

# The Elphicke-House Report

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## **From statutory provider to Housing Delivery Enabler:**

### **Review into the local authority role in housing supply**



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# From statutory provider to housing delivery enabler: Review into the local authority role in housing supply

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## FOREWORD BY NATALIE ELPHICKE AND KEITH HOUSE

Dear Chief Secretary and Secretary of State

In the years leading up to the recession, UK housebuilding failed to deliver the homes needed for our country. Through and beyond the recession, housebuilding contracted further. Government has made the building of new homes a priority. The planning system has been extensively reformed, infrastructure guarantees have been devised to support housebuilding, more than £18 billion of financial support has been given to housebuilding and to housing providers. The roles and responsibilities of councils have been transformed, through the Localism Act 2011 and the self-financing settlement for council homes. Much has been achieved.

Our Review was established in the context of these new roles and opportunities for councils. To look at what councils do, and what councils can do. To see if more could be done by councils to boost housebuilding and to create strong and sustainable communities. What extra steps, measures and reforms could be taken forward to enable councils to boost the building of new homes, to support growth and prosperity for the communities they serve.

We believe that councils could achieve much more by taking a more central role in providing new homes. Our key recommendation is that councils change: from being statutory providers to being Housing Delivery Enablers. Councils have a primary role in setting out a vision for the development of their areas. They can be active in creating housing opportunity. Councils can be proactive in identifying housing need, growth and opportunity. They can work closely with businesses and other partners to share ideas and experience – and actively use their own assets and knowledge to unlock housing opportunities and deliver more homes, to build strong and sustainable communities.

Partnership is key. The evidence is that councils are most successful when working in partnership with others and where they promote opportunities. Councils can develop this further by encouraging new entrants and providing an open opportunity for all participants on a level playing field.

Seeing and hearing first-hand what many councils can and do achieve with their new powers has been inspiring. No one should be in any doubt as to the strength of the very best councils in shaping a vision for the communities they serve, and being dynamic, original and active in making that vision happen. Proactive and successful councils identify and unlock land suitable for development. They help and support smaller businesses and new entrants. Great councils communicate and engage with their residents to develop a shared commitment to meet the needs of their local communities. This role can be enhanced by identifying and delivering smaller sites for smaller businesses, new entrants and custom builders.

Of course, an enhanced role has to be paid for. The Government's stated priority is to see a public sector surplus in 2017/2018. The scope of the Review was set in this context, so that recommendations must support, and not endanger, getting the country's books into balance. Unlocking innovative financing mechanisms for new housing development is therefore essential if Housing Delivery Enablers are to deliver.

Our report sets out detailed recommendations on how housing delivery organisations can be established, how private sector financing can be attracted and how a Housing

and Finance Institute should be established to promote and support the sharing of ideas and drive innovation in housing finance. Our report sets out ideas both for councils and for Government, with quick wins and areas for longer-term change. And our report recognises the urgency shared across the political spectrum to build the homes needed now and for the next generation.


This context of fiscal responsibility has resulted in a strong focus on financial and business partnerships: exploring the opportunities sought and the challenges faced by new entrants and new businesses; considering the blocks and barriers for replicating successful innovation.

Many councils do much already. Yet all councils can have the confidence to do so much more as Housing Delivery Enablers.

We look forward to seeing more councils inspire and deliver the change needed; to realise the potential to build the homes we need; and to create jobs and prosperity for the communities that they serve. Changing from statutory provider, to Housing Delivery Enabler.

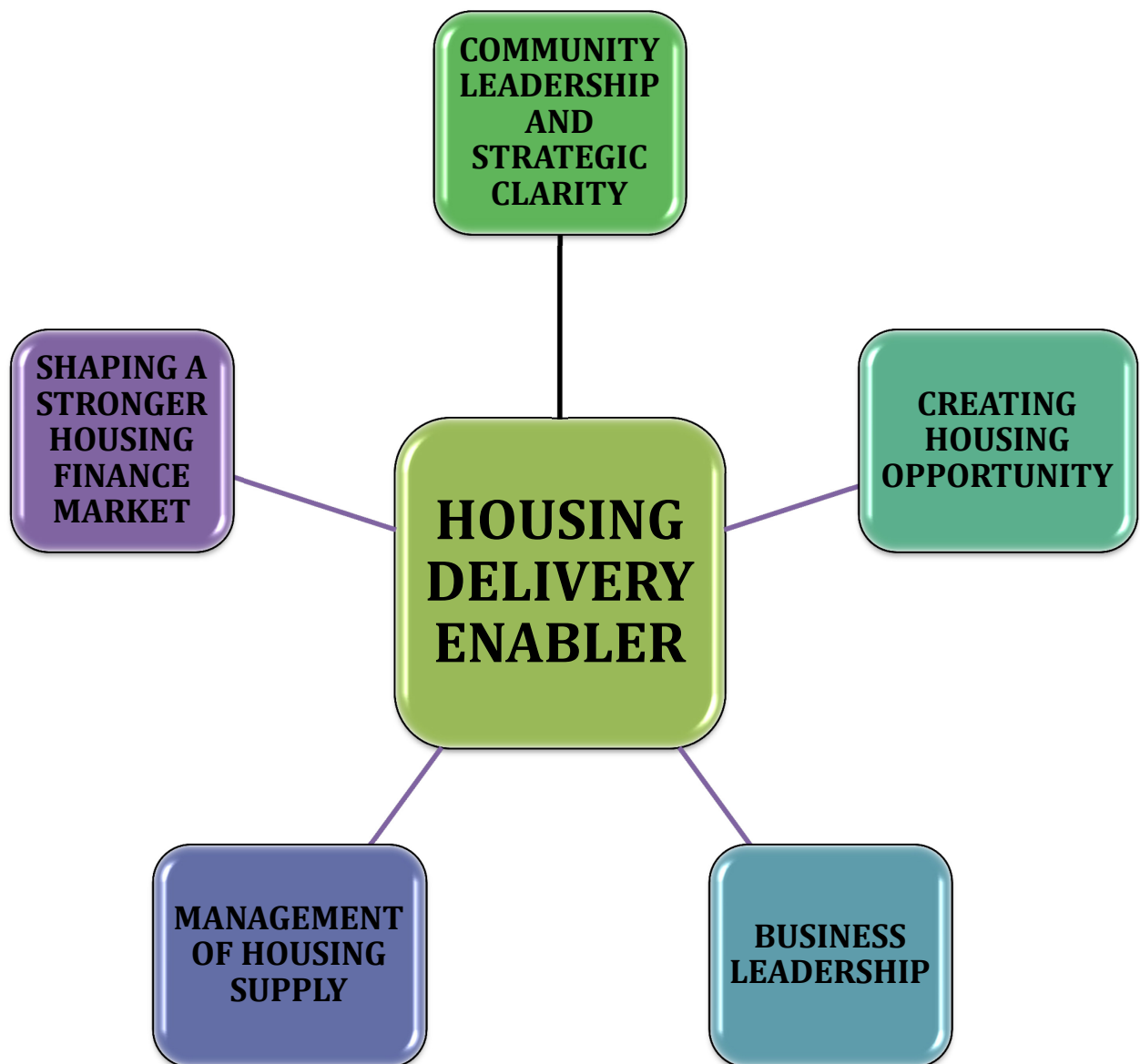


Natalie Elphicke



Keith House

## The Housing Delivery Enabler – A Dynamic Delivery Approach



## CHAPTER 1: ABOUT THE REVIEW

- 1.1. **Announcement of the Review:** The Review of the role of local authorities in housing supply was announced in the Autumn Statement 2013. Its purpose is to consider the role councils - both stock holding and non-stock holding – can play going forward in helping to meet the housing needs of their local population, within the context of the need to ensure good value for money and fiscal discipline. In January 2014 Natalie Elphicke and Keith House were appointed as the Reviewers.
- 1.2. **Review terms of reference:** The Review's terms of reference, which explain the context and purpose of the Review, are set out in Annex A. The scope of the Review applies to all England.
- 1.3. **Supporting housing stability:** In setting out the scope of the Review, Government was clear that it should aim to support stability in the local authority housing sector. It must not produce any recommendations that breach Government's fiscal consolidation plans, or require changes to Government's national accounting framework. The Review covers councils' role in increasing supply for their communities across all tenures.
- 1.4. **A fresh approach:** The Review took a fresh approach<sup>1</sup> to thinking how local authorities could increase housing activity in their area, across all tenures and to meet the needs of their communities. It considered what was working and what wasn't, and looked at innovative approaches that local authorities were taking to support increased housing supply.
- 1.5. **Engagement work undertaken:** This Report has been developed from work undertaken by the Reviewers, Natalie Elphicke and Keith House, over 11 months. The Reviewers heard from more than 400 participants across England, one of the largest engagement exercises for a Government housing Review for many years. The work of the Review explored the housing activity role undertaken by councils from a full range of perspectives: from residents, housing associations, developers, start-up housing businesses, finance and investment markets, mortgage markets, councils, council leaders and council officers, MPs and Ministers, central government and other public bodies such as the housing regulator. Acknowledgements are at Annex B.
- 1.6. **The role of councils in local housing delivery:** The context of this Review is to consider the housing activity role of councils and more recent changes to the powers and responsibility of councils in the housing and planning arena. The 'local authority' for the purposes of this Review is the local government administration body with principal housing powers from an operational and delivery perspective. There are a large number of public bodies from national to mayoral, both governmental and non-governmental, that impact on housing strategy and funding. However, the context of this Review is the principal operating level of housing delivery. Some of the councils are unitary authorities with a broader range of powers, some are traditional district councils with planning and housing responsibilities. The Review touches on the role that other councils play on housing delivery. The list of councils with core housing operational responsibility is set out at Appendix 1.

- 1.7. **Benefit of a local context:** The local context has enabled the Review to undertake a practical approach. The focus has been on public administration and business activity which could bring about a serious step-change in housing: in land, planning permissions, money, skills, relationships between councils and business, between councils and their residents, political and executive leadership, in the capacity to work differently to effect change.
- 1.8. **Making a long term impact:** The focus of this Review has been practical and structural: exploring the levers to and limitations on assessing and meeting local housing needs; the impact of meeting and failing to meet local housing needs; assessing capability to effect long term structural change to meet current and future housing needs.



## CHAPTER 2: THE LOCAL AUTHORITY AS HOUSING DELIVERY ENABLER

- Councils should assess and meet the housing needs of local people as Housing Delivery Enablers.

### Housing Delivery Enablers

- 2.1. ***Core Recommendation:*** Councils have primary responsibility to assess and meet the housing needs of their local population as Housing Delivery Enablers. Councils should assess and drive housing activity and housing delivery in their areas and for their local population.

The role of Housing Delivery Enabler can be met through (i) community leadership and strategic clarity; (ii) creating housing opportunity; (iii) business leadership; (iv) management of housing supply; and (v) shaping a stronger housing finance market.

- 2.2. This can be a shared responsibility: there are frequently grounds for co-ordination of housing policy across council areas where this is the most appropriate spatial scale for considering housing market outcomes. But at core, councils have responsibility for delivery in their area.
- 2.3. They should take responsibility for making development happen in their area, rather than purely assessing housing need and determining planning permissions – to create a culture of house building.
- 2.4. Housing Delivery Enablers use their position, powers, skills and resources to benefit their communities through their democratic mandate to lead communities, ensure the development of sustainable communities and the health and wellbeing of their residents. Housing Delivery Enablers can drive appropriate housing delivery:
- by providing strategic clarity, transparency and consistency around housing need, around growth and around opportunity in their area;
  - through community leadership:
    - galvanising and securing local support for housing and business activity;
    - making the case for housing and growth;
    - responding to and creatively addressing community concerns and needs;
    - supporting local neighbourhoods and villages to shape their communities;
    - community organisation skills, construction skills and support for small builders;
  - through business leadership:
    - bringing together a wide range of partners to meet the needs of residents across all tenures;

- improving knowledge and understanding opportunities of how business can work with councils and for councils to understand opportunities available to them and to their communities;
- through identifying land to meet housing need, including their own land and that of other public bodies;
- through the provision of planning consent and by being realistic, transparent and accountable for planning agreements reached with developers;
- by providing resources to support housing: development finance, long term investment, sales guarantees;
- by driving efficiencies and optimising assets: particularly where councils retain council housing stock;
- by working with partners to drive housing delivery actively, for example through local housing organisations.

*“Councils have primary responsibility to assess and meet the housing needs of their local population as Housing Delivery Enablers”*



**Photo courtesy of Bournemouth Council**

## CHAPTER 3: COMMUNITY LEADERSHIP AND STRATEGIC CLARITY

- Housing is central to the success of a community.
- Councils have a primary role in creating, shaping, sharing and communicating a vision for their area.
- Housing approaches should more closely reflect the wants and needs of the local population, developing trust and engagement with local people and reflecting a shared vision of growth and progress.

### A vision for housing

- 3.1. **Housing Matters:** Housing is central to the success of a community. Housing is important to quality of life and wellbeing. Housing can have a positive impact for an area. Meeting the housing needs of the population can have positive impacts on local finances, education, health and building stronger communities. Meeting planned housing needs can support other strategic ambitions such as growth, jobs and training opportunities. In contrast, failing to meet current and planned housing needs is likely to have adverse impacts. The central impact of housing to the success or failure of an area and the importance of leadership and vision in meeting the housing needs of the local population suggests that councils are best placed to undertake a broader housing role.
- 3.2. **Community leadership:** Community leadership is one of the council's most important roles in housing delivery. Through acting as Housing Delivery Enablers councils can actively engage residents, reflect residents' personal housing challenges and housing aspirations and develop the vision for growth and progress for a community together. Housing delivery includes choices about sites, purpose and costs of housing delivery and identifies and explores benefits and costs of asset utilisation and housing management as they impact on the finances and opportunity for an area taken as a whole.
- 3.3. **Local economic growth:** At an economic level, the lack of new homes risks putting a break on local economic growth. A 2013 ComRes report<sup>ii</sup> suggests that the lack of affordable housing for employees has been shown to have a negative effect on businesses, either because of the extra time and money spent by employees commuting, or because the business relies on people in the local area:

More than half (55%) of managers in England say that if they were expanding or relocating, the availability of affordable housing in the new area would be important to their decision. Four in five (79%) say building more homes will stimulate the local economy; three in four (73%) say it will bring business to the area; and 72% say it will bring more customers to the area.

The London Chamber of Commerce and Industry commented in their response to the Review on the adverse impact to London's business activity due to lack of available housing in what they describe as the affordable/lower

mainstream and mid-mainstream households, where income is less than £50,000 per year:

“If [firms’] employees can no longer afford to live in the capital, employers will either have to increase salaries or will struggle to recruit and retain them. In each case, the business case for locating in the capital is undermined.”

The business group London First described the impact of London’s housing situation as “hampering the capital’s economic and physical growth”<sup>iii</sup>.

- 3.4. **National consensus:** There is a strong degree of consensus about the scale of housing needed nationally, upwards of 220,000 to keep pace with housing demand<sup>iv</sup>. There is a reasonable degree of consensus about the scale of the housing challenge and that a step-change in housing delivery is required. Nearly a decade ago a previous major report on housing, the Barker Review, identified the need for a step-change in housing delivery. Yet, in spite of Government action, that step-change did not occur. The average run rate for house building over the last decade has been 136,521 homes<sup>v</sup> each year.
- 3.5. **Local acceptance:** The calculation and distribution of the household projections and affordability at national and regional level is complicated. Translating an acceptance of national housing need into a local context which supports local delivery can be challenging. However, there has been a substantial shift in public attitudes towards house building with more households now supportive of new homes than those opposed. Opposition to “more new homes in my local area” has fallen from 46% in 2010 to 31% in 2013 whilst support rose from 28% to 47%. At the same time the proportion of those saying they were strongly opposed halved from 15% to just eight per cent<sup>vi</sup>.
- 3.6. **Local impact of local housing need:** Different measures of assessing local housing need can provide different perspectives on the extent and nature of housing requirements in an area. During the Review, measures of a council’s housing need were considered. Measures considered included households on local authority waiting lists, homeless acceptances per thousand households and households in temporary accommodation per thousand households. In the context of the Review’s remit to consider the role of councils in meeting local housing needs, the absolute number of recorded homes (stock numbers) to existing households was considered. This analysis of 2013 data is intended to be illustrative of the different approaches rather than critical of the work of any council in addressing their own housing need. Considering each of these measures it is evident that the impact of the housing gap and assessment of housing need is not uniformly collated or evenly distributed across the country. It was the experience during the Review that each method of assessing housing need and demand, current and projected, has its supporters and its detractors. Certainly the technical discussions around calculations of need and demand suggest strengthening an approach which is built up from a locally based and supported assessment. This approach is developed further in the next Chapter.

- 3.7. **Capacity to meet housing need:** An analysis of the distribution of homes and households at local level illustrates the importance of considering the capability within a council area to meet local housing need, rather than simply assessing a national picture. As at March 2013, 19 out of 326 councils did not meet the existing housing needs of their population in absolute numbers of households (not including concealed households), equating to 5.8% of all councils – see Appendix 2.<sup>vii</sup> Eighteen of these 19 councils were in London and this represents over half of the 32 London boroughs. Nearly all of these councils had retained their housing stock (Housing Revenue Account councils). Three of the London councils with an absolute homes to households mismatch also appeared in the national top 20 of each of the other measures of housing needs demand measures<sup>viii</sup>.
- 3.8. **The London Challenge:** The scale of the London Challenge is further illustrated by the London Plan. The London Plan shows the current household challenge will not be met within 40 years. That is on the basis of ambitions which would require London to deliver housing at double the rate it has in fact achieved in recent years. The London Plan has an assessed mismatch of assessed need and assessed planned space for housing of 4,000 a year. To put that in context, even if London doubled its housing delivery as it believes it could, there would need to be a new development equivalent to the size of Ebbsfleet (new garden city development) every five years to deal with London's housing gap. The situation in London which has arisen over successive years of housing under activity in the capital may be impacting on its business and growth opportunities and on the wellbeing of some of its residents. Many of the London Boroughs have now developed ambitious proposals for increasing housing activity since the self-financing changes. There are substantial resources available to such London Boroughs, around £1 billion<sup>ix</sup> HRA borrowing capacity, high value land, business partners, investors and opportunity to be harnessed as Housing Delivery Enablers.
- 3.9. Councils have a primary role in creating, shaping, sharing and communicating a vision for their area. Understanding and articulating housing needs across all tenures is central to the success of a council's role. Councils already undertake an assessment of housing need across all tenures as part of their planning role in housing delivery. Housing and planning functions are developed within the strategic context of the council's vision and corporate strategy. In practice, this is likely to mean direct responsibility for housing delivery sitting with the Leader and Chief Executive of the council.
- 3.10. To assist Leaders and Chief Executives with their housing delivery role, the housing market information prepared within planning system requirements already offered a very promising opportunity to match local housing need with local housing delivery, and provide a pattern of housing need and housing delivery built up from the council perspective.
- 3.11. Councils can ensure that their approach to housing closely reflects the wants and needs of the local population. They should also be developing trust and engagement with local people and reflecting a shared vision of growth and progress, as well as informing and liaising with communities about progress and consulting on specific developments.

- 3.12. Not all councils are engaging their residents in shaping housing needs or allowing villages and neighbourhoods space to shape their direction, through active community engagement and support.
- 3.13. **Recommendation: Government considers strengthening advice to encourage more councils to pro-actively support neighbourhood planning and for councils to engage residents in shaping housing needs more regularly.**
- 3.14. Councils should ensure that housing approaches take account of changing housing needs and wants of the local population over time, including wellbeing of older people and tenure mobility. For example, councils can encourage and support custom build, community housing, and choice of housing opportunities. Councils can also actively consider and consult on demographic impacts affecting the locality as part of their on-going housing and planning functions.
- 3.15. **Recommendation: Councils develop more robust housing approaches that include housing demography, mobility of tenure, economic growth and business needs as well as broader choice for residents, including the impact on the physical and economic wellbeing of residents' changing needs in older age, as well as affordability and financial inclusion.**

*“Housing Strategy should more closely reflect the wants and needs of the local population, developing trust and engagement with local people and reflecting a shared vision of growth and progress.”*

- 3.16. In the interests of transparency, councils need to be open to scrutiny on their progress as Housing Delivery Enablers. They can enable the public to trawl data and compare information about housing needs and progress in delivery on the ground. Some of the best performers operate an open and transparent approach, recognising the benefits of an open, and transparent, two-way dialogue with land-owners, developers, residents and communities.
- 3.17. Effective housing delivery enablers take residents with them in creating, shaping and communicating their vision. They ensure that housing approaches closely reflect the wants and needs of residents, recognising that efficient house building will deliver significant benefits to the national and local economy:
- every £1 spent on construction generates a further £2.09 on economic activity, higher than the return to most other sectors including advanced manufacturing and finance<sup>x</sup>;
  - 50,000 new homes create 75,000 new jobs<sup>xi</sup>;
  - 100,000 new homes could equate to more than £15 billion in additional housing value each year<sup>xii</sup>;
  - more affordable homes cuts waiting lists/ more homes for sale helps more first time buyers<sup>xiii</sup>;
  - economic growth– averaging around 3% of Gross Domestic Product at a national level<sup>xiv</sup>.

**BEFORE**



**AFTER**



**Photo courtesy of Gateshead Council**

## CHAPTER 4: CREATING HOUSING OPPORTUNITY

- Councils should work with businesses and other partners to share experience and understand opportunities to work together.
- Councils should actively use their assets to create and unlock housing opportunities.
- There should be clarity, transparency and consistency around housing need, growth and opportunity.

### Understanding Opportunities

- 4.1. **Using council powers:** Councils have a wide range of housing and planning powers, tools, levers, and influences to make housing developments happen. The Review received evidence that suggested councils were using these in different ways and to different degrees, with varying degrees of success. Almost uniformly, there was strong appetite amongst councils to demonstrate the core of a Housing Delivery Enabler. This underlines the potential for the sector as a whole.
- 4.2. Many councils and many businesses have undergone significant journeys of knowledge and implementation as councils have started to use their freedoms and flexibilities. Councils reported that it took between three and five years from planning to delivery of innovative partnership structures.
- 4.3. Councils expressed a willingness to share their experiences with other councils, but recognised that they would adapt and apply structures and ideas to meet with own needs and objectives. Businesses that had worked successfully with some councils expressed difficulty in sharing knowledge and partnerships to councils at scale and across different geographies. There were common business reports of 300-400 meetings across different councils to secure just one contract over three to four years, even where there were other effective business relationships in non-housing areas. That suggests that businesses do not always understand councils' needs or how to secure effective business relationships with councils in the housing arena. Given business has focused on housing associations rather than councils in recent years that is not surprising; but it is inhibiting housing delivery.
- 4.4. **Housing as a major investment:** Some councils are clearly displaying characteristics of a Housing Delivery Enabler. For example, in Manchester, the City Council views housing as a major local investment. It has a clear vision for how housing can support the wider vision for the area, and is collaborating with a variety of partners to unlock the opportunities and deliver that vision including with its City Deal.
- 4.5. **Importance of strong leadership:** To make development happen, councils needed strong and consistent leadership. Leadership was needed at both political level (the Council Leader and elected Members) and by the Chief Executive and the senior management team. Strong leadership was vital to create a 'housebuilding' culture, as well as the right conditions for development.



- 4.6. **Active intervention to unblock barriers to development:** The Review heard about a number of examples where councils were actively intervening to unblock barriers to development. Such councils are demonstrating how they are monitoring delivery and intervening to ensure development proceeds through their housing, planning and property functions, and as enablers between agencies.
- 4.7. **Rural enabling excellence:** the existing Rural Housing Enablers are helping to support housing investment in rural housing. Working with local authorities, landowners, and rural communities, Rural Housing Enablers can ensure that developments meet the needs of rural areas so that villages remain sustainable. They can also help to identify potential sites, and operate as an 'honest broker' between the different parties, ensuring schemes are built-out.
- 4.8. **Recommendation: Councils, including county councils in two-tier areas, consider potential models for funding Rural Housing Enablers, including the potential for forward-funding from future development value.**
- 4.9. **Peer challenge:** The Local Government Association's (LGA) 'Rewiring Public Services' campaign endorsed the role that peer challenge plays in improving councils' impact on service delivery. The LGA has designed a peer challenge process to support councils to take responsibility for their own improvement. By the end of 2014, more than 180 councils had received an LGA corporate peer challenge. The LGA has a significant role in influencing councils' behaviours through its peer challenge and other work.
- 4.10. **Recommendation: the LGA considers how it can encourage councils to fulfil more of the role of Housing Delivery Enablers, including through its peer challenge processes.**

#### **Effective planning for housing need**

- 4.11. In order that housing is effectively planned and delivered, it is important that councils provide clarity and transparency around housing need, growth and opportunity.
- 4.12. The obligation for assessing housing need across all tenures has been in place for a number of years through housing market assessments.
- 4.13. **Comparison of assessments:** while councils have an understanding of their own housing market, these are researched with differing geographies, timescales and techniques. Analysis of a selection of councils' published plans, available on their websites, identified considerable variation in quality and accessibility. There were also significant differences in the way councils explained how their assessments of future housing need had been determined, how they proposed to support wider objectives, and how these objectives would be delivered.
- 4.14. Improved clarity and visibility of assessments would ensure improved accountability in the articulation of local housing needs, and progress towards meeting the assessed needs. Regularly updated assessments provide the tools for councils to measure housing need for all tenures and drive delivery.

- 4.15. Government annually reviews its guidance and support for the National Planning Framework and has refined its recommended approach for the assessment processes.
- 4.16. **Recommendation: At its next review, Government considers guidance to councils on:**
- (i) **the importance of transparency about the findings of housing market assessments – given their link to housing delivery;**
  - (ii) **the accessibility of assessments, for example through publication of a very short executive summary of Strategic Housing Market Assessments setting out the key information;**
  - (iii) **the importance of reporting progress in monitoring housing need and delivery annually to residents.**
- 4.17. The Housing Delivery Enabler role may be best taken forward by one or more councils working together, particularly where there is a shared economic perspective. Councils should decide the right combination of bodies to work with in their area's best interests. However, clarity of ambition, democratic responsibility and accountability towards the individual council's housing market assessments must be reflected in these arrangements, particularly where housing need is planned to be met outside that council's geographical boundary.
- 4.18. **Recommendation: That where the strategic housing market assessment covers a wider geography than the council's own area, councils clarify their individual responsibility – accounting for the part of their housing market in their own area, in accordance with the expectations in the National Planning Policy Framework.**

*“The Housing Delivery Enabler role may be best delivered by one or more councils working together, particularly where there is a shared economic perspective”*

- 4.19. **Effectiveness of the wider planning framework:** Many councils commented that the strategic planning framework identified at Appendix 3 provided them with a sound basis for assessing the current and future housing needs of their area. They also felt that they used this framework to deliver effective arrangements for meeting assessed need.
- 4.20. Many councils also commented that planning has been an area of much change in recent years and is an important part of a council's role in housing delivery. There is strong evidence that there is no appetite or need for large scale further change to the planning system. To assist Leaders and Chief Executives with their housing delivery role, the housing market information prepared within planning system requirements already offered a very promising opportunity to match local housing need with local housing delivery, and provide a pattern of housing need and housing delivery built up from the council perspective.
- 4.21. Evidence was submitted from a range of market participants which strongly suggested that in the interests of stability and continued progress on increasing housing delivery, further significant change of the planning system

would not be welcome in the short-term. The remit of the Review specifically directed consideration in favour of stability in the local authority housing sector, and that has been given due regard. Further substantial changes to the structure of the planning system would not be helpful to increasing housing delivery.

- 4.22. **Borrowing capacity:** Self-financing has been successful in achieving local responsibility for housing investment. One respondent described the impact of self-financing in the following way:

*Self-financing “is a momentous change which has released extra resources and is allowing councils to undertake long term business planning free from disruption by a volatile annual subsidy settlement”*

- 4.23. In considering what more all councils could do to support housing supply, the Review invited consultees to identify potential challenges or barriers that might be standing in the way of housing delivery.
- 4.24. A number of stock owning council respondents indicated that they would not be able to build more homes without additional borrowing capacity. However, local authorities with little or no borrowing headroom have developed innovative finance models, including via local housing delivery vehicles, to lever-in private finance to support house building programmes. Others, with borrowing headroom, indicated no appetite to use available borrowing, even in areas of high demand.
- 4.25. Councils should be using assets available to them, including borrowing capacity, to ensure that they are housing their populations by investing in appropriate housing provision. As more councils develop proposals for combined authorities, and where enabling housing delivery becomes a shared responsibility, the issues around sharing borrowing capacity will grow.
- 4.26. Under the Right to Buy (RTB) replacement policy, local authorities are able to retain up to 30% of the cost of providing a replacement. They can use this receipt to build themselves, subject to rules around value for money or pass it on to a housing association to develop on their behalf. If neither of these is possible then they are able to pass it back to the Homes and Communities Agency which may use it for affordable housing potentially elsewhere. A number of respondents to the Review considered the RTB and the current rules on borrowing capacity made it difficult to deliver 1:1 replacement for RTB in their locality. They suggested increasing headroom to enable 1:1 replacement, in a similar way to the increase in HRA borrowing by £300million over the two years to 2016/17 through a competitive bidding process. However, replacements delivered in this way would not be additional, and unless reductions in Government spending were made elsewhere, this would increase overall Government borrowing as it would bring the borrowing to deliver these replacement units on balance sheet. Set against this, such a policy change could give more certainty to local communities about RTB 1:1 replacement locally.
- 4.27. **Recommendation: Government considers within its overall current spending plans flexibilities in any possible further HRA borrowing programme to enable councils to use both additional borrowing and 1:1**

**receipts to enable councils to deliver replacement units for Right to Buy stock.**

- 4.28. **Flexibility for stock-owning councils:** During the Review, a number of non-stock-owning councils said they were interested in building homes themselves, but had been deterred because they did not wish to open a Housing Revenue Account.
- 4.29. All councils can build and hold housing stock outside a Housing Revenue Account (HRA), unless it is housing to which the legislation applies, colloquially known as ‘council housing’.
- 4.30. The Secretary of State can grant approval to non stock-owning councils wishing to develop a small number of ‘council’ homes without establishing (or re-opening) an HRA. Awareness of this flexibility is not well understood. Similarly, pro-active councils, including HRA councils, are exploring opportunities to release non-operational land, such as garage sites, allotments, or backlands which were no longer being used for their original purpose and in some cases had become a magnet for anti-social behaviour, vandalism or fly tipping. Redevelopment of such land could provide wider community benefits, whilst also fostering a culture of housebuilding.
- 4.31. **Recommendation: Government publicises the freedom available to all councils to build outside the HRA, and opportunities to dispose of non-strategic sites both inside and outside the HRA.**
- 4.32. **Recommendation: Government raises the guideline threshold for the number of ‘council’ units that can be built outside the HRA for all councils from 50 to 200 units.**
- 4.33. **Recommendation: Government considers ways to simplify the process for obtaining the directions and general consents needed from the Secretary of State where a local housing authority proposes to build units outside the HRA, before writing to all councils setting out the new approach.**
- 4.34. This higher level has already been granted for some councils and would incentivise delivery of housing by non stock-owning councils.
- 4.35. **Efficiency:** In line with the terms of reference, the Review compared how public sector costs of council-led housing development compared with private sector routes, including housing association led development.
- 4.36. The Homes and Communities Agency provided data comparing the cost of development across the country, excluding London – see Appendix 4. Based on information from the Affordable Homes Programme, this revealed that:
- at a national level there is little difference between the cost of housing developments led by local authorities, compared to those led by housing associations;
  - there was no clear evidence to suggest a north-south divide;

- in some HCA operating areas, local authorities were more efficient, whereas in other operating areas housing associations were more efficient, and
- the HCA noted that the comparison will vary depending on the characteristics of the schemes which make up the cohort being compared, and this will alter over time for the 2015-18 programme as new allocations are made under continuous market engagement.

4.37. The Review also received evidence regarding efficiency in housing management. One respondent felt that the opportunity for councils, Arms Length Management Organisations (ALMOs) and housing associations to create value through social housing by externally evaluating their services was vast. Evidence from one private sector organisation suggested that a London Borough made savings of 20% on its management of housing, estate cleaning and caretaking contract, whilst achieving higher quality services. Another council procured housing management, repairs and maintenance, major works, asset management and estate cleaning services and made 'like for like' savings of 30%.

4.38. Currently, public housing providers (ie councils and housing associations) spend about £4.6 billion each year in managing their housing stock. Less than 2% of housing management contracts was subject to external competition. If this scale of efficiency savings could be replicated across the entire social housing stock, potential savings of £675 million would be generated. This could result in over 6,750 new homes and 10,000 new jobs.<sup>xv</sup>

4.39. **Recommendation: Councils periodically test value for money from their contracts, so savings and service quality benefits might be generated by operating different procurement models.**

**BEFORE**



**AFTER**



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## CHAPTER 5: BUSINESS LEADERSHIP

- Councils are most successful where they work actively in partnership with others.
- Councils have a strong role in setting out a clear direction and promotion of opportunities.
- Councils should actively support small builders and diverse housing businesses, encouraging variety, new entrants and ensuring access to business opportunity for all.

### **Active partnership and promoting opportunities**

- 5.1. **Strength through partnerships:** Housing Delivery Enabling does not mean councils should do everything themselves. It is not necessary or desirable for councils to undertake all housing delivery activity by themselves. The most successful examples of councils enabling housing activity have been where they work in a range of partnerships with others – developers, housing associations and finance partners. The Smith Institute’s research found that 95% of councillors said that they were working in partnership with housing association and other partners<sup>xvi</sup>. Councils that succeed in attracting good working relationships with business for the benefit of their area are those who demonstrate a willingness to shape and promote the appetite and opportunities to attract business.

*“The most successful examples of councils enabling housing activity have been where they work in partnership with others”*

- 5.2. Housing Delivery Enabling is about demonstrating a willingness to be open to working in a different way. Councils have a role in setting out a clear direction and promotion of opportunities.
- 5.3. **Investing in housing:** Councils can stimulate and support housing activity through active engagement with housing, business and finance partners, including housing associations, building societies and developers. Councils can borrow money cheaply and invest it in local housing delivery organisations; they can provide land and defer land payment until sales; and they can invest the land proceeds as equity and share in the profits over time. Some councils can pay for house building themselves, through receipts and other money. This is explored further in Chapter 7.
- 5.4. **Additionality:** During the work of the Review, the best examples of contributions by councils were seen where councils created additional housing activity to that delivered by others. Councils should aim to provide additionality in their role as Housing Delivery Enablers; councils should not absorb or hinder housing activity. Councils should be mindful of encouraging, not discouraging innovation, new entrants, smaller businesses and actively promote an environment which provides healthy competition to larger players.
- 5.5. **Master-planning to attract business partners:** Some councils are developing a ‘master-planning’ approach to ensuring housing is at the heart of

major redevelopment of the strategic area; or were working collaboratively with a wide range of partners to take a holistic approach, working pro-actively with others to meet assessed housing need across all housing tenures. Such approaches can be very successful in planning for the housing needs across communities and across all strategic sites and ensuring the business partners see that the council is 'open for business'.

- 5.6. **Land disposal:** However, where land belongs to the council and the land is not strategic, outright disposal of land can often be the best and quickest way to secure early development of new homes. The Review received evidence from some councils which decided whether 'developable land' should be sold depending on whether the council could understand the development potential of a site. Necessarily, this council focused assessment means that the availability and focus of their resources could impact on whether land was brought to market speedily. A better use of market assessments of whether land is developable through market testing during sales may provide speedier resolution of the disposability of non-strategic land. Such practice can be combined with the application of overage provisions where this is considered to be the best way to ensure value for money on the disposal of smaller sites.
- 5.7. **Disposal to support housing needs purposes:** There was evidence of some councils actively disposing of land for lower value in order to support particular housing needs. One council commented:

*"We have sold sites at nil cost in the past. Recently sold an under used car park to build a Young Person Accommodation Project to a registered-provider for £1. This was the only way to move the project forward as both revenue and capital build costs in place but land too expensive in this district. Have also 'sold' other small sites that add to an existing asset site (generally garage sites) owned by a registered provider."*

- 5.8. **Development panels:** To speed the construction and development of homes on land owned by the HCA, the GLA, and other public sector bodies, Delivery Partner Panels have been set up. Delivery Partner Panels can provide a framework panel of prequalified housing developers, and are available to a wide range of public sector bodies that may own land that they wish to dispose of for housing. They can help to procure a developer to take responsibility for all stages of the development process from obtaining planning permission, through design and construction, to marketing and sales. By providing access to a pre-qualified list of housing developers, the panel makes procurement more efficient.
- 5.9. The panel members have been selected on their ability to deliver housing on public sector land in the current market. However, small builders, new entrants, and specialist providers are likely to be excluded from the operation of formal partnerships and development panels. Councils should aim to specifically support business diversity and opportunity. A new entrant participant commented:

*"The degree to which [public procurement] is actively closed (via development panels) has shocked us... Clearly tests about experience and track record are appropriate but everyone should be able to bid to*

*build so that the councils do not end up always dealing with the same select providers with consequent constraints of supply.”*

- 5.10. **Recommendation: Government considers issuing guidance on development panel best practice so that HCA, GLA and other public bodies with panels invite applications from developers/ builders/ new entrants/ specialist providers to be on a development panel each year, and actively enable greater diversity and opportunity.**

### **Supporting smaller businesses**

- 5.11. **Greater business opportunities:** Much focus has been given to larger sites, and larger site delivery, in recent years. The housebuilding industry is highly concentrated. It is estimated that the top 10 major housebuilders are responsible for more than half of all new supply<sup>xvii</sup>. In relation to up-scaling housing, the evidence did not support a view that the larger house builders could bridge the delivery gap by themselves. Large house builders supported the strengthening of the contribution to be made by smaller builders, recognising the benefits of a thriving and diverse construction sector.
- 5.12. Data published by the National House Building Council (NHBC) indicates the scale of the decline. The number of small house building companies (i.e. building 1-100 homes) registered with the NHBC fell from just under 5,000 in 2007 to 2,710 in 2013. Over the same period, medium and larger house builders were more resilient. There was a corresponding reduction in the number of new homes built by SME builders, declining from around 25% of all new home registrations with NHBC in 2007 to 15% in 2013<sup>xviii</sup> continuing a long-term trend in consolidation in the house building industry. Currently it is estimated that around 14% of sites that have been granted planning permission are on sites of fewer than 10 units<sup>xix</sup>.
- 5.13. Evidence was received from small builders, particularly at the micro building scale of under 10 units, as well as other potential new entrants, such as those interested in modern methods of construction and new models of finance, who were finding it difficult to enter the sector, and would benefit from support at a local level. Some councils and their arms length management organisations were actively trying to help micro builders. Berneslai Homes provided a strong example of good practice in this area, and a summary of their approach in contained in example 14 of Appendix 5.
- 5.14. To address potential shortages of skilled employers, larger house builders have introduced programmes designed to attract young people to the sector, through apprenticeship programmes. Councils' experience in promoting apprenticeships in the construction sector appears to be variable. For example, following difficulties in finding suitable construction apprentices at its Scotswood site, Newcastle City Council is introducing a youth training programme to help school leavers gain 'work-ready' skills to take up apprenticeship opportunities.
- 5.15. Recent research by think-tank Localis identified the South East as facing deficiencies in the skills base for many key industries, including construction, compounded by a wide-ranging mismatch between the supply of skills and



training provision and the needs of businesses<sup>xx</sup>. It concluded this emerging skills gap is a potential threat to growth.

- 5.16. Construction skills are essential to deliver homes. However, it is important to recognise that the construction industry is itself changing. New methods of construction offer opportunity for faster building times and increasing capacity in the workplace. Changing construction methods will require different skills from traditional construction methods. The evidence suggests that there is a need for stronger engagement between the construction industry and education and training providers, to ensure that people of all ages are equipped with the skills needed by developers and the wider industry.
- 5.17. **Supporting smaller businesses, including start-up businesses in finance and housing management:** Delivering homes is about more than construction. Many ‘developers’ are in fact commissioners of house building, contracting with building companies. Like most housing associations, when councils are building homes this is likely to be under a commissioning model, where building services are contracted to one business while the housing management of completed homes may be contracted to another. The skills required by councils reflect this commissioning role. The overall price paid for housing is therefore not notably different whether it is commissioned by a council, housing association, or another private landlord.
- 5.18. Many start up and smaller housing businesses are not builders. Like the councils and housing associations, they are building up portfolios of housing for rental or part-rent and part-own, such as shared ownership schemes. They may be specialised commissioners of housing, for example for older people. They may be investment funds, providing economies of scale and investment capability to fund a larger geographical portfolio of homes where a smaller investment footprint may not be financially viable. They may be design and community engagement specialists. There are a wealth of different ways in which other housing businesses are able to contribute money and skills to provide additionality to the housing market place. In the work of the Review, ‘dragon’s den’ style submissions were heard from start-up and smaller businesses who had exciting and innovative ideas for housing. Almost universally, these businesses found it difficult to compete against the major house builders in accessing opportunities for land and partnerships. As a result, additional housing activity which would result in additional homes was not being realised. This has been described as “Innovation Inertia”<sup>xxi</sup>, where there is agreement about the need to respond to the housing challenge which is not translated into innovative and realistic activity.
- 5.19. **Recommendation: Councils, in their role as Housing Delivery Enablers, consider how they can actively support smaller and start-up housing businesses locally with land, finance, and skills/ business training and opportunities for partnerships and collaborative working.**
- 5.20. **Investing in small builders:** Whilst Government has introduced a number of tailored schemes to support a range of builders, only recently has a proposal to target the very smallest sites (less than 15 units) been developed. Consequently, the smallest builders have not been able to benefit to the same extent from the boost to the housing and finance markets.

- 5.21. Recognising the potential opportunities offered by small builders operating at a local level, there would be significant benefits in an investment fund targeted specifically at smaller builders. Such a fund would benefit from administration at a local level, recognising that councils know their patch, and are best placed to consider the opportunities and benefits presented by such a local fund.
- 5.22. During the later stages of the Review, Government announced two measures aimed at supporting small builders, both designed to boost development by the smaller builders. The Review supports the creation of targeted funding, and encouraged Government to monitor take-up, and consider boosting investment as demand is demonstrated.
- 5.23. **Recommendation: Government monitors its schemes to support small builders, and considers further support to help expand this sector of the building industry.**



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## CHAPTER 6: MANAGEMENT OF HOUSING SUPPLY

- Councils should identify land suitable for housing development.
- Councils should identify small sites for custom build, community housing, and local builders.
- Councils should have a housing enabling role in relation to larger public land sites in their area.

### **Identifying land for housing development**

- 6.1. Housing Delivery Enablers have a key role in taking a pro-active approach to managing their land and property assets - identifying land to meet housing need and maximising potential revenue. The Review examined how councils were using their own land to support development, and what more could be done to bring surplus or redundant land into productive use.
- 6.2. Some councils reported making good progress in releasing land for development. Other councils have looked creatively at how they might release land by rationalising offices across the wider public estate, or moving to smaller premises. These approaches have secured integrated public services for local residents, financial savings, and in some cases freed-up land for development. The Review found good examples of councils putting land into local housing delivery organisations in order to bring forward development.
- 6.3. More generally, transparency and useability of land data for public sector land was of mixed quality. There is evidence that the availability and accessibility of land suitable for housing remains a significant challenge for those wishing to build homes.
- 6.4. **Transparency of land holdings:** The Review also examined the extent to which council land holdings were reported in a transparent and easy-to-access way. The Review was keen to look at this from the perspective of someone who was looking for a site on which to develop.
- 6.5. A number of council respondents reported that they had listed all the available land holdings, in the context of identifying a five year supply of land, and made it available to view electronically on their websites. Some had gone further and mapped this land.
- 6.6. However, other respondents did not feel that councils' reporting of their land holdings was transparent. A number referred to difficulties in identifying a comprehensive, and up-to-date, list of land holdings. Even where data about land was reported, respondents questioned its accuracy, usability, comprehensiveness, and the frequency with which it was collected or reported.
- 6.7. The issue of transparency was particularly important for prospective developers who operate across boundaries and might wish to compare data across different councils, and for residents in ensuring that development obligations are delivered.<sup>xxii</sup>

- 6.8. Councils are required to publish details about their land and building assets, in accordance with the Transparency Code, including location, whether assets are occupied or vacant, and whether assets comprise land only. However, the Code excludes information about social housing. During the course of the Review, Government consulted on a requirement for councils to publish information on the value of their housing stock, and asked how councils collected information on Housing Revenue Account land. Government's response to the consultation was silent on the next steps on HRA land and assets.
- 6.9. **Recommendation: Government consults on extending the Transparency Code to cover all HRA land and assets, and that councils should start to make preparations for publishing data ahead of this extension.**
- 6.10. Councils should already be reporting information about available land that might be suitable for development openly and transparently, consistent with their role in identifying a five year land supply of developable land. This will directly help people who are seeking potential sites for development (i.e. private developers, housing associations, community groups, prospective custom builders).
- 6.11. **Public interest land:** Land owned by councils is only part of the picture. Many other public bodies own land that might be suitable for development, but there is currently no single source that provides up-to-date information about all the land held by public, or quasi-public, bodies that might be suitable for housing.
- 6.12. The "Find me Government Space" website links to an on-line Government Property Finder map that allows users to search for property by location or government department. It also allows users to filter results to show, for example, property which is currently for sale or for let, as well as land classification (i.e. brownfield or greenfield sites, size of area, and usage). However, it does not cover all public bodies.
- 6.13. It is important that information about all public interest land is published in a transparent and usable format. This will help prospective developers, community groups, and custom builders to view all the available land that might be suitable for development in any area.
- 6.14. **Recommendation: Government works with public bodies to develop an electronic platform allowing data on all land – owned and leased – that is held by public interest bodies to be open and transparent.**
- 6.15. This will help to drive understanding of the scale and opportunity in providing better efficiency, value and utilisation of assets for security and finance raising. Ideally disclosure should distinguish between land and assets that are:

Operational/ in use;
Being held for investment purposes;
Vacant/ redundant and available for purchase.

- 6.16. **Land disposal:** Disposal of land is a straightforward method to accelerate development. A number of respondents reported cautiousness amongst councils about disposing of their own land. Further investigation suggests that there may be some uncertainty about the legal position regarding land disposal. In particular, whether such land can be sold-off, or whether procurement rules must be followed when disposing of land.
- 6.17. Government has issued advice on this matter. Disposal of land is not normally subject to procurement rules, and therefore councils should not feel constrained by procurement rules when considering whether to dispose of public land.
- 6.18. However, given that this advice does not appear to be well understood, it is important that Government clarifies the position on land disposal.
- 6.19. **Recommendation: Government updates and re-issues guidance about land disposals and in particular clarifying public procurement considerations and options, so councils are clear about the factors that need to be taken into account in disposing of land.**

### **Identifying smaller sites**

- 6.20. A number of respondents to the Review expressed appetite for different forms of self building. Housing Delivery Enablers could be looking at how they can release land and pro-actively encourage development on small sites, which could be ideal for community housing, custom build, or local builders. Strategic Housing Land Availability Assessments, a key part of the planning system, give the opportunity to cover all potential land that might be suitable for development, not just land identified from 'call for' sites; whilst neighbourhood plans are also a strong mechanism for bringing forward smaller sites.
- 6.21. Through the use of a Community Right to Build Order, local communities can undertake small-scale, site-specific, developments, to meet local need, and a number of communities are exploring the potential benefits of such an approach.
- 6.22. Custom build housing provides an opportunity to own a bespoke and sustainably designed, high quality home. The custom build industry currently provides around 10,000 homes per year. Custom build includes self build and housing commissioned and built by individuals or groups of individuals for their own use, either by building the home on their own or working with builders and can offer a saving on the overall cost of the home. It offers opportunities to smaller builders, creates local jobs, and contributes to local economies. Evidence reported to the Review indicated that investing time, resources and skills in building a home means that custom builders also feel a powerful connection to their local community.
- 6.23. Additionally, Government is currently consulting on a new Right to Build giving prospective custom builders a right to a plot of land from their council, and is also supporting legislation requiring councils to establish a register of prospective custom builders who are seeking a serviced plot of land.

- 6.24. There are a number of ways in which councils can support custom build and community housing, for example by:

Assessing demand for self build and community housing through their planning function <sup>xxiii</sup> ;
Compiling a local list, or register, of people interested in building their own homes, ahead of any statutory requirements;
Building on the experiences from the Right to Build by identifying and preparing serviced self build plots on council-owned land.

- 6.25. **Recommendation: Councils take a proactive role in identifying smaller sites suitable for custom build and local builders.**
- 6.26. Generally, councils' objective is to secure revenue from the sale of their land. However, smaller developers and custom builders often face barriers in obtaining finance for proposed development. One way that councils can help is by exploring alternative approaches to help facilitate development on small sites, including the preparation and sale of serviced plots at market value.
- 6.27. **Recommendation: Councils consider using land covenants, development licences, and overage to secure best value at a later point in time in order to release small sites for priority house building.**

### **Councils' enabling role for larger public land**

- 6.28. The Review also looked at the release of public interest land. It proved difficult to obtain accurate data about how much land is owned in the public sector.
- 6.29. It has been estimated that central and local Government owns £370 billion worth of land and property, of this over 45% is estimated to be local government land (about some £170 billion).<sup>xxiv</sup> Government is taking action to release its vacant or disused land. For example, Government's public sector land programme aims to release public sector land with capacity to deliver at least 100,000 homes by March 2015. Additionally, Government has introduced, or announced, measures to support the release of land from the public estate, including:
- (a) a Right to Contest enabling the public, businesses or councils to challenge both local and central government to release land that is potentially surplus or redundant, or if they believe it could be put to better economic use. Additionally, a Community Right to Reclaim Land allows communities to improve their local area by asking that disused or under-used land owned by councils and other public bodies is brought back into use;
  - (b) One Public Estate brings together central and local government, and other public bodies, to take a geographical – rather than organisational – view on getting the most value from public sector land;
  - (c) from 2015, the HCA will be Government's land disposal agency, concentrating on the sale of land which is surplus and developable for housing or growth. The GLA will perform a similar role in London. Prospective purchasers will benefit from improved co-ordination.

- 6.30. Notwithstanding these measures, the Review received many comments about the time being taken for land owned by the public sector to be made available for development. In some cases, respondents reported vacant or disused sites being left vacant for many years, and that the Right to Contest was unable to help release the land. These delays were having a detrimental impact on the local acceptance of the need for housing development on other sites, with other land owners questioning why they should release land for housing when existing public sites had remained vacant for many years.
- 6.31. Such delays were not limited to land owned by Government, non departmental public bodies, or independent or quasi-independent bodies such as NHS Foundation Trusts or academies. There were also suggestions that, in some instances, local authorities that did not have planning responsibility, such as county councils or town and parish councils, may also be holding onto land, rather than releasing it for development.
- 6.32. There appeared to be many reasons why organisations were holding onto land, rather than releasing it for housing development. In some cases, the body appeared to be unaware of the value of the land, or was unclear how to go about disposing of the land. In other cases, bodies were holding onto land in anticipation that land values would rise, so they would maximise the value of their asset. This approach fails to recognise that the value of land was not always monetary. To the wider community, including prospective renters, first time buyers, and people in priority need, there is a non-monetary value in land that is left vacant or disused. Similarly, this approach does not take account of the negative impact on the council and its prospective partners whose proposed development is hindered, or in some cases, thwarted, by such an approach.
- 6.33. Councils have relatively few levers to encourage such bodies to release disused or vacant land. Yet their plans for housing development can be significantly delayed, or thwarted, if land is not released.
- 6.34. As the strategic body responsible for preparing Strategic Housing Land Availability Assessments and in identifying a five year land supply, councils have potential to play an even bigger role in assessing land for development at the local level. They have in-depth knowledge of the local area, a strategic vision or master-plan for the area, and are ideally placed to work with local bodies to ensure that all surplus or disused public land is available for housing development quickly – regardless of which public owner is holding the land.
- 6.35. Councils should be able to fast-track acquisition of public interest land to encourage such land to be brought forward more quickly.
- 6.36. **Recommendation: Government consults on proposals, ahead of legislation, to give councils a new direction power allowing them to dispose of larger sites in their area which are owned by other public bodies.**
- 6.37. This recommendation would enable councils to ensure that land owned by other public agencies could be brought forward more speedily than at present. This land, which could include old hospital sites, highway and railway land, as well as a host of other sites, could be key to master-planning, and could be

linked to their land as Housing Delivery Enablers. The net proceeds from the disposal would accrue to the relevant public body in accordance with the disposal terms agreed. This recommendation has potential to significantly increase the amount of land available for housing development.

- 6.38. **Unlocking planning permissions:** In considering the management of housing supply, the Review considered whether the planning system was beginning to unlock more housing planning permissions. Indications are positive. The total stock of sites larger than 10 units that have planning permission (both started and not yet started) has increased over 14% between the snap-shot at October 2013 and October 2014 (up from 507,000 to 581,000)<sup>xxv</sup>.
- 6.39. **Local planning decisions:** There were also signs that localism of decision making for strategic housing was working well in many places. The number of decisions on applications for residential developments made by local planning authorities in England has steadily increased since 2011, and rose a further four per cent between June 2013 and June 2014<sup>xxvi</sup>. Over the same period, the number of permissions granted by local planning authorities for new homes rose 14% to 230,000<sup>xxvii</sup>. A recent report by the Home Builders Federation estimated that 150,000 plots at outline permission stage were awaiting full sign off by councils<sup>xxviii</sup>. This growth in residential applications awaiting planning permission suggests a positive increase in planned development activity.
- 6.40. **Visibility around local permissions:** While the headline planning permissions picture is becoming positive, it proved difficult to have sufficient visibility of available data to compare and consider planning permissions at a local level, particularly in the context of councils' self-assessment on market need. Housing Delivery Enablers should be aware of the stock of land, progress on permissions and delivery, how many homes are being built and which sites are stalled or not started. Councils would benefit from making this visible to residents. However the Review found little evidence that this was happening. Making this information publically available would encourage better visibility and assessment of locally assessed housing need and locally driven housing delivery.
- 6.41. **Stalled sites:** Some councils have undertaken good work on identifying and publishing stalled site data. This approach should be extended to all sites with planning permission and all those in the five year land supply, so that sites are quickly moved through to development. The number of sites of 10 or more units which were stalled (i.e. 'on hold') has fallen from 23% of the total of permissions not yet started in October 2013 to 15% in October 2014<sup>xxix</sup>. The trend shows significant falls in the proportion of stalled sites and this is a good indicator of rising confidence in construction. Managing the process of development, from site identification, through strategic planning, pre-application advice, development management and on to delivery, are critical parts of enabling housing delivery. This is at the heart of the Review's core recommendation, identified in Chapter 2.
- 6.42. **Recommendation: Councils take responsibility to work with developers, local businesses, agencies and others to ensure that sites with planning permission are taken forward in a timely manner to delivery.**





Photo courtesy of Bournemouth Council

## CHAPTER 7: SHAPING A STRONGER HOUSING FINANCE MARKET

- Councils should explore innovative financial mechanisms to support new housing development.
- Councils should consider setting up local housing delivery organisations.
- There should be a Housing and Finance Institute to support a step change in housing activity, unlock opportunities, boost skills, and increase capacity.
- Housing development offers investment potential for local pension funds.

7.1. **The role of finance:** The terms of reference for the Review included the role of finance, particularly innovative financing and institutional investment:

“What innovative financing mechanisms councils have used to increase house building while ensuring value for money, and managing impacts on public sector borrowing and what central government could do to better support such innovation. This should include consideration of institutional investment, including pensions”.

7.2. **Locally led, market-supported approaches:** A number of councils are demonstrating how locally led, market-supported approaches can lever in investment, harness broader experience and unleash housing activity for the benefit of their communities across all tenures. The commitment to effective collaboration and quality of innovation from all such parties involved in such locally led and market supported approaches is impressive.

7.3. **Broader appetite:** The Review received evidence which strongly supported a renewed and broader appetite of other councils to become more active in raising and supporting finance to build and hold homes themselves and to work collaboratively with other partners to deliver new homes. There are also clear signs of a strong benefit to communities through collaboration between public and private sector partners and the utilisation of market-supported solutions.

7.4. **Expanding opportunities:** Building on these examples, the work of the Review explored whether there are other opportunities for councils to lever-in private finance and housing related expertise to support local housing activity and to shape a stronger finance market. The opportunity to access private finance, directly and indirectly, to support housing activity is not limited to councils that are stock owning councils. There is opportunity for all councils to engage in housing activity which can raise and support finance to build and hold homes themselves and with other partners. In this way, councils are both borrowers and financial providers to the housing finance market.

7.5. **Raising and providing funding:** Evidence to the Review demonstrated utilisation of six principal ways in which councils raised and provided funding for housing activity:

Receipts from section 106/ planning gain
Other capital receipts, for example from land sales
HRA borrowing
General fund borrowing (which included to council owned housing vehicles)
Through finance or investment raised in off balance sheet partnership vehicles to which the local authority is a partner
From sale and leaseback arrangements, or long lease and leaseback arrangements

7.6. **Creating and adding financial value for viability for development and/or to create an investment return:** Councils are proving to be active in the housing finance market in a variety of ways. Evidence to the Review demonstrated 14 principal ways in which councils created, or added, financial value to developments in order to improve viability and/or to create an investment return:

Through councils providing a range of market housing and thereby enabling cross subsidy for affordable and low cost starter homes.	This is a council led development approach which enables councils to provide a full range of housing across all tenures.
Selling land under deferred consideration (buy now, pay later) arrangements including the use of development licences on council owned land.	This approach can improve financial viability of a site in circumstances where development finance is difficult to obtain and thereby enable the site to proceed to development where it would not otherwise do so.
Splitting the value of its land to make it more affordable, by selling a fixed term long lease interest now and retaining the value of the freehold interest.	This approach can improve financial viability of a site in circumstances where development finance is difficult to obtain and thereby enable the site to proceed to development where it would not otherwise do so.
Converting land consideration into an investment in a development partnership.	This approach can improve financial viability of a site in circumstances where development finance is difficult to obtain and thereby enable the site to proceed to development where it would not otherwise do so. It can also provide councils with an 'equity uplift' from its investment – converting the capital into an income stream.
Creating value through master-planning and permissioning their own land.	This can enable councils to maximise their financial return from their own sites. However,

	it is most effectively used in order to meet overall community issues on larger sites, such as ensuring the best mix and infrastructure for an area.
Creating value by acquiring land, master-planning and permissioning acquired land.	This can enable councils to maximise their financial return from their overall available resources, by buying and improving the value of land. However, it is most effectively used in order to meet overall community issues, such as the acquisition of derelict and strategic sites to bring forward for development quickly.
Agreeing different arrangements for consultants, arrangement and advisory fees, for example through deferred payment arrangement from sales.	This can improve viability overall on sites.
Providing a guarantee purchase agreement, whereby a council agrees to buy completed homes from a developer if a buyer cannot be found on the open market.	By providing mitigation for sales risk this approach can assist developers in securing development finance.
Entering into nominations agreements whereby a council agrees to supply (nominate) tenants for homes which when completed will be sold to a housing association or other private landlord for renting.	By providing nominations agreements, this approach can assist landlords in raising long term finance to purchase new properties for renting.
Entering into a rent guarantee nominations agreement whereby a council agrees to guarantee rent for a minimum duration or amount as well as nominating tenants for rental accommodation.	By providing nominations agreements with a guaranteed payment structure, this approach can assist landlords in raising long term finance to purchase new properties for renting. This can be a helpful action for smaller, start-up or specialised organisations.
Supporting financial assistance to purchasers of new developments, through help-to-buy style schemes and financial inclusion work, such as deposit savings schemes and rent to buy scheme.	By providing local financial assistance, councils can alleviate sales risk, for example in an area of good employment but lower income employment.
Through demonstrating flexibility in the planning process.	This can deliver practical outcomes in a variety of ways and depending on local housing needs and circumstances. This includes the mix of housing.

By providing development finance at commercially attractive rates of return, harnessing the lower cost funds available to councils.	This can provide development finance at a rate which makes the overall scheme viable where it would not otherwise be so, or where lack of development funding is holding up the site being started.
Creating a council housebuilding reserve or 'fund'. With a policy for requiring payment in lieu of on-site affordable housing to be paid into such a fund. For example, in dedicated full market rented schemes with payments in lieu of affordable rented on site provision.	This can provide money for a council with a strong appetite for its own house building programme.

7.7. **Benefits of engaging in financial aspects of housing activity:** A range of benefits were expressed by councils and their communities for taking a strong lead in relation to the housing finance market. The principal benefits include:

The bringing forward of development which may otherwise not have happened.	This was evidenced in particular in relation to stalled sites in recent times.
The ability to deliver a Housing Delivery Enabler role more effectively, through more direct involvement in local housing delivery organisations by ensuring that the speed of delivery and type of housing meets the needs of its local population.	This was particularly so where councils considered that other housing market participants did not share that council's priority for speed or specific areas of need.
Creation of an investment for the council.	This is considered by many councils to be particularly beneficial if investment return can be created in general fund rather than the housing revenue account.
An increased council tax income.	There was some evidence of the New Homes Bonus being a consideration for some councils.
A boost to local economic growth and jobs. This was particularly so where local businesses and apprenticeships were used in local housing delivery agreements.	The positive impact of housing on the local and national economy was noted in previous chapters. There may be particular benefits to some councils if this can be harnessed for the local economy and local jobs.

7.8. **Resource and investment:** Submissions were received from a number of councils commenting on their shortage of resources to spend on identifying and bringing forward housing developments. However, other councils had

successfully prioritised housing activity by better assessing the value of housing in relation to the financial generation capability it can have for a council. Very different attitudes were expressed in relation to the development of commercial property, such as offices or car parks, compared with residential housing. Some councils used public borrowing to invest in the development of commercial premises which were then financed, often through leasing structures, to investors, but were reluctant to undertake the same structure in relation to residential housing. Many councils have capacity to understand, and do engage successfully in, commercial activities. Going forward, it will be important for councils to ensure that the commercial and financial knowledge held within the council as a whole is available and put to work in the housing delivery context.

- 7.9. **Creating and unlocking housing opportunities:** Evidence from a number of councils suggested that they were interested in exploring how innovative financial mechanisms could support potential new housing development, but were unsure which of the different models was right for them. In some cases, even where there was an expressed appetite to do more, there were concerns acting as a barrier to doing more, for example, limited exposure to market-supported solutions, to assessing risk and value for money and concerns about having the necessary resources or expertise to compare different approaches. Respondents commented:

*“We are currently seeking external advice on how best to set up a model to ensure we can achieve our investment ambitions. However there is significant risk aversion from internal legal and financial controls when it comes to the use of public funds in investment schemes. This is understandable given the increased transparency of the Council's expenditure to local taxpayers. No one seems to have cracked this problem.”*

*“The Council is actively exploring various mechanisms at the moment. We are particularly keen to understand how to reduce developer risk so that resources are not given over to developers unnecessarily. We are also considering General Fund housing development, as well as a Housing / Regeneration Special Purpose Vehicle to help deliver new homes and recycle receipts”*

*“Help to understand [innovative finance] would be welcome, we need to know what we can and can't do. On the whole developers will pursue land that can be developed actively, we need to get involved in areas where housing development may be more risky/less desirable.”*

- 7.10. **Investment in research:** Where councils do undertake research themselves to consider best options this can be expensive and time consuming. Several councils reported time periods of up to four years to decide and then implement their own housing delivery vehicle. Respondents commented:

*[The Council] is currently exploring a range of alternative financing mechanisms to support and deliver housing developments in the Borough. We have undertaken extensive research into the methods being used by other councils and Registered Providers across the country and have shared ideas and advice with these*

*organisations to help inform us of the risks and advantages, as well as obtaining external professional advice on financing options. This includes consideration of the potential for developing housing using a Local Authority Trading Company, a Local Authority sponsored company (not-for profit or charitable) and Joint Venture Partnerships.”*

*“[The Council] are currently looking into the ability to build properties for rent/sale directly. There are challenges around no longer having a HRA and the steps that would need to be taken to reverse this, loss of expertise around owning and managing stock, lack of expertise and knowledge in developing the appropriate legal partnerships / models and having the financial knowledge about which would give the greatest return on investment.”*

7.11. **Good practice guidance:** Taking this further, the Review has considered the availability of information and good practice regarding different approaches to financing housing activity. The Local Government Association has prepared a guide to some of the different approaches ‘*Supporting Housing Investment: A case study guide*’. The case studies at Appendix 5 include a number of examples of housing partnerships.

7.12. The terms of reference for the Review exclude recommendations which breach the Government’s fiscal consolidation plans or require changes to the Government’s national accounting framework. Currently, councils are able to borrow direct from Government under the Public Works Loans Board through the local authority prudential borrowing framework and, in the case of stock retaining councils, the Housing Revenue Account, subject to the housing revenue account framework.

7.13. There was some evidence of the approach taken by some councils in assessing value for money within the context of prudential borrowing decisions for housing development.

*“We assess value for money using a Prudential Borrowing model that assesses pay back within a maximum 50 year period. (The maximum repayment period for the Council’s net capital investment (i.e total scheme cost less any external grant subsidy) is 50 years)... We have found working with developers who can access HCA grant & build out an efficient way of working.”*

7.14. **Appetite from business, including financial institutions:** Businesses, including construction, housing management and financial institutions, have expressed a strong appetite to work more with councils and support increased housing supply. In the case of financial institutions, that appetite has been expressed in the multi-billion pound arena. However, in many cases that appetite has not translated into practical contracts and the supply of money, and therefore new homes.

7.15. **Assessing the gap:** During the course of the Review we held discussions with councils and businesses about why the expressed appetite on both sides is not satisfied, and the desired increase in housing has not been fully realised. Communication and understanding of opportunity, options and rewards for councils, business, including financial institutions, to work together



to increase housing delivery were all important, and were viewed as an essential part of enabling the change to translate appetite into delivery.

- 7.16. **How can Government help?** The terms of reference for the Review asked for a consideration of what Government could do to better support innovative financing. One, well expressed, answer to this was:

*“There is likely to be limited knowledge amongst some local authorities regarding innovative finance mechanisms within the private-sector. Government could do more to disseminate knowledge, providing a framework which encourages positive engagement and helps manage risks and which brings parties together.”*

Businesses, including financial institutions, also expressed a desire for better understanding of how to engage with councils, understanding the decision-making routes and how to get deals done with councils. There was a significant knowledge gap on the part of many businesses about how best to engage with councils. This was all the more so where businesses were attempting to transfer knowledge and experience from other sectors, including the private rented sector and from housing association finance. The political and organisational structures and legal positions of councils are different from these other housing market participants.

- 7.17. The work of the Review supported a conclusion that Government could best support innovative financing, and the role of councils as Housing Delivery Enablers, through the establishment of a new, independent, organisation to support a step change in housing activity leading to increased housing delivery over the long term. While other market developments have required responses including taskforces and advisory services, this independent organisation should have a different remit.
- 7.18. **Scope of a Housing and Finance Institute:** Following detailed discussions with representatives from local government, financial institutions, fund managers, professional services and other businesses, the areas where a Housing and Finance Institute could unlock opportunities, boost skills and support increased capacity include the following:

Improving understanding of finance and development risk/appetite and asset management
Developing and sharing precedents/best practice, such as ‘how to’ guides, starting with ‘how to’ set up a local housing delivery organisation
Increasing access to finance for housing development and long term investment in homes
Improving quality and efficiency of housing management and housing services
Improving understanding of how councils work and how decisions are made
Informing business about what councils want and how to pitch and position for council’s work
Undertaking a technical explanation and problem solving role between central government, local government and business,



on matters such as public accounting, consents, finance, procurement and value for money.

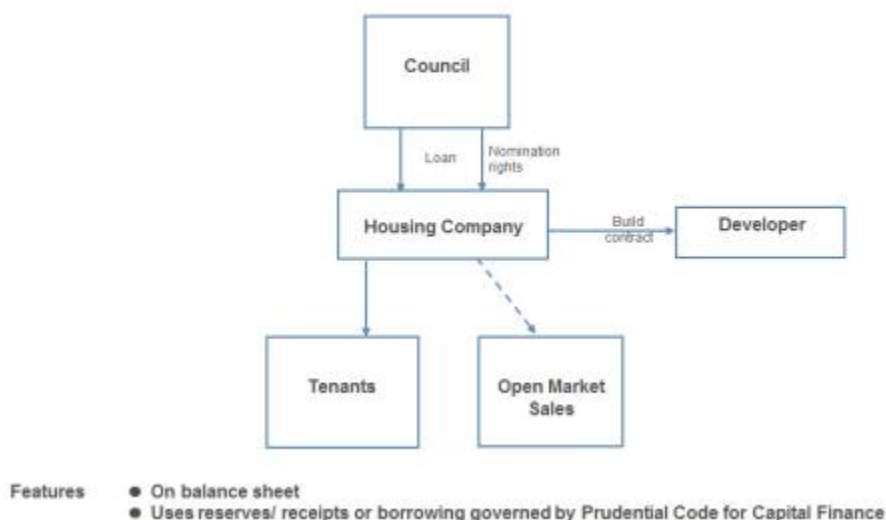
- 7.19. **Recommendation: Government, with support from the Local Government Association, establishes an independent Housing and Finance Institute to support a step change in housing activity leading to better understanding and assessing of options, faster implementation, increased housing delivery over the long term and which can help to shape a stronger housing finance market.**
- 7.20. In particular, such an institute can assist potential parties with consideration about local housing delivery organisations and options for finance and investment.

### Local Housing Delivery Organisations

7.21. There are different types of housing delivery organisations and they offer different strengths and opportunities. Councils will consider which approach to housing delivery best suits their circumstances. Stock-holding authorities developing new social housing should be mindful of the Government's policy that new social housing should be accounted for through its Housing Revenue Account. Where other forms of housing are being considered, which can contribute to meeting broader housing need within an area - given the terms of reference for the Review and concerns about public sector borrowing - it is anticipated that Government would be interested in models which are off-balance sheet. Examples of three different (on-balance and off-balance sheet) approaches are:

(i) a wholly owned 'on balance sheet' housing company structure where the council sets up its own housing organisation and funds it through prudential borrowing:

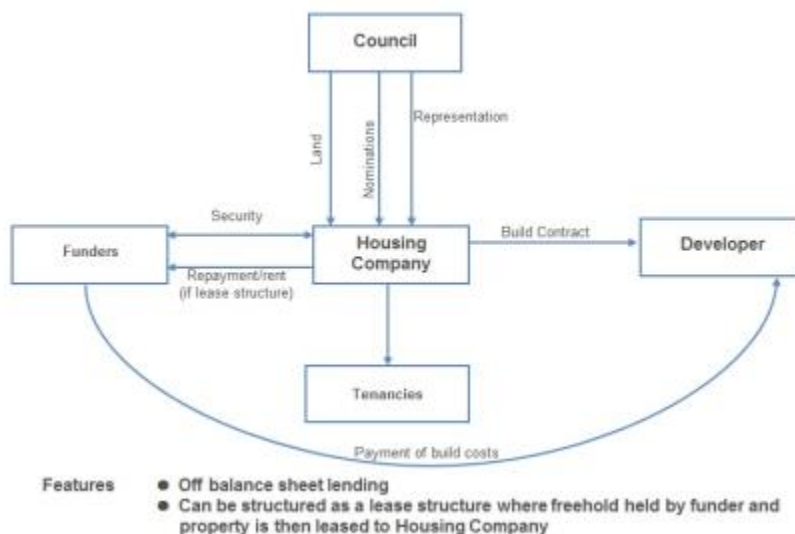
### Housing company structure example



(ii) an institutional investment partnership structure where the investor pays for the development of the housing ('forward funding') so the council does not

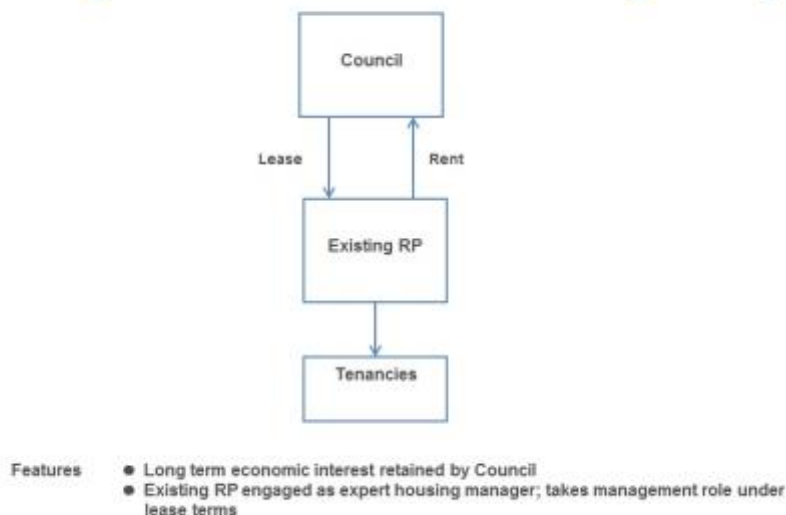
have to raise separate finance. In this example, the council has provided the land for development:

### Institutional investment structure example



(iii) an operating lease model, whereby the council retains the ownership of homes developed for it, but creates a lease to allow a registered provider (housing association) to manage the homes for them:

### Operating lease for affordable housing example



7.22. In deciding on the right local housing delivery organisation for it, councils should consider how the housing delivery organisations will help to meet local housing need, keeping in mind national and local housing policies and the legal and public accounting framework within which they operate. The range of other issues include: the scale of the council's ambition; risk appetite; levels of experience and expertise needed; availability and requirements of finance, and whether such organisations impact on public sector borrowing; procurement; state aid and competition and value for money. These issues can be considered in furtherance of the role of councils as Housing Delivery

Enabler and in the context of the housing needs of the local population across all tenures.

- 7.23. The work of the Review considered examples of local housing delivery organisations from Derby Homes, Newark and Sherwood Homes, Gateshead Housing Company, Swale, Hastings, Braintree, Harrow, Ashford, Milton Keynes, Peterborough, Oxford, Cherwell, Derby, Luton, Birmingham, Hammersmith and Fulham, Barking and Dagenham, Manchester, and Bournemouth. Some case studies are included at Appendix 5.
- 7.24. **Recommendation: Councils that are considering expanding their housing offer beyond their traditional one consider setting up local housing delivery organisations.**
- 7.25. **Recommendation: Councils consider the benefits in developing private finance opportunity utilising models to support their role as Housing Delivery Enablers that are not dependent on local authority or national borrowing constraints.**

### **Options for finance and investment**

- 7.26. **Appetite for Investment:** Every segment of the financial markets – mortgage markets, investment markets, debt capital markets, bank funding markets, housing companies – seems willing and able to provide money in much greater amounts than the housing markets currently absorb. Councils have strong potential in adding to market activity in housing and realising additional finance and investment opportunities.
- 7.27. **Scope of opportunity:** There is opportunity for councils to release even greater financial capacity, to optimise efficiency, to assess value for money and fund and maintain new homes through a variety of methods including:

The creation of new homes of all tenures through joint ventures of all types and including the provision of social and affordable housing
Investment in housing or housing related activities including through real estate investment trusts, investment companies and housing investment funds
Investment and activity in infrastructure, land site purchase and preparation including consideration of tax incremental financing structures, land licensing, overage, and conversion of land consideration into investment
Portfolio asset management of completed homes of all tenures, including consideration of community stock transfer and housing management agreements

At the heart of realising these opportunities will be businesses, including financial institutions, and councils working collaboratively.

- 7.28. **Accessing investment opportunity:** Accessing the right opportunities for investing and financing is proving harder than expected for those who have money to spend. Notable transactions included a sale and leaseback

transaction with Bournemouth Borough Council and an international pension fund; an innovative approach 'Keir Kent' involving the county council, a number of district councils, the developer Keir, and an international pension fund to enable development at a portfolio of sites across the county; the innovative funding and development deal of Barking and Dagenham which provided development finance and long term finance for new build homes which the council would own at the end of the finance term. The Review heard strong evidence of the difficulties faced in replicating and extending successful innovation. For example:

*"We have considered the use of pension fund funding for housing as in the case of Barking and Dagenham. To ensure success, robust legal agreements, and a joined up approach within Councils are needed, as well as vision by private and public partners and a realistic expectation of risk and return allocation. Government guidance on models and approaches and when each is appropriate could assist."*

- 7.29. **Pension funds and wealth funds:** Many councils expressed interest in securing local investment from pension and other funds, and working more closely with them. However, evidence suggests it has proved difficult for councils to encourage pension and wealth funds to invest. Manchester is the stand out success in the period of the Review. The scale and shape of asset requirements is unlikely to be available at local level and for most councils on a standalone basis. This also proved to be the case with sovereign wealth funds. Where councils were sophisticated participants, which was generally the larger metropolitans, there was evidence of appetite and engagement in more complex finance, including accessing sovereign wealth funds, Government guarantees and other money.
- 7.30. **Uneven access to investment opportunities:** There was some evidence that ability to engage in such investment and financing opportunities was dependent on resources, knowledge, scale and contacts which were not uniformly available to all councils. The introduction of a Housing and Finance Institute could assist with providing a level playing field, as well as developing shared platforms for councils and others to advertise and package together proposed developments and housing portfolios. In that way, there would be opportunity for pension funds to build up a scaleable portfolio across a broader geographical operating area. The work of the Local Government Association in bringing together a group of councils to explore capital market bond opportunities is an example of the greater opportunity brought about by collaborative approaches to the financial markets.
- 7.31. **Local pension funds:** Following the success of Manchester, there is interest from other councils in engaging with public sector pension funds. Again, as with the large international pension funds, this has proved to be difficult in practice. In particular, there was a perceived lack of clarity about the extent to which public sector pension funds could invest in housing, the attractiveness of returns and investment profiles from housing and the applicability of concentration risk issues; in other words the extent that pension funds are constrained by the geographical areas or asset class for investments. There was mixed evidence to the Review as to whether or not the promotion of a separate residential rented asset class, or housing class, could assist in the

assessment of the value of residential housing in its own right, particularly in relation to returns as compared to other property classes.

- 7.32. **Common investment vehicles:** Government has recently consulted about opportunities for collaboration, cost savings and efficiencies in respect of the Local Government Pension Scheme. Its proposals include “establishing common investment vehicles to provide funds with a mechanism to access economies of scale, helping them to invest more efficiently in listed and alternative assets and to reduce investment costs”<sup>xxx</sup>. This may offer an opportunity for Government to consult more specifically on whether potential investment in development by pension funds could be encouraged through the inclusion of a separate asset class for housing.
- 7.33. **Recommendation: If Government decides to consult on detailed proposals for creating common investment vehicles, consultation on residential housing asset classes is also undertaken.**
- 7.34. **Changes to local pension fund governance:** The next few months will see the changes to the governance of local pension funds which will provide an opportunity for greater oversight in decision making for investment by elected Members. To encourage investment by pension funds in residential property, pension funds could be challenged by elected Members to invest a modest proportion of their potential investment in residential property which would lead to a substantial increase in more new homes nationally. It is estimated that an investment of 3% could lever in up to £5billion investment for housing.<sup>xxxii</sup> The work of a Housing and Finance Institute could assist in the identification and promotion of suitable housing opportunities across different geographical locations.
- 7.35. **Recommendation: Government works with the sector to ensure that local decision making committees are given appropriate information and advice about where pension investments can be made. This would encourage greater choice of investment and more investment in housing and infrastructure.**
- 7.36. **Recommendation: Councillors responsible for local pension fund investment consider the benefit of a 3% Pension Fund Challenge to encourage active consideration of opportunities to invest in local housing and social infrastructure in their areas.**



Photo courtesy of Newcastle Council

## CHAPTER 8: MAKING THE CHANGE, MONITORING THE CHANGE

- 8.1 During the work of the Review, many different papers and ideas were received. There was no shortage of appetite for ideas to be implemented in housing, or papers and reviews in the area, and many of these are listed in Annex C. Much time and commitment has been given to the proposals and ideas contained in these papers and reviews. A number of ideas and proposals were very good and would present advancements for the housing sector as a whole, but were outside the scope of this Review. This is not an uncommon feature for an independent report to Government that has a specific remit. Capturing the resource provided in such ideas and proposals would be valuable to the sector as a whole. If a Housing and Finance Institute is established, as proposed, it would collect and make available a library of policy and practical papers and research for utilisation across the housing sector as a whole.
- 8.2 In the work undertaken for the Review, a number of different metrics for housing market performance were considered and explored with technical teams. These included household formation, demographic impacts, absolute homes and household performance by national and local levels, shape and nature of building activity, the role of demand in relation to house price, relative financial access and debt availability. The development and performance of various Government-led and supported interventions was considered. The Review received and considered the UK Housing Review which provided an impressive range of housing analysis and commentary on an annual basis. Where issues were within the formal remit of the Review, they have been reflected in this Report. From the work undertaken, better collation and consideration of various housing metrics would be beneficial for the housing sector as a whole. This was not seen to be a role of Government itself to undertake, particularly as much information is collected by industry and local government. However, the proposed Housing and Finance Institute could be useful in relation to collecting and presenting measures of housing market performance for utilisation across the housing sector as a whole.
- 8.3 **Recommendation: That, if a Housing and Finance Institute is established, (i) that it collects and makes available a library of policy and practical papers and research for utilisation across the housing sector as a whole; and (ii) that measures of housing market performance are developed and maintained for utilisation across the housing sector as a whole.**
- 8.4 The work of the Review included meeting with past reviewers of Government reports relating to housing and considering the tracking of implementation of proposals over time and over successive Governments. It is the nature of all such reports that they are prepared independently, not of the Government of the day. As such, it was considered beneficial for Government to maintain a public record of such reports, implementation of recommendations where accepted, and a record of progress of implementation of recommendations subject to further work by Government.
- 8.5 **Recommendation: Government maintains a public record of formal Governmental reports in each Parliament together with reports on the progress of recommendations which are subject to further work by Government.**

## KEY CONCLUSIONS AND RECOMMENDATIONS

**Recommendations:** The recommendations contained in the report, along with their paragraph numbers, are brought together and reproduced below:

Recommendation Number		Report Paragraph
<i>The local authority as Housing Delivery Enabler</i>		
Core Recommendation R1	<p>Councils have primary responsibility to assess and meet the housing needs of their local population as Housing Delivery Enablers. Councils should assess and drive housing activity and housing delivery in their areas and for their local population.</p> <p>The role of Housing Delivery Enabler can be met through (i) community leadership and strategic clarity; (ii) creating housing opportunity; (iii) business leadership; (iv) management of housing supply; and (v) shaping a stronger housing finance market.</p>	2.1
<i>Community leadership and strategic clarity</i>		
R2	Recommendation: Government considers strengthening advice to encourage more councils to pro-actively support neighbourhood planning and for councils to engage residents in shaping housing needs more regularly.	3.13
R3	Recommendation: Councils develop more robust housing approaches that include housing demography, mobility of tenure, economic growth and business needs as well as broader choice for residents, including the impact on the physical and economic wellbeing of residents' changing needs in older age, as well as affordability and financial inclusion.	3.15
<i>Creating housing opportunity</i>		
R4	Recommendation: Councils, including county councils in two-tier areas, consider potential models for funding Rural Housing Enablers, including the potential for forward-funding from future development value.	4.8
R5	Recommendation: the LGA considers how it can encourage councils to fulfil more of the role of Housing Delivery Enablers, including through its peer challenge processes.	4.10
R6	Recommendation: At its next review, Government considers guidance to councils on: (i) the importance of transparency about the findings of housing market assessments – given their link to housing delivery; (ii) the accessibility of assessments, for example through publication of a very short executive summary of Strategic	4.16
		46

Housing Market Assessments setting out the key information; and (iii) the importance of reporting progress in monitoring housing need and delivery annually to residents.

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| R7  | Recommendation: That where the strategic housing market assessment covers a wider geography than the council's own area, councils clarify their individual responsibility – accounting for their part of their housing market in the own area, in accordance with the expectations in the National Planning Policy Framework. | 4.18 |
| R8  | Recommendation: Government considers within its overall current spending plans flexibilities in any possible further HRA borrowing programme to enable councils to use both additional borrowing and 1:1 receipts to enable councils to deliver replacement units for Right to Buy stock.                                     | 4.27 |
| R9  | Recommendation: Government publicises the freedom available to all councils to build outside the HRA, and opportunities to dispose of non-strategic sites both inside and outside the HRA.  | 4.31 |
| R10 | Recommendation: Government raises the guideline threshold for the number of 'council' units that can be built outside the HRA for all councils from 50 to 200 units.  | 4.32 |
| R11 | Recommendation: Government considers ways to simplify the process for obtaining the directions and general consents needed from the Secretary of State where a local housing authority proposes to build units outside the HRA, before writing to all councils setting out the new approach.                                  | 4.33 |
| R12 | Recommendation: Councils periodically test value for money from their contracts, so savings and service quality benefits might be generated by operating different procurement models.  | 4.39 |

### *Business Leadership*

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| R13 | Recommendation: Government considers issuing guidance on development panel best practice so that HCA, GLA and other public bodies with panels invite applications from developers/ builders/ new entrants/ specialist providers to be on a development panel each year, and actively enable greater diversity and opportunity. | 5.10 |
| R14 | Recommendation: Councils, in their role as Housing Delivery Enablers, consider how they can actively support smaller and start-up housing businesses locally with land, finance, and skills/ business training and opportunities for partnerships and collaborative working.   | 5.19 |
| R15 | Recommendation: Government monitors its schemes to support small builders, and considers further support to help expand this sector of the building industry.  | 5.23 |



## *Management of housing supply*

R16	Recommendation: Government consults on extending the Transparency Code to cover all HRA land and assets, and that councils should start to make preparations for publishing data ahead of this extension.	6.9
R17	Recommendation: Government works with public bodies to develop an electronic platform allowing data on all land – owned and leased – that is held by public interest bodies to be open and transparent.	6,14
R18	Recommendation: Government updates and re-issues guidance about land disposals and in particular clarifying public procurement considerations and options, so councils are clear about the factors that need to be taken into account in disposing of land.	6.19
R19	Recommendation: Councils take a proactive role in identifying smaller sites suitable for custom build and local builders.	6.25
R20	Recommendation: Councils consider using land covenants, development licences, and overage to secure best value at a later point in time in order to release small sites for priority housebuilding.	6.27
R21	Recommendation: Government consults on proposals, ahead of legislation, to give councils a new direction power allowing them to dispose of larger sites in their area which are owned by other public bodies.	6.36
R22	Recommendation: Councils take responsibility to work with developers, local businesses, agencies and others to ensure that sites with planning permission are taken forward in a timely manner to delivery.	6.42

## *Shaping a stronger housing finance market*

R23	Recommendation: Government, with support from the Local Government Association, establishes an independent Housing and Finance Institute to support a step change in housing activity leading to better understanding and assessing of options, faster implementation, increased housing delivery over the long term and which can help to shape a stronger housing finance market.	7.19
R24	Recommendation: Councils that are considering expanding their housing offer beyond their traditional one consider setting up local housing delivery organisations.	7.24
R25	Recommendation: Councils consider the benefits in developing private finance opportunity utilising models to support their role as Housing Delivery Enablers that are not dependent on local authority or national borrowing constraints.	7.25

R26	Recommendation: If Government decides to consult on detailed proposals for creating common investment vehicles, consultation on residential housing asset classes is also undertaken.	7.33
R27	Recommendation: Government works with the sector to ensure that local decision making committees are given appropriate information and advice about where pension investments can be made. This would encourage greater choice of investment and more investment in housing and infrastructure.	7.35
R28	Recommendation: Councillors responsible for local pension fund investment consider the benefit of a 3% Pension Fund Challenge to encourage active consideration of opportunities to invest in local housing and social infrastructure in their areas.	7.36

*Making the change; monitoring the change*

R29	Recommendation: That, if a Housing and Finance Institute is established, (i) that it collects and makes available a library of policy and practical papers and research for utilisation across the housing sector as a whole; and (ii) that measures of housing market performance are developed and maintained for utilisation across the housing sector as a whole.	8.3
R30	Recommendation: Government maintains a public record of formal Governmental reports in each Parliament together with reports on the progress of recommendations which are subject to further work by Government.	8.5

## List of Housing Revenue Account (HRA) councils and non-HRA councils (as at 1 April 2014)

### HRA councils

Adur	Eastbourne	Newham
Arun	Enfield	North East Derbyshire
Ashfield	Epping Forest	North Kesteven
Ashford	Exeter	North Tyneside
Babergh	Fareham	North Warwickshire
Barking and Dagenham	Gateshead	North West Leicestershire
Barnet	Gloucester	Northampton
Barnsley	Gosport	Northumberland
Barrow-in-Furness	Gravesham	Norwich
Basildon	Great Yarmouth	Nottingham
Bassetlaw	Greenwich	Nuneaton and Bedworth
Birmingham	Guildford	Oadby and Wigston
Blackpool	Hackney	Oldham
Bolsover	Hammersmith and Fulham	Oxford
Bournemouth	Haringey	Poole
Brent	Harlow	Portsmouth
Brentwood	Harrogate	Reading
Brighton and Hove	Harrow	Redbridge
Bristol, City of	Havering	Redditch
Broxtowe	High Peak	Richmondshire
Bury	Hillingdon	Rotherham
Cambridge	Hinckley and Bosworth	Rugby
Camden	Hounslow	Runnymede
Cannock Chase	Ipswich	Salford
Canterbury	Islington	Sandwell
Castle Point	Kensington and Chelsea	Sedgemoor
Central Bedfordshire	Kettering	Selby
Charnwood	Kingston upon Hull	Sheffield
Cheltenham	Kingston upon Thames	Shepway
Cheshire West and Chester	Kirklees	Shropshire
Chesterfield	Lambeth	Slough
City of London	Lancaster	Solihull
Colchester	Leeds	South Cambridgeshire
Corby	Leicester	South Derbyshire
Cornwall	Lewes	South Holland
County Durham	Lewisham	South Kesteven
Crawley	Lincoln	South Tyneside
Croydon	Luton	Southampton
Dacorum	Manchester	Southend-on-Sea
Darlington	Mansfield	Southwark
Dartford	Medway	St Albans
Derby	Melton	Stevenage
Doncaster	Mid Devon	Stockport
Dover	Mid Suffolk	Stoke-on-Trent
Dudley	Milton Keynes	Stroud
Ealing	New Forest	Sutton
East Devon	Newark and Sherwood	Swindon
East Riding of Yorkshire	Newcastle upon Tyne	Tamworth
Tandridge	Waverley	York
Taunton Deane	Wealden	
Tendring	Welwyn Hatfield	
Thanet	West Lancashire	
Thurrock	Westminster	
Tower Hamlets	Wigan	
Uttlesford	Wiltshire	
Waltham Forest	Winchester	
Wandsworth	Woking	
Warwick	Wokingham	
Waveney	Wolverhampton	

## **Non HRA councils**

Allerdale	Isle of Wight	Teignbridge
Amber Valley	Isles of Scilly	Telford and Wrekin
Aylesbury Vale	King's Lynn and West Norfolk	Test Valley
Basingstoke and Deane	Knowsley	Tewkesbury
Bath and North East Somerset	Lichfield	Three Rivers
Bedford	Liverpool	Tonbridge and Malling
Bexley	Maidstone	Torbay
Blaby	Maldon	Torridge
Blackburn with Darwen	Malvern Hills	Trafford
Bolton	Mendip	Tunbridge Wells
Boston	Merton	Vale of White Horse
Bracknell Forest	Mid Sussex	Wakefield
Bradford	Middlesbrough	Walsall
Braintree	Mole Valley	Warrington
Breckland	Newcastle-under-Lyme	Watford
Broadland	North Devon	Wellingborough
Bromley	North Dorset	West Berkshire
Bromsgrove	North East Lincolnshire	West Devon
Broxbourne	North Hertfordshire	West Dorset
Burnley	North Lincolnshire	West Lindsey
Calderdale	North Norfolk	West Oxfordshire
Carlisle	North Somerset	West Somerset
Chelmsford	Pendle	Weymouth and Portland
Cherwell	Peterborough	Windsor and Maidenhead
Cheshire East	Plymouth	Wirral
Chichester	Preston	Worcester
Chiltern	Purbeck	Worthing
Chorley	Redcar and Cleveland	Wychavon
Christchurch	Reigate and Banstead	Wycombe
Copeland	Ribble Valley	Wyre
Cotswold	Richmond upon Thames	Wyre Forest
Coventry	Rochdale	
Craven	Rochford	
Daventry	Rossendale	
Derbyshire Dales	Rother	
East Cambridgeshire	Rushcliffe	
East Dorset	Rushmoor	
East Hampshire	Rutland	
East Hertfordshire	Ryedale	
East Lindsey	Scarborough	
East Northamptonshire	Sefton	
East Staffordshire	Sevenoaks	
Eastleigh	South Bucks	
Eden	South Gloucestershire	
Elmbridge	South Hams	
Epsom and Ewell	South Lakeland	
Erewash	South Norfolk	
Fenland	South Northamptonshire	
Forest Heath	South Oxfordshire	
Forest of Dean	South Ribble	
Fylde	South Somerset	
Gedling	South Staffordshire	
Halton	Spelthorne	
Hambleton	St Edmundsbury	
Harborough	St. Helens	
Hart	Stafford	
Hartlepool	Staffordshire Moorlands	
Hastings	Stockton-on-Tees	
Havant	Stratford-on-Avon	
Herefordshire	Suffolk Coastal	
Hertsmere	Sunderland	
Horsham	Surrey Heath	
Huntingdonshire	Swale	
Hyndburn	Tameside	

## Appendix 2

### An illustrative snapshot of housing need measures and available HRA borrowing capacity, by local authority

Local Authority	Dwelling deficit (2013)	Households on local authority waiting lists: Top 20 (2013)	Homeless acceptances per thousand households: Top 20 (2013)	Households in temporary accommodation per thousand households: Top 20 (2013)	Available capacity to borrow under Housing Revenue Account (2012)
Southwark	-2,170	N	N	N	£125,937,000
Redbridge	-2,125	N	N	Y	£33,931,000
Enfield	-1,870	N	N	Y	£38,441,000
Merton*	-1,421	N	N	N	N/A- stock transferred
Kingston upon Thames	-1,320	N	N	N	£19,410,000
Hounslow	-1,298	N	Y	Y	£29,619,000
Barking and Dagenham	-1,094	N	Y	Y	£6,695,000
Camden	-678	Y	N	N	£86,677,000
Slough	-565	N	N	N	£18,433,000
Crawley	-478	N	Y	N	£3,577,000
Sutton	-449	N	N	N	£14,829,000
Lewisham	-414	N	Y	Y	£43,730,000
Lambeth	-409	N	N	Y	£147,933,000
Newham	-401	Y	Y	Y	£81,868,000
Waltham Forest	-379	Y	Y	Y	£29,964,000
Tower Hamlets	-306	Y	Y	Y	£114,706,000
Hackney	-149	N	Y	Y	£101,415,000
East Cambridgeshire*	-63	N	N	N	N/A –stock transferred
Havering	-40	N	N	N	£28,591,000

**Sources:**

Dwelling deficit: Dwelling stock estimates in England, 2013 (table 100); Household interim projections in England, 2011 to 2021 (table 406);

Available capacity to borrow: DCLG modelling for self-financing settlement;

Waiting lists: Local Authority Housing Statistics in England 2012-13 (table 600);

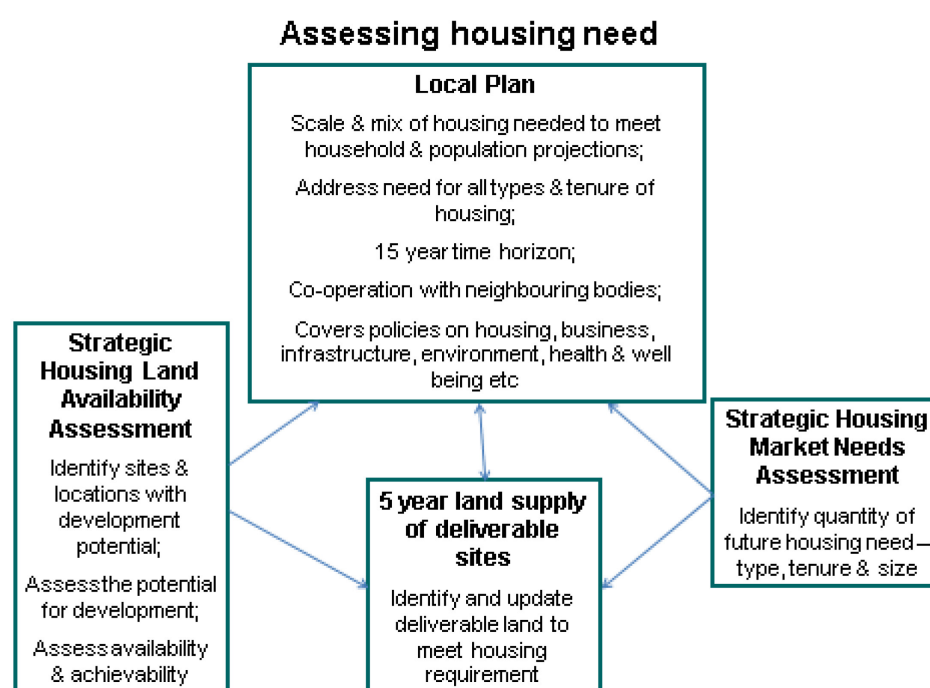
Homeless acceptances & households in temporary accommodation: Statutory homelessness in England: July to September 2013 (table 784a)

\* means that this council is a non HRA authority.

## Key planning documents

The planning system is guidance by the National Planning Policy Framework (NPPF). Within the planning system, a number of key documents are prepared and produced by local planning authorities relating to housing supply and delivery. Key documents and processes include:

- (i) the **Strategic Housing Market Assessment**, which identifies housing needs across all housing tenures (SHMA);
- (ii) the **Strategic Housing Land Availability Assessment**, which identifies potential land for development. Typically, councils issue an open 'call for land' and carry out their own searches to identify potential land (SHLAA);
- (iii) the **Five Year Land supply**: a calculation of supply of deliverable sites sufficient to provide 5-years' worth of housing towards their housing requirements (Five Year Land Supply);
- (iv) the **Local Plan**: the Local Plan sets out the strategic priorities for development of the area, including housing - commercial, public and private development - alongside other factors essential to local growth and development and environmental protection. For housing purposes, the Local Plan is informed by the SHMA and SHLAA to set out the housing requirement for the area. Local Plans (or supplementary documents) should also set out specific sites to deliver the first five year's supply of deliverable housing land (plus an additional 5% or 20% buffer brought forward from later in the plan period); and identify further sites for later years in the plan period.



## Comparison of efficiency

HCA operating area	Housing Associations		Local authorities	
	Grant per unit	TSC per unit	Grant per unit	TSC per unit
East and South East	£26,915	£148,368	£21,695	£133,780
Midlands	£26,514	£120,458	£20,796	£100,319
North East, Yorkshire and The Humber	£25,422	£106,754	£22,118	£107,681
North West	£23,670	£113,365	£19,242	£85,756
South and South West	£26,481	£141,953	£17,006	£126,467

Source: HCA

Table1: Affordable Housing Programme 2011-2015

HCA Operating area	Housing Associations	Local authorities
	Grant per unit	Grant per unit
East and South East	£22,749	£27,822
Midlands	£22,518	£22,033
North East, Yorkshire and The Humber	£25,248	£21,370
North West	£22,710	£20,944
South and South West	£26,951	£21,281

Source: HCA

Table 2: Affordable Housing Programme 2015-2018 data

Note: TSC is total scheme costs

## **Case study examples provided to the Review**

### **1. Addressing supported housing needs - Richmond**

The London Borough of Richmond identified a need for delivering a supported housing scheme especially for young people with complex needs known to their Learning Disability Service. They identified a site for possible development for such housing and decided to dispose of it at discounted value. They also agreed to provide £250,000 funding support from their Housing Capital Programme, and supported a successful bid for funding of £250,000 from the Mayor's Care and Support Specialised Housing Fund, in partnership with Paragon Community Housing Group. The scheme which will provide independent living accommodation for four young adults with learning difficulties is expected to complete in April 2015.

### **2. Open to Scrutiny - Barnsley**

Barnsley Metropolitan Borough Council is setting up a Strategic Housing Partnership Board, involving representatives from the ALMO, registered providers and the private rented sector, to oversee the 2014 – 2033 Housing Strategy, with specific focus on the 4-year housing delivery plan, and hold the council to account for delivery.

### **3. Major Investment - Manchester**

The Greater Manchester Strategy recognises that accelerating delivery of new housing is a key priority for the Greater Manchester Combined Authority (GMCA). Recognising that housing has a major part to play in the economic growth of the city region, the Greater Manchester Housing Investment Board has been established as a joint mechanism to bring GMCA and the Homes and the Communities Agency (HCA) together on a formal basis to drive housing delivery forward. The Board's work is focused on delivering residential growth in both the short (1-3 years) and medium term (4-6 years). Its workstreams include:

- improving understanding of the housing market, including how economic, demographic, financial, spatial and investment drivers are interacting, and options for intervention;
- mapping sites across Greater Manchester that may accelerate housing delivery to understand the barriers and develop strategies in discussion with public and private sector site owners;
- bringing together lessons from existing programmes, pilot projects, and experience to examine possible housing delivery models that could be developed at scale;
- working with Registered Provider partners to deliver additional new affordable homes, and develop ways of generating additional homes through tackling empty property; and
- working to establish a Greater Manchester delivery vehicle to bring together investment and capacity to develop additional housing across a mix of tenures.

The announcement in November 2014 of a £300 million recoverable Housing Investment Fund for Greater Manchester as part of the wider Devolution Agreement with Government provides a further substantial boost to progress.

### **4. Local asset based vehicle - Gateshead**



Gateshead Council established The Gateshead Regeneration Partnership with Evolution Gateshead (a consortium of Home Group and Galliford Try) to develop an innovative solution to delivering 2,400 homes (1,800 private and 600 affordable) over the next 15 years. The homes will be built across 19 sites of varying viability. Development is being brought forward in bundles around three sites at a time where sites with a positive value cross subsidise those that are unviable to achieve an aggregate appraisal that is viable. The council contributes its land assets and its partners contributing private finance and expertise.

By setting up a local asset based vehicle, partners share the risks and rewards in creating new neighbourhoods, with profits reinvested back into regeneration initiatives. The venture will also support wider objectives by promoting economic development and increasing local employment opportunities, with 25% of employees working on the project from Gateshead and 25% of the value of supply chain opportunities going to Gateshead businesses.

### **5. Multi delivery model - Bournemouth**

Bournemouth Borough Council operates a variety of approaches for delivering and supporting housing development, including:

- entering a joint venture in partnership with Morgan Sindall Investments which is currently developing two sites: (i) developing an under-used council-run car park with the aid of HCA 'Get Britain Building' funding into 64 residential flats aimed at first time buyers in the town centre; (ii) development of student accommodation for 378 student units, funded via a sale and leaseback structure with one of the Prudential Property Funds;
- a phased investment programme utilising available funding from internal funds, Public Works Loans Board and the private sector three year build programme providing up to 62 new build homes plus additional purchase of 20 private sector properties for rent and the acquisition of a number of run down houses in multiple occupation for conversion into self-contained flats;
- establishing a subsidiary council-owned bank, created under the Community Financing Initiative to provide support to individuals and businesses by funding small businesses, and accelerate delivery of the borough's Housing Strategy and facilitate area specific regeneration;
- a council-led housing programme including: (i) a trial programme of acquiring run-down houses in multiple occupation for conversion into self-contained family flats and; (ii) contracted to build 105 houses, flats and bungalows partly funded by HCA grant with the remainder self financing using prudential borrowing funded by the rental income received and the council's own resources.

### **6. Joint Venture - Luton**

With 500 families in temporary accommodation and an increasing population, Luton is experiencing severe housing pressure. It set up a joint venture, using the Local Education Partnership (LEP), which offered reduced procurement costs and a quicker route to starting on site. QED Wates Ltd were chosen as the private sector partner and the LEP formed as the Luton Learning and Community Partnership Ltd (LLCP).

New Homes for Luton is being delivered as a joint venture between the council (contributing land), LLCP, Catalyst Housing Group (provide finance, and managed

rented homes and market private sales and shared ownership) and Wates Living Space (design and construction). A package of 16 mixed sites was identified and grouped into phases so that viable sites could cross-subsidise problematic ones. It aims to develop 450 new affordable homes, and make best use of previously developed land, including reinvigorating a neighbourhood centre, regenerating an old Vauxhall car plant, and building on a disused allotment. It will also invest in the local economy with 18 full-time apprentices in Phase I, 14 work experience placements pa, a trainee programme, and a skills programme helping local people facing employment barriers.

Whilst the joint venture has been successful to date with over 350 new properties completed or under construction offering good quality homes to local people, the future is less certain with many of the smaller and more difficult sites proving to be non viable and thus limiting the future potential for the venture.

### **7. Private Finance Initiative - Leeds**

Leeds City Council set up a private finance initiative deal to deliver a huge regeneration programme for its inner city. The council has formed a 20-year partnership with Sustainable Communities for Leeds which will help rejuvenate local communities across three areas of the City, including refurbishing more than 1,200 homes and building close to 400 new ones. The project is being funded by HCA with a significant council contribution. It is the first scheme of its kind where the private finance element is secured through the capital funding markets via a bond issue.

### **8. Privately funded affordable housing - Barking and Dagenham**

With around 12,000 households on the waiting list, Barking and Dagenham was determined to tackle housing pressures and tackle the need for regeneration. It entered a partnership arrangement with contractor, Laing O'Rourke, and institutional asset developer, Long Harbour, to develop homes in Barking Town Centre and on the edge of Barking Riverside. By establishing an innovative privately funded affordable housing model, 477 new homes will be built on council-owned land. Properties are being offered at affordable rents, ranging between 50-80% of local market rates in the Borough. The scheme is entirely self-financing on the basis of a sale and leaseback structure from the rents paid over the term of the lease. At the end of the lease period, all the properties will automatically transfer into full ownership of the council.

### **9. Joint venture – Derby**

At Derby, the Council has approved a joint venture with major developer, Keepmoat, following a competitive process, to regenerate 35 acres in the disadvantaged area of Osmaston. The initial phase, will involve development of around 380 (82 of which are affordable units) new homes as part of a mixed site, as well as contributions towards the refurbishment of Osmaston Primary School and community hub within the listed former Rolls-Royce building, Marble Hall. By initiating a joint venture at the outset, the skills and resources of the developer have been harnessed from the outset in a genuine partnership, delivering added value to this scheme.

### **10. Exploring funding options - Kings Lynn**

The Council is aiming to initiate a 600-unit development on council-owned land, involving 300 units for sale, 200 for private rental and 100 for affordable. This has involved the council in examining three different funding routes (sale properties to go into a separate company and let as private rental); private rent exploring either the option of funding via insurance funds or pension funds, or alternatively via the council; the affordable units will be developed via registered providers. It is aiming to boost local jobs and skills opportunities by ensuring local apprenticeships. Approval is expected shortly for this five year scheme.

### **11. Addressing the needs of the private rented sector - Kensington and Chelsea**

Grainger was selected by the London Borough of Kensington and Chelsea in September 2012 to develop and manage two council-owned sites. More than 50% of the homes across both sites will be built specifically for the private rented sector. These homes will be managed by Grainger under a 125-year agreement, for which it will receive a management fee. The council will retain the freehold and will share the long-term rental income with Grainger.

### **12. Masterplanning to attract development - Kent Council Leaders and Kent Housing Group (KHG)**

Kent Council Leaders and the KHG social housing partnership are leading a coordinated approach to housing in Kent, bringing together the ambitions of the county, unitary and district councils and housing associations. Together, they are taking forward the Kent and Medway Housing Strategy, the country's first county-area housing strategy. Working together they have increased understanding between housing and planning partners and developers, helping facilitate delivery of new homes. Members have worked with the HCA to maximise delivery through the Affordable Homes Programme, securing in excess of £60million of funding to build nearly 4,000 new homes by 2015, the greatest allocation to a single area.

### **13. Supporting micro builders - Wolverhampton**

Wolverhampton has one of the highest levels of worklessness in the UK, and, as a major employer, Wolverhampton Homes, which manages 23,000 homes on behalf of the council, recognises the importance of supporting small and medium-sized businesses in competing for public sector contract opportunities. Through its 'Connecting Procurement Roadshows' Small and Medium Enterprises can meet buyers from Wolverhampton Homes and other local buying organisations, and discuss potential opportunities with procurement teams, and receive training and information on how to improve their opportunities, as well as networking and collaboration opportunities. Additionally, through an agreement with two construction firms and the local University, alongside its award-winning Learning, Achievement and Employment Programmes scheme has helped more than 350 tenants and their families to get work experience, new skills, and training, and celebrated its 69th apprentice progressing through the scheme.

### **14. Supporting micro builders - Berneslai Homes**

With an annual expenditure of around £27million, Berneslei Homes ensures that its Property Repairs and Improvement Partnership (PRIP) stimulates local economic activity, by:

- using local directly employed workforce;
- encouraging the use of local sub-contractors;
- working in partnership with local social enterprises where possible;
- supporting and sponsoring community events and groups;
- a contractual commitment to engage 1 trainee or apprentice for every £1million of guaranteed turnover on the PRIP contract.

Additionally, Berneslei Homes has adapted contract standing orders to positively encourage local contractors onto tender lists for major contracts. It also manages a community based construction skills scheme, in collaboration with a local social enterprise, to retrain unemployed people via on-the-job and NVQ training.

### **15. Supporting skills - Walsall**

This council invests heavily in providing training, capacity building and enterprise assistance to local people. These are seen as key elements of helping to improve the local economy and getting people back into work. The Regeneration Team deliver a range of capacity building programmes all designed to provide a pathway into employment or training. The council delivers Skills Funding Agency Adult Learning programmes to those furthest from the labour market and uses the volunteering programme to feed into these courses. In addition the Skills Centre provides apprenticeships and skills training and is an OFSTED Grade 2 facility as well as supporting local social enterprises to provide training and employment opportunities. Through this, hundreds of young people in Walsall have been able to develop their capacity to enter the labour market, learn much needed trade skills and find valuable long-term employment in a host of public and private sector businesses. In April 2014, the Council launched its new corporate plan 'Inspiring People, Great Places, Big Future' which sets out a ten year vision for the business. The Council considers that it is in a unique position to help ensure that the people who call their houses and flats 'home' lead productive, healthy and fulfilling lives.

### **16. Releasing land for development - Waveney**

Waveney Council has a long track record - over 25 years - of providing land to housing associations at nil cost to support the delivery of affordable housing. As such, the Council has only a few very small plots left".

### **17. Releasing land for development - Chichester**

Chichester is a high value area in the South East and the majority of surplus/ redundant land is brought forward at the first opportunity. In recent years, the council has identified:

- a redundant industrial site, which was sold to a registered provider and developed to provide 46 affordable homes;
- a redundant homeless hostel sold to a registered provider at reduced value and redeveloped to provide 13 family homes;
- granted planning permission to provide 80 homes (of which 50% are affordable) on a football field that was relocated to an alternative ground;

- a number of small sites transferred to registered providers to provide additional affordable housing to meet local needs;
- surplus land at a council depot to be used for a gypsy and traveller transit site.

### **18. Successful land mapping - Colchester**

HRA assets, including properties, gardens, open spaces, garages and other areas have been plotted on a digital mapping layer within a GIS system. Until this became available it was extremely difficult to identify the potential of joining sites for development. With this new approach it has been possible to identify potential sites which might be land-locked, additional garages sites with potential to develop and adjoining General Fund land with appropriation potential.

### **19. Custom build and self building – Cherwell**

Build! ® project offers an individual, or group of people, the opportunity to come together to either build a new home, or to renovate and decorate an existing property. In return for the work that the individual or group puts in they can benefit from a reduced purchase price or lower rental rates, as well as an opportunity to create a home that is more suited to their individual needs.

The properties are available to buy on a shared ownership or shared equity basis, or to rent at 80% of the open market value. The level of involvement required depends on the ambition and skills of those involved in the project, and there are five options - from absolute beginners to those who want to build their own house from scratch.

The pilot programme is delivering around 250 new homes across Banbury and Bicester. Due to the huge success of Build! ® the Council has recently acquired a large MOD site (Graven Hill, Bicester) which has outline planning permission to deliver up to 1900 self-build housing opportunities and will be the largest self-build scheme in the UK.

### **20. Community-led housing development - Derby**

At Derby, the City Council has supported the Osmaston Community Association of Residents (OSCAR) in developing the largest community-led scheme in the country. The scheme will deliver 95 homes, of which 55 will be for market sale, cross-subsidising the remaining 40 homes which will be for affordable rent. The Council supported local residents in securing £1 million funding from the Homes and Communities Agency, and provided the redundant land and loan funding. The development is a genuine partnership between OSCAR, Strata Homes (the developer), Derby Homes and the City Council. The developer is currently on-site and using the opportunity to up-skill the local community in all aspects of development and management. This project is expected to complete at the end of January 2015.

### **21. Listening to communities - Southwark**

The Leathermarket Resident Management Organisation, which manages 1,500 homes in Borough and Bermondsey, in the London Borough of Southwark, plans to exercise the Community Right to Build through a new community organisation – Leathermarket Community Benefit Society (CBS). Leathermarket CBS is looking to build 70+ new homes across its estate to address local housing pressure. The council is supportive, and has agreed to lease land to the Organisation for the

development. Discussions are underway with the council and other potential partners about construction options and costs.

## **22. Building out redundant garages - Waltham Forest**

Waltham Forest has been actively disposing of their redundant garage sites and land sites to Registered Provider partners for a number of years to provide new affordable homes and sheltered schemes. The 'garage strategy' identified over 36 redundant garage sites across the borough which were suitable for delivering new affordable homes with a further 90+ that could be used for disposal or other uses with the receipts being used to build affordable homes. 24 sites have been developed so far, delivering over 85 new affordable homes. A further eight council-owned sites have capacity to deliver 200 new homes. 90 of these will be extra care homes which will provide very high quality accommodation for frail elderly residents and the remainder will be a mixture of affordable rent and shared ownership homes. The affordable homes and extra care facilities are being delivered by Registered Providers.

## **23. Joint venture - Peterborough**

Recognising that the council has traditionally borne the up-front cost of scheme development work, Peterborough City Council has devised an alternative approach to help raise investment for regeneration, initially on development sites that it holds. By creating a joint venture (JV) with a private sector organisation that specialises in developing sites and identifying funders the council hopes to secure a series of investments up to an initial value of £130million. Initially its scope will cover development sites that the council owns. In addition to securing market value for the land, the council will also benefit from a share of the future profits.

Both the council and JV partner would make an initial financial commitment to the scheme. The council would commit its land at market value and the partner funds the scheme development costs up to the point where planning consent is achieved. At this point the consented scheme is 'sold' to a fund and both the council and JV partner recover their initial contributions – market land value for the council and scheme development costs for the JV partner. Any residual profit would be split between the council and JV partner based on their initial contributions.

## **24. Pension Fund Investment - Manchester**

The Housing Investment Fund is a joint partnership between Manchester City Council, Greater Manchester Pension Fund (GMPF) and the Homes and Communities Agency (HCA) to deliver 241 homes across five sites through private investment on council-owned land. The aim of the joint venture, financed by the Greater Manchester Pension Fund, is to stimulate home building in the city.

A tenure mix across the five areas ensures that each location fits the property requirement for the local area – including balancing owner occupation and private rented properties. Buyers will be able to access the Government's Help to Buy equity scheme to receive up to 20 per cent towards the value of the property, making the new homes available to purchasers who can sustain a mortgage but may not have the required deposit.

## **25. Improving efficiency – Woking**

In April 2013, Woking Borough Council transferred its housing management functions to Pinnacle PSG and Mansell Plc operating a joint venture, called New Vision Homes. This delivers housing management, repairs, major works and construction projects to 3,800 homes. Eighteen months into the contract, New Vision Homes has delivered benefits including:

- overall resident satisfaction up from 78% to 83%;
- residents now have access to services 24/7;
- extended neighbourhood office hours including Saturdays;
- more consultation with the community – the opportunity to participate up from 66% to 84%;
- over 50 community initiatives and events;
- satisfaction with estate cleaning up from 37% to 87%;
- estate regeneration, with a £250 million budget, is at the planning stage.

## **26. Promoting mixed communities - Hackney**

Promoting mixed communities in well-designed neighbourhoods is one of six key priorities of Hackney's Sustainable Community Strategy 2008–2018. The council has begun to deliver an ambitious estate regeneration programme to provide over 2,700 new council homes for social renting as well as shared ownership and private sale to meet this objective. The programme is financed by taking advantage of the HRA borrowing freedoms, and is supported by combining surplus-generating schemes with those requiring net investment as part of a portfolio approach. The programme is self-funding and does not rely on the traditional approach of delivering regeneration schemes through a joint venture or by means of a land disposal in order to tackle viability issues arising from the upfront cost of acquiring Right-to-Buy properties. The council is working with a range of partners to replace existing, poor-quality homes, one in five of which are bedsits, with new homes for social renting, shared ownership and private sale built to spacious, modern, lifetime standards, including sustainability.

## **27. Building out a disused garaged site - Exeter**

One site at Shakespeare Road, Exeter, comprised of a much vandalised council owned garage site and some adjacent NHS owned land. The council purchased the derelict former NHS clinic and community building in 2008 for £180,000. These two sites were then packaged together and sold to a Registered Provider to provide space for 25 new low energy homes, of which one was built to fully wheelchair accessible standards for social rent. These units were completed in 2013 and have provided much needed homes for local people.

## **28. Community leadership - Ashford**

Ashford has been proactive in housing delivery in Kent across all tenures, with the council successfully bidding for HCA funding to continue its affordable homes building programme, which has already seen 390 homes delivered and a further 106 homes planned. Using the opportunities of HRA self financing, one to one RTB receipt monies, and a detailed land asset plan Ashford has maximised its financial

support to deliver much needed affordable housing. Additional measures that the council has put in place include:

- a property company – A Better Choice for Property Ltd – secures homes that the council can market at affordable rents, and over time will look at how it can meet the variety of tenure needs within the Borough. Making a return for the council's General Fund as well as delivering homes;
- ABC Lettings, a management service for private landlords, enables the council to proactively discharge its homelessness duty into the private sector;
- responding to the aging population by re-modelling and re-provision of traditional sheltered housing in to new dementia friendly communities, with additional 'Housing our Aging Population Panel for Innovation' compliant affordable apartments, using DH Care and Support grant, HCA grant, HRA borrowing, HRA land and land purchased;
- using additional borrowing capacity to fund a 21-home mixed tenure development in a rural area. Ashford benefits from strong, inspirational, political leadership and has produced the 'Ashford Model' to deliver for the community, lead by the community, taking advantage of its geographical location, managing risk, and with a desire to support quality housing growth and real economic activity.

### **29. Active intervening to unlock barriers to development: Colchester**

As a large, fast growing borough, Colchester has significant demand for affordable rented and market housing. The council increasingly became concerned about the lack of progress on a stalled site – Brook Street. Working with a private developer, the HCA and a local housing association, the council agreed to 'credit' the developers with an equivalent amount of floor space on a development in the future, combining s106 obligations from Brook Street, HCA grant, a future allowance against development and grant support from the Council. This intervention unlocked the development and allowed an additional 68 affordable housing units to be made available ahead of time. Work started on site in April 2013 and the final units are expected to be completed in November 2015. The first tenants of the affordable homes have taken up residence.



## **Terms of Reference: Role local authorities can play in supporting housing supply**

### Context

The coalition agreement committed the Government to reviewing the unfair Housing Revenue Account subsidy system to give local authorities the freedoms and responsibilities of running their own housing businesses.

In April 2012, following years of consultation with the sector, the Housing Revenue Account subsidy system was abolished. Local authorities have welcomed this move, creating long-term business plans to manage their stock responsibly for the benefit of their local communities.

### Purpose of the review

This review, announced in the 2013 Autumn Statement, considers the role that councils' can play going forward in helping to meet the housing needs of their local population, within the context of the need to ensure good value for money and fiscal discipline.

The review should aim to support stability in the local authority housing sector and take as its context recent reforms such as the self-financing reforms and the Affordable Homes Programme. All recommendations would need to include an assessment of the impacts on local government, and national accounts.

The review must not produce any recommendations that breach the Government's fiscal consolidation plans or require changes to the Government's national accounting framework.

It would include both stock holding and non-stock holding councils within its remit, and cover councils' role in increasing supply for their communities across all tenures.

Particular issues the review should consider are:

- how stock-holding councils are using their new freedoms under Housing Revenue Account self-financing to support housing supply and whether the current framework of local authority Housing Revenue Account borrowing is supporting this objective.
- what more councils, stock holding and non-stock holding, could do to support housing supply including:
  - making maximum use of their existing asset base to support new development through asset sales
  - capacity and skills issues in supporting locally led larger scale development

- how councils are using their own land to support their own or others' house building and what more could be done to bring surplus or redundant local authority land into productive use.
- What innovative financing mechanisms councils have used to increase house building while ensuring value for money, and managing impacts on public sector borrowing and what central government could do to better support such innovation. This should include consideration of institutional investment, including pensions.
- How local authorities can best drive efficiency improvements in both their management and development of social housing to free up more resources to support new housing development.
- How data on local authority Housing Revenue Account owned assets, including housing and land can be made more transparent, building on the Government's recent Transparency Code measures.
- How the public sector costs of local authority-led housing development compares with private sector driven routes, including housing association led development. What local authorities can do to reduce costs and increase value for money in their housing development, e.g. through working with private sector partners.

#### Timing and Reporting

The review will commence in January 2014 to report by the end of 2014. It will report jointly to the Secretary of State for Communities and Local Government and the Chief Secretary to the Treasury.

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**Photographs:** For permission to reproduce photos used in this Report: Exeter City Council, Colchester Borough Council, Bournemouth Borough Council, Gateshead Council/ Gateshead Housing Company/ Keelman Homes.

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Byker Community Trust  
Capita  
Centrus Advisors  
Chartered Institute of Housing  
Create Streets  
Direction Home Investments Limited  
First Base  
Gateshead Council  
Gateshead Housing Company  
Gentoo Group  
Hastoe Housing  
HUB Group  
Kent Housing Group including:

- Ashford Borough Council
- Dartford Borough Council
- Dover District Council
- Kent County Council
- Maidstone Borough Council
- Shepway District Council
- Thanet District Council
- Tonbridge and Malling Borough Council

Legal & General

Lloyds Group

Local Government Association including:

- London Borough of Greenwich
- Guildford Borough Council
- Leeds City Council
- City of Lincoln Council
- Middlesborough Council
- Milton Keynes Council
- Southampton City Council
- Stockport Council
- Wakefield Council
- London Borough of Wandsworth
- London Borough of Westminster

London Borough of Hammersmith & Fulham

Long Harbour Limited

M&G Investment

Manchester City Council and the Association of Greater Manchester Authorities

Mill Group

Miller Homes

National Federation of Arms Length Management Organisations including:

- Berneslai Homes
- Gateshead Housing Company
- Homes for Haringey
- Newark and Sherwood Homes
- Nottingham City Homes
- South Essex Homes
- St Leger Homes, Doncaster
- Wolverhampton Homes

National Housing Federation including:

- Devon and Cornwall Housing
- Home Group
- Knightstone Housing Association
- New Charter Housing
- Riverside Housing
- Southern Housing Group
- Sovereign Housing Group
- Thames Valley Housing Association
- Yorkshire Housing

Newcastle City Council

Newcastle Building Society

Northern Housing Consortium including:

- Chorley Borough Council
- Darlington Borough Council
- Gateshead Council
- Gateshead Housing Company
- Gentoo Group
- Incommunities
- Leeds City Council
- North Yorkshire County Council
- North Yorkshire Local Enterprise Partnership
- South Yorkshire Housing Association
- St Leger Homes
- Thirteen Group

One Housing Group

Persimmon

Pinnacle PSG

Resolution Foundation

Royal Bank of Scotland

Rural Housing Solutions South East Local Housing Partnership

Southwark Group of Tenants including:

- Confederation of Co-operative Housing
- Habitat for Humanity, Southwark
- London Borough of Southwark
- Southwark Group of Tenants Organisations
- Southwark residents
- Southwark Tenants and Residents Association
- United St Saviours Charity
- We Support Housing Ltd

Stockport Council

The Housing Forum including:

- Baily Garner
- Barratt Development Plc
- Galliford Try
- HTA Design
- Kingspan Insulation
- Macquarie Capital (Europe)
- PRP
- Sovereign
- Wates Living Space

Truth Group Finance

Urban Design London

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