
Housing and Home Ownership

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16 October 2018

Volume 647

[Mark Pritchard *in the Chair*]

🕒 4.00 pm

Neil O'Brien (Harborough) (Con)

I beg to move,

That this House has considered housing and home ownership.

It is a pleasure to serve under your chairmanship, Mr Pritchard. I recently published an 80-page report for the think-tank Onward. Members will be relieved to hear that I do not intend to read it out today, but I want to talk about some of the themes in it.

This is a short debate, so I want to ask the Minister just two questions. First, will he update us on his thoughts about how we can increase home ownership by rebalancing things between the private rented sector and home ownership? Building more homes is a necessary, but not sufficient, condition of reversing the decline in home ownership. Over the past decade, the private sector has built about 165,000 extra houses every year, but home ownership fell because the private rented sector has expanded by 195,000 homes every year. Multiple property ownership has been squeezing out home ownership for individuals. Private landlords are not doing anything wrong, but we have to ask ourselves as a country whether we want so much of our housing stock to flow into renting, rather than owning.

To rebalance things back towards ownership, we could do a number of things. We could introduce a capital gains tax break for those who want to sell their rented property to their existing tenants. For future rented properties, we could change the tax treatment to encourage people to put their investments into stocks, shares and businesses, rather than just into bidding up the price of housing. Rebalancing in that way could make a big difference. To give a sense of the magnitude, I should say that if we had kept the ratio of privately owned to privately rented homes the same between 2000 and 2015, 2.2 million more homes would be in ownership. That would make a huge difference—at least as big a difference as we could make by increasing the rate at which we build homes.

We know that tax can be effective. The changes brought in by the then Chancellor in 2015 saw the first substantial increase in home ownership for a decade in the following year. I hope that the Minister and his colleagues at the Treasury are thinking about ownership. If we only think about the supply side of the market in challenging the housing problem, we are effectively fighting with one hand tied behind our backs.

The second thing I would like the Minister to update us on is his and the Government's overall vision for what, where and how we build. The ultimate constraint on how much we build is public consent. If we want to build more, we need to tackle the underlying reasons why people oppose so much of what is built today. For me, there are three underlying reasons. First, too often we build in the wrong places and we lose the green spaces that people value the most. Secondly, we build without the required infrastructure. Thirdly, there are too few benefits for existing residents.

How can we solve those problems? That requires different things in different places. It means building more in the centres of our great cities—densifying them and regenerating more land. Outside our cities, it means more stand-alone, planned new communities and fewer tacked-on developments stuck on the edges of all our existing villages and towns. Everywhere, it means sharing more of the benefits of development with existing residents so that they can see those benefits.

Let me unpack that a little bit. There is lots of room in our great cities for growth. Glasgow, Newcastle, Liverpool, Middlesbrough, Sunderland, Hull and Dundee all had a smaller population in 2016 than they did in 1981. Other cities such as Manchester and Birmingham were only about 6% bigger. There is lots of room to grow in our great cities, and there are

lots of reasons to densify the centres of those cities: it is greener; it means less congestion; it means more people walk to work, which in turn is healthier; and infrastructure costs are lower. There are lots of ways to make it happen. To put ideas in the Minister's head, we could change objectively assessed need to favour inner-city development, to take into account the potential for cities to densify. We could further liberalise building upwards and amend change of use to allow empty shops to be turned into homes.

We could devolve further powers over transport beyond the mayoral combined authority areas. Mayoral authorities such as in London have powers over public transport and the buses. That means they could have denser development, because they can ensure good public transport to it. We could review sightlines in London and build upwards. We could do what the think-tank Create Streets recommends and review regulations so that we can once again build those tall, dense terraces that are so beloved by the population. We can do a lot more in our cities, but we will continue to want to build outside our cities, including in rural areas.

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Tulip Siddiq (Hampstead and Kilburn) (Lab)

I thank the hon. Gentleman for bringing this debate to the House. His suggestions are good. Does he think that housing provision for people with disabilities should be improved as well? At a sitting of the Select Committee of which I am a member last week, I argued that the Government should implement approved document M4(2). It sounds a bit wordy, but that is about making new homes accessible and adaptable by default. Does he agree with doing that? That measure includes provisions for a wheelchair standard for new homes.

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Neil O'Brien

The hon. Lady has a very interesting idea, but I am not familiar with that measure. I will have to go away and look at it.

Outside of the cities, we generally build right up to existing developments. I see that in my constituency.

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Jack Lopresti (Filton and Bradley Stoke) (Con)

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I thank my hon. Friend for giving way and bringing this crucial debate to the House. Does he agree that unless we radically reform our local planning system, we will never get the planning applications through and the houses built that we need? We need to build in huge numbers—more than the Government are proposing at the moment.

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Neil O'Brien

I utterly agree; I was about to make that very point. At the moment, we infill bits on the edges of every village and town. We are effectively building in the places that annoy people the most, so we do not build enough homes, as my hon. Friend said. When we do that, we cannot keep up with the infrastructure needs of these places, because it is physically impossible. Perhaps the primary school is on too small a plot or we cannot widen a road that has become a rat run because there is not enough money to meet infrastructure needs.

Previously, we did things very differently. There was the new towns programme: those new towns now house more than 2 million people very successfully. They are fast-growing places. Mrs Thatcher created docklands in London and Liverpool, and the model was roughly the same for both. A development corporation would buy land cheap at existing low values. It would assemble the land, install the infrastructure and sell on that land for uplifted values, therefore paying for itself. That model has been used successfully all over the world.

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Priti Patel (Witham) (Con)

I congratulate my hon. Friend who, as ever, is making a very persuasive case. His Onwards report is very good, and he is contributing to what I would call the battle of ideas. He mentioned Margaret Thatcher, who was at the forefront of that. The Centre for Policy Studies published a paper on “help to own” on Monday. We want to be in this space to address some of the big challenges we are facing on planning, taxation and infrastructure, but we also need to try to persuade other parts of the Government—including the Treasury and our dear colleague in the Ministry of Housing, Communities and Local Government—to address some

of the bigger issues of intergenerational fairness. A whole generation is locked out of home ownership, and we want to help them get back on the ladder so that we can become that property-owning democracy again.

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Neil O'Brien

My right hon. Friend makes an extremely profound and important point.

A lot of councils are now getting back into the business of building new places. They are being forced to, because if they do not want to mess up every village and town in their area, they need to build new stand-alone places. We need to ensure that they have the tools and expertise they need to make that work.

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Scott Mann (North Cornwall) (Con)

My hon. Friend has brought a very important debate to the House. When we build around existing settlements, we tend to have inflated land values before things have even started. Having new settlements will allow us to capture some of that value to provide some of the infrastructure. Does he agree?

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Neil O'Brien

My hon. Friend is absolutely right. I agree in the strongest possible terms, and will come to that point in a second.

Where there have been good new planned settlements, such as Poundbury or Nansledan, they have often been because of a visionary landowner in the area, but we cannot always rely on that. Sometimes, other good ideas have gone wrong because developers have wiggled out of their commitments or planners have failed to get control over the land. How do we make sure that we always build good new places? I would love to see Homes England become a supporting masterplanner for local authorities. I would love us to build on the housing infrastructure fund, which is a brilliant initiative. I would love more central encouragement, which is already coming from the Minister, for good vernacular design.

As ever, the other thing we need is money. That brings me to the third of the reasons why people oppose development—because there is not enough benefit for existing residents. As my hon. Friend the Member for North Cornwall (Scott Mann) mentioned, when planning permission is granted, there is typically a big increase in the value of land, but too little of that flows to existing residents. The Centre for Progressive Policy estimates only about a quarter of the value goes to the local community.

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Andrew Lewer (Northampton South) (Con)

My hon. Friend mentioned money. Many of the councillors in Northampton welcomed the lifting of the borrowing cap on the housing revenue account. Does he share my hope—this reflects the comments made by my right hon. Friend the Member for Witham (Priti Patel)—that that will be used for shared ownership or owned properties, as well as just for social housing?

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Neil O'Brien

I do. That is perhaps for the Minister to answer rather than me, but I absolutely agree that it would be a good thing to do with the extra borrowing power.

How do we capture more of the benefit for the community? We could reform section 106 and the community infrastructure levy and take off the various limits that apply. We could create transparency by creating a register of all land options so that we know what people are paying for land and we stop viability being used as an excuse not to pay for vital infrastructure. We could change the national planning policy framework so that sites do not get put through the strategic housing land availability assessment unless they can pay for their own infrastructure. We could give local authorities the fiscal firepower to assemble land and be their own developers and masterplanners. We could reform land compensation and the Land Compensation Act 1961 to reverse the changes made by unelected judges in the 1970s. A group of organisations, including Shelter, Onward and the Campaign to Protect Rural England, recently came together to call for just that.

need to see more specific

As well as more benefits for the local community generally, we also need to see more specific benefit for those most affected by development—those who are right next to it. What about offering cheap homes for sale to the neighbours of new construction sites? At the moment, there is too little other than disruption for the neighbours. In Farndon Fields in my constituency, a developer refused to route construction traffic through neighbouring fields and has instead insisted, using the viability argument, on forcing them down tiny suburban streets. My constituents now have to put up with huge HGVs going down these tiny streets where their children are playing, for several years. No wonder we oppose so much development, when it happens like that. No wonder we do not build enough homes. We have a system that seems geared to maximise opposition.

The only way to build more homes is to deal with the underlying reasons why we oppose so much development today. Those problems can be fixed, and I know our new, energetic Minister is setting about fixing them with aplomb, but we need to think radically about the way we build and start a new conversation about the balance of renting and owning.

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🕒 4.12 pm

The Minister for Housing (Kit Malthouse)

It is a pleasure to serve under your guiding hand, Mr Pritchard. It is a great pleasure to respond to this very important debate secured by my hon. Friend the Member for Harborough (Neil O’Brien). In his report, “Green, pleasant and affordable,” he has presented a smorgasbord—a veritable cornucopia—of radical and interesting ideas. In the time I have available, I want to go through a number of the areas that the report covers, in particular supply and home ownership.

The first issue he quite rightly raises is that of getting the most out of land. In order to increase housing supply, we understand that local authorities need to be empowered to make the most effective use of the land that is present across all our towns and cities.

In its recent report on land value capture, the Housing, Communities and Local Government Committee made several recommendations for reform of compulsory purchase compensation. Its recommendations included restricting compensation by removing hope

value from the assessment of the market value of land. The Government will publish their response to the Committee's report shortly. As I explained when I gave evidence to the Committee, we have very recently introduced wide-ranging reforms to make the compulsory purchase process clearer, fairer and faster for all. That includes changes to the Land Compensation Act 1961. We are keen to let those important reforms bed in. The revised national planning policy framework, to which my hon. Friend referred, encourages local authorities to make more proactive use of their extensive land assembly powers. We will keep the operation of the system under review.

We also recognise that the availability of sustainable infrastructure is important to support new housing. That is why we have introduced changes to the NPPF that will ensure that developers know what contributions they are expected to make towards affordable housing and essential infrastructure, that local communities are clear about the infrastructure and affordable housing, and that local authorities can hold them to account. The revised NPPF requires local authorities to set clearer policy requirements for infrastructure and affordable housing through plans, informed by more transparent viability assessments. It will also support local authorities to ensure that development meets the policy requirements set out in the local plan.

Fundamentally, what we are trying to do in the NPPF is to give clarity up front to developers and local communities about what will be expected, which will allow them to factor that into land value over time. My hon. Friend quite rightly expressed dissatisfaction with the amount of value that is captured from land. He is correct that often in a viability assessment, it is the community infrastructure component—the section 106 component—that gets squeezed. That is largely because the negotiation takes place after planning permission has been granted. We are trying to give more clarity up front through the planning system, so that developers know what the requirements are going to be, whether that is infrastructure or affordable housing, and can factor that into the value that they pay for the land, so that fundamentally it is the land value that will get squeezed.

We have consulted on further reforms to developer contributions, including removing existing restrictions in certain circumstances that prevent local planning authorities pooling more than five section 106 planning obligations towards a single piece of infrastructure. We will be responding to that consultation in the near future as well.

Local authorities are also able to use the community infrastructure levy to help fund the supporting infrastructure that is needed to address the cumulative impact of development. Where authorities have introduced CIL, 15% is specifically allocated to meet local priorities, and that is increased to 25% in areas with a neighbourhood plan in place. In an area that has a parish council, the money is passed directly to it. That neighbourhood allocation from CIL gives communities real power in deciding and delivering their infrastructure priorities for their area and will hopefully encourage the spread of neighbourhood planning.

In his report, my hon. Friend also considered the creation of new communities. We believe strongly that the creation of new garden communities can play a vital role in helping to meet this country’s housing need well into the future. Our current programme supports 23 locally-led garden communities that have the potential to deliver more than 200,000 homes by 2050. They range in size from 1,500 to more than 40,000 new homes in one place. We have just launched a new garden communities prospectus, inviting ambitious proposals for new garden communities at scale. This is not just about getting the numbers up; it is about building quality, innovative places that people are happy to call home.

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Priti Patel

The Minister has lit the blue touch paper in mentioning garden communities. He will know from my correspondence with his Department that one of those garden community proposals covers my constituency, and the Braintree district and Colchester borough. Can he provide any clarity on the conditional requirements that the Department is putting in place for the development of those schemes—where public funds are being used—to support the concept of garden communities?

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Kit Malthouse

The primary requirement we have for garden communities is that they have strong local support and are supported by local democratically elected politicians. We would, for example, not countenance a proposal for a garden community that came forward against the wishes of the local authority or local authorities concerned. My right hon. Friend may have noticed—this points to an issue that my hon. Friend the Member for Harborough raised

about capacity and capability—that we recently changed the regulations so that we can have locally-led development corporations. They are brought together and approved by the Secretary of State, but under local initiatives and with local control, to try to deliver some of those communities more effectively. Local control, consent and engagement are key, in terms of both acceptability and development.

Another issue that has been raised is increasing density, which we believe is also important. We need to make sure that we make the most effective use of underutilised land. That is a crucial part of our focus. Higher density development and the development of brownfield land can play a significant role in increasing housing supply in urban locations, especially in areas that are well served by public transport and in town and city centre locations. The revised NPPF requires local planning authorities to be more proactive in identifying opportunities to make more effective use of land. That includes planning for higher densities in locations that are well served by public transport, and reallocating underutilised land to serve local development needs better.

I disagree slightly with my hon. Friend the Member for Harborough about the requirement to build towers to achieve density. In central London—a place that I know very well, having served there as a London Assembly member and councillor—some of the densest areas are in fact some of the most desirable, and they are low-rise. It is probably still the case that the densest part of central London is Cadogan Square. Towers do not necessarily deliver density, and they can often be intrusive. Our framework goes further by stating that local authorities should support the use of airspace above existing residential and commercial buildings to provide new homes, as my hon. Friend said. We recognise that there is more to be done, and that is why we have just announced that we will publish proposals for a national permitted development right to permit people to build upwards on existing buildings rather than just to build out.

Important in all of this is the need to diversify the market. We believe that to increase our housing supply we have to be innovative and boost the development sector to allow both large and small builders to flourish and to build the homes that our communities need. The Government fully recognise the important role that small and medium-sized house builders play in delivering much-needed housing in this country, and we are committed to ensuring that this support is in the right place. We have already put in place a number of initiatives to

help SME house builders to grow and develop, including the home building fund, the housing growth fund and the housing delivery fund, as well as proposals to make it easier for SMEs to identify land.

We believe that that is a critical way to encourage innovation. The market has agglomerated into a small number of large players, which are perhaps not as innovative as they could be. If we can create a more vigorous market of people competing to build houses and competing for our custom, they are likely to be much more innovative in their method, supply and typography of housing, and they may well cater to different parts of the market and look at sites that larger builders might not.

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Scott Mann

My hon. Friend is doing a cracking job, especially with his “more, better, faster” campaign on housing delivery. My point is about self-build—he has not mentioned it specifically, but I know that it is part of the Government’s strategy on delivery. Does he agree with the sentiment that there is no better help that we can give to an individual than to allocate them a plot and allow them to build their own home?

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Kit Malthouse

I wholeheartedly agree on self-build, which I am very keen to encourage. Something like three out of every four houses in Austria are self-built or custom-built. It holds enormous capacity for the future. I recommend that my hon. Friend go and visit a site called Graven Hill just outside Bicester, which is the largest self-build site in Europe and which will deliver about 1,400 self-build homes. It is quite something to see—an amazing array of different houses. There is a house that looks like a stealth bomber sitting next to a Swiss chalet, a Cotswold cottage and a flat-pack house from Poland. As I said on the fringes of conference, I think the site will be a conservation area in the future because of the effervescence of design that is taking place there. We are very keen to encourage self-build.

Finally, one of the big issues—

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Eddie Hughes (Walsall North) (Con)

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Will my hon. Friend give way?

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Kit Malthouse

Yes, I will give way.

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Eddie Hughes

I was scared by my hon. Friend's use of the word "finally" and thought that I might not have the opportunity to intervene before he finished. As an accidental landlord myself—I need to refer to my declaration of interest—I was intrigued by the report on a proposed "Help to Own" scheme published by the Centre for Policy Studies on Monday. I understand that the Minister has been sent a copy. The idea that landlords might be able to sell a property to a sitting tenant, and that there would be a capital gains tax break for both parties, seemed innovative and interesting. Does he have any thoughts on that?

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Kit Malthouse

By sheer coincidence, on my accession to the chrysanthemum throne in housing, I raised a similar possibility, should we look at some way of transferring from landlord to tenant in the future. Those issues of tax, stamp duty and ownership are way above my pay grade, but I have no doubt that the report will have winged its way to the Treasury, where our colleagues will be considering its efficacy. I can see why it might be attractive from a landlord transfer to ownership point of view, although we would have to study its fiscal effects to see what the cost might be.

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Priti Patel

Will my hon. Friend give way?

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I will make a bit of progress. I want to address the issue of home ownership, because it is fundamental to the report and it is, as my hon. Friend the Member for Harborough quite rightly said, one of the most important challenges of our time. As he mentioned, we must find ways to improve home ownership. Rising demand for housing has increased prices and in many cases pushed down home ownership. The Government believe that people should be free to purchase a second home or invest in a buy-to-let property. However, we are aware that that can make it difficult for other people, particularly first-time buyers, to get on the property ladder. That is why in April 2016 the Government introduced higher rates of stamp duty land tax on purchases of additional properties.

Since the council tax empty homes premium was introduced in April 2013, the number of long-term empty residential properties has fallen. When it is in force, the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill will allow councils to go further, increasing the premium by up to 300% in some cases. That will allow authorities to encourage better use of the existing housing stock in their area. As the Prime Minister announced, the Government are also taking action on non-resident purchases of residential property, which can make it more difficult for UK residents to purchase a home of their own. The Government will publish a consultation on introducing an increased stamp duty land tax charge on non-residents buying property in England and Northern Ireland. More details will be brought forward through that consultation in due course, following the normal tax policy-making process set out by the Government—the legislation will be in a future Finance Bill.

We must also support our younger generation, who find it increasingly hard to get on to the property ladder. We are supporting people's aspirations to buy through a range of initiatives, including Help to Buy, right to buy, greater funding for shared ownership, and rent to buy. Since the spring of 2010, Government-backed schemes have helped more than 481,000 households to buy a home. Younger people are also helped directly by our investment in affordable housing. The Government are investing more than £9 billion in the affordable homes programme to deliver a wide of affordable homes, including shared ownership homes, by 2022. Since 2010, we have delivered more than 60,000 shared ownership

properties, helping people to take their first steps into home ownership. Our recent Green Paper, “A new deal for social housing”, announced that we would be exploring innovative, affordable home ownership models to support those who are struggling to raise a deposit.

The Prime Minister has made it clear that this should be a country that works for everyone. That means building more of the right homes in the right places and ensuring that the housing market works for all parts of our community. It is this Government’s mission to reverse the decline in home ownership and to revive the dream of Britain as a property-owning democracy. We must revive that dream for ordinary people—for those striving on low and middle incomes, who find the first rung of the housing ladder beyond their reach. The Government are committed to tackling this challenge to make the housing market work. By the mid-2020s, we aim to have increased house building to an average of 300,000 net new homes a year.

On planning permissions, which my hon. Friend the Member for Filton and Bradley Stoke (Jack Lopresti) mentioned, we are now granting more than 350,000 permissions a year against a building target of 300,000 houses. That is another challenge that I face. In the time that I have in this job, I am always open to ideas. I certainly welcome the radical thinking that my hon. Friend the Member for Harborough and his collaborators on the paper have injected into the debate. I will be studying the paper in some detail and I hope to weave some of his thinking into our policies in the future.

Question put and agreed to.

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Ⓛ 4.28 pm

Sitting suspended.

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