

EAST⁷

THE VOICE OF
HOUSING IN THE
EAST OF ENGLAND

Solving the affordable housing crisis

About East 7

East 7 is the voice of housing in the East of England. We are an informal alliance of eight of the largest developing housing associations based across the East of England's six counties. Collectively we employ over 5,000 people, manage 150,000 properties and house 350,000 people.

The East is one of the most dynamic and fastest growing regions in the UK, home to over 430,000 businesses and 5.6 million people; it is the region with the highest level of investment in research and development; and the lowest public-sector employment. But more than this, the region is a mirror of the rest of England, with its diverse mix of rural and urban areas of every type.

We are keen to help political and other stakeholders understand how to achieve their ambitions for housing in the next five to ten years. The major aim is to move the current debate to a clearer focus on the longer term, which issues must be addressed and how we can move forward.

East 7:

employ 5,000 people



and house 350,000



manage 150,000 properties





Preparing for 2015

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/266691/Local_authority_housing_statistics_2012_13.pdf

² <http://www.crisis.org.uk/pages/statutory-homelessness-statistics.html>

³ <https://www.gov.uk/government/collections/housing-benefit-and-council-tax-benefit-caseload-statistics--2>

In preparation for the general election in 2015, the main political parties have made significant commitments to increase housing supply, with the common ambition of building at least 200,000 units per annum by 2020.

But whatever the number promised it is essential that affordable homes, including those for social rent, comprise a large proportion of what is built. With 1.69m people on social housing waiting lists,¹ 52,000 qualified as statutory homeless,² and 4.28m in receipt of housing benefits in England alone,³ the case is clear.

What is less clear is how these shared commitments will be delivered. As eight of the largest housing associations in the East of England, East 7 can provide useful insights into how the country can boost capital, supply and the quality of social housing.

Above all, we want to see a coherent national housing strategy – one that has cross-party support and a long-term perspective. But if the strategy is to be effective, policymakers will need to rethink old ideas and develop new ones. With our frontline experience, East 7 believes the following seven proposals can go some way to deliver the shared ambitions of the main political parties.

To boost capital:

1

Helping savers invest in social housing

Savers want to invest their money ethically. East 7 propose a tax-free bond or savings product, offered by housing associations, that would give savers access to appropriate risk adjusted returns and the opportunity to support affordable housing.

To boost quality:

2

Introducing a Community Green Dividend

The Government should give housing associations a financial incentive to invest in energy saving measures by permitting marginal increases in rents if tenants' energy bills are cut by investment. The so-called 'Community Green Dividend' would save tenants money, create a greener housing stock, and deliver greater financial security for housing associations.

3

Substantiating the Government's commitment to release public land

Establishing a well-publicised schedule of land to be released within a given period will enable housing associations to plan ahead and include development of these sites within their business plans.

4

Valuing the use of public land for affordable housing

At present public land is only disposed at full market value; bids are assessed on price alone, with little consideration of how the land will be used or longer-term implications. East 7 asks HM Treasury to issue guidance so the wider social benefits brought by housing associations are also valued.

To boost supply:

5

Progressively taxing 'banked' land

East 7 call for the introduction of a progressive tax on land which has received residential planning permission but remains undeveloped for an unacceptable period of time.

6

Relaxing regulation of the Green Belt

Removing restrictions on the development of high quality residential units in areas that are plainly not part of England's 'green and pleasant land' would considerably boost the supply of land in the East.

7

Establishing a new garden city and enhancing existing garden cities

By offering expertise regarding the development of affordable units, East 7 can help the Government create a new sustainable city in the East and enhance existing garden cities. Delivered successfully, this could alleviate some of the housing pressures in the region and boost economic growth.

East 7 commitments

We sympathise with those organisations calling for greater capital investment to boost supply and economic growth. These arguments have been put effectively and do not need repeating.

But we also believe there are a number of practical and easy to implement policies that politicians could pursue without costing the taxpayer considerable sums of money. Our asks are a testament to this. Indeed three of our policies – creating a schedule for public land release, relaxing green belt restrictions and introducing a Community Green Dividend – won't cost any money, while progressively taxing banked land will generate revenue for the Exchequer.

Our manifesto would increase the energy efficiency of the UK's housing stock, save housing associations' tenants money, and give savers the opportunity to invest in affordable housing. But most importantly, our policies can help politicians realise their ambitions for affordable housing delivery by unleashing millions more of investment.

To help this joint endeavour of creating a more sustainable and affordable housing stock, East 7 has also made a series of commitments...



Jointly build **10,000** new affordable homes over the next Parliament

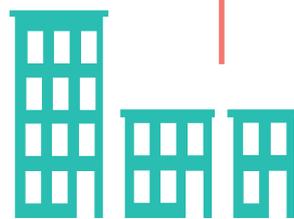


Form a **consortium** to jointly bid for larger public land sites in the East of England, allowing us to effectively compete with private developers

We pledge to:



Invest **100%** of additional rental income generated through the Community Green Dividend back into energy efficient homes



Use **savings** derived from reduced interest rate premiums resulting from tax-free housing association bonds to build more affordable housing

1 Helping savers invest in social housing

Savers want to invest their money ethically. East 7 propose a tax-free bond or savings product, offered by housing associations, that would give savers access to appropriate risk adjusted returns and the opportunity to support affordable housing.

Policy context

At present, there is no clear avenue for individuals to invest in affordable housing except through a very limited number of Retail Bonds which also have minimum investment requirements that are not suitable for, or marketed to, the wider public. The introduction of REITs – in theory – offered limited access to residential property investment but these have, again, not been successful on any kind of scale.

East 7 propose...

Working with HM Treasury to create a tax-free bond or savings product which can be offered by housing associations and through which individuals can invest in housing developments. The product – which would offer a guaranteed, tax-free return – could also incentivise a savings culture by either giving investors preferential treatment for social housing further down the line or offering investors the opportunity to transfer their savings into a deposit for a new home.

This product could either sit alongside existing savings products such as Premium Bonds or become a third limb of the existing ISA arrangements, sitting alongside stocks and cash as a tax free investment option.

In a very short time this would provide significant and competitively priced additional funding that would in all likelihood reduce interest repayments for housing associations as non-tax free bond offers would be crowded out.

Additionally, it would encourage people to view affordable housing as an asset class and raise the profile of the sector, thereby changing societal perceptions of affordable housing from one of a tenure of last resort, to a high value investment.

Placing housing associations in the national limelight in this way will also drive efficiency and performance. Housing associations will be subject to much wider scrutiny by the general public and have the investor pressure to perform that currently isn't present in the sector to the same degree as other parts of the economy.

This solution ultimately provides new homes. Increased easily accessible funding, the commercial drive for efficiencies and the changing profile of the sector will all result in a huge increase in the capacity of the sector, delivering in the process the affordable homes the country desperately needs.

2

Introducing a Community Green Dividend

The Government should give housing associations a financial incentive to invest in energy saving measures by permitting marginal increases in rents if tenants' energy bills are cut by investment. The so-called 'Community Green Dividend' would save tenants money, create a greener housing stock, and deliver greater financial security for housing associations.

Policy context

The UK's housing stock is amongst the least energy efficient in Europe, consuming roughly a quarter of our annual carbon emissions. As well as having implications for the environment, energy inefficiency is costly. The average dual-fuel bill now stands at over £1,200, a figure set to rise as global demand increases.

Previous governments have attempted to address this problem, with this Parliament's Green Deal – a scheme which offers home owners low interest loans for energy efficient improvements – perhaps the most radical solution to date.

But the Green Deal offers nothing for the housing associations that provide accommodation for nearly 1.9m households. In the context of a constrained fiscal climate, housing associations are unlikely to receive support for green investment in the form of government grant. However the Government can create a better incentive structure, one that provides housing associations with a financial impetus to invest in green homes. Not only will this save tenants money – it will also support the Government's wider environmental ambitions.

East 7 propose...

Giving housing associations powers to marginally increase rents if investment in energy efficient measures delivers savings for tenants. The so-called Community Green Dividend would benefit both tenants and housing associations, as well as the environment. While tenants would experience higher rents, this increase would be more than off-set by a reduction in their energy bill.

Meanwhile housing associations would have the cost of their investment off-set by the prospect of higher rents. These surpluses could be transparently monitored if housing associations placed additional rental income generated through this scheme into an audited fund that could be tracked annually.

3 Substantiating the Government's commitment to release public land

A well-publicised schedule of land to be released within a given period will enable housing associations to plan ahead and include development of these sites within their business plans.

Policy context

Government departments and other public land holders generally use the Homes & Communities Agency – the body charged with securing the best price for sites – as a vehicle for marketing land identified for disposal. However, there is no easily accessible full schedule of what land will be released in this way over the coming 10 year period, and this limits both the bids received and also the level of interest expressed by different organisations.

East 7 propose...

Housing associations have a substantial and impressive track record of providing affordable homes where they are able to access suitable land. However, the changed funding situation requires even more sophisticated business planning to ensure the resources required are correctly evaluated, planned for and available – including the sourcing of private funding.

To facilitate proper planning and financial planning for the development of available land for affordable housing, we propose the publication of a clear, easily accessible and regularly updated register of public land which is to be disposed of within a rolling ten year period. All agencies holding such land would be mandated to form clear plans for the use of their holdings. This should also extend to local authorities and the NHS.

The register should include an assessment of the community value of the land – see ask three – alongside a clear declaration of when it is scheduled to be released. An indication of the anticipated use of the land should also be provided.

All public land that has no intended purpose should be scheduled for release within the ten year period. If any land is not included it will be taken into the possession of the Cabinet Office. Wherever suitable, these sites would be used to develop affordable housing.

4

Valuing the use of public land for affordable housing

At present public land is only disposed at full market value; bids are assessed on price alone, with little consideration of how the land will be used or longer-term implications. East 7 asks HM Treasury to issue guidance so the wider social benefits brought by housing associations are also valued.

Policy context

Public land in the ownership of government departments, the NHS and other agencies is currently being marketed for sale to achieve full market price rather than taking a holistic view of achieving the best value for money.

East 7 believe that by facilitating and encouraging the HCA and other agencies to develop a model of assessing the full community value of offers for public land – a formula that would monetise the health, educational, and community benefits housing associations often bring – taxpayers would get a better deal.

East 7 propose...

The development and use by national and local government, as well as co-ordinating agencies, of an agreed, transparent model for assessing the full community and social value of offers for public land marked for disposal. The model should be in line with the Value for Money principals promoted by the HCA.

In addition, the work undertaken by HACT to provide a Wellbeing Valuation for social interventions is particularly helpful, allowing local authorities to not only put a price on the land but also the benefit of how the future landlord will use that land and the value of the interventions they pledge. Crucially, Wellbeing Valuation is in HM Treasury's Green Book, the UK Government's core guide to policy evaluation.

Those bidding to purchase land will benefit from a clear assessment model which factors in and assesses the value of the additional social benefits of the land being used for the public good. This approach will allow the not-for-profit sector to compete more realistically for such valuable public assets.

5 Progressively taxing 'banked' land

East 7 call for the introduction of a progressive tax on land which has received residential planning permission but remains undeveloped for an unacceptable period of time.

Policy context

Long delays in delivering housing schemes with planning permission have been well highlighted. In the context of a significant and universally recognised housing crisis, it cannot be right that the delivery of units on these sites takes so long.

There are valid reasons for delays in some cases, but there remains at least a suspicion that maintaining a shortage of provision against need is the rationale for holding back some developments in the expectation that prices will increase even further due to scarcity.

While the current law requires that planning permission expires after a given period of time, this is not a sufficient deterrent for land banking. Developers can simply reapply for permission, and more often than not this is just a formality.

East 7 propose...

That local authorities levy a tax on the value of land where there are no assessed legitimate reasons for land that has been granted planning permission to not be developed. This tax should be applied on a sliding scale according to time elapsed since planning permission obtained.

What we are putting forward is the concept. There are those within government who will be able to determine the most appropriate scale and taper of this taxation. What is critical is that it is a genuine deterrent to holding sites with planning permission when there is a real need to significantly increase the pace of new homes construction.

There will need to be an agreed method of determining whether the non-development of a site is reasonable or not; these rules should be established either by a national agency, or local authorities. Consultation will also be necessary to establish a fair measure for legitimate and illegitimate delays.

For example, legitimate delays could include the developer finding previously unknown and serious site issues that prevent development progressing quickly, or significant adverse changes in market conditions.

Any tax revenue generated should be ring fenced and re-invested in the provision of new homes. We recommend that it is kept in a fund, held by the HCA – specifically for social housing – to supplement the capital available as grant.

6

Relaxing regulation of the Green Belt

Removing restrictions on the development of high quality residential units in areas that are plainly not part of England's 'green and pleasant land' would considerably boost the supply of land in the East.

Policy context

The housing shortage is causing increased homelessness and overcrowding as well as rapid price and rent rises. In turn, this is leading to major affordability issues for people on average wages.

Green Belts were drawn up in the 1950s and 1960s around some towns and cities notably London. Fifty years on, and in the context of the current chronic shortage of new homes, it is time to review and relax Green Belt policy and allow some high quality residential development in certain areas that are plainly not part of England's 'green and pleasant land'.

Thousands of new homes could be built in sustainable locations through the considered release of land in the Green Belt.

East 7 propose...

Relaxing regulations regarding the Green Belt. Within protected areas, there is certainly land that should not be developed – but the Green Belt also protects land of considerably lower quality. Land alongside major transport routes such as motorways and railways, land formerly used for mineral extraction or other industrial usage, or land immediately adjacent to existing towns and built up areas all fall into this lower quality category.

Planning legislation must enable these areas to be considered for residential development rather than being automatically ruled out by Green Belt considerations. However, the relaxation should go hand-in-hand with appropriate restrictions to ensure the land is used wisely; at least 35% of the new housing on this land should be affordable housing for local people.

7 Establishing a new garden city and enhancing existing garden cities

By offering expertise regarding the development of affordable units, East 7 can help the Government create a new sustainable city in the East and enhance existing garden cities. Delivered successfully, this could alleviate some of the housing pressures in the region and boost economic growth.

Policy context

The country has significantly changed since the first garden cities were built. The issues that initially motivated the original developments – the health and well-being of British workers– no longer obtain, but the country faces a new crisis: a chronic housing shortage. However simply bulk building houses will not create a sustainable and lasting community, and it is for this reason housing associations must feature in the development of garden cities this time round.

All political parties support housing growth and specifically the concepts incorporated in the term ‘garden city’. And with Cambridge as the ‘heartbeat’ of the UK’s future technological and intellectual base, the East of England offers an ideal location for a new garden city.

East 7 propose...

The creation of a new garden city in the east of England would ensure the continued prosperity of the region and provide homes and communities for a growing number of entrepreneurs and workers.

Much like the NHF, East 7 believes a garden city will help stimulate wider economic growth in the East’s rural hinterland. These areas often suffer when housing shortages result in communities becoming clogged with high wealth individuals who are unable to meet their own housing aspirations with new homes elsewhere.

A mix of private, public, not for profit and institutional investors must come together to create solutions that meet today’s needs and address current and future problems. The financial strength of housing associations and our engagement with a wide range of funding institutions means East 7 is well placed to assist with the creation of a new garden city in the region and enhance existing ones.

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About East 7

Our members are bpha, Circle, Cross Keys Homes, Estuary Housing Association, Flagship Housing, Grand Union, Hightown Praetorian & Churches Housing Association, and North Hertfordshire Homes.