



THE LGA HOUSING COMMISSION FINAL REPORT

# **BUILDING OUR HOMES, COMMUNITIES AND FUTURE**

# FOREWORD

**Local government shares the collective national ambition to build one million new homes, which will only be achieved with strong national and local leadership. Latest house building figures are encouraging, but there is a long way to go.**

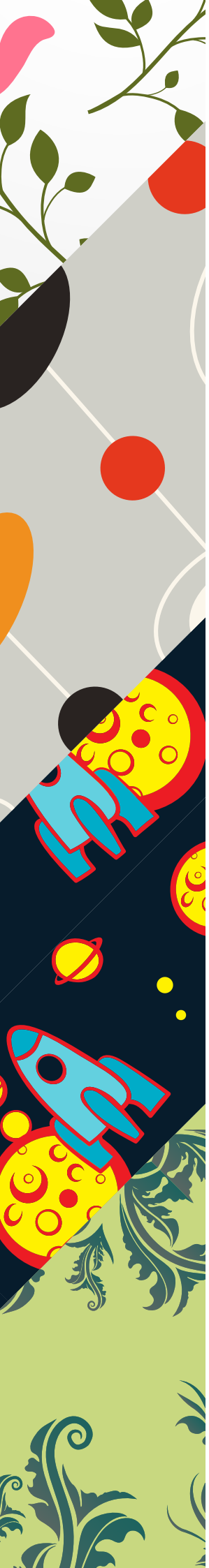
The housing challenges and their solutions are complex, interconnected and vary around the country. The housing crisis is forcing difficult choices on families, distorting places, and hampering growth; average house prices are now eight times average earnings, renters pay on average one third of their income on rent. With increased housing supply taking many years to improve affordability, the need for more affordable housing is immediate.

As builders of homes, as planning authorities and place shapers, as agencies of growth, transport and infrastructure, as guardians for the most vulnerable and homeless, and as locally democratic organisations responsible to communities – councils must be at the heart of strategies to resolve our housing crisis.

Councils understand that investment in housing has significant wider benefits. The right homes in the right areas enable people to live healthy and happy lives, driving growth for all and preventing public service challenges and costs. This means building homes that are affordable, that meet the diverse aspirations of communities and our ageing population, and that are well supported by the services and infrastructure.

The Local Government Association (LGA) Housing Commission was established to help councils deliver their ambition for places. It has been supported by a panel of advisers and has engaged with over 100 partners; hearing from councils, developers, charities, health partners, and many others. All partners agree that there is no silver bullet, and all emphasise the pivotal role of councils in helping provide strong leadership, collaborative working, and longer-term certainty for places and the people that live there.





At the LGA Annual Conference in July we published the preliminary findings from the commission. Since then we have sought to take forward solutions, we have been impressed and proud of the work underway in the sector, and encouraged by the initial response from the Government. The Autumn Statement's confirmation of additional investment and flexibility for councils to help build affordable homes, and to invest in infrastructure linked to housing growth both reflect central asks from the preliminary findings.

This final report sets out further detail, and sets out some of our key asks in advance of the Housing White Paper. But it is not the end of our work. The LGA will continue to develop these ideas with the sector, building up the case for policy change where it is needed, and capturing and sharing innovations that will help councils in their efforts to meet housing need. Nor is it the limit of our work, as we step up our efforts to support councils to reduce homelessness.

We want to know what you think about the opportunities and issues ahead, what your experiences are locally, how the LGA can further help councils and how we, as local government, can establish our role in building our homes, communities and future.

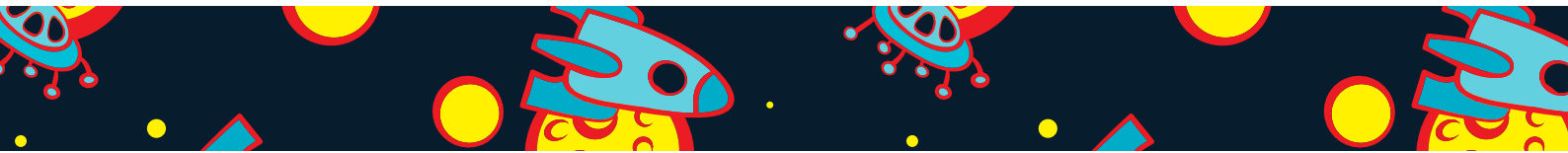
**Cllr Martin Tett (Chair)**

**Cllr Judith Blake**

**Cllr Julian German**

**Cllr Keith House**

LGA Environment, Economy, Housing and Transport Board



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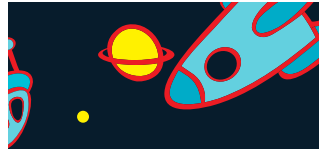
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# EXECUTIVE SUMMARY

Local government shares the collective ambition to build more homes, and its focus is beyond bricks and mortar. The right homes in the right areas can have significant wider benefits for people and communities, and prevent future public service challenges and costs.

House prices and rents continue to rise above incomes in ways that force difficult decisions on families, distort places, and hamper growth. It will take many years of significant housebuilding to begin reducing prices, meaning the need to build many more affordable homes is as important as ever.

The Autumn Statement introduced a number of welcome measures supporting housebuilding across tenures, investing in affordable homes and infrastructure linked to housing growth. These were important asks in our preliminary findings, but there is much more to do.

In advance of the Housing White Paper, this final commission report sets out recommendations for how local and national government can work together to build more homes, and to build homes that meet the diverse needs of people, partners and places.

## BUILDING MORE HOMES

**It is recommended that local and national government work together to:**

1. Free councils from restrictions on their borrowing to build homes and establish a stable long-term financial framework enabling councils to invest, such as removing Housing Revenue Account (HRA) borrowing from contributing to public debt.
2. Enable councils to rapidly replace homes sold through Right to Buy, including to count the full value of their own land as part of the cost of building, and to recycle a greater proportion of receipts into building new homes, and to combine a mix of receipt and grants.
3. Refocus the implementation of the Housing and Planning Act on rapidly building the mix of different housing tenures that meet the needs and are affordable to local communities.
4. Develop routes for councils to directly deliver new homes of all tenures through innovative delivery vehicles, including joint delivery vehicles across areas.
5. Provide strong long-term certainty, backing, additional capacity support, powers and good practice support for councils looking to increase their level of direct delivery of new homes.
6. Develop council and wider public agencies' capacity to release land, and take a lead on development in sites where building can be brought forward quickly.
7. Use surplus public land strategically and provide additional powers to speed up land assembly, for instance to resolve rights of way and third party rights issues more rapidly.
8. Issue guidance to public bodies on how to consider land release in terms of wider public value, rather than achieving the highest immediate receipt.
9. Introduce measures that increase the transparency of land ownership and the 'options' on land.

10. Work with developers to deliver a strategy for supporting the diversification of private housebuilding industry, including small and medium sized builders, and the types and tenures of new homes being built.
11. Take opportunities to attract institutional investment into purpose-built private sector rented development.
12. Give councils the tools to help manage down the escalation of land values by incentivising developers to build out sites more quickly, for instance making it easier to compulsorily purchase land that is not being built out where permission expires.
13. Equip councils with the tools to engage and hold utilities and power companies to account where development is held up.
19. Increase the contribution of Community Infrastructure Levy (CIL) for instance by making it simpler for councils to establish and enabling them to borrow against future receipts.
20. Establish a clear, robust and transparent viability procedure to help manage down the escalation of land values and ensure the delivery of affordable housing and infrastructure communities need to back development.
21. Amend the New Towns Act to give councils the flexibilities to establish and run delivery agencies with tools to boost housing through garden villages and towns.

## CREATING PROSPEROUS PLACES WHERE PEOPLE WANT TO LIVE

**It is recommended that local and national government work together to:**

14. Create stability and certainty in the planning system and restore planning powers to councils able to build homes that deliver wider ambitions for places.
15. Resource an efficient, positive and proactive role of planning services to deliver homes by allowing councils to set planning fees locally.
16. Attract the next generation of place-makers by seeking to replicate the success of programmes such as TeachFirst and Frontline.
17. Take opportunities for joining up and devolving infrastructure and growth funding linked to local objectives to deliver homes.
18. Explore routes for capturing greater proportions of land value uplifts resulting from planning permission in order to finance infrastructure for homes.
22. Develop a renewed national and local focus to create homes and neighbourhoods integrated with health and care services to support positive ageing.
23. Encourage health and wellbeing boards to work across local areas in bringing together planning, health and social care partners to develop a collective strategic ambition for delivering housing that can enable healthy ageing alongside health and care services.
24. Support local health, care and housing sector partners to start an early collective conversation with people about both their current and future housing aspirations and needs as they age.
25. Ensure sufficiently funded systems are in place to enable older people to modify their homes to support prevention and positive ageing in ways that generate savings to health and care services.
26. Plan and deliver housing as part of emerging integrated health and social care services, with activities and facilities



designed to support older people to age well in their homes and communities for longer.

27. Take opportunities to invest in building the mix of new homes that different groups of older people want and need and, through the planning system and in their use of land, also enable the private sector to increase its contribution.
28. Provide stable funding and policy support to increase the supply of **1)** specialised housing for more vulnerable older people and **2)** healthy lifetime homes providing attractive options that stimulate proactive moves among 'younger old people' in advance of a health crisis.
29. Age Friendly neighbourhood principles should be built into planning policies, integrating All Age Friendly housing as part of healthy, inclusive mixed tenure housing developments.

## INCREASING THE EMPLOYMENT AND EARNINGS OF HOUSEHOLDS IN NEED OF AFFORDABLE RENTED HOUSING

**It is recommended that local and national government work together to:**

30. Increase the number and range of social and affordable rented housing options for lower income families, and work together with the aim of guaranteeing employment and careers support for affordable housing tenants so they can find, sustain and progress in employment.
31. Engage employment providers and other social landlords to improve the understanding of successful approaches to provide employment support and explore how they can be scaled up and embedded within a more localised and integrated welfare-to-work system.
32. Mobilise partners around a shared ambition to design an integrated local

support pathway for workless tenants.

33. Pilot ways to financially reward those housing providers who are successful in supporting tenants into work and increasing their earnings.
34. Consider setting minimum and costed support services for disadvantaged tenants with the aim of reducing workless tenants and the numbers of children living in poverty.
35. Develop a localised employment and skills infrastructure with Jobcentre Plus embedding its services with local partners, including housing providers.
36. Promote the role of housing providers in delivering nationally commissioned programmes, such as the Work and Health Programme, and improve how DWP contractors engage with, and finance, housing providers.
37. Enable the efficient sharing of information and data with housing, health and employment providers including local services and nationally funded providers.

## WHAT NEXT?

The LGA has been taking forward discussions and thinking around some of the key recommendations with the sector, partners and the Government, alongside funding a series of projects looking to investigate, understand and capture innovations to share learning across the country.

This work is underway now, and will begin to be published throughout 2017.



# HOUSING SUPPLY AND AFFORDABILITY

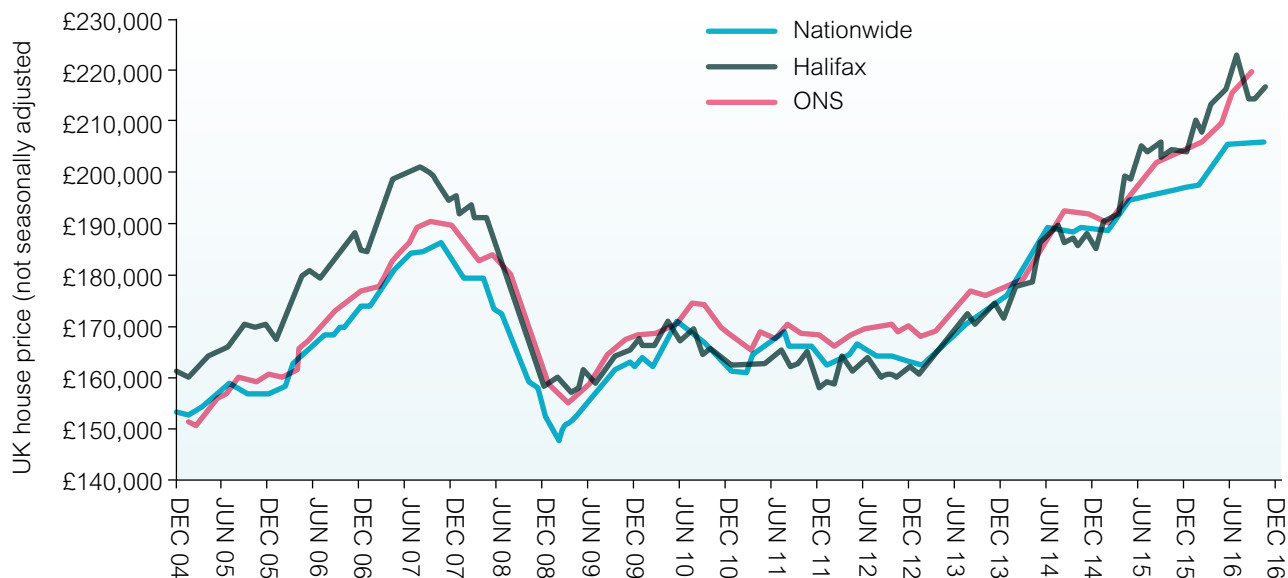
There is a crisis because housing is unavailable, unaffordable, and is not appropriate for everyone that needs it. While there are a number of explanations for this, the reality is that the housing market is a complex and interconnected system, both within and with other parts of our economy and society.

Building substantially many more homes than we are currently managing is this best solution to the housing crisis, and building them in appropriate locations and across a range of tenures while ensuring they are affordable, of sufficient quality and the right type. This is the primary focus of the commission, which does not investigate other factors that might contribute to high house prices, such as credit supply, taxation, and investment incentives.

This section presents the context of housing supply and affordability provided by Savills.

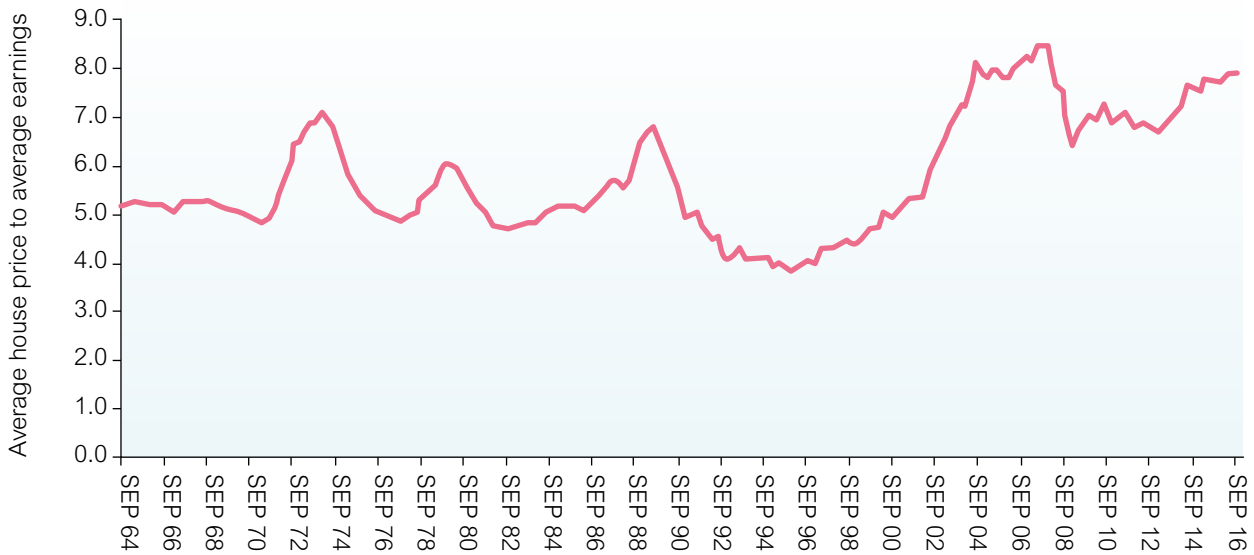
## HOUSING PRICES AND TRANSACTIONS

Average UK house prices passed their pre-recession peak in 2014 and are now 11 per cent above their previous record according to the Nationwide House Price Index. Average house prices are now at 7.9 times average earnings, slightly below their record level of 8.4 times average earnings in June 2007. House prices have continued to rise in 2016 although Savills are forecasting zero house price growth during 2017.



**Figure 1 UK nominal house prices**

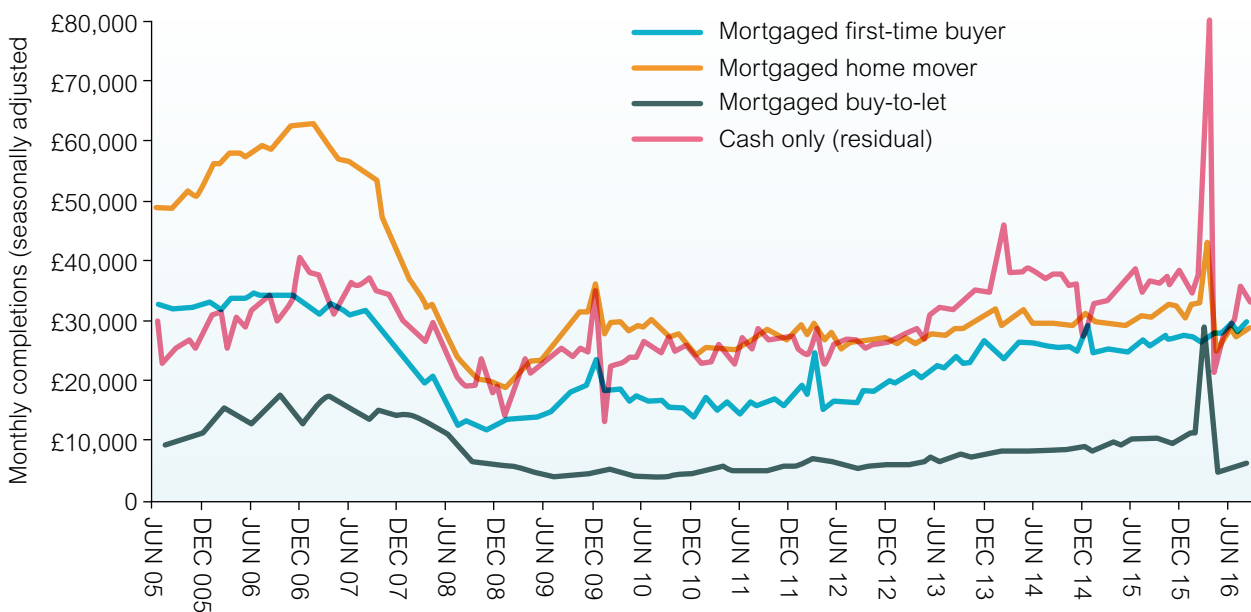
Source: Nationwide, Halifax, ONS



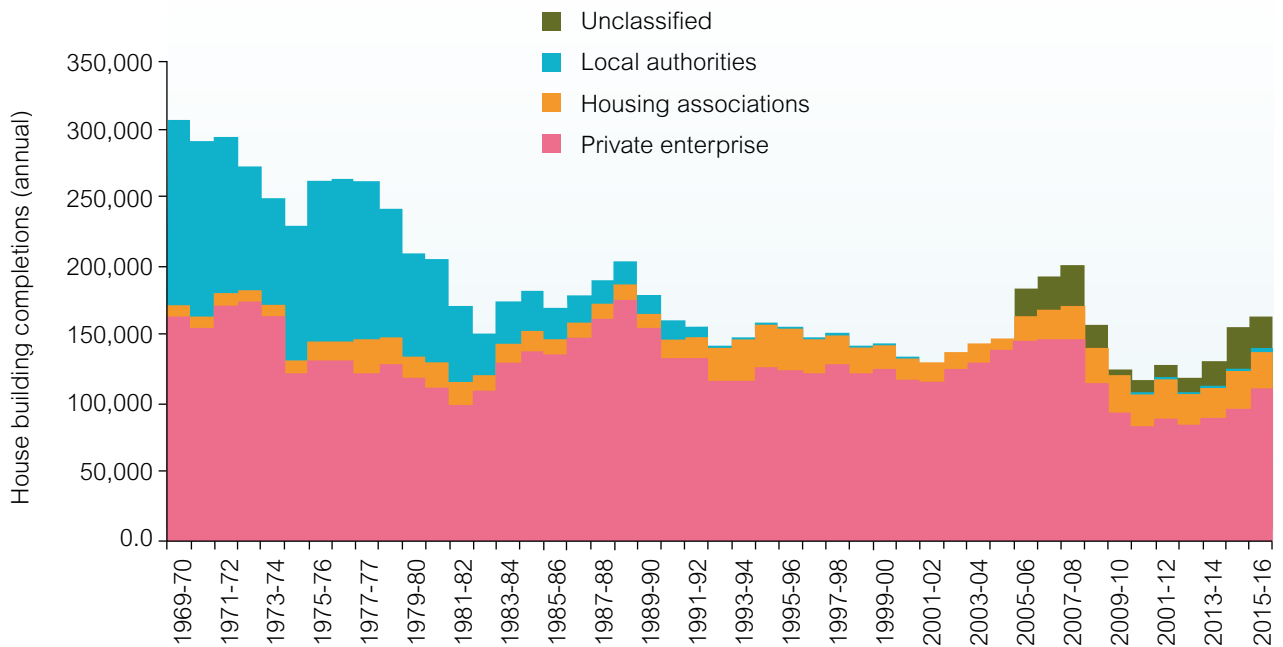
**Figure 2 UK house price to earnings ratio**  
Source: Nationwide, ONS

Housing market transactions have been less stable than prices since the recession, particularly due to different government interventions. There were two short spikes due to stamp duty holidays but the most apparent effect is the introduction of a 3 per cent stamp duty surcharge on second homes and buy-to-let purchases in April 2016. Housing market

activity spiked in March as people rushed to beat the deadline. Activity since March has been much lower than prior to the stamp duty change for all groups except first time buyers. Looking ahead, Savills expect total transactions to fall over the next two years before gradually recovering to current levels in 2021.



**Figure 3 Housing market transaction completions by buyer type**  
Source: HMRC, CML



**Figure 4 House building by type of organisation**  
Source: DCLG table 209, 120

## HOUSEBUILDING

Housebuilding is now a government priority with a target of one million new homes by 2020/21. The latest net supply of housing data suggests that the Government could meet its target if measured against the net change in dwellings. The data shows that housing stock in England increased by 190,000 in 2015/16, just 10,000 short of the required annual average. However, the number of new build homes completed during that period was a slightly lower than expected 164,000 homes.

Analysis of the new build completions suggests that much of the increase in private housing delivery is due to rising output amongst small and medium sized housebuilders, housing associations building market housing, the growing build-to-rent market, and increased activity amongst developers of retirement housing.

Private housing delivery may have increased in 2015/16 compared to the previous year but the number of affordable homes delivered fell by 52 per cent. The lowest number of new affordable homes in 24 years reflects the more challenging environment for those organisations looking to deliver affordable housing.

The fall is partly due to higher delivery in the previous year which saw the end of the 2011-15 Affordable Homes Programme. £4.5 billion was available during that period whereas the current programme (2015-18) started with £1.7 billion available though it has since been increased to deliver 135,000 shared ownership homes.

With increased housing supply potentially taking many decades to significantly improve affordability, the need for more affordable housing is greater than ever in the current housing market. The additional funding into the affordable homes programme, in combination with additional flexibilities over the tenures it can support, are welcome measures that will help redress the recent drop.



**Figure 5 Additional affordable homes, England**

Source: DCLG table 1,000 (Intermediate Affordable Housing includes intermediate rent, affordable home ownership and shared ownership)

## AFFORDABILITY

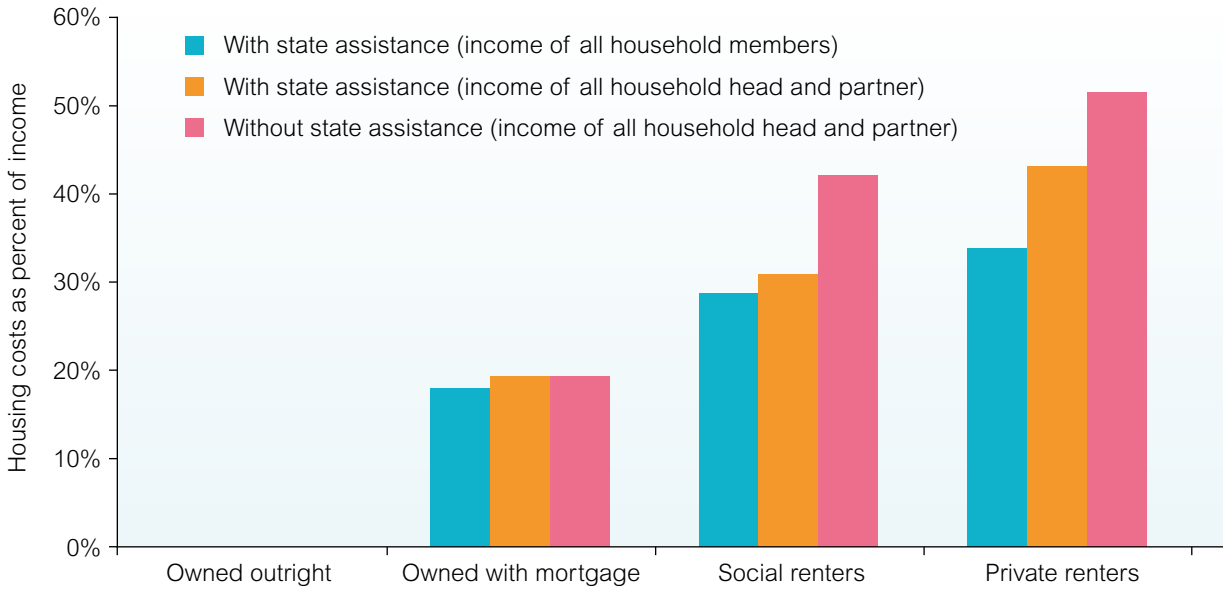
Despite house prices rising above previous records and being unaffordable relative to earnings, the annual cost of repaying a mortgage is well within historic affordable levels thanks to record low mortgage rates. That means those households with a mortgage spend a lower proportion of their income on housing than those renting from a landlord.

Unfortunately, although getting a mortgage may be easier than just a few years ago, the other affordability constraint is the deposit required to buy in the first place. With house prices at many multiples of average incomes, raising a sufficient deposit is the most significant barrier to first time buyers.

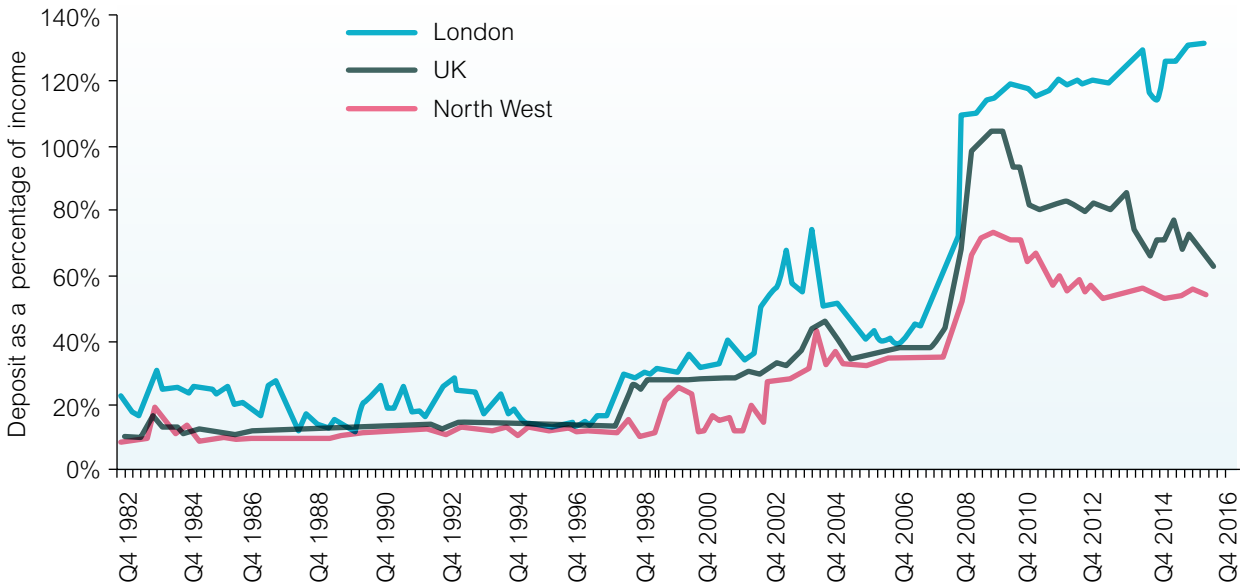
According to the Council of Mortgage Lenders, the median first time buyer has an income of £40,000 and a deposit of £25,000. At 62 per cent of their gross income, that may be lower than during the depths of the credit crunch but is well above historic levels. In London, the typical first time buyer has an income of £65,000 and needs a deposit equal

to 131 per cent of their income (£85,000), which is higher than during 2009. With London house prices at many multiples of income and rising, the repayments on high loan-to-value mortgages are unaffordable for all but the most income rich, equity poor buyers.

Many first time buyers across the country, and in particular in high value areas like London, are therefore dependent on help from the ‘bank of mum and dad’. Home-ownership for younger generations is increasingly determined by the extent to which their parents benefitted from previous housing market booms.



**Figure 6 Annual housing costs**  
Source: English Housing Survey 2013/14



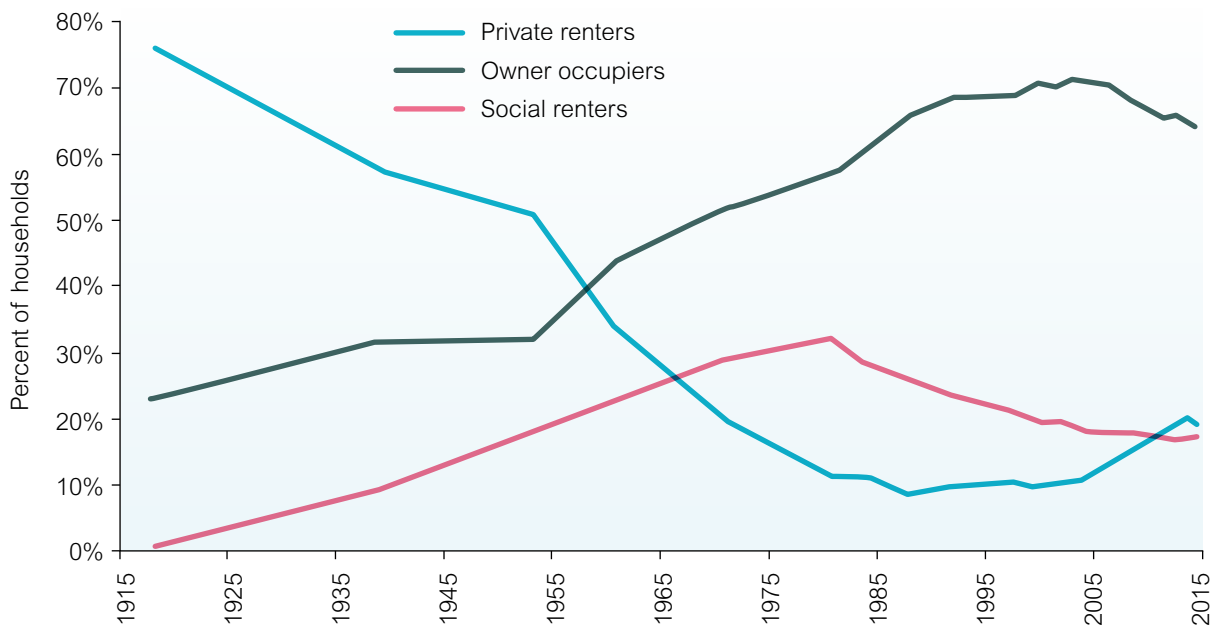
**Figure 7 First time buyer deposit affordability**  
Source: Savills calculations using CML

# HOUSING TENURE

With constrained house-buying affordability and a limited supply of new homes, accessing home-ownership is a significant challenge for many prospective first time buyers. The majority of people still aspire to own their own home but the share of households owning their home peaked in 2003 at 71 per cent of households and has been in decline since.

The decline in home ownership was accelerated post credit crunch but the fall of households owning with a mortgage began before then, whose share of the market peaked in the early 1990s following the Right to Buy boom of the 1980s. Meanwhile the private rented sector continues its rapid growth and social renters remain relatively static in their share of housing tenure.

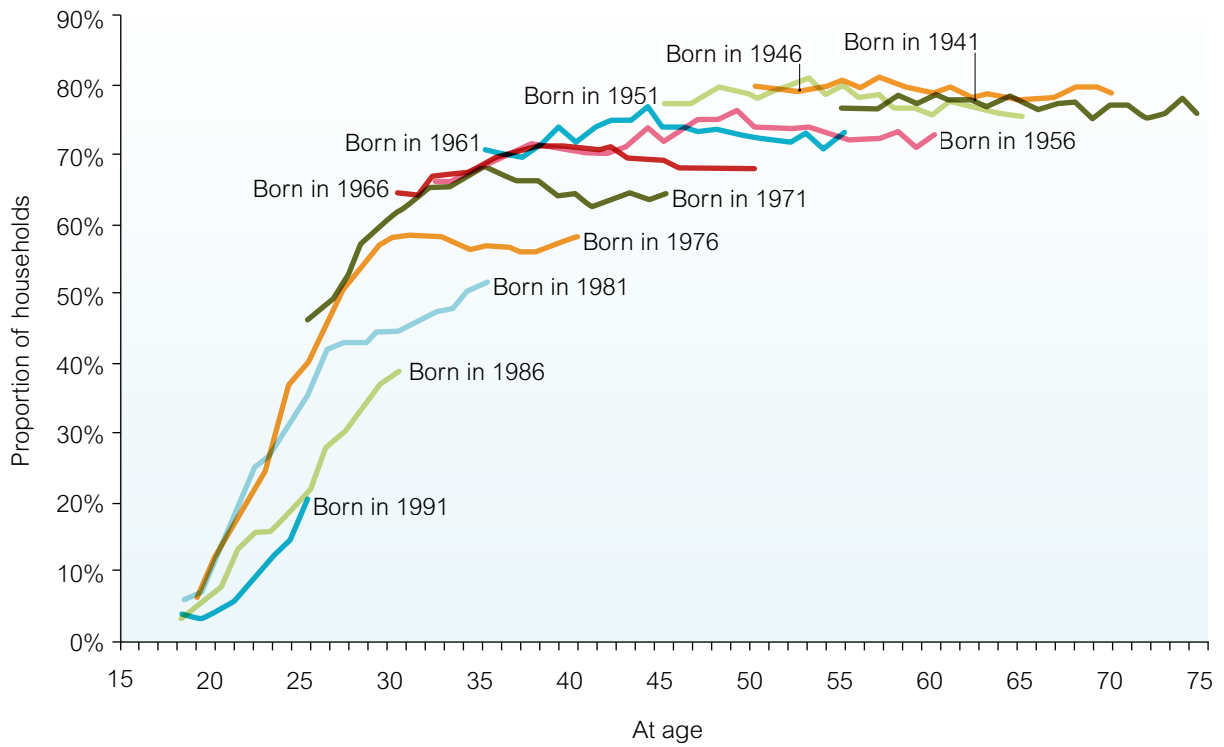
Rather than creating a nation of home-ownership, it appears that we may have only created a generation (or two) of homeowners and we are now faced with its gradual decline. Younger people are finding it increasingly difficult to buy in a housing market where prices are many multiples of income. Analysis of home-ownership by age cohort highlights this with the households headed by someone born in the 1970s following a lower trend in home-ownership than those households five or 10 years older. This is particularly the case for those born in the late 1970s and 1980s, where the trend in home-ownership is substantially lower than their parents' generations.



**Figure 8 Housing tenure**

Source: Alan Holmans, Labour Force Survey, English Housing Survey

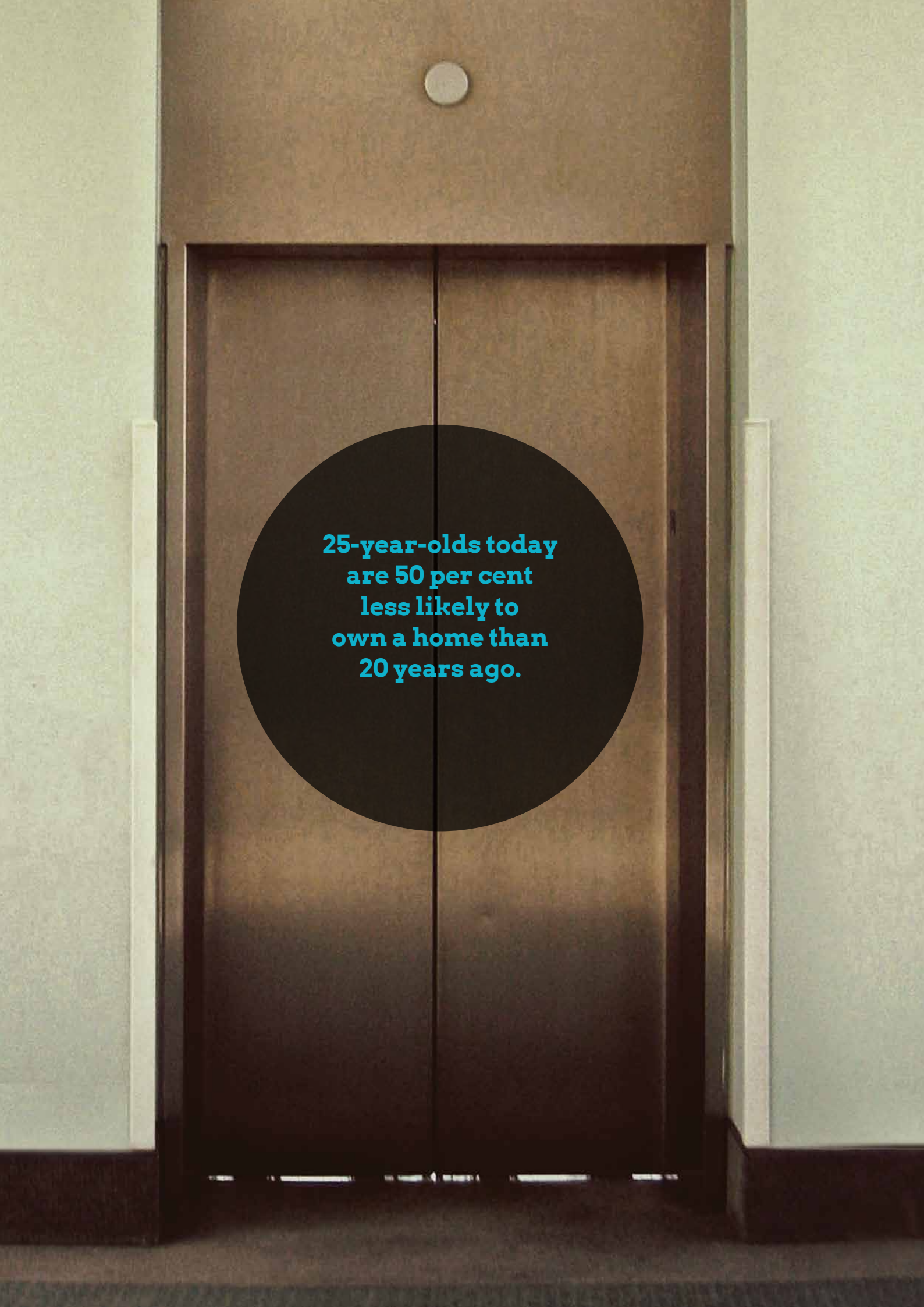




**Figure 9 Home-ownership by age cohort**

Source: Labour Force Survey

Home-ownership remains the nation's preferred housing tenure but with access limited to many households, it is essential to ensure that the renting tenures offer sufficient homes in terms of number, quality and security of tenure at affordable prices.

A photograph of a closed wooden door with a black circle overlaid in the center. The circle contains text in a light blue color. The door is set in a dark wood frame against a light-colored wall. A small circular light fixture is visible above the door.

**25-year-olds today  
are 50 per cent  
less likely to  
own a home than  
20 years ago.**



# BUILDING MORE HOMES

**Housebuilding improved last year but is well below the levels required for an efficient and fully functioning housing market.**

164,000 new homes were built last year, whilst estimates of the housing need of people across the country vary between 220,000 and 250,000 homes a year. Looking ahead, the capacity of the country to increase the building of homes affordable to all is uncertain and there are significant challenges in meeting increased demand for materials and a skilled workforce.

The Autumn Statement included a number of welcome steps to increasing house building, in particular supporting additional investment and tenure flexibility in the affordable homes programme. Nevertheless evidence to the commission highlights far more that could be done to enable greater housing growth, including many measures we would like to see in the Housing White Paper.

In its evidence to the commission the District Council Network highlighted the ambition of councils to support housebuilding and wider growth, but also noted the practical challenges including the impact of the recent rent reduction on social housing providers,

lower grant levels and the potential for assets such as council owned land to supplement council income.

The County Councils Network summarised the impact of rising housing costs on councils and communities:

**“Growing demand, limited supply and a good balance of business, employment and lifestyle opportunities mean that counties are facing an affordability crisis... The lack of affordable housing is highlighted by the fact that home ownership has fallen to its lowest level in England for 29 years and house prices in the UK have increased by an average of 56 per cent since 2004.”**

The SHOUT campaign group told us about the wider economic cost of the shortage of affordable social housing:

**“Currently, more and more low-income families are being housed in the private rented sector at an increasing cost to the welfare system, while the number of dwellings available on a lower cost social rent tenure is falling.**

**The current allocation of public expenditure to housing does not take into account the future costs to the welfare system of meeting higher rents in the private rented sector and ‘affordable rent’ social housing. It is therefore a form of fiscal myopia: saving pennies in the short term only to waste pounds in the future.”**

Councils already play a major role in housebuilding through the planning system and as social landlords. This role is expanding into new territory as councils act to fill gaps in the market and make better use of assets including the land they own. There is no “one size fits all” approach as shown by the range and variety of examples sent in by councils in their evidence to the commission, many of which are included in this report.

In this chapter we summarise the Housing Commission’s recommendations in three areas:

- Working with the existing planning and house building systems to speed up delivery.
- Supporting innovation and new forms of delivery to build additional new homes.
- Building new homes through existing housing revenue accounts.

## RAPID BUILDING FROM HOUSING REVENUE ACCOUNTS

**It is recommended that local and national government work together to:**

1. Free councils from restrictions on their borrowing to build homes and establish a stable long-term financial framework enabling councils to invest, such as removing Housing Revenue Account borrowing from contributing to public debt.
2. Enable councils to rapidly replace homes sold through Right to Buy, including to count the full value of their own land as part of the cost of building, and to recycle a greater proportion of receipts into building new homes, and to combine a mix of receipt and grants.
3. Refocus the implementation of the Housing and Planning Act on rapidly building the mix of different housing tenures that meet the needs and are affordable to local communities.



Government must view housing investment in the same way that local government does: as a fundamental part of infrastructure that adds to the asset base and expands the economy.

Housing provides a safe investment with rapid returns for local economies with every additional £1 of investment in construction generating an extra £2.84 of economic output and 56p of tax revenues. Housing construction can be ‘shovel ready’ more rapidly than other forms of infrastructure investment, it adds to gross domestic product (GDP) more rapidly, and is less reliant on imported materials.

Council house building must be at the centre of a renewed effort to deliver homes that generate growth and that communities need now and into the future. Efforts to build more council homes will be restricted by reforms requiring the reduction of rents and plans to force the sale of assets. The rent reductions alone reduce planned rental income by around 15 per cent, immediately impacting on building.

Evidence from stock owning councils highlighted their concerns about the impact of rent cuts, loss of stock through the Right to Buy, and the impact of the forced sale of high value council homes. Councils lost 36,786 homes through the Right to Buy in the last three years<sup>1</sup>. In 2015/16, 12,246 council homes were sold to tenants under the Right to Buy but just 2,055 replacements were started by councils – a drop of 27 per cent on the year before<sup>2</sup>.

1 DCLG Housing statistics table 678

2 <https://www.gov.uk/government/collections/social-housing-sales-including-right-to-buy-and-transfers>

Responding to the call for evidence, the London Borough of Camden said:

**“The reduction in social stock through Right to Buy and the acceleration of this through the Bill [Housing and Planning Act] and the High Value Void Levy payment will lead to a reduced number of available social lettings each year. Demand for social housing has not decreased but there is less supply to meet it.”**

Councils need freedom and certainty to find creative solutions to their individual housing challenges, and a stable policy environment in which they can be confident in making long term investment in their housing stock. Self-financing gave councils control over their rent accounts and a degree of certainty and capacity to plan for the long term future of council housing. Government and councils should work together to explore bolder options for restoring longer-term income certainty and freeing councils to stimulate a resurgence of council building, looking again at the restrictions on borrowing and setting rents that restrict what councils are able to achieve.

Furthermore there are a range of minor reforms that would enable councils to deliver more homes. For instance councils should be granted the flexibilities to count the full value of their own land as part of the cost of building new homes. They should be able to recycle a greater proportion of Right to Buy receipts into building, and have flexibility to

combine receipts with Homes and Community Agency funding. Councils should have greater flexibilities in how they use the receipt, for instance passing it to housing vehicles, building a mix of affordable products, or using it to acquire land or fund infrastructure. Councils should have more time to use receipts, perhaps be required to 'start' building within three years, have certainty from auditors as to when homes are judged as complete, and the cost floor for new properties should be extended to beyond 15 years.

The Housing and Planning Act should be implemented in ways that support councils to build homes. The Government's decision not to implement Pay to Stay on a mandatory basis is a step in this direction. The forced sale of council assets policy should also become voluntary for councils to deliver as part of efficient stock management, with sales receipts retained to build homes. There should be local discretion on the number of starter homes delivered through section 106 agreements to ensure provision of affordable and social rented homes, which can be matched with Right to Buy receipts to contribute towards replacements and provide more certainty to developers.

## BUILDING HOMES THROUGH NEW HOUSING VEHICLES

**It is recommended that local and national government work together to:**

4. Develop routes for councils to directly deliver new homes of all tenures through innovative delivery vehicles, including joint delivery vehicles across areas.
5. Provide strong long-term certainty, backing, additional capacity support, powers and good practice support for councils looking to increase their level of direct delivery of new homes.

The House and Elphicke review for the Coalition Government<sup>3</sup> highlighted the important role that council housing companies are playing in increasing housebuilding and filling gaps that are not being met by the market. This ambition is more relevant in the current uncertainty over the housing market on private housebuilders. There are a number of routes through which councils can enable building and housing vehicles provide one route.

Many councils have set up housing companies and innovative delivery structures for their area, focusing on homes for market rent and sale. Of these, some are exploring options and considering structures but have yet to take the final step into delivery. Strong political leadership is one of the common success factors for councils who are active in direct building programmes.

<sup>3</sup> <https://www.gov.uk/government/groups/review-of-local-authorities-role-in-housing-supply#final-report>



The Chartered Institute of Housing (CIH) told us that:

**“Given the challenges facing local authorities to deliver more new homes needed by local communities, either directly or through its partners, the capacity of local authority members and chief officers to be able to maintain and inspire a vision for their local communities, and to find new ways and solutions to deliver it is crucial.”**

Allowing councils to take a direct role in housebuilding opens up the potential to develop the range of new homes and finance packages beyond the traditional large scale housebuilder model. For example, smaller homes for older people looking to downsize are badly needed but very few are built by private developers, or in some areas employers want high end homes that are not being met by the market. Council led development could also support affordable routes to home ownership including rent-to-buy, shared ownership, self-build, community land trusts and co-housing models, and new construction techniques that can deliver at speed.

**Nottingham City Council** has two delivery vehicles. Nottingham City Homes (NCH) manages the council's housing stock and delivers new homes. Blueprint is a 50/50, private/public partnership between Aviva's Igloo fund and the city council. It assembles land and delivers new market homes in regeneration zones and establishes new markets in areas that had no residential offer or one of poor quality or low value.

**South Norfolk Council** has set up a wholly owned housing company. Big Sky Developments is developing houses for market sale and market rent, including some affordable homes as well as commercial sites. The first two sites will see the development of 102 residential dwellings and 3,170m<sup>2</sup> of commercial units.

The **London Borough of Newham** set up Red Door Ventures, a commercial residential company in 2014. Its focus is to develop high quality private rented sector homes to be held long term. Red Door has completed a 36 home scheme in Stratford and has more being developed in East Ham and Plaistow, with plans to build thousands of new homes in Newham and beyond.

Efforts to scale up housebuilding may require greater cooperation across boundaries and bringing together of resources. There is an appetite and ambition from many councils to work across boundaries to deliver housing. Councils highlighted the range of skills they need to support increased commercial housing activity. Many of the skilled people have to be brought in from outside the council, such as architects and landscapers. Councils may also need to draw on people with commercial acumen and an understanding of development risks. Sharing expertise across local authorities both formally and informally would help support increased delivery. Pooling costs and resources across an expanded housing company or vehicle would be a more efficient use of resources.

The **Leeds City** region has recently commissioned a feasibility study on a regional housing development company to spread the risk of commissioning new private house building.

There is an emerging body of support for councils seeking to directly deliver new homes<sup>4</sup>. Nevertheless, the Government could further support this effort by providing councils with certainty that new vehicles will be supported, with capacity support helping councils consider their options for investing in housing growth, and also with additional powers. Land assembly could be speeded up through enhanced compulsory purchase orders (CPOs), or granting powers similar to those available to housing corporations.

<sup>4</sup> For instance, Local Partnerships and the Housing Finance Institute work with councils looking into housing delivery, Local Partnerships have launched a toolkit <http://localpartnerships.org.uk/housing-toolkit/>

Enabling councils to pass on the receipts from Right to Buy sales would speed up the building of replacement homes. The same flexibility should apply to receipts from the sale of high value homes when this is implemented.

## LAND RELEASE AND ASSEMBLY

**It is recommended that local and national government work together to:**

6. Develop council and wider public agencies' capacity to release land, and take a lead on development in sites where building can be brought forward quickly.
7. Use surplus public land strategically and provide additional powers to speed up land assembly, for instance to resolve rights of way and third party rights issues more rapidly.
8. Issue guidance to public bodies on how to consider land release in terms of wider public value, rather than achieving the highest immediate receipt.
9. Introduce measures that increase the transparency of land ownership and the 'options' on land.

An effective land supply is critical to house building. In its submission, Shelter highlighted the need for strategic release of public land and the potential for councils to hold the ring on partnerships of organisations with developable land, finance and capacity for construction. Similar recommendations were made by councils, arguing that a track record of delivery should be rewarded by new powers for land assembly.





Councils are well placed to shape the use of land across localities. Working with partners to strategically release public sector land, and have tools that enable them to help shape wider land markets. Elsewhere this paper suggests how greater certainty and uniformity of viability procedures and tools that incentivise developers to build out sites more quickly are two routes through which councils can help manage down the escalation of land values that can limit building of homes. Measures to increase transparency of land ownership and the 'options' on land would further enable councils to fulfil this role.

The release of surplus public land is a significant opportunity to boost housebuilding, this has been demonstrated by the One Public Estate<sup>5</sup> programme which now works with 188 councils and has helped facilitate the delivery of 37,000 additional homes on surplus public land between 2016 and 2021. But it is not without its challenges. The Ministry of Defence (MOD) and NHS own significant amounts of land, but these organisations are often hard for local authorities to access. Public landowners may be difficult to engage, or unclear of the role they could play in unlocking land for wider community value rather than selling for short term gain.

There is strong potential for public sector organisations to learn from each other, and from the experience of those who have successfully released land for housing. Public bodies also need encouragement and support from central government on priorities for land release.

South East Councils told us that:

**“All government departments [should demonstrate] the same commitment as councils to releasing surplus land for housing.”**

A practical step would be for the Treasury to issue simple, clear central guidance to public bodies on how to consider land release in terms of wider public value, rather than just a short term focus on achieving the highest immediate receipt. Encouraging the use of “build now, pay later” models of deferred receipts for land payments would help to speed up development and allow a more flexible approach to funding infrastructure.

During the last financial year development on **Hull City Council** land accounted for approximately one third of all completions across the city with many other completions on land developed in close proximity to the key intervention sites.

The **Royal Borough of Kensington and Chelsea** has released borough owned land on a leasehold basis, selecting a private developer to develop and manage two housing schemes. The council have retained the freehold ownership and are taking a share in the long-term rental income with the developer<sup>6</sup>.

5 For further information on the LGA/Cabinet Office One Public Estate programme [www.local.gov.uk/onepublicestate](http://www.local.gov.uk/onepublicestate)

6 London Councils' submission to the LGA Housing Commission

At Graven Hill in Bicester, one of the Local Plan strategic sites, **Cherwell District Council** bought a redundant MOD base and through its council housing company is taking forward 1,900 self-build units, the biggest in the UK, with a Local Development Order in place for the whole site too. The registered demand lists over 3,000 people who are interested in taking forward plots on the site.

This is particularly important in areas of high demand where the local authority has sold or developed on the majority of its own land. The development by the Royal Borough of Kensington and Chelsea demonstrates that councils are developing effective alternatives to selling surplus land on the open market. More councils could consider taking a direct approach to developing land, building on existing examples.

Councils can use their strategic planning role to speed up the development of sites. Parcelling up land as smaller sites rather than one large block spreads development to a range of companies. If one developer is unable to start there will be others who can make progress and get building work started.

Government could do more to streamline important land release processes. Sorting out rights of way and third party rights can cause major delays to development, for example if pipes run through a site or a telecoms mast is on top of a building. Resolving these issues can be complicated, and can require a significant investment of time and resources from a council to resolve. For example, a council may have to acquire a site through compulsory purchase powers in order to

change the rights. A streamlined process would speed up development, for example through a change to appropriation rights to give councils temporary powers to act for other landowners.

Councils with a housing revenue account effectively have to operate two land ownership systems, one within the HRA and one for land classed as a general fund. This creates bureaucracy and delay in releasing land for sale or development. It should be possible to create flexibility on land release and consents for disposal without dismantling or weakening the ring-fence that is designed to protect the assets and income from the HRA. This would not require legislation and could free up local authority owned land and capacity for development.

## ENABLING AND SHAPING THE PRIVATE DEVELOPER MARKETS AND ENCOURAGING SMALL AND MEDIUM SIZED BUILDERS

**It is recommended that local and national government work together to:**

- 10.** Work with developers to deliver a strategy for supporting the diversification of the private housebuilding industry, including small and medium sized builders, and types and tenures of new homes being built.
- 11.** Take opportunities to attract institutional investment into purpose-built private sector rented development.



Private enterprise builds the majority of new homes in England. Levels of housebuilding are therefore strongly linked to the strength of the economy and availability of finance. 170,610 new homes were completed in 2007/08 and 147,170 of those were built by the private sector<sup>7</sup>. From this peak completions by private housebuilders fell to around 83,000 in 2010/11. Completions by housing associations and councils remained fairly steady over the same period. The recent House of Lords select committee on housebuilding reviewed evidence on the changing nature of private housebuilding, which has seen a significant decline of smaller builders since the late 1980s and increasing dominance by a small number of large firms<sup>8</sup>.

Councils are beginning to play a leading role in shaping and diversifying the market. They are working in partnerships with developers to provide land, to reduce development risk, to test new models, new construction techniques and new housing products, and to advise on local opportunities. The activity focuses on building homes that the private sector might not otherwise offer, making joint investments and – alongside efforts to allocate smaller sites and through direct procurement – support the resurgence of the SME builders that are critical to increasing the private sector’s output.

Wealden Council told us:

**“The prime way in which [support for smaller builders] can be achieved is by allocating a mix of size sites in the Local Plan including smaller sites which would be suitable for smaller builders as well as sites for self-builders. Through our own council new build programme we have packaged schemes in different ways to enable a range of different sized builders compete for different lots”.**

In **Eastleigh**, the council gave legal assurances to a small developer that they would purchase any properties left unsold at the end of the development. In the event, all the units were sold, but this partnership enabled work to go ahead.

**Bournemouth** has a procurement framework designed to support local builders.

The **Suffolk and Norfolk** Devolution proposal is considering how support from the New Anglia LEP for Norfolk and Suffolk (NALEP) can be targeted at smaller builders.

7 DCLG housing statistics live table 209

8 House of Lords Select Committee on Economic Affairs – Building more homes 2016-17 [www.publications.parliament.uk/pa/ld201617/ldselect/ldeconaf/20/20.pdf](http://www.publications.parliament.uk/pa/ld201617/ldselect/ldeconaf/20/20.pdf)

## BUILDING MORE HOMES

The Government should aim to support local efforts, and acknowledge the wider role councils can play in influencing national funding of colleges to provide a locally skilled workforce to deliver more homes. Work at national level should bring together support for housebuilders including access to finance, land, and building materials. Delivering this through a coherent, national plan would help councils to identify and prioritise local opportunities for smaller firms.

The role of institutional investment in large scale development of rented housing offers untapped potential to increase house building and meet demand for better quality rented homes. The British Property Federation (BPF) told us:

**“Institutional investors have an estimated £30 billion to invest this Parliament in market rented accommodation, and so there is still plenty of scope to accelerate growth of the sector further, but a key challenge is identifying sufficient stock at scale to invest in.”**

Building homes can open up the possibility of financial risk and investors prefer to avoid this if they can. The lack of suitable stock for them to purchase is one of the reasons for the slow development of the market. When building for market rent it is difficult to compete with large housebuilders on land price. Closer partnership working between councils and developers can help to build up knowledge of

the planning systems and opportunities to use publicly owned land.

Large scale private rented sector development was not exempt from new property taxes for private landlords introduced in the March 2016 budget. These increased stamp duty on any residential unit not brought as a home by 3 per cent and a rise from 4 to 5 per cent on the rate paid for commercial sites. The BPF told us that an exemption for purpose built private rented accommodation would avoid a disincentive to investors. Similar exemptions should apply to councils acquiring housing for the purpose of fulfilling their statutory housing duties, for instance when acquiring property for use as temporary accommodation.

In the meantime, councils and housing associations are leading development of purpose built private rented housing, partly as a response to the failure of the market to provide decent, affordable rented homes.

**Birmingham City Council** is building a scheme of 92 privately rented apartments through a wholly owned council company. The drivers for this include a strong demand for high quality private rented homes in the city centre and an inadequate supply, driving up standards of quality and design, as well as returning a surplus to the council.



The **London Borough of Lewisham** is developing a joint venture using council owned land for purpose built private rented housing. Homes are aimed at people who cannot afford to buy but are unable to access social housing, with the joint venture partner bringing investment and housing management expertise to the development.

## DELIVERING SITES WITH PLANNING PERMISSION

**It is recommended that local and national government work together to:**

- 12.** Give councils the tools to help manage down the escalation of land values, for instance making it easier to compulsorily purchase land that is not built on.
- 13.** Equip councils with the tools to engage and hold utilities and power companies to account where development is held up.

Public confidence that new development meets the needs of communities is critical for securing their backing for building more homes. Data suggests the number of potential new homes on sites with planning permission could be in the hundreds of thousands. Councils are well placed to understand why consented sites have not been built out and to use powers to try and bring development forward.

In many cases escalating land values on large sites are driving slower build out rates, as well as creating challenges in negotiating infrastructure and affordable housing contributions and impacting on quality. This is because developers can compete with

each other over desirable land for housing, driving up the cost of land to the extent that it becomes necessary for the eventual purchaser to build homes in ways that cover the inflated costs – for instance impacting on build out rates, the mix of housing tenure, and viability negotiations with councils for infrastructure and affordable housing contributions.

Many councils continue to take a pragmatic approach to funding contributions required from developers to ensure that housing sites with planning permission are taken forward, for instance making build out rates a condition of the planning permission. Councils can also include viability review or ‘clawback’ clauses, which allow changes in market conditions to be taken into account. Nevertheless unimplemented planning permissions remain a real concern for the sector as increasing land values drive behaviours.

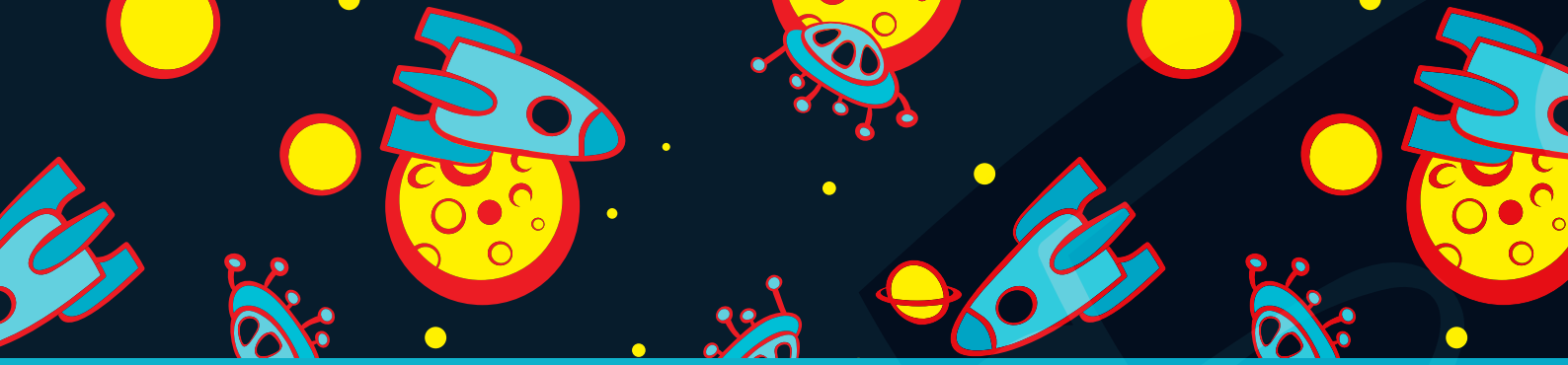
Local government has argued that it is essential councils have tools to engage and incentivise developers to build out sites with permission, such as powers to deliver proportions of sites where planning permission expires or powers to apply financial incentives. Such tools can be used flexibly to ensure that development is not disincentivised, and would ideally be used sparingly as the possibility would help affect the initial land price developers pay.


**Central Bedfordshire Council**

introduced a requirement for developers of residential schemes to identify how many homes they would build within five years of gaining permission, to ensure that approvals are built out more rapidly. The council decided to introduce the clause to section 106 agreements, rather than through the adoption of a formal planning policy. The quantity of homes to be built within five years outlined in the clause varies between applications, but the council aims to secure 100 per cent.

**Telford and Wrekin Council** set up a pilot scheme offering developers and landowners financial assistance as part of a competitive process to help deliver stalled sites. The money loaned will be recovered through a combination of the New Homes Bonus and council tax paid by people who live in the completed developments.

**Bristol City Council** included a viability review clause into a section 106 agreement for a 147 home development. The original planning permission included no affordable housing, but when the houses were built the market conditions had improved significantly. The viability review undertaken at the completion of the development yielded £783,000 for the council to support offsite affordable housing.





**Private developers  
have not built more  
than 180,000 homes a  
year, and have built  
an average 90,000  
homes a year  
since 2009/10.**

Source: Department for  
Communities and  
Local Government





# PROSPEROUS PLACES WHERE PEOPLE WANT TO LIVE

**Housing investment has substantial wider benefits for people and places.**

Councils are approving nine in 10<sup>9</sup> planning applications and their emphasis on building homes is set within wider local strategies for improving health, creating jobs and boosting educational attainment, and enabling social cohesion.

Whilst the right homes in the right places can generate significant wider benefits, poorly planned developments focusing on numbers correlate with higher rates of chronic health conditions, traffic fatalities, pollution, isolation and a lack of social capital or resilience.

Partners recognised the pivotal role of locally democratic councils in shaping places delivering wider positive outcomes. The Chartered Institute of Environmental Health told us that:

**“Local authorities play a crucial role in building and helping to create sustainable and cohesive communities.”**

**“Variations between and within different cities, towns and neighbourhoods in terms of social outcomes can only be exacerbated unless local authorities are at the heart of place-building”.**

This view is shared by developers, the British Property Federation told us that:

**“Designing a high-quality place where people want to live, work and enjoy their time should be at the heart of any development. While it may be helpful for government bodies to set the tone of this, it is important that the detail is developed at a local level, allowing communities the opportunity to work with developers on what suits their specific area”.**

# PROSPEROUS PLACES WHERE PEOPLE WANT TO LIVE

The announcement of the Housing Infrastructure Fund as part of the Autumn Statement is an important acknowledgement of the value in investing in infrastructure in ways that link to housing growth and the wider development of communities and places, and reflects the commission's preliminary findings. In this section we look at how councils can enable house building through the planning system in ways that build on wider ambitions for people and places.

## A POSITIVE, PROACTIVE, RESPONSIVE PLANNING SYSTEM FOCUSED ON SHAPING PLACES

**It is recommended that local and national government work together to:**

- 14.** Create stability and certainty in the planning system and restore planning powers to councils able to build homes that deliver wider ambitions for places.
- 15.** Resource an efficient, positive and proactive role of planning services to deliver homes by allowing councils to set planning fees locally.
- 16.** Attract the next generation of place-makers by seeking to replicate the success of programmes such as TeachFirst and Frontline.

Developers, builders and councils are united in their call for adequately resourced planning departments that can deliver efficient services<sup>10</sup>.

<sup>10</sup> [www.publications.parliament.uk/pa/ld201617/ldselect/ldconaf/20/20.pdf](http://www.publications.parliament.uk/pa/ld201617/ldselect/ldconaf/20/20.pdf)

The Chartered Institute of Housing told us that:

**“The capacity of local authority members and chief officers to be able to maintain and inspire a vision for their local communities, and to find new ways and solutions to deliver it is crucial.”**

However, the National Audit Office reported that there has been a 46 per cent budgeted real-terms reduction in spending on planning and development services between 2010/11 to 2014/15<sup>11</sup>.

There is a need to ensure councils are sufficiently funded to undertake their statutory planning functions, councils also highlighted its impact on the sector's capacity to delivering housing growth through proactive planning. Almost 60 per cent of public sector planners that left the profession cited excessive workloads as a factor, compared with just over 25 per cent in the private sector<sup>12</sup>. Hull City Council told us that:

**“As funding to support regeneration is reduced alongside planning powers the council's ability to influence and shape development will be reduced.”**

<sup>11</sup> National Audit Office – the impact of funding reductions on local authorities, 2014

<sup>12</sup> <http://offlinehbpl.hbpl.co.uk/NewsAttachments/RLP/reasonsforleaving.jpg>



The London Borough of Haringey told us:

**“The effectiveness of the existing planning system to boost housing supply is constrained by capacity within local planning authorities and...the speed and quality of decisions in the planning system can only be improved through greater localisation, with local authorities being granted full freedom over the setting of planning fees.”**

Partners are in agreement on the significance of effectively resourced planning services. One route to enable this would be through lifting the national fee cap and working towards allowing councils to set fees locally, so that they can respond to local circumstances to incentivise building. Alongside this there might be opportunities for councils to increasingly share skills and functions across areas, and to receive additional resources in order to proactively deliver housing growth. Also, public sector partners could be encouraged to cooperate and pool investment in planning services where they can deliver joint outcomes.

Furthermore it is important that the planning system is stable, providing national certainty while allowing flexibility to meet local need.

South East Councils told us that they wanted:

**“To ensure the new locally-driven planning system is allowed to operate without unnecessary interference from government, freeing areas to take forward plans suitable to their local circumstances.”**

The National Housing Federation told us that:

**“It’s crucial that local authorities retain the freedom to plan to meet objectively assessed local housing need.”**

Since the National Planning Policy Framework was introduced there have been a range of interventions impacting on the local planning process, for instance introduction of national permitted development rights, exemptions for minor development from section 106 affordable housing contributions, exemptions from Community Infrastructure Levy (CIL) requirements, and proposals to introduce a requirement for a proportion of starter homes on major developments are examples of interventions into the local planning process.

# PROSPEROUS PLACES WHERE PEOPLE WANT TO LIVE

The Government should aim to give councils greater national certainty and local flexibility to adapt nationally imposed permitted development rights and exemptions from funding contributions, including those to CIL and section 106, to local conditions. This will enable local authorities to effectively respond to the needs and aspirations of its local residents and businesses. Similarly, national starter homes requirements should be set at 5 per cent or lower with opportunities for councils to adjust relative to local conditions, helping make development more viable and attractive across the country, and include a mix of tenures that can offer developers greater certainty.

As part of a collective effort to increase the capacity of planning services to deliver housing growth, national and local government should work together to attract and retain the next generation of planners and place-makers. It is an exciting and meaningful profession with a range of career development opportunities that should be better portrayed to young people. Such an initiative could capture and build on the learning from approaches adopted by TeachFirst<sup>13</sup> or Frontline<sup>14</sup>. Similarly, the LGA and national partners can continue to support elected council members and officers to innovate and exchange good practice.

<sup>13</sup> <https://www.teachfirst.org.uk>

<sup>14</sup> [www.thefrontline.org.uk](http://www.thefrontline.org.uk)

**Kirklees Council** have introduced a number of measures to help bring forward their delivery programme including “Undertaking a viability appraisal process to relax the financial burden of section 106 contributions, working closely with developers” and they also “Monitor major site development and fast track discharge of conditions in planning”.

## SUSTAINABLE MODELS FOR FINANCING INFRASTRUCTURE LONG TERM

**It is recommended that local and national government work together to:**

- 17.** Take opportunities for joining up and devolving infrastructure and growth funding linked to local objectives to deliver homes.
- 18.** Explore routes for capturing greater proportions of land value uplifts resulting from planning permission in order to finance infrastructure for homes.
- 19.** Increase the contribution of Community Infrastructure Levy (CIL) for instance making it simpler for councils to establish and by enabling them to borrow against future receipts.

Investment in infrastructure is critical to supporting the ambition for increasing housing supply by building community support for new development, as well as ensuring sites are commercially viable and do not constrain existing facilities. An OECD report in 2015 reported that UK infrastructure has suffered



from under-investment compared with some competitor countries, since the 1980s<sup>15</sup>. Councils have found that local communities were on balance more supportive of housing development when it is accompanied with associated investment in new infrastructure<sup>16</sup>.

Infrastructure funding is an increasingly important concern for councils seeking to build homes. Babergh and Mid-Suffolk District Councils told us that:

**“Investment in infrastructure remains key to unlocking growth”**

The County Councils’ Network told us that:

**“Housing development cannot happen without the essential infrastructure needed to support it.”**

South East Councils told us that:

**“The timely delivery of the right types and quantities of housing and infrastructure is vital to sustain the South East’s role as the engine room of the national economy.”**

The District Councils’ Network told us that:

**“Housing supply and supporting infrastructure can also facilitate growth in local economies and resolve skills gaps by employing local people and sub-contractors in development delivery.”**

Councils can increasingly work collaboratively to consider how new infrastructure could best deliver housing, however this can be held up due to lack of investment. The establishment of a Housing Infrastructure Fund of £2.3 billion to deliver infrastructure that enables housing growth is a welcome acknowledgement of the role of infrastructure finance in unlocking housing growth. Councils will work with the Government on the detail of the scheme to ensure it delivers maximum homes, and helps build prosperous places.

Looking ahead, devolution offers an opportunity to increasingly devolve infrastructure spending to places in ways that can link to commitments to deliver housing growth. Government departments and agencies investing in infrastructure – including the Homes and Communities Agency – should be required to work with local authorities to consider how it might be best targeted to deliver housing.

15 OECD, UK economic survey 2015: Improving Infrastructure, February 2015

16 LGA: New housing developments survey 2012

# PROSPEROUS PLACES WHERE PEOPLE WANT TO LIVE

**Greater Manchester Combined Authority**, through their agreed devolution deal, will receive a Housing Investment Fund of £300 million over 10 years, to be provided by a public sector body to the private sector in the form of recoverable loans and longer-term equity.

The **Northamptonshire Revolving Infrastructure Fund** (RIF) brings together funding streams and sees local authorities, developers and contractors working together. This fund has enabled delivery of a £32 million link road<sup>17</sup> which is essential for future economic growth proposals in the Daventry area including new homes, private sector investment and new jobs. This approach has been possible because **Northamptonshire County Council** funded the design, planning and implementation costs upfront.

Furthermore, local and national government should take opportunities to test and develop models for forward funding infrastructure by capturing greater proportions of land value increases resulting from planning permissions.

The Royal Town and Planning Institute (RTPI) told us that:

**“The windfall in value which goes directly to private landowners when public investment in infrastructure is made or planning permission is granted seems a reasonable place to look for funding for this infrastructure. The additional funding created would allow councils to be more proactive in their approach to infrastructure provision.”**

They also cited:

**“The success of Tax Increment Financing in funding the Northern Line Extension, and the use of a Business Rates Supplement to fund Crossrail” as “a good indication of the latent public good landowners are sitting on.”**

There might be a range of ways in which land value capture can be enabled. For instance the Land Compensation Act could be amended in ways that enable councils to acquire land through compulsory purchase order (CPO) at close to existing use value for sites that have been designated for infrastructure, including housing through the local plan process. This would then enable

<sup>17</sup> [www.northamptonshire.gov.uk/en/news/Newsreleases/Pages/A45-development-link-is-vital-for-long-term-growth-in-the-Daventry-area.aspx](http://www.northamptonshire.gov.uk/en/news/Newsreleases/Pages/A45-development-link-is-vital-for-long-term-growth-in-the-Daventry-area.aspx)



borrowing against the future uplift in land values to fund the necessary infrastructure investment. The current legislation guarantees that the landowner is entitled to the uplift in land value even when planning permission has not been granted, but would likely be granted if a planning application was submitted.

There is also scope to simplify and expand the use of existing infrastructure financing tools. The Community Infrastructure Levy (CIL) is one tool available to councils to raise funds to help deliver infrastructure, and should play a greater role into the future. Councils should be enabled to borrow against future CIL receipts which would allow, for example, councils to forward fund a developers' contribution element of major infrastructure schemes. Regulations should also clarify that the permission to pass CIL receipts to another body also applies where this is to reimburse expenditure already incurred by that other body; for example, when they have acted as a forward funder, in cases where a developer is unable to fund the required investment at an early stage of a development.

Furthermore, the proposals for full local retention of business rates include the power for elected city-wide metro mayors to be able to add a 2p premium to business rates to pay for new infrastructure<sup>18</sup>, provided they have the support of a majority of the business members of the local enterprise partnership (LEP). This power should be extended to all councils.

## VIABILITY NEGOTIATIONS THAT PROVIDE INFRASTRUCTURE AND AFFORDABLE HOUSING

**It is recommended that local and national government work together to:**

- 20.** Establish a clear, robust and transparent viability procedure to help manage down the escalation of land values and ensure the delivery of affordable housing and infrastructure communities need to back development.

The assessment of economic viability of development is an important planning consideration for assisting with the development of Local Plans and plan policies and when determining individual planning applications. Councils have raised concerns about the viability process.

The London Borough of Haringey told us that:

**“The existing approach to viability testing has... weakened local authority power to demand more affordable housing, and a more transparent approach is needed to viability tests.”**

<sup>18</sup> need footnote here

## PROSPEROUS PLACES WHERE PEOPLE WANT TO LIVE

Councils raised concerns that the plan-led system is being undermined by the use of viability arguments from developers to avoid the need to meet local plan policy requirements including the provision of affordable housing and providing infrastructure contributions.

The London Borough of Islington told us that:

**“The ability to lower affordable housing provision through viability arguments is creating uncertainty in the land market. When bidding for land and factoring in the uplift in value that may come from the grant of planning permission, the developer who makes the most bullish assumptions around value growth, minimising affordable housing, and maximising density, will outbid others and acquire the site... This transfers developers’ risk onto the planning system and the community.”**

Uncertainty in the viability process impacts on the price that developers pay for land, which can in turn impact on viability negotiations around affordable housing and infrastructure contributions. The Government, councils and the development industry should therefore work together to establish an agreed approach to viability assessment that reduces the incentives for developers to pay over the odds for land, and so support subsequent viability negotiations to deliver the objectives agreed with communities in the Local Plan.

In the absence of a single approach for assessing viability, a number of councils have taken steps to introduce greater transparency on viability assessments where a developer proposes that financial viability issues will not allow the full range of required planning obligations to be met. This includes guidance setting out information requirements and an appropriate methodology to provide clarity to applicants and provide the right framework for viability appraisals to be robustly assessed. The sector should continue to share and develop good practice in this area.

The **London Borough Viability Group** draws together planning, housing and surveying officers from 28 councils in London to consider best practice in assessing viability. The group was formed in 2014 in response to the increasing emphasis being placed on the viability of development in the planning process.





In supplementary planning guidance the **Greater London Authority** will offer schemes with a 35 per cent affordable housing threshold a quicker route through the planning process. Those schemes that do not commit to 35 per cent could face detailed scrutiny by the planning authority which could be conducted in public. The schemes might still be approved only if the lower level of affordable housing could be fully justified by the specific circumstances for each site. Furthermore the guidance seeks to prevent the escalation of land values, it states that it will not accept a 'fixed land value', and that instead land will be judged on its profitability in its existing use, not to what it will be worth with planning permission or hope value, although a premium could be added to incentivise landowners to release land.

## NEW GARDEN VILLAGES AND TOWNS

**It is recommended that local and national government work together to:**

- 21.** Amend the New Towns Act to give councils the flexibilities to establish and run delivery agencies with the tools to boost housing through garden villages and towns.

Councils are committed to increasing the supply of homes on brownfield land but the availability of sites varies across the country and will unlikely deliver the supply of homes needed overall. Housing markets and opportunities for development vary around the country, and councils would benefit from as many tools and flexibilities as possible to innovate in the delivery of new homes and communities.

There is an increasing interest from national<sup>19</sup> and local government in how new garden villages and towns could provide a suitable route to meet local housing need. In many places, such development can generate greater housing growth than sequential development which can increasingly generate greater community opposition and increasing land values that impact on build out rates, viability, and design and quality.

Government could incentivise councils to develop a new wave of smaller settlements by modernising the New Towns Act, to localise accountability of the body set up by the Act in ways that enable councils to deliver smaller new settlements. This would allow the council

<sup>19</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/508205/Locally-led\\_garden\\_villages\\_\\_towns\\_and\\_cities.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508205/Locally-led_garden_villages__towns_and_cities.pdf)

## PROSPEROUS PLACES WHERE PEOPLE WANT TO LIVE

to acquire the land cheaply at current use value, which is a fraction of the cost of land with planning permission, with the backstop of a compulsory purchase order if necessary.

The increase in the value of the land resulting from planning consent would then be used to pay for the new garden village's infrastructure, high specification housing design, affordable housing and a rich provision of social amenities. Through such delivery agencies, councils could play an increasing stewardship role. For instance the council would be more easily able to diversify the developers building out homes, develop different housing products and new construction techniques, and manage land in ways that ensure rapid delivery and meet the wider needs of communities.

**Shepway District Council**<sup>20</sup> is working with local landowners, residents and partners to develop a locally-led garden settlement of up to 12,000 new homes, with 85 hectares of employment land and the associated social infrastructure. It proposes to include housing for people at all stages of their life; from starter homes, low cost housing and family homes to retirement options such as Extracare housing. The council has acquired land to take a direct controlling stake in the potential development of the new settlement with investment of some £5.25 million already made in land acquisition. Shepway has now been successful with their bid to develop a garden city.

<sup>20</sup> [www.shepway.gov.uk/media/3726/Otterpool-Park-Expression-of-Interest/pdf/Shepway\\_District\\_Council\\_Eol.pdf](http://www.shepway.gov.uk/media/3726/Otterpool-Park-Expression-of-Interest/pdf/Shepway_District_Council_Eol.pdf)



A photograph of a wooden door set in a brick wall. The door has a silver number '2' on the left side and a vertical glass panel in the center. The brick wall is made of light-colored bricks with dark mortar. The door is flanked by two grey panels. The ground in front of the door is paved with grey cobblestones.

2

**Average house prices  
are now eight times  
average earnings.**

**Renters pay on average  
one third of their  
income on rent.**



# HOUSING AT THE HEART OF INTEGRATED HEALTH AND CARE

**There is a distinct and urgent need to better provide a range of housing options to meet the wide variety of housing circumstances, aspirations and needs of people as they age.**

Between 2008 and 2039, 74 per cent of projected household growth will be made up of households with someone aged 65 or older<sup>21</sup>. The suitability of the housing stock is of critical importance to the health of individuals and also impacts on public spending, particularly social care and the NHS.


The 'Improving health through the home' National Memorandum of Understanding sets out a shared vision of more than 20 organisations including the LGA, Department for Health, Department for Communities and Local Government, NHS England, Public Health England and more. A renewed focus of this partnership effort delivering on this commitment will be crucial to taking opportunities for developing housing that delivers health benefits for all.

NHS Confederation told us that:

**"Local authorities have an important role in health, not least through their responsibility for housing.**

**It is important that local government and the NHS are supported to develop relationships and structures ... that better enable them to share resources such as land, and to plan and deliver services including housing in an integrated way for the benefit of their local populations."**

<sup>21</sup> DCLG (2016) 2014-based Household Projections: England, 2014-2039 DCLG Housing Statistical Release 12 July 2016



Age UK told us that:

**“The demands of an ageing population mean that authorities must consider measures that can help to reduce demand on health and social care services over the long term.”**

The Centre for Ageing Better pointed to research findings that:

**“The impact of poor housing on health is similar to that of smoking or alcohol and that poor housing costs the NHS at least £1.4 billion each year.”<sup>22</sup>**

Councils play a pivotal role in planning places and services which can meet the evolving and varied situations of people as they grow older. In this section we summarise some of the commission’s key recommendations for helping to make this happen.

## PLANNING FOR POPULATION AGEING

**It is recommended that local and national government work together to:**

- 22.** Develop a renewed national and local focus to create homes and neighbourhoods integrated with health and care services to support positive ageing.
- 23.** Encourage health and wellbeing boards to work across local areas in bringing together planning, health and care partners to develop a collective strategic ambition for delivering housing that enables healthy ageing alongside health and care services.
- 24.** Support local health, care and housing sector partners to start an early collective conversation with people about both their current and future housing aspirations and needs as they age.

Everyone is an individual with different needs and aspirations, and will have varying experiences of ageing. Over 65s represent a huge diversity of circumstances, different income groups, lifestyles, expectations as well as housing, health and care needs.

Many people in their 60s, 70s, and even 80s will still be active, fit and healthy, and interested in new opportunities to work, volunteer, travel and pursue other interests. Many will be involved in caring for family or friends. Nevertheless, almost 70 per cent of over 85s have a long-term illness or disability – double the proportion of 65 to 74s – and in some cases will require homes and community services that enable healthy, independent living.

<sup>22</sup> Building Research Establishment (2015)  
The cost of poor housing to the NHS



The Chartered Institute for Housing told us that it is critical to:

**“Align housing needs assessments with the joint strategic needs assessments of the health and wellbeing boards to ensure all partners have a robust picture of current and future population needs.”**

This should:

**“Translate into clear requirements set out in housing strategies, Local Plans and supplementary documents; for appropriate specialist housing, and for adequate numbers of wheelchair and adaptable mainstream housing, well located and connected to facilities and transport.”**

All local areas are set to see an increase and diversity in the number of older people, but the scale of demographic change varies locally. It is not sufficient to assess demographic change on population growth overall, but to also factor in the trends between areas that impact on the proportion of older people, for instance house building overall, or the movement of young people in or out of an area.

# HOUSING AT THE HEART OF INTEGRATED HEALTH AND CARE

These trends are reflected in Figure 10 below. Traditional retirement areas like Eastbourne, towards the top-right of the chart, have high proportions of and net increases in older people. At the bottom-left are urban areas such as Manchester, and places with low levels of housebuilding, which have lower proportions and net decreases of older

people living there – though Manchester has double the number of people aged over 65 than Eastbourne.

The areas with the highest projected growth in older people, represented as orange on the chart, are typically those that have seen lots of housebuilding.



**Figure 10 Over-65s existing housing demand model**  
Source: Savills Research





Councils have responsibilities for planning, housing, social care and public health, as well as playing a strategic role in partnership with clinical commissioning groups and others in the planning and provision of healthcare services. They are therefore well placed to proactively plan for meeting the housing, care and health needs of their ageing populations. In two tier areas, local housing authorities are increasingly engaged to help ensure that housing solutions are part of the broader health and wellbeing focus in local areas.

Local efforts should be supported by a government drive to elevate and support locally-led planning approaches to delivering well-designed places and economies, as set out in the last section. As far as possible, the Government should limit the impact of national interventions on a local planning system's capacity to respond to the aspirations of its communities, and enable councils to adequately fund planning services by allowing them to locally set planning fees.

**Knowsley Council's** Older People's Strategy has been developed with Knowsley's Older People's Voice, who make up over half of the action work groups informing the development of housing and other services. The council subsequently created a coordinated Centre for Independent Living which brings together information and advice, equipment, home adaptations and related services.

### **Leicestershire's Housing Services Partnership**

– including the county council, district councils, and voluntary and community sector – have come together to develop its housing offer to health. Working with the Health and Well-Being Strategy, the partnership is aligning housing strategy with Better Care Fund priorities to transform services, such as the Lightbulb Project integrating housing support with a preventative focus and a Housing Enabler Project supporting hospital discharge.

## ADAPTING EXISTING HOMES TO SUPPORT FUTURE HEALTH AND AGEING

**It is recommended that local and national government work together to:**

- 25.** Ensure sufficiently funded systems are in place to enable older people to modify their homes to support prevention and positive ageing in ways that generate savings to health and care services.

Foundations told us that:

**“More than 90 per cent of older people will continue to live in general housing and will need help to maintain their independence.”**

## HOUSING AT THE HEART OF INTEGRATED HEALTH AND CARE

The vast majority are satisfied with their home<sup>23</sup>, although two million are living in predominantly owner occupied<sup>24</sup> non-decent homes. Around 20 per cent of the adult population are disabled, around half are over 65 and the incidence of disability tends to increase with age<sup>25</sup>.

Improvements to the suitability of housing for older people benefits individuals, their families, carers and services. Home modifications and repairs can enable independence at home, speed up hospital discharge, prevent the escalation of need and support wellbeing. There can also be significant savings to the public purse. Injuries due to falls among older people have been estimated to cost the state over £1 billion a year, and the majority take place in the home<sup>26</sup>.

Habiteg pointed to research findings suggesting that:

**“Every £1 spent on housing adaptations is worth more than £2 in care savings and quality of life gains<sup>27</sup>.”**

The recent increase in the Disabled Facilities Grant (DFG) and its inclusion in the Better Care Fund provides councils with an opportunity to integrate provision, however there is concern about the future funding of adaptations.

The Chartered Institute for Housing told us:

**“Councils are regularly topping up the amounts (of DFG) they use in attempts to meet demand” and that they were “concerned that some councils are reaching the limits of their borrowing capacity and that, in many places, the additional funding will plug gaps left by falling or removing top ups rather than providing the additional adaptations anticipated.”**

Nevertheless councils are increasingly seeking to innovate in their use of funding. The Home Adaptations Consortium is building up a range of case studies of integrated services, including Independent Living Centres that provide assessment facilities and co-locate professional teams to improve accessibility; fast track adaptation services focused on successful hospital discharge; expanded services that provide cross subsidy to the adaptation team; and improved procurement and permissions processes to streamline and cut down the time for grants to be agreed and adaptations provided.

23 DCLG English Housing Survey Housing for Older People Report, 2014-15 Department for Communities and Local Government, 2016

24 Garrett H, Burris S. Homes and ageing in England. Watford, UK: BRE Trust, 2015

25 Based on the latest available mid-year Population Estimates for the UK, mid-2014 (ONS)

26 Preventing Falls, Help the Aged, 2007

27 Building a business case for investing in adaptive technologies in England, London School of Economics, 2012



Local government also has a potential role in working with the private sector to develop low-cost, risk free financial products specifically for older people to enable equity release for the purpose of ‘future proofing’ their homes. Schemes should form part of a wider local offer of advice and support to older people offered by councils through locally determined sources of impartial, independent information and advice about later life housing, care and finance.

**Cornwall Home Solutions** (CHS) has integrated and co-located occupational therapy, Disabled Facilities Grant teams and housing improvement services into a single place to offer one point of contact for each person accessing support to adapt their home. CHS uses flexibilities to offer a range of support focused on individual need, and has established a triage and targeting model to fast-track those with specific need.

**Age UK** established a successful integrated care service in Cornwall in 2013. It is now setting up pilots in Portsmouth, North Tyneside, Ashford and Canterbury, East Lancashire, Blackburn with Darwen, Redbridge, Barking and Havering, Sheffield, Guildford and Waverley. These will focus on vulnerable older people leaving hospital and reduce re-admissions by taking a person centred approach that links different support services together.

## INTEGRATING HOUSING, CARE AND HEALTH IN COMMUNITIES

**It is recommended that local and national government work together to:**

- 26.** Plan and deliver housing as part of emerging integrated health and social care services, activities and facilities designed to support older people to age well in their homes and communities for longer.

Age UK told us that:

**“Co-locating independent living services is a more efficient, effective and joined up way of delivering these services,”** making it **“easier for older people to obtain packages of support that meet their individual needs.”**

NHS Confederation agreed and told us that health partners should continue to build strong relationships that will:

**“Enable them to pool resources and join up the planning and delivery of services including housing,”** and that **“the Government and national bodies need to provide the flexibilities and support to enable this type of integrated approach to be taken locally.”**

## HOUSING AT THE HEART OF INTEGRATED HEALTH AND CARE

Many councils are seeking to bring together community services that support older people to live in their homes for longer, including joint commissioning across housing, health and care. These can include council funded services, and community and voluntary schemes, such as handyperson support, room sharing schemes, and installation of technological support. The integration of services into the community, and locating them in public settings such as health facilities, helps foster partnership models whereby referrals can be made by health and care workers, GPs, charities and other public and community organisations.

Some councils have developed community based schemes in housing with care settings, with a model based on sharing onsite services and facilities with older people living in the wider local community. This can take many forms, including a team based onsite delivering care and support to people living nearby, or an NHS or other community health service being provided using the setting as a venue on one or more days a week – such as a GP surgery.

Alongside an effort to modify homes to support positive ageing, the integrated models which combine elements of housing, health and care can offer a valuable opportunity for supporting older people to live independently in their home and in the wider community for longer, with resulting revenue savings. Housing providers are working with health-based organisations to reduce demand through joint health projects that build on housing providers' relationships and understanding of tenant needs.

Funding changes and pressures are, however, making it more difficult for councils and housing associations to build new Extra Care schemes, and to provide discretionary health and housing support. Councils should continue to work together and with the health sector to plan healthy places to age, further exploring the opportunities to jointly commission services. Government should create the conditions that support councils by creating a more stable funding environment, and providing incentives for other nationally funded agencies to participate in emerging integrated models.

**Derby** has developed a Healthy Housing Hub that offers older people help to reduce home accidents, falls and general health risk, reduce demand on health and social care services and to support older peoples to live independently. The hub provides advice and support, and undertakes work and assistance to help make homes safe and habitable. A pilot study demonstrated that people with a history of falls that received services had a reduction of 54 per cent in acute hospital stays.

**Gloucestershire** has 19 community hubs operating countywide, either purpose built or in Extra Care Housing schemes, village halls and day centres. They offer drop-in daytime opportunities or whole day opportunities for people over 55. An assessment by Housing LIN found the model significantly increased activity, social contact, levels of independence and health and wellbeing.



**Bristol** has developed a new service around individuals. There is one manager with an integrated team of occupational therapists, caseworkers, surveyors and technicians. At the point of the first enquiry a triage system directs people down different routes. This includes a new re-housing occupational therapist role created to give older people advice and practice help with moving and to provide better links with services dealing with new accessible housing, home choice and allocations.

## BUILDING NEW HOMES THAT OLDER PEOPLE WANT AND NEED

### It is recommended that local and national government work together to:

27. Take opportunities to invest in building the mix of new homes that different groups of older people want and need and, through the planning system and in their use of land, also enable the private sector to increase its contribution.
28. Provide stable funding and policy support to increase the supply of **1)** specialised housing for more vulnerable older people and **2)** healthy lifetime homes providing attractive options that stimulate proactive moves among 'younger old people' in advance of a health crisis.

There is an acute need to provide more housing which is suitable for an ageing population. Only 7 per cent of the current English homes (1.7 million) include the basic four accessibility features: level access to the entrance, a flush threshold, sufficiently wide doorsets and circulation space, and a toilet at entrance level<sup>28</sup>.

Housing specifically for older people accounts for just 6 per cent of existing stock and of just 7,000 of the 155,000 homes built in 2014/15. There are significant gains for local authorities seeking to increase the supply of homes built specifically for older people and for general needs stock that supports positive ageing, including homes that meet Lifetime Homes Standards or HAPPI 10 design principles<sup>29</sup>.

As set out in sections one and two, partnerships between the private sector and councils and their partners can play a central role in increasing the supply of housing that is not being met by the market. For instance, councils can release their own land for the purpose of providing healthy housing for all ages, and find new ways of investing directly in the construction of housing suitable for meeting the needs of older people in their area.

There is a particular opportunity for councils and the NHS to work collaboratively in releasing land for development of healthy, inclusive housing as well as housing for specialist needs.

28 English Housing Survey Adaptations and Accessibility Report, 2014-15, Department for Communities and Local Government, 2016

29 Housing our Ageing Population Panel for Innovation, [www.housinglin.org.uk/Topics/browse/Design\\_building/HAPPI/](http://www.housinglin.org.uk/Topics/browse/Design_building/HAPPI/)

# HOUSING AT THE HEART OF INTEGRATED HEALTH AND CARE

The NHS Confederation told us that:

**“There is space for an estimated 14,000 homes on currently unused NHS land” and that NHS leaders “increasingly realise the role good quality housing can play in delivering better health outcomes especially where it is part of an integrated care model.”**

As planning authorities, councils are also well placed to support, encourage and enable the private sector to build better, healthy homes. Councils can allocate well-located land for older people’s housing in Local Plans, introduce Community Infrastructure Levy and section 106 exemptions to increase viability, set local design standards, and clarify to developers the demand for different housing models for older people across an area. The Government should work with councils to set a national framework clarifying for developers the different housing models for older people, for instance adjusting the use classes which currently only define residential institutions and general needs.

**Kent Housing Group** undertook a review of the housing needs of its ageing population. It found an undersupply of specialist housing, and identified a range of solutions for increasing supply, such as allocating land for older people’s housing in Local Plans, increasing the density of older people schemes to help improve viability, exempt schemes from section 106 affordable housing and Community Infrastructure Levy, and consideration by the NHS of housing and care when it disposes of land.

## **Building specialised homes for older and vulnerable people**

Some older people prefer or require housing that offers specific care and support. Extra Care housing provides an alternative to traditional retirement and care homes, offering onsite care options that can respond flexibly to increasing need while helping older people retain their independence. The benefits to individuals and public services can be significant, one study suggesting residents living in Extra Care costs save the NHS £1,115 a year less per person, a reduction on NHS spend by 38 per cent<sup>30</sup>.

Though demand is strong, the expansion of Extra Care provision can be significantly constrained by large upfront costs, and challenges for buyers to access finance and afford high service costs.

<sup>30</sup> Extra Care Charitable Trust, key findings, 2015



The International Longevity Centre told us:

**“The historical decline in the construction rates of retirement housing stems from the withdrawal of the public sector from such construction.”**

The British Property Federation told us that:

**“Development can be held back by a lack of understanding of future population growth and increasing competition for land from volume house buildings as the residential markets recover.”**

Private sector provides around a fifth of retirement housing, catering for the higher-end market.

Councils and housing associations are working to support the development of Extra Care schemes. Local efforts to get schemes off the ground often involve the innovative use of public land and bringing together a range of funding and borrowing. While there has been some welcome support from government, uncertainty and shifts in funding can hamper local efforts to increase the supply.

Many partners, including NHS Confederation, Public Health England and the National Housing Federation expressed concerns shared by councils that reforms to housing benefit will:

**“Discourage the building, management and maintenance of supported housing for older and vulnerable people.”**

Government should work with councils and housing associations to provide a sustainable funding framework through which to offer the certainty and clarity to invest in the future development of Extra Care housing as part of wider supported housing.

The Local Housing Allowance cap rate is not sufficient to meet the higher rents associated with the needs of vulnerable people in supported housing. Older people in sheltered housing should receive housing benefit and an additional support payment, administered at a national level, via their pension credit, that means the full cost of their housing is met. Vulnerable people with a higher level of need, such as those with learning disabilities and behaviours that challenge, should receive housing benefit and be supported by a grant to councils that sufficiently allows them to meet the additional rent and support costs these groups incur.

# HOUSING AT THE HEART OF INTEGRATED HEALTH AND CARE

**Oxfordshire County Council** in partnership with the health and wellbeing board has delivered over 800 Extra Care Housing units for older and disabled people aged 55 and over and has demonstrated that each placement can save an average of £120 a week compared to a similar placement in a care home. The council invested in the initial sites on its own land to help provide 'proof of concept' and established Extra Care housing as central to its spatial planning agenda for partners, alongside a comprehensive market position statement to attract further investment.

## Developing the market of lifetime homes

While specialist housing for older and other vulnerable people is important, the scale of demographic change and the characteristics of the existing housing stock demands a rapid increase in the number of healthy lifetime homes which are flexible to changing needs across the life course.

Age UK told us that:

**“The higher building standard should be the minimum requirement for all new homes and would require an additional cost of around £545.”**

The Royal Institute of British Architects told us of their concern that too many:

**“new homes are too small” and that “thousands of new homes fail to meet advised minimum floor areas.”**

There is an opportunity for the private and public sector to work together in providing new homes that support positive ageing for all. New housing policy and supply generally focuses on first time buyers, which can be undesirable for older people. Housing supply for older people tends to focus at one of the two extremes of the housing market: an emerging private sector offer focuses on the more affluent older market with higher equity levels, and the social housing sector is generally targeted at the most vulnerable.

There is a large group of younger older people with average asset wealth that might be interested in moving but for which there are insufficient options. There are potentially significant advantages in providing positive choices for this group. Enabling older people to make positive decisions to move to properties that support healthy ageing can reduce cost pressures on health and care services, whilst also releasing larger family properties into the market.

There are new schemes beginning to emerge that provide well-designed options able to offer attractive housing that is better designed for healthy, positive ageing. Such schemes do not provide support traditionally associated with retirement or supported housing, but tend to be built to specific standards set out by the Housing our Ageing Population Panel for Innovation (HAPPI). These include generous





internal space standards, units that are care ready, adaptable for new technologies, energy efficient and well-insulated, shared spaces to encourage interaction and remove an institutional feel, and design that engages positively with the local communities.

The focus on individual units of accommodation and scaling back of communal facilities can support viability for private developers and make it more easily adapted to different local housing markets. This allows providers to offer more affordable housing options to a larger market of older people without significant levels of equity, for instance in lower-value areas or for individuals that do not own their home.

Government should also consider how it can work with councils to support the market to develop. In particular national priorities that have directed public grants primarily towards home ownership options could direct a proportion of capital grant investment from the Homes and Community Agency and Health Authority to fund new housing options for older people.

**Sunderland City Council** had adopted an overarching vision for the quality housing with care for older people to achieve greater independence, which has given confidence to partners developing sustainable homes for older households. The council's commitment to HAPPI designs has helped keep couples together, enabled older households to live in their homes independently for longer, resolved underoccupation, reduced care fatigue, and delivered more personalised care to individuals, as well as preventing bed-blocking in hospitals.

Hanover Housing is developing a new model of bespoke housing for older people designed to HAPPI standards. Targeted at a younger spectrum of older people, they are designed to support people to downsize from family housing to high quality apartments. The model provides the additional security appreciated by older people but without the additional support that falls outside housing benefit which avoids challenges around revenue funding.

## HOMES IN HEALTHY AGE FRIENDLY PLACES

**It is recommended that local and national government work together to:**

- 29:** Build Age Friendly neighbourhood principles into planning policies, integrating All Age Friendly housing as part of healthy, inclusive mixed tenure housing developments.

Public Health England told us that:

**“Neighbourhood design can have a profound impact on the physical and mental health of communities. The key to successful places lies in the communication between services and proximity of amenities, from healthcare facilities to green infrastructure to local transport networks.”**

## HOUSING AT THE HEART OF INTEGRATED HEALTH AND CARE

Similarly, the Chartered Institute for Environmental Health told us that:

**“Neighbourhoods are crucial in tackling health inequalities through the creation of sustainable communities.”**

The needs of an ageing population do not end in the home. There is a graded relationship between environmental conditions and levels of area deprivation and individual need. The nature of the physical and built environment within a neighbourhood can be a positive force for good in shaping health outcomes. But some physical environments can also be a source of harm, and a barrier to tackling the underlying causes of housing problems and poor health.

Most people as they age generally wish to stay engaged with their families and communities and are likely to prefer intergenerational neighbourhoods which bring older people into contact with all generations, potentially resulting in contact across age groups, enhancing support networks and reducing social isolation.

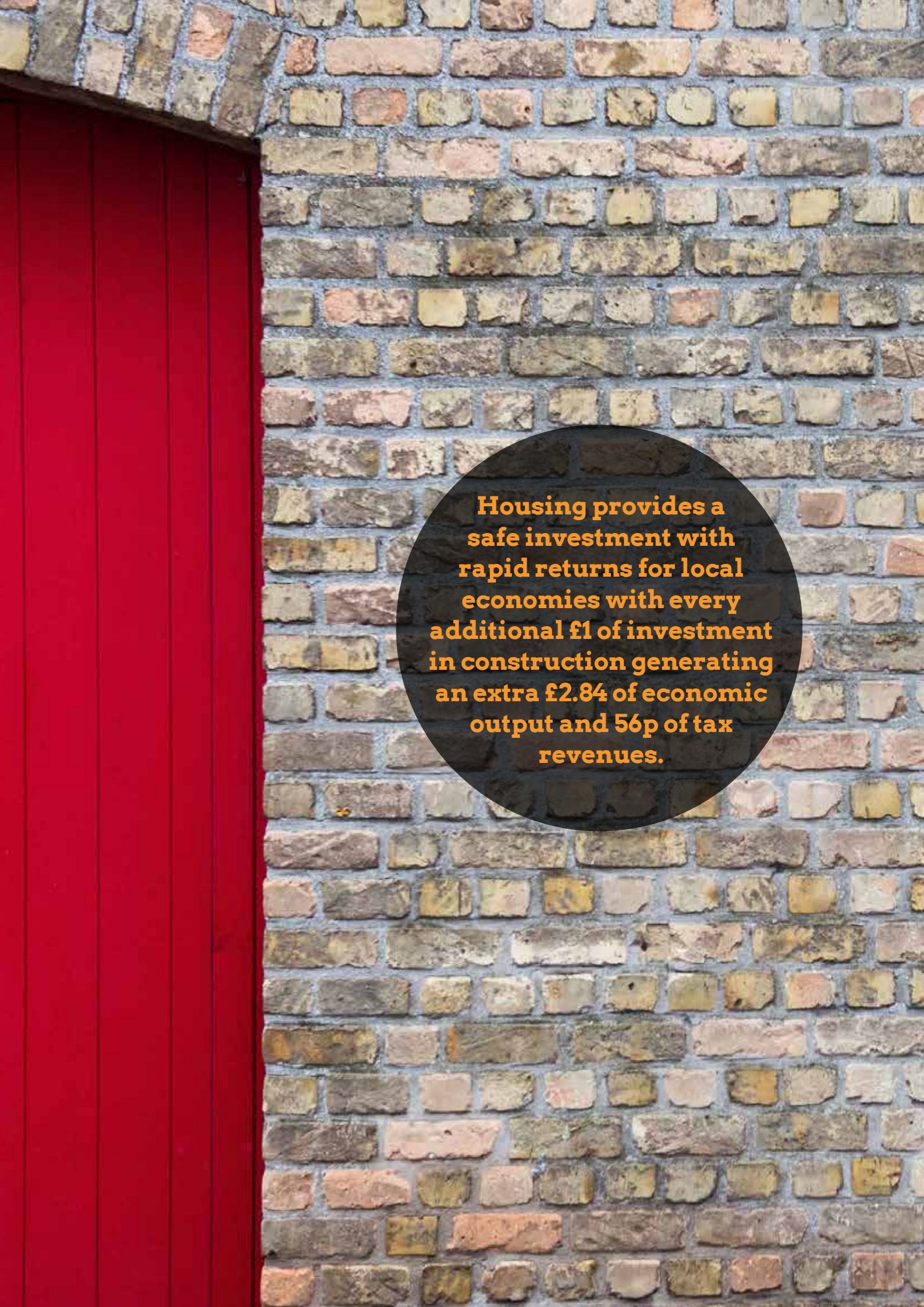
Housing should be a gateway into the wider community, not a source of refuge from the real or perceived perils of living within a particular street or neighbourhood. Use of physical spaces and movement between locations shapes social connections and to some degree determines opportunities to participate in community activities and decision-making.

New models of housing for older people without the direct access to support and care traditionally associated with retirement housing increases the significance for lifetime housing which is embedded in local, intergenerational communities, with good access to amenities within a safe built environment.

Large residential developments, urban extensions and estate regeneration projects present particularly good opportunities for the inclusion and integration of housing for all ages at their ‘heart’, in order to create sustainable, healthy, age friendly communities. The Healthy New Towns initiative provides an opportunity to test this out further.

**Manchester** was the first Age Friendly city in the UK and is implementing a plan to engage with communities around the ambition of building Age Friendly neighbourhoods and services. The World Health Organisation (WHO) defines Age Friendly cities, which includes a focus on outdoor spaces, housing, transportation and social participation and inclusion.



The image features a background of a textured stone wall with a red wooden door frame on the left side. A dark circular callout is centered on the wall, containing text in a bold, orange font.

**Housing provides a safe investment with rapid returns for local economies with every additional £1 of investment in construction generating an extra £2.84 of economic output and 56p of tax revenues.**



# INCREASING EMPLOYMENT AND EARNINGS OF HOUSEHOLDS IN NEED OF AFFORDABLE RENTED HOUSING

**Security in home and employment are fundamental to wellbeing and raising a family, however far too many people in affordable rented housing are out of work.**

Housing provides people with the security that is crucial for them to find and sustain work, but many tenants in affordable housing struggle to progress in the jobs market.

The figures are stark: 48 per cent of working age tenants are in work compared to 72 per cent for England; 33 per cent have no qualifications compared to 15 per cent nationally; even those with degrees are three times more likely to be out of work compared to all graduates; and 30 per cent of affordable housing households live in poverty – three times owner occupiers.

The housing crisis is not just about bricks and mortar, it is also about the opportunities for families get to secure a decent and stable income. For those five million in affordable rented housing the aim needs to be 'jobs, housing and wellbeing' not just building more homes.

People in lower cost housing are more likely to benefit from employment support, and providers of affordable housing will be central to improving outcomes for their tenants, however as house prices rise above earnings, the demand for housing options for different incomes will continue.

Radical steps are needed to coordinate housing and employment strategies to support workless tenants into employment and to progress their earnings, especially those with more complex barriers. This will be ever more crucial in supporting people to adapt to increasing gaps between housing costs and family incomes into the future.

In this section we explore how this can be better achieved.



# INCREASING EMPLOYMENT AND EARNINGS OF HOUSEHOLDS IN NEED OF AFFORDABLE RENTED HOUSING

## BUILDING MORE AFFORDABLE HOMES ALONGSIDE RAISING INCOMES

**It is recommended that local and national government work together to:**

- 30.** Increase the number and range of social and affordable rented housing options for lower income families, and work together with the aim of guaranteeing employment and careers support for affordable housing tenants so they can find, sustain and progress in employment.

Employment will not, on its own, reduce the demand for affordable rented housing. Even if the country is able to maintain high employment levels up to 2024, a minimum of 3.98 million people will need access to affordable rented housing, as earnings struggle to keep pace with housing costs. It will take decades of significant housebuilding to begin reducing prices, making the need to invest in new affordable housing immediate. Even in social rented properties, tenants pay on average 28.6 per cent of their total household income on rent.

Projections estimate nearly 30 million jobs in the national economy by 2024, an additional 5.6 million jobs from 2011 levels<sup>31</sup>. However the number of workers in the economy with lower skills is forecasted to be 14.2 million<sup>32</sup>, for which there will be just 8.3 million jobs, whilst there is forecast to be 15.6 million people with the skills to take 21.5 million higher skilled jobs. Employers and public

services face the challenge of training 4.5 million adults to a higher qualification in order to ensure there are sufficient skills to take the new jobs.

If we are successful, the increasing housing costs relative to incomes will mean almost four million households will remain in need of affordable rented housing options. Should we not succeed, or the economy create fewer jobs than projected, then there will likely be further challenges for those in need of affordable housing to secure a job and increase earnings.

Councils and housing associations want to do more to support their tenants to attain higher skills and sustainable employment on a decent wage. The National Housing Federation (NHF) told us that:

**“Councils and housing associations, working together, are uniquely placed to provide employment support to those living within their homes and communities,” and that “they have a long term interest in the wellbeing of their residents and have strong social and business drives which support moving tenants into the security and dignity of work.”**

<sup>31</sup> Working Futures for England, UKCES

<sup>32</sup> Qualified to level 2 or below: if qualifications proportions remain the same as Census 2011 levels



Employment has wide ranging benefits for the economy and public services. Tackling worklessness and low pay reduces poverty and decreases public expenditure on welfare spending, with indirect savings in other public service areas including health, crime and social services: £1 in every £5 spent by government is linked to services dealing with poverty which amounts to £78 billion each year<sup>33</sup>. It also increases government revenue through increased taxation and reduces expenditure on Universal Credit and other welfare payments.

There is a strong economic and social case to invest in support services for tenants. However, social landlords find that their existing efforts are often unvalued and ignored by central government. The NHF estimate that around 40 per cent of housing associations run employment and skills programmes and more plan to do so. Around 85 per cent of councils using ALMOs report that they provide “initiatives to tackle unemployment”.<sup>34</sup>

In addition, social landlords are large employers in their own right and it is estimated that housing associations have recruited 12,000 apprentices over the last three years.

At the local level there are excellent examples of where social landlords work together with councils, other providers, and the local job centre. However, at the national level the contribution of social landlords is rarely acknowledged, missing the potential social landlords can bring to positively engage with workless tenants. To change this the

Department for Work and Pensions, councils and social landlords need to plan and deliver services in a new way.

## EMPLOYMENT SUPPORT FOR HOUSEHOLDS IN AFFORDABLE RENTED HOUSING

**It is recommended that local and national government work together to:**

- 31.** Engage employment providers and other social landlords to improve the understanding of successful approaches to provide employment support and explore how they can be scaled up and embedded within a more localised and integrated welfare to work system.

The Chartered Institute of Housing told us that many:

**“Housing providers have long running programmes to support tenants into education, training and employment...as part of their wider commitment to supporting tenants and local communities to thrive.”**

<sup>33</sup> Counting the cost of UK poverty, Joseph Rowntree Foundation, 2016

<sup>34</sup> National Association of ALMOs, 2015 Annual Survey

# INCREASING EMPLOYMENT AND EARNINGS OF HOUSEHOLDS IN NEED OF AFFORDABLE RENTED HOUSING

**“Many have developed programmes that take a community-wide approach and have become experienced at leveraging in additional funding streams to enable them to provide a comprehensive service in local areas.”**

Every person is different and support is most effective when personalised to their needs and potential. Social and affordable housing tenants are more likely to experience a wide-range of circumstances making finding work difficult. Such groups can include adults with health problems, long-term workless mothers, and those with low or no qualifications that have been out of work for a long time, and older people with poor mental health.

There is a significant and increasing demand for affordable housing from low and middle income families. However, with the current housing policies it is highly likely that social housing will continue to be focused on those people who are more likely to struggle in the jobs market. Our aspirations for workless social housing tenants should be to help them find work, improve their skills, increase earnings and, ultimately, enable them to have a choice of housing tenure.

The key challenge for workless social tenants is that mainstream national employment and skills programmes have generally struggled to be successful for those individuals furthest from the labour market and with more complex circumstances. For instance the

Work Programme achieved a 17 per cent job outcome rate for disabled people, compared to 34 per cent for non-disabled people.

Housing providers are well placed to improve outcomes. They have unique and generally more positive relationships with their residents than other services, they often operate in more deprived areas, they have a good understanding of the local labour market, they have a stake in the success of employment and skills programmes, and they are employers and investors in the community in their own right. There is, therefore, an opportunity to explore how the greater involvement of housing providers in the wider employment and skills landscape can better improve the outcomes for more disadvantaged groups.

Successful local housing provider activity working with disadvantaged tenants has included:

- **Work focused training and work experience**, where workless individuals with low qualifications can train for a job before a period of work experience and the offer of a guaranteed job interview at the end of the programme.
- **Personalised adviser-led casework support** for the most disadvantaged tenants, potentially those with health conditions or more complex barriers to employment. Each individual is offered tailored support from a trusted outreach adviser, supporting them through both the general and specific steps towards sustained work.





- **Jobs-Plus model** bringing together employment, training, housing and community services in areas with high levels of worklessness; for which a pilot has been launched. They offer personal adviser support on site, general financial advice and counselling, and integrate housing and employment support so housing staff can steer tenants towards employment support and a job.

Looking ahead it will be important that local programmes developed and delivered by housing providers are understood and integrated into wider nationally funded services from Job Centre Plus or by nationally contracted programmes such as the forthcoming Work and Health Programme, which will focus primarily on people with health and other barriers to employment, to better help social housing tenants.

**St Leger Homes** of Doncaster has developed the World of Work Academy providing training, qualifications, apprenticeships and work placements to tenants and members of their households that are unemployed. It is funded by St Leger Homes but has been able to find a sustainable funding model working with a college, Jobcentre Plus and employers.

**Homes for Haringey** have established Project 2020 which focuses on supporting tenants of working age back into employment and training. It provides one-to-one adviser support and has supported 130 residents to establish action plans towards finding work, and referred over 250 young people into various local programmes.

**Cheltenham Borough Homes** has developed an Employment Initiatives service providing a diverse range of services and opportunities to support employment, education, training and volunteering, as well as broader approaches to building confidence and independence. Services are delivered through a mix of outreach and work clubs within community settings. It takes referrals from Jobcentre Plus, but three quarters of residents refer themselves following recommendations from other tenants. Ninety per cent of participants have an agreed action plan.

## ENABLING AND SUPPORTING LOCAL LEADERSHIP

**It is recommended that local and national government work together to:**

- 32.** Mobilise partners around a shared ambition to design an integrated local support pathway for workless tenants.
- 33.** Pilot ways to financially reward those housing providers who are successful in supporting tenants into work and increasing their earnings.
- 34.** Consider setting minimum and costed support services for disadvantaged tenants with the aim of reducing workless tenants and the numbers of children living in poverty.

Central and local government should explore together ways in which scarce resources are better used and focused. There is a need to align the strategic and operational ambitions of different partners around a joint goal for achieving outcomes for different groups of tenants.

## INCREASING EMPLOYMENT AND EARNINGS OF HOUSEHOLDS IN NEED OF AFFORDABLE RENTED HOUSING

The current system is complex, confusing and wasteful. Instead, workless tenants need a clear journey which can guarantee them the support they need to progress. Councils are well placed to enable this with their local partners, but national funding rules often make it difficult for partners to jointly plan or deliver support.

This is already being explored by DWP through their 'Universal Services Delivered Locally'<sup>35</sup> (USDL) pilots, which are trialling the assessment and support available to vulnerable claimants who are claiming, or will need to claim, Universal Credit. In the trial areas the pilots are operated in partnership between the local authority and local Jobcentre Plus staff. This, and other examples, of cooperation and co-location between local government and Jobcentre Plus points the way forward.

Crisis agrees that:

**“Housing providers are in an ideal position to help tenants both sustain their tenancies and find work. This is particularly the case where cross-cutting issues such as low self-esteem or chaotic lifestyles are contributing factors to both being out of work and struggling to maintain a tenancy.”**

It pointed to research that found:

**“A tenant’s financial situation was the most important determinant of tenancy failure, with insecure and casual employment the most prevalent contributing factor to rent arrears.”**

The National Development Team for Inclusion told us that:

**“Improving the system requires more joined up thinking at a strategic level so that the various partner agencies – including welfare and benefits, employment support, housing, primary and secondary healthcare, social care, commissioners – ensure that they are working to a common aim and clarify and understand their respective roles in achieving this.”**

The challenging public finance backdrop reduces the capacity for individual housing providers to design and deliver employment and skills interventions for their tenants. Council funding reductions and the reduction of affordable housing rents reduce the capacity for providers to invest in discretionary services, such as employment and skills support.

<sup>35</sup> See <https://www.gov.uk/government/publications/universal-support-delivered-locally-information-for-local-authorities>



Furthermore, the nation should be investing in support to workless and low income tenants to help them keep up with their housing costs and stop spending increasing amounts on dealing with the repercussions of poverty, such as funding temporary accommodation and housing benefit, the costs of which are becoming increasingly unsustainable in many areas.

Government might therefore explore new models for financially rewarding housing providers who are successful in supporting tenants into work and increasing their earnings. With every claimant who moves into work or increases their wages, it reduces the welfare bill and to incentivise housing providers to improve services they should be permitted to retain some of the additional savings.

#### **Brighton and Hove Housing Service**

offers apprenticeships, traineeships and work placements, and has encouraged its repairs partner Mears to run an apprenticeship programme, which has included 103 apprenticeships, with 21 people offered employment as a direct result. The opportunities form part of the Housing Employment Support project offering a wide range of employment and training advice to tenants.

#### **Bradford Council's Housing Options**

service is developing a 'single gateway' to housing related support, providing all vulnerable clients a holistic assessment of their health and employment support needs, while their housing needs are assessed.

## **FLEXIBILITIES AND INCENTIVES TO ENCOURAGE JOINT WORKING**

**It is recommended that local and national government work together to:**

- 35.** Develop a localised employment and skills infrastructure with Jobcentre Plus embedding its services with local partners, including housing providers.
- 36.** Promote the role of housing providers in delivering nationally commissioned programmes, such as the Work and Health Programme, and improve how DWP contractors engage with, and finance, housing providers.
- 37.** Enable the efficient sharing of information and data with housing, health and employment providers including local services and nationally funded providers.

Housing providers are trusted partners in communities, and the employment sector would benefit from knowing the housing status and landlord contacts for the individuals, residents and communities they are working with. The Chartered Institute of Housing told us that:

**“Housing providers had an appetite to work with services and prime contractors within the welfare to work system,” but that success “has been variable, due to restricted payment models and lack of up front funding.”**

## INCREASING EMPLOYMENT AND EARNINGS OF HOUSEHOLDS IN NEED OF AFFORDABLE RENTED HOUSING

The National Housing Federation told us that:

**“Any new programmes should seek to facilitate information sharing between contractors and non-contractors where they are both offering employment support to a claimant,” which would “enable limited resources to be targeted much more effectively, saving money and ensuring better outcomes for the service user.”**

It also told us that:

**“The move towards devolution of employment and skills in many areas presents significant opportunities for local authorities and housing associations to strengthen future programmes to better meet local needs.”**

A new long-term vision of integrated and localised employment and skills support needs to be developed, and needs to include the central role of housing providers to provide the pathway for tenants to increase their employability, find a job and increase their income.

As Jobcentre Plus reduces its local offices over the medium-term, there will be further opportunities to develop a local ‘single front door’ into housing and employment support within communities. Jobcentre Plus should be required to identify the housing circumstances of new claimants and whether they are a tenant of a social landlord, and if they are already receiving some support.

In the short-term housing providers are under continued financial pressure to reduce the support offered to tenants. Central government and DWP programme contractors need to incentivise housing providers to maintain provision, and explore the best ways to work together within the restrictions of national programmes such as the Work and Health Programme. For example, housing providers should be able to offer voluntary access to the new Work and Health Programme for tenants for whom it will have a beneficial impact. Where it has been devolved there is an opportunity for councils, housing providers and contractors to pilot innovative ways of working to share across the country.

To break down silos and enable partners to better target and sequence services, the employment and housing sectors must be able to efficiently share data and information. This should include Jobcentre Plus, employment providers, and councils working with housing associations. Departments



should work with local partners to make further progress on the timely sharing of intelligence across agencies, and seek to understand and reduce factors that discourage the sharing of data.

There are a range of activities that housing providers can undertake to improve and better understand the employment ambitions and needs of their tenants and those in temporary accommodation, for instance by asking new tenants whether they would welcome support to find work or increase their skills, and by beginning to capture information on the needs of those waiting on council housing lists.

**Birmingham City Council** are working with Jobcentre Plus to provide targeted employment support to tenants that have been most impacted by welfare reforms. Linked systematically to tenancy visits, a team of council and Jobcentre Plus Visiting Officers undertake a targeted programme to support tenants to engage in employability, employment and training support.



# NEXT STEPS

## **The LGA Housing Commission**

recommendations form the basis of our policy and lobbying programme throughout 2017, and it will shape our investments in improvement and good practice work with councils looking to innovate in how they meet the housing needs of their communities.

We welcome the views of councils and all of our partners on the recommendations and issues explored in this paper, and on opportunities for future collaboration.

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The LGA Housing Commission is led by the LGA Environment, Economy, Housing and Transport Board and has received advice from experts around the four interconnected themes.

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The commission is extremely grateful to the 87 written submissions received from a range of partners, and to partners that engaged with the commission through our regional events.

The blue mark identifies contributors that provided a written submission.

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- Bath and North East Somerset Council
- Big Society Capital
- Birmingham City Council
- Blaby District Council
- Bournemouth Council
- Bradford Metropolitan Borough Council
- Brighton and Hove City Council
- Bristol City Council
- British Property Federation
- Buckinghamshire County Council
- Building and Social Housing Foundation
- Calderdale Metropolitan Borough Council
- Cambridge City Council
- Carers UK
- Carplus
- Centre for Ageing Better

Centre for Cities

Charity Bank

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- Derby City Council
- Design Council
- District Councils Network
- East Herts Council
- East Midlands Council
- Eastleigh Borough Council
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- Equity Release Council
- Extra Care Partnership
- Federation of Master Builders
- Federation of Small Businesses
- First Wessex
- Foundations



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  - Homeless Link
  - Homes and Communities Agency
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- Housing Learning and Improvement Network
- Housing Renewal Partnership
- Hull City Council
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- Inside Housing
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- National Housing Federation
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- Older Peoples Housing Champions
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- Papworth Trust

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- Places for People

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- Royal Town Planning Institute
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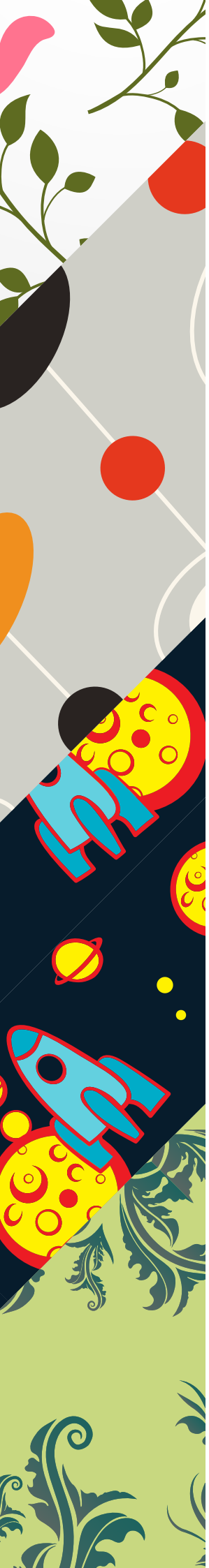


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