development, the amount of debt needed to finance a property is reduced. This makes it more financially feasible to operate housing with rents that are affordable for low- and moderate-income families.

The Housing Credit's structure, which includes a 15-year compliance period, ensures long-term accountability and affordability. Since its inception, the Housing Credit has successfully contributed to the creation of millions of affordable housing units, while also supporting job creation and economic growth in urban, suburban, and rural communities, making it a cornerstone of U.S. housing policy.

Types of Housing Credits and How They're Allocated

There are two types of Housing Credits; the 4% credit, typically used for projects utilizing federally tax-exempt bond financing, and the 9% credit, generally reserved for new construction and rehabilitation projects not utilizing certain additional federal subsidies.

Although the Housing Credit is established at the federal level, state finance agencies are responsible for allocating credits to individual developments. This allocation occurs through a highly competitive application process, which allows states significant flexibility to prioritize their specific housing and community development needs.

State agencies develop criteria for awarding Housing Credits, which are outlined in a document called the Qualified Allocation Plan (QAPs). States are required to develop QAPs via a public process that allows for input from the general public and local communities, as well as LIHTC stakeholders.

The amount of 9% Housing Credits available to each state is capped on an inflation-adjusted per capita basis with a small-state minimum. The amount of 4% credits a state can allocate is not limited by a per capita cap. Instead, it is constrained by the state's use of private activity bonds (PABs), a finite financing resource that must be used for a development to qualify for the 4% credit.

How Housing Credits Generate Equity Investment

Once awarded credits, developers sell them to outside investors in exchange for equity financing needed to complete construction. The sale typically involves forming a limited partnership between the developer and the investor, with the process often managed by syndicators.

In this arrangement, the developer, acting as the general partner, holds a minor ownership stake but retains control over the daily operations and construction of the project. The investor, serving as the limited partner, holds a significant ownership share but remains largely passive in their involvement. Syndicators, in turn, receive a fee for managing the investment transactions.

Claiming the Housing Credit and Affordability Requirements

Investors can only begin claiming Housing Credits against their federal tax liability once construction is complete and the affordable housing units are leased to income-qualifying tenants.

This pay-for-performance model ensures that taxpayer dollars are not on the line until the private sector is fulfilling its promise to provide quality, affordable rental housing. Properties financed

using Housing Credits must remain affordable for at least 30 years after project completion, although many states have extended affordability periods.

During the first 15 years, tax credits that have been given to developers can be taken away or "re-captured" if the property fails to comply with Housing Credit regulations.

To qualify for a LIHTC allocation, properties must meet one of three specific affordability requirements, including both income and rent restrictions:

- **20-50 Test:** At least 20% of the units must be occupied by individuals earning no more than 50% of the area's median gross income (AMI), adjusted for family size.
- **40-60 Test:** At least 40% of the units must be occupied by individuals with incomes at or below 60% of AMI, adjusted for family size.
- **Average Income Test (AIT):** This option allows owners to average tenant incomes. To meet this test, at least 40% of the units must be occupied by tenants with an average income no greater than 60% of AMI, and no individual tenant's income can exceed 80% of AMI. For instance, if a tenant earns 80% of AMI, the property must also include tenants with incomes at or below 40% of AMI to ensure the average income remains at or below 60% of AMI.

In addition to these income tests, properties must also pass the "gross rents test." This requires that rents are set at affordable levels, which is considered 30% of the income thresholds set by the chosen income test (50% or 60% of AMI) or less. These requirements ensure that the housing remains affordable for low- and moderate-income families.

Housing Credits are claimed for 10 years in an annual amount based on a formula that was originally designed to subsidize 70% of total qualifying construction costs when using the 9% credit or 30% when using the 4% credit. Qualifying construction costs are known as the eligible basis, which is generally equal to the adjusted basis of the building, excluding land but including amenities and common areas. Due to Congress enacting minimum percentages for Housing Credit amounts, the total credit amount for a project can be calculated as 9% or 4% of eligible basis multiplied by 10 to account for each year of the credit period. This ensures that low-interest rates do not cause credit amounts to fluctuate below 9% and 4%, providing greater stability to the Housing Credit market. Though it is possible for credit amounts to exceed 9% and 4%, interest rates have not risen high enough for this to occur since 1990. For example, a development awarded the 4% Housing Credit with $1 million of eligible basis will generate a stream of $40,000 in tax credits per year (4% x $1 million) for ten years, or $400,000 in total. Under the appropriate interest rate, the present value of $400,000 in tax credits should be equal to 30% of the total qualifying construction costs, or $300,000, resulting in a 30% subsidy.

The Housing Credit is a Financing Tool

The LIHTC typically covers only a portion of a project's total cost, requiring additional financing sources to complete the development. These sources may include conventional mortgage loans from private lenders, as well as alternative financing and grants from both public and private entities. State-level resources can also be involved, including state tax credits similar to the federal LIHTC. Additionally, some LIHTC projects may benefit from other government subsidies, such as housing vouchers, to further support affordability. F

Syndicating Complementary Capital

How LIHTC can maximizes mission-agnostic money into homes for social rent alongside other existing programmes by Elaine Magil

THE CORE - and indeed the most universally applicable – principle of the LIHTC program is the simple recognition that the volume of capital that is not concerned with housing affordability is many orders of magnitude larger than the volume of capital that is so concerned.

Put simply: the pool of money that doesn't care about poor people will always be bigger than the pool of money that does. As such, the LIHTC program enables affordable housing to tap into the far larger market for mission-agnostic, return-seeking capital and to channel those funds towards housing affordability ends.

By creating a tax credit, the LIHTC program introduces a financial incentive – albeit a non-cash one – sufficient to entice profit-seeking investors to enter into real estate projects that will not be able to produce a cash flow-based return, by virtue of their lower cash flows arising from their lower rents.

The public investment, under this regime, is thus limited to the amount of tax revenue foregone, but that investment is able to be leveraged many times over by the other monies put into a real estate deal: commercial real estate debt, developer contributions, grants, etc. In this way, one ancillary benefit of the LIHTC model is that it seeds a whole cohort of aligned stakeholders in support of affordable housing who might otherwise not be so inclined, including for-profit real estate developers and large institutional investors.

The liaising with private investor dollars is typically achieved via investment intermediaries (syndicators) who act as matchmakers in this two-sided market. Syndicators maintain a sales channel of affordable housing projects in need of investment and a parallel channel of investors looking for a stable resource for cost-effective tax planning.

Syndicators bring specialized expertise in the intricacies of the LIHTC program, and more broadly in commercial real estate investment and the affordable housing asset class in particular, such that large corporate investors (or indeed smaller, individual investors) don't have to have that breadth of knowledge nor must they maintain a salesforce. Syndicators can also be a valuable resource for structuring prospective investments to maximize benefits to both parties, for instance by advising on the ideal timing of funds put in versus benefits received; certainly, if $1 of tax credit is available only once an eligible low-income household is living in the fully-constructed unit, that investment is not worth $1 upfront. Yet syndicators and developers often work in concert to consider other aspects of the investment structure that can be adjusted to improve the quality of the investment overall such that pricing to the developer can be as high as possible while still delivering to the investor its required return.

As middle-men, syndicators can be a valuable resource to both sides of the LIHTC market. They will typically maintain some level of localized market knowledge coupled with a real estate risk expertise such that they can screen not only based on the investor's required financial return but also for only viable, well-underwritten projects to present to their investors.

Simultaneously, syndicators help affordable housing developers accurately project how much equity investment they can assume for their project based on current market conditions, which helps developers project out a full project capitalization earlier on in the development cycle.

Here, again, the program leads to multiple well-aligned incentives, because a well-conceived real estate project is more likely to produce a building that is financially stable and well-run over the long term, which is the outcome in the best interests not only of the developer and investor but also, crucially, of the tenants and indeed the local community.

The existence of LIHTC can be a complementary program alongside other funding models, including public housing that operates through more direct federal subsidy of both the capital to build and the ongoing funds to operate it. In the US, public housing represents an important part of the housing ecosystem, but is an undeniably higher-intensity investment of federal funds, not only for directly creating and operating properties but also for program administration and oversight.

In contrast, the LIHTC program is able to leverage investors' strong disinclination to have tax credit benefits taken back due to non-compliance such that much of the compliance work is baked into projects from the outset and compliance monitoring cost is borne by the project's operating budget with the government needing only to fund spot-checking and demonstrate a credible threat of non-compliance penalties.

In practice, compliance violations (eg. substandard housing quality, over-income or otherwise ineligible tenants in units, rents in excess of prescribed maximums) are relatively rare and almost always readily repaired when noticed, and public agencies are able to execute their oversight functions with relatively lean staffing.

LIHTC: A Unique "Pay for Success" Model

Innovative fiscal incentives can achieve better outcomes writes Mark Shelburne, Senior Manager, Novogradac

WHAT ARE THE most crucial aspects of any subsidy program? Experienced housing professionals will cite two related components. Firstly, government should achieve the outcomes for what it has paid. Secondly, everyone involved complies with the rules. While neither makes for a slick marketing campaign, true practitioners understand the importance.

Affordable housing is no exception. Indeed, it's even more pronounced than others because of being so visible and understandable. The failings of housing programs often are readily apparent and understood. When they occur, public acceptance evaporates. As seen with the death of Awaab Ishak. Whose avoidable death caused by extensive mould prompted outrage over families being left in uninhabitable conditions by property owners. In this case, a mission-driven not-for-profit who allowed a child to die from prolonged exposure to mould despite multiple complaints from the parents of Awaab.

Unfortunately such outcomes in housing standards generally describes much of the experience with rental subsidies in the U.S. Whether that be public housing, project-based Section 8 vouchers, amongst others, had all enjoyed political support. Until they didn't. Eventually their budgets diminished and production stopped. Owing much of their demise to poor outcomes for residents.

So what changed? A change to the US tax code that facilitated the Low-Income Housing Tax Credit (LIHTC), alongside state conditions attached to the credits that ensure housing quality and reduction of hazards.

It comes as no surprise even the US Congressional Research Service has found that LIHTC achieves "higher-quality housing" in terms of physical features and amenities. Notably, through the use of housing quality standards implemented through state Qualified Allocation Plans (QAPs).

Achieving outcomes

Making apartments affordable is complicated, but fundamentally it comes down to covering the gap between what low-income households can pay in rent and the cost to build and operate the property. Governments can bridge these two with upfront capital resources, ongoing support, or both.

The most common approach to covering the gap is to outlay initial funds, which seems simple in its directness. However a downside is once spent, it is gone. Paying up-front inherently involves some degree of hope that the money won't go to waste.

As described in The Low-Income Housing Tax Credit: A Brief Overview, LIHTC operates in an entirely different manner. All the up-front investment is from private sources. The government is not out the first dollar (or pound) until after:

- Developers deliver the buildings as agreed
- Owners lease units to eligible households for the agreed rents, and
- Administrator inspects the property and it records determine everything qualifies in accordance with the conditions set by the relevant authority.

Only then can the tax credits can start to flow. As such, the program is truly a "pay for success" model, and this principle does not stop after the initial lease-up.

Following the rules

Going forward, owners must continually abide by the applicable standards to receive each annual reduction in tax payments. Failure to do so, as determined by the administrator, means the investor receives less of a return on its investment.

So what are the LIHTC compliance standards? Credit agencies report on non-compliance and undertake building disposition audits, which include household income limits, maximum housing expense (i.e. rent and utilities), physical suitability, Fair Housing Act provisions, and ensuring tenants are not entirely full-time students.

An owner's ability to continue generating tax credits for its investor depends on getting all of these requirements right. All of the time. Depending on the extent, the consequence of non-compliance can be anywhere from small, loss of credits equating to say one unit among hundreds, to complete loss the entire amount for past and future years.

Regardless, even a limited reduction is more than large corporate taxpayers will accept. The investment partnership agreement imposes financial penalties on those who cause a loss of return, as backed by guarantees, which for the developer are often personal. The entities and individuals responsible for property management therefore have a very strong incentive to follow the rules of the LIHTC program.

Remedies and Hostages

As if such a virtuous cycle were not enough. To borrow from Sherlock Holmes, the dogs that do not bark are difficult remedial actions and tenant insecurity. Comparing LIHTCs to the alternative of appropriations, as divided between upfront capital and ongoing financial support, shows why that absence matters. In both cases the money is gone once spent. The question is what do about it. With upfront capital funding, the eventual outcome for compliance failure is repossession or demolition orders. A costly and time-consuming legal procedure.

By contrast, with LIHTCs, the penalty is simply a higher tax bill. Furthermore, repossession ends up with the government

as landlord, a role many jurisdictions would find challenging. Whether tenants end up better off is unknown. Yet the reality in the UK is a mere severe maladministration report from the Housing Ombudsman. Where even in the most serious of cases the only penalty is being named and shamed.

The situation is even worse with an ongoing support contract. If circumstances are bad enough, the only real step to take is to end it (and thus the monthly payments). While the owner would take a loss, residents suffer even more.

Effectively they are economic hostages, forcing regulators to think twice about acting. In yet another stark contrast, enforcing LIHTC compliance has no negative effect on tenants whatsoever. Again, the current UK system leaves tenants without any financial penalty to ensure their landlord complies with regulatory compliance requirements. Because of the freedom from problematic consequences, LIHTC administrators have no reason to hold back on holding owners accountable. They can and do act decisively.

Thankfully, because of the program's unique features, there's not much need. Federal statistics from the Treasury Inspect General reports that non-compliance is very rare. Positive recognition for the incentive overall.

Conclusion

In adopting its own version of the LIHTC, the United Kingdom could make many variations on what has been done in the US. At least a few might be real improvements. What should remain though is the fundamental innovation of using the tax code. Our experience with it after all has been an absolute success for affordable housing outcomes. F

Levelling the Playing Field for Institutional Capital

Christopher Worrall • Chair, Fabian Society Member Policy Group, Local Government and Housing

THE NEED FOR innovative new approaches to funding homes for social rent could not be more stark. At present the UK heavily relies upon developer contributions by way of Section 106 obligations, which have all but grinded to a halt. Builders now find themselves in the bizarre situation of having subsidised the delivery of affordable homes, but now find themselves being left with barely anyone able to take them off their hands.

Grant subsidised Registered Providers (RPs) of social housing and local authorities, also relied upon to deliver much needed new supply of affordable homes, have had their priorities redirected towards existing stock. Mostly due to financial, regulatory, and environmental pressures.

Yet delivering more genuinely affordable housing remains been one of the central aims of the UK government. Labour Chancellor, Rachel Reeves, is already working on plans to introduce a 10-year formula to calculate social rent on homes in England, which is anticipated to be announced in the October 2024 budget. The aim, to provide long-term certainty to social landlords.

Welcome as this may be, the role for institutional funding in social housing must be expanded in order to achieve Angela Rayner's promise to achieve the biggest boost to affordable and social housing in a generation and 1.5m homes over this parliament.

To date, government grant funding through the Affordable Homes Programme (AHP) has played a crucial role, albeit coming with significant impacts on the Public Sector Borrowing Requirement (PSBR). The AHP operates within a budget of £11.5bn to deliver tens of thousands of homes across England for both rent and sale. With the delivery of the programme is delegated to delivery partners such as Homes England (HE) and the Greater London Authority (GLA). But not local authorities.

These partners have full delegated responsibility to make spending and allocation decisions in line with their targets, against agreed assessment criteria, and within predetermined delegation limits. Providers have cited issues including funding, increasing costs, and the planning system as barriers to delivery. The funding of affordable housing has namely sought to be met through a number of initiatives.

These include grant funding through the AHP, the Affordable Homes Guarantee Scheme, which provided up to £6bn in low-cost loans to support investment in affordable housing, and the New Homes Bonus. The latter providing grant to local authorities based on the amount of extra council tax revenue was raised from building new homes, which included conversions and empty homes brought back into use.

Government also increased borrowing limits, allowing local authorities and RPs to borrow more money to fund housing delivery. This was enabled in 2018 through the removal of the cap on the level of borrowing local authorities can undertake to support more housebuilding.

Cross-subsidization allowed RPs or 'council-owned companies' to sell or let housing at market rates to recycle profits to build affordable housing, as well as private sector investment. But simply allocating more cash has not worked in isolation.

And purely relying on grant to induce private sector investment has had it limitations. Under the Conservatives, Michael Gove handed back £1.9bn to the Treasury. The funds were originally allocated to tackle England's housing crisis after struggling to find enough projects to spend the money.

We are also at the stage where the Mayor of London Sadiq Khan has announced £100m for a housing kickstart fund, which allows housing providers to apply for grant to turn market-rate homes on stalled development sites into affordable homes. This has been made available from recycled capital grant funding. Some of which has been returned to the GLA by housing providers from shared owners 'staircasing' when purchasing more of their home.

What is evident is the economic environment for affordable housing is currently not in a good place. And even with innovative use of limited resources, housing providers have still struggled to deliver.

As aforementioned, problems have been created through increased costs and reduced income across the social housing sector. Inflation, higher energy costs, higher interest rates, and higher insurance premiums due to building safety concerns - remain all but a few of the challenges faced. Restrictions on Right to Buy receipts have limited how local authorities can use money raised from homes sold under the programme. In turn, limiting capacity to deliver and develop, or acquire, new homes.

Substantial financial pressures associated with decarbonization to ensure properties meet the decent homes standard, and new fire safety requirements, have also resulted in providers' rental incomes failing to keep up with increased costs. This has been confirmed by the largest RP, Clarion Housing as recently as April 2024. When CEO Clare Miller went on record stating "we can't build houses" due to "finances no longer working".

Research from Legal & General (L&G) and the British Property Federation (BPF) have cited the need for a major change in the way affordable housing is funded. In particular, to overcome the additional £34bn funding required every year to meet long-term societal requirements.

As part of the recommendations they called to create a level playing field between housing associations and investors to remove obstacles for closer collaboration between institutional

investors and RPs. In addition to commission a review into subsidy provision, with the aim to understand the optimum means of targeting subsidies to increase the supply of affordable housing. Either through increasing grant levels or supporting new models through co-investment.

I am of the volition that without creating a level playing field between RPs and institutional investors affordable housing delivery will remain stagnant and housing outcomes for social tenants will continue to worsen. As they have been consistently doing through the years of the Conservative government.

In 2023, the Housing Ombudsman recorded a 323 per cent increase in severe maladministration findings, where service requests were not handled reasonably, alongside a decrease in findings of no fault. Combined this has meant more than half of findings were upheld for the first time. At the time of the report, there were no fewer than 91 social landlords with a maladministration rate of over 50 per cent, with 25 social landlords being above 75 per cent. These have included both RPs and local authorities listed as some of the worst offenders. As a result, downgrades by the Regulator for Social Housing for governance and financial viability have become more commonplace.

Incoming changes to Consumer Standards regulations highlight that government recognises testing thresholds for 'serious detriment' were too high for consumer standards. As a result, will now enable further action to be taken by the regulator for failures.

Even when RPs divert their limited resources towards spending more on existing stock, it can often come with financial regulatory downgrades. For example, 10,000 home provider, RHP, had a credit rating downgrade resultant from a more gradual recovery that previous expected. Notably, due to high investment needs for their existing assets. This was notably due to energy efficient costs being added to the regular replacement programme.

Large RPs such as Peabody, have been able to double investment in their existing stock, with the 104,000 home organization being able to access debt through issuing £1bn Euro-Medium Term Note (EMTN) programmes. Now a popular way for housing associations to access capital markets. The perfect storm of costly but necessary regulatory changes, a weak economic backdrop, and the systemic risk of over-reliance on RPs for affordable housing delivery has come to the fore.

Agency risk exists within the current regulatory set up in that The Regulator for Social Housing is set up to steward social landlords, but the implications of coming down heavy has significant knock on effects for development pipelines.

On one hand it has responsibility to inspect social landlords against how well they are delivering. But with significant increases in maladministration cases, it is not clear whether the current system is working.

On the other hand, government priorities of housing delivery mean that any meaningful downgrade of the UKs largest providers would result in the debt capital markets adjusting risk premiums attached to the cost of debt. In turn, an increase in borrowing costs for the sector as a whole. Especially if this is applied to the largest most financial stable of them all.

Smaller RPs attract further risk premiums than larger organisations owing to smaller asset bases. The outcome of downgrading large RPs would reduce capacity for social housing delivery sector-wide.

Against this backdrop, it is imperative that new fiscal incentives and wider adoption of innovative partnership models are explored.

Programmes such as the Low-Income Housing Tax Credit, can overcome and complement existing funding mechanisms. All the while increasing the pipeline of investible opportunities for pension funds, with self-reinforcing pay for success mechanisms, which enforce compliance on consumer standards.

Devolution has a role to play. In particular, through enabling local authorities to set conditions and act as a delegated authority. Through such a change government can ensure subsidy incentives best meet local needs.

Introducing new fiscal incentives can increase the number of participants in not just housing delivery alone. But also for much needed rehabilitation. In turn, expanding actors beyond that of capital constrained mission-driven not-for-profits and local authorities.

New actors can play a role in the new supply and operation of homes for social rent, while freeing up capital of RPs acquiring their existing stock. All the while offering back management agreements to selling RPs where deemed appropriate. F

HOMES FOR LATER LIVING

A Plan for Retirement Housing

Health and Social Care Benefits

Increasing the supply, choice and affordability for older people can unlock substantial health and social care savings writes Gary Day - Land, Design and Planning Director, Churchill Living

OVER THE NEXT 15 years, the number of over 75s living in the UK will increase by just under 50% going from roughly six million to nine million.

Even though people are generally enjoying better health well into later life, there are inevitably a whole range of physical and mental health challenges that come as people's needs and circumstances change.

A lot of those challenges can occur directly because of their living arrangements or are exacerbated by them.

This is particularly in terms of older people with mobility challenges where stairs and room layouts often lead to falls or reduced independence, but it is also true where someone's living arrangements lead to loneliness, isolation and anxiety. These are known factors in poor health outcomes and an increased likelihood of medical or social care interventions being necessary.

Not only is the suitability of someone's home likely to act as a trigger for requiring hospital admission or treatment it is most likely to prevent older people being discharged, thereby creating a bottleneck in our health and social care services.

However, despite the UK's ageing population there remains a chronic shortage of new housing specifically designed to meet their needs and as a result we are missing an opportunity to generate better health, safety and mental wellbeing outcomes.

A recent Homes England report, titled Measuring the Wellbeing and Fiscal Impacts of Housing for Older People, confirmed the extent to which specialist housing for older people can shape their health and general wellbeing. It found that:

- Older people living in retirement housing reported higher life satisfaction scores than their counterparts in general needs housing, with greater levels of happiness and confidence being key.
- The monetised value of the wellbeing uplift identified for older people living in older people's housing is between £3,300 to £6,400 per person per year.

By significantly increasing the supply and mix of specialist housing for later living, something which can largely be delivered with minimal recourse to public funds and instead through fairly modest changes to the planning system, we can unlock significant savings for the Government, Local Authorities and individuals.

Research undertaken by a former Treasury economist for a consortium of later living housing operators, titled Healthier and Happier – Homes for Later Living, confirmed this to be the case, and reported the following:

- On a selection of well-being criteria such as happiness and life satisfaction, an average person aged 80 feels as good as someone 10 years younger after moving from mainstream housing to later living housing.
- A typical 45-apartment retirement community offers people living there significantly reduced risk of health challenges, generating savings to the NHS and social care services of over £200,000 per year.
- Building 30,000 more retirement housing dwellings every year (less than 10% of overall national housebuilding target) for the next 10 years could generate fiscal savings across the NHS and social services of £2.1bn per year. In November 2023 Professor Chris Whitty, Chief Medical Officer, said:

"Maximising the quality of health in older adults should be seen as a major national priority - we can make very significant progress with relatively straightforward interventions. Older people can and should be better served."

He went on to highlight how increasing independence in older people should be top of the agenda and cited how changing people's environment – including their housing arrangements – can help achieve this goal.

Currently too many older people have little option but to stay put in properties that are remote from shops and services, ill-equipped for changing mobility needs, hard to maintain and potentially hazardous to grow old in. This is particularly the case in the North and the Midlands where supply is a fraction of that found on the south coast, and health challenges are very often far greater.

Specialist housing for older people offers safety, support and social interaction to help people remain healthy and independent for as long as possible.

The individual properties are designed and equipped from the outset to maximise safety and independence. Churchill Living communities, in common with most others, will have on-site managers to provide practical help where needed and keep an eye out for people's general wellbeing. This is supplemented with 24 hour on-call telecare equipment so help can be raised at the press of a button.

Judith Jones, homeowner at Churchill Living's Edinburgh Lodge, with the on-site Lodge Manager

The extensive social activities and sense of community created through the communal areas mean that, compared to older people in other housing types, people living in homes for later living are around half as likely to feel lonely.

Were the UK to follow the lead of other countries in ensuring that the delivery of much-needed new housing comprised a greater number of properties into which our ageing population can downsize safely and independently then the social, personal and economic benefits which follow would be vast, and in many parts of the country transformational.

Judith's Case Study: Health and Social Care

76-year-old Judith Jones moved into Churchill Living's Edinburgh Lodge in Orpington in 2022 after a traumatic time in her life, when the bungalow she had lived in for 40 years was flooded by a burst water pipe and needed extensive work to make it safe again.

Judith's troubles with her bungalow took their toll on her health, and unfortunately, she suffered a mini stroke during the winter, but thankfully she was able to make a good recovery at Edinburgh Lodge with the support of her new community of friends. She says:

"Being here has helped me get back to normal and feel happy and healthy again. I can't imagine what it would have been like going back to my old bungalow, I'd probably have been quite lonely and depressed.

Even though I'd lived there for 40 years I didn't have many neighbours left who I felt close to. I already feel much more of a connection to my new neighbours here, and having people around me has really helped me to feel better.

There's a real sense of community here, I'm very grateful and it's one of the best decisions I ever made".

F

Unlocking the Silver Stairs

How retirement living helps people on and up the housing ladder, writes Emma Webster - Director, Pegasus Homes & Chair of Retirement Housing Group

FOR TOO MANY under the age of 40, the idea of homeownership has become unachievable - a pipedream. Deposits and house prices in much of the country have become unaffordable and out of reach. For people in their later years, concerns about remaining independent, loneliness and social isolation and other health issues often become a concern.

Sadly, politicians often feel as though they need to pick a side. Should policy be shaped in favour of young people, or should they target keeping older generations happy? The simple answer is housing policy can work for both the young and the old. Successful outcomes should be seen as being mutually supportive, not mutually exclusive.

The chain effects of taking such steps are clear to see. Helping older people who want to downsize or move into housing more appropriate for their wants and needs, not only helps the individual concerned, but provides peace of mind for friends and families, generates savings for the NHS, and also helps young people too.

The very reasons older people choose to move from a family home - such as the garden becoming too unmanageable, maintenance of the home is harder, not requiring as much space - are all attractive to younger people, especially those with families. Homes with gardens, located nearby good schools and parks are exactly the type of properties first time buyers and those with young families want.

Research by a former Treasury economist as noted in the previous chapter found that:

- Approximately 3 million people in the UK over the age of 65 (or 25%) want to downsize.
- 64% of projected household growth in the coming decades is set to be amongst those aged 75 and over, taking the total number of homes owned by those aged 65 and over from 3.9 million today to at least five million by 2030.
- If all of the homeowners over the age of 65 in England who wanted to move were able to do so, they would directly release one million properties back onto the market and free up two million spare bedrooms.
- Their estimate is that every later living property sold generates two moves further down the housing chain, and in certain circumstances maybe more. This frees up homes at differing stages of the housing ladder for different demographics. A typical later living development which consists of 40 apartments therefore results in 80 additional moves further down the chain.
- If 30,000 later living properties were built per year, this would mean 60,000 or more additional house moves are facilitated each year.
- Roughly two in every three retirement properties built, releases a home suitable for a first-time buyer. A typical later living development which consists of 40 apartments therefore results in at least 27 first time buyer properties being released onto the market. If 30,000 later living properties were built per year, this would be at least 20,000 first time buyer properties being released each year.

Building 30,000 later living homes a year (up from 7,000 built in the last year) over the next decade would mean that 300,000+ new homes and an additional 600,000+ additional purchases in the secondary market would be made, as well as 180,000+ first time buyer homes freed up.

There is a wonderful opportunity to help fix the broken housing market, providing choice and opportunity to all generations. With the knock-on impact of freeing up family sized homes for younger people, whether they are upsizing or planning to purchase a home for the first time.

All generations deserve the opportunity to be able to buy their own homes, if that's what they choose to do. By thinking about the whole housing chain rather than just a part of it, the opportunities and benefits can be shared by all generations both now and in the future.

Hear more resident stories at ***housing21.org.uk/about-us***

"My wife died five years ago, but there's so many people on the court who provide friendship.....everyone is a friend, someone I can chat to, loneliness hardly ever exists."

Zohra, Retirement Living resident, Ilford

The Downsizing Dividend

How silver saviours can revitalize our towns and help decarbonize the UK faster, by Shane Paull - Chief Operating Officer, McCarthy Stone

OUR HIGH STREETS and town centres have struggled in recent years, particularly following the rise of internet shopping and the impact of Covid. Many are a shadow of what they once were.

But with older people more likely to use local services and spend money in high street shops, "silver saviours" could come to the rescue of Britain's battered communities, particularly if the provision of much-needed housing suitable for their needs can be built in or close to town centres as part of wider regeneration plans.

WPI Economics, report Silver Saviours for the High Street, has found that retirement housing creates more economic value than any other type of residential development, with residents contributing more to local shops, jobs, services and communities than any other group.

Their research found that that people living in a typical 45-apartment retirement development generate £550,000 of spending per year – with £347,000 going to local shops on the high street, supporting retail jobs and keeping amenities open.

Spending by older people living in specialist retirement developments helps maintain shops and services – from the newsagents and the butchers to the flower shop and the local café – particularly as they are less likely to commute and typically no longer have mortgages to pay.

Sydney Grange: by McCarthy Stone, in Failsworth, Oldham

That's why it's important to harness the spending power of older people if we are to revitalise our towns. The best way of doing this is by including provision for more housing suitable for our ageing population in or close to our town and city centres alongside other new uses and investment.

Building more specialist retirement housing as part of these wider plans would also relieve the pressure on green field sites, with more than nine in ten of the sites that McCarthy Stone develops being on brownfield locations.

Holly Place, by McCarthy Stone, at the heart of Cobham's Town Centre, Surrey

Alongside these spending figures, WPI found that the construction of retirement housing also creates more local jobs than any other type of residential housing. A standard-sized retirement development would bring 85 temporary construction jobs and a further six permanent jobs on average.

If the UK was to build 30,000 retirement properties every year, the quantity needed to keep pace with our ageing population, it would result in around £2bn of additional economic activity every year across the country – or £20bn over 10 years, roughly equivalent to 1% of UK GDP over a decade. In recent years just c.7,000 new retirement properties have been built a year.

We believe the Government should set a national target of delivering 30,000 retirement properties per year, consistent with the level of demand. This would amount to about 10% of the national housebuilding target.

Another solution should be a stamp duty exemption for older people when moving into retirement housing to encourage downsizing into suitable accommodation and free up homes for families and first-time buyers.

Driving to net zero

The benefits of building more housing suitable for our ageing population also stretch to the environment, helping the UK to decarbonise faster.

Additional work by WPI Economics found that new retirement apartments could save up to c. two tonnes of CO_2 per year compared to building a standard new-build house, creating a 'downsizing dividend'.

As well as saving more than one tonne through reduced energy use per year compared to a new build house, WPI found a home improvement dividend of between 0.3 and 0.5 tonnes less CO_2 a year caused by younger homeowners who move into the vacated properties and make energy efficient improvements to that home.

Beechcroft's Castle Gardens retirement community in Watlington

Due to the central location of retirement properties, the report also identified a significant carbon saving of around 0.35 tonnes per year as a result of reduced driving, with retirement developments typically well-located on central, town centre sites.

Taken together, retirement housing could remove up to 60,000 tonnes of carbon from the atmosphere per year if 30,000 new retirement properties were built, instead of 30,000 standard new-build houses, meeting the level of demand for retirement living.

With the Government striving for net zero carbon emissions, retirement housing remains an untapped resource when compared to other types of development.

The UK's net zero journey needs to consider how we meet the rising demand for homes in the most sustainable way and tackle the housing crisis at the same time.

Considering our ageing society and the clear environmental gains to be had through the 'downsizing dividend'.

Government and local authorities should consider the major carbon reduction savings and natural environmental benefits that would come through building new retirement properties over standard new homes. F

Building Homes Not Hurdles

The UK's ageing population needs a planning system that incentivises housing for older people, not deters it, writes Sasha White KC – Landmark Chambers

SPECIALIST HOUSING FOR older people addresses many of our social and economic policy challenges but the rate of supply has fallen from a high of 20,000 new properties per year to roughly 7,000 per year despite our ageing population.

This leaves people with far fewer housing choices in later life, particularly those in the North and the Midlands, where communities miss out on the wider social and economic benefits.

Our planning system is a significant factor. Retirement Housing operators have to overcome the length of time, magnitude of cost and basic lack of understanding with which their planning applications are met. This is despite most applications being of modest scale and on urban, brownfield sites.

A Retirement Housing Group member survey showed that applications for retirement housing face longer delays than general needs housing and have higher refusal rates but have greater success at appeal than general needs housing and significantly greater success at appeal in comparison with all planning appeals.

The planning deficiencies are not confined to achieving a consent, the planning system actively thwarts the availability of land suitable for retirement communities.

When people are planning a move later in life they very often want to remain in a town or large village - within easy reach of shops, services and public transport links.

Sites like this are typically "windfall" sites – former commercial or municipal sites without an established "residential" use. Despite being a prime regeneration opportunity, the system is stacked against retirement housing operators making this happen.

These sites invariably comprise commercial properties so retirement housing developers nearly always face an "in principle" land use objection because the site will be designated in the Development Plan or Neighbourhood Plan for its "existing use", or the Plan will seek to preserve existing "employment generating uses", "community uses", or commercial use such as hotel, pub etc.

Brownfield sites also carry greater risk. Contamination, previous structures, archaeology, conservation area status, site constraints, existing covenants and more mean increased risk, complexity and costs, therefore making sites more expensive to regenerate.

Unlike elsewhere in Europe, local planning authorities in the UK do not generally allocate sites in Development Plans for housing for older people, the same is true for Parish or Town Councils with Neighbourhood Plans.

The consequence is an ad hoc and ultimately unproductive reliance on windfall sites which exacerbates the mismatch between demand and supply.

When a site does present the challenge is to make it financially viable - again the planning system obstructs rather than facilitates this.

"Non-residential" developers competing for the same site will not have affordable housing obligations and often employment generating uses, community facilities, care homes etc, will be exempted from CIL by the local authority or offered a reduced CIL charge.

Consequently, retirement housing operators frequently lose good sites in urban areas to small supermarkets, vehicle dealerships, fast-food outlets and even drive-through storage companies. Last year, one operator lost 15 sites (capable of housing 750 specialist retirement housing apartments between them), to competing non-residential developers which were exempt from affordable housing or equivalent CIL costs.

Finally, Local Plans, design codes and viability testing overlook the lower density levels retirement housing often has because of the quantity of communal areas and the additional space required to support mobility challenges.

This can account for upwards of 20-30% of the overall floor area - the equivalent of five to eight apartments. Despite this, local authorities will apply CIL to the gross internal area of a development, disregarding how much space is dedicated to communal areas such as lounges, managers' accommodation, guest suite, restaurants or treatment rooms.

These combine to create almost insurmountable odds, which operators of housing for older people must overcome. That so few do, is reflected by the small number of operators in the UK, and the inadequate rate of supply.

These obstacles could be mitigated with the following corrections to the planning system:

Local authorities and public funding bodies to proactively plan for specialist housing for older people – and to monitor delivery.

Local housing needs assessments to include an assessment of the need for all forms of specialist housing for older people by type and tenure.

Local Plans to seek a minimum of 10% of all new housing as specialist housing for older people unless the local authority can evidence otherwise.

10% of Homes England's and GLA housing fund delivery assigned to specialist housing for older people, including shared ownership and affordable rented housing with support and care.

The NPPF and Planning Practice Guidance to have a planning policy presumption in favour of meeting the acknowledged "critical need" for more specialist housing for older people by

promoting the need for Local Planning Authorities (LPAs) to consider older persons housing and its wider benefits.

Planning Guidance to reflect that specialist housing for older people can afford wider health and social benefits to make it comparable with affordable housing.

Specialist housing for older people to be formally exempted from affordable housing obligations and CIL to bring it into line with many non-residential land uses.

LPAs to set aside suitable land in new large scale residential developments for specialist housing for older people, via Development Briefs and/or S106 Planning Obligations. F

"I used to be very lonely where I used to live, but here you can be on your own or you can join in, I like to join in because I'm a people person."

A Housing 21 Resident

Unlocking the Door to Affordability

The importance of increasing affordability of specialist housing for older people writes Elaine Bailey – Former CEO of Hyde Housing Association, and Non-Executive Member of McCarthy Stone Shared Ownership Ltd.

SOME PROVIDERS IN the retirement housing sector have increased their focus in recent years on providing a more affordable housing option for older people in response to rising challenges around affordability, cost of living and inflation.

There are more than 12 million older people in the UK and around 80% own their own home. Many are sitting on high levels of equity given house price rises in recent years. However, this is not always the case. Of those who own their home, there are around 3 million older households aged 65+ with equity of between just £150,000 and £300,000 (shown in red in the chart), often living in areas that have not experienced high house price rises.

From this amount of equity, many will need to fund a move to a property better suited for their needs but also release cash to help pay for their retirement, including any care needs. Many have mobility issues and can find it costly to keep their home warm or may no longer be able to manage independently.Despite this, the rising cost of land and construction means that the average price of a new retirement property is beyond this group, with JLL reporting that the average price of a new retirement property is £316,000 (shown in yellow in the chart).

As a result, there are a large group of older people – effectively the 'squeezed middle' – who want to move somewhere better suited to their needs but are prevented from doing so based on cost. They are also precluded from social housing options as they have some equity in their home already.

The resulting issues can be serious, with many older people stuck in accommodation that is unsuitable, suffering from cold or damp, being unable to use parts of their home, or experiencing falls, which often lead to hospital visits. Loneliness is also common, particularly if they live alone and find it difficult to leave the house to socialise.

Therefore, there is a great benefit that could be achieved from expanding and improving the provision of more affordable housing options for older people. This would increase the availability of accessible, manageable, energy efficient homes, with support and often care, helping more older people to enjoy a healthier and more comfortable lifestyle with opportunities for companionship and fewer hazards, but also reduce the burden that might otherwise fall on the NHS and social care provision.

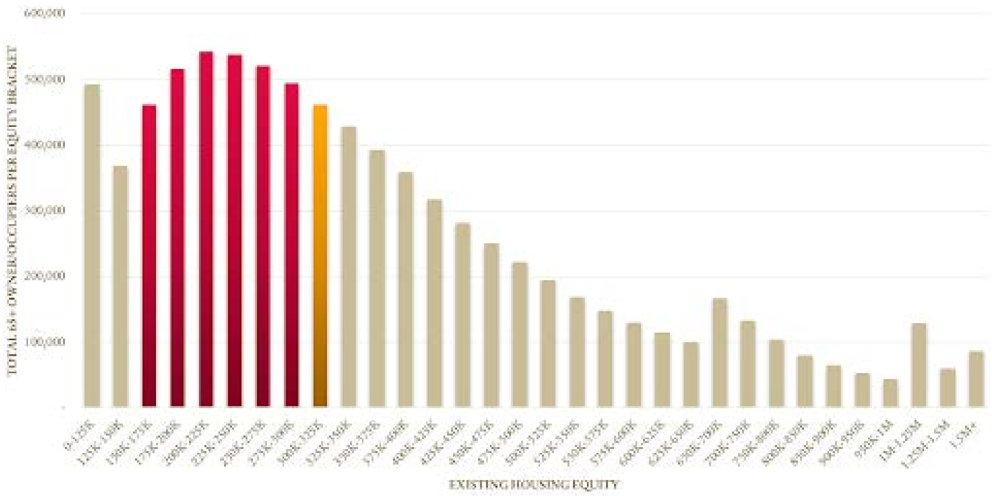
To address this challenge, one of the recommendations of the Retirement Housing Group is the expansion of Homes England's affordable Older Persons Shared Ownership (OPSO) scheme for housing in later life. This call is supported by the APPG on Housing and Care for Older People in its report "Making Retirement Living Affordable:

The Role of Shared Ownership Housing for Older People". The APPG set out some key recommendations for the promotion and improvement of the provision of shared ownership properties for older people, focused on the OPSO scheme.

OPSO can be an effective means of catering to this 'squeezed middle'. It is a grant-funded, affordable home ownership scheme that enables buyers to purchase up to 75% of their home, enabling those with lower equity to buy as much as they can afford.

As OPSO customers are downsizing, they have no mortgage repayments, and, importantly, unlike traditional shared ownership homes, if someone buys 75% of their home, they pay no rent on the remaining quarter, resulting in a genuinely affordable home and one much better suited to their needs. It is

Owner-Occupier Housing Equity Affordability England 65+



already used by some providers, including Anchor, Housing 21 and McCarthy Stone.

OPSO can therefore help more older people move to accommodation better suited to their needs. It could become the equivalent of Help to Buy – or Help to Move – for those in later life.

Yet there are some issues that need to be overcome. As the APPG report noted, the availability of OPSO within Homes England is limited, and it has little awareness or public profile.

There are also some technical and viability issues which make it challenging for developers to deliver it at scale. The APPG report also noted that there is a lack of understanding about OPSO, who it is for and how it operates. It is therefore vital that shared ownership for older people is properly explained and is not mis-sold or mis-represented. Along with the APPG, we see an important future for OPSO to help make retirement housing a great choice for more older people who may have lower equity levels, through no fault of their own.

As such, we hope Ministers and Parliamentarians will look at expanding and reforming OPSO to meet the needs of this squeezed middle group in later life, and for it to become a core part of the next round of the Affordable Housing Programme. The rapidly ageing population will mean that the need for this will only become stronger in the years ahead.

Collaborating for Extra Care

How successful partnerships can boost extra care housing for England's elderly by Bruce Moore - Chief Executive, Housing 21

THE PROVISION OF high-quality, affordable, specialist housing for older people has never been more important. We have a growing older population and research that evidences the positive difference to health, wellbeing and happiness that living in appropriate housing can make for older people.

We know that one size doesn't fit all and that a range of options needs to be available for older people with different financial means, whether buying outright, investing some equity through products like Older Persons Shared Ownership (OPSO) or renting a property.

Local authorities, developers, social housing providers - like Housing 21 - and others need to work together to ensure we are creating the supply to meet the demand for high quality homes of the right tenure, that are available for those who need them most.

Achieving this relies on building successful partnerships, working together with national Government, local government and Homes England to drive the provision of older peoples housing forward, keeping pace with the ageing population and ensuring a move to specialist retirement housing is seen as a positive choice.

Successful Partnerships

As a specialist, not-for-profit provider of housing with support or care for older people, at Housing 21 we're doing our best to build these partnerships and already work with over 215 local authorities across the country to deliver both Retirement Living and Extra Care properties and services and we are very aware of the need to do more.

Our successful partnership with North Yorkshire local authority has enabled us to support delivery of one of the largest Extra Care programmes in England as we delivered and manage 10 of their 28 operational Extra Care schemes.

Designed to ensure older people were living in housing appropriate for their needs, the programme recognised that many older people were being inappropriately placed in care homes, when the low level of care and support they needed to live independently could be better met in an Extra Care setting. These schemes have helped more than 1,500 older people remain living independently in their communities over the last 20 years.

Making a difference

Residents report improvements in 'overall happiness' and 'quality of life' after moving into Extra Care schemes and it's estimated that each Extra Care scheme in North Yorkshire saves the Local Authority around £300,000 annually by reducing costs for people who would otherwise need residential or nursing care.

Schemes like ours make a difference to both the people living in them and communities they operate in. One of our North Yorkshire schemes, Meadowfields in Thirsk, shares its site with the local GP surgery and health centre, has an onsite library and a thriving bistro open to the public which help to bring people together, reduces isolation and facilitates much needed social interaction for all ages.

Our residents often play active roles within their communities, both at their schemes and further afield, by leading activities, supporting local charities with fundraising and volunteering and generally getting involved in encouraging community spirit.

Navigating the options

It can be difficult to navigate and locate the right service and solution from alternative providers with a lack of consistent terminology or understanding of what they entail.

Despite attempts by organisations, such as the Elderly Accommodation Council, Housing Learning and Improvement Network, the Centre for Ageing Better and charities such as Age UK doing their best to support, there remains a clear need for a comprehensive, unbiased and impartial advice and support service, to help older people find the right solutions.

We need to ensure that older people, as well as their families and friends, understand the options available so they can make decisions with clarity and confidence, appreciating the benefits and recognising any associated costs.

Improved advice services would empower older people to find the right setting and service for them and avoid unnecessary, and often costly, inappropriate placements, admissions or indeed lengthy hospital stays, as so often these choices appear too complex and are left until a time of crisis.

The benefits are clear, and providers are available and willing to rise to the challenge. Let's work together to deliver the much needed, appropriate housing for older people, and ensure those who can benefit most are aware of the options available to them. F

Learn more at
housing21.org.uk/about-us

The Urgent Need for Change

Innovative Integrated Retirement Communities can create a more compassionate sustainable society for all, writes Tom Scaife – Head of Senior Housing, Knight Frank

BY 2050, ONE in four UK residents will be over 65. Are we prepared to support our seniors, or are we facing a looming crisis in elderly care? Every day of inaction exacerbates the impending care crisis. We're not just planning for the future – we're already behind.

The UK's rapidly aging population demands innovative solutions, and retirement housing offers a beacon of hope. Imagine a future where 18% of our seniors live in thriving, purpose-built communities, saving billions for the NHS and enriching countless lives. This isn't just a vision – it's a necessity.

The UK is following a global trend of aging populations. In 2050, the population of people aged 65 and above will have doubled from what it is today. In total, there will be 1.6bn people over age of 65 globally. Managing (and paying for) this demographic change is one of the largest challenges of our time. Currently 20% of the UK population is over 65, which is set to increase to 25%, and 18m people over next 25 years.

One in four of this cohort requires care meaning there will be continued increasing demand on our public services (i.e. health and social care) due to our aging population.

Retirement housing provides purpose-built accommodation and services designed to support seniors changing needs to help them live independently for longer in later life. Residents have average ages of between 78-84 upon entry and the average length of stay within a community is 4-8 years.

Entry age and length of stay varies depending on whether residents purchase a home or rent privately or through the social rented sector. Residents fund their move through either rightsizing and selling former family houses (i.e. equity release), or by utilising pensions and savings. Built communities generally comprise flats or cottages arranged around a communal amenity area with a range of facilities (e.g. restaurant, lounge, gym, hairdresser etc).

This is often staffed and run by an operator providing on-site services (e.g. a range of daily activities, 24/7 onsite support, and access to care through a domiciliary care company). Operators are a mix of charities, housing associations and private companies.

The UK has around 770,000 total homes for older people, including apartments, cottages and bungalows built across the sector to date. Of which there are 570,000 in the affordable sector and 200,000 in the private sector. 89% of existing stock was built before 2012, some 69% is pre-1990, resulting in most being dated and no longer fit for purpose for the incoming wave of seniors and their new requirements.

The UK's supply falls significantly behind more mature markets. In New Zealand for example, the market has a penetration rate (defined as the number of 75+ population relative to the number of private retirement units) of between 6% and 18%.

This compares to current UK penetration rates of 1-6%. Their government has been much quicker than the UK to make the connection between building retirement communities and the release of family housing back to market, savings to local health authorities, and benefits to the wellbeing/health of residents.

Last year, saw only 7,000 new units built in the UK. This is far below the 30,000 new units required per annum to meet the need.

However, building retirement housing isn't just morally right – it's economically sound. The sector has the capabilities to grow without government funding. Indeed, private capital is ready to invest. But we need the right conditions to unlock the sector's full potential and turbo-charge delivery.

Over eighty per cent of residents sell their former residential family house to relocate. Building retirement units for 250,000 residents releases 562,500 bedrooms back to the market within family houses as residents rightsize and move.

Moving into a community provides many health benefits to residents that prevent the need for care and improve quality of life for longer. This includes reduced biological age i.e. living longer with less ill health, reduced loneliness, improvements to depression/ quality of life/ reduced risk of falls whilst improving exercise levels.

By moving into specialist seniors housing, residents either negate the need for time in hospital, care homes or hospices at end of life or, if required, the length of stay in higher acuity care settings is greatly reduced.

There is a reduction in demand and cost of local government services through efficiency savings by simply aggregating seniors together and providing on-site services.

The same survey by Extra Care Charitable Trust, Centre for Ageing Research at Lancaster University and Aston University, 2019, demonstrated their communities provide benefits including reducing local NHS costs by 38%, a 46% reduction in regular GP visits and reduced unplanned hospital stays from 8-14 to 1-2 days. A separate study shows building 250,000 new retirement units will save the NHS £5.6bn in next 5 years.

Increasing the volume of the sector in the UK won't cost the government a penny. The sector requires support, not finances. There is enough private capital sources invested in the sector to continue to expand.

According to the 2023 Knight Frank Survey of 54 investors with £76bn committed to UK living sectors, 67% said would increase investment in senior living over next 5 years to 2028 if conditions were right for investment.

Preet Kaur Gill MP visiting Churchill Living's Hadley Lodge in Quinton

The path forwards

We are calling on the Government to:

1. Immediately implement the recommendations of the 2023 Older People's Housing Taskforce
2. Create a dedicated Minister for Older People's Housing
3. Provide clarity in the planning system, and ensure the NPPF provides greater prominence for the need for older person's housing. Provide the planning system with a clear definition and guidance regarding what constitutes retirement housing, and require every local authority to reliably assess local need for retirement housing and implement a clear local plan to ensure supply meets this need.
4. Improve public awareness and consumer confidence in retirement housing.
5. Offer Stamp Duty Land Tax relief for rightsizing
6. Introduce sector-specific legislation to protect consumers and operators

Currently, a patchwork of legislation governs the sector. Unlike in other countries (e.g. New Zealand which has Retirement Villages Act 2003), there is no sector-specific legislation that sets clear expectations/protection for both consumers/residents and operators with statutory backing to models of tenure.

Leading operators note these items need to change to accelerate the sector: better awareness from planning authorities, planning targets for local plans, better awareness from the public, better awareness from government. A package of support across these areas will improve consumer and investor confidence.

The time for action is now

Government must work more closely with the private sector to create the conditions necessary for rapid innovation and investment in the retirement sector. This is not just a matter of policy; it's a moral imperative. We have a responsibility to ensure that our ageing population can live with dignity, independence, and access to the care they need.

Failure to act decisively now will result in a crisis that will affect every aspect of our society, from our economy to our social fabric.

The technological revolution in retirement communities is not just an option; it's a necessity.

By embracing innovation, leveraging data, and reimagining our approach to care, we can create a system that not only meets the needs of our ageing population but sets a new standard for social care globally.

The challenges are great, but so too is the opportunity to create a more compassionate, efficient, and sustainable society for all generations, with innovative retirement housing at its heart.

The sector stands at a crossroads.

With decisive action, we can transform the golden years of millions, revitalise our housing market, and set a global standard in elderly care. The choice is clear: innovate now or face an unprecedented crisis in the coming decades.

Our aging population has contributed immensely to our society. It's time we honoured their contributions by ensuring they have access to communities that support their dignity, independence, and well-being. The future of elderly care in the UK is in our hands. Let's act now to create a legacy we can be proud of. **F**

Endword

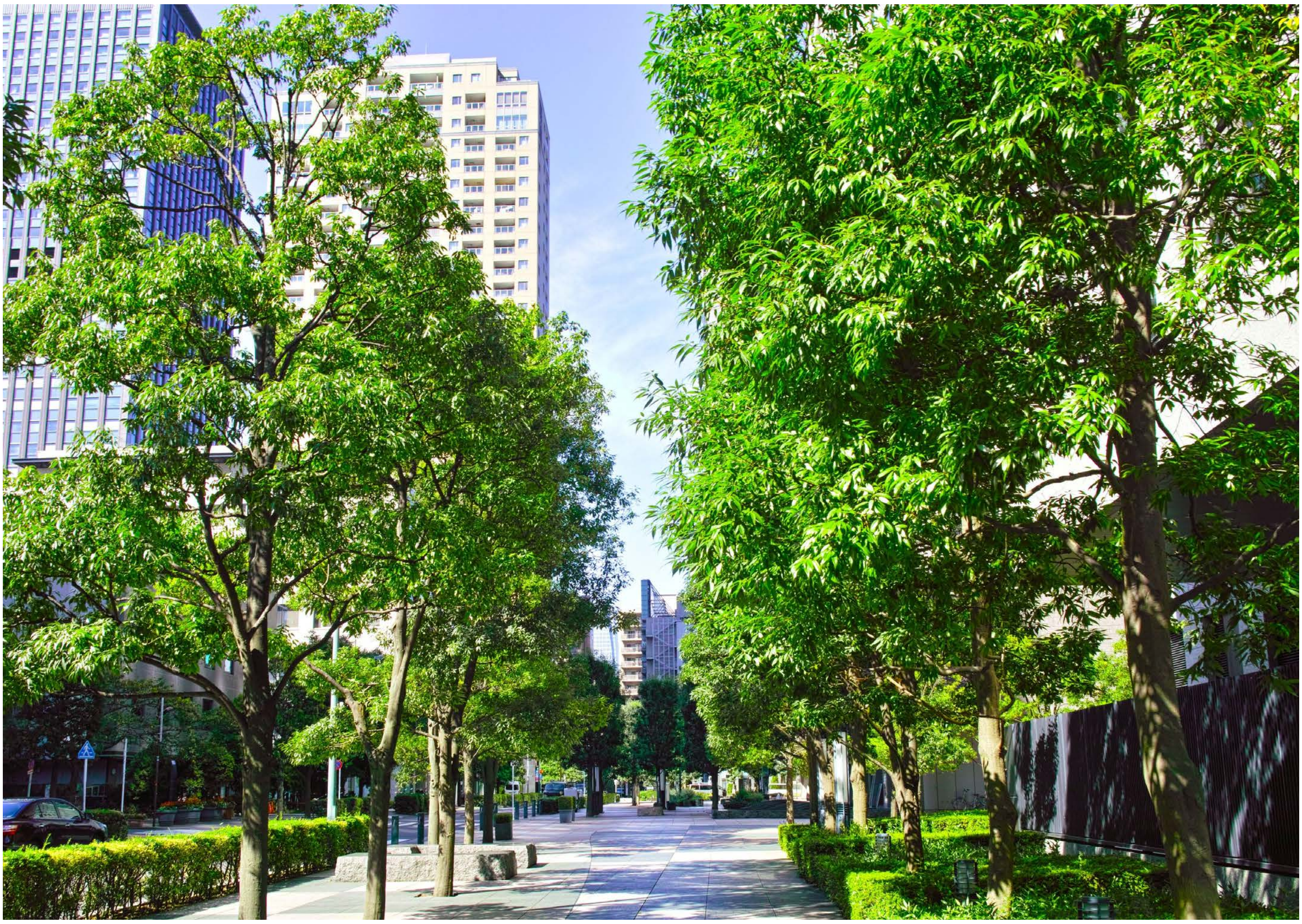
Kate Sheldon, Chief Executive Officer of Trees for Cities

AS AN URBAN environmental charity, we support the government's plans for investment to address the urgent and desperate need for more affordable homes. Too many people think that development and nature are incompatible. They're not. Rebuilding Britain through good, sustainable growth means investment in both.

The London Sustainable Development Commission urges a social value approach to development and regeneration to create places that are inclusive, resilient and healthy. The message from Trees for Cities is simple – if we want to take a social value approach and create healthy places for people to live and prosper, it is vital to plan and provide green as well as grey infrastructure. But the sad truth is though, that most trees grow where rich people live. As Labour's housing plans ramp up, we have the opportunity to put urban greening at the heart of new development right from the start, not as an optional afterthought.

The policy framework for urban greening is actually pretty good but it needs to become mandatory for developers, local authorities and private landowners to implement those policies that are already in place e.g. Green Infrastructure Framework.

A building Britain with urban greening woven into the standard practice local decision making and business leadership can make a real difference to people's lives.



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FABIAN MEMBER POLICY GROUP REPORT

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