

Housing Commission



Housing shortages: what Councils can do

Final report

Foreword

This report is presented to the Department for Communities and Local Government (DCLG) and to the Local Government Group (LG Group) at the very moment when, as part of the Coalition Government's reductions in overall public expenditure, highly significant public spending cuts have been announced for subsidised housing. It comes from the independent Commission set up by the DCLG and the LG Group to see what more Councils can do to get much-needed homes built in their areas.

The Commission recognises that the task facing local authorities will be a great deal harder with much-reduced resources for housing: almost half the homes built last year relied on some subsidy and boosting output now will be extremely difficult. It remains to be seen whether reliance on raising rents – at a time when Housing Benefit is being constrained – will prove an effective substitute for housing grants. However, it is not the job of the Housing Commission to campaign for more government funds but rather to highlight the opportunities that still exist and the ways these can best be exploited.

Local authorities do have options. They can still make a big difference. Their powers are being extended, even as housing funds are being curtailed. Their planning role can be positive and creative in finding the ways to say 'Yes' to badly-needed new homes. Their housing role can be extended by forging more partnerships with private sector

developers as well as housing associations; by being entrepreneurial in using their existing assets of land and property; by taking advantage of the Government's new incentives; by using their forthcoming 'general power of competence' to support home-seekers; and more.

We know that at a time when the house-building industry is at a low ebb, securing the necessary supply of new homes with greatly reduced government support is a tall order: but we believe local authorities can still be powerful players in improving the lives of those who need a decent home. We offer our report, based on the practical experiences of local authorities – who have been succeeding, often against the odds – as a source of ideas and, perhaps of some hope, in these difficult times.



A handwritten signature in black ink that reads "Richard Best".

Lord Richard Best
Chair of the Commission
November 2010

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Introduction

In March 2010, the then Minister for Housing, John Healey, and the Chairman of the Local Government Association (LGA), Baroness Margaret Eaton, jointly established a Commission to consider how local authorities can ensure a sufficient supply of new homes for their areas.

The new Minister for Housing and Local Government, Grant Shapps, asked the Commission to continue its work and an Interim Report was delivered to the Communities and Local Government (DCLG) and LGA on 22 July.

This final report draws on the knowledge and expertise of the Commission Members, visits to fourteen Councils (and a meeting with leaders for four more) and on six additional sessions with national housing organisations and related bodies.

The Report sets out our key conclusions. Responsibility for the text lies with Chair and, while there was clear agreement on most issues, it is not necessarily the case that every recommendation is supported by every Commission member.

Annex 1 sets out the Commission's Terms of Reference and Annex 2 lists the Commissioners. Secretariat support has been provided by Robert Cayzer and Chris Woolf (DCLG) and by Caroline Green, Clarissa Corbisiero and Laura Shimili (LGA): the Commission is very appreciative of their work as well as the support of DCLG's Terrie Alafat and the LGA's Martin Wheatley.

Annex 3 lists the contributors to our thinking: we are very grateful for the input of all those who organised our visits to their areas, participated in our extensive discussions, and from whom we have received the illustrative examples contained in this report.

Annex 4 provides a glossary of terms and initials used in this report.

Prologue

The back-drop to the Commission's work is England's (and the UK's) failure to match the annual increase in households with a comparable increase in new homes. The wider the gap between demand and supply, the greater the number of lives adversely affected; and the greater the damage done to the national economy.

The requirement for new homes

For some 20 years, household numbers have been rising by more than the number of new homes built. National projections¹ have indicated a requirement to meet new demand (taking account of modest numbers of demolitions each year) of between 237,800 and 290,500 additional homes per annum in England. But even in the best years of the property boom, the highest number of new homes built in England in recent years has been around 200,000 homes, with a net figure of about 10,000 more coming from changes of use, demolitions and conversions.

The previous government resolved to increase output and it set targets to achieve substantial growth. But the 'credit crunch' – affecting housebuilders, would-be house buyers and buy-to-let borrowers – set

back these plans. Latest data² show that in 2009/10, some 114,000 new homes were built in England. The current year seems likely to be just as bad. Not since the early 1920's – with a much smaller national population – have so few homes been built in this country. This has meant the gap between homes needed and homes built widened markedly in the 2000s.

With not enough to go round, competition for homes intensifies, prices rise and the weakest suffer. There are clear implications for social mobility and wealth inequity; 'haves' and 'have-nots' are increasingly defined by those who own their home and those who do not – and by the children of home-owners whose parents can help them to buy, and the children of tenants whose parents cannot.

Hidden homelessness increases and levels of overcrowding affect more and more families³. This generates heavy health and social costs. As well as the horrors of street homelessness, acute shortages lead to children growing up in squalid, cramped properties that badly affect their health, their educational attainment and their future life chances. Those families forced to move from place to place because no secure, permanent housing is available, cannot put down roots, get into work and become part

1 'More homes for more people: advice to Ministers on housing levels to be considered in regional plans', National Housing and Planning Advisory Unit, 30 July 2009 (<http://www.communities.gov.uk/documents/507390/pdf/1299593.pdf>)

2 DCLG Live Table 209 - House building: permanent dwellings completed, by tenure and country (<http://www.communities.gov.uk/documents/housing/xls/1473507.xls>)

3 DCLG Live Table 807 – Overcrowding by region and tenure, England (<http://www.communities.gov.uk/documents/housing/xls/table807>)

of society. Even where the lack of housing is not the only cause of social problems - with all the associated costs – it makes those problems so much worse.

But the problem affects a much greater proportion of the next generation than simply those on the lowest incomes. Shortages have led to housing costs rising steeply in relation to incomes: since the mid 1990s average house prices have increased much faster than earnings, eg the ratio of lower quartile prices to lower quartile earnings is currently around 6.5, up from 3.5 in 1996⁴. New households have to spend disproportionate amounts of their incomes on their accommodation which lowers their living standards (and reduces their spending power for the rest of the economy), sometimes leading to financial difficulties that ruin life chances. Employees must make long commuting journeys to and from areas where they can afford to live, with family life suffering commensurately.

Housing shortages also hold back much-needed economic activity. In growth areas, wealth generating businesses cannot expand because the people they want to recruit cannot live in the area. In these areas, the opportunities for enterprise are further undermined because public services cannot attract the key workers they need. The places that should be engines of growth cannot grow; and the households keen to move to new jobs are stymied by the absence of homes they can afford.

In terms of the wider economy, house building is also, of course, hugely important as a source of employment. The current low level of housing output has led to substantial job losses in the construction industry: building 100,000 new homes generates work for nearly 150,000 people.

Investment in construction – of which housing is a major component – greatly affects GDP. In the second quarter of 2010, about a half of GDP growth (0.6 per cent out of 1.2 per cent) came from construction⁵. With so much spare capacity in the system, there is huge potential here for generating economic recovery.

Internationally, as Kate Barker's report for HM Treasury on housing supply demonstrated⁶ the UK's housing shortages, and the problems of affordability these create, sets this country at a competitive disadvantage. Recent estimates by Solutions⁷ suggests the effect of not having enough homes is costing businesses £3 billion annually in the South East alone.

The starting point, therefore, for our Commission's work has been to seek the measures that will increase substantially the number of new homes we build: this serves national, local and individual interests.

4 DCLG Live Table 575 - Housing Market: ratio of lower quartile house prices to lower quartile earnings, England (<http://www.communities.gov.uk/documents/housing/xls/table575.xls>)

5 Table A1 and Annex A, Office for National Statistics, Quarterly National Accounts, 2nd Quarter 2010 (<http://www.statistics.gov.uk/pdfdir/qna0910.pdf>)

6 Kate Barker's Review of Housing Supply – "Delivering stability: securing our future housing needs", 17 March 2004 (ISBN 1-84532-10-7) (http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/media/E/4/barker_review_execsum_91.pdf and http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/media/E/3/barker_review_report_494.pdf)

7 Suburban Solutions (<http://www.suburbansolutions.ac.uk/Findings.aspx>)

But the task is complex. Commission Member, Professor Tony Travers, Director of the Greater London Group at the London School of Economics summarises the economics of housing:

“Successive governments have introduced an array of policies, constraints and incentives (for individuals, households, councils and private companies) which now create a web of challenges to rational progress.

Governments have wished both to subsidise and to ‘tax’ housing developments while controlling every aspect of State spending. The achievement of government housing objectives has to a significant degree relied upon the continuation of fast-escalating property prices. In addition, so great has been the political interference in the control of land use, in the economics of housing and in the control of public expenditure that the system of housing finance and delivery which has emerged is riddled with constraints such as incomprehensible spending rules, poverty-traps and perverse incentives. It is small wonder it is hard to increase the supply of housing”.

The role of local authorities

Against the backdrop of an inadequate supply of new house building in so many areas, the DCLG/LGA Commission has been exploring the ways in which local authorities can help to improve the position. With the emphasis of government policy on localism, the role of local authorities now assumes a renewed importance.

Long gone are the days of Councils matching or exceeding the output of the private sector and building 200,000 homes in a single year⁸. But for a hundred years market forces alone have not kept pace with new housing requirements. And the hole left by local authorities ceasing to build has only partially been filled by the housing associations’ programme⁹. So a live issue for the Commission has been the extent to which Councils could or should have a greater direct role in building the housing of the future.

8 DCLG Live Table 241 House building: permanent dwellings completed, by tenure (<http://www.communities.gov.uk/documents/housing/xls/1473575.xls>)

9 DCLG Live Table 241 House building: permanent dwellings completed, by tenure (<http://www.communities.gov.uk/documents/housing/xls/1473575.xls>)

However, whether or not local authorities provide any new housing themselves, it is clear that – as the local, democratically-elected bodies – they can play a central role in securing the homes required in their area:

- Councils can provide the leadership that understands what is needed and reconciles conflicting interests to make it happen
- they can bring together – often in concert with neighbouring authorities – the data on where and what kind of new homes are required in the area, providing the strategic framework for home-building by all sectors
- they have the planning powers to support new development to the required standards and to meet the needs of their localities
- they can be the enablers of new development using their own land, helping secure other publicly-owned sites, even assembling and acquiring land (where necessary deploying compulsory purchase powers)
- they can act as the locally-accountable channel for central government funds for housing
- they can facilitate and ‘de-risk’ the work of the private sector housebuilders and housing associations
- their professional teams, covering local services of all kinds, can set new housing provision in the context of all the related aspects of creating and sustaining local communities.

For decades Councils have had a pivotal part to play in devising and implementing housing strategies and planning policies that embrace all the different parties whose combined efforts are needed to build tomorrow’s new homes. But this emphasis on the local dimension has now moved centre stage as the dominant theme for housing policy from the Coalition Government.

The Commission has looked at a sample of local authorities that have risen to this challenge and made progress in overcoming the many obstacles that stand in the way of achieving an adequate provision of new homes. This report suggests the actions, within the context of current housing policy, that could be taken by central and local government to enhance the role of all Councils in tackling this hugely important national issue.

The Commission's Report

The Commission has drawn conclusions in relation to ten key issues:

1. localism
2. local authorities working together
3. leadership
4. incentives for local authorities
5. planning
6. partnerships between the public and private sectors
7. new Council housing
8. investment by local authorities
9. housing associations
10. community right to build and self-help initiatives.

1. Localism

Localism is now the key concept for determining and meeting the requirements for new homes in every locality.

It is clear to the Commission that every Council faces different housing circumstances and, consequently, housing outputs need to be finely tuned at the local level. For example, the Commission visited Westminster City Council's multi-million pound sites on the morning of the day we went to Sheffield where a priority is to generate renewal of the housing market; either side of a weekend we witnessed the over-heated housing market in Cambridge and the impressive efforts to tackle low demand neighbourhoods in Liverpool; and the rural housing solutions needed in Wiltshire bear little relation to the issues facing Newham and Hackney.

Westminster

Average house prices in Westminster are the second highest in the country at more than £700,000. For Westminster City Council:

- *there is a waiting list of 5,500 households in priority need of social housing*
- *there are more than 1,900 people living in temporary accommodation*
- *20,000 households do not qualify for social housing and cannot afford market housing*
- *more than 1000 households are in overcrowded Council properties*
- *on any given night between 100 and 150 people are sleeping on the streets.*

The Registered Social Landlords (RSL) are generally unable to purchase land in the City so Westminster relies on Section 106 planning agreements; 94 per cent of new affordable homes comes through this route.

Sheffield

Average house prices in Sheffield range from £80,000 to £170,000. The Council's approach is to invest in improving the quality of homes and places to create more balanced housing markets.

Each community is assessed on a local basis, bringing together professional and local expertise to create locally supported neighbourhood strategies. Each plan is different and local strategies set out an overarching vision for each area. This is about more than just housing; it also covers co-ordinated investment in the environment, parks, streetscene, local centres, community facilities, schools and transport.

Local organisations are giving a strong community voice to their areas.



Longley Four Greens local centre – improvements to the public realm

(reproduced with kind permission of Sheffield City Council)

It is not only the huge variations in housing market conditions that necessitate local solutions to local problems. The differing ways in which local authorities have organised the ownership and management of their stock of Council housing also has implications for how they approach the building of new homes in their areas. The simple division is between:

- Councils that have transferred stock to established or newly-created housing associations/social housing providers
- those that have gone for Arms-Length Management Organisations (ALMOs)
- those that have retained Council housing in their own hands.

But in reality there are many variations on these three themes. Some transfers have been on a single date to one new entity set up for the purpose, while others have followed a series of partial transfers to a range of organisations over a period of time; some ALMOs are confined to management of the existing stock while others are endeavouring to be significant developers of new homes; some authorities that have retained their Council stock and not formed ALMOs have, nevertheless, clearly separated their on-going landlord role from their engagement with new development.

With all these differences from one place to the next, the importance of the localism agenda becomes very clear. Yet housing has been notoriously subject to the fiercest central government financial controls. Government formulae govern rents, reflecting assumed need to spend, and limit the scope for local authorities to keep, or borrow against, the revenues generated from their own stock.

In our discussions with local authorities, the Councils repeatedly made the point that devolution of power from central to local

government must include greater financial freedom for them. Reform of the Housing Revenue Account (HRA) – which is the subject of a separate review¹⁰ and is outside the scope of the DCLG/LGA Housing Commission – could clearly make a fundamental difference. Under the proposed HRA reforms, Councils would be responsible for a share of the national Council housing debts commensurate with their ability to pay. All would have sufficient funds to maintain their stock over time, although some would still require capital grants from central government to bring their stock up to the decent homes standard. The revenue of each Council's HRA should also strengthen over time and, where authorities prioritise it, could provide funding for new house building.

But while these HRA reforms could release funds for investment, the current draft proposals would place a cap on total borrowing which would limit the rate at which those resources could be applied.

Meanwhile, questions have been raised with us about the consequences of central government policies that can have unforeseen local impacts. Local aspirations may be unintentionally thwarted by central government action. For example, changes to the arrangements for Local Housing Allowances could lead to more households being priced out of some areas and pressures being intensified in other areas. Similarly, housing association output could be curtailed by loss of income following Housing Benefit reforms, or by private investors pulling back if regulation of the sector was much reduced. This underlines the need - as the theme of localism progresses - for central government policies to flow from the closest consultation with local government.

¹⁰ Council housing: a real future – Prospectus, Communities and Local Government, March 2010 (ISBN: 978-1-4098-2385-8) (<http://www.communities.gov.uk/documents/housing/pdf/1512947.pdf>)

Cambridge

The economic success of Cambridge and resulting growth in employment has put great pressure on housing affordability. The supply of homes has not kept pace with demand, due to a lack of sites and a tight greenbelt. In June 2010 the average house price was 8.8 times the average salary, leaving home ownership out of reach for most home-seekers. The average house price in Cambridge as of June 2010 was £317,400. Employers therefore struggle to recruit and retain suitably skilled workers, suppressing the potential for continued economic growth in the area.

Approximately 23 per cent of households in the city rent privately, with a further 24 per cent living in social housing. Although renting privately is more affordable than buying a home, rents are relatively high. Cambridge also continues to experience high and growing waiting lists for social housing, totalling 10,847 for the city and surrounding South Cambridgeshire district in July 2010.



Orchard Park, a new development in north Cambridge

(reproduced with kind permission of Cambridgeshire Horizons)

Liverpool

Liverpool's population has fallen from 850,000 in the 1930's to 430,000 today, leading to parts of the city suffering from high vacancy rates, with poor quality homes, high levels of social housing, low levels of owner occupation, and poor quality private rented housing.

Housing market restructuring was introduced in 2003 to tackle this. Six Statutory Renewal Areas were declared comprising almost 20,000 terraced properties. In each area a community engagement structure has been established, with residents playing a major role. Compulsory Purchase Orders were implemented; a protocol with housing associations and an Overarching Agreement with private developers were established.

The proposals for revitalising neighbourhoods were driven by local people in partnership with the Council to take forward Masterplans, which knit together investment in infrastructure (including new schools, retail units, parks, health facilities and improved environment) as well as housing. Former low demand areas are now gaining popularity.



Celebrating housing development in Liverpool
(reproduced with kind permission of Liverpool City Council)

Action

Devolving decision-making from Westminster and Whitehall to local authorities, as advocated by all the political parties, needs fully to embrace housing. It is the local Council that can understand the dynamics of local need and demand, and then set in train the supply of new homes to match those requirements.

In our visits we encountered the frustration of Councils who were clear on how best public investment could be used to ensure private sector development, but were unable to deploy available funds accordingly.

1.1 We recommend removing the ring fences around more of central government's support to local authorities, with increasing use of local budgets under local control.

With substantial reductions in funding available for capital programmes, this emphasis on enabling local authorities to take the decisions that match local priorities becomes even more significant.

Devolution of course also means engaging with local communities not just with elected local government.

1.2 We recommend the good practice of so many Councils in involving residents in housing decision-making be embraced for every local authority.

Wiltshire

The Council is developing the concept of 'total community place', with strong local leadership through an inclusive Cabinet and inclusive Area Boards. The aim is to have a single community plan for Wiltshire built on the bottom-up picture – including data on levels of housing demand and Parish Plans – for each community area.

The main challenge is to remove the barriers to local-scale rural housing developments. Local budgets will allow Area Boards to spend on infrastructure and environmental improvements and to meet local priorities. Local trusts already exist and there may be scope for them to take on affordable housing as well as providing other services to the local community.

Local communities will be given more influence over the location, management and allocations of housing schemes. However, it will be necessary to consider whether sustainability also needs to be redefined: it is not simply about moving people into urban areas; it is about protecting the viability and sustainability of rural communities and developing them as living, vibrant places.

In relation to grants for housing from central government - through the Homes and Communities Agency (HCA), and directly from DCLG - local authority Leaders and Chief Executives are seeking more flexibility. The HCA has already determined that the list of separate, confined spending streams should be simplified under a smaller number of headings. More sophisticated allocation of funds locally can save money: a recent case study in Bradford suggests that switching the phasing of housing and transport investment makes possible significant reductions in the costs to the public purse of new development.

1.3 We recommend grants for housing from central government - through the Homes and Communities Agency (HCA), and directly from DCLG - be administered more flexibly, with more opportunities to vire resources between spending on housing, infrastructure and environmental improvements that can attract private investment in new housing.

1.4 We recommend that ideas for reform of the Housing Revenue Account to greater financial autonomy to local authorities be taken forward.

1.5 We recommend that the anticipated caps on the debt level for each authority following HRA reform allow headroom for sufficient additional borrowing to enable some Council investment in new house building.

We know that the review of the HRA is also considering how much of the receipts from disposal of land and housing can be retained for local spending.

1.6 We recommend extending the recent concession for authorities to retain 100 per cent of sales receipts from newly-built Council housing, to all Right-to-Buy and other property sales as well as all receipts from disposal of land and property: this could be significant in supporting housing and regeneration policies without adding to public sector debt. In the same way that housing associations are able to re-apply grant (as well as equity) to produce more homes, rather than repay grant when a property is sold, Councils should be free to manage their housing assets to maximise new home-building.

2. Local authorities working together

Partnerships between neighbouring local authorities can drive successful responses to sub-regional housing requirements.

Housing need does not respect local authority boundaries and Councils, of course, need to understand and work with their neighbours across housing market areas.

The Commission has seen how the problem of housing markets stretching beyond local authority boundaries – embracing travel-to-work areas – can be tackled by co-operation between Councils. We have noted the impressive results of Councils working strategically at the sub-regional level, from metropolitan authorities in Greater Manchester and in the Leeds City Region, to District Councils in the growth area of Cambridgeshire. (And we recognise the helpful work of the HCA in establishing City Region Boards.)

The forthcoming Localism Bill will introduce Local Enterprise Partnerships that will encourage sub-regional co-operation and we would want to ensure housing and planning functions are fully included.

Commission Member Gillian Beasley, Chief Executive of Peterborough City Council told us:

“Peterborough is set to grow – 25,000 new homes and 20,000 new jobs between 2001-2021 – as a result of major redevelopment plans and ambitious partnerships. This has been confirmed by the recent positive announcement about the greater Cambridge and Greater Peterborough Local Enterprise Partnership (LEP). Closer working through the LEP will enable Peterborough to unlock significant economic potential. The LEP will enable a stronger relationship between private and public sectors and with a focus on supporting business growth. However with growth comes challenges that are being managed appropriately by the Council to ensure sustainability. New development must be accompanied by the delivery of sufficient infrastructure and it is essential to work with communities to drive forward regeneration of existing areas”.

Unless supply is tackled by adjacent Councils acting in concert, authorities that encourage development will not see the benefits: people will move there from the neighbouring areas and pressures will not reduce.

Moreover, local authorities made the point to us that, in securing deals for local housebuilding, it is important to avoid unwittingly undermining the negotiations of a neighbouring borough with potential house builders. Co-ordination of policies can ensure a level playing field to the benefit of all Councils in a sub-region.

London

‘Regional’, city wide structures – and housing targets – remain for Greater London, with potential for sub-regional structures within the devolved delivery framework now being finalised by the Mayor and the Homes and Communities Agency. This process for establishing pan-London housing action may provide important lessons for the development of Local Enterprise Partnerships in other places.

In visiting several London boroughs, we were struck by the interdependence of these authorities. If one Borough exports people from their waiting lists to private rented homes in another Borough that already contains a high proportion of social housing and low income households, extra pressure is placed on the receiving Borough: not only is it thwarted in its ambitions to get a mix of tenures and stock, nearer to the London average, but also it must cover the related social and welfare costs of households moving in.

Although all those we met were adamant that neither central government nor the Mayor/ Greater London Authority should engage in micro-management, we can see clearly that housing and planning policies need to treat Greater London as an organic whole.

Meanwhile, there are anxieties in London that the new Local Housing Allowance rules – placing caps on rent levels in the private rented sector – may intensify pressures by requiring larger numbers of households to move from the central Boroughs like Kensington and Chelsea to the less affluent Boroughs like Newham.

Manchester

The longstanding collaboration between the ten Greater Manchester authorities has continued to strengthen. A ministerial decision is expected soon on the establishment of a 'Combined Authority' with more formal responsibilities on economic development, transport and regeneration. But the Association of Greater Manchester Authorities (AGMA) has already established a collective decision-making structure and supporting strategic commissions, including a Planning & Housing Commission of elected Members and external partners and experts. Working in this way, AGMA agreed their first Local Investment Plan with the Homes and Communities Agency (HCA) in December 2009, a package of investment totalling £375 million up to end March 2011.

Despite reduced HCA resources, joint working to maximise the outcomes and value for money continues, and an initial £24.9 million programme delivering 670 homes has now been approved by AGMA Leaders and HCA.



Joint working in Greater Manchester

(image courtesy of Manchester City Council)

Action

Models of good practice in joint activity by neighbouring authorities need to be rolled out to more areas. The Local Government Group (which includes the LGA and Local Government Improvement and Development, formerly the IDeA) has mapped out the 'functional economic areas in England': the LG Group has a key role to play in spreading good practice on housing/regeneration partnerships across local government boundaries.

2.1 We recommend that the Localism Bill, in introducing Local Enterprise Partnerships, with a Regional Growth Fund, incorporates housing and planning objectives as an integral, key component.

Below the policy level, there are opportunities for greater use of shared services between local authorities.

2.2 We recommend greater use of shared services between local authorities in pursuing their housing objectives; for example, in sharing expertise in negotiating complex deals with developers.

2.3 We recommend models of good practice for housing/regeneration partnerships across local government boundaries be promulgated by the LG Group, following through on its mapping of the 'functional economic areas in England'.

2.4 We recommend the LGA – with its close links to Leaders and key Elected Members – offers support to Councils, where requested, in negotiating agreements and developing governance arrangements for groups of local authorities.

London

We note the unease that the balance of housing pressures in London could be upset by proposals for capping the Local Housing Allowance levels for private sector tenants. We recommend that government looks carefully not only at the potential hardship and disruption for low income tenants, but also at the increased housing pressures for outer London Boroughs (and other areas), that proposals for capping Local Housing Allowance levels could create.

2.5 We recommend continuation of the separate arrangements for London, where Mayoral housing targets remain; but, in relation to the inter-dependence of London Boroughs, we have concerns about the increased housing pressures on outer London Boroughs that may flow from new caps on Local Housing Allowance levels.

Cambridgeshire

Together with Cambridgeshire County Council, the district councils of Cambridgeshire have set up a joint development control committee for the Cambridge fringes to make decisions on planning applications for major developments which straddle their boundaries. This committee has already given approval for over 5,500 new homes.

Cambridge City Council and South Cambridgeshire District Council have plans for thousands of new homes on the fringes of Cambridge and have set clear policies to make this happen.

The Council's strong commitment to affordable housing has been underpinned by working with the Homes & Communities Agency and Cambridgeshire Partnerships Ltd on the 'Cambridge Challenge' which has provided access to substantial funding, enabling developers to move forward despite the recession. Support from Cambridgeshire Horizons, the local delivery vehicle, has also been vital.



Glebe Farm, part of the Southern Fringe urban extension to Cambridge

(reproduced with permission of Countryside Properties)

3. Leadership

As the 'place-shapers' in each locality, Councils have a central leadership role in ensuring sufficient homes are supplied in their areas.

Each Council's Housing Strategy, within an overarching plan for development (see 5 below) can set new house-building in the context of the local demands and needs, and the existing provision. Particular areas may merit the creation of a Masterplan; but all housing activity needs to be embraced within the Council's Housing Strategy.

In addition, Councils will want to reflect the importance of housing to health, well-being and sustainability of communities, in their Community Strategies.

Council Leaders, (including elected Mayors) and Cabinet/Executive Members with housing responsibilities, are demonstrating leadership in engaging their local communities in an understanding of requirements for new homes, explaining the benefits in economic and social terms, and ensuring local people have their say. (We note, for example, how Wakefield's Executive Leader has engaged local citizens in discussing the Council's vision for the area's housing, regeneration and economic growth, gaining support for more housing in the district.)

While it may well be difficult to persuade those living immediately adjacent to development sites – who are bound to experience some inconvenience during the construction phase and probably from increased traffic thereafter – Ward Members have a leadership role in championing the Council's vision for their neighbourhood.



New homes built by the Local Housing Company in Tydd St Mary, South Holland
(image courtesy of South Holland District Council)

Leeds

The Council in Leeds is promoting an urban eco settlement in Aire Valley to deliver some 12,000 new homes, provide low carbon retrofit measures to 8,000 existing homes and deliver 40,000 new jobs.

Leading this programme, senior councillors and directors have already established strong governance arrangements with the key stakeholders in the area through a joint public/private sector board. By promoting strong and open partnerships the council retains the strategic lead on developing this sustainable new district for the city. It also ensures that through these partnerships, projects will be deliverable and commercially attractive.

The local democratic leadership – through local councillors and MPs – is also important in engaging local communities to shape the changes. Each area has a masterplan agreed by the public sector, the private sector and the local community.

Greenwich

Greenwich Council has used strong political leadership and corporate commitment to deliver new affordable housing, as part of its wider regeneration and anti-poverty strategy, as well as pursuing the Council's own new build schemes.

It has established close relationships with a number of preferred development partners, with one of the largest housing investment programmes in the UK including over £250 million grant allocated to housing associations for 2008-2011.

The Council uses planning powers and public sector investment in infrastructure to secure high design quality, well integrated, tenure-blind and mixed income communities. Its Unitary Development Plan has included intermediate affordable housing (secured through Section 106 agreements) and lettings plans are ensuring a healthy mix of household types and child ages to build balanced and cohesive communities. At Greenwich Millennium Village, for example, the primary school and health centre were opened at an early stage in the development, providing social infrastructure from the start and supporting links between new residents and the existing wider neighbourhood.

Action

Promulgation of good examples of Housing Strategies may be helpful for Councils working up new policies.

The starting point – as for private sector house builders and investors – will be the assembly of all available information on local housing markets, demands and needs. Analysis of this data will suggest and justify strategic plans: for example, evidence on under-occupancy may suggest that building highly attractive retirement accommodation would release empty family homes to rent or buy.

3.1 We recommend promulgation by the LG Group of good examples of housing strategies to assist Councils refining their policies for new homes.

3.2 We recommend increased sophistication in the assembly by local authorities of all available information on local housing markets, demands and needs.

3.3 We recommend that the LG Group develops its capacity to help in assembling housing related data and evidence available at a national level, and makes this accessible to all local authorities; and that the DCLG ensures that the data inherited from the former National Housing and Planning Advisory Unit and regional planning bodies, is passed on for use by local authorities.

Leadership by Elected Members, of course, often requires a combination of personal determination and technique.

3.4 We recommend the LG Group supports the leadership role of Elected Members through more training/briefings on securing support within local communities for much-needed new development.

In all cases, recognition of the difficulties of gaining approval from those living immediately beside new development should not deter the Council's leadership from pursuing the development plans required for their authority as a whole.



Energy efficient new properties in Furnace Lane, Kettering

(image courtesy of Kettering Borough Council)

4. Incentives for local authorities

Although there are reservations, local authorities trying to secure much needed housing for their area welcome the government's intentions to introduce incentives for new building.

During the course of the Commission's work, the Coalition Government has announced its intention to provide strong financial incentives for local authorities to take a positive approach to development in their area. It has proposed that, over a period of six years from the completion of each new home, Councils will not only retain the Council Tax from the occupier but will receive a New Homes Bonus¹¹ as a matching sum; with affordable housing attracting an additional 25 per cent bonus. For a Band D property, this would work out at around £900 per home. The Government has put aside over £1bn over the Spending Review period – drawn mostly from the ending of Housing and Planning Delivery Grant – with the remainder of the scheme cost being taken from Formula Grant to local councils. By year six of the scheme, the annual size of the Bonus is expected to be in excess of £1bn.

Local authorities visited by the Commission welcomed the prospect of this New Homes Bonus incentive. At present new development involves local authorities in extra cost, beyond that recovered through planning obligations (through Section 106 Agreements), for which they cannot expect compensation (except, on a somewhat unpredictable basis through the previous Housing and Planning Delivery Grant.).

¹¹ New Homes Bonus - Grant Shapps: Extra funding for councils who go for growth now, Communities and Local Government, 9 August 2010; New Homes Bonus Consultation, Communities and Local Government, 12 March 2010 (<http://www.communities.gov.uk>)

And Councils recognised the positive intention of the new arrangements in minimising local opposition to new homes that can be such a barrier to delivery: the incentives could mean local communities receiving additional benefits when – so often unpopular – new housing is built nearby.

Kettering

Kettering is at the heart of North Northamptonshire, the UK's largest single growth area outside of London. A vision for Kettering is being delivered to secure several major redevelopments in a vibrant part of the town – with an award-winning new Market Place – and for the surrounding area.

Kettering would warmly welcome the extra funds which a New Homes Bonus could deliver. This would support its town centre development and provide wider local benefits for its citizens who will be experiencing rapid growth as significant numbers of new homes and expansion of businesses are delivered.

With this input of funding, Kettering could reap the rewards of its willingness to attract new residents to an area of historic and natural heritage.

Various reservations have also been expressed. There is the criticism that many forward-looking Councils are already doing all they can to secure the extra housing their localities need: in such cases incentives are not required since these authorities would press ahead even without the special support. Nevertheless, DCLG analysis suggests the NHB could mean an extra 14,000 homes being built each year (with a net increase in employment of 11,000 jobs a year). If incentives lead, over time, to a shift in attitude towards development, the impact could be significantly greater.

We were told of fears that some of those in local communities opposed to development would claim that their Council was supporting a scheme 'just for the money'. Other local objectors were likely to complain that the Council would not spend the funds on anything of interest to them (particularly where they had no desire to see an improved bus service or renovation of a community centre, etc). Clearly the new arrangements will not be enough to win over some of those most bitterly opposed to development in their area.

Nevertheless, local authorities will be able to point to the quite significant extra revenue from retention of the new Council Tax and from receipt of the New Homes Bonus: for a District Council faced with the prospect of having to cut budgets for front-line services, for example, the extra income that accumulates over a period of years from each newly built property could be very important.

Tax Increment Financing

The previous government was planning to fund a £120 million pilot programme to support investment in infrastructure through Accelerated Development Zones (ADZs). It was hoped that information from these pilots would help understand the case for

introducing wider arrangements for Tax Increment Financing (TIF). The Coalition Government has recently indicated its intention to further explore TIF.

Like the many privately financed initiatives in the USA using TIFs, these arrangements allow infrastructure projects – often transport links – to proceed today which can be paid for by the revenue from increased business rate revenue in the following years. Borrowing is usually via a Bond issue; this funds the new or improved infrastructure and can be repaid over a period of years, eg 20-25 years by capturing the increased local rates.

The Commission saw inaccessible sites in East London for example, which could be opened up by investment in a new road or bridge: the subsequent development would generate business rates from new premises which could repay investors in an infrastructure bond.

Community Infrastructure Levy

We have also heard views on the Community Infrastructure Levy (CIL)¹² which local authorities – if they wish – can impose (using powers in regulations made under the Planning Act 2008). This levy could raise more funds than currently flow into local infrastructure projects through Section 106 Agreements, because it can cover a wider range of developments of all sizes; this can spread costs more fairly since all who benefit from improved infrastructure will contribute. The CIL arrangements also have advantages of simplicity and transparency for developers who know in advance what they must pay toward new roads, public transport, schools, parks, etc. (and they can reflect this in the price they offer for land).

¹² Community Infrastructure Levy: An overview", Communities and Local Government, 25 March 2010 (ISBN 978-1-4098-2389-2) (<http://www.communities.gov.uk/documents/planningandbuilding/pdf/1503577.pdf>)

There is a general welcome for the power to make such a charge to pay for the infrastructure that new development needs.

Action

New Homes Bonus

We would hope to see less antipathy toward house building as a result of the New Homes Bonus. Details of the proposed arrangements are set out in the DCLG's consultation document of 12 November 2010.

The incentive scheme will be funded by taking money out of the general government grant to local authorities and the revenue will be needed, in part, to support services previously funded through that grant.

However, we would expect many Councils to be keen to 'hypothecate' at least a proportion of the extra income to the locality where the new homes are built: this could subsidise local services and facilities of direct benefit for those who live in close proximity to the development and who are most likely to suffer from any disruption it causes. The expectation is that Councils will work with local communities to establish their priorities for investment and these communities shall be able to see clearly the benefits brought by the New Homes Bonus.

Of course, the potential ill-effects of a development will also be mitigated by requirements made by the planning authority as a condition of planning consent. Moreover, Section 106 Agreements can continue to stipulate site specific requirements as well as levels of affordable housing to meet local needs. And the Community Infrastructure Levy can fund improved infrastructure.

4.1 We recommend, as suggested by the consultation document, that local authorities be given maximum freedom to deploy the extra funds from retaining Council Tax and the New Homes Bonus, for example being able to 'hypothecate' some of the extra income to the locality where the new homes are built, to benefit those living in closest proximity to the new homes.

We are also pleased to note that Government intends to set out New Homes Bonus allocation for 2011/12 alongside the Local Government Finance Settlement early in the New Year.

4.2 We recommend that, in taking swift action to put the new incentives in place, Government recognises the need for simplicity and predictability in relation to receipt of the extra funds.

We welcome the Government's intention to provide incentives for local authorities to bring empty homes back into use which achieves similar goals to building. But we want to avoid the New Homes Bonus Scheme disadvantaging Councils keen to replace undesirable housing, to boost local housing markets, and support economic regeneration. In some places the Regional Growth Fund will provide assistance; but this will not be of help in many places.

4.3 We recommend that, during the consultation process, more work be done by DCLG on the merits of calculating the New Homes Bonus on a gross basis (simply counting the number of extra homes built) rather than on a net basis (including gains from conversions but deducting the number of homes demolished).

Tax Increment Financing (TIF)

We welcome the Coalition Government's commitment to legislate for Tax Increment Finance schemes and to promote some initial projects by local authorities from which lessons can be learnt¹³.

The TIF approach seems to represent an important mechanism for raising the capital for infrastructure projects – including road and public transport links – which will open up opportunities for development that would otherwise be impossible.

If capital funds are raised through bond issues – perhaps by Special Purpose Vehicles – that would supplement borrowing by Councils and fall outside the restrictions on private sector borrowing. With higher rates of interest now prevailing for lending for the Public Works Loan Board, bond issues may become a more attractive proposition; (and experience of Birmingham's refinancing of debt at the old National Exhibition Centre) – which led to its refurbishment and renewal – suggests the bond approach can work well).

4.4 We recommend more work is done to progress the opportunities for capturing anticipated increases in Council Tax and Business Rates and Tax Increment Financing Schemes to pay for new infrastructure.

4.5 We recommend that central government allows exemptions from the cap on rate increases for an area covered by a TIF, and that HM Treasury is prepared to sanction the issuing of bonds by local authorities for infrastructure projects that are self financing.

However, despite the prevalence of TIF schemes in the US, not all those projects – mostly supporting business growth – have been successful. There are lessons to be learned and we recommend that the Chartered Institute of Public Finance Accountants (CIPFA) and its Finance Director members might give this area of enquiry some priority.

The Local Government Group/Local Partnerships may also have a key role in negotiating the basis for local TIF schemes and in sharing learning and advice between local authorities on the best contractual arrangements for bonds using TIF principles.

Community Infrastructure Levy (CIL)

Calculating appropriate levels for a Community Infrastructure Levy, taking account of the obligations in Section 106 Agreements as well as local conditions and land values, will not be easy. A balance must be struck between maximising funds for infrastructure and avoiding undermining the viability of new development. But we see a real value in local authorities having this extra string to their bows: they can determine when the tariff is levied and at what rates, with variations for differing areas and/or types of development. Used sensitively it should spread infrastructure costs more equitably and more widely. And its greater simplicity should make its administration relatively easy.

4.6 We recommend use of the revised Community Infrastructure Levy as a discretionary opportunity for Councils to take a more flexible and transparent approach to obtaining contributions from developers (in addition to site specific requirements and a percentage of affordable/social housing achieved through Section 106 Agreements).

¹³ Local Growth: Realising every place's potential. Department for Business, Innovation and Skills, October 2010

Because knock-on effects from a new levy will be felt across local authority boundaries, we see this tariff as a matter for consideration by the emerging Local Enterprise Partnerships.

Operating a development levy regime may require some new skills for local authorities, underlining our recommendation (5.8) for some incentive to employ well qualified planners. The support of the Planning Advisory Service, as well as from the Local Government Group – and, indeed the Royal Town Planning Institute – will be important in filling gaps in expertise at the local level.

5. Planning

The planning role of local authorities remains crucial in securing the homes which each local Housing Strategy demands; but some of the regulatory burden in the planning system can be lifted.

Basingstoke & Deane

Basingstoke and Deane Council adopted a flexible approach to take forward a scheme which will ultimately deliver some 2,100 market and affordable homes in North Basingstoke. It was recognised that there was a need to create a focal point for the new community at any early stage in the development.

The adjoining residential area had high levels of deprivation and a failing secondary school which was in need of redevelopment. The council, in partnership with Hampshire County Council, saw the opportunity to relocate the school onto a new site to act as that community's focal point and as an important catalyst for the regeneration of the wider area.

A financial package was agreed between the Borough Council, Hampshire County Council as landowner of the existing school site and the major development site, and David Wilson Homes to provide the necessary 'gap-funding' to enable the replacement school initiative to proceed.

The whole development is underpinned by a Masterplan which has ensured an integrated and coherent development including the co-ordination of service and community infrastructure provision without undue burdens on borough council resources.

The UK's planning system seeks to protect countryside, avoid urban sprawl and place restrictions on new development: inevitably this creates a scarcity of developable land that raises prices and inhibits the building of new homes. Local authorities have duties both to impose and enforce the barriers which planning places on the development process, and also to ensure that there are enough new homes to meet the needs of their present and future citizens.

Reconciling these conflicting pressures requires great wisdom and sensitivity from local Councils. In the best cases we have witnessed, Planning Authorities have seen their role as a positive process geared to getting things done and to making good development happen, rather than as a mechanism for saying 'No'.

It is not only the in-built propensity for the planning system to reject proposed development that can make it difficult for new homes to be created; it is also the delays which so often seem intrinsic to the current planning system. In meetings with house builders, we have had examples of how long planning delays have undermined the feasibility of development.

Local authorities have told us about top-down requirements from central government which have been difficult to implement at the local level. And some Councils have acknowledged that planning skills – not least to negotiate planning agreements with developers – are sometimes lacking at the local level.

On the basis of the evidence of need and demand, and after consultation with local people, Councils have been required to create Local Development Frameworks (LDFs). These have involved considerable investment of time and effort and we heard

criticisms of their complexity. So far only a minority of local authorities have finalised these plan-led documents. While the LDF is important in providing greater clarity and certainty for all those seeking to acquire sites and develop new homes, Councils told us a simpler system was needed.

Planners' duties cover a wide spectrum of regulatory requirements and detailed guidance which cover house builders/ developers. For example, design may be judged from different perspectives – Building for Life criteria promulgated by the Commission for Architecture and the Built Environment (CABE)¹⁴, the Code for Sustainable Homes¹⁵ from the DCLG, the Lifetime Homes Standards¹⁶ for accessibility, the principles in the Secure By Design¹⁷ guidance, and there are separate design criteria for Greater London.

While it is imperative that higher standards are maintained despite economic constraints – to ensure long term value-for-money – the array of potential obligations can be bewildering. The housing associations and private house builders require clarity, above all else, on what is being demanded of them.

14 Delivering great places to live: 20 questions you need to answer – Building For Life, CABE, 2008 (<http://www.buildingforlife.org/files/publications/bfl-criteria-guide.pdf?attachment0=Download>)

15 Code for Sustainable Homes: Technical guide version 2, Communities and Local Government, - May 2009 Version 2 (ISBN 978-1-8594-6330-7) (<http://www.communities.gov.uk/publications/planningandbuilding/codeguide>)

16 Delivering Lifetime Homes, Lifetime Neighbourhoods - A National Strategy for Housing in an Ageing Society Communities and Local Government, 23 December 2008 (ISBN 978-1-4098-0955-5) (<http://www.communities.gov.uk/publications/housing/housingageingsociety>)

17 Secured by Design Principles, Association of Chief Police Officers, 2004 (<http://www.securedbydesign.com/pdfs/SBD-principles.pdf>)

Meanwhile, Section 106 Planning Agreements have – as noted in the recent report from Professors Whitehead and Crook¹⁸ – secured £5 billion per annum of local benefit, mostly in the form of affordable housing. The more difficult market conditions in some areas not only mean fewer developments going ahead but can lead to requests from developers for lighter obligations. But the S.106 route remains an invaluable tool for securing social and affordable housing in mixed tenure settings.

The Commission was heartened to find good examples of Housing and Planning staff working together in the closest collaboration to secure the optimum outcomes from development in their areas. This was as true in places where Housing Market Renewal Pathfinders provided the focus for development, as in growth areas where housing was an essential ingredient in plans for expanding the local economy.

As Commission Member Joane Roney, Chief Executive Wakefield Council, told us:

“Housing and planning in Wakefield Council have worked closely to ensure housing and spatial planning policies are aligned and mutually supportive, particularly in relation to growth, regeneration and affordable housing. The authority’s LDF Core Strategy included an affordable housing target of 30 per cent. This was judged sound by the Planning Inspector and subsequently withstood High Court and Appeal Court challenges. By bringing together expertise within the authority on planning policy and residential development appraisals, the Council was able to demonstrate that the proposed policy was deliverable across the majority of the district in healthy market conditions”.

18 Common Starting Points for Section 106 Affordable Housing Negotiations, Communities and Local Government, 5 August 2008 (ISBN 978-1-4098-0148-1) (<http://www.communities.gov.uk/documents/planningandbuilding/pdf/commonstartingpoints.pdf>)

Sheffield

Sheffield has in place close partnership working on area regeneration between Housing and Planning teams. As part of the Housing Market Renewal programme, a Planning team has worked hand in hand with locally based regeneration teams to ensure a co-ordinated council approach to designing and delivery of physical change in neighbourhoods.

By working together through all stages of policy making, planning and delivering housing and place projects, time and money has been saved on agreeing design and specifications and securing scheme approvals. Most importantly the council has had a single voice in its work with new housing developers, local businesses, service providers and other social landlords, helping to set out the city’s requirements clearly and therefore making it an easier place for them to invest.

The ‘Developer Manual’ which brings together housing and planning guidance for new homes has been shortlisted for an RTPI award and recognized by the Planning Advisory Service as best practice. And the council’s Designer Panel has provided focused expertise on property and place design.



New homes in north Sheffield

(reproduced with kind permission of Sheffield City Council)

Action

In devising their housing strategies, not least in the absence of regional target-setting, local authorities will want to ensure these embrace their planning policies. And Councils need to recognise the requirements of neighbouring authorities when deciding their own priorities (which is where LEPs may be of help).

5.1 We recommend that Councils bring together their housing and planning policies when devising their Housing Strategies, with staff teams working closely together.

It follows from adoption of the localism agenda that the decisions of local planners should be respected, even if these are potentially controversial. For example, in relation to the release of Green Belt land, if Councils take the lead in proposing development on low grade 'edge' sites, and the Council obtains the buy-in of the community, then government/planning inspectors should respect those local decisions.

5.2 We recommend that on controversial issues – such as the release of Green Belt land – government/planning inspectors should respect local decisions where the Council obtains the buy-in of the community to development proposals.

Despite the unpopularity of the LDF arrangements, the plan-led approach - with an overarching, forward-looking plan for each local authority area - should not be jettisoned: it provides the essential certainty for investment and the basis for provision of infrastructure.

5.3 We recommend that the process for Local Development Frameworks – which provides greater certainty for those seeking to build new homes, but has proved too complex – be brought to completion as soon as possible but then be simplified and modified. New arrangements should be compatible with the current ones so that unnecessary delays are avoided and Councils that have completed, or can shortly complete, the process are not set back in getting local plans in place.

At the national level, we note Planning Authorities have to take account of some 2,500 pages of guidance from central government. With the disbanding of the regional architecture for planning, we understand the Coalition Government plans a national framework for development that would be less intrusive than in the past. Its emphasis should be on evidence-based outcomes, not on processes.

5.4 We recommend an audit of planning regulation to consider what part of the current regulatory burden on delivering new homes might be nationalised, for example, in relation to design which is subject to overlapping criteria from different sources.

5.5 We recommend that each Council's policies on housing standards, levels of affordable housing, density and other requirements be spelt out to give as much certainty as possible for the private sector.

Westminster

Having gone through a time consuming and onerous process in developing its Core Strategy, the first part of the Local Development Framework, Westminster decided to streamline the process for its second planning document, the City Management Plan.

The Council wanted a more community-focused approach based on what local people wanted, rather than imposing a planning framework led by planning officers. So it stripped back the bureaucratic procedures and relied instead on a series of workshops which enabled all interested parties – residents, businesses, developers, the public sector and the voluntary sector – to discuss their views for the future of the city. Almost 250 people attended, with a good cross-section of representation from all sections of the community. The Council is now drawing together all the different ideas put forward.

As well as welcoming any new suggestions as they arise, the Council will carry out a web-based consultation to inform the final document.



Local involvement in Westminster

(reproduced with kind permission of Westminster City Council)

We note the recommendation made by the NHPAU that, because of the delays and uncertainties inherent in the process, rather more planning permissions should be granted than local targets suggest, in order to decrease the risk of missing local targets.

5.6 We recommend planners allow for more planning permissions to be in the system to allow for the delays and uncertainties that increase risk for developers.

Now that Regional Spatial Strategies, with targets for new house building, have been revoked, the onus is on each Council to plan for their own housing requirements. Of course local authorities must take these responsibilities seriously: the revoking of regional targets should not lead to Councils cutting plans for new homes.

5.7 We recommend, following the revocation of Regional Spatial Strategies and targets for new housing building, that Councils ensure appropriate local housing targets are set to match the evidence on needs and demands from Housing Needs Assessments and other data.

Local authorities will recognise that the Coalition Government acknowledges the social and economic importance of a substantial house building programme (reflected in their plans for financial incentives to support housing growth). Councils have responsibility for undertaking a robust assessment of the need for new housing and acting on this evidence. They could be open to challenges from developers if they use planning powers to block new housing development despite clear evidence from local Housing Needs Assessments.

Although house builders/developers are seeking reductions in the requirements for affordable housing set by Section 106 Agreements, it is not the case that prices have fallen in all areas. While it has proved necessary to cut back on requirements for social/affordable housing to prevent some new developments being abandoned, this is certainly not the case in all areas and local authorities will wish to continue to make maximum use of the potential for planning gain, in terms of affordable new homes, which Section 106 represents.

We have noted that the policies in Cambridgeshire for 40 per cent affordable housing were upheld in February 2010 when the Secretary of State dismissed planning appeals which sought to reduce this percentage on particular sites. This reinforced the local authorities' contention that the delivery of much-needed affordable housing should not be compromised by short-term viability concerns.

We note the recommendation made by the former National Housing and Planning Advisory Unit (NHPAU) that, because of the delays and uncertainties inherent in the process, rather more planning permissions should be granted than local targets suggest, in order to decrease the risk of missing local targets.

5.8 Finally, with the ending of the Housing and Planning Delivery Grant **we recommend** Councils be incentivised to develop the planning skills required for today's sophisticated planning scene, not least in negotiating complex planning agreements where sometimes expertise is currently lacking.

6. Partnership between the public and private sectors

To maximise all available resources, housing and regeneration partnerships between local authorities and private sector/third sector organisations will be essential.

The Commission has been impressed by entrepreneurial skills we have seen displayed by today's Councils. Invariably local arrangements bring together the different players, often comprising major developers and house builders, housing associations and a variety of public, private and civic organisations.

These partnerships have local authorities as the key enablers and facilitators, bringing together varied combinations of the following:

- local authority leadership, not least in securing the support of the public for much-needed development
- Council-owned land (which can be developed and/or used as equity)
- brokerage with other public bodies, by acting as an intermediary in identifying land in their ownership for development
- site assembly and acquisition, sometimes including use of Compulsory Purchase Orders and General Vesting Designations
- Council expertise on the legal and technical side, together with local knowledge and credibility
- production of Masterplans for major sites
- local authority prudential borrowing
- direct subsidy from other Councils sources

- private sector contributions in bricks and mortar or commuted payments, through Section 106 Planning Agreements
- private sector loans (for housing association rented/affordable housing)
- central government grants (from HCA and from DCLG direct).

South Holland

South Holland District Council formed a housing company – wholly owned without development partners – to build new homes (to supplement the 22 homes it had built in recent years). The Leader of the Council, Cllr Gary Porter, chairs the Board, which consists of Councillors, Officers and a nominee from the South Holland Tenants' Group. The Council had acquired the necessary permission to manage the Company's houses, with the latter retaining ownership.

By October 2008, the company had become the South Holland Local Housing Community Interest Company, which includes an asset lock and trades as South Holland Homes. In March 2009, the Homes and Communities Agency awarded the company Social Housing Grant. The Council worked with the LGA and other councils to ensure that the HCA had a practical funding agreement which allowed rapid construction and the first social rented homes were completed by September 2010.

Basingstoke & Deane

Basingstoke and Deane Borough Council has taken the view that working in partnership is the best way to achieve positive outcomes for its residents. An example of this approach involved the regeneration of a housing area at Oakridge. The existing homes, which were all social rented, had become the place where people, no matter how much in need of housing they were, asked not to be allocated a home. The Council's planning, housing and regeneration teams worked in partnership with Sentinel Housing and the community to develop a scheme which completely transformed the local area. The success of the scheme was down to a number of key points:

- *the Council being willing to put land for free into the scheme*
- *Sentinel Housing and the council responding to the wishes of existing residents by changing the development proposals (including keeping a tower block which had a strong community entity and in which the residents wanted to continue to live)*
- *ensuring that high quality design was paramount and that there was no visual distinction between market and affordable housing*
- *involving residents in the design and operation of the community centre and making sure that it was the first thing to be built*
- *the council and Sentinel Housing keeping the community informed all the way through the project – including taking residents on trips to other successful regeneration schemes to show them what could be achieved.*

The outcome: The provision of both market and affordable homes; a significant increase in the overall number of homes provided; a mix of sizes; people queuing for a chance to be allocated a home there.



Oakridge housing area: before and after
(image courtesy of Basingstoke & Deane Borough Council)

Local authorities have shown themselves capable of being at the centre of sophisticated partnerships: Local Housing Companies, Asset-backed/Urban Regeneration/Joint Venture/Special Purpose Vehicles (SPVs), LA charitable trusts, Community Interest Companies, and Private Finance Initiatives (PFI) schemes. At the same time, some of the most successful partnerships between the public and private sectors have not been based on the creation of a new legal entity, but simply on the Council working in close collaboration with private developers/housing associations.

Many of these partnerships are intended to reduce risks for private developers at a time when private finance for their work is harder to obtain. In areas where demand for home sales is not assured – and that covers many more places in times of economic downturn – Councils we visited have endeavoured to ‘de-risk’ sites for the private sector.

Croydon

Croydon Urban Regeneration Vehicle (CCURV) is an innovative partnership between Croydon Council and John Laing Plc established in November 2008 to deliver regeneration within the Borough. CCURV brings together core skills from each partner – Croydon supplies the land (initially four town centre sites) and local knowledge, while John Laing commits to matching Council investment with equity; it brings its development, management skills and expertise, both in-house and externally sourced. The result is a partnership which should ensure that over the next 25 years major developments meet Council requirements to maximise asset value, and are consistent with its vision for the regeneration of the Borough.

Projects include a hub which brings together many of Croydon’s public sector services and provides mixed housing/commercial schemes. CCURV’s innovative structure as the first Local Asset Backed Vehicle of its kind provides shared control between the public and private sectors; the nature of this long term partnership means that barriers created by the recession can be more easily overcome.

Without CCURV, planning consents for key regenerative schemes - including the new public services hub and new community facilities in Waddon as well as the masterplan for College Green - could not have progressed.



College Green, Croydon (image courtesy of London Borough of Croydon)

Birmingham City Council has taken this approach to a new level: the Council has, itself, secured planning permission for high quality developments before disposing of Council-owned sites, thereby securing the mix of tenures and sizes, and the housing standards, which Birmingham wants to achieve.

In other places, the commission has noted the disposal of land in return for an equity stake which requires payment only when profits accrue to the developer at a later date.

Birmingham

The Birmingham Municipal Housing Trust (BMHT) model for the delivery of mixed tenure homes aims to make the provision of market homes attractive to the contractor and to achieve an appropriate balance of risk and reward between the council and the contractor. The key elements of the model are:

- *no land purchase up front*
- *planning already secured by BMHT*
- *design risk and costs already met by BMHT*
- *use of BMHT house types by developer.*

The model was market tested with developers, whose response was extremely positive, and is now being delivered successfully on the ground. Under the model a Design and Build contract for constructing the affordable housing is linked to an associated Development Agreement for the market homes. The Council's land is licensed to the developer who constructs and markets the remaining market homes within 3 years. There is only one land transaction at the end of the process, thus avoiding double Stamp Duty/Land Tax liability. The Council defers its land receipt until the point of sale with an agreed minimum plot value and overage conditions. Any unsold plot or house returns to the ownership of the Council.

Developers are able to customise the inside of their market homes as they choose. This typically includes furnishings, appliances and en-suites. In this model it is the space standards that represent the main difference, with up to 30 per cent larger homes than some standard market house types.



Launching a housing development in Birmingham

(image courtesy of Birmingham City Council)

Hackney

Hackney's flagship scheme – Dalston Square development – is a partnership between the London Development Agency, Transport for London, Barratt Homes and the Council. The scheme will deliver 600 new homes, a new train station, bus interchange, a library, retail and commercial units set within a large landscaped public square.

The Council's role in the partnership was to provide land at nil value to facilitate the development and to assist with de-risking the financial viability of the project. The Council also performed the role of ring master co-ordinating the partners to steer the scheme through the planning process and helping to shape the design of the overall scheme and control the quality of the housing design. The Council also led the stakeholder management working closely with community groups such as Open Dalston to promote the benefits of the scheme and manage residents concerns. The benefit to the Council is a new Library, affordable housing units, a new public square, the economic benefits of the retail and commercial units and improved connection to the tube and transport system.



Dalston Square, Hackney

(image courtesy of London Borough of Hackney)

Action

We are not convinced that the growing number of variations on the theme of public-private partnerships, each necessitating input from lawyers and external consultants, represents good value for money.

Straightforward collaboration without the establishment of a new legal entity may sometimes work best. In other cases, it may be helpful to create a Special Purpose Vehicle. But in deciding on the best structures and contractual relationships, there is no point in Councils paying large fees to 're-invent the wheel'.

6.1 We recommend that the LG Group – perhaps through its *Local Partnerships* – receives the necessary funding under 'top slicing' arrangements from central government to promote the lessons learnt by a number of entrepreneurial Councils in creating new vehicles for joint public-private projects by:

- setting out the choices available to individual authorities in terms of partnership contracts now tried and tested by other Councils
- drawing up some standardised contractual arrangements to save the high costs of extensive legal and consultancy fees
- providing direct advice to individual authorities – without being proscriptive – to decide on the mechanisms that best suit their circumstances.

Consideration should also be given by local authorities as to how best to ensure efficient and effective procurement processes in respect of cost and timescale for both authorities and private sector bidders.

At the level of the specific site, expertise is needed within local authorities to negotiate the details for Section 106 Agreements or other arrangements; this requires a recognition of financial parameters within which private sector companies operate. Local authorities need a clear understanding of what is possible – in a difficult market – in terms of the viability of each development.

6.2 We recommend the Homes and Communities Agency extends its important advisory work on negotiating Section 106 Agreements and preparing Area-wide Viability Assessments, to assist more local authorities in understanding what is possible in a difficult market.

6.3 We recommend local authorities share key negotiators with one, two or more adjacent authorities, rather than replicating and duplicating the necessary skills.

7. New Council housing

Councils have proved that relatively modest levels of Local Authority New Build grants can achieve significant beneficial housing outcomes.

In 2009, the HCA on central government's behalf provided funds for a Local Authority New Build (LANB) programme for 4,000 homes. £230 million was originally allocated in direct grants¹⁹ with local authorities raising another £280 million in loans (which were to be scored against the DCLG's budgets, neutralising the effect on overall public sector borrowing). This programme – now cut back £60 million – was over-subscribed by some £300 million, demonstrating the appetite of local authorities to play a more direct role in delivery of affordable homes. Following the Budget, some reductions have been made to the overall programme with detailed discussions on some schemes still going on.

We have seen numerous examples of local authorities making creative use of the new LANB grants. They have demonstrated that small sums of public funding can go a long way through new Council housebuilding.

All the authorities concerned have identified Council-owned sites which, in most cases, would have been difficult simply to sell for development. Often these are small parcels of land on Council estates where a separate development by a housing association would be impractical. Some sites were previously used for – now obsolete – garages; in many cases these parcels of land have been areas where neighbours have complained about anti-social behaviour.

¹⁹ 'Local Authorities: bidding for new build', Homes and Communities Agency, 5 July 2010 (http://www.homesandcommunities.co.uk/bidding_for_new_build)

We have seen how developments of even a couple of new homes have made a significant difference. Two new bungalows can release two large Council houses by enabling under-occupying residents to move a short distance to a much more suitable home.

We note one Extra Care development for people with dementia that has drawn in NHS funding as well as LANB grants (and prudential borrowing by the Council).

In other cases, we have seen LANB grants used to build larger homes to accommodate overcrowded families, again releasing a family home for others while solving an urgent housing problem.

We also saw many examples of Councils using this grant to build demonstration schemes of sustainable housing: local authorities have done better than housing associations in achieving Level 4 of the Code for Sustainable Homes and some have moved on to Level 5 and even Level 6 of the Code.

Manchester

Manchester City Council is making the best use of its assets by building homes for older people within existing local communities on spare land to free up under-occupied high demand family accommodation. Working closely with tenants who have two or more spare bedrooms in their current home, the Council is building 32 council bungalows in the north of the city.

A design competition was held to identify a suitable architect and developer partnership. Manchester is proud to be building Code Level 4 for Sustainable Homes while incorporating innovation in design for older people, including assistive technology and the City's stringent Design for Access 2 and Lifetime Homes standards, supporting continued independent living for an ageing population. The use of marginal infill sites that are not currently attractive to the private sector will see redundant parcels of land, often the subject of anti-social behaviour, brought into use.

Use of the City's streamlined Contractor Frameworks in the procurement process will deliver not only efficient build costs but employment and training initiatives for the local community, connecting people to work opportunities – a key aim of the Community Strategy.



New development in Manchester
(image courtesy of Manchester City Council)

'Mono-tenure' Estates

One criticism of the LANB scheme is that – in contrast to the way housing associations now develop new housing – Councils are inhibited from undertaking mixed-tenure schemes. The original LANB scheme was specifically confined to social rented housing. Many local authorities shared with us the view that demand from newly-formed households is often not from those on the lowest incomes – for whom social housing is the only secure, long-term answer – but from those unable to buy outright for whom part/shared ownership or something closer to renting at market levels, is appropriate. Moreover the sites which local authorities own are often amongst high concentrations of social housing and the Councils concerned want to create more mixed income communities.

The LANB arrangements have seldom been pursued by local authorities that no longer have any housing stock. But where management has been passed to an ALMO, these bodies are showing every sign of being excellent vehicles for taking schemes forward. And since few Councils have a team of skilled development staff, or any recent experience of housebuilding, LANB developments have often been undertaken through partnerships with housing associations or specialist builders.

The call on central government grants has been relatively modest because Councils have contributed the land, and some prudential borrowing which is repaid from rents. In several cases, in addition, local authorities have topped up the funding with receipts or commuted payments from developers from other projects.

Birmingham

The Birmingham Municipal Housing Trust (BMHT) is the Council's vehicle for delivering high quality, mixed tenure homes in Birmingham. As at September 2010, the BMHT had an overall development programme of 614 units (360 social rented and 254 market sale).

Providing training and employment opportunities is already a core part of the work of the BMHT, and future plans aim to integrate training and work experience for young people on all manner of regeneration activities, to include architecture, planning, development and project management. Over 80 apprenticeships and training places have already been created through the early phases of the programme.

For all the council's schemes, good design is an essential part of the work and the council is able to provide strong leadership to drive this forward.



Apprentices in new development in Birmingham

(image courtesy of Birmingham City Council and Frank Haslam Milan)

Action

The Local Authority New Build programme appears to the Commission to have been a significant success.

- 7.1 We recommend** that when grants, and opportunities for more prudential borrowing, become available in the future, the Local Authority New Build programme should be extended.
- 7.2** The HCA, through its regional teams, has worked with local authorities to ensure access to the right skills and expertise: **we recommend** that in further rounds of direct provision by Councils, support from the Homes and Communities Agency in obtaining access to the right development skills and expertise should continue to be available.
- 7.3 We recommend** that in any further funding for LA New Build schemes, a mix of tenures should be encouraged for all projects comprising more than a tiny handful of homes. To this end, **we recommend** that expert advice be sought on whether current legislation requires local authorities only to offer rented homes (with the Right to Buy); and if it does, that forthcoming legislation should enable Councils to include ownership/part-ownership in future housing projects.
- 7.4** Finally, in the same way as housing associations are able to re-apply grant (as well as equity) to produce more homes, rather than repay grant when a property is sold, **we recommend** that Councils should be free to manage their housing assets to maximise new home-building. We return to this point in the next section.

8. Investment by local authorities

The opportunities for Councils to increase investment in new housing are likely to be very restricted; but some opportunities still exist for Councils to make creative use of their assets and resources.

All the local authorities visited by the Commission recognise that the difficult financial times ahead will affect their ambitions for new housing in their area. But they were keen to make the most of any available opportunities to draw in the investment needed to prevent local housing problems deteriorating further.

Despite calls for borrowing to meet costs of other capital projects, many Councils wanted to borrow more for housing purposes - although clearly not to replace debt that could sit readily in the private sector. They pointed out that through the Public Works Loan Board they have been able to obtain better terms than are available to housing associations or private sector builders (although the recent 25 per cent increase in the PWLB interest from 4 per cent to 5 per cent does diminish this advantage). They carry a much lower level of debt per home than housing associations, providing headroom for asset-backed borrowing (much of which could be repaid by rental income).

The reform of the Housing Revenue Account (HRA) system – which lies outside the Commission’s remit – could in theory provide the opportunity for Councils to borrow extra sums on a prudential basis for investment in new housing; this is already the position in Scotland where surpluses from rents on the existing stock can be used to cross-subsidise new schemes.

While Councils in England would welcome such an approach, it is inhibited by the UK fiscal rules which cover all public sector debt. These rules represent a rather different approach to that taken by the European Union, and the Organisation for Economic Co-operation and Development, International Monetary Fund and other international financial institutions.

However, the Commission recognises that government policy on its fiscal rules cannot be determined solely on the basis of considerations of their impact on the housing sector. Moreover we appreciate that the whole issue of government debt is highly sensitive at the moment: it is important to maintain the confidence of international investors and the current credit rating for the UK government. In that context, changes to the fiscal rules might be misconstrued, even if they were simply to bring the UK into line with international conventions.

So, since it is not realistic to expect the UK to change its current public sector fiscal rules in the near future, there will be a limit on the level of Council borrowing for the direct provision new Council housing.

As an alternative, the Commission has considered whether current levels of reserves held by Councils might suggest a source of extra investment. Since investment policies tend to be very cautious, there might be scope in some authorities to invest reserves that are not ear-marked for later spending. Such finance could fund relatively risk-free development opportunities at a time when credit is tight for private developers. But we are doubtful whether this represents a significant source of funds for investment and suspect that current spending curbs may mean reserves are further depleted in the years ahead.

Action

Despite the current constraints, we do see ways in which local authorities could be enabled to invest in new homes. In the past, the most obvious choice has been the programme of large scale voluntary transfers (LSVTs) of Council stock to overcome the constraints on borrowing by Councils (directly or via ALMOs) against their housing assets. And, of course, this report draws attention to the opportunities for local authorities to work in partnership with others to secure inward investment. But are there other ways in which Councils can do more to find the funds for new housing?

Asset Management

Local authorities with housing stock (whether managed directly or through ALMOs) – particularly in relatively high value areas – may be able to make capital gains from selling selected properties when they become vacant, creating opportunities to recycle the proceeds into new homes. In addition to using the receipts for reinvestment, funds could be stretched further by including part-sales/share equity that produces more homes for the same investment.

Through this process of recycling funds from sales and only replacing existing borrowing, not adding to it, Councils could engineer the construction of new housing without increasing their overall indebtedness.

The Commission notes the creative ideas in Scotland by the Highland Council, for sales of vacant homes to a Special Purpose Vehicle (for institutional investors) that would enable the proceeds to be reinvested in the Council's new build programme; the plan is for the Council to continue to manage the stock, with the SPV receiving an intermediate rent for 25 years, after which the properties would return to Council ownership.

We note how the 'Sales of Alternate Vacants on Estates' (SAVE) scheme of the Joseph Rowntree Housing Trust has raised funds for new homes whilst also making existing estates more mixed income/mixed tenure.

8.1 We recommend that local authorities be enabled to engage in sensible asset management, recycling 100 per cent of the proceeds of property sales (and replacing existing borrowing) into the building of new homes. Since this approach does not add to the public sector debt, but can make possible the construction of new housing, we hope it will find favour with government.

Land Deals

The contribution of local authorities to public-private partnerships is most likely to take the form of land, rather than financial investment. The Public Land Programme, administered by the HCA, has shown how release of Council land for mixed tenure partnership projects can generate hundreds of homes (as in Birmingham where the project also provides extensive training and apprenticeship opportunities).

We would not wish to see inhibitions on Councils contributing this vital ingredient.

8.2 We recommend that in securing land deals, the current requirements to sell land only at the 'best consideration' should be interpreted principally by the local authority itself since it is best placed to determine what arrangement is most likely to meet the housing (and related) needs of its local population.

Private Rented Sector Investment

It has been suggested to the Commission that local authorities might be encouraged to consider partnerships with long-term institutional investors – Pension Funds, Life and Annuity Funds – to develop rented housing. These projects would create new homes (that otherwise would not be built), thereby easing pressures of excess demand.

Councils could play a crucial role in facilitating such developments and contributing the land (either sites they currently own or land they assemble or broker from other public bodies). The terms of disposal of land would reflect the extent to which the new homes were made available on concessionary terms, ie. if the Council sold at below market price, rents would be below market levels.

We note the exploratory work of the HCA's Private Renting Initiative and hope this will lead to institutional investment in rented housing. This could bring new 'patient' investors into owning and managing rented homes. Equally, it may prove more straightforward for these institutions to invest in housing associations who have the management skills for such provision and who, if they make capital gains, can plough these back into housing rather than distribute them to shareholders.

8.3 We recommend completion of the HCA's exploratory work on the opportunities for partnerships with institutional investors – Pension Funds, Life and Annuity Funds – where support from the local authority could make possible 'intermediate renting' projects; and we note that similar outcomes can be achieved by these institutions investing in comparable projects undertaken by housing associations.

Retirement Housing

A significant proportion of the UK's family housing – often three bedroom homes with gardens – is occupied by older owners and tenants for whom it is becoming increasingly unsuitable. Yet in this country, in contrast to the position in much of mainland Europe and elsewhere, there are few opportunities to move to an attractive, well designed, secure home where running costs and heating bills are lower and greater accessibility means independence can be maintained for much longer²⁰.

By facilitating investment in new housing that really meets the requirements of older people – from light and spacious apartments, to care developments, to whole retirement communities – local authorities can assist in unlocking the nation's considerable amount of underutilised family housing. To this end Council's can deploy planning powers, target disposal of sites and provide advice and support for movers – among other measures.

8.4 We recommend that local authorities seek to understand the changing demographic profile of the aging population in their area; and use the range of their enabling powers to facilitate the building of new homes for older people thereby securing the release of much-needed housing, to buy and to rent, for the next generation.

²⁰ Housing for an Aging Population: Panel for Innovation (HAPPI), Homes and Communities Agency, December 2009

9. Housing Associations

Housing associations – and other ‘registered providers’ – remain key partners for local authorities in the production of tomorrow’s new affordable homes.

The Commission has seen numerous examples of local authorities working with housing associations successfully, including working closely with the organisations that have resulted from large-scale voluntary transfers (LSVTs). But we note that some Councils are critical of the associations in their area: their management, the level of engagement of residents (particularly in comparison with the arrangements in some ALMOs), their accountability to the local community, and the number of organisations operating in the same area, have all been sources of complaint. Certainly the Commission would like to see the good practice of the best housing associations – including some impressive LSVTs – replicated everywhere, with a particular emphasis on the involvement of residents in the governance of these organisations.

An important strength of housing associations is that they are not public bodies. Their borrowing is not guaranteed by public funds; lenders to housing associations risk losing their money if the organisation goes bust. As a result, these organisations have been free to borrow substantial sums from Banks, Building Societies and other institutional investors: so far they have borrowed around £60 billion from private sector sources. Since the commitment to housing associations from government is confined to the level of the grant (usually Social Housing Grant), only this counts against the Public Sector Net Debt.



Kidbrooke Extra Care Scheme, London borough of Greenwich

(image courtesy of London Borough of Greenwich)

The table below compares the public expenditure for the projects undertaken with LANB grants with that incurred by housing associations (and, in a small number of cases, other registered housing providers). The level of central government grant received by local authorities for each home built is at a lower level in many regions, and particularly in London. These lower levels of grant for the Council schemes are particularly impressive when it is noted that these contain higher numbers of three bedroom (and larger) homes and a higher proportion are built to Level 4, or above, of the Code for Sustainable Homes. But because of the associated borrowing by Councils, the total that counts as public debt is twice as high in the majority of regions for the LANB programme.

This table underlines the significance – at a time of considerable emphasis on reducing public debt – of using the vehicle of housing associations for the building of new affordable homes.

Broxtowe

Broxtowe Borough Council's close working relationship with Nottingham Community Housing Association (NCHA) has been a positive experience; it has made the process easier for the Council by providing the necessary expertise. The Council appointed 'Partnerships, Opportunities, Development', a company formed by Nottingham Community Housing Association in partnership with Longhurst Group – which delivers development services to 16 Registered Social Landlords – to co-ordinate the preparation of the funding and provide project management services.

Nottingham Community Housing Association's in-house design and construction team were commissioned to work with the Council's housing and planning teams, to achieve good design and Code for Sustainable Homes level 4.

Public Expenditure for LA New Build and for the National Affordable Housing Programme (almost entirely through Housing Associations)			
Region	NAHP average Grant per unit (2009/10)	LA New Build average Grant per unit	LANB Grant plus borrowing/per unit
East Midlands	£48,500	£50,719	£103,941
East of England	£48,000	£57,788	£103,876
London	£119,000	£83,352	£162,292
North East	£49,500	£52,410	£109,661
North West	£54,500	£66,404	£126,627
South East	£64,500	£66,526	£122,090
South West	£55,000	£66,709	£130,381
West Midlands	£56,500	£52,635	£123,146
Yorkshire & Humber	£53,000	£60,351	£123,864
England	£73,000	£63,887	£128,093

Nonetheless, the level of development which housing associations can undertake has remained dependent upon grants. Although Grant levels for housing associations have fallen since the early 1990s from around 75 per cent of the cost of the home, they are currently at about 45 per cent. On this basis the (below market) net rents can only service a loan of little more than half the total cost of producing a new home.

With substantial reduction in the 2010 Spending Review to the total available in grants for housing associations, the output of affordable homes by these bodies would seem likely to be much reduced. However, under new government proposals, by increasing rents to 80 per cent of market levels (subject to their benefit caps), housing associations could borrow extra funds to replace the lost grant-aid. This move to higher rents is of particular relevance in London and other high value areas where the additional rental income could finance new housing - although it risks deepening the benefit trap for those of working age. It will be of less significance in lower value areas where the funding for new homes looks more precarious.

In recent years, some associations have been able to achieve surpluses to supplement public sector grants by building for sale, part-sale/shared equity. But the market downturn has greatly reduced these opportunities.

Meanwhile, we heard how delays are occurring in negotiating S106 agreements in some areas because house builders/ developers 'shop around' for a housing association able to offer the best price for the affordable homes. In other cases, delays were being encountered because developers obtained planning consent before discovering the needs of the housing association and the requirements for grants of the HCA.

Liverpool

Liverpool city council is using the LIFE model which identifies four roles for Housing Associations:

- *Lead in an area.*
- *Influence what happens in the area or part of it.*
- *Follow - collaborate in delivering the direction set by others.*
- *Exit an area.*

LIFE's purpose is to facilitate the delivery of Neighbourhood Renewal by generating bespoke solutions to meet the different challenges posed by individual neighbourhoods, particularly in restructuring Liverpool's failing Inner Core housing markets.

It is a collaborative, rather than a competitive approach. Working closely with the council, housing associations contribute to the overall regeneration and management strategies and agree targets. They partner with Lead Developers set up in each Housing Renewal Area. The model has achieved rationalisation of housing association stock within the inner core housing markets that has allowed the council and lead developer partners to work more effectively to bring forward new mixed tenure housing/neighbourhoods.



New development in Liverpool, Dorrington Walk (reproduced with kind permission of Liverpool City Council)

Action

With the reorganisation of the regulation of social housing, it is more important than ever for HA residents to play an active role in decision making.

9.1 We recommend continued emphasis through the new co-regulatory arrangements in the engagement of HA residents.

We recognise the benefits of the borrowing regime which covers housing associations (allowing them to borrow on terms more favourable than for many sovereign states) and we note that the established housing associations are contributing additional sums into social housing from their historic resources. These organisations are also achieving excellent performance in many areas and the Commission is convinced they will continue to be key partners for Councils in providing new affordable homes. Even with some imperfections, they represent the most straightforward mechanism for delivering affordable housing for rent and low cost home ownership.

Housing associations also have a special contribution to make in supplying supported housing to meet more specialist needs, and accommodation for older people where personal care may be part of the package of provision.

9.2 We recommend local authorities tap into the contribution housing associations can make, despite the reductions in available Social Housing Grants.

9.3 Across the piece **we recommend** investment of time by Councils in creating and sustaining good working relationships with housing associations; and a recognition by housing

associations that the new emphasis on localism means working in the closest collaboration with their partner Councils.

In considering levels of Supporting People grants for new schemes, local authorities will want to bear in mind savings for Adult Care Services and, indeed, Primary Care Trusts.

9.4 We recommend that local authorities continue to assist housing associations to meet more specialist needs by sustaining Supporting People grants and building extra care housing projects.

9.5 Local Authorities could help improve the arrangements for developers working with housing associations under Section 106 Agreements. **We recommend** local authorities consider offering developers a selection of preferred housing association partners, each of whom is acceptable to the Council for a long-term partnership that will include nominating tenants (often using Choice Based Lettings²¹ schemes).

9.6 And **we also recommend** that developers work with housing associations before submitting a planning application since bringing them on board afterwards risks delays if plans have to be revised to meet housing association (or HCA) requirements.

For housing associations themselves, the challenging times ahead mean these organisations, just as much as Councils, must be seeking new ways to sustain their programmes of house building with less public investment.

²¹ Allocation of Accommodation: Choice Based Lettings - Code of Guidance for Local Housing Authorities, Communities and Local Government, 27 August 2008 (ISBN 978-1-4098-0439-0) (<http://www.communities.gov.uk/publications/housing/lettingscodeguidance>)

10. Community right to build and self-help initiatives

Although they will only contribute modestly to the total demand for new housing, government plans for a Community Right to Build, alongside Community Land Trusts and other mutual/self-help initiatives, are fully supported in principle.

Government has announced plans to legislate for a Community Right to Build (CRtB)²² which will, subject to meeting the necessary criteria (including being supported through a local referendum) allow communities to build new homes (and other developments) without the need for a separate planning application. The wishes of the community (eg the population within a designated area) will in the main take precedence over the planning requirements of the Council's Local Development Framework (LDF), if one has been finalised.

This devolution of decision-making and engagement of citizens at the very local level echoes the Coalition Government's 'Big Society' ideas. It has the great merit of engaging and empowering local people to develop their communities in ways they want. The approach can overcome the in-built hostility to development that is 'imposed' from outside; and it can harness the energies and knowledge of local people.

It seems likely that local Right to Build groups will want to bring in a housing association or other developer to construct the homes (and manage the rented properties after they are completed). But exercising the CRtB could involve local communities in complex technical processes even though planning permission may be simpler to obtain. Local authorities have pointed out that any newly created local organisation (perhaps linked to the Parish or Town Council) could be much assisted by working closely with the authority and, in terms of professional and technical support, with a housing association or the local authority's own ALMO or in house staff.

The new CRtB joins other initiatives that seek to support local communities in securing more homes to meet local needs. Community Land Trusts hold sites in perpetuity with legal arrangements for ensuring the gift (or concessionary price) for the land continues to give benefit when the occupiers change. Although land at well below market value is difficult to secure, where this does prove possible – including because of concessions by the Council – maintaining the affordability of the premises is simplified and carried forward from resident to resident.

²² Community Right to Build - Grant Shapps meets Essendon's junior architects with designs on their village, Communities and Local Government, July 2010 (<http://www.communities.gov.uk/newsstories/newsroom/1646949>)

In rural areas since the early 1990s, the policy of 'exceptions sites' – where planning consent would not normally be permitted but is given for a development of affordable homes for local people – has made possible the building of small-scale but locally significant schemes. Landowners have still obtained much more than agricultural value for the sites; but the housing association undertaking the development has paid a much reduced price because planning conditions have required the homes to be used entirely for social renting. A small number of planning authorities have permitted some housing for part or outright sale, both to produce a cross-subsidy to make the rented homes viable and also to give a bigger financial incentive to the landowner.

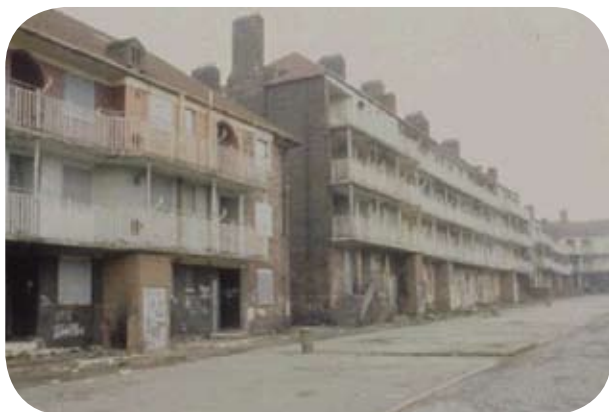
Housing co-operatives and 'co-housing' organisations – for retired people as well as younger home seekers – are already well established in several European countries and the concept is gaining adherence in the UK. Recent reports provide encouragement for further developments of this kind: from a Commission chaired by Adrian Coles, Director-General of the Building Societies Association; and from the DCLG/HCA's Housing for and Ageing Population: Panel for Innovation (HAPPI).

Liverpool

Liverpool has a long history of housing co-operatives. There are currently 25, with a total of 1,621 units, mostly for families. The involvement of local people in establishing them, and in the design and management, is fundamental to their success in creating safe and popular places to live.

A prime example of the success of housing co-operatives in Liverpool is the Eldonian Community-Based Housing Association Ltd, set up in 1983 by local tenants whose homes were scheduled for demolition.

The Local Housing Trust model ethos continues in Liverpool with residents and the City Council currently exploring the possibility of establishing Community Housing Trusts. Residents across the Housing Market Renewal Area have recently attended a workshop and are now engaged in commissioning a feasibility study.



Eldonian Village, before and after

(reproduced with kind permission of Liverpool City Council)

Action

The organisations that establish themselves under the CRtB may require the involvement of professional and technical support: they need to obtain a positive outcome in a referendum, acquire the land, obtain the (simplified) planning consent, organise long-term funding, negotiate grants as necessary, and ensure the best structures for on-going management.

10.1 We recommend that, in addition to guidance on design issues from CABE and advice from the HCA on grants, organisations that establish themselves under the Community Right to Build have access to support from the local authority.

Questions surround the level of acceptance required in a CRtB referendum. The majority needs to be of sufficient magnitude to justify by-passing the usual processes of the democratically elected Council; but if too high a figure is set, no developments of this kind will take place. And experience suggests it is always easier to get a higher turn-out of 'No's' than of people committing themselves to give support to a local scheme: fear of the unknown, dislike of change, concern about the disruption caused by construction work, anxieties about new neighbours, and vested interests of particular households, can all load dice against a new project.

There may be ways of implementing the positive concept of the CRtB without the potentially provocative approach of a (very) local referendum. National policy could call on Councils to put in place a local policy for CRtB, to be set out in a Local Development Order (which would become part of the LDF). By making use of the resources of the planning authority itself, local groups could be spared some of the hassle and hazards of 'going it alone'.

10.2 We recommend consideration be given to alternatives to the proposed Community Right to Build referenda: national policy could call on Councils to put in place a local CRtB scheme that can be effected through the formal planning system, achieving the same outcomes more simply for local groups.

Of course, even though land may be acquired on very favourable terms, it is likely that some grant aid will still be necessary if rents or costs of part purchase are to be affordable. This is likely to mean seeking the backing of the HCA.

10.3 We recommend that the HCA, while having regard to value-for-money criteria, gives equal access to grants for community groups pursuing CRtB housing projects as for other social housing providers.

Since the 1990s the model of Rural Housing Enablers (RHEs) has demonstrated how one individual can make a significant difference in securing rural housing.

10.4 We recommend that the model of the Rural Housing Enabler - whereby an individual can act as the catalyst in bringing together local people, land owners, planning authorities, Parish/ Town Councils – be extended as the way to draw in housing associations and developers who would otherwise find it uneconomic to handle time-intensive, small projects.

Meanwhile, greater use of special planning consent for 'exceptions sites' could release more land in rural areas at low cost, enabling development for local people in places where affordability – including for part ownership/ shared equity – is a major problem. To stimulate more developments for local families priced out of the housing market, we see the value of giving land owners a greater incentive to sell – and reducing the need for grant – by exceptional planning consent allowing socially rented schemes to include a (small) proportion of the homes for sale on the open market, or at least to be sold on a shared equity/part ownership basis. A mix of tenures also reduces the dangers of a group of new homes becoming segregated and stigmatised as only for the poorest.

10.5 We recommend that greater use be made of special planning consent for 'exceptions' sites and a (small) proportion of homes thereon be permitted for sale, both to stimulate more interest in the concept by land owners and to reduce requirements for grant.

To bolster output of mutual and co-operative housing, 'secondary' co-operatives providing development and management skills can be the essential ingredient. For Retirement Co-housing, specialist providers of accommodation for older people may be willing to perform this role.

10.6 We recommend promotion of 'secondary' housing co-operatives to bolster output of mutual and co-operative housing, with specialist providers of accommodation for older people being encouraged to perform this role for Retirement Co-Housing.

10.7 Finally, **we recommend** that detailed evaluation of the progress, successes and failures, of the measures for the Community Right to Build, Community Land Trust schemes and other self-help developments, to enable periodic feedback to local authorities on ways of engaging creatively with these initiatives.

Redditch

Redditch Co-operative Homes is a partnership between Redditch Borough Council, five neighbourhood Co-operatives and Accord Housing Association.

Through Redditch Co-operative Homes, five neighbourhood housing cooperatives have been developed in the borough with a total of 285 properties in five Co-Ops, who buy services from Redditch Co-operative Homes. The neighbourhood co-operatives have been pioneering Green solutions to housing by working with other co-operatives to find innovative housing solutions.



Residents of Redditch Co-operative Homes

(images courtesy of Redditch Co-operative Homes)



Housing co-operative in Redditch

Cllr Bill Hartnett from Redditch Borough Council said:

“It’s been a story of great success. Initially councillors were sceptical about co-operative housing, myself included, and we had to be convinced that it was going to work. But now all the political parties in Redditch support it, and I am one of its greatest advocates. We are proud that it has delivered so many of the things that people in Redditch wanted.”

Epilogue

Our Report suggests ways in which local authorities can fulfil their crucial role in ensuring an enhanced supply of new homes wherever they are needed. We have looked at the inhibitions on supply and, even at a time of severe financial constraints, we have argued that there are opportunities for successful interventions by local Councils.

For the years ahead – when the economy pulls clear of its current difficulties and credit for home-buyers and home providers is easier - greater opportunities will open up. Moreover, with less anxiety about public sector debt, we can see how an easing of current restrictions on local government borrowing could lead directly to a growth in house-building.

More homes are needed for those with low or no earnings: with greater financial freedoms, Councils could bolster their own programmes of new house building, building on the success of the LA New Build programme. But ending housing shortages means also addressing the needs of those whose incomes will debar them from obtaining subsidised affordable housing but who cannot purchase a home of their own. Many of these will not wish to rent privately for the rest of their lives. Yet home ownership for first-time buyers remains highly problematic.

Increasingly it is only those home-seekers with access to financial support from their parents that can raise the high deposits of 20 per cent or more of the purchase price

now required by lenders – even though their incomes could sustain a higher level of borrowing. Without these new entrants to the housing market, house builders – who face their own difficulties in borrowing the funds they need – are operating in an insecure environment.

In the same way that many local authorities have helped local home buyers through ‘mortgage rescue’ packages, there could well be opportunities in the future for ‘mortgage assistance’ schemes.

Local authorities could use their financial muscle to bolster housing output nationwide by:

- supporting house purchasers: Councils could assist those who are unable to buy, despite having a reasonable income, because they cannot accrue a substantial deposit. Current examples include the local authority advancing a second mortgage (taking on the corresponding risk) for those whose parents cannot help out; or, where the purchasers’ incomes do not support outright purchase and related costs, the Council could provide an (interest-free or low interest) equity loan (repayable when the occupiers move on) as with Homebuy arrangements; or Councils could enter into a shared-ownership deal, acquiring ownership of, say, half the property and receiving a proportionate rent; or, indeed, the Council could act as guarantor to the lenders to enable them to reduce the

size of deposits they demand. All these measures would increase the number of potential buyers – targeting the working households ineligible for social housing yet wanting something more secure than privately renting for life – and giving confidence to the market

- supporting the house builders: by taking further the ‘de-risking’ measures we have advocated, Councils could guarantee house builders a minimum price for unsold properties (up to pre-determined maxima) removing the fear of prices falling while homes are being built; in return they would expect a share of the profits – ‘overage’ – if properties fetched prices above an agreed ceiling
- enhancing partnerships between the public and private sectors : if Councils (after reform of the HRA) were given greater freedom for prudential borrowing, they could extend the scope of current public-private partnerships; they could use extra borrowing for low-cost development finance; they could acquire sites, gaining planning consents and selling to developers with their own master plans; and they could use their borrowing powers for long-term loans repaid by new income from both social rented housing and intermediate/market rented housing. As partners who could bring funds as well as land, Councils could be even more central to future mixed tenure – and sometimes mixed use – developments.

We cannot realistically expect the recommendations in this report – even if fully accepted by central and local government – to resolve the nation’s housing difficulties. But they could make a significant difference in preventing the situation deteriorating further. And they could position local government to take more fundamental steps when the national economy allows.

When that time comes, we would want Councils to be supported in rising to the challenge of driving forward a significant growth in new house building. Local authorities are the pivotal players at the local level. But they will need the determination and drive to use their place-shaping role to support the efforts of the private sector, the housing associations, their own Housing Departments, and ALMOs and other housing providers. With a chance to borrow more freely, to manage their own assets creatively, to pursue local solutions to local problems, the DCLG/LGA Housing Commission has seen for itself how today’s local government can be imaginative, entrepreneurial and highly effective.

We hope central government, directly and through the HCA, will enable this creativity to flourish; and the LG Group will support its members in giving housing a very high priority in its campaigning and advisory roles. In decisions on future improvement and capacity building work for local government, we would like to see support from central government for the strategic housing role as a key part of the LG Group offer to all Councils.

Summary of recommendations

The DCLG/LGA Housing Commission recognises the UK's failure to match the annual increase in households with a comparable increase in new homes. We are clear that local authorities – whether or not they provide any new housing themselves – have a central role to play in securing the homes required for their area.

Despite the 'credit crunch' and the current economic difficulties facing the country, our report identifies the considerable potential of local government to combat serious housing shortages. Our visits to different parts of the country have shown us how today's Councils are making progress in overcoming the many obstacles that stand in the way of achieving an adequate provision of new homes.

1. Localism

The huge variations in housing market conditions necessitate local solutions to local problems. Devolving decision-making from Westminster and Whitehall to local authorities needs fully to embrace the housing dimension.

1.1 We recommend removing the ring fences around more of central government's support to local authorities, with increasing use of local budgets under local control.

1.2 We recommend the good practice of so many Councils in involving residents in housing decision-making be embraced by every local authority.

1.3 We recommend grants for housing from central government - through the Homes and Communities Agency (HCA) and directly from DCLG - be administered more flexibly, with more opportunities to vire resources between spending on housing, infrastructure and environmental improvements that can attract private investment in new housing.

1.4 We recommend that ideas for reform of the Housing Revenue Account (HRA) to give greater financial autonomy to local authorities be taken forward.

1.5 We recommend that the anticipated caps on the debt level for each authority following HRA reform allow headroom for sufficient additional borrowing to enable some Council investment in new house building.

1.6 We recommend extending the recent concession for authorities to retain 100 per cent of sales receipts from sales of newly-built Council housing, to all Right-to-Buy sales as well as all receipts from disposal of land and property.

2. Local authorities working together

We have noted the impressive results of Councils – from Metropolitan Authorities to District Councils – working strategically at the sub-regional level for housing, regeneration and economic development.

- 2.1 We recommend** that the Localism Bill, in introducing Local Enterprise Partnerships, with a Regional Growth Fund, incorporates housing and planning objectives as an integral, key component.
- 2.2 We recommend** greater use of shared services between local authorities in pursuing their housing objectives; for example, in sharing expertise in negotiating complex deals with developers.
- 2.3 We recommend** models of good practice for housing/regeneration partnerships across local government boundaries be promulgated by the LG Group, following through on its mapping of the ‘functional economic areas in England’.
- 2.4 We recommend** the LGA – with its close links to Leaders and key Elected Members – offers support to Councils, where requested, in negotiating agreements and developing governance arrangements for groups of local authorities.
- 2.5 We recommend** continuation of the separate arrangements for London, where Mayoral housing targets remain; but, in relation to the inter-dependence of London Boroughs, we have concerns about the increased housing pressures on outer London Boroughs that may flow from new caps on Local Housing Allowance levels.

3. Leadership

As the ‘place-shapers’ in each locality, Councils have a central leadership role in ensuring sufficient homes are supplied in their areas.

- 3.1 We recommend** promulgation by the LG Group of good examples of housing strategies to assist Councils refining their policies for new homes.
- 3.2 We recommend** increased sophistication in the assembly by local authorities of all available information on local housing markets, demands and needs.
- 3.3 We recommend** that the LG Group develops its capacity in assembling housing related data and evidence available at a national level and makes this accessible to all local authorities; and that the DCLG ensures that the data inherited from the former National Housing and Planning Advisory Unit and regional planning bodies, is passed on for use by local authorities.
- 3.4 We recommend** the LG Group supports the leadership role of Elected Members through more training/ briefings on securing support within local communities for much-needed new development.

4. Incentives for local authorities

Although there are reservations, local authorities trying to secure much-needed housing for their area welcome the government's intentions to introduce financial incentives for new building so that local communities receive additional benefits when – so often unpopular – new housing is built nearby.

4.1 We recommend, as suggested in the consultation document, that local authorities be given maximum freedom to deploy the extra funds from retaining Council Tax and the New Homes Bonus, for example being able to 'hypothecate' some of the extra income to the locality where the new homes are built, to benefit those living in closest proximity to the new homes.

4.2 We recommend that, in taking swift action to put the new incentives in place, Government recognises the need for simplicity and predictability in relation to receipt of the extra funds.

4.3 We recommend that, during the consultation process, more work be done by DCLG on the merits of calculating the New Homes Bonus on a gross basis (simply counting the number of extra homes built) rather than on a net basis (including gains from conversions but deducting the number of homes demolished).

4.4 We recommend more work is done to progress the opportunities for capturing anticipated increases in Council Tax and Business Rates and Tax Increment Financing Schemes to pay for new infrastructure.

4.5 We recommend that central government allows exemptions from the cap on rate increases for an area covered by a TIF, and that HM Treasury is prepared to sanction the issuing of bonds by local authorities for infrastructure projects that are self-financing.

4.6 We recommend use of the revised Community Infrastructure Levy as a discretionary opportunity for Councils to take a more flexible and transparent approach to obtaining contributions from developers (in addition to site specific requirements and a percentage of affordable/social housing achieved through Section 106 Agreements).

5. Planning

The Planning role of local authorities remains crucial in securing the homes which each local Housing Strategy demands; but some of the regulatory burden in the planning system should be lifted.

- 5.1 We recommend** that Councils bring together their housing and planning policies when devising their Housing Strategies, with staff teams working closely together.
- 5.2 We recommend** that on controversial issues – such as the release of Green Belt land – government/planning inspectors should respect local decisions where the Council obtains the buy-in of the community to development proposals.
- 5.3 We recommend** that the process for Local Development Frameworks – which provides greater certainty for those seeking to build new homes, but has proved too complex – be brought to completion as soon as possible but then be simplified and modified. New arrangements should be compatible with the current ones so that unnecessary delays are avoided and Councils that have completed, or can shortly complete, the process are not set back in getting local plans in place.
- 5.4 We recommend** an audit of planning regulation to consider what part of the current regulatory burden on delivering new homes might be rationalised, for example, in relation to design which is subject to overlapping criteria from different sources.
- 5.5 We recommend** that each Council's policies on housing standards, levels of affordable housing, density and other requirements be spelt out to give as much certainty as possible for the private sector.
- 5.6 We recommend** planners allow for more planning permissions to be in the system to allow for the delays and uncertainties that increase risk for developers.
- 5.7 We recommend**, following the revocation of Regional Spatial Strategies and targets for new housing building, that Councils ensure appropriate local housing targets are set to match the evidence on needs and demands from Housing Needs Assessments and other data.
- 5.8 We recommend**, with the ending of the Housing and Planning Delivery Grant, that Councils be incentivised to develop the planning skills required for today's sophisticated planning scene, not least in negotiating complex planning agreements where sometimes expertise is currently lacking.

6. Partnerships between the public and private sectors

To maximise all available resources, housing and regeneration partnerships between local authorities and private sector/third sector organisations will be essential.

- 6.1 We recommend** that the LG Group – perhaps through its *Local Partnerships* – receives the necessary funding under ‘top slicing’ arrangements from central government to promote the lessons learnt by a number of entrepreneurial Councils in creating new vehicles for joint public-private projects by:
- setting out the choices available to individual authorities in terms of partnership contracts now tried and tested by other Councils
 - drawing up some standardised contractual arrangements to save the high costs of extensive legal and consultancy fees
 - providing direct advice to individual authorities – without being proscriptive – to decide on the mechanisms that best suit their circumstances.
- 6.2 We recommend** the Homes and Communities Agency extends its important advisory work on negotiating Section 106 Agreements and preparing Area-wide Viability Assessments, to assist more local authorities in understanding what is possible in a difficult market.
- 6.3 We recommend** local authorities share key negotiators with one, two or more adjacent authorities, rather than replicating and duplicating the necessary skills.

7. New Council housing

Councils have proved that relatively modest levels of Local Authority New Build grants can achieve significant beneficial housing outcomes.

- 7.1 We recommend** that when grants, and opportunities for more prudential borrowing, become available in the future, the Local Authority New Build programme should be extended.
- 7.2 We recommend** that in further rounds of direct provision by Councils, support from the Homes and Communities Agency in obtaining access to the right development skills and expertise should continue to be available.
- 7.3 We recommend** that in any further funding for LA New Build schemes, a mix of tenures should be encouraged for all projects comprising more than a tiny handful of homes. To this end, **we recommend** that expert advice be sought on whether current legislation requires local authorities only to offer rented homes (with the Right to Buy); and if it does, that forthcoming legislation should enable Councils to include ownership/part-ownership in future housing projects.
- 7.4 We recommend** that in the same way as housing associations are able to re-apply grant (as well as equity) to produce more homes, rather than repay grant when a property is sold, Councils should be free to manage their housing assets to maximise new home-building.

8. Investment by local authorities

Councils in England would welcome an approach akin to that in Scotland, allowing them to borrow extra sums on a prudential basis and use surpluses from rents on the existing stock to cross-subsidise new schemes. However, the Commission recognises that this is not a realistic proposition in the immediate future.

But we note other opportunities for Councils to make creative use of their assets and resources.

8.1 We recommend that local authorities be enabled to engage in sensible asset management, recycling 100 per cent of the proceeds of property sales (and replacing existing borrowing) into the building of new homes. Since this approach does not add to the public sector debt, but can make possible the construction of new housing, we hope it will find favour with government.

8.2 We recommend that in securing land deals, the current requirements to sell land only at the ‘best consideration’ should be interpreted principally by the local authority itself since it is best placed to determine what arrangement is most likely to meet the housing (and related) needs of its local population.

8.3 We recommend completion of the HCA’s exploratory work on the opportunities for partnerships with institutional investors – Pension Funds, Life and Annuity Funds – where support from the local authority could make possible ‘intermediate renting’ projects; and we note that similar outcomes can be achieved by these institutions investing in comparable projects undertaken by housing associations.

8.4 We recommend that local authorities seek to understand the changing demographic profile of the ageing population in their area; and use the range of their enabling powers to facilitate the building of new homes for older people, thereby securing the release of much-needed housing, to buy and to rent, for the next generation.

9. Housing Associations

Housing associations – and other ‘registered providers’ – remain key partners for local authorities in the production of tomorrow’s new affordable homes. The Commission recognises the benefits of the borrowing regime which enables associations to harness funds for housing that do not count against public sector net debt.

- 9.1 We recommend** continued emphasis through the new co-regulatory arrangements on the engagement of HA residents.
- 9.2 We recommend** local authorities tap into the special contribution housing associations can make, despite the reductions in available Social Housing Grants.
- 9.3 We recommend** investment of time by Councils in creating and sustaining good working relationships with housing associations; and a recognition by housing associations that the new emphasis on localism means working in the closest collaboration with their partner Councils.
- 9.4 We recommend** that local authorities continue to assist housing associations to meet more specialist needs by sustaining Supporting People grants and backing extra care housing projects.

- 9.5 We recommend** local authorities consider offering developers a selection of preferred housing association partners, each of whom is acceptable to the Council for a long-term partnership.
- 9.6 We recommend** that developers work with housing associations before submitting a planning application since bringing them on board afterwards risks delays if plans have to be revised to meet housing association (or HCA) requirements.

10. Community right to build and self-help initiatives

Although they will only contribute modestly to the total demand for new housing, government plans for a Community Right to Build and to the creation of local Housing Trusts, alongside Community Land Trusts and other mutual self-help initiatives, are fully supported in principle.

10.1 We recommend that, in addition to advice from other agencies, organisations that establish themselves under the [Community Right to Build](#) have access to [support from the local authority](#).

10.2 We recommend consideration be given to alternatives to the proposed Community Right to Build [referenda](#): national policy could call on Councils to put in place a local CRtB scheme that can be effected through the formal planning system, achieving the same outcomes more simply for local groups.

10.3 We recommend that the [HCA](#), while having regard to value-for-money criteria, gives equal access to grants for community groups pursuing CRtB housing projects as for other social housing providers.

10.4 We recommend that the model of the [Rural Housing Enabler](#) – whereby an individual can act as the catalyst in bringing together local people, land owners, planning authorities, Parish/Town Councils – be extended as the way to draw in housing associations and developers who would otherwise find it uneconomic to handle time-intensive, small projects.

10.5 We recommend that greater use be made of special planning consent for [‘exceptions’ sites](#) and a (small) proportion of homes thereon be permitted for sale, both to stimulate more interest in the concept by land owners and to reduce requirements for grant.

10.6 We recommend promotion of [‘secondary’ housing co-operatives](#) to bolster output of mutual and co-operative housing, with specialist providers of accommodation for older people being encouraged to perform this role for [Retirement Co-Housing](#).

10.7 We recommend [detailed evaluation](#) of the progress, successes and failures, of the measures for the Community Right to Build, Community Land Trust schemes and other self-help developments, to enable [periodic feedback](#) to local authorities on ways of engaging creatively with these initiatives.

Our report’s recommendations should be seen as an interim step to a more local future in which Councils play the central role in meeting the UK’s housing needs.

The Commission looks to the time when the national economy has pulled clear of its current difficulties and an easing of restrictions on local government borrowing is possible. This could lead not simply to direct involvement by Councils in development and in support for public-private partnerships, but to help for house buyers and house builders that would stimulate additional home-building by bringing greater confidence back to the housing market.

We commend the joint endeavours of the DCLG, with its agency the HCA, and the LG Group in backing local Councils and supporting Members and Officers in the all-important task of securing the new homes the nation so badly needs.

Annex 1

DCLG/LGA Commission on the Council role in new housebuilding. Terms of Reference

Purpose

To examine the scope for further development of the council role and capacity to facilitate and deliver new housing supply to meet local housing needs to sustain economic growth in the context of changing market conditions.

Context

Local authorities have a key role to play in facilitating and bringing about economic recovery and sustainable growth in their areas, in particular through their housing roles. The landscape in delivering housing is changing rapidly: we need to consider different methods of finance, delivery and partnership to meet the challenge of today's economic conditions; the HCA as a new delivery body is developing a new approach to place-making involving a single conversation with local authorities to influence and help shape its interventions in local areas; financing for council housing could be radically reformed on a self financing basis; and with local authorities themselves having a strategic responsibility and increasingly looking to bring their own resources to bear in providing housing themselves and with other parties.

Terms of Reference

In the context of sustaining economic growth and changing market conditions.

- Examine the extent to which councils have the tools to enable and facilitate delivery of new house building (directly or through others) within their current powers and responsibilities. As part of this, identify barriers to delivery and explore the incentives for delivery.
- Assess councils' appetite for and achievements in leading on, delivering, or working in partnership to bring about new housing of all tenures and how this could develop in future.
- Consider ways of using local authority assets and land to deliver house building in partnership with the private sector, housing associations and local people themselves
- Examine capacity within councils to lead on development and advise how councils' knowledge and skills for delivering and facilitating development can be strengthened further.

Working method

The Commission – jointly appointed and supported by DCLG and LG Group, with support from HCA – will be composed of relevant independent experts and chaired by Lord Richard Best. It will be able to commission analytical work as its members determine. DCLG to provide secretariat and resources to support its work.

Annex 2

Commission members

Chair

Lord Richard Best, President, Local Government Association

Members

Gillian Beasley, Chief Executive, Peterborough City Council

Steve Douglas, Director, douglaswood and former Chief Executive, Housing Corporation

Jamie Kerr, Director of Regeneration and Education, John Laing

Mike Owen, Special Housing Adviser, Cornwall Council

Nick Raynsford MP

Joanne Roney OBE, Chief Executive, Wakefield Council

Professor Tony Travers, Director, LSE London

Professor Steve Wilcox, Centre for Housing Policy, University of York

Annex 3

The Commission's work was informed by a number of visits and discussions with a range of organisations with an interest in delivery of new housing

The places visited were as follows:

- **Basingstoke and Deane Borough Council:**
Tony Curtis, Chief Executive
Karen Brimacombe, Support Housing Director
Nikki Linahan, Head of Planning & Transport
- **Birmingham City Council:**
Cllr John Lines, Cabinet Member for Housing, and Chair of City Housing Partnership (CHP) Members' Forum
Cllr Emily Cox, Chair of Housing & Urban Renewal Overview & Scrutiny Committee (HUROS), and member of CHP Members' Forum
Cllr John Cotton, Opposition Spokesperson for Housing, and member of CHP Members' Forum
Cllr Ken Wood, HUROS member, and member of CHP Members' Forum
Cllr Vivienne Barton, HUROS member, and member of CHP Members' Forum
Stephen Hughes, Chief Executive
Elaine Elkington, Strategic Director for Housing and Constituencies, and Chair of CHP
- **Cambridgeshire:**
Cllr Sian Reid - Leader, Cambridge City Council
Cllr Ray Manning - Leader, South Cambridgeshire District Council
Cllr Fred Brown - Leader, East Cambridgeshire District Council
Cllr Ian Bates - Leader, Huntingdonshire District Council
Cllr Kit Owen - Portfolio Holder, Fenland District Council
Alex Plant, Chief Executive
Cambridgeshire Horizons
Liz Bisset, Director of Community Services (now Customer and Community Services), Cambridge City Council
Sir David Trippier - Chairman, Cambridgeshire Horizons
Sarah Monk - Centre for Housing and Planning Research, Cambridge University
John Cross - Chair, Cambridgeshire Partnerships
Peter Studdert - Director of Joint Planning, Cambridgeshire
- **Kettering Borough Council:**
Cllr Jim Hakewill, Leader of the Council
Cllr Russell Roberts, Deputy Leader of the Council
David Cook, Chief Executive
Cllr Mary Malin, Portfolio Holder for Education and Employment
John Conway, Head of Housing
Ian Strachan, Head of Customer Services and Information
Cath Bicknall, Head of Development Services

- Julia Beckett, Deputy Chief Executive
Kevin Brennan, Head of Sustainability,
Velux
Dick Aistrop, Inspector, Northamptonshire
Police
David Reynolds, Chairman, North
Northants Development Company
John Tate, Non-Executive Director,
Kettering General Hospital
Alfred Buller, Director, Bee Bee
Developments
- **London Borough of Croydon:**
Cllr Dudley Mead, Deputy Leader and
Cabinet Member for Housing, Finance and
Asset Management
Jon Rouse, Chief Executive
Emma Peters, Executive director,
Planning, Regeneration and Conservation
Mike Kiely, Director of Planning and
Building Control
Peter Brown, Director of Assets and
Renewals
Tim Naylor, Head of Spatial Planning
Beverley Nomafo, Head of Housing
Development & Growth Partnerships
 - **Leeds City Council:**
Paul Rogerson, Chief Executive.
Neil Evans, Housing Director
 - **Liverpool City Council:**
Cllr Joe Anderson, Leader of the Council
Cath Green, Executive Director for
Community Services
 - **London Boroughs of Newham/Hackney
and Greenwich Council:**
Newham: Sir Robin Wales, Mayor of
Newham
Cllr Andrew Blakie, Deputy Mayor,
Executive Member for Housing
Cllr Paul Schafer, Canning Town Lead
Member
Jackie Belton, Executive Director,
Environment
 - **Hackney:** Tim Shields, Chief Executive
Cllr Karen Alcock, Deputy Mayor
Cllr Guy Nicholson, Member for
Regeneration and Olympics
Greenwich: Mark Baigent, Assistant
Director Housing Strategy,
 - **Manchester City Council:**
Cllr Paul Andrews, Executive Member for
Neighbourhood Services
Steve Mycio, Deputy Chief Executive
Regeneration
 - **Sheffield City Council:**
John Mothersole, Chief Executive,
Sheffield City Council
Miranda Plowden, Interim Director of
Housing, Sheffield City Council
David Curtis, Regional Director, HCA
Tony Crook, Professor of Housing Studies,
University of Sheffield
Mike Gahagan, Chair, Transform South
Yorkshire
Sylvia Yates, Chief Executive, Sheffield
City Region
Janet Dean, Chair, Sheffield Homes
Peter Morton, Chief Executive, Sheffield
Homes
Tony Stacey, Chief Executive, South
Yorkshire Housing Association
Ruth Lucas, LGA
 - **Westminster City Council:**
Mike More CBE, Chief Executive
Rosemary Westbrook, Director of Housing
Mike Hoyland, Chief Executive, City West
Homes
 - **Wiltshire Council:**
Andrew Kerr, Chief Executive
Mark Boden, Director of Economic
Development, Planning and Housing

The discussions involved the following organisations:

- Kate Barker (Bank of England)
- Bob Blackman – MP for Harrow East
- Richard Blakeway (Greater London Authority)
- Kay Boycott (Shelter)
- John Carleton (Local Partnerships Partnership)
- Steve Coombs (Lovell Partners)
- Chloe Fletcher and Eammon McGoldrick (National Federation of ALMOs)
- Matthew Fox (Viridian Housing)
- Steve Freer (CIPFA)
- Paul Hackett (Smith Institute)
- Kate Henderson (Town and Country Planning Association)
- Roy Irwin (Audit Commission)
- Keith Jackson (HM Treasury)
- Derek Joseph (Tribal Treasury Services)
- Sir Bob Kerlake (Homes and Communities Agency)
- Robin Lawler (CIH)
- Elliott Lipton (FirstBase)
- Dr Tim Leunig (London School of Economics)
- Kelvin MacDonald (Royal Town and Planning Institute)
- Professor Duncan McLennan (University of St Andrews)
- Robin Millar (Centre for Social Justice)
- David Montague (London & Quadrant)
- Andrew Muton (Bellway Homes)
- Tom Murtha (Midland Heart)
- Liz Peace (British Property Federation)
- David Rodgers (CDS)
- Lord Smith of Leigh (Association Greater Manchester Authority)
- Andrew Whittaker (Home Builders Federation)
- Ewan Willars (RIBA)
- Stuart Ropke (National Housing Federation)
- Piers Williams (The Housing Finance Group)
- Tim Williams (Navigant Consulting)

Annex 4

Glossary of terms

Affordable housing: Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices
- include provisions for: the home to be retained for future eligible households; or if these restrictions are lifted, for any subsidy to be recycled for alternative affordable housing provision.

Arms Length Management Organisation (ALMO): A company set up to manage, maintain and improve council housing stock. It is owned by the local authority but operates under a management agreement between it and the local authority.

Commission for Architecture and the Built Environment (CABE): It provides expert independent advice on architecture, urban design and public space to improve the quality of what gets built in England. It also has a wider role to champion and lead the public and professional debate about how to create sustainable communities.

Department of Communities and Local Government (DCLG): sets policy on supporting local government; communities

and neighbourhoods; regeneration; housing; planning, building and the environment; and fire. The Department is ending the era of top-down government by giving new powers to councils, communities, neighbours and individuals.

Community Right to Build (CRtB): gives groups of local people direct powers to build new homes or new community amenities where they can demonstrate overwhelming local support.

General Vesting Declarations (GVDs): A process for undertaking compulsory purchase.

HomeBuy: Range of government schemes designed to help people buy houses through devices such as shared equity, shared ownership, and other forms of low cost homeownership.

Homes and Communities Agency (HCA): Government agency responsible for housing and regeneration. The Agency was formed in 2008 taking over the responsibilities of English Partnerships and the investment functions of the Housing Corporation. The Corporation's regulatory functions passed to the new Tenant Services Authority.

Housing Association (HAs): in the UK are independent societies, bodies of trustees or companies established for the purpose of providing low-cost social housing for people in housing need on a non-profit-making basis. Any trading surplus is used to maintain

existing homes and to help finance new ones. They are now the United Kingdom's major providers of new homes for rent, while many also run shared ownership schemes to help people who cannot afford to buy their own homes outright.

Housing Registered Provider (HRP): The bodies permitted to bid for social housing and regeneration funding from the HCA in England. They include both private developers and 'non-profit' RSLs.

Housing Revenue Account (HRA): An account of revenue expenditure and income on council housing that every local authority owning more than 50 homes must keep. The account is part of the General Fund but is kept separate or ring fenced from other council activities.

Housing strategy: identifies the housing priorities for an area, drawing on evidence of housing need and the key housing market data for the area, and the policies and programmes to be adopted to address these.

Intermediate housing: Intermediate affordable housing is housing at prices and rents above those of social rent but below market price or rents, and which meet the criteria set out above. These can include shared equity (eg HomeBuy) and other low cost homes for sales, and intermediate rent.

Local Authority New Build (LANB): a recently introduced HCA programme which makes available Social Housing Grant to local authorities to build new council housing. Other funding comes from LA land and borrowing supported by rental income.

Local Enterprise Partnerships (LEPs): emerging new sub-regional partnerships bringing together councils and business on an equal footing to provide strategic leadership in setting out local economic

priorities and creating the right environment for business success and growth in their areas, by tackling issues such as planning and housing, local transport and infrastructure priorities, employment and enterprise and the transition to the low carbon economy. Detailed remits may vary between Partnerships

Local Development Frameworks (LDFs): Local planning authorities must prepare a LDF which comprises a folder of Local Development Documents for delivering the spatial strategy for the area. These documents expand policies set out in development plan documents or provide additional detail. Key documents, like the overarching Core Strategy, are subject to public examination and must be found sound before they can be adopted.

Local Housing Allowance (LHA): Is used to work out the level of Housing Benefit that tenants renting from private landlords can claim. The allowance reflects the property type, number of (bed)rooms, location and the number of occupants. Rates are calculated each month for individual areas, known as Broad Market Rental Areas. The LHA rate for each property size is based on the 'middle of the range' rental figure for the area. The intention is therefore that half of the rental properties of that size in the area will be affordable to tenants. The rates are published at the end of each month for the following month.

Local Planning Authority (LPA): is the local authority or council that is empowered by law to exercise planning functions for a particular area of the United Kingdom. In England these are primarily unitary and district authorities; county councils have planning responsibilities for waste and minerals.

Private Finance Initiatives (PFI) schemes: are public–private partnerships where up-front infrastructure projects are delivered with private capital. In housing PFI schemes local authorities contract with private sector firms to build, improve, manage and maintain social housing. Management of the housing stock becomes the responsibility of the private sector contractor, with the local authority continuing to own the housing and retaining its tenants. The local authority pays for both elements over the course of a long-term contract, typically 25-30 years, on a performance-related basis.

Public Works Loan Board (PWLB): is a statutory body operating within the UK Debt Management Office, whose function is to lend to local authorities and other public sector bodies; interest rates on PWLB loans compare favourably to market loans.

Registered Social Landlord (RSLs): Term introduced by the 1996 Housing Act applying to housing associations registered with the Tenant Services Authority (and prior to its introduction the Housing Corporation). Housing associations have to be registered to access Social Housing Grant funding for the capital costs of providing new affordable housing.

Sales of Alternate Vacants on Estates (SAVE): A Joseph Rowntree Housing Trust programme introduced in 1998 to combat and reverse the process of decline in its 'model' village of New Earswick. It allows for 50 per cent of re-lets in the village to be offered on the open market for full sale or shared ownership. Evaluation in 2003 (*Rebalancing communities by mixing tenures on social housing estates*, by Graham Martin and Judi Watkinson) found that there had been a significant change in perceptions of the villagers, that property values had risen beyond local increases and that middle-

income families were keen to move onto the estate.

S106 agreements: Section 106 of the Town and Country Planning Act 1990 allows an LPA to enter into a legal agreement ('planning obligation') with a landowner in association with the granting of planning permission for funding to be provided towards infrastructure (eg roads, green space) needed to make a development acceptable in planning terms.

Shared ownership: A scheme where a borrower owns part of the home and pays the mortgage on this, and pays rent on the other part, owned by a housing association. Shared owners can often increase or decrease their stake in the home, through a process known as staircasing.

Social rented housing: Social rented housing is rented housing owned and managed by local authorities and RSLs, for which guideline target rents are determined through the national rent regime. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority, or with the HCA, as a condition of grant.

Special Purpose Vehicles (SPVs): are legal entities established to meet specific defined objectives, eg an area renewal programme. They will often be partnerships, in the case of housing possibly involving a bank/funder, a developer and an RSL.

Staircasing: refers to the practice of purchasing additional percentages of a shared ownership property.

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