

# Local Government Association Briefing

## Housing and Planning

### House of Commons

03 March 2020



#### KEY MESSAGES

- Councils are working hard to deliver new homes and recent reports suggest that local authority house building programmes are on track to exceed government estimates. Council engagement and delivery will be key if the government is to meet their stated target of building 300,000 homes a year. The last time we built at least 250,000 homes a year, councils delivered more than 40 per cent of them.<sup>i</sup> Local government has an important role to play in achieving this ambition both as leaders of place through the planning system and as builders of homes in their own right.
- Through its sector-led improvement offer, the LGA helps councils improve performance, become more efficient and effective, and share good practice. As part of that offer, we provide a Housing Advisers Programme which supports councils seeking to innovate in meeting the housing needs of their communities. In the previous three years of the Programme, we have funded over 170 councils to help councils build homes, reduce homelessness, plan for population ageing, understand the student housing market, increase supply of modular housing and develop approaches to decarbonising homes.<sup>ii</sup>
- It is vital that the local plan-led system is protected, so that councils and the communities they represent have a say over the way places develop. This is the best way to ensure homes are built to a high standard, with the necessary infrastructure, and that affordable housing is provided. Planning departments need to be properly resourced and allowed to set their own planning fees. Taxpayers are currently subsidising a £200 million annual bill to cover funding shortfalls.<sup>iii</sup>
- Council housebuilding and reform to Right to Buy to put it on a more sustainable footing, are both critical to boosting the supply of new homes. Councils should be given additional flexibilities and funding to build desperately needed affordable homes. They should be able to: keep 100 per cent of Right to Buy receipts to reinvest in new homes, set Right to Buy discounts locally and be able to combine receipts with national grant funding.
- Since the removal of the Housing Revenue Account (HRA) borrowing cap in 2018, 94 per cent of housing stock-owning councils have said they will use the new powers to increase housebuilding.<sup>iv</sup> Recent analysis shows that councils are planning to build over 77,000 homes in the next five years and have completed around 19,000 net additions in the last 5 years.<sup>v</sup>
- Councils, housing associations and the development industry need to work together to build homes of all tenures so that everyone has the opportunity to live in a safe and secure home that they can afford. The building of homes at social rent is at an historic low, leading to more and more families being pushed into the insecure private rented sector. Social housing should be treated as a vital national investment and seen as a desirable long-term option for a home.
- We are calling on the Government to use the Budget to give councils the tools and powers they need to resume their historic role as major housebuilders of good, quality affordable homes for social rent, and to invest in homelessness prevention.

# Briefing

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## **BACKGROUND INFORMATION**

### **Housing advisers programme: Sector Led Improvement**

The LGA offers a highly valued sector-led improvement programme, which offers robust peer challenge and support to help councils improve performance, become more efficient and effective and share good practice. As part of that offer, we provide a Housing Advisers Programme which is designed to support councils seeking to innovate in meeting the housing needs of their communities.

In the last three years of the Housing Advisers Programme, we have funded over 100 projects, supporting more than 170 councils to build homes, reduce homelessness, plan for population ageing, understand the student housing market, increase supply of modular housing, develop approaches to decarbonising homes and more:<sup>vi</sup>

New LGA guidance for local authorities on formulating, delivering and governing local homelessness strategies has been published on our website.<sup>vii</sup> This is intended to support local authorities, as well as inform Government work to reform the structures that support partnership working and accountabilities in homelessness.

### **Planning**

Planning permission granted for new homes have almost doubled since 2012/13.<sup>viii</sup> Councils have engaged positively with local communities and last year approved nine in ten planning applications and worked with developers to permission over 362,000 homes in the year to September 2019.<sup>ix</sup>

Recent analysis<sup>x</sup> shows that more than a million homes granted planning permission in the past decade have not yet been built. The latest figures show that 2,564,600 units have been granted planning permission by councils since 2009/10 while only 1,530,680 have been completed.

The planning system is not a barrier to house building. The number of homes granted planning permission has far outpaced the number of homes being built. Councils need powers to tackle the housing backlog and step in where a site with planning permission lies dormant and house building has stalled.<sup>xi</sup> Permitted development rules enabling change of use to homes without the need for planning permission are also resulting in the alarming potential loss of thousands of desperately-needed affordable homes.<sup>xii</sup>

It is also vital that the planning process is protected. Scrapping permitted development rules and supporting a local plan-led system, combined with the right powers and funding, will further enable councils to play a leading role in helping the Government tackle our national housing shortage. A local plan-led system also enables councils to take into account local communities' social, environmental and economic aspirations, which includes the necessary infrastructure and affordable housing.

Taxpayers are currently subsidising the costs of processing planning applications by around £200 million a year because the nationally set fees do not cover the cost.<sup>xiii</sup> Council planning departments could become self-financing through allowing councils to set planning fees locally. In advance of this, the additional 20 per cent national planning fees increase consulted on in 2017 should be introduced as soon as possible.

## **Council housebuilding**

Council housebuilding and reform to Right to Buy are both critical to boosting the supply of new homes, providing good quality homes to rent, reducing homelessness and tackling the housing waiting lists many councils have. To ensure people have the right access to a mix of housing, councils must be able to retain 100 per cent of Right to Buy receipts, be given the flexibility to set discounts locally and be able to combine receipts with grant funding, in order to invest in new and existing stock. Right to Buy has helped many families get on the housing ladder. However, councils are only able to use a third of each retained Right to Buy receipt to build a replacement home.

In the last six years, 79,119 homes have been sold off under the scheme at half the market price on average. This combined with restrictions on how sales receipts can be use has meant councils have only been able to build or buy just 21,720 new homes to replace them.<sup>xiv</sup>

At the end of 2018, following a long campaign by the LGA and others, the Housing Revenue Account (HRA) borrowing cap was removed. Since then, 94 per cent of housing stock-owning councils have said they will use the new powers to increase housebuilding.<sup>xv</sup> A recent report<sup>xvi</sup> by the Chartered Institute of Housing, National Federation of ALMOs and the Association of Retained Council Housing suggests that local authority house building programmes are on track to exceed government estimates. Other recent analysis<sup>xvii</sup> shows that councils are planning to build over 77,000 homes in the next five years and have completed around 19,000 net additions in the last 5 years.

While the lift of the cap is a huge step forward, there are several other cost pressures which are likely to impact on council housebuilding programmes. This includes additional costs from: building safety reforms, a potential revised Decent Homes Standard, a proposed Future Homes Standard and the recent interest rate increase for Public Works Loan Board loans.

## **Social housing and homelessness**

Social housing should be treated as a vital national investment and seen as a desirable long-term option for a home. The building of homes at social rent is at an historic low, leading to more and more families being pushed into the insecure private rented sector. In particular, only 4 per cent of homes (3,583 out of 90323) funded through the national Affordable Homes Programme since 2016 were for social rent.<sup>xviii</sup>

Councils are doing everything they can to tackle homelessness, support those affected and prevent it from happening in the first place.<sup>xix</sup> With more than one million households on council waiting lists, and over 86,000 households in temporary accommodation<sup>xx</sup>, it is more important than ever that councils have all the powers at their disposal to enable them to support the Government to be part of the solution and build even more homes for future generations.

A rising demand for homelessness services has led to nearly 70 per cent of councils overspending on their homelessness budgets.<sup>xxi</sup> This has been driven by a severe shortage of affordable social housing and huge gaps between rents and housing benefits in addition to the increasing cost of councils having to using temporary accommodation to place families.

We are calling on the Government to use the forthcoming Budget to give councils the tools and powers they need to resume their historic role as major housebuilders of good, quality affordable homes for social rent and to invest in homelessness prevention measures. Recent funding announcements for homelessness services, including additional resources to help

reduce homelessness and rough sleeping, will help councils to support government in tackling homelessness. However, this needs to be followed by a sustainable long-term settlement so councils can effectively plan and invest in homelessness prevention and minimise the need for emergency responses.

In addition, we are calling for Local Housing Allowance (LHA) rates to be restored to at least the lowest third of market rents as we work towards a sustainable long-term strategy to address the supply of affordable homes and ensure that household incomes cover the cost of renting. Recent research<sup>xxii</sup> for the LGA showed that the LHA rate now available for 9 out of 10 private renters across 279 local areas across the country is lower than their rent and is capped at, on average, just the 13<sup>th</sup> percentile of market rents. This means that in many parts of the country there are no properties available to those entitled to full support with their housing costs.

### **First Homes Consultation**

Councils support measures to enable home ownership as well as measures to ensure there are genuinely affordable homes available for people to event for rent. Not everybody is in a position to buy a home. We will be making the case in response to the recently published First Homes consultation that local areas will need discretion on the number of First Homes required in new developments. This will allow councils to ensure a mix of homes – to rent and buy – are available and affordable to people that need them.

### **Emissions reduction, retrofitting & The Future Homes Standard**

We support the intention of the Government's proposals to future-proof new build homes with low carbon heating and world-leading levels of energy efficiency and the commitment for a £3.8 billion capital Social Housing Decarbonisation Fund is positive. However, we have concerns that Government proposals do not go far enough.<sup>xxiii</sup>

Additionally, as the residential sector alone accounts for an estimated 18 per cent of UK emissions, there remains significant potential to retrofit existing properties in order to kick-start carbon reduction.

The National Infrastructure Strategy should consider the case for capital funding for the delivery of new or retro-fitted environmentally friendly homes and commercial buildings. As a significant majority of the homes that will be in place by 2050 have already been built, this should include retro-fitting existing homes as well as new-builds.

Local authorities are leading the way towards achieving net zero carbon, increasingly with ambitious plans to achieve this before the government's 2050 target. Many authorities have already been successful in achieving higher energy efficiency standards in new developments or requiring a financial contribution to a carbon offset fund where they are unable to meet more stringent standards. Restricting local authorities could stymie this progress and we oppose any proposals that would restrict local planning authorities from setting higher energy efficiency standards for new homes.

Any proposal for a new Future Homes Standard must acknowledge and recognise the cost implications and will require greater government investment to ensure delivery on all these programmes.

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- <sup>i</sup> LGA Media release, March 2018 (<https://www.local.gov.uk/about/news/lga-responds-latestgovernment-house-building-figures>)
- <sup>ii</sup> <https://www.local.gov.uk/housing-advisers-programme-201920-prospectus>
- <sup>iii</sup> <https://www.local.gov.uk/about/news/development-deadlock-council-planing-departmentshampered-missing-out-ps70-million-lga>
- <sup>iv</sup> <https://www.local.gov.uk/about/news/lga-survey-councils-use-borrowing-powers-accelerate-homebuilding-programmes>
- <sup>v</sup> <https://www.insidehousing.co.uk/insight/council-housebuilding-back-with-a-vengeance-63510>
- <sup>vi</sup> <https://www.local.gov.uk/housing-advisers-programme-201920-prospectus>
- <sup>vii</sup> [on our website](#)
- <sup>viii</sup> [MHCLG Table 120 new build completions](#)
- <sup>ix</sup> [MHCLG Planning Applications in England July to September 2019](#)
- <sup>x</sup> <https://www.local.gov.uk/housing-backlog-more-million-homes-planning-permission-not-yet-built>
- <sup>xi</sup> <https://www.local.gov.uk/housing-backlog-more-million-homes-planning-permission-not-yet-built>
- <sup>xii</sup> <https://www.local.gov.uk/lga-over-13500-affordable-homes-lost-through-office-conversions>
- <sup>xiii</sup> <https://www.local.gov.uk/about/news/development-deadlock-council-planing-departmentshampered-missing-out-ps70-million-lga>
- <sup>xiv</sup> <https://www.local.gov.uk/over-two-thirds-council-homelessness-services-pushed-red>
- <sup>xv</sup> <https://www.local.gov.uk/about/news/lga-survey-councils-use-borrowing-powers-accelerate-homebuilding-programmes>
- <sup>xvi</sup>
- <http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/LA%20New%20Build%20Report%20Jan%2020.pdf>
- <sup>xvii</sup> <https://www.insidehousing.co.uk/insight/council-housebuilding-back-with-a-vengeance-63510>
- <sup>xviii</sup> [https://www.gov.uk/government/publications/shared-ownership-and-affordable-homes-programme-2016-to-2021-summary-end-of-september-2019?utm\\_source=90a24f96-eb0d-4d33-aaf6-4d1d147b14c3&utm\\_medium=email&utm\\_campaign=govuk-notifications&utm\\_content=immediate](https://www.gov.uk/government/publications/shared-ownership-and-affordable-homes-programme-2016-to-2021-summary-end-of-september-2019?utm_source=90a24f96-eb0d-4d33-aaf6-4d1d147b14c3&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate)
- <sup>xix</sup> <https://www.local.gov.uk/over-two-thirds-council-homelessness-services-pushed-red>
- <sup>xx</sup> <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN02110>
- <sup>xxi</sup> <https://www.local.gov.uk/over-two-thirds-council-homelessness-services-pushed-red>
- <sup>xxii</sup> <https://www.local.gov.uk/local-housing-allowance-freeze-and-homelessness>
- <sup>xxiii</sup> Department for Business, Energy & Industrial Strategy, 2018 Greenhouse Gas Emissions, Provisional Figures, Statistical Release: National Statistics, March 2019. Available online at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/790626/2018-provisional-emissions-statistics-report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/790626/2018-provisional-emissions-statistics-report.pdf)