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Dr John,

Thank you for the very productive roundtable we had and the CPF responses on housing supply and home ownership that have been shared with me. It was great to go over the issues raised in person, and the ideas that came up were a very welcome contribution to the debate on housing ahead of the housing white paper I will be publishing this week. As you and all those who have contributed to the CPF work will see, some of the ideas therein will have come about as a direct result of the efforts that you and the CPF have made. I am very grateful to you and others for all your hard work

As well as saying thank you I wanted to take the opportunity to respond and reflect on some of the key issues that we talked about and that have been raised by CPF groups, providing some further detail on the action that we are taking.

Support for Home Ownership

As you say in your paper as Conservatives we have a long, proud history of being the party of home ownership. To us the broken housing market we currently have, where many aspiring first time buyers are being priced out, is completely unacceptable and must be put right. In the last Parliament my predecessors took the vital first steps in that journey, getting the housing market back on its feet, and delivering much-needed support for those who are working hard but struggling to save up enough for a deposit on a home.

The evidence shows that these have been delivering. More homes are being built than at any point since the crash, and our Help to Buy Equity loan scheme has helped over 81,000 households buy a new home in its first three years. Of those 80% went to first time buyers and four out of ten of the homes sold under the scheme were bought by

households with annual incomes of £40,000 or less. This not only enabled people to buy their own home, but also got housebuilding going again. An independent evaluation undertaken by IPSOS Mori and the LSE, found that 43% of homes bought under Help to Buy: Equity Loan were additional homes that would not otherwise have been built. This is equivalent to contributing 14% to total new build output since its introduction.¹

But while much progress has been made, as the CPF responses and our discussion reflected there is still a lot to be done if we are to get enough homes built in this country. We are making sure there is money available; doubling the housing budget to £20bn, with £8bn of investment to deliver 400,000 affordable housing starts by 2020/21. However alongside that investment further reform will be needed if we are to deal with the root cause of the undersupply of housing we face.

A prerequisite for homes being built is of course having land available that can be built on and CPF groups raised some very interesting ideas about what more can be done. This is a key area of reform and it was helpful to read and hear CPF ideas about how we can get more brownfield land, and land currently being sat on by government departments, supermarkets, and other private companies available. This is an area we have been actively looking at, and as I announced at Party Conference we are bringing forward more funding to bring new life to neglected brownfield sites in our towns and cities, and to get homes built on public sector land faster with Accelerated Construction. But we need to go further so original thinking is a real asset.

The CPF also had lots of helpful ideas concerning the need, once land is made available, to ensure that planning permissions are applied for, decided, and then built out where approved. This covered different ways of changing the incentives to make this happen, and these ideas will be a part of discussions in my department as we closely examine what can be done in this area.

Support for rent

Helping those who have worked hard and dream of being able to own their own home is of huge importance to us as Conservatives, but I also share the view put forward in the responses to the CPF discussion paper that we need to be doing all we can to support all those who rent too. Rising rents are a major worry for many families up and down the country, taking up a large proportion of the incomes they've worked hard for. And for those who are trying to save up for a deposit for their first home it's another hurdle in their way.

Part of the long-term solution will again be getting more homes built, boosted by getting greater investment in rental properties. Already we have been boosting the supply of

¹ A copy of the report can be found online at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/499701/Evaluation_of_Help_to_Buy_Equity_Loan_FINAL.pdf

rental properties, with our £3.5 billion Private Rented Sector Housing Guarantee scheme. This is designed specifically to attract institutional investment into new homes purpose built for private rent. The 2016 Budget extended the scheme from December 2016 to December 2017. In addition, our Build to Rent Fund is building thousands of new rented homes and demonstrating the viability of this emergent sector.

However there are other things we also need to do to make renting more affordable and protect tenants from rogue landlords and excessive fees. We established the Private Rented Sector Affordability and Security working group to explore options to reduce costs for people who access and move within the sector. The working group includes experts from across the private-rent and housing sectors including Shelter, Crisis and Generation Rent together with landlord and letting agent representative organisations.

Already we have been taking action on this front, announcing in the Autumn Statement that we would consult on banning letting fees, which have been spiralling, becoming a major expense for people moving into a new tenancy. Fees should be paid by landlords, who can shop around for the best deal when they appoint their agent, not tenants.

Reforms to taxation to support affordability and make more homes available to live in

CPF responses also raised the issue of Stamp Duty so I thought it would be helpful to go over what we have done in this area. As you'll be aware in the 2014 Autumn Statement the Government announced a radical reform of Stamp Duty Land Tax on residential properties, cutting the tax for 98% of homebuyers who pay it. This reform improves the fairness and efficiency of the tax system as each new SDLT rate is only payable on the portion of the property value which falls within each band, rather than tax being due at one rate on the entire property value. The amount of SDLT due has been cut, or stayed the same, for all properties purchased for under £937,500, reducing the upfront cost of purchasing a home.

We also believe that, particularly when housing supply is limited, residential properties should be homes first and not used for financial speculation. That's why we took action in the last Parliament by introducing the Annual Tax on Enveloped Dwellings (ATED) to discourage residential property being held through companies as investment vehicles. We are also making sure that non-residents investing in UK residential property pay their fair share of tax. Since April 2015, non-residents disposing of UK residential property are subject to capital gains tax and from 1 April 2016 a 3% additional higher rate of Stamp Duty Land Tax (SDLT) have been charged on purchases of additional residential properties, such as second homes and buy-to-let properties. These rates also apply to non-residents purchasing additional property in the UK.

Right to Buy

Another important point that was raised in the group responses and discussed at our roundtable related to the replacement of homes sold under Right to Buy. Since 2010 we have reinvigorated the Right to Buy scheme, and under this councils are able to keep the receipts from additional properties sold and use this to fund new affordable housing. Under the extension of the scheme to housing associations they have also committed to provide an additional home for each property sold under on a one for-one basis. We believe this policy will not only extend the opportunity of homeownership to 1.3 million housing association tenants, but also boost housing supply in return.

Boosting industry capacity and supporting innovation

In our discussion we also picked up vital issues that the CPF highlighted around the skills and capacity in the construction industry, and it was helpful to have some new on-the-ground perspectives of the impact these pressures are having. Addressing this will be essential in delivering our ambitions to increase house building and improving the UK's economic and social Infrastructure. We need to ensure the industry has the skilled workers it needs to get the job done.

Ultimately it is for the sector to lead in resolving its long-standing manpower and skills shortages, but we are making sure they have the tools they need to do. Employers, including small businesses, are being placed in the lead in developing new apprenticeship standards. Specific grants and allowances are available for smaller businesses and for younger apprentices and the Government has already announced that similar allowances will be made for those groups as we move forward with the new Apprenticeship levy. We are also reforming the Construction Industry Training Board which manages the existing skills funding arrangements to make sure this works as well as possible.

Another part of the answer is, as we discussed, supporting innovative new approaches to getting new homes built. We are encouraging this through our housing and planning programmes including our Affordable Homes 2016-21, Build to Rent and Housing Zones programmes, and through our National Planning Practice Guidance. We have also been supporting industry to set up a coordination body to promote the benefits of offsite construction in housing with a view to scaling up capacity and capability.

We are also providing funding to support offsite developments. In February 2015, the Department for Business, Innovation and Skills awarded a £22.1 million grant to a consortium led by global engineering and construction company Laing O'Rourke, as part of its Advanced Manufacturing Supply Chain Initiative. It's estimated that this grant will create over 600 new, direct jobs and as many as 1,000 across the diverse supply chain. The Government wants to increase output from small builders and the number of small builders. We recognise that small builders can play a key role in

increasing supply: they currently produce nearly 20,000 homes each year and could do more. Small builders can help diversify the larger builder market; and provide market opportunities. We also recently opened up our £3 billion Home Building Fund, which included £1 billion to support small development and custom build.

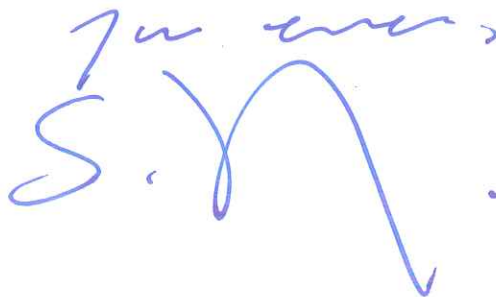
There is more work to be done here though. It's helpful to have the ideas of CPF members on this, as right now I have my officials looking closely, alongside the other relevant Government departments, at what else we can be doing to get the new entrants, and skills this market needs.

Planning and protections for the Green Belt

Lastly I also wanted to bring up the issues brought up in your discussion group paper relating to the Green Belt. This is an issue that many understandably feel strongly about so I was unsurprised to see many of your groups had raised it, and interested in the mixture of the views expressed. National planning policy and guidance makes clear that most forms of development in the Green Belt are inappropriate and should be approved only in very special circumstances. Green Belt boundaries can be altered only in exceptional circumstances, after the local authority had consulted local people and submitted the revised Local Plan for examination and proven that it is thought through and locally driven. That's exactly what happened in Birmingham recently.

These are difficult decisions to make. But then we face a huge challenge in dealing with the problems in the housing market. The contributions of the CPF are an invaluable addition to that debate so I would like to thank you again for the time and ideas you have given. The dedicated work of the CPF and its members is a real asset to us in Government that is greatly appreciated.

I hope you have found this note detailing some of the work we are currently doing useful. Clearly there is further to go, and no single idea that will solve the many complex challenges we face in this area. As we publish the housing white paper this week setting out the next steps we will be taking, you will see that CPF ideas feature and are helping us tackle various issues within the housing sector. I look forward to the future contributions the CPF will make as we continue to demonstrate that it is the Conservative Party that is coming up with the answers to the challenges working people in Britain face.



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