
Housing

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28 March 2019

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Motion made, and Question proposed, That this House do now adjourn.—(Mike Freer.)

🕒 6.13 pm

Mr Richard Bacon (South Norfolk) (Con)

I am sorry to see Members leaving the Chamber, because we are about to discuss the Government's top domestic priority, which is of far more concern to many people up and down the country than our endless talk of Brexit. I have entitled this debate "Housing" because I did not want to be confined to any specific part of the housing debate and wanted to give the Minister the opportunity to address any question within the housing space.

It is absolutely clear that we have a very big housing problem, and have had a very big problem, for some years. I have been attending seminars, roundtables and conferences on housing for at least seven years. I first went to the QEII Centre to hear Adri Duivesteijn, the godfather of the self-build and custom house building movement in the Netherlands—a former Dutch Member of Parliament who then became the mayor of Almere, a community in the Netherlands that I think I am right in saying the Minister has visited. Since then, I have been to many events of various kinds, and everyone has their own diagnosis of the problems and their own solutions, but generally they all mention land, planning or finance. They often mention the role of the volume house builders, the way in which local council planning authorities are stretched and the difficulty in getting access to land.

Many of these points have a great deal of truth about them, but the issue can be encapsulated much more simply in the following sentence: the supply of housing does not rise to meet the demand for housing. In many other areas of life, it is true that supply generally does rise to meet demand. In what I would call orthodox, rather than classical, economics, if someone is making what economists call supernormal profits—profits that are in excess of what one might expect—two factors generally combine to bring those profits down to normal levels. One factor is that other actors in the marketplace will see the opportunity of those high profits and will move in. In other words, new suppliers will move in, with competition, increasing choice for consumers and driving down the profit margins. But that is not the situation that we have in the United Kingdom. In fact, over the last 30 years, the situation has steadily become the reverse of that. We effectively have permanent supernormal profits.

Some 30 years ago, in 1988, 66% of houses in this country—a large fraction of the total—were built by SME builders, which were represented by excellent organisations such as the Federation of Master Builders. The situation now is that less than 20%—perhaps 15% or 17%—of houses are built by SME builders, with all kinds of extra problems that make it more difficult for them to engage. Now a very small number of very large companies build most of the houses; for the most part, they are the members of the Home Builders Federation.

The strange thing is that if one asks consumers what they think and what they want, as has been done several times by independent, authoritative opinion pollster organisations that have been commissioned for the purpose, they will come up with the following result.

Somewhere between two thirds and three quarters of people do not want to buy the products of volume house builders. The figure of 75% comes from a YouGov survey conducted by the National Custom and Self Build Association, which is a trade body for, as the name suggests, self-building and custom house building, whereby houses are manufactured offsite—perhaps a better way of putting it is “high-tech offsite construction”—and then delivered to a site where they are constructed. The figure of 67%—the two thirds of people who do not want to, or would prefer not to, buy the product of the volume house builders—comes from the volume house builders themselves. Their own research tells us that most people do not want to buy their product. Now, in a vaguely competitive ecosystem where there was choice for consumers, that would be corrected by new suppliers coming in and providing something that consumers did want.

Let me be very clear that the numbers themselves suggest that between a third and a quarter of consumers do want to buy the product of volume house builders. If they wish to do so, they should be free to do so, as long as those products are built to the right standards in terms of health and safety and building regulations. I have no issue with that at all. It is true that, over the last 30 to 40 years, houses have got smaller and more expensive than they were in the not-that-distant past. However, if people wish to buy the product of a volume house builder, they should certainly be free to do so, as long as those volume house builders operate within the law; I do not object to that at all. But fundamentally, the two things required for this ecosystem to function are low barriers to entry and consumer choice, and those are the two things that are fundamentally absent.

We all know what the consequence is. I have tested this with nine-year-olds in primary schools in my constituency. I say, “What happens to the price of something if there is not enough of it?”, and every hand goes up and they say, “It goes up.” Then, just to make the point really clearly, I say, “And what happens to the price of something if there is too much of it?”, and every hand goes up and they say, “It goes down.” It is not difficult to understand—it is intuitive to the point where a nine-year-old can grasp it. That is what has happened to the housing market, if one can call it a market, in the UK. I suppose that an economist might say that of course it is a market, but a very oligopolistic one—in other words, something approaching, but not quite, a monopoly.

That means that the suppliers making supernormal profits can keep on doing this for a very long time without let or hindrance. At the same time, the average price of an average dwelling has gone from three and half to four times income a generation ago to about eight times income now. That depends on where one is in the country, of course. For South Norfolk, the last figures I saw from the National Housing Federation—admittedly slightly out of date now, but they will not have changed that much—were about 8.2 times average income. The same numbers suggested 8.2 times average income in Harlow in Essex, 13 times average income in Hertfordshire, and 17 times average income in Oxford—and in some of the really hot boroughs in London, it was completely off the charts. Even in the poorer parts of the country where incomes are lower and properties are less desirable, it is now five and half to six times average income in many cases.

I pumped my parliamentary salary into one of the websites just to see what a lender would lend, and I was quite horrified that the first number that came out was five and half times income. That would not have been possible a generation ago. We have had more money chasing roughly the same amount of houses, and, not surprisingly, the price has gone up. That has a number of consequences.

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Anna McMorris (Cardiff North) (Lab)

Does the hon. Gentleman agree that house builders need to be looking at the cost of living in a property over the time that residents would own that property and meeting carbon reduction or zero-carbon targets, so that when the house is sold the cost of living in that house has changed?

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Mr Bacon

Yes, I do, although if one went on a sales course, one would be told “Benefits, not features.” One does not explain that a vacuum cleaner does 3,000 revolutions per minute rather than 1,500, as nobody cares—one explains that it cleans one’s house better. In the same light, I would not bang on about carbon, making people feel kind of morally inferior—I would explain that one could have the choice of having a house that would cost nothing to heat, and ask why anyone would want one that cost a lot to heat.

I had this out very specifically at the Policy Exchange think-tank with the land use and planning director of Barratt. I asked about what it did for its customers in this regard. I said, “Is it really true that you have a conversation with your customers in which you say, ‘Now madam, we’ve got a variety of houses available for you, this one over here that will cost you roughly £1,400 a year for heat and hot water, and this one over here that is insulated to, or nearly at, passive house standards that will cost you almost nothing to heat—perhaps, with mechanical ventilation with heat recovery, £80 or £150 a year. Which one would madam prefer?’ Do you really offer them that choice?” Of course, he turned his back on me and stomped off rather than answer the question.

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Anna McMorrin

Does the hon. Gentleman agree, though, that we need to change our building regulations in England, and also in Wales, where this is devolved, to make sure that housing is built to low-carbon or zero-carbon standards to ensure that this happens across the board? We have house builders that are really taking advantage by putting up houses that come at a ridiculous cost to our climate.

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Mr Bacon

Yes. I do not want to be building houses that we will be knocking down in 30 or 40 years' time because they are so dreadful. That is utterly pointless. The hon. Lady mentioned building regulations. At the Local Authority Building Control conference, where I gave an address, I needed only to say the word "Persimmon" and people fell around laughing as if I was as funny as Tommy Cooper—perhaps there are people who think I am—because it is a byword for poor practice in the building industry.

I have heard the chief executives of volume house builders criticise Persimmon for its bad practice. We all know what happened to the sainted Jeff Fairburn. Because of his compensation scheme, he was being paid—I will say this slowly—£130 million in emoluments by the shareholders of Persimmon. So egregious a scandal was it that he got so sick of being followed round by someone from the BBC with a microphone asking him to justify it that he eventually resigned, which was a red letter day for many of us who are campaigning for higher quality. In a competitive environment where the company could not afford to pay one chief executive that much money, that money should have been going into larger spaces, better quality material and better thermal performance. There is a huge distortion.

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Jim Shannon (Strangford) (DUP)

I congratulate the hon. Gentleman on securing the debate. He and I have discussed on a number of occasions how houses should be built in the future. Modern house building should ensure better air quality, better insulation, better heating, better windows and better doors.

It is also about the location—for example, the green areas around the house and access to shops. A house has to be a home. I declare an interest, as chair of the all-party parliamentary group for healthy homes and buildings. I know that the Minister and the hon. Gentleman have read the APPG's report and are aware of its recommendations. Does he feel that those are a way forward for housing?

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Mr Bacon

I do, and I am grateful to the hon. Gentleman for reminding me of that. There is a lot of evidence that if people live in better, more spacious, healthier homes, there are lower costs for the NHS and lower sickness rates; it is better for employees and employers. There are lots of other ancillary benefits of having better homes, as well as their being good in themselves.

I am keeping a close eye on the clock, Madam Deputy Speaker. I planned to start with a preamble, which I seem to be doing without too much trouble, and then get into the specifics of what I want to say to the Minister about the Right to Build Task Force, but I will say one or two more things before I do that.

The situation we face is one in which an entire generation have basically given up on the chance of either owning a property or even being able to afford to rent one. In general, and especially in the big cities like London, Birmingham and Manchester, people spend an absurd proportion of their income on rent. When it is costing people over 50% of their net monthly salary to rent a ghastly little bedsit where the mattress is hanging over the sink—I do not exaggerate; I saw such an example on a Channel 4 documentary a while ago—we obviously have a big problem.

I was at a dinner at the London School of Economics where a professor was talking about a graduate student of his who was about to start working in the Bank of England on a not inconsiderable salary, but he was going to be living at home with his mum. The chap from KPMG around the table said, “Well, that’s nothing. We start our graduates on £45,000, and they can’t afford to buy anywhere.” Then the chap from BlackRock said, “Well, that’s nothing. We start our graduates on £75,000, and they can’t afford to buy anywhere, certainly not within a decent distance of our office.” It has got completely out of sync, and the Government have to fix it.

There is, of course, a political problem for our own party. I will address that later, but it is perfectly obvious that if people cannot get somewhere to live at a price they can afford, they will not vote for a party that cannot provide that for them. We need a fundamental change. We have dug ourselves a big hole over the last 20 to 25 years, and it will take us 20 to 25 years to dig ourselves out of it. If we are not careful, we will be in the same position in 20 to 25 years, only worse, unless we have the right policy proposals for fixing it. That is what I want to come to.

When I came off the Public Accounts Committee in 2017, it was to spend time on the Right to Build Task Force, an initiative set up by the National Custom and Self Build Association to help local councils, developers, community groups and landowners who want to bring forward self-build and custom house building projects on serviced plots of land—that is to say, where all the difficult bits such as fresh water, sewage, electricity, broadband and so on are already dealt with—in order to increase supply and give people more choice. That is what I have spent most of the last two years in this place doing.

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Alex Chalk (Cheltenham) (Con)

In Cheltenham, the overwhelming majority of the house building taking place in the town centre is for retirement apartments. Does my hon. Friend agree that if we want to maintain the culture, vitality and vibrancy, we have to ensure that young people can afford to live there as well? Will he join me in congratulating the Government on providing, through the home improvement fund, millions of pounds for a Portland Place development in Cheltenham that subsidises marginal viability schemes, to ensure that young people can truly live in the town centre and contribute to its vibrancy?

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Mr Bacon

Yes, I do, although I could easily get into a long discussion about viability that would consume the rest of this debate, which I cannot do. There are big problems with the whole concept of the way in which we calculate viability. However, I congratulate the Government on helping Cheltenham bring forward what sounds like a very important scheme.

The Right to Build Task Force has been going for two years. We have scraped together £300,000, courtesy of the Nationwide building society's charitable foundation, the Nationwide Foundation. Over 50 organisations have been helped, of which 60% are local councils, with the rest being community groups, landowners and developers. There is a whole range of examples of its work. Aylesbury Woodlands in Buckinghamshire will have a project where 15% of all the new homes are custom and self-build. Cornwall has an ambition to bring forward up to 1,000 serviced plots across the county. I am looking around for my hon. Friend the Member for North Cornwall (Scott Mann), who arranged the meeting we had with the Prime Minister on this very subject and who is a passionate believer in more serviced plots. North Northamptonshire has a plan whereby as many as 10% of homes could be custom and self-built across several different local authorities. There are rural areas such as Eden in Cumbria, which is looking at a range of opportunities for affordable homes for local people. King's Lynn and North Norfolk, in my own county of Norfolk, has agreed an action plan to drive up delivery across the area with landowners and smaller builders. A lot is going on already, but the thing is that there could be very much more going on.

This is the fundamental point. It is a quote from Andrew Baddeley-Chappell, a former director of Nationwide building society, who is now the chief executive of NaCSBA, while still chairing the Bank of England residential property forum. He has said:

“Custom and Self-build can deliver more and better homes that more people aspire to live in and that communities are happier to see built.”

An exegesis of that would basically cover most of what I want to say.

If we want more homes, we have to build them in a way that people want. At the moment, the problem is that most local people feel they have no say or voice in what gets built, where it gets built, what it looks like, how it performs—its thermal performance and therefore what it costs to run—and, absolutely crucially, who gets the chance to live there. If we change all that, we change the conversation. As the right hon. Member for Leeds Central (Hilary Benn), the former shadow Secretary of State said, we need to turn NIMBYs into YIMBYs. Prince Charles put it even better when His Royal Highness referred to BIMBYs—beauty in my backyard. We need to create an environment in which people actually welcome housing. We have reached the tipping point now in that more people want it than do not, because people have begun to realise how serious the crisis is.

As the Minister would expect, I have a small number of specific asks. The first is that we should have more Government support for the taskforce. We have already had some. I persuaded my right hon. Friend the Member for Bromsgrove (Sajid Javid), when he was the Housing Secretary, to lend us a civil servant—a qualified planner and career civil servant. He would prefer me not to mention his name, but I will because we are so indebted to him. His name is Mario Wolf, and he directs the work of the taskforce. We are very grateful for the loan of Mario Wolf from the Ministry of Housing, Communities and Local Government. He has done an enormous amount with very little in the way of resources. I mentioned some of the work earlier.

It is of course true that if we had more Government support, we could do more. The Help to Buy programme, which I will come on to in a moment, has so far spent £10.6 billion, and plans to have spent £22 billion by 2021. In other words, 35,000 times more is spent on subsidising demand than on a scheme to subsidise supply, albeit indirectly by helping to facilitate and increase choice for consumers—except, of course, that the Government are not actually paying for it; Nationwide building society is paying for it. I hope to have a discussion about that with the Minister at some point, because we are of course implementing Government policy. If hon. Members read the housing White Paper, they can see that we are implementing Government policy. If they read the Homes England strategy, it is very clear that the strategy calls for diversification of housing.

The second thing I would like the Minister to consider is a review of the planning guidance on custom and self-build housing—the guidance that supports the revised national planning policy framework—because at the moment it is outdated. Three things need urgent attention. On land allocation, many councils do not even know if they are allowed to allocate land specifically for custom and self-build housing, even though they are, and councils such as Bristol City Council are already doing so.

We also need clarity about what counts. Some local authorities are gaming the system, and in some cases local authorities are not clear what counts towards their legal obligations to provide permissioned plots of land. Some councils are allowing the conversion of holiday lets into private dwellings under the happy delusion that that counts towards meeting their legal obligations under the right to build legislation, and some of them may be in for a rude awakening at some point.

There is also the issue of viability. For as long as one has viability assessments, the Government need to look carefully at how they should work in relation to custom and self-build; they will not necessarily be the same as for market housing. I would be grateful if the Minister engaged with the taskforce on updating the guidance generally, so that it is more fit for purpose.

My third request is about the Planning Inspectorate. It is absolutely imperative that Government planning inspectors properly apply the current provisions of the legislation when they determine planning appeals and when they examine local plans. There is clear evidence that that is not happening as it should—mostly because planning inspectors are unfamiliar with the law in this area, which is still quite new. The obvious answer is to have training for inspectors. The Secretary of State has agreed with me at the Dispatch Box that we should do that, although it has not happened yet. I urge the Minister to pursue that and engage with the taskforce in identifying exactly what training is required.

We need something to help raise consumer awareness. Most people would like to commission a project of their own at some point in their lives; 1 million people would like to do that in the next 12 months, yet only 12,000 to 15,000 do. The reason is that it is very difficult to get a serviced plot of land. If getting one were as easy as it is to go into a Ford dealership and buy a Ford Fiesta, far more people would do it.

We are spending a significant amount of public money on housing, but at the moment I am not convinced that we are not simply making the problem worse. Help to Buy will have spent £22 billion by 2021 on helping 360,000 households. If we divide one figure by the other, we get £61,111—that is per household. We should be spending that better. At the moment, we are propping up an oligopoly that performs well financially for itself, with some horrible results, while making itself unpopular with consumers who cannot afford its products.

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Matt Western (Warwick and Leamington) (Lab)

rose—

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Mr Bacon

I am sorry, but I will not give way—only because of the lack of time; I need to leave the Minister a couple of seconds.

What did Adam Smith say?

“People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.”

The aim of public expenditure on housing should be to lower barriers to entry and increase choice, so that people can have the houses they want. If we get this right, we can engender a revolution in this country in how housing is done. If we get it wrong, we will pay a high price at the ballot box: almost nobody between the ages of 20 and 40 can easily, at a price a normal person can afford, dream of having their own place, even though 86% of people in this country want to. We need to design and redesign a system that allows them, and everyone else, to achieve their aspirations.

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🕒 6.37 pm

The Minister for Housing (Kit Malthouse)

That was a remarkable example of a combination of encyclopaedic knowledge and conviction about what my hon. Friend rightly says should be not only the Government’s top domestic priority but the entire country’s primary moral mission: to build the homes that the next generation need and which are currently denied to them.

It is unusual for me to hear strains of my own speeches read back to me. I know that my hon. Friend has not been to listen to many of my speeches, but what he said resonates strongly with me: many of the themes he laid out in his preamble and diagnosis I am myself going around the country promoting—not least the dysfunctionality of the house building market. The one element that he omitted, but that I am sure he is aware of, is that the situation is not helped by the fact that in the crash of 2007-08, 50% of all small house builders were wiped out—removed from the market—having produced, as my hon. Friend said, more than half of all new homes. That proportion has now dropped to about a third, I think.

Both in coalition and since, the Government have done their best to try to push output up from a low of 124,000 in 2012 to 222,000 last year. The forward indicators for next year are looking pretty good as well.

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Anna McMorris

Why did the Government scrap the requirement for homes to be carbon neutral, when that would go a long way towards helping with living costs and budgets, as well as meeting climate targets?

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Kit Malthouse

I totally acknowledge the role that high environmental standards have to play in a sense of social justice about housing. I went to a factory run by Accord Housing, which produces 1,000 modular homes a year. So good are the environmental standards in those homes that they have lower arrears because people can afford to heat them. That is definitely something on which I want to focus.

I want to address some of the questions that my hon. Friend raised. He is right that we need to do something about the way in which the house building market functions at the moment, and my job is to wander around being disruptive, supporting new entrants and players to create the competitive landscape that he is looking for—competing on quality and type; being disruptive on technology and encouraging modern methods of construction, including off-site manufacture and new techniques, so that new entrants find it easier to overcome the barriers to entry that he mentioned; and being disruptive on finance.

My hon. Friend is a little negative about Help to Buy, but I ask him to take care. Many tens of thousands of young people have accessed homes for the first time when the market was denied to them before, because of a Government-backed effective bank of mum and dad. While there will be assessments of that scheme, there is no indication at the moment that it has pushed up prices.

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Mr Bacon

Of course people who are given cash will be grateful, but if there is a subsidy for demand rather than supply, we will not fundamentally solve the problem. Would it not be a good idea to wean people off Help to Buy and towards Help to Build, so that we subsidised supply? If we subsidise something we get more of it, and what we need more of is supply.

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Kit Malthouse

My hon. Friend is right. It is possible—although I know it is strange—for Government to do two things at the same time. Help to Buy affects a very small percentage of housing transactions—about 4%—and the indications are that it has not had a particular impact on prices. We continue to review the policy in the light of its success—some 160,000 people have now accessed homes who otherwise would not have done so.

In the last minute or so I want to return to my hon. Friend's questions. He asked five specific questions. First, will we look at a review for the taskforce? Given that we are going into a spending round, with what may be small amounts of money in the scale of the spending that I have available, I would be more than happy to do so. I am of course also more than happy to look at planning guidance review and particularly land allocation. In particular, we could perhaps think about communicating more widely to local authorities. I would be happy to help him by sponsoring some kind of event to promote the idea and to help local authorities to learn.

On viability, when I was on the Treasury Committee we did a housing inquiry in which I posed the question to Kate Barker and David Orr whether we should do away with the viability test as part of the planning system, and both of them thought that that was a good idea. In the meantime we have standardised the viability test to see where we get to.

On the Planning Inspectorate, my hon. Friend is right. We are trying to talk to staff about how they can be more consistent in their decision making and apply it more regularly across the country.

Finally I would be more than happy to join my hon. Friend in raising consumer awareness, and I congratulate him on what was a tour de force on his knowledge of housing policy.

Question put and agreed to.

Ⓛ 6.43 pm

House adjourned.

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