

BSHF response to Social Economy Alliance consultation on well-founded growth

About BSHF

The Building and Social Housing Foundation (BSHF) is an independent housing research charity committed to ensuring that everyone has access to decent and affordable housing, and holds Special Consultative Status with the United Nations Economic and Social Council.

Since 1994 BSHF has organised an annual series of in depth consultations at St George's House, Windsor Castle, on a range of housing issues. Notably, the consultations in June 2010 and May 2013 focused on *The Future of Housing*¹ and *Creating the Conditions for New Settlements in England*² respectively.

This submission is based on the outputs of these consultations and on original research undertaken by BSHF. All publications are available for free download at www.bshf.org/publications.

Which of these proposals do you agree with?

BSHF agrees with the premise of the paper and the need to reduce and reverse the growing inequality within the UK with regard to access to decent housing. Housing can have a profound impact across a range of social indicators and sufficient good quality housing can positively influence individual and social health and wellbeing.

The dysfunction of the UK housing market has serious and wide-ranging impacts on the economy, individual households and wider society. These include:

- A greater share of personal wealth being expended on housing, reducing investment in productive enterprises
- A reduction in tenure choice through stricter eligibility criteria for social housing and increasing unaffordability of homeownership
- Increasing overcrowding in both the social and private sectors
- A polarisation of housing wealth
- Increasing social and economic inequality as a result of geographical differences in housing markets leading to gentrification

¹ Diacon, D., Pattison, B., Strutt, J., and Vine, J. (2009) *The Future of Housing: Rethinking the UK housing system for the twenty-first century* <http://www.bshf.org/published-information/publication.cfm?lang=00&thePubID=4FF3F1F7-15C5-F4C0-99959BAD3ED44A50>

² McFarlane, M., Pearce, J., Ciaglia, A., Czischke, D. and Pattison, B. (2013) *Creating the Conditions for New Settlements in England*. www.bshf.org/published-information/publication.cfm?lang=00&thePubID=DA16820B-D4AE-52C7-70495EE78A4F3D3C

BSHF welcomes the proposals from the Social Economy Alliance and broadly agrees with the recommendations. The majority of this contribution focuses specifically on the housing section however the following findings from our work are also relevant to the sections on local assets and local economic models:

- With reference to the creation of an independent Royal Commission on Land Reform BSHF has proposed the development of a national strategic spatial plan for England.³ This would provide a geographical context for national aspirations by planning the ‘spatial distribution’ of a range of development objectives. Ideally, this would allow an independent panel of experts to investigate a broad range of matters relating to planning, infrastructure, design, public space and sustainable place-making, in the short-, medium- and long-term. The recommendations of such a committee would both provide impartial direction for future policies and a focal point for support and collaboration. Given the long-term nature of these issues, cross-party support for any such plan would be crucial. The focus on the English context in this case is both as a matter of clarity due to the increasing divergence of housing and planning policy in the devolved administrations and as recognition that there was a particular need for a new approach in England.
- BSHF has investigated the challenges for LEPs in coordinating larger-than-local housing development. These include recognising the limitations of their remit, geographical scope, capacity, power and accountability. In addition there is much disparity between LEPs in terms of wealth, resources, time and experience. This restricts their efficacy on a national level. BSHF supports the goals of increasing the popularity, transparency and accountability of LEPs. Please see *Creating the Conditions for New Settlements in England* for more information about the role of LEPs.⁴

Legal and tax systems: With regard to the housing-specific proposals, BSHF is supportive of legal and taxation measures intended to tackle second-home owners, empty homes and absent landlords.

As a general principle, a taxation system should seek to place a lower burden on those activities that we are seeking to encourage. Our own research has identified the following recommendations:

- Reducing VAT on all refurbishment would assist in meeting the challenge of retrofitting the existing housing stock.⁵

³ McFarlane, M., Pearce, J., Ciaglia, A., Czischke, D. and Pattison, B. (2013) *Creating the Conditions for New Settlements in England*. www.bshf.org/published-information/publication.cfm?lang=00&thePubID=DA16820B-D4AE-52C7-70495EE78A4F3D3C

⁴ Ibid

⁵ Diacon, D., Pattison, B., Strutt, J., and Vine, J. (2011) *More Homes and Better Places: Solutions to address the scale of housing need*. www.bshf.org/published-information/publication.cfm?lang=00&thePubID=25E04994-15C5-F4C0-99170AE24B5B0A84

- The use of a land value tax to bring land to market for development. A land value tax may have particular features that would encourage efficient use of land. By making a charge on the value of land at its best permitted use rather than any buildings on it or improvements made, sites with planning permission that have not been built out would be taxed at around the same rate as if it were fully developed.⁶
- Broadly speaking housing wealth is relatively untaxed as an asset class. The tax break on unearned capital gains on primary residences creates disparity between the tenures, favouring owner occupation. Capital Gains Tax on primary residences could be investigated.⁷
- A restructure property tax could replace the Council Tax. Council Tax is criticised for the regressive nature of its banding system as well as the lack of regular housing valuations. An alternative property tax should be investigated by a detailed commission.⁸

In principle we are supportive of councils having the power to levy tax surcharges on second homes and empty homes. We would suggest detailed consultation with local authorities to assess how this would work in practice, so that any such initiatives were able to meet their needs in a flexible manner. Empty homes are largely privately owned and can be vacant for any number of complex reasons. Councils will need a range of options to tackle this issue.

BSHF has produced two publications related to the private rented sector (PRS): *Who Lives in the Private Rented Sector: An analysis of households' characteristics*⁹ and *Tenure Trends in the UK Housing System: Will the private rented sector continue to grow?*¹⁰ Our work on the PRS has led us to make the following suggestions:

- BSHF recommends further research on the use of both voluntary and compulsory private landlord registration in order to improve standards in the industry. In the absence of national accreditation schemes BSHF believes that local authorities should be trusted to act with discretion and competence. The private rented sector is diverse, therefore it is important that local authorities are given the freedom to

⁶ Diacon, D., Pattison, B., Strutt, J., and Vine, J. (2011) More Homes and Better Places: Solutions to address the scale of housing need. www.bshf.org/published-information/publication.cfm?lang=00&thePubID=25E04994-15C5-F4C0-99170AE24B5B0A84

⁷ Diacon, D., Pattison, B., Strutt, J., and Vine, J. (2009) The Future of Housing: Rethinking the UK housing system for the twenty-first century <http://www.bshf.org/published-information/publication.cfm?lang=00&thePubID=4FF3F1F7-15C5-F4C0-99959BAD3ED44A50>

⁸ Ibid

⁹ Pearce, J. (2013) Who Lives in the Private Rented Sector? An analysis of households' characteristics. www.bshf.org/published-information/publication.cfm?lang=00&thePubID=19F007B2-15C5-F4C0-990836C156D907F7

¹⁰ Pattison, B., Diacon, D. and Vine, J. (2010) Tenure Trends in the UK Housing System: Will the private rented sector continue to grow? www.bshf.org/published-information/publication_download.cfm?lang=00&thePubID=46C4A5EA-15C5-F4C0-99C662FE48B048B9

address their local challenges in the most appropriate way, with the expectation that they will ensure the most effective and efficient use of resources.

- BSHF is also concerned by the false dichotomy drawn between “good” and “rogue” landlords. The quality of provision across the private rental market can be measured on a broad spectrum, and standards will differ for many reasons. These might include variations in awareness of obligations, presence of skills or resources, and concern for tenant welfare. Given that the majority of landlords are responsible for a single property and are not landlords by profession, all landlords can benefit from the support that can be made available to them through a licensing scheme.

Community housing: BSHF encourages initiatives to increase the contribution of community-led housing projects such as community land trusts, cohousing and community self-build. We have previously looked at specific forms of delivery, such as self-help housing, and our current focus is how best to support the scaling up of these projects. While such solutions are a more familiar concept in many parts of the world, they make only a limited contribution to our housing supply and have yet to be seen as mainstream delivery options. BSHF will be exploring mechanisms to scale up community-led housing at our forthcoming May consultation at Windsor Castle. Our findings will be published in due course.

Garden cities: BSHF is supportive of the concept of new garden cities as part of a portfolio of measures to meet housing need and demand. In May 2013 our consultation assessed the potential for delivering new settlements. The discussions resulted in a range of recommendations to government and other key stakeholders to improve the conditions for new settlements to be delivered and benefit housing supply more broadly. In particular we called for greater community consultation and participation in the process as a mechanism to increase quality in the planning, design and construction of new places. We proposed New Settlement Partnerships as a model for a range of stakeholders, including local and future communities, to work in a collaborative manner to develop high quality places to live, along with a consideration of long-term management issues and the stewardship of assets.

Public-Social Partnerships: BSHF supports the principle of ‘Public-Social Partnerships’. Local authorities should be given more flexibility to invest in the infrastructure needed to support their communities.

Which of these proposals don’t you agree with?

Which of these proposals are the most important?

While the housing sector is extremely complex and no single measure is, in itself, sufficient to address housing need, the bringing forward of land for development is particularly vital.

What have we missed? Which proposals would you like to add?

BSHF would highlight Tim Leunig's proposal for land auctions as a method to increase the availability of land for development and effectively capturing planning gain for communities. The initiative was initially scheduled for trial following the 2011 Budget, but has yet to progress to this stage. Please see: Tim Leunig, Community land auctions: moving towards implementation, 2011.

Which proposals need further work or refinement?

Please see earlier responses.

Do you have any evidence to support or refute any claims made in this paper?

The following BSHF publications consider the issues covered:

Creating the conditions for new settlements in England (2013)

Self-Help Housing: Supporting locally driven housing solutions (2011)

More Homes and Better Places: Solutions to address the scale of housing need (2010)

The Future of Housing Rethinking the UK housing system for the twenty-first century (2009)

Perspectives on the Future of Housing: A collection of viewpoints on the UK housing system (2009)

Redefining the Commons: Locking in value through community land trusts (2005)

Recycling the City: Unlocking the Potential of Empty Properties (2004)

These publications can be downloaded at www.bshf.org/publications.

Is there any evidence or examples from other contexts which can inform the proposals put forward in this paper?

BSHF established the World Habitat Awards (WHA) in 1985 and co-ordinates and delivers the awards competition each year in partnership with UN-Habitat. Each year two awards are given to projects that provide practical, innovative and sustainable solutions to current housing needs and problems. Projects from both the global South and North are eligible. More information about the awards, as well as a database of over 200 winners and finalists, can be found at www.worldhabitatawards.org. The Champlain Housing Trust in Vermont, referenced in the consultation paper was a WHA winner in 2008.