

Homes for all

Ensuring councils can deliver the homes we need



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Ensuring councils can deliver
the homes we need



APSE (Association for Public Service Excellence) is a not-for-profit local government body working with over 300 councils throughout the UK. Promoting excellence in public services, APSE is the foremost specialist in local authority frontline services, hosting a network for frontline service providers in areas such as waste and refuse collection, roads and highways, renewable energy, parks and environmental services, leisure, school meals, cleaning, as well as housing and building maintenance.



Town and Country Planning Association (TCPA) founded in 1899, is the UK's oldest independent charity focused on planning and sustainable development. Through its work over the last century, the Association has improved the art and science of planning, both in the UK and abroad. The TCPA puts social justice and the environment at the heart of policy debate, and seeks to inspire government, industry and campaigners to take a fresh perspective on major issues, including planning policy, housing, regeneration and climate change.

The TCPA's objectives are:

- To secure a decent, well designed home for everyone, in a human-scale environment combining the best features of town and country.
- To empower people and communities to influence decisions that affect them.
- To improve the planning system in accordance with the principles of sustainable development.

Contributors

The research team was composed of Kate Henderson (Chief Executive, TCPA), Dr Hugh Ellis (Head of Policy, TCPA), and Paul O'Brien (Chief Executive, APSE). Hilde Steinacker (Researcher, TCPA) assisted with the case study research and Claire Porter (Communications Officer, TCPA) organised the research roundtable.

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The TCPA is extremely grateful to everyone who contributed their time and feedback to the case studies, online survey and roundtable debate which informed this report.

This report aims to reflect the opinions of a wide range of local authorities, private and voluntary groups, but not every detail contained within it will reflect the opinions of all the contributors to this work. It should, however, reflect the spirit of constructive collaboration and considered debate.

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Foreword

This report '*Homes for all: Ensuring councils can deliver the homes we need*' is the second housing research collaboration between the Association for Public Service Excellence (APSE) and the Town and Country Planning Association (TCPA). This study has taken place a year after a first study '*Housing the Nation: Ensuring councils can deliver more and better homes*' and provides a useful snapshot of the key changes to housing and planning policy in the past 12 months.

The objective of this research project has been to understand whether the current policy framework (and the Housing and Planning Bill which was being debated in the Houses of Parliament at the time of undertaking this study) supports local authorities in taking an active role in planning, delivering and managing new homes of all tenures, and if not, what might need to change. By exploring a range of issues faced by councils, this study has identified how local authorities can take a more active role in housing delivery through entrepreneurial approaches to setting up local housing companies and innovative approaches to partnership working. It also identifies a number of key challenges faced by councils in meeting the need for affordable housing, an issue which is affecting councils and communities right across the UK.

Drawing on feedback and insight from an online survey, a series of case studies and a high-level stakeholder roundtable, this report sets out key recommendations for Governments to enable councils to deliver more and better homes of all tenures. One stark finding from our survey respondents was that 96% described their need for affordable homes as severe or moderate. This demonstrates just how significant the need for more homes is, right across the country.

Whilst the UK Government's stated ambition is to build one million homes by 2020, this research shows that to provide the homes where they are needed, much more still needs to be done. Housing is part of the essential infrastructure that this country needs to prosper and on the current delivery rates, this pressing need will not be met.

APSE have pioneered a new model of local government, the 'Ensuring Council'. Based on the principles of stewardship, maintaining core capacity to provide services, municipal entrepreneurialism, collaboration, local political accountability and social justice, APSE believes the 'Ensuring Council' can connect strong core values with strategic decision-making and efficient delivery of services.

The 'Ensuring Council' principles lie at the heart of the solution to meeting the UK's housing crisis. As this report shows, there is tremendous opportunity for councils to, once again, play a full and active role in planning, delivering and managing social and affordable homes on a meaningful scale.

At a time when the housing crisis is becoming ever more pressing to communities, we need fresh solutions to deliver the housing required to meet everyone's needs, which includes reversing some recent changes to housing and planning policy. It is more critical than ever before that we build homes for all.

Paul O'Brien

Chief Executive, APSE

Executive summary

The Government has an ambition to build one million homes by 2020, but this research shows that to provide the homes where they are needed, much more still needs to be done. Housing is part of the essential infrastructure that this country needs to prosper and on the current delivery rates, this pressing need will not be met.

Government needs to work with local authorities and the private sector to arrive at bold and radical solutions to ensure that, together, we can get on with housing our nation.

This report sets out a clear call to action to Government to renew its commitment to enabling councils to build the outstanding, inclusive and genuinely affordable homes the nation needs and deserves. The report identifies the need for urgent action in six principal areas - set out in a series of 15 recommendations for central and local government - to unlock the potential of local authority house building and partnership delivery. The recommendations are presented below:

Leadership

1. The Government needs to put in place a housing strategy for the nation that provides decent homes for everyone in society, including those most in need in the current housing crisis who depend on social and genuinely affordable housing for rent. The Government should ensure that local authorities are at the heart of this new housing strategy, providing clear leadership to encourage councillors and their authorities to think boldly and in the long term.
2. The Government should recognise its achievement in introducing the Housing Revenue Account (HRA) self-financing reforms and the renaissance in council house building it ushered in. By respecting the principles of self-financing, the Government should give back control to local authorities over their investment plans, rents and assets.

Funding social and affordable housing

3. The Government should reverse its decision to reduce social rents by 1% a year for the next four years to ensure councils are able to build more social and affordable housing.
4. Councils should not be forced to sell off their social housing to fund the extension of the Right to Buy to housing association tenants.
5. Low cost homeownership, such as Starter Homes, may help some people get a first step on the housing ladder, but as the survey of councils highlights this will not address the need for genuinely affordable homes. The Government should retain the current National Planning Policy Framework (NPPF) definition of affordable homes and return to a framework where affordability is locally determined based on incomes and prices. Lower cost market homes should not be included in the definition of affordable housing.

New models of housing delivery

6. Councils can play a stronger role in driving the delivery of new homes by establishing local housing companies (on their own or in partnership through joint ventures). Council land and assets can help drive investment in the most sustainable locations and housing tenures such as Private Rented Sector (PRS) can help meet local housing needs and generate long-term income streams.
7. Councils can invest in PRS and through partnerships can also encourage others to invest in PRS in their local areas. Investing in PRS can provide a number of positive benefits, includ-

ing providing greater choice and better quality accommodation for those reliant on the **private** rented sector. Tenures such as PRS can also help increase build out rates on sites. However PRS will not replace the need for social rented homes.

Planning

- 8.** Local plans are the key opportunity for the coordinated delivery of high quality social and affordable housing in inclusive communities. However, with 41% of respondents not having a plan in place with an adopted 5-year land supply, Government should continue to prioritise support for plan preparation.
- 9.** To ensure councils can meet the housing needs identified in their local authority areas the Government should revise the viability test, as set out in the NPPF. This supports the House of Lords Built Environment Committee recommendation that the viability test needs revision to ensure that it is not ‘...used to compromise the ability of local authorities to meet housing need, including affordable housing need, as determined through development plans.’¹
- 10.** To ensure councils can meet the needs of older people the Government should include a new policy priority in the NPPF which ensures social justice and outcomes for people are just as important as the needs of land-owners and developers.
- 11.** The Government needs to clarify whether the developer-contribution model of funding social and affordable housing, via planning obligations, remains a policy objective, and if not, where the replacement investment is going to come from.

Housing standards

- 12.** The Government should restore a comprehensive framework of place-making standards. This needs to include new national minimum space standards for housing and standards on access and inclusion. Again, this study supports the recommendation of the House of Lords Built Environment Committee which is calling for a return to the Lifetime Homes standard to ensure that high quality accessible homes are built to provide for the nation’s ageing population and those with disabilities.

Skills and capacity

- 13.** Urgent action is needed to direct sufficient resources into the planning service in order to maintain an adequate, minimum standard of delivery. Local flexibility of fee recovery should be considered by Government.
- 14.** The Government should issue national guidance and provide support and training to local authority planning officers on negotiating affordable housing with developers.
- 15.** Councils can play an important role in expanding the construction skills sector through apprenticeships. The Government also needs to support the expansion of the construction industry, recognising the current capacity constraints on delivery due to factors such as the availability of skilled and unskilled workers, equipment and raw materials.

¹ House of Lords, 2016, Select Committee on National Policy for the Built Environment Report of Session 2015–16 Building better places <http://www.publications.parliament.uk/pa/ld201516/ldselect/ldbuilt/100/100.pdf>



Part 1: Introduction

Local authorities have a vital role in the planning, delivery and management of social and affordable homes. This study by the TCPA, on behalf of APSE, has taken place a year after a first study '*Housing the Nation: Ensuring councils can deliver more and better homes*'² and provides a useful snapshot of the key changes to housing and planning policy in the past 12 months.

The principle objective of this research project is to understand whether the current policy framework and the Housing and Planning Bill (England only) supports local authorities in taking an active role in planning, delivering and managing new homes of all tenures, and if not, what might need to change. The study explores a range of issues faced by councils - from understanding the impact of the Government's starter homes initiative and the proposed extension of the Right to Buy, to housing association tenants, to how local authorities can take an active role in housing delivery through access to land, directly building new homes of all tenures and partnership working.

1.1 Research approach

There are four components to the research project, as follows:

1. Desk based policy review of the housing challenge and policy context – in terms of housing, planning, and finance– in England, Wales, Scotland and Northern Ireland.
2. Analysis of five case studies – three from England and two from Scotland. Each case study aims to present different models of council leadership in delivering and managing social and affordable housing, set within the socio-demographic context of each local authority area. The case studies are Thurrock Council, Harrow Council, Manchester City Council, the City of Edinburgh Council and Aberdeen City Council (the case studies are set out in Part 2 of the report).
3. An online survey which was sent to Council Leaders and Chief Executives, Heads of Planning, Heads of Housing and Heads of Finance (or their equivalent) in local authorities across the UK between 5th February 2016 and 25th February 2016. The analysis of the survey is set out in Part 3 of the report and the survey questions are set out in Annex 1.
4. An expert roundtable discussion was held on the 9th March 2016 to test the analysis and draft recommendations (roundtable participants are listed in Annex 2).

The research aims to demonstrate that local authorities can, and want to, deliver more and better housing. Councils are a fundamental part of the solution to meeting the nation's housing need.

1.2 The current housing crisis

This report does not repeat the historic context of housing and local government which is presented in detail in the 2015 publication '*Housing the Nation: Ensuring councils can deliver more and better homes*'. The focus of this report is the rapidly changing policy context in England and evolving nature of the current housing crisis. This report seeks to provide an update on the latest facts and figures around the number of new homes needed and our current housing output.

It is worth emphasising, as we did in the previous report, that the housing crisis is both complex and severe, playing out differently in different parts of the UK. Some parts of the UK are facing a chronic shortage of new homes and this is driving up house prices and rents, and in other parts of the UK the challenge is the regeneration of our existing communities and the quality of existing social housing.

² APSE, 2015, *Housing the Nation: ensuring councils can deliver more and better homes* <http://www.apse.org.uk/apse/index.cfm/research/current-research-programme/housing-the-nation-ensuring-councils-can-deliver-more-and-better-homes/>

The latest household projections for England, published in November 2015, suggest that we need over 220,000 additional homes each year until 2031 if the projected growth in households is to be accommodated.³ Only 54% of the homes required have been built since 2011. To catch up by 2020 with the number of homes suggested by the projections we need to build over 310,000 homes a year over the next 5 years.

While the housing crisis touches every part of the UK and is a pressing issue for every local authority, the greatest need for housing is in London and the wider south east where 55% of the homes required need to be located. In contrast, in the north east, the number of new households is expected to only rise by 11% over 20 years.

The figures also reveal that young people across the country are struggling more than ever to live independently. Housing shortages and the resultant high prices and rents mean that young people are living with parents or in house shares for longer, rather than forming a household of their own. Rising student debt levels and potential future welfare reform are likely to make their position even more difficult. Even if the homes required are actually built the latest government household projections suggest that couples aged between 25 and 34 will be less able to live in their own home in 2031 than their counterparts in 2011.

Improved planning and better housing have long been identified as essential for improving the health of communities, reducing health inequalities and cutting costs for the taxpayer. Conversely, poor quality housing and an inadequate supply of new homes impacts on the social wellbeing of communities. The Building Research Establishment (BRE) has calculated that the annual cost of poor housing to the NHS is at least £1.4bn.⁴

A lack of decent affordable housing also reduces labour mobility and undermines the ability of our towns and cities to attract new business. A survey of businesses in London by the CBI highlighted that housing costs and availability in London were having a negative impact on companies' ability to retain and recruit staff, particularly employees on lower incomes.⁵ Of the businesses surveyed 57% stated that *'housing costs and availability as having a negative impact on the recruitment of entry-level staff. Nearly half (45%) report it as being an issue for recruiting mid-level managerial staff, and almost a quarter (24%) for staff at a senior level.'*

There is also a serious skills shortage in the construction sector in the UK. A 2015 survey by the Royal Institute of Chartered Surveyors (RICS) found that the country's skills shortage has reached its highest levels since the RICS UK Construction Survey was launched 18 years ago.⁶ The RICS survey highlights that bricklayers and quantity surveyors are in short supply with 53% of survey respondents saying they experienced difficulty sourcing labour, over two thirds (71%) reporting difficulties with sourcing bricklayers and 64% highlighting a shortage of quantity surveyors. In addition to the skills shortage, the RICS survey revealed that 69% of survey respondents thought access to credit was one of the other biggest constraints to growth.

1.3 The current policy context

The overall policy context for planning and housing in England has rapidly and radically changed since the UK Government general election in May 2015. Housing has been high on the political agenda and the overarching political narrative has been dominated by a drive to increase levels of home ownership.

3 McDonald, N, and Whitehead, C., 2015, *New estimates of housing requirements in England, 2012 to 2037*, Town & Country Planning. Tomorrow Series Paper 17, London: TCPA

4 BRE, 2015, *The cost of poor housing to the NHS* <https://www.bre.co.uk/filelibrary/pdf/87741-Cost-of-Poor-Housing-Briefing-Paper-v3.pdf>

5 CBI, 2015, *London Business Survey, September 2015*, <http://news.cbi.org.uk/news/capital-s-firms-to-next-mayor-transport-and-housing-must-improve-cbi-cbre/cbi-cbre-london-business-survey/>

6 Hunt, R., 2015, *Britain faces bleakest construction skills shortage in almost 20 years*, RICS website 23 October 2015 <http://www.rics.org/uk/news/news-insight/press-releases/britain-faces-bleakest-construction-skills-shortage-in-almost-20-years/>

The Government has committed to delivering one million new homes by 2020 which includes 400,000 affordable new homes focused on low cost homeownership with the aim of transforming 'generation rent into generation buy'.

Between 2010 and 2015 the Coalition Government introduced far-reaching legal and policy changes to housing, planning, benefit provision and regeneration funding. The cumulative effects of these measures have changed the ability of local authorities to deliver affordable homes, as well as affecting the wider role of councils in place-making. Some of the measures, such as permitted development, which were initially introduced temporarily, have been made permanent since 2015 and the future of social housing in England now hangs in the balance.

The devolution of some powers to Scotland, Wales and Northern Ireland has created a distinctive policy environment in each of these administrations, discussed below.

1.3.1 England

Policy context for housing and planning

This section recaps on the changes under the Coalition Government and then begins to map out the most significant changes to housing and planning policy since the general election.

Between 2010 and 2015 Government funding for social and affordable housing was reduced and the English planning system was subject to sustained policy and legal change which had significant implications for the funding, planning and delivery of social and affordable housing. As set out in the 2015 'Housing the Nation' report, the broad thrust of the reforms have been deregulatory, with four important dimensions:

1. Funding social and affordable housing:

Funding: In 2010 the Coalition Government announced in the Spending Review that £4.5 billion would be made available to fund new affordable homes over the period of the Review which represented a reduction in grant funding from £8.4 billion in the previous Spending Review.⁷

'Affordable rent': The Spending Review in 2010 also introduced an "intermediate rent" or "affordable rent" tenure where housing associations were able to offer tenancies at rents of up to 80% of market rent levels within the local area. The idea being that the additional finance raised would be available for reinvestment in the development of new social housing.

2. Structural changes to planning:

Abolition of strategic planning: The Localism Act 2011 abolished regional planning and focused attention on local plans to deliver housing provision. The duty to cooperate became the key mechanism for wider dialogue about wider sub-regional housing provision, but the duty has proved cumbersome particularly in high demand areas⁸.

Permitted development: Further deregulation of secondary legislation on permitted development – which was initially introduced as a temporary measure - led to a large number of offices being converted for housing with only a very light touch approval process. These developments do not require planning permission and therefore local authorities are unable to secure contributions for affordable homes (or other services such as education and green infrastructure) or require space and environmental standards for the newly converted homes.

⁷ House of Commons Library, 2014, *Stimulating housing supply – Government initiatives (England)* 9 December 2014 <http://researchbriefings.files.parliament.uk/documents/SN06416/SN06416.pdf>

⁸ TCPA, 2015, *The future of planning and place making*, TCPA http://www.tcpa.org.uk/data/files/Future_of_Planning_embargoed_until_19_March_2015.pdf

3. Policy changes to planning for social and affordable housing:

National Planning Policy Framework: Planning was reformed to create a more permissive regime for housing delivery. The National Planning Policy Framework (NPPF)⁹ published in 2012, included a presumption in favour of sustainable development, a requirement for five year land supply, and a viability test for all local plan policy requirements. The viability test is narrowly framed to 'provide a competitive return to will developers and land owners'.¹⁰ The viability test is challenging to the delivery of high-quality mixed tenure homes as highlighted by research published by the TCPA in 2015 which found that this has led to 'policy on a series of vital public interest outcomes to be downgraded or removed, particularly in relation to affordable homes, building standards and green infrastructure'.¹¹ This test has proved particularly controversial and challenging for councils because it provides a mechanism for both reducing the amount of affordable homes through section 106 agreements and for renegotiation of existing agreements. The amount of affordable homes delivered through section 106 has fallen as a result.¹²

Housing standards: In 2015 the Coalition Government replaced the Code for Sustainable Homes with optional 'technical housing standards' which are also subject to the viability test in the NPPF. This has generated concerns as to whether new homes are meeting the need for social and affordable homes as well as providing adequate internal space, lifetime homes or wider place-making and climate resilience objectives.¹³ The NPPF set out a new definition of 'affordable' housing in England linking it to a benchmark of 80% of market rents. There remains a concern about how genuinely affordable this definition is in high demand areas, reinforcing the need for the provision of social housing.¹⁴

4. Planning service and capacity:

Skills and resources: Research by the National Audit Office (NAO), published in 2014, shows that between 2010/11 and 2014/15, spending on planning and development - including building control and environmental initiatives - have been cut by 46% in local authorities.¹⁵

Since the general election in May 2015 the Government have continued to deregulate planning and reduce the funding available for social and affordable housing. Using the four dimensions above as a framework for analysis these are the key changes:

1. Funding social and affordable housing:

Right to Buy: Proposals in the Housing and Planning Bill, introduced into parliament in the autumn 2015, focus on increasing home ownership through extending the Right to Buy to 1.3 million housing association tenants. The Right to Buy, originally introduced in 1980, gave council tenants the right to buy the homes they had previously rented. When the Housing Bill becomes law (at some point in 2016) housing association tenants will acquire that same right. The scheme will be funded by forcing local authorities to sell off high value council houses when they become vacant. The Local Government Association (LGA) have '...

9 DCLG, 2012, *The National Planning policy Framework*, 2012 <https://www.gov.uk/government/publications/national-planning-policy-framework--2>

10 DCLG, 2014, *National Planning Practice Guidance: Viability and plan making*. Department for Communities and Local Government, Mar. 2014

11 TCPA, 2015, *The future of planning and place making*. TCPA

12 Johnstone, N, 2014, *Squeezed out*, Inside Housing, 27 June 2014 <http://www.insidehousing.co.uk/squeezed-out/7004401.article>

13 Communities and Local Government select committee reflected these concerns in their-- Fourth Report Operation of the National Planning Policy Framework. 2014

14 Wiles, C., 2014, *Affordable housing does not mean what you think it means*. Guardian Housing Network <http://www.theguardian.com/housing-network/2014/feb/03/affordable-housing-meaning-rent-social-housing>

15 National Audit Office, 2014, *The impact of funding reductions on local authorities*, London: National Audit Office <https://www.nao.org.uk/wp-content/uploads/2014/11/Impact-of-funding-reductions-on-local-authorities.pdf>

forecast that 66,000 council homes will be sold to tenants under the existing Right to Buy scheme by the end of the decade with current complex rules and restrictions making it difficult for councils to rapidly replace the majority of these homes sold.... The LGA predicts councils could then be forced to sell a further 22,000 “high value” homes in order to fund plans to extend the scheme to housing association tenants...The LGA is warning that some new housing measures, such as the loss of £2.2 billion from council housing budgets by 2020 as a result of social housing rent cuts, risk making building any replacements all but impossible. It estimates that 80,000 of these 88,000 homes sold under Right to Buy by 2020 will not be replaced as a result.¹⁶

Starter Homes: The Government have an ambition to deliver 200,000 Starter Homes by 2020. The Starter Homes policy, which is also being legislated for in the Housing and Planning Bill, aims to help young first-time buyers (below 40 years) purchase a home with a minimum 20% discount off the market price which is £450k in London and £250k outside the capital. The proposed legislation creates the first ever legal duty in planning law to provide for particular form of housing tenure. Proposed changes to national planning policy in the National Planning Policy Framework (NPPF) are designed to support the draft legislation. While Starter Homes will help some middle and high earning people in parts of England, homelessness charity Shelter estimate that middle earners will actually be priced out in 58% of the country and people on the new ‘national living wage’ are priced out of Starter Homes in 98% of the country.¹⁷

Shared ownership: From April 2016 Government will remove the current restrictions on who can buy a home through shared ownership.¹⁸ Shared ownership is a useful form of intermediate tenure enabling people to buy a share of a home – rather than the whole house. Currently rules mean that shared ownership is only available to people who meet a set of criteria set out by the local authority, for example whether potential buyers already live or work in the local area. The new rules will mean from April 2016 shared ownership is open to anyone who has a household income of less than £90,000 in London or less than £80,000 outside London.

Social rent reductions: In July 2015 the Government announced a 1 per cent annual rent reduction in the social rented sector for four years from April 2016. The Office for Budget Responsibility (OBR) highlight that this ‘*will directly reduce social landlords’ rental income, and therefore their financing for, and returns to, investing in new housebuilding*’.¹⁹ The OBR estimate that the rent reduction policy will reduce the number of new affordable homes built by 14,000 over the next five years.

2. Structural changes to planning:

Devolution: The Housing and Planning Bill, introduced into Parliament in 2015, and the Cities and Local Government Devolution Act 2016, both set out a set of arrangements for Combined Authorities. Each devolution deal is different, and there is a potential for Combined Authorities to have an important role in planning for housing, but there needs to be urgent clarity about the extent of Combined Authorities planning functions and how they will be democratically accountable to the public. We know that Combined Authorities and Mayors will have the power to designate Mayoral Development Corporations and, subject

16 Local Government Association (LGA), 2016, *80,000 council homes could be lost by 2020*, press release http://www.local.gov.uk/media-releases/-/journal_content/56/10180/7668062/NEWS#sthash.8O3ep93ldpuf

17 Shelter, 2015, *Non-starter homes*. Shelter policy blog. Shelter. 26 Aug 2015 <http://blog.shelter.org.uk/2015/08/non-starter-homes/>

18 HM Treasury and Department for Communities and Local Government, 2015, *Help to Buy: new announcements*. London Help to Buy and Shared Ownership: key announcements from the Spending Review and Autumn Statement. HM Treasury and Department for Communities and Local Government. Nov 2015. <https://www.gov.uk/government/news/help-to-buy-new-announcements>

19 Office of Budget Responsibility, 2015, *Economic and fiscal outlook, July 2015* http://budgetresponsibility.org.uk/docs/dlm_uploads/July-2015-EFO-234224.pdf

to the approval of the secretary of State, powers to intervene in local plans. However, it is now also clear that a Combined Authority will not have statutory plan-making powers so that to be effective and strategic, their approach will need to be reflected in the Local Plans of the constituent authorities. This leaves open key questions about the effectiveness of strategic planning for housing. There are also unanswered practical questions about the capacity and resources of the Combined Authority administrations to prepare strategic housing plans.

Permitted development: Permitted development has been made permanent creating a range of concerns to councils from the loss of employment space to poor quality development that they have no say over.

3. Policy changes to planning for social and affordable housing:

NPPF: At the time of writing this report the Government is consulting on changes to the NPPF including changing the definition of affordable housing to include Starter Homes.

4. Planning service and capacity:

Skills and resources: The planning service continues to face significant cuts in funding and a general loss of capacity. This has led to growing concerns from the private sector about the level of service they receive and the wider role of planning as a positive force for change.

1.3.2 Devolved administrations

In general the policy and institutional context for the devolved administrations is marked by greater continuity and consensus than those in England. Nonetheless, significant changes are now taking place in policy such as the new Welsh national planning policy and institutional arrangements such as changes to the executive departments in Northern Ireland.

Wales

Planning and housing functions are largely devolved to the Welsh Government and Welsh local authorities. The Housing Act (Wales) 2014 sets out a legal framework for the devolved powers. The Act places new duties on local authorities on Homelessness, the provisions of sites for Gypsies and Travellers and standards in housing management. It also reforms the Housing Revenue Account subsidy system and introduces a compulsory registration and licensing scheme for private rented sector landlords. The Welsh Government provides financial support through the Social Housing Grant and Housing Finance Grant which support Registered Social Landlords, although the amounts are relatively modest.

Planning in Wales is also devolved and continues to reflect a distinctive and coherent approach with a national plan and guidance documents framing local plan preparation by local authorities. National policy was updated after review in January 2016 with The Welsh Government committing to ensuring that:

- previously developed land is used in preference to greenfield sites;
- new housing and residential environments are well designed, meeting national standards for the sustainability of new homes and making a significant contribution to promoting community regeneration and improving the quality of life; and that
- the overall result of new housing development in villages, towns or edge of settlement is a mix of affordable and market housing that retains and, where practical, enhances important landscape and wildlife features in the development.

Scotland

Scotland has extensive devolved powers on planning and housing. The Scottish Government sets overall national planning policy in the National Planning Framework and the 32 local authorities prepare local plans. The four major city regions also have to prepare a strategic development plan. Scotland is regarded as having the most coherent and effective planning system inside the UK with a strong emphasis on meeting housing needs. In 2015 the Scottish Government committed to a full and independent review of the planning system which will report in May 2016. Thereafter Scottish Ministers will respond to its recommendations with a programme of work to take forward further improvements to the planning system. The focus of the review has six themes:

- Development planning;
- Housing delivery;
- Planning for infrastructure;
- Further improvements to development management;
- Leadership, resourcing and skills; and
- Community engagement.

Scotland's 32 unitary authorities have responsibility for housing with financial and policy support from the Scottish Government who will invest £1.7 billion in new homes over the lifetime of the current parliament. Scottish Homes, which replaced the Scottish Special Housing Association and the Housing Corporation in Scotland, is a statutory body assisting local authorities in their housing programmes. Although Scottish Homes still own dwellings, they are no longer building new houses and the last new dwelling was completed in 1991.

Northern Ireland

Housing in Northern Ireland has a number of distinctive aspects, not least the legacy of community division and direct rule. The peace process has offered a radical period of change with devolution of planning powers from central administration to local authorities which occurred in April 2015.

Housing policy remains the overall responsibility of the Department of Social Development. The Northern Ireland Housing Executive is the Northern Ireland equivalent of local authority housing providers in Great Britain but is organised in a divisional structure. The executive manages 89,000 homes and has a program to build 2,000 units of social housing in 2015. One of the major questions for the future is how to harness the opportunity and challenges of devolving housing provision to newly restructured local authorities in Northern Ireland.

At the beginning of 2016 proposals to make major changes to the number and scope of the executive department in Northern Ireland were announced. This will result in significant changes for planning with responsibilities being split in a way which risks a fragmentation of the wider responsibilities for planning and place making.

Under the proposals a new department called Economy and Skills will amalgamate the departments of Enterprise Trade and Investment (DETI) and some of Employment and Learning (DEL). The Department of Agriculture Environment and Rural Development (DARD) would take on some responsibilities of the Department of Environment (DoE) and the remaining DoE functions would go into a new Department of Development and Infrastructure. Other changes would see the Department of Education becoming the Department of Education and Children, and the health department would become the Department of Health and Well Being.



Part 2: Case studies

The study is based upon five case studies, three of which are from England and two case studies from Scotland. The case studies represent innovation within local government, setting out different models of council leadership in the delivery of new homes of all tenures, including affordable housing. The case studies are as follows:

- **Thurrock Council:** Local housing company called Gloriana, which is wholly-owned by the council.
- **Harlow Council:** Harlow's 'Great Estates Model' for the regeneration programme in their Housing Zone.
- **Manchester Housing Investment Fund:** Joint venture between Manchester City Council and the Greater Manchester Pension Fund to deliver Private Rented Sector housing.
- **Edinburgh Council:** Council-led joint venture using the National Housing Trust initiative.
- **Aberdeen Council:** Council-led joint venture on council-owned land.

2.1 Thurrock Council

The housing challenge in Thurrock

Thurrock is located on the Thames River to the east of London and has one of the fastest growing populations in the Thames Gateway. Thurrock has been named as one of the top destinations for Londoners moving out of the capital²⁰. In 2014 Thurrock's population was 163,270 and this is projected to grow by over 20% to 192,535 by 2032²¹.

According to the council's Joint Strategic Needs Assessment (JSNA) *'Thurrock has a larger young population aged 0-19 years – particularly 0-4 year olds, and a larger population in their 30s and early to mid-40s than both East of England and England'*²². For example, between the 2001 and 2011 census there was a 20% increase in the number of 0-4 year olds. As a result of the increase in families with young children there is a need for larger accommodation in Thurrock²³.

Thurrock Council's Housing Strategy states that *'two thirds of households in Thurrock live in semi-detached and terraced houses with fewer detached properties. The majority own their own home but Thurrock has nearly double the regional and national average renting from the council with a small minority renting from Registered Providers'*²⁴. The Council own over 10,000 homes including over 1,000 sheltered housing properties. According to the JSNA the proportion of households living in the private rented sector housing increased from 5.9% in 2001 to 13.2% in 2011. The Council's Housing Strategy identifies both affordability and overcrowding as key issues for local residents.

To meet the projected growth in the population the Council have identified the need for 20,600 new homes by 2031 which is just over 1,000 per year and due to the *'large number of families in the borough, nearly half of the new homes required are estimated to be three bedroom properties.'*²⁵

20 Bloomfield, R, 2015, *The only way is Essex: Thurrock named most popular location for Londoners fleeing the capital*, 3 February 2015, Evening Standard <http://www.standard.co.uk/news/london/the-only-way-is-essex-thurrock-most-popular-for-londoners-fleeing-the-capital-10020274.html>

21 Thurrock Council, 2015, *Thurrock Joint Strategic Needs Assessment, Demographics and Population Change*, Approved by Thurrock Health and Wellbeing Board on 15 June 2015 <https://www.thurrock.gov.uk/sites/default/files/assets/documents/jsna-demographics-population-v02.pdf>

22 Thurrock Council, 2015, *Thurrock Joint Strategic Needs Assessment, Demographics and Population Change*, Approved by Thurrock Health and Wellbeing Board on 15 June 2015 <https://www.thurrock.gov.uk/sites/default/files/assets/documents/jsna-demographics-population-v02.pdf>

23 Thurrock Council, 2015, *A Housing Strategy for Thurrock, 2015-2020*, March 2015, https://www.thurrock.gov.uk/sites/default/files/assets/documents/housing_strategy_2015_2020_v01.pdf

24 Thurrock Council, 2015, *A Housing Strategy for Thurrock, 2015-2020*, March 2015, page 15 https://www.thurrock.gov.uk/sites/default/files/assets/documents/housing_strategy_2015_2020_v01.pdf

25 Thurrock Council, 2015, *A Housing Strategy for Thurrock, 2015-2020*, March 2015, page 17 https://www.thurrock.gov.uk/sites/default/files/assets/documents/housing_strategy_2015_2020_v01.pdf

Thurrock Council have established key measures of success in their Housing Strategy including

- *'1,000 new affordable homes delivered over the next five years*
- *10% increase over current projection in number of new homes delivered through the private sector over the next five years*
- *100% of new council homes built to London Space Standards and Lifetime Homes, reflecting high quality design and materials*²⁶

The planning context

Thurrock Council is a unitary authority covering approximately 64 square miles of which 70% of land is Green Belt. The Council's growth strategy is focused around six growth hubs in Grays, Lakeside and West Thurrock, London Gateway, Thames Enterprise Park, Purfleet and Tilbury.²⁷

Since February 2014 Thurrock Council has been working on a new Local Plan which will replace the Council's Core Strategy and Policies for Management of Development (Core Strategy) which was adopted in 2011. The Council are working on a new Local Plan to respond to a number of significant challenges which include:

- *'The need for a more up-to-date statutory planning framework to co-ordinate the delivery of the Council's ambitious growth strategy for Thurrock;*
- *The revocation of the East of England Plan and the requirement for local planning authorities to undertake a fresh assessment of their future development needs;*
- *The need for the Council to identify a deliverable five year housing land supply and bring forward more sites for development to support economic growth; and*
- *A need to plan for the possible impact of a decision by Government on the route and location of the proposed Lower Thames Crossing.*²⁸

The 2011 Core Strategy set out the vision, spatial strategy and core policies for the development of Thurrock. Thurrock Council's new Local Plan *'will determine the amount and distribution of new development providing a comprehensive and long-term planning framework for the period up to 2035.'*²⁹

The Local Development Scheme sets out the timetable for the adoption of the new Local Plan as follows:

Issues and Options Stage 1: Strategic Policies	February/March 2016
Issues and Options Stage 2: Spatial Options and Sites	October/November 2016
Draft Local Plan	October/November 2017
Publication Draft of the Local Plan	October/November 2018
Submission of the Local Plan	March 2019
Examination in Public (Hearings)	April 2019 – September 2020 (October/November 2019)
Adoption	October 2020

²⁶ Thurrock Council, 2015, *A Housing Strategy for Thurrock, 2015-2020*, March 2015, page 44 https://www.thurrock.gov.uk/sites/default/files/assets/documents/housing_strategy_2015_2020_v01.pdf

²⁷ Thurrock Council, 2013, *Thurrock Transport Strategy 2013 – 2026*, https://www.thurrock.gov.uk/sites/default/files/assets/documents/strategy_transport_2013.pdf

²⁸ Thurrock Council, 2015, *Thurrock Local Plan Local Development Scheme*, December 2015 https://www.thurrock.gov.uk/sites/default/files/assets/documents/local_development_scheme_2015.pdf

²⁹ Thurrock Council, 2015, *Thurrock Local Plan Local Development Scheme*, December 2015 https://www.thurrock.gov.uk/sites/default/files/assets/documents/local_development_scheme_2015.pdf

About Gloriana Thurrock Ltd

Through the Council's Housing Revenue Account (HRA) business plan Thurrock will improve the existing council stock and deliver new affordable housing. The Council have secured '*just under £6m of funding through the HCA [Homes and Communities Agency] Funding Programme which will deliver over 200 new homes.*³⁰ Thurrock have also been able to increase their HRA borrowing cap by £11.58m through the HRA Extra Borrowing Programme which will enable the Council to deliver a further 300 additional new homes. These measures will help Thurrock achieve its target of 1,000 affordable homes by 2020.

Thurrock have also developed an innovative new regeneration company called Gloriana Thurrock Ltd designed to 'kick start the housing market and support first time buyers and young people to access affordable housing in Thurrock.' Thurrock Council decided to establish a wholly owned local authority company to respond to the challenges around housing delivery rates and quality in the private sector and having failed to achieve anticipated receipts and outcomes from the sale of council owned land for development, despite flexing 106 planning obligations. The first Gloriana project, 128 new homes in Tilbury, is already on site and the second is about to be submitted for planning with a strong pipeline in development. The Council's Housing Strategy states: '*Thurrock Council decided to take the initiative itself and Gloriana will now build 128 new homes to pump prime the market and give a lead on the quality of housing we want to see in Thurrock – the scheme is an exciting, high quality design with an exemplar sustainable urban drainage scheme (SUDs). While most of the homes will initially be rented, it is intended that some will be sold as the market revives. They will be available for sale at market value or on a shared equity basis.*³¹

The model is simple: Thurrock Council sells council owned land to Gloriana at a commercially valued rate and Gloriana borrows from the council to fund the development of new housing. Gloriana repays the interest on the loan through its rental income and the debt can be repaid as the homes are sold.

Gloriana does not intend to undercut the market, but it is able to start development projects without having to consider making the significant profit margins that private sector developers seek.

Key lessons

Through establishing Gloriana, Thurrock Council has been able to boost the housing market to deliver new homes to meet local need. Gloriana can develop at lower cost by making a smaller margin than the private sector and it has been able to design and deliver housing solutions to match Thurrock Council's values while addressing local patterns of need.

By ensuring all new council homes are built to Lifetime Homes and London Space Standards Thurrock is ensuring that the homes meet residents' needs now and in the future.

2.2 Harrow Council

The housing challenge in Harrow

The London Borough of Harrow is an Outer London Borough in northwest London roughly ten miles from central London. Harrow experienced a population increase of 14% between 2001 and 2011 census and the latest population estimate, as of 2013, is that there are 243,400 people living in the

³⁰ Thurrock Council, 2015, *A Housing Strategy for Thurrock, 2015-2020*, March 2015, page 45 https://www.thurrock.gov.uk/sites/default/files/assets/documents/housing_strategy_2015_2020_v01.pdf

³¹ Thurrock Council, 2015, *A Housing Strategy for Thurrock, 2015-2020*, March 2015, page 46 https://www.thurrock.gov.uk/sites/default/files/assets/documents/housing_strategy_2015_2020_v01.pdf

borough.³²

Harrow has higher levels of home ownership than across London where over half of all households were in rented accommodation in 2011³³. In Harrow 65% of people own their own home. Only 10% of people in Harrow are living in social housing which is significantly less than the average in London of around 24%. Harrow Council's Housing Strategy³⁴ highlights that *'fewer properties become available for letting each year resulting in long waiting times and many households will never get an offer of social housing. This is a key local issue for Harrow, compared to other London boroughs and other local authorities nationally.'*³⁵

However, housing tenure in Harrow has changed over the last decade with owner occupation declining by 9% and private renting increasing by 10%. Roughly 20% of people now live in the private rented sector. Harrow Council's Housing Strategy³⁶ highlights that *'most people who are unable to buy their own home are likely to have their housing needs met through renting privately. Social housing will continue to be an option for a minority of residents.'*³⁷

The Council's Housing Strategy also highlights that Harrow has high average house prices meaning home ownership is also out of reach for those on average or lower incomes. By 2011, the average lower quartile house price in Harrow was more than twelve times the average lower quartile wage.³⁸

The planning context

Harrow Council's core strategy, adopted in 2012, describes the borough as having *'a legacy of suburban housing with gardens, a Metropolitan town centre with a range of shops and leisure facilities, good local schools and a wealth of open spaces making Harrow an ideal location for family life.'*³⁹ The core strategy sets out Harrow Council's goals for development in the borough through to 2026 including the need for 350 additional homes per annum from 2011.⁴⁰ This housing target was increased to 593 per year in the recent alterations to the London Plan.

Harrow and Wealdstone was identified as one of 38 Opportunity Areas in the Mayor's London Plan. The Council's Area Action Plan states: *'described in the mid 1950's as the 'Capital City of Metroland', Harrow's 'Heart of Harrow' Area covers 177 hectares and is located towards the centre of the Borough.'*⁴¹ Harrow's Regeneration Strategy sets out how the council plans to deliver the *'action plan for the Heart of Harrow Opportunity Area - this is a £1.75Bn investment programme into Harrow and Wealdstone town centres which will deliver 5,500 new homes, two new schools, around 3,000 new jobs and a district heating network to service major sites.'*⁴²

In 2015 Harrow Council secured funding of £31.3 million as one of the Mayor of London's *Housing Zones* to kick start regeneration.⁴³

32 Harrow Council, 2014, Population estimates. 2013 Mid-Year Population Estimates, Harrow Council website http://www.harrow.gov.uk/info/200088/statistics_and_census_information/968/population_estimates

33 ONS, 2013, *A Century of Home Ownership and Renting in England and Wales*, 19 April 2013 <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/rel/census/2011-census-analysis/a-century-of-home-ownership-and-renting-in-england-and-wales/short-story-on-housing.html>

34 Harrow Council, 2013, *Housing Strategy 2013 – 2018*, http://www.harrow.gov.uk/download/downloads/id/1658/housing_strategy_2013

35 Harrow Council, 2013, *Housing Strategy 2013 – 2018*, page 6 http://www.harrow.gov.uk/download/downloads/id/1658/housing_strategy_2013

36 Harrow Council, 2013, *Housing Strategy 2013 – 2018*, http://www.harrow.gov.uk/download/downloads/id/1658/housing_strategy_2013

37 Ibid

38 Harrow Council, 2012, The Evidence Base for the Housing Changes Review, page 29 http://www.harrow.gov.uk/download/downloads/id/1114/housing_evidence_base_2_1

39 Harrow Council, 2012, Core Strategy http://www.harrow.gov.uk/download/downloads/id/1793/harrow_core_strategy

40 Ibid

41 Harrow Council, 2013, Harrow and Wealdstone Area Action Plan http://www.harrow.gov.uk/download/downloads/id/1713/area_action_plan

42 Harrow Council, 2014, *Regeneration Strategy 2014-26, Consultation Draft* <http://www.harrow.gov.uk/www2/documents/s117992/Harrow%20Regeneration%20Strategy.pdf>

43 Harrow Council, 2015, *Harrow receives £31.3 million to kick start regeneration plans*, news article http://www.harrow.gov.uk/news/article/297/harrow_receives_%25c2%25a331_3_million_to_kick_start_regeneration_plans

About Harrow's 'Great Estates Model'

Harrow Council owns around a third of the development land in the Heart of Harrow Opportunity Area with the potential to deliver around 2,000 homes including new homes for market sale, market rent, shared ownership and social and affordable rent. To deliver the programme of regeneration in Harrow, with a focus on place-making, quality and delivery, the Council have set up the Regeneration Design & Delivery Unit (RDDU). RDDU has an ambitious programme including developing a number of council owned sites over the next 5 to 10 years.

Harrow Council is adopting a 'Great Estates model' to deliver the Heart of Harrow Opportunity Area. The model comes from the late 17th and early 18th Centuries where major landowners leased out land to developers, keeping hold of the freehold so that they earned a ground rent and when the lease ended the land would revert back to them, thereby creating a sustainable model for the landowner. The model has evolved and today the Great Estates have become actively involved in '*property investment, development, letting and management... The model creates a sustainable method of management and long-term investment, which is being replicated across a series of new estates within areas of London under single ownership.*'⁴⁴

While the Great Estates have been seen by some as elitist, they have had a '*profound impact on London's landscape. Howard De Walden Estate covers 92 acres and holds the freehold to over 850 properties. The main area extends north to Marylebone Road and south to Wigmore Street. It is often cited as an excellent model, since its interventions, following the property crisis of the 1980, when one in three shops on Marylebone High Street was empty. It was able to consider the use and management of the shops across its portfolio for community uses as well as high quality anchor tenants. This created demand and value, which could be further reinvested.*'⁴⁵

Harrow Council's approach is a public sector adaptation of this model developed by large private sector estates to generate sustainable long-term returns. Rather than taking an immediate capital receipt when developing Council land, the Council retains ownership and acts as master developer to generate a growing income stream to reinvest into Council services. The model provides enhanced control throughout the development life cycle over design quality, housing and tenant mix, provision of affordable housing and the delivery and management of public realm. As part of Harrow Council's approach to adopting a Great Estates model the Council is planning to deliver around 600 private rented sector (PRS) and 800 affordable homes. Rather than selling the Council's land and property assets outright when development opportunities arise, Harrow Council plans to retain ownership of the new PRS housing through an arms-length trading company. The company will manage the PRS on behalf of the Council. The PRS programme is driven by the need to meet increased demand for good quality, purpose-built rental homes in Harrow, whilst expanding the Council's asset base to generate sustainable income.

Key lessons

Harrow Council have identified the 'Great Estates model' as a proactive approach to the regeneration of council-owned land. It enables the Council to build on the trusted 'Great Estates' brand while applying the Council's values and ethos to the development, including a commitment to delivering mixed tenure housing, providing high quality estate management and a consistent design ethos. By retaining the land ownership Harrow Council can set and maintain high standards for the area.

The 'Great Estates model' is also driven by a commercial imperative, enabling the Council to develop and reinvest capital for sustainable long-term returns, cross subsidising development across the estate and ensuring there is long-term investment in the public realm.

⁴⁴ ICC, 2015, *What can we learn from the Great Estates model. How can public ownership models deliver the same benefits & more for Harrow*, ICC, August 2015

⁴⁵ Ibid

The Council have identified PRS, managed through an arms-length company, as a way of addressing housing need more effectively and to derive a long-term income for the Council.

2.3 Manchester Council

The housing challenge in Manchester

The Lonely Planet guide for north west England describes Manchester as ‘...dominating the region...a paradigm of reinvention that has transformed itself from 20th-century industrial hulk into a modern city with accompanying distractions – from football to fine food.’⁴⁶

The Council’s Core Strategy explains that ‘Manchester is at the heart of Greater Manchester and the City Region. The City Region is an agglomeration, a built-up area with unique and connected neighbourhoods and employment centres. The density of people, firms and employment is not even, with high concentrations in the City Centre but also in other locations across the City Region.’⁴⁷

Manchester City Council has a population of 520,000⁴⁸ as of mid-2014, while the total population for Greater Manchester is 2.7 million⁴⁹. After many years of decline Manchester’s population has been growing steadily since 2001, with around 100,000 additional people living in the City between this time and today⁵⁰. The Council’s Core Strategy states that ‘Manchester’s population is predicted to increase to 581,300 by 2027 (Greater Manchester Forecasting Model 2010). Consequently, more houses are required, including properties which will attract economically active families who will contribute to the long term economic growth of the City.’⁵¹ The Council have identified the need for 60,000 new homes in Manchester between 2009 and 2027.⁵²

A wide range of housing types and tenures are available in Manchester including turn of the century terraced housing, large-scale social housing estates (both pre-war garden suburbs and post-war high rise), modern apartments and new housing developments which range from converted mills and industrial buildings to mixed type and tenure new housing.

There are considerable variations in housing affordability within both Manchester City and the Greater Manchester area, for example Manchester ‘...has a ratio of 6.7, with a median household income of £22,962 and an average house price of £154,608’ whereas ‘average prices can be nearly 13 times the average wage in one part of Trafford but just three times the average wage in one area of Bolton’.⁵³

The owner occupation rate in Manchester is 46%. The ‘private rented sector has increased significantly

46 Lonely Planet website, 2016, Manchester, Liverpool and north west England, website accessed 13 March 2016 <https://www.lonelyplanet.com/england/northwest-england>

47 Manchester City Council, 2012, *Core Strategy 2012-2027*, http://www.manchester.gov.uk/download/downloads/id/18981/final_core_strategy.pdf

48 Manchester City Council, 2014, *Manchester Factsheet*, http://www.manchester.gov.uk/download/downloads/id/23716/a01_manchester_factsheet_updated_january_2016.pdf

49 Manchester City Council, 2015, *Report for Resolution: Greater Manchester Housing Investment Fund* http://www.manchester.gov.uk/download/meetings/id/18718/21_the_greater_manchester_housing_investment_fund

50 Manchester City Council, 2015, *Report for Resolution: Demographic change in Manchester*, pg.27 http://www.manchester.gov.uk/download/meetings/id/18873/5_demographic_change_in_manchester

51 Manchester City Council, 2012, *Manchester’s Local Development Framework Core Strategy Development Plan Document 2012-2027*, pg 97 http://www.manchester.gov.uk/download/downloads/id/18981/final_core_strategy.pdf

52 Manchester City Council, 2012, *Manchester’s Local Development Framework Core Strategy Development Plan Document 2012-2027*, pg 97

53 Manchester Evening News, 2015, *Can you afford to buy a home where you were brought up? The great divide in Greater Manchester*. <http://www.manchestereveningnews.co.uk/news/greater-manchester-news/can-you-afford-to-buy-home-9669898>

in recent years, and now represents around 20% of the stock. The remaining third is social housing.⁵⁴ The Council own around 16,500 properties today⁵⁵.

The planning context for Greater Manchester

Greater Manchester is the flagship combined authority for the Government's devolution agenda comprising the ten metropolitan boroughs of Bolton, Bury, Oldham, Rochdale, Stockport, Tameside, Trafford, and Wigan and the cities of Manchester and Salford.

On the 3 November 2014 the Chancellor of the Exchequer and leaders of the Greater Manchester Combined Authority signed a devolution agreement. The agreement will result in devolving new powers and responsibilities to Greater Manchester, and Greater Manchester adopting a directly elected Mayor for the city-region.⁵⁶

The Greater Manchester Combined Authority is working 'together to produce a joint plan to manage the supply of land for jobs and new homes across Greater Manchester. The Greater Manchester Spatial Framework (GMSF) will ensure that we have the right land in the right places to deliver the homes and jobs we need up to 2035, along with identifying the new infrastructure (such as roads, rail, Metrolink and utility networks) required to achieve this.'⁵⁷ The timeline for producing the GMSF is as follows:

Consultation on an initial GMSF evidence base	November 2014
Consultation on vision and draft strategic options	November 2015 to January 2016
Call for Sites	Spring 2016
Draft GMSF	For consultation in autumn 2016
Publication of the GMSF	2017
Submission, examination and adoption	2018

As part of the evidence base for the GMSF a strategic options background paper has identified that the '*Objectively Assessed Housing Need for Greater Manchester over the period 2014-2035 is 217,350 net additional dwellings, which is an average of 10,350 net additional dwellings per annum.*'⁵⁸

For Manchester City Council the preeminent planning document remains the Council's Core Strategy which was adopted in 2012. Policy H8 of the Core Strategy is on affordable housing and states: '*New development will contribute to the City-wide target for 20% of new housing provision to be affordable. Developers are expected to use the 20% target as a starting point for calculating affordable housing provision. It is envisaged that 5% of new housing provision will be social or affordable rented and 15% will be intermediate housing, delivering affordable home ownership options.*'⁵⁹

Manchester Housing Investment Fund (Matrix Homes)

The Manchester Housing Investment Fund is a joint venture between Manchester City Council, and Greater Manchester Pension Fund with support from the Homes and Communities Agency intended to help create high quality new homes of all types and tenures.⁶⁰

54 Manchester City Council, 2012, Manchester's Local Development Framework Core Strategy Development Plan Document 2012-2027, pg 9 http://www.manchester.gov.uk/download/downloads/id/18981/final_core_strategy.pdf

55 Manchester City Council, 2016, *Annual Report Incorporating Statement of Accounts 2014/2015*, pg 36 http://www.manchester.gov.uk/downloads/download/6311/manchester_city_council_annual_report_and_accounts_201415

56 Gov.uk 2014, Devolution to the Greater Manchester Combined Authority and transition to a directly elected mayor <https://www.gov.uk/government/publications/devolution-to-the-greater-manchester-combined-authority-and-transition-to-a-directly-elected-mayor>

57 Greater Manchester Combined Authority, 2016, Greater Manchester Spatial Framework <https://www.greatermanchester-ca.gov.uk/gmsf>

58 Greater Manchester Combined Authority, 2015, *Greater Manchester Spatial Framework, Strategic Options Background Paper 3 Objectively Assessed Housing Need*, November 2015

59 Manchester City Council, 2012, Manchester's Local Development Framework Core Strategy Development Plan Document 2012-2027, pg 116 http://www.manchester.gov.uk/download/downloads/id/18981/final_core_strategy.pdf

60 Manchester City Council, 2014, Manchester's innovative Housing Investment Fund given green light, Manchester City Council website, 14 April 2014 http://www.manchester.gov.uk/news/article/6852/manchester_s_innovative_housing_investment_fund_given_green_light. NB The GMPF is administered by Tameside Council

Manchester City Council are providing council-owned land and the Greater Manchester Pension Fund is providing the finances to build. Paul Beardmore, Director of Housing at Manchester City Council said: *“We’re combining our public land assets to accelerate the construction of much-needed new homes and create jobs. We’ll see more than 240 new homes built for sale and rent that will be well designed and will provide people across the city with a real choice of a decent home. This is just the start and there’s huge potential to attract major investment to the city.”*

The Manchester Housing Investment Fund is currently working with Places for People, a property management, development and regeneration company, to deliver 240 homes on five sites in three neighbourhoods in Manchester. David Cowans, Chief Executive of Places for People, explained the advantages of the model: *‘We have entered into a 20-year operating lease with the Greater Manchester Pension Fund which offers it a number of benefits. Not only does this arrangement reduce its operational risk, but it offers a guaranteed annual income, future capital growth as well as the assurance that the properties are being professionally managed.’*⁶¹

Key lessons

The spread of investment across a range of sites and tenures has allowed development to take place which would otherwise have not been financially viable on two of the sites. The Manchester Housing Investment Fund offers an innovative investment model for the mixed tenure approach. By investing in the private rented sector there is a certainty of rental income and capital growth to the Greater Manchester Housing Investment Fund so that it is able to invest in future schemes whilst sales income has allowed the required level of return to be achieved.

Places for People have a full repairing and insuring operating lease on private rented sector properties over a twenty-year period providing a guarantee that the homes will be professionally managed over the long term.

2.4 Edinburgh City Council

The housing challenge in Edinburgh

Edinburgh, the capital city of Scotland, has a population of 487,500 as of June 2013⁶². Edinburgh’s population is projected to increase significantly to 618,978 in 2037, which is a 28.2% increase from 2012 levels, far higher than the overall Scottish population which is projected to increase by 8.8% over the same period.⁶³ The City of Edinburgh Council projects that the population increase will mean an additional 88,000 households living in the city by 2037.⁶⁴ To accommodate the projected increase in the number of households, the latest Housing Need and Demand Assessment set out in the South East Scotland (SESplan) identifies that Edinburgh will need between 38,000 to 46,000 new homes in the 10 years between 2012 and 2021⁶⁵.

The Council’s City Housing Strategy Databook 2015 states: *‘The average house price in Edinburgh in 2014/15 was £234,806. This is more expensive than any other Scottish city and 29% higher than the Scottish average. High house prices and strict lending criteria mean that many households are excluded*

61 Cowans, D, 2015, Innovative funding solutions for new housing, Places for People website http://www.placesforpeople.co.uk/news/comment__opinion/innovative_funding_solutions_for_new_housing.aspx

62 City of Edinburgh Council, Information Website http://www.edinburgh.gov.uk/info/20247/edinburgh_by_numbers/34/population_of_edinburgh

63 City of Edinburgh Council, 2015, *Housing Strategy. Databook – June 2015*, p.6, http://www.edinburgh.gov.uk/download/downloads/id/5921/city_housing_strategy_databook_june_2015.pdf

64 City of Edinburgh Council, 2015, *Housing Strategy. Databook – June 2015*, p.6, http://www.edinburgh.gov.uk/download/downloads/id/5921/city_housing_strategy_databook_june_2015.pdf

65 City of Edinburgh Council, 2015, *Housing Strategy. Databook – June 2015*, p.11, http://www.edinburgh.gov.uk/download/downloads/id/5921/city_housing_strategy_databook_june_2015.pdf

*from home ownership leading to high demand for private rented homes and social housing. 66% of homes in Edinburgh are flats and 50% of homes in Edinburgh were built before 1945. Older, flatted properties can be difficult and expensive to maintain, especially in cases of mixed ownership. Flats above the ground floor can also have accessibility issues for older and disabled people.*⁶⁶

The Scottish Household Survey 2014⁶⁷ sets out the tenure split in Edinburgh as 56% owner-occupied, 13% social rented, and 29% private rented. Over the last decade the percentage of owner-occupied and social rented households has fallen while the private rented sector has doubled. This rapid increase in the size of the private rented sector can be attributed to high house prices, limited availability of mortgage finance and a shortage of homes for social rent.⁶⁸

The planning context

The long term sustainable development of Edinburgh is guided by two documents, the Council's Local Development Plan and the Edinburgh and South East Scotland plan (SESplan), which covers the City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian Councils.

Policy 5 of the SESplan '*...identifies that, for the period from 2009 up to 2024, there is a requirement for sufficient housing land to be allocated so as to enable 107,545 houses to be built across the SESplan area, including on land which is currently committed for housing development. Of that total, the requirement for the period 2009 to 2019 is for 74,835 houses*'. It also sets out a '*...benchmark figure that 25% of the total number of units are to be provided on each site as affordable housing*.'⁶⁹

The Second Proposed Local Development Plan 2014 states that Edinburgh '*needs more housing to provide homes for an increasing population and support economic growth. More housing increases the need for community facilities such as schools, health care facilities and community centres in easily accessible locations. This plan looks beyond the amount of housing to be provided. It also aims to address issues of quality, affordability, environmental quality in existing housing areas and the housing needs of particular groups such as students, gypsies, travellers and travelling show-people*.'⁷⁰

Alongside these two key planning documents is the City Housing Strategy 2012-17, a five year plan which aims to deliver the following three outcomes:

- People live in a home they can afford.
- People live in a warm, safe home in a well-managed neighbourhood.
- People can move home if they need to.

The City Housing Strategy is reviewed annually and the 2015 report to the Council's Health, Social Care and Housing Committee highlights the following achievements:

- 'In 2014/15, 1,437 new affordable homes were approved for funding or equity support. A record £182 million of private and public funding was committed for affordable housing in 2014/15. This will generate an additional £127 million for the local and national economy, as well as supporting over 2,700 jobs.
- 1,055 new affordable homes were completed in 2014/15. This includes 115 homes for older people.
- Over half of the 31 developments approved for site start in 2014/15 were delivered through

66 City of Edinburgh Council, 2015, *Housing Strategy: Databook – June 2015*, p.5, http://www.edinburgh.gov.uk/download/downloads/id/5921/city_housing_strategy_databook_june_2015.pdf

67 The Scottish Government, 2014, *Scottish Household Survey, 2014 LA Tables for Edinburgh City* <http://www.gov.scot/Resource/0048/00486844.pdf>

68 City of Edinburgh Council, 2015, *Housing Strategy: Databook – June 2015*, p.13, http://www.edinburgh.gov.uk/download/downloads/id/5921/city_housing_strategy_databook_june_2015.pdf

69 SESPlan, 2013, Strategic Development Plan June 2013 <http://www.sesplan.gov.uk/assets/files/docs/290813/SESplan%20Strategic%20Development%20Plan%20Approved%2027%20June%202013.pdf>

70 City of Edinburgh Council, 2014, Edinburgh Local Development Plan, Part 2 Section 5 - Housing and Community Facilities, p. 99, http://www.edinburgh.gov.uk/info/20164/proposed_local_development_plan/1050/second_local_development_plan

the Affordable Housing Policy.

- In March 2015, 1,173 affordable homes were under construction at 27 sites in the city, 25 of which are brownfield sites.
- Since 2010, the Council has committed £113 million in borrowing for three phases of National Housing Trust (NHT). This will deliver up to 931 affordable mid-market rent homes for people and families in employment but on low incomes.
- The Council's 21st Century Homes programme delivered new affordable homes in the South and North of the city in 2014/15 and the first new homes at Pennywell are due for handover in summer 2015.⁷¹

About the National Housing Trust

The Scottish Government have set up the National Housing Trust (NHT), with support from the Scottish Futures Trust (SFT). The model is designed to support the delivery of homes for intermediate rent by leveraging in private sector funding and council borrowing.

The model works by setting up Limited Liability Partnerships (LLPs) which include the council, the developer and the SFT. The LLP agrees the standards and timescales and oversees progress on each developer's site within a council area.

The LLP pays between 65% and 70% of an agreed purchase price to the developer up-front which is funded by participating councils, in this case the City of Edinburgh Council, who provide loans to the LLPs in their area. The developer contributes the remaining 30% to 35% of the purchase price, usually as a mixture of loan funding and equity investment.⁷²

Homes are available at an intermediate rent for five to 10 years and the developer manages the homes, or puts in place an agent, to ensure they are maintained and repaired to a standard agreed with the council.

By 2015 the City of Edinburgh Council had supported '*...five NHT developments in Edinburgh, building 422 new affordable homes with another 96 currently under construction. NHT projects have been supported by Council investment through on-lending of just under £58 million and Scottish Government capital and revenue guarantees. Five Limited Liability Partnerships (LLPs) involving the Council, SFT and developers have been established to manage these developments.*'⁷³ The Scottish Government provides a guarantee to participating councils that it will cover capital and interest payments if the LLP is unable to pay what it owes to the council, however to date the City of Edinburgh Council have not had to call on the Scottish Government guarantee for any its NHT developments.⁷⁴

One of the sites being brought forward in Edinburgh with the NHT funding is Shrubhill. A report to the Council's Finances and Resources Committee explains that '*Previous attempts to develop this site failed. This site was previously approved for on-lending by the Council in 2013, but the RSL was unable to take the development forward at that time. The current owner of the site, Places for People, has extensive experience in mixed tenure regeneration. It also has experience in developing, letting and managing NHT homes.... This proposal forms part of a wider development on the site, which could include a significant number of social rented homes, close to the city centre.*' An LLP is currently being established to deliver around 160 homes at the Shrubhill site.

71 City of Edinburgh Council, 2015, City Housing Strategy 2012-17: Annual Review, report to the Health, Social Care and Housing Committee, 16 June 2015

72 The Scottish Government, 2016, *Original NHT model for councils and developers*, The Scottish Government website accessed 16 March 2016 <http://www.gov.scot/Topics/Built-Environment/Housing/supply-demand/nht/OrigNHT>

73 The City of Edinburgh Council, 2015, *National Housing Trust Phase 3 – Procurement, report to the Finances and Resources Committee*, 3 February 2015

74 Ibid

Key lessons

The NHT model is an innovative mechanism enabling developers to bring forward sites that might otherwise have lain derelict awaiting development for owner occupation. For example in Edinburgh the NHT has enabled a number of brownfield sites to be developed quickly and affordable homes to be let to working households within a few weeks of completion. It is making a significant contribution to meeting housing demand in Edinburgh.

The City of Edinburgh Council has played a leading role in developing the NHT initiative in Scotland and has approved more than £58m in loan funding to Limited Liability Partnerships.

Development of homes through NHT has also provided support for the local economy, supporting jobs in the construction industry.

Homes developed through the NHT initiative are high quality, energy efficient and award winning.

2.5 Aberdeen City Council

The housing challenge in Aberdeen

Aberdeen, known as the *Granite City*, has a population of 227,130.⁷⁵ Between the 2001 and 2011 Census the population increased by 5% with 10,700 more people living in the city.⁷⁶ According to the Aberdeen City Council's 'key facts' publication: *'46% of the properties in Aberdeen are classed as terraced, semi-detached and detached houses. This is significantly higher than the proportions in Edinburgh (32%) and Glasgow (26%), but lower than the Scottish average of 63%.'*⁷⁷

The Scottish Household Survey 2014⁷⁸ sets out the tenure split in Aberdeen as just over half (53%) of homes are owner-occupied, 28% of homes are socially rented and 18% are privately rented.

The Regional Economic Strategy, published in 2015 by Aberdeen City Council, One North East and Aberdeenshire Council states: *'The average house price in the region is around 30% more than the Scottish national average - £216,191 in Aberdeen and £224,805 in Aberdeenshire compared to the Scottish average price of £169,397. As well as the high cost of property ownership, private sector rentals in the area are the most expensive in Scotland an average of 34% above the Scottish average, with average rent in the Aberdeen Housing Market Area standing at £1,043, significantly above the national rent of £762.'*⁷⁹

The Local Housing Strategy 2012-2017 sets out Aberdeen City Council's *'key priorities and actions, covering a wide range of housing and related issues, this includes meeting the requirement to build 31,500 new houses by 2035, ensuring a supply of both new and affordable properties. It will also ensure the accommodation needs of the most vulnerable households and those with particular housing needs are met.'*⁸⁰

The planning context

In 2012 Aberdeen City Council adopted its first Local Development Plan. The Council's Local Development Plan replaced the previous Aberdeen Local Plan (2008) and was the first Development

⁷⁵ Aberdeen City Council, 2015, *Behind the Granite, Aberdeen Key Facts 2015* <http://www.aberdeencity.gov.uk/nmsruntime/saveasdialog.asp?IID=64566&slD=332>

⁷⁶ Ibid (pg 6)

⁷⁷ Ibid (pg 35)

⁷⁸ The Scottish Government, 2014, *Scottish Household Survey, 2014 LA Tables for Aberdeen City* <http://www.gov.scot/Resource/0048/00486831.pdf>

⁷⁹ Aberdeen City Council/ One North East/ Aberdeenshire Council, 2015, REGIONAL ECONOMIC STRATEGY Securing the future of the north east economy: A 20-year vision for the well-being of the place and our people <http://committees.aberdeencity.gov.uk/documents/s52770/Regional%20Economic%20Strategy.pdf>

⁸⁰ Aberdeen City Council, 2012, *Local Housing Strategy 2012-2017* <http://www.aberdeencity.gov.uk/nmsruntime/saveasdialog.asp?IID=45878&slD=19146>

Plan of its kind in Scotland.⁸¹ The Local Development Plan is currently undergoing review, in accordance with the requirement for plans to be reviewed every five years. Adoption of the 2016 Local Development Plan is due to take place in late 2016.⁸²

Policy H5 of the Aberdeen Local Development Plan 2012 states that *'housing developments of five units or more are required to contribute no less than 25% of the total number of units as affordable housing.'*⁸³

In terms of the delivery of affordable housing the supplementary guidance on affordable housing, produced by Aberdeen City Council in 2012, highlights that *'...the most appropriate mechanism for delivering affordable housing will vary, and the Council will seek to be flexible, working closely with developers, RSLs and others to maximise the number and quality of affordable homes provided. For the delivery of social rented accommodation the Council recommends that developers enter into agreements or discussions with RSLs before planning applications are submitted. By doing this applications are most likely to progress smoothly.'*⁸⁴

The supplementary guidance on affordable housing also states that *'in the case of social rented housing, the Council will wish to ensure that the properties remain as such, in perpetuity and appropriate provisions to this effect will be inserted into a legal agreement to accompany the grant of planning permission.'*⁸⁵ To safeguard the future of the social housing stock throughout Scotland, the Scottish Government have announced that the 'Right to Buy' will end for all council and housing association tenants in Scotland on 1 August 2016.⁸⁶

The Council's Strategic Infrastructure Plan, commits to the *'...delivery of 2,030 affordable homes in Aberdeen by May 2017 and 2,430 by 2019.'* The Strategic Infrastructure Plan sets out *'...the infrastructure Aberdeen needs to underpin and build upon its vigorous economy, including enabling a step-change in the supply of new homes, including affordable housing. The current shortage is impacting upon house prices and rent levels, which is hampering home-moves within the city and making it difficult to attract new workers to the city and constraining the labour market.'*⁸⁷

About the joint venture on council owned land

In 2014 Aberdeen Council announced that in order to deliver the first phase of around 2,000 affordable homes, as identified in the Strategic Infrastructure Plan, the Council will enter into a joint-venture development partnership. The joint-venture partnership will develop mixed tenure homes - including social rent, mid-market rent, shared equity/low-cost home ownership, and private sale - on council-owned land.

In 2014 the Council *'...approved spending £3million to finance preparatory work on the sites to ensure they are ready to be developed once the partnership is in place. The investment will be recoverable at a later date as sites are developed by the joint venture development partnership.'*⁸⁸

In October 2015 the Council appointed Places for People as the development partner and stated *'the new model is the first of its kind launched by a local authority in Scotland, and will ensure that new*

81 Aberdeen City Council website, 2016, Aberdeen Local Development Plan, accessed on 17 March 2016 http://www.aberdeencity.gov.uk/planning_environment/planning/local_development_plan/pla_local_development_plan.asp

82 Aberdeen City Council website, 2016, Aberdeen Local Development Plan 2016, accessed on 17 March 2016 <http://www.aberdeencity.gov.uk/aldp2016/>

83 Aberdeen City Council, 2012, *Aberdeen Local Development Plan 2012*, pg 195 <http://www.aberdeencity.gov.uk/nmsruntime/saveasdialog.asp?IID=42278&slD=9484>

84 Ibid

85 Aberdeen City Council, 2012, *Supplementary Guidance, Topic: Affordable Housing, March 2012*, pg 7 <http://www.aberdeencity.gov.uk/nmsruntime/saveasdialog.asp?IID=31814&slD=14394>

86 The Scottish Government, 2016, Right to Buy, website accessed 17 March 2016 <http://www.gov.scot/Topics/Built-Environment/Housing/16342/rtb>

87 Aberdeen City Council, 2014, *Proposals for hundreds of new homes agreed by Aberdeen city councillors*, press release, 20 August 2014 http://www.aberdeencity.gov.uk/CouncilNews/ci_cns/pr_newhomes_200814.asp

88 Aberdeen City Council, 2014, *Significant step taken towards affordable housing plans*, press release, 29 August 2014 http://www.aberdeencity.gov.uk/councilnews/ci_cns/pr_newhomessites_290814.asp

*affordable housing will not be reliant on public funding and can be developed to meet need and demand.*⁸⁹

The Council states that the '*...new partnership will build, own and manage housing for rent targeted at a range of needs, including key workers on modest incomes. The objective is to develop an initial 1,000 affordable homes and 1,000 private development homes, with the potential for a further 1,000 properties. The initial investment for affordable housing and private development is £300million.*'⁹⁰

Key lessons

The benefit of Aberdeen City Council's joint-venture model, as set out by Council Leader, Councillor Jenny Laing, is that it "*...will not only help to meet our affordable housing requirements, but will also provide significant financial benefits to the council.*"⁹¹

The model provides for:

- Formation of a Limited Liability Partnership (LLP) where there is pre-tax profit distribution.
- Market land value received by the Council from the sale of land to the LLP.
- 50% share of development profit.
- 50% ownership of accruing rental asset.
- Flexibility to respond to changing need and demand.
- Ability to sell the rental asset to investor or retain the rental asset for the longer term.
- Delivery of affordable housing where there is no reliance on public funding and subsequent restraints on fiscal year spend profiles.
- Private finance for rental units levered in based upon 30 year business plan.
- Private financing for private development via vanilla financing.

⁸⁹ Aberdeen City Council, 2015, Aberdeen City Council appoints development partner for housing delivery, press release, 8 October 2015 http://www.aberdeencity.gov.uk/councilnews/ci_cns/pr_development_partner_081015.asp

⁹⁰ Ibid

⁹¹ Ibid



Part 3: Analysis and recommendations

Part three of the report sets out an analysis which has identified a number of key themes relating to the challenges and opportunities faced by councils in the delivery of homes of all tenure, with a particular focus on the provision of social and affordable housing. It is followed by a series of recommendations which flow out of the analysis.

3.1 Overview of the housing challenge

The analysis of challenges and opportunities set out in this chapter is based upon a survey of local authorities across the UK (see annex 1), five case studies (set out in part 2 of the report) and an expert roundtable (see annex 2).

Of the 118 local authorities that responded to the survey, 96% described their need for affordable homes as severe or moderate. This demonstrates just how significant the need for more homes is, right across the country.

The Government has an ambition to build one million homes by 2020, but this research shows that to provide the homes where they are needed, much more still needs to be done. Housing is part of the essential infrastructure that this country needs to prosper and on the current delivery rates, this pressing need will not be met.

Research by Savills has revealed that the Government's schemes to promote homeownership such as Help to Buy, Starter Homes and shared ownership 'will largely serve the same market. As a result of the overlap, there is a risk that the schemes may not deliver additional homes.'⁹² The policy update in part one of the report and the analysis below highlights that not only will low cost homeownership be inaccessible to the majority of low and middle income households, many of the Government's schemes will make it increasingly difficult to provide homes for the growing proportion of the population who can only afford to rent.

During a debate on the Housing and Planning Bill, the former head of the civil service, Lord Kerslake set out the impact of the Bill on social housing: *"For existing social tenants, there will be fewer opportunities to transfer into larger properties as they become vacant. Grants to support the building of new social housing will largely end in 2018, after the current programme is completed. If tenants' household income exceeds £40,000 in London or £30,000 outside the capital, they will be required as council tenants to pay market or near-market rents, wiping out completely any benefit that they might have got from the 1% rent reductions. If they are a new council tenant, the local authority will be required—required is the point here—to give them a fixed-term tenancy of between two and five years, instead of a permanent one. What was a discretionary power, introduced barely three years ago, will become a mandatory requirement. The message that this gives to social housing tenants about their future and how they are seen by the Government could not be clearer. Social housing has fallen from being the home to more than a third of the population in the 1980s to just 16% now. With the proposals in the Bill, that figure seems certain to fall still further, with a corresponding rise in rents and reduced tenure.... To rest our entire plans on private build for sale risks repeating the mistakes of the past. When the financial crisis hit in 2007, private sector housebuilding fell off a cliff. The only houses getting built were social houses. Putting all our eggs in the sales basket leaves us much more vulnerable to any future downturn, just at the point when the economy is looking less favourable."*⁹³

Recommendation 1: The Government needs to put in place a housing strategy for the nation that provides decent homes for everyone in society, including those most in need in

⁹² Savills, 2016, Policy Response: The impact of new housing measures on development, February 2016

⁹³ Lord Kerslake, 2016, House of Lords debate on the Housing and Planning Bill, 26 January 2016 <http://www.publications.parliament.uk/pa/ld201516/ldhansrd/text/160126-0002.htm>

the current housing crisis who depend on social and genuinely affordable housing for rent. The Government should ensure that local authorities are at the heart of this new housing strategy, providing clear leadership to encourage councillors and their authorities to think boldly and in the long term.

Recommendation 2: The Government should recognise its achievement in introducing the Housing Revenue Account (HRA) self financing reforms and the renaissance in council house building it ushered in. By respecting the principles of self-financing, the Government should give back control to local authorities over their investment plans, rents and assets.

3.2 Key themes

3.2.1 Funding social and affordable housing

Reduction in social rents

In response to a survey question regarding the Government's proposal to reduce social rents by 1% a year for the next four years over two thirds (69%) of councils said that they plan to build less social and affordable homes as a consequence. Just 3% of councils said they plan to build more social and affordable homes as a result of the social rent reduction policy, 10% of councils thought it would have no impact and 17% didn't know.

A roundtable attendee said that the *'reduction in social rent has been damaging for both councils and registered providers (RSLs) by demolishing the business case for many pipeline schemes and eroding investor confidence.'* Another roundtable attendee highlighted the impact of the reduction in social rents for their local authority stating *'we were projecting a surplus of £300 million in our housing revenue account over the next 20 years and because of the reduction in social rent this has been wiped to zero'*.

Recommendations 3: The Government should reverse its decision to reduce social rents by 1% a year for the next four years to ensure councils are able to build more social and affordable housing.

The extension of the Right to Buy

The proposed extension of the Right to Buy to 1.3 million housing association tenants will be funded by councils through the sale of their most expensive council properties when they become vacant. Nine out of ten councils (89%) who responded to the survey think that the extension of Right to Buy will lead to less housing available for social rent, with only one council thinking that it would be beneficial. This policy will further diminish the already short supply of socially-rented homes.

The Local Government Association (LGA) have warned that some new housing measures, such as the loss of £2.2 billion from council housing budgets by 2020 as a result of social housing rent cuts, will make building any replacements homes lost through the Right to Buy impossible.⁹⁴

Recommendation 4: Councils should not be forced to sell-off their social housing to fund the extension of the Right to Buy to housing association tenants.

Starter Homes

The Government's Starter Homes initiative, designed to support greater levels of home ownership and being legislated for in the Housing and Planning Bill, will be offered to first time buyers under the age of 40 wishing to own and occupy a home at a discount of 20% below their open market value (maximum discounted sales price of £250k outside London, £450k in London).

87% of the 98 councils that responded to the survey question about Starter Homes said that they did not think the policy will address affordability in their local authority area. Only 7% of councils thought

⁹⁴ LGA, 2016, **80,000 council homes could be lost by 2020**, LGA press release http://www.local.gov.uk/media-releases/-/journal_content/56/10180/7668062/NEWS#sthash.tpqskZLk.dpuf

Starter Homes will help address affordable housing need and 6% didn't know.

In addition, four out of five councils surveyed (79%) did not think Starter Homes should be classified as affordable housing, compared with 19% who think they should and 2% of councils who didn't know.

Recommendation 5: Low cost homeownership, such as Starter Homes, may help some people get a first step on the housing ladder, but as the survey of councils highlights this will not address the need for genuinely affordable homes. The Government should retain the current NPPF definition of affordable homes and return to a framework where affordability was locally determined based on incomes and prices. Lower cost market homes should not be included the definition of affordable housing.

3.2.2 New models of housing delivery

Local authority-owned companies or joint ventures

Many councils are keen to get back into the business of building homes again, either on their own or in partnership. Almost half (49%) of the councils surveyed are currently considering or have already set up a local housing delivery company. The survey revealed that of the 116 councils that responded to this question, a third of councils are considering or have established a wholly owned subsidiary of the council and 16% are looking at setting-up a local housing company as a joint venture.

The case studies, set out in part two of the report provide useful examples of a local authority owned companies, such as Gloriana, Thurrock Council's local housing company, and joint ventures, such as the Greater Manchester Pension Fund and Manchester City Council. These models demonstrate a variety of benefits, for example local authorities can:

- develop at lower cost (by making a smaller profit margin to the private sector);
- design and deliver housing solutions to match their own values and to address local patterns of need;
- hold the asset and secure the value increase for future investment (as well as drawing down an income); and
- choose the pace of development and control the marketing.

Recommendation 6: Councils can play a stronger role in driving the delivery of new homes by establishing local housing companies (on their own or in partnership through joint ventures). Council land and assets can help drive investment in the most sustainable locations and housing tenures such as PRS can help meet local housing needs and generate long-term income streams.

The role of PRS

The case studies all demonstrate considerable interest in private rented sector housing, commonly known as PRS. PRS provides a mechanism for councils to create council-owned assets (through a locally-owned company or joint venture) which generate long-term revenue income with sustainable returns as well as addressing housing need. There is an opportunity for PRS to provide greater choice for people who require rented accommodation (out of choice or necessity). Local authority involvement in PRS could help ensure that PRS homes are well managed and maintained. 47% of councils that responded to the survey are currently delivering PRS or exploring PRS as an option.

By developing PRS on council-owned land a number of the case studies, including Harrow Council and Aberdeen City Council, highlight their ability to have enhanced control throughout the development life cycle over design quality, housing and tenant mix, provision of affordable housing and the delivery and management of public realm.

Recommendation 7: Councils can invest in PRS and through partnerships can also encourage others to invest in PRS in their local areas. Investing in PRS can provide a number of

positive benefits, including providing greater choice and better quality accommodation for those reliant on the private rented sector. Tenures such as PRS can also help increase build out rates on sites. However PRS will not replace the need for social-rented homes.

3.2.3 Planning

The key issues raised around planning were getting a Local Plan in place that demonstrates a five year land supply, viability and section 106 planning obligations.

Local plans

Of the respondents surveyed 57% reported to have an up-to-date plan with an adopted five year land supply. This is an increase of 4% from the *Housing the Nation*⁹⁵ survey that took place in February 2015 when just over half (53%) of councils reported having an up-to-date plan with an adopted five year land supply.

41% of the 116 councils who responded to this particular question did not have an 'up-to-date' local plan with an adopted five year land supply; a further two local authorities did not know whether they did or not. The absence of a Local Plan is a significant issue for housing delivery and appears to be related to resources, political consensus and the workability of national government policy.

The Government wants all councils to have a local plan in place by 2017. Prime Minister David Cameron has said that "councils have a key role to play in this by drawing up their own local plans for new homes by 2017. But if they fail to act, we'll work with local people to produce a plan for them."⁹⁶ While the Government's threat of intervening in the Local Plan process from 2017 will ensure some local authorities prioritise getting a plan in place, for other councils there are significant issues of skills, resources and other constraints which will mean this is not possible.

Recommendation 8: Local plans are the key opportunity for the coordinated delivery of high quality social and affordable housing in inclusive communities. However, with 41% of respondents not having a plan in place with an adopted 5-year land supply, Government should continue to prioritise support for plan preparation.

Viability

In England the National Planning Policy Framework (NPPF) includes a viability test based on a straight forward residual valuation, but it is framed narrowly to "provide a competitive return to willing developers and land owners". In response to the question, 'has the viability test, as set out in the NPPF, helped or hindered your local authorities ability to secure sufficient social and affordable housing to meet local needs?' over two thirds (72%) of the 99 councils that responded to this question said that it had hindered. This is an 18% increase in councils who think NPPF is hindering their ability to secure sufficient social and affordable housing compared to 12 months ago when the *Housing the Nation* survey that took place in February 2015; at this time the figure was 54%. Only 11% of councils think the viability test has helped.

A roundtable attendee said that '*the viability test should not reward developers who have paid too much for their sites, creating a cycle where land values escalate in the knowledge that any premium above market value can be reclaimed by not meeting the obligation to provide affordable housing.*'

Recommendation 9: To ensure councils can meet the housing needs identified in their local authority areas the Government should revise the viability test, as set out in the NPPF. This supports the House of Lords Built Environment Committee recommendation that the viability test needs revision to ensure that it is not '*...used to compromise the ability of local authorities to meet housing need, including affordable housing need, as determined through*

95 APSE. 2016, *Housing the nation: Ensuring councils can deliver more and better homes*, June 2015, Manchester: APSE

96 Cameron, D, 2015 Prime Minister: Councils must deliver local plans for new homes by 2017, Government press release, 12 October 2015 <https://www.gov.uk/government/news/prime-minister-councils-must-deliver-local-plans-for-new-homes-by-2017>

*development plans.*⁹⁷

In response to the questions, 'has the NPPF helped or hindered your local authority's ability to plan for the needs of older people?' just one in five councils thought it had helped, whereas 37% had said it had hindered and 42% of councils that responded didn't know.

Recommendation 10: To ensure councils can meet the needs of older people the Government should include a new policy priority in the NPPF which ensures social justice and outcomes for people are just as important as the needs of land-owners and developers.

Planning obligations

Three quarters (75%) of councils stated that their dominant model of delivering social and affordable housing in their local authority area was through planning obligations via section 106 agreements.

Recommendation 11: Government needs to clarify whether the developer-contribution model of funding social and affordable housing, via planning obligations, remains a policy objective, and if not, where the replacement investment is going to come from.

3.2.4 Housing standards

Housing standards

Just over half of the 114 councils that responded to the survey question 'does the current Building Regulations and housing standards regime ensure the homes built in your local authority area by the private sector have decent space standards?' thought that they did. However, a third of councils (33%) did not think the current framework ensured decent space standards in homes built by the private sector and 15% of respondents didn't know.

When asked whether '...the current Building Regulations and housing standards regime ensure the homes built in your local authority area by the private sector have sufficient proportion of accessible and inclusive homes for older and disabled people (previously known as the Lifetime Homes standard)?' half of councils that responded said that they didn't. Only 23% of councils thought the current framework provides accessible and inclusive homes and a further 27% didn't know.

Recommendation 12: The Government should restore a comprehensive framework of place-making standards. This needs to include new national minimum space standards for housing and standards on access and inclusion. Again, this study supports the recommendation of the House of Lords Built Environment Committee which is calling for a return to the Lifetime Homes standard to ensure that high quality accessible homes are built to provide for the nation's ageing population and those with disabilities.

3.2.5 Skills and capacity

Local authority spending on planning services was cut by 46% during the course of the Coalition Government. Today, the planning service continues to face significant cuts in funding and a general loss of capacity. This has led to growing concerns from the private sector about the level of service they receive and the wider role of planning as a positive force for change.

The IPPR London Housing Commission has highlighted a particular skills gap around viability assessments where some councils struggle to interpret and carry out viability assessments compared to some developers who can often afford better technical and legal advice.⁹⁸

Recommendation 13: Urgent action is needed to direct sufficient resources into the planning service in order to maintain an adequate, minimum standard of delivery. Local flexibility of fee recovery should be considered by Government.

⁹⁷ House of Lords, 2016, Select Committee on National Policy for the Built Environment Report of Session 2015–16 Building better places <http://www.publications.parliament.uk/pa/ld201516/ldselect/ldbuilt/100/100.pdf>

⁹⁸ IPPR London Housing Commission, 2016, *Final report of the London Housing Commission. Building a new deal for London*, 7 March 2016, IPPR

Recommendation 14: The Government should issue national guidance and provide support and training to local authority planning officers on negotiating affordable housing with developers.

Recommendation 15: Councils can play an important role in expanding the construction skills sector through apprenticeships. The Government also needs to support the expansion of the construction industry, recognising the current capacity constraints on delivery due to factors such as the availability of skilled and unskilled workers, equipment and raw materials.

Annex 1: Survey questions and results

The TCPA sent an online survey to Council Leaders, Heads of Planning, Heads of Housing and Heads of Finance (or their equivalent) in local authorities across the UK between 5th February 2016 and 25th February 2016. APSE also circulated a link to the online survey to their local authority membership. All responses are treated as anonymous.

116 local authorities from across the UK completed the survey, with

- 105 from local authorities in England (out of a total of 353 local authorities in England)
- 5 from local authorities in Scotland (out of a total of 32 local authorities in Scotland)
- 8 from local authorities in Wales (out of a total of 22 local authorities in Wales)
- No councils responded from Northern Ireland

Political representation

England: 105 councils responded out of a total of 353, with a roughly proportional representation of political parties.

	Political control of councils that responded to the survey (%)	Political control of councils across England, Scotland and Wales* (%)
Conservative	54	53
Labour	27	28
No overall control	17	24
Lib Dem	2	3

*Source: LGiU <http://www.lgiu.org.uk/local-government-facts-and-figures/>

Scotland: 5 councils from Scotland responded

	Political control of councils that responded to the survey (%)
SNP	40 (2 councils)
Independent	40 (2 councils)
No overall control	20 (1 council)

Wales: 8 councils from Wales responded

	Political control of councils that responded to the survey (%)
Labour	62.5 (5 councils)
Independent	12.5 (1 council)
No overall control	25 (2 councils)

About you

(this information is treated as confidential because all survey responses are anonymous in the report)

1. Which local authority do you represent/ work for?
2. What is your name?
3. What is your role/ job title?

About your local area

4. How would you characterise the need for affordable homes (i.e. homes available for subsidised or social rent) in your local authority area?

Answer	Totals	Percentages
Severe	69	58
Moderate	44	37
Not substantial	4	3
Don't know	1	1

118 councils responded to this question

About your authority's approach to delivering more affordable homes

5. What is the dominant model of delivering social and affordable housing in your local authority area?

Answer	Totals	Percentages
Direct delivery	24	21
Through the planning process via Section 106 agreements	87	75
Joint Ventures on council-owned land	5	4

116 councils responded to this question

Delivering homes

6. Are you currently considering or have already set up a local housing delivery company?

Answer	Totals	Percentages
Yes – a wholly owned subsidiary of the council	38	33
Yes – as a joint venture	18	16
No	47	41
Don't know	13	11

116 councils responded to this question

Delivering new tenures

7. Is your council currently delivering or exploring private rented sector homes (PRS) as part of the solution to creating new homes in your local authority area?

Answer	Totals	Percentages
Yes – currently delivering PRS	19	16
Yes – exploring PRS as an option	36	31
No	49	42
Don't know	12	10

116 councils responded to this question

The role of planning in delivering more affordable homes

8. Do you currently have an up-to-date plan with an adopted 5 year land supply?

Answer	Totals	Percentages
Yes	66	57
No	48	41
Don't know	2	2

116 councils responded to this question

Housing standards

9. Do the current Building Regulations and housing standards regime ensure the homes built in your local authority area by the private sector have decent space standards?

Answer	Totals	Percentages
Yes	59	52
No	38	33
Don't know	17	15

114 councils responded to this question

10. Do the current Building Regulations and housing standards regime ensure the homes built in your local authority area by the private sector have sufficient proportion of accessible and inclusive homes for older and disabled people (previously known as the Lifetime Homes standard)?

Answer	Totals	Percentages
Yes	26	23
No	57	50
Don't know	31	27

114 councils responded to this question

England only question - viability

11. Has the viability test as set out in the National Planning Policy Framework helped or hindered your local authority's ability to secure sufficient social and affordable housing to meet local needs?

Answer	Totals	Percentages
Helped	11	11
Hindered	71	72
Don't know	17	17

99 councils responded to this question

England only question – older people

12. Do you think the National Planning Policy Framework has helped or hindered your local authority's ability to plan for the needs of older people?

Answer	Totals	Percentages
Helped	20	21
Hindered	35	37
Don't know	40	42

95 councils responded to this question

England only question – reduction in social rents

13. Has the Government's proposal to reduce social rents by 1% a year for the next four years had an impact on plans for new social and affordable housing in your local authority area?

Answer	Totals	Percentages
Don't know	17	17
No impact	10	10
Yes - we plan to build less social and affordable homes	68	69
Yes – we plan to build more social and affordable homes	3	3

98 councils responded to this question

England only question – starter homes

The Government’s Starter Homes initiative, designed to support greater levels of home ownership and being legislated for in the Housing and Planning Bill, will be offered to first time buyers under the age of 40 wishing to own and occupy a home at a discount of 20% below their open market value (maximum discounted sales price of £250k outside London, £450k in London).

14. Do you think the Starter Homes policy will address affordability in your local authority area?

Answer	Totals	Percentages
Don't know	6	6
No	85	87
Yes	7	7

98 councils responded to this question

15. Do you think Starter Homes should be classified as affordable housing?

Answer	Totals	Percentages
Don't know	2	2
No	75	79
Yes	18	19

95 councils responded to this question

England only question – extension of the Right to Buy

16. The Housing and Planning Bill will extend the Right to Buy to 1.3 million housing association tenants and will be funded by councils through the sale of their most expensive council properties when they become vacant.

Do you think the proposed extension of the Right to Buy will have an impact on housing available for social rent in your local authority area?

Answer	Totals	Percentages
Don't know	6	6
No impact	4	4
Yes - there will be less social-rented homes available	88	89
Yes - there will be more social-rented homes available	1	1

99 councils responded to this question

The future

17. In considering future reform of housing and planning what would most assist your local authority in the delivery of new social and affordable housing. Respondents were asked to list their top three priorities in relation to housing and planning policy.

The range of responses are included In the analysis set out in Part 3 of the report.

Annex 2: Roundtable attendees

A high-level roundtable discussion was held on the 9th March 2016 at the TCPA, 17 Carlton House Terrace, London, SW1Y 5AS.

John Bibby, Managing Director, Association for Retained Council Housing

Philip Barnes, Group Land and Planning Director, Barratt PLC

Sean Clark, Head of Corporate Finance, Thurrock Council

Lizzie Clifford, Head of Housing and Planning, London Councils

Cllr Van Coulter, Councillor, Oxford City Council

Hugh Ellis, Head of Policy, TCPA

Matthew Essex, Head of Regeneration, Thurrock Council

Chloe Fletcher, Policy Director, National Federation of ALMOs

Kate Henderson, Chief Executive, TCPA

Stephen Hills, Director of Housing, South Cambridgeshire District Council

Paul Nichols, Divisional Director of Regeneration and Planning, London Borough of Harrow

This report aims to reflect the range of opinions expressed at the roundtable, but not every detail contained within it will reflect the opinions of all the attendees at the discussion. It should, however, reflect the spirit of constructive collaboration and considered debate.

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Association for Public Service Excellence

2nd floor Washbrook House
Talbot Road, Manchester M32 0FP

telephone: 0161 772 1810

fax: 0161 772 1811