

**Review of the local authority role in housing Supply**

**- Call for Evidence**

**London Councils’ response**

**General introduction**

London Councils is committed to fighting for more resources for the capital and getting the best possible deal for London’s 33 local authorities. We lobby key stakeholders, develop policy and do all we can to help our boroughs improve the services they deliver. We also run a range of services ourselves, designed to make life better for Londoners.

London Councils welcomes the review of the local authority role in housing supply and the call for evidence. We believe that local authorities in London and beyond have a key role to play in addressing housing need in the future. The unique circumstances of London, where demand significantly outstrips new supply, bestow a particular responsibility on local councils to do all in their power to meet the need for new housing of all tenure forms.

The freedoms and flexibilities afforded by the new housing finance regime are still being explored, but already councils have taken the opportunity to commit to new council house building over the long term. Our member authorities also have a longstanding record of creative use of redundant and surplus public land, and of partnering with third parties to drive new housing growth.

London is facing a housing crisis of historic proportions, arising principally from a historic lack of housebuilding. Since 1981 on average fewer than 17,000 homes have been built each year in London. The cumulative underperformance in housing supply has led to house prices in London increasing in real terms by 389 per cent since 1983. This is set against the backdrop of London’s growing population which is set to increase to nine million by 2020, and to over 10million by 2031[[1]](#footnote-1). London Councils research estimates that we need to build 526,000 new homes just to keep pace with the annual demand of households between 2011 and 2021[[2]](#footnote-2).

We believe the scale of this challenge is unprecedented, and that we urgently need to build more homes in London. Boroughs will play a key role in making this happen, using the flexibilities under the HRA regime, and entering into partnerships with registered providers and developers. Boroughs are now taking a leadership role and are exploiting new opportunities that exist.

We hope that this review will take the opportunity both to draw on best practice in this area and to identify new opportunities for local authorities to help deliver urgently needed new homes. We hope our evidence makes a useful and constructive contribution to this important debate. Our evidence focuses on new council house building, the use of public land, skills and capacity and the role of government in supporting local authorities. We therefore provide evidence in response to questions 1, 2, 3, 5 and 6.

**1. Local authority build**

Question 1: ***What are the experiences of stock owning councils in using the flexibility under the Housing Revenue Account to build new council homes? What challenges were encountered and how were they overcome? What further changes might be introduced to encourage stock owning councils to use their flexibilities to build council homes?***

29 of the 32 London boroughs are stock-holding authorities and many have used the greater security and planning opportunities afforded by the new regime to invest in both new stock and the refurbishment of existing homes. There are already plans for the construction new homes by the leveraging of borrowing capacity. London Councils is working through the growth deal process to support greater powers and freedoms for local authorities to bring forward housing supply.

However, despite the new freedoms, government policy still imposes constraints on the ability of boroughs to plan ahead and to develop accurate business plans for the management of their housing revenue accounts. In particular, the recent increase in the Right to Buy discount and the extension of the policy to 2018 has created greater uncertainty in HRA management as sale rates increase. While the government has committed to a policy of one-to-one replacement of social homes lost through the right to buy process, this policy has been made more difficult to achieve in practice by the limitations imposed on RtB receipts.

In addition, changes to rent setting policy and the effective abandonment of the convergence regime are likely to lead to a reduction in income to London local authorities, compromising their long-term planning and their ability to invest with confidence in new homes. The self-financing regime was predicated on the convergence formula of RPI +0.5% + £2. The replacement of this formula with an increase of CPI+1% further depletes the value of local authority housing assets and compromises their ability to reinvest income in urgently needed new homes.

Both the London Growth Deal submission, made on 31 March 2013[[3]](#footnote-3) and the conclusions of the London Finance Commission reflect our arguments for removing the cap on the HRA to permit borrowing in line with the prudential code. If London boroughs were able to borrow against their existing assets this could release funds for at least 14,000 more homes in London. We believe that boroughs are being hampered from borrowing against their assets in the best way possible because they have limited headroom to do so. While we welcome the £300 million of extra HRA borrowing capacity announced in the budget, the prescriptions around sale of high-value stock and requirement that new homes be let at the ‘affordable rent’ level of up to 80% of market rent are constraints which limit the value of this extra capacity for London local authorities.

Question 2: ***To what extent are non-stock owning councils interested in building council houses? What challenges might be preventing non stock owning councils from building council homes.***

Non-stock owning councils retain a responsibility to meet the housing needs of their population through the planning process and through ensuring that homes of all tenure types are available to meet demand in their areas. This demand is particularly acute in London and, as with stock-holding councils, conversations have taken place as to the roles local authorities might play in support for future housing growth.

There is currently little guidance available to non-stock owning authorities who may wish to build new housing on their own behalf, in particular as to whether it is possible for local authorities to build new homes without an HRA, and the mechanisms for so doing were it to be possible. Other options to be considered by authorities with no extant HRA may include the creation of special purpose vehicles for the delivery of new housing, but it is again unclear whether they would be able to do so alone or would need to partner with a registered provider.

London Councils recommends that the review undertakes further study into the information available to non-stock owning authorities with regard to the supply of new housing. We also recommend that the review consider streamlining rules to better enable such authorities to participate in the process of delivering new housing supply, either through a council vehicle or in partnership with an external provider.

**2. Councils supporting housing supply**

Question 3: ***How could Government support local authorities that want to do more to deliver new housing? Are there challenges that could be made easier?***

London’s Growth Deal submission sets out in detail our proposals for the devolution of powers and budgets to London. The submission includes new proposals for housing delivery mechanisms which will enable London and its boroughs to drive forward the provision of much-needed homes in the capital.

We consider in particular that the planning system has a role to play in the acceleration of delivery of new homes, and that a number of key policy changes could be made in this area to help bring new housing proposals into the system as well as accelerating their delivery.

Our proposals are:

* To permit boroughs to apply pre-commencement conditions at different stages in the development process so that they are more relevant and proportionate
* To permit boroughs to phase the staging of Community Infrastructure Levy (CIL) and S106 payment, so lowering viability thresholds
* To permit full cost recovery on major planning applications in order to fund multi-borough planning teams, which would be able to more rapidly process major planning applications
* To design and introduce an undeveloped land tax on land where planning permission had been agreed for housing which has not been delivered, which will help accelerate delivery of housing which has already received planning consent
* To transfer the surplus Government land portfolio to London government, as a parallel measure to land transfer to the HCA in the remainder of England.

These measures have been included in the London Growth Deal submission to the government but we hope they may also be considered in full as part of this review.

*Question 5:* ***How are councils using their own land to support housebuilding by themselves or with others? What more might be done to bring surplus/redundant land back into use?***

*How are councils using their own land to support housebuilding by themselves or with others?*

Many London boroughs have identified surplus and redundant land as a key opportunity to drive growth and deliver much-needed new housing in their localities. HRA self-financing has afforded opportunities to plan new provision on a sustainable long-term basis, and the ability to discount local authority land also aids viability when delivering new homes with partners in the private and housing association sectors. The savings available from use of council land can also be augmented by subsidy from other sources such as the GLA affordable housing programme and revenue from the New Homes Bonus.

Notable examples of innovative use of local authority land to deliver new homes are:

**Islington**

Islington is encouraging registered providers to build homes at social rent levels by providing council land free or at discounted rates and by providing grant funding to registered providers from its New Homes Bonus revenue.

Almost all of Islington’s current council homes are categorised as decent, enabling it to use its HRA borrowing capacity to fund new development. It has prioritised development of new social homes on 14 sites using a combination of NHB funding, HRA borrowing capacity and discounted public land. Ten housing associations are working with the borough to re-use public land for new housing set at target rents.

**Camden – Community Investment Programme**

Camden Council hopes to raise some £300m from the Community Investment Programme (CIP), launched in December 2010. This is a 15 year plan to invest money in schools, homes and community facilities. Its model is to sell or redevelop council properties in the borough which are out of date, expensive to maintain, or underused and difficult to access. This helps to generate funds not already available for investment in new housing and supporting infrastructure.

The council estimates that investment from the CIP may help to deliver up to 2,750 new homes, including 500 new council rented homes, 200 new shared ownership homes, and 1,650 new private homes which will be marketed to local people first. Major schemes include Bacton Low Rise, where higher density redevelopment is being enabled partly by the disposal of a council district housing office.

**Redbridge**

Redbridge has a longstanding policy of disposal of land to developers and registered providers. For future schemes, Redbridge has considered the possibility of deferred land receipts to allow development to happen. The council is currently seeking to work with other public bodies, such as the NHS, to bring forward redundant or surplus land.

In order to meet the growing need to find additional housing supply, the council is also reviewing all planning designations to ensure they remain appropriate and are not unnecessarily precluding development. This would include the release of some designated green belt sites which are no longer considered to meet the purposes of green belt.

**Lewisham**

Lewisham has embarked on an intensive and mixed programme to utilise its land assets to enable the construction of 2,000 new affordable homes in the next four years. The programme will include 500 new council homes, on small sites near existing homes, which will be part funded by land sales. Where the council has land holdings adjacent to those of its partners, it is working in partnership to use its land strategically to make development more viable, support the construction of more affordable homes than would otherwise be possible, and to achieve the 2,000 home target.

The first self-build schemes in England were built in Lewisham. While self-build and particularly community-build projects are common in continental Europe, at present they make up a tiny fraction of the new homes built in the UK. The council believes that there is great potential to capture the spirit and energy of self build to address the current housing supply challenge. To prove that this is the case it has allocated a site specifically for a pilot community-build project, and is working with local community groups to bring that development forward and to demonstrate how councils can use their land to enable community groups to build the homes that the community needs.

*What more might be done to bring surplus/redundant land back into use?*

Because the HRA self-financing system is relatively new, opportunities to use headroom and public land to provide new homes of all types have not necessarily been fully expressed in borough local development frameworks, most of which pre-date the new HRA system and are still in the process of being updated. Boroughs should therefore be given stronger encouragement to identify surplus and redundant land through the planning policy process which may then be brought forward for development using HRA and complementary funding. This may be done through amendments to the core strategy and development management documents, or through supplementary planning guidance identifying specific sites which may be suitable for new residential development.

Private sector builders and registered housing providers could also be encouraged to bid for discounted or free public land in return for delivery of housing which meets local needs, as in the case of Islington which is offering land for development at target rents subsidised by the New Homes Bonus and homes for private sale.

While not specifically a LA new build issue, affordable homes could be provided more efficiently on private sites required to deliver affordable homes through the planning route (via section 106 agreements). Since the introduction of a viability assessment as part of the planning assessment process, the number of affordable homes have dropped with some negotiations lasting for years. A return to a straight forward percentage of affordable housing for schemes of a certain size, with viability assessments only considered in extreme circumstances, could help to deliver a much higher number of new affordable homes.

**3. Local Authority Skills and Capacity**

*Question 6:* ***How are councils using their capacity and skills to support locally-led larger development? How are councils assessing housing needs and working to include the needs and wants of communities when considering housing developments? How might councils tap into the skills or capacity from development partners, particularly in larger scale developments?***

In a London context, many of the developments which may be classified as “larger development” include estate regeneration schemes. Many large estates in London no longer meet decent homes standards and have been identified for large-scale regeneration and redevelopment at higher densities, usually including new homes for private sale as well as affordable homes for new and existing estate tenants. While a key objective of such redevelopment is to provide improved living conditions for existing tenants, such schemes are also able to provide an increment to housing supply by realising higher densities, with homes for private sale and rent being used to cross-subsidise the development of new social and affordable homes. Owing to the upheaval caused by such redevelopment it is important for communities to be involved at the earliest possible stage to ensure that, where possible, they feel invested in the redevelopment and are not excluded or marginalised in the process.

Additionally, cuts to government capital grants mean that boroughs are increasingly looking for alternative sources of funding for new developments. In many cases, this means partnerships with developers and other third parties, in conjunction with a more strategic approach to site redevelopment. Examples of such initiatives are below.

**Camden**

A notable community-led scheme to have emerged through Camden’s Community Investment Programme is the **Bacton Low Rise development** in the Gospel Oak area of the borough. The site currently comprises 99 residential units, a district housing office and workshop units. Following representations from residents concerned at the poor condition and design faults of the existing estate, the Council proposed to demolish the estate, the neighbouring housing office and the workshop units and to replace them with 293 new homes: 176 for private sale, 10 for shared ownership, 107 council homes and 3 employment units. The district housing office is first to be redeveloped and its site will provide homes for about half of the existing tenants. When the existing residential blocks are empty, they will be demolished and new homes built on their site which will house the remaining tenants.

Tenants have been involved at every stage of the redevelopment process, including in scoping developments, appointing architects and actively participating in the design, development and delivery process for individual projects. This has included planning and design/development training for tenants. Such participation ensures that existing residents feel that they have full buy-in to the regeneration process and are not marginalised by it.

**Hackney**

Previously the Council’s approach to estate regeneration was to consider site-specific solutions, either through joint ventures or land disposal. The Council now takes a portfolio approach combining surplus-generating schemes with those requiring net investment, meaning the programme is self-funding.

Hackney has become the first local authority to both build and manage its own shared ownership homes, which have been cross-subsidised by private sales. The Council has plans to build a further 500 homes for shared ownership.

Hackney’s Woodberry Down development is an example of innovative use of capacity and skills to support a major estate regeneration project. The scheme attracted funding from the Homes and Communities Agency and has proceeded in partnership with partners Berkeley Homes, the Genesis Housing Association and resident steering group the Woodberry Down Community Organisation. As well as physical rebuilding, the Council is also working with the Manor House Development Trust to support social and community regeneration in the area, providing activities including training and employment. The Council has also worked with the local community in updating the masterplan for the area as economic circumstances have changed in recent years. The Community Organisation has achieved a number of notable concessions from the developer including guarantees on space standards for social rented homes, signoff on the design of future phases, and a guarantee of a new social tenancy for grown up children of estate tenants.

1. Homes for London, Mayor Housing Strategy, April 2014 [↑](#footnote-ref-1)
2. London Housing Challenge, London Councils discussion paper, September 2013 [↑](#footnote-ref-2)
3. A Growth Deal for London; proposals to HM Government, March 2014

   <http://www.london.gov.uk/sites/default/files/A%20Growth%20Deal%20for%20London%20%28FINAL%29%2020140331_1.pdf> [↑](#footnote-ref-3)