

STILL NO HOMES FOR NURSES

HOW NHS LAND IS BEING SOLD OFF
TO BUILD UNAFFORDABLE HOMES

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INTRODUCTION

We are in the grips of a housing crisis. By selling off public land to the highest bidder, the Government is making it worse. If surplus public land were instead put to public and community use, we could build the homes we need – instead, just one in five homes being built on public land is affordable.

In January last year, we published *No Homes for Nurses*¹, which examined the NHS public land sale. We looked at sites sold between 2015-2017 under the Government's public land sale programme. Our analysis found four out of five homes built on these sites - including hospitals, community health centres, and other health service infrastructure - would be unaffordable to a nurse on an average salary. Only one in 10 of the homes built on sold-off NHS land would be for genuinely affordable social rent.

This year, we have taken a fresh look at 23 sites the NHS declared 'surplus' in England in 2017-18, and can reveal once again that the sale of NHS land is fundamentally failing to produce the affordable homes we need, and is in fact exacerbating the deep affordability crisis across the UK. In many ways things have got worse. There are **1.2 million** English households on the waiting list for social housing, but the majority of homes built on NHS land will be out of reach to those who most need them.

By failing to use the land to meet the vast and growing unmet need for decent, affordable homes, the Government is dramatically failing in its mission to "fix our broken housing market".² Public land could be key to solving the housing crisis, but instead is being used for more unaffordable homes, and generating record profits and bonuses for the big developers.

Policy context

The NHS is selling off land as part of the Government's Public Land for Housing Programme, which is overseen by the Ministry of Housing Communities and Local Government (MHCLG). This programme has the dual aim of releasing enough land for 160,000 homes by 2020³, and raising £5 billion in capital receipts. But the government is currently expected to fall almost 100,000 homes short of this target by 2020. On top of that, there is scant regard for the types of homes. So not only is the government failing to build homes, it's failing to build the homes we need. Despite requests from a Committee of Public Accounts recommendation, MHCLG do not collect or publish data on the number of affordable homes built, and the number of homes made available to key workers⁴. Further, MHCLG has not published an annual report on the land for new

homes programme since February 2017. When NEF requested this information using a Freedom of Information Request, the information was denied. Our research begins to fill this information gap, and demonstrates that the Government is missing the mark on public land.

KEY FINDINGS

Of the NHS sites declared 'surplus' in England in 2017-18, 23 have the capacity for over 80 homes. Our research found that, on those sites:

- Only **5%** of the homes built on sold-off NHS land will be for genuinely affordable social rent.
- 30% of the sites have plans for **no affordable housing at all**, and 61% have plans that include no socially rented housing - widely understood as the only housing that is genuinely affordable to people on low incomes. Shelter's recent commission argued for 3.1 million more social homes.⁵
- Of the planned homes to be built for sale on NHS land, **two thirds** will be unaffordable to a nurse on an average salary. And where they could afford the mortgage repayments, a nurse would have to save for an average of **35 years** to afford the deposit.
- The average expected sale price for these new homes, based on area estimates, is £306,434. This is **9.6 times** the average annual salary of a nurse.

In more detail

We looked in detail at the planning documents for the 23 NHS sites declared surplus in 2017-18 that are likely to have more than 80 houses built on them, to get an in depth picture of the NHS land sale.

83% of the homes being built on NHS land will be for market sale. The remaining 17% of proposed houses are classified as 'affordable' but less than a third of these are for genuinely affordable social rent, with many of the rest at 80% of market rent, or for shared ownership.

Of the homes for sale, 67% would be unaffordable to a nurse on an average salary. Where they could afford the mortgage repayments, a nurse would have to save for an average of **35 years** to afford the deposit.⁶

FAILING TO BUILD AFFORDABLE HOUSING ACROSS THE COUNTRY

Public land – which is owned by **all of us** – is being sold to developers, many of whom made record profits last year. But despite council targets for affordable housing, in some cases developers are avoiding affordable housing requirements **altogether**.

The site of a former Royal Infirmary hospital in Stoke-on-Trent has been given planning permission for a development that has no affordable housing, with the developer instead promising to build some on-site ‘play equipment’ and also give some money to the council for affordable housing elsewhere – an amount which adds up to less than 1% of the price they paid for the land. It would take the average nurse 64 years to save for a deposit for a home on this site.

Developers are also using **loopholes in the planning system** to avoid building affordable housing on the site of former hospitals and other NHS facilities, even when their planning permission requires it. On the site of Derbyshire Royal Infirmary, the Cedar Group, owned by a Birmingham-based property developer estimated to have a personal wealth of more than £50million⁷, has submitted plans to build 786 new homes, with not a single social or affordable home among them. The company set up to buy the site paid the NHS £7 million for the plot, but submitted a viability assessment stating that they couldn’t afford to build any social or affordable housing, only almost 800 expensive market homes. Derby has a waiting list for social housing of 6,686 households⁸, and this key development won’t help any of those people and families.

In Huddersfield, on the former site of St Luke’s hospital, the developer initially received planning permission to build 226 homes, with just 5% affordable housing. However, they are now seeking amendments to their application, and using the viability loophole to claim that even this tiny proportion of affordable housing is not viable, instead seeking to reduce their affordable housing contribution to zero.

FAILING TO BUILD AFFORDABLE HOUSING IN LONDON

The NHS has a staffing crisis, and is failing to recruit and retain staff, which is often related to the price of housing. This problem is acute in London. A 2016 survey⁹ by the Royal College of Nursing found that 40% of nurses in London plan to leave the capital within 5 years, because of the cost of housing. The average RCN member spent 50% of their take home pay on housing and transport.

Despite this, when we looked at the two large NHS sites in London with planning permission for development in 2017/18 we found that none of the homes being built for sale would be at a price which would be affordable to nurses.

In Waltham Forest, it would take an average nurse over a century to afford the deposit for a market-rate home at the site of Thorpe Coombe Hospital, which is being redeveloped into 91 homes. The London Plan requires 50% affordable housing on public land, and the council also has a borough-wide target of 50% affordable housing on new build developments, however the scheme has been approved with **no affordable housing**.

RAMPING UP THE SELL OFF OF PUBLIC LAND

The sell off of NHS land is intensifying. The amount of land listed as surplus by the NHS is growing apace. A total of 718 sites listed this year represents a 72% rise on the 418 plots the NHS deemed as surplus to requirements two years ago.¹⁰

And the NHS is not alone, local authorities are recently revealed to have sold 12,000 assets since 2014.¹¹ This is unsurprising given the Government target to build 160,000 homes and raise £3 billion through selling public land by 2020. Central departments and local government alike are selling off the family silver, encouraged equally by a looming target and continued cuts to government funding for services.

But once this land is sold, it's gone. What the NHS gains in a one-off capital receipt is a lost opportunity to build the affordable homes the UK desperately need. The short-sighted economics that sit behind the land sale will have consequences in years to come. While the sale of an asset might plug a hole in an NHS budget this year, next year that hole will still be there, and the public sector will have lost valuable resources, and an opportunity to start solving the housing crisis.

THE ALTERNATIVE

The UK is facing a worsening crisis – finding a decent, affordable place to live is becoming harder and harder for people and families across the country. By selling off public land to the highest bidder, and so delivering more unaffordable homes, the Government is missing a key opportunity to start solving the housing crisis. And this opportunity gets smaller with every sale.

The UK has a severe housing shortage, but with 1.2 million households on the waiting list for social housing, that is primarily an affordable housing deficit. When public land is sold to the highest bidder, the high price of land means that it is not viable to build genuinely affordable housing, and developers will deliver expensive market sale homes only.¹² The government has plans to sell enough land to build hundreds of thousands of homes this parliament, but very few of these will be affordable because Treasury rules dictate public land must almost always be sold to the highest bidder, and not at a reduced price for community benefit.

The current system transfers public land into private hands, with little public benefit. As we have seen loopholes enable developers to evade affordable house building. The current land sale, and the loopholes which developers exploit are a costly mistake. With around £24 billion spent last year on housing benefit, not building genuinely affordable homes on surplus public land, and so reducing the benefit bill, increasingly makes little economic sense. The one-off cash injection gained by selling land to the highest bidder is small compensation for the lost opportunity of more affordable housing, and a reduction in the housing benefit bill.

It is clear that repurposing the public land sale provides a key opportunity to create a massive increase the supply of affordable housing. The Government should establish a People's Land Bank¹³, and use surplus public sites to start building the millions of genuinely affordable homes we need. The People's Land Bank would be a ring-fenced, national stock of publicly owned land exclusively earmarked for the development of genuinely affordable housing built in direct partnership with communities and in direct response to community need. The stock of surplus public land could be complemented with selectively acquired land on the private market, which would allow the government to build the millions of genuinely affordable homes we need, in the places we need them. Local authorities should be enabled to purchase this land at a fairer price, existing use value, as opposed to inflated 'hope value' which the current system requires.

As part of the People's Land Bank, we recommend introducing an 'NHS Land

community-lock' where any land asset sold by the NHS through choice, necessity or obligation can only be used for community benefit. Affordable housing for NHS staff and the wider community must be considered first and foremost, meaning that the community served by the NHS Trust will benefit from the sale of an asset and those working for the NHS Trust will be able to purchase or rent homes on the land.

Public land is an asset owned by all of us, and should be used for greater good, not in the pursuit of short-termist one-off capital receipts, which are being used to fund austerity. The housing crisis is the biggest domestic policy challenge in decades, and the Government should start seeing surplus public land as a key tool for solving that challenge, not as a sticking plaster for austerity. Public land is valuable, finite resource, and not an asset to be sold to developers who will fail to build genuinely affordable homes, and make record profits off the back of it.

The government should:

- End the fire sale of NHS and all public land, and use surplus public land to form the basis for a People's Land Bank, to be used strategically in partnership with communities to meet their needs for affordable housing. The Government should lead the way with the NHS by creating an 'NHS Land community-lock' where any land asset sold by the NHS through choice, necessity or obligation can only be used for community benefit.
- Enable local authorities to buy land at a fair price (existing use value) to supplement surplus public land for affordable house building.
- Close the viability loophole which enables developers to evade affordable housebuilding, and use the planning system to deliver more affordable housing.
- Following Scotland, establish an English Land Commission to identify policies needed for a more equitable distribution of land, and land values, and a fairer land system.
- Implement taxation mechanisms to redistribute unfair gains which accrue to landowners through public investment and land value increases.¹⁴

METHODOLOGY

NEF searched council planning portals for the planning documents for all surplus NHS sites with plans for more than 80 dwellings listed as surplus by the NHS in 2017-18.¹⁵ This resulted in 23 sites. Using the number of market dwellings, and number and breakdown of affordable housing proposed for each development, we calculated the total affordable and social rent dwellings planned as a proportion of all the dwellings proposed.

Market dwelling price estimates were based on the average price of all new builds from 2017 to present using Land Registry Price Paid data for the first half of the postcode of each development.¹⁶⁻¹⁷

Our calculation of market dwelling affordability was based on a single full time nurse salary in 2018,¹⁸ using the most common tax code (1185L). The mortgage costs are calculated assuming a 80% loan-to-value (LTV) mortgage over 25 years with an annual interest rate of 3.34%.¹⁹ We calculate the number of years it would take to save for a 20% deposit based on an average saving rate of 5% of monthly income after housing costs,²⁰ assuming an average of 33% of income spent on rent.²¹ We set the level of affordability at 35% of monthly take home pay, following Shelter guidance.²²

ENDNOTES

1. <https://neweconomics.org/2018/01/no-homes-for-nurses>
2. <https://www.gov.uk/government/publications/fixing-our-broken-housing-market>
3. <https://www.nao.org.uk/wp-content/uploads/2019/05/Investigation-into-the-governments-land-disposal-strategy-and-programmes.pdf>
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6. See methodology for details.
7. <https://www.derbytelegraph.co.uk/news/business/dri-site-derby-sold-1851594>
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15. <https://digital.nhs.uk/data-and-information/publications/statistical/nhs-surplus-land/2017-18-england>
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