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Briefing:  
Lyons Housing Review

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## 1. Introduction

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On 16 October 2014 the Labour Party published the report of the independent review of housing led by Sir Michael Lyons. The full report can be found here:

[http://www.yourbritain.org.uk/uploads/editor/files/The\\_Lyons\\_Housing\\_Review\\_2.pdf](http://www.yourbritain.org.uk/uploads/editor/files/The_Lyons_Housing_Review_2.pdf)

The report is set out as a detailed roadmap with 39 recommendations for the next government to increase the rate of house building to 200,000 new homes per year by 2020. It proposes ways to attract small and medium sized builders back into the market, to get councils to build homes again after forty years of decline and to unlock the capacity and ambition of housing associations to make a much greater contribution to building the homes we need.

David Orr was a member of the expert panel and led the sub-group on investment in housing and infrastructure. The Federation also hosted, attended and helped to shape the content of a number of roundtables to support the development of the Review's recommendations.

In February 2014 the Federation submitted evidence to the Review. Many housing associations also made independent submissions and these are referred to extensively throughout the report.

Responding to the publication of the Review, David Orr said:

"I welcome the ideas that would see us build 200,000 new homes by 2020 and the ambition to go beyond this to meet demand. We're pleased that the ideas we've put forward to all the parties ahead of the general election have been listened to, such as access and control over how land is used. We are calling on the next government to commit to end the housing crisis within a generation and to publish a long term plan within a year of taking office detailing how they will do this. The ideas detailed in the Lyons review would take us a step closer to this."

The Lyons Housing Review sets out a comprehensive plan to tackle the deep and underlying causes of the housing crisis. The report focusses on two central questions: how to increase the supply of land coming forward for development, and how to increase the number of organisations building new homes. The report also identifies the need for communities to have sufficient tools to provide the homes they need; that new homes need to come with the roads, schools and services to make for successful communities; and that housing must be a priority for capital investment from the next government.

The purpose of this briefing is to highlight a number of the recommendations which have implications for housing associations and the Federation's initial response.

## 2. The role of central government

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The Review argues that tackling the housing crisis will require strong leadership from central government. It calls for the next government to establish house building as a key priority from day one, driven forward by a clear statement of commitment and ambition from the Prime Minister, the Chancellor, Secretary of State for Communities and Local Government and the Housing Minister attending Cabinet. Key milestones

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would include the government setting up a cross-departmental 'housing task force' to provide ministers with independent evaluation against their targets, introducing a Housing and Planning Bill to update New Towns and Compulsory Purchase Order legislation, re-tasking the HCA to focus on delivery, and consolidating all housing funding streams into a single 'economic development fund' focussed on outcomes rather than bid rounds. Government should also establish a 'housing observatory' to analyse housing data and produce forecasts, in order to track the government's house building progress against its targets.

The Federation welcomes the recognition that central government must provide the imperative for building the homes we need. We will continue to call on the next government of whichever political party to commit to ending the housing crisis within a generation.

### 3. Local control

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Alongside a strong steer from central government the Review calls for the delegation of powers, funding and responsibility down to a local level so that every community has the tools to provide the homes they need. The report recommends councils should be required to submit a Local Plan for examination by December 2016 and that there should be a responsibility on councils to increase the supply of land through their Local Plans. Where councils fulfil their responsibility, the Review recommends giving them stronger powers to ensure that the new homes they plan for are built. It proposes changes to simplify and speed up the planning process, including "redline" applications for small sites. Local government should also take a more active role in the assembly and preparation of land. They will be encouraged to share risk - with private developers, housing associations, landowners and other councils - through 'Housing Growth Areas' and 'New Homes Corporations' as local delivery agencies.

'Housing Growth Areas' would enable councils, either individually or at city/county level, to have the power to designate an area for development and then get powers to buy land at closer to existing use value plus some extra compensation. They would then get developers to bid competitively to build out the site. The local authority would speed up the planning process. Infrastructure would be paid for out of the difference between the cheaper price they paid for the land and the market price for which it is sold on to developers. There is also a recommendation that people living locally or with strong local connections would be offered a proportion of the new homes built through the local authority taking an active lead in these 'Housing Growth Areas' before they are marketed further afield.

'New Homes Corporations' would act as delivery agents led by local councils to provide the focus, skills and expertise needed to drive the development of new homes in their local area. The idea is that a number of local authorities would come together to request a 'New Homes Corporation' working across a Strategic Housing Market Area. They would bring together investment and development partners to focus planning and CPO powers, pooled public land stocks, and pooled funding from the 'economic development fund' and other funding for infrastructure. Importantly, 'New Homes Corporations' would not replace Combined Authorities or Housing Companies where these exist already but would rather seek to integrate and work with these partners as closely as possible.

There are also a number of recommendations on how to implement Labour's previously-stated policy ideas such as 'Use it or lose it' and the 'Right to Grow'. On 'Use it or lose it' the report recommends that

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the duration of a planning permission should be reduced to two years and that the definition of 'commencement of development' should be revised to require a greater degree of work. Where land which has been allocated in the Local Plan is left undeveloped for 5 years the report recommends that the council should have powers to levy council tax. This would only apply if the land has been volunteered for allocation and the site can be shown to be deliverable and there would be a right of appeal. As a last resort councils would have stronger powers to compulsorily purchase the land.

The 'Right to Grow' seeks to give councils stronger powers than the 'Duty to Cooperate' to accommodate for housing need outside of their administrative boundaries. The report recommends that adjoining councils could work together to produce a 'Strategic Housing Market Plan' (SHMP). This would assess housing need and land availability using an agreed methodology, including factors such as transport and employment. Once agreed, councils would have to give it regard when developing and updating their Local Plans. Where councils refuse to cooperate, the Secretary of State would have the power to require the councils in an area to complete an SHMP to a tight deadline. As a last resort the Planning Inspectorate would complete the SHMP working with local people and cooperative councils.

The Federation welcomes the emphasis on land as critical in delivering an increase in the number of homes we need and agree the focus should be on what can be done at a local level. We believe that local authorities should be at the heart of decision making for the best locations for new homes and need the right support to make sure that land is brought forward in a way that supports local housing need.

#### 4. Housing associations

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The Lyons Housing Review makes a number of recommendations specifically targeted at housing associations. The Federation welcomes the acknowledgment in the report of the ambition of housing associations to do more to increase supply. Following the Federation's submission of evidence and further lobbying work the final report recommends extending the Affordable Homes Guarantees Programme to 2020 in order to give housing associations greater confidence to develop over the longer term. It also considers the case for extending these guarantees for housing associations looking to refinance their debt as well as taking on new finance. The report also recommends that government should consider lifting the s133 restrictions on the way housing associations value their properties. This revaluation from 'Existing Use Value – Social Housing' to 'Market Value – Subject to Tenancy' could significantly increase housing associations' borrowing capacity. This is a change which the Federation has long argued for and we are pleased to see it gaining further traction.

However, there are also risks for housing associations around mergers and consolidation and the recommendation that government should enter discussions with housing associations on how to mobilise surpluses. The Federation will continue to work with all political parties to ensure that housing associations are recognised as independent social enterprises that exist to create profit for a purpose and are therefore in the best position to decide on the direction of their business, including any mergers or use of surpluses and assets.

Housing associations should also be aware that the report contains a recommendation for government to consider a review of Community Infrastructure Levy exemptions for affordable housing. The Federation made submissions to the Review opposing this recommendation and highlighting the likely impact that it

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would reduce the supply of affordable housing. The Federation will continue to highlight the implications of such a change and will look for further opportunities to influence thinking on this point.

## 5. Garden Cities

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The Review argues for a more ambitious approach to locally-led Garden Cities and beyond that to new Garden Suburbs and re-shaping our towns and cities to deliver up to 500,000 new homes. The report argues that the next government should initiate a programme of large scale development with Garden City Development Corporations and New Homes Corporations taking the lead. They would be supported by reformed New Towns legislation. Garden Cities would be allowed to retain all of their business rates for 30 years to invest in the infrastructure and services needed for the community to thrive and government would set out further incentives for development, including a guarantee scheme. The report states that this programme could accelerate the delivery of up to 500,000 homes.

The Federation agrees that Garden Cities and Garden Suburbs are an important part of the contribution to new housing supply. However they are unlikely to make the required contribution by 2020 and it is important to ensure that this does not act as a distraction from the wide range of short-term measures which can deliver a more immediate impact on increasing housing supply.

## 6. Tenures

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The report recognises the need for a mix of tenures and the importance of affordable rents as well as the need for low-cost home ownership options. The report also makes recommendations around providing homes for market rent including that market rented housing should be included in assessments of local housing need. Shared ownership is also given recognition as the 'fourth housing tenure' and the report argues for a single brand, a clear pathway for staircasing, more flexibility in the secondary market and for government funding schemes to put shared ownership on a level with the Private Rented Sector guarantee scheme and Help to Buy. The report also argues that housing for older people and those looking to downsize should be a priority. Finally, the report recommends that government should undertake an early review of Right to Buy to establish whether it is meeting its policy objectives.

Many housing associations are already providing the homes for shared ownership, market rent or sale which the market requires. In the future the sector has a thirst to achieve even more. In *An Ambition to Deliver*, the Federation describes a vision of 2033 where housing associations house one in five people across all tenures. That means the sector building 120,000 of the 245,000 homes this country needs on top of expanding much further the projects and services they deliver for their tenants and wider communities.

## 7. Investment

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Alongside the recommendations for a national investment vehicle and for the consolidation of housing funding streams, the Federation welcomes the recognition that housing must be a key capital investment priority for the next government. The report stresses the importance of more

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social housing and also makes recommendations to switch subsidy from housing benefit to upfront capital investment.

As the Federation set out in an '*Ambition to Deliver*' housing associations have significant surpluses and assets which they can and will leverage to build more homes. However with public investment housing associations can build most of the 80,000 affordable homes needed each year by 2033 and a further 40,000 for market rent and sale.

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