

# A Budget for housing? Localis responds to Budget 2017

Wednesday 22 November, 2017

## Press release

Immediate release, Wednesday 22 November 2017

Responding to today's Budget announcement, **Localis chief executive, Liam Booth-Smith** said:

### CPO powers and mass land buying

"Making cities like Oxford and Cambridge bigger is a great idea. To bring this policy forward, the Prime Minister should direct the Homes and Communities Agency to begin purchasing land where it can ensure a more productive use than existing owners.

"There is appetite operationally to do this – it just requires clear direction from the heart of government."

### Inquiry into developer land banking

"An inquiry into land banking is to be welcomed to the extent that it can effectively feed into greater transparency and shine a light into the near monopolistic behaviour among major developers that is not only stunting the amount of house building nationwide, but also restricting choice and quality of housing as a consumer product like any other."

### Guarantee loans to small builders

"Big builders are not incentivised to construct homes on a scale that has any chance of resolving the housing crisis, and we need new entrants in the housing market.

"However, the number of small builders has collapsed by three-quarters from 12,000 in the late 1980s to less than 3,000 today, a situation exacerbated since the 2008 financial crisis by a squeeze on commercial lending, forcing an increased reliance on mezzanine financing to unlock developments.

"While guaranteed loans are helpful, government has a bigger role to play in market making for the SME developer industry by bringing forward more land with simplified planning and allowing permitted development for a greater number of small sites, specifically on those considered brownfield land or infill."

### Local authorities flexibility to borrow for council houses

"The reality of the situation is that last year just 1,490 homes were started by local authorities. As these numbers suggest, the majority of local government is not set up for the large-scale construction of housing anymore.

"In context, an extra 100,000 more council homes built per year would mean the sector uprating its output by 5,435% – a staggering uplift.

"While these individual planning deals are a positive step forwards, if government wants a new generation of new council homes it has to empower, resource and direct local authorities accordingly.

"Practically, it would take a fundamental shift in the mind-set and financial model of local authorities, the granting of greater powers over the compulsory purchase of land and a comprehensive relaxation of Housing Revenue Account borrowing rules.

"As things stand there is little evidence to suggest there is the capacity, resource or expertise for them to build at a scale or pace that would meet demand."

### Skills fund for bricklayers and electricians

"In itself the skills fund is a worthy scheme for helping the construction industry rise to the challenge of meeting demand, but if the government is serious about meeting their housing targets, serious consideration must be given to new methods of construction and modular, off-site homebuilding on an

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industrial scale.

“Perhaps taking an interventionist lead from how Lord Beaverbrook transformed the manufacture of aircraft during World War Two, the government should itself disrupt the housing industry by funding and building factories capable producing modular housing to deliver off-site homebuilding at great volume. Furthermore, these factories should be sited in parts of the country so as to align with the national industrial strategy.”

## **Removing stamp duty for first time buyers**

“The decision to exempt first-time buyers from Stamp Duty charges is to be welcomed in that the liabilities arising from this levy can often, alongside estate agent fees, present a serious barrier to home-ownership.

“The main barrier to home-ownership remains a chronic inability of young people to save anything or enough from their monthly pay packet to save towards a deposit.

“Research from Localis finds that fifty-eight percent of people who do not already own their home outright or with a mortgage are saving nothing at all each month for a deposit to buy a home in the future. Just twenty-three percent are saving anything towards a deposit.

“If government makes the choice that the home-owning democracy is something worth preserving—as it has and should—then it has to take a more muscular interest in deposit saving

Otherwise, the great intergenerational divide of our time will only become deeper entrenched: where only the very old and very rich can afford to be very wealthy.”

## **New roads and infrastructure to unlock land for housing**

“Uncertainty in the planning and development process is a consistent enemy of housebuilding, and the promise of extra funding, through the Housing Infrastructure Fund, for new roads and infrastructure to large strategic sites can only help deliver greater certainty at all stages of the planning process.

“Since the Housing Infrastructure Fund is so heavily over-subscribed, it is to be hoped that in next year’s Budget the capital grant fund expands to meet the number of bids that can viably prove funding would unlock the delivery of new homes.”

## **ENDS**

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### **Notes to editors**

- **1. On 16 October 2017 Localis issued its report ‘Disrupting the Housing Market: a policy programme to save the home-owning democracy’:**  
<http://www.localis.org.uk/research/disrupting-housing-market/>

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