

Local authority direct provision of housing: third wave research 2021

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Some overall findings

Since our last report, it seems **pandemic** has

- **accelerated** local authority engagement in direct housing delivery
- increased focus on **quality** of internal space and conditions of new and existing local authority housing
- Increased focus on long term individual solutions for the **homeless**
- Accelerated the role of housing in place **regeneration**
- led councils to review their **corporate plans and strategies** with 80% now identifying provision of affordable housing as a priority

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On increasing net zero housing...

- Housing officers and housing associations frustrated that **local plan policies** are not keeping pace with increasing environmental standards requirements for housing
- It appears to be difficult to procure **MMC** for net zero outcomes and contractors who can provide this
- In Exeter, longstanding high environmental standards have **reduced rent arrears, anti-social behaviour and council maintenance costs**

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On councils as housing providers to the market

- Need to consider sale or shared ownership from the **outset** of design
- Need to procure contracts and have appropriate contracts to satisfy **mortgage providers**
- Need to consider **maintenance regimes** in PRS and shared ownership schemes **from** the outset

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Skills

- Councils developing **project managers** from within their organisations and undertaking their training in house
- Project managers being given experience of **sales and marketing** in this process
- **Planners** being placed in housing development teams from the start of their career
- Skills training provided by the **Mayor in London** has been critically valuable to delivery
- Managers and other staff being **recruited** from HAs and the private sector

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What did we do?

The research comprises of:

1. Local authority direct provision of **housing survey** (April-June 2021, 282 responses representing 194 authorities)
2. Local authorities direct provision of housing: **desk survey** of all LA activity January -April 2021
3. Local authority direct provision of housing planning issues: **12 roundtable** discussions, 9 facilitated by RTP1 regions
4. Local authority direct provision of housing exploration of issues: **9 case study interviews** (Bolsover, Brent, Cambridge, Cheltenham, Cornwall, Derbyshire Dales, Gravesham, Wigan, York)

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What did we find from the desk survey?

- In 2017, 57% had **companies**; in 2019 it is 78%; in 2021 it was 82%
- In 2019, 57% councils had some form of **JV** and in 2021 72% (JVs not counted separately in 2017) and more focused on specific projects
- Some councils that had a company in 2017 do not have one now
- Many councils without companies, JVs or HRA are delivering through '**partnerships**'
- Over 80% of local authorities identified **affordable housing** as a priority in their **corporate plans**
- 207 councils using housing as part of **place regeneration**
- **Names** of companies and joint venture partners identified

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What did we find from the direct survey?

- **80% of authorities reported that they were directly engaged in the provision of housing** (up from the 69% of authorities reporting in our survey published in 2019 and the 65% from the 2017 survey answering similarly)
- Of the authorities not engaged, **36%** reported they were **actively considering** becoming engaged in direct delivery
- Meeting housing requirements, tackling homelessness and improving design quality remain the top **motivators** for this activity, with income generation having dropped slightly as a factor driving this increased activity

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What did we find from the direct survey?

- **55% of authorities now report having a local housing company**, up from 42% previously (desk survey uses a wider understanding of 'companies')
- **Range of means** being used though, with 52% reporting lifting the HRA debt cap was helping them deliver more
74% of authorities were building or planning to build specifically to meet the needs of the homeless
- 50% of authorities buying back **former Right to Buy** properties (up from 40%), 31% of authorities were directly building housing at below 60% market rent (up from 25%)

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What did we find from the direct survey?

- 73% of authorities were considering **MMC**
- 27% of authorities are currently delivering to **Passivhaus** or **similar energy / environmental standards** for their own housing delivery
- 75% of authorities reported taking **action to boost affordable housing supply**, including actively supporting housing association partners, developments planned on council-owned sites, buying back former RTB properties, taking on S.106 properties where RPs are not interested, or employing a dedicated officer promote delivery

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What did we find from the direct survey?

- 25% of authorities report they're still **not spending** their **RTB receipts** (slightly down from 28% last survey)
- Only 27% thought that the announcement that **Homes England** had extended their strategic partnership funding to local authorities would help them deliver more housing. Some felt they were too small to qualify for this funding with challenges to meet the 1,500 new homes target, some felt they could not meet the qualifying criteria for a range of reasons (e.g. a lack of sites), some felt the limit on 2 local authorities in partnership meant they could not participate

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What did we find from the direct survey?

- **Barriers** felt to remain around **lack of land** remaining prominent but now joined as a key challenge by the new '**lack of suitable sites**', distinguishing between land the council may own and land which is suitable for housing development. The third most common challenge is scheme **viability** concerns. These may be particularly linked to the sense from the survey that authorities are now placing much more emphasis on affordable housing delivery but finding difficulty in maximising this challenging without specific funding

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What did we find from the direct survey?

- In 2018, 61% of authorities indicated that aside from housing, their **authority was acquiring more land** and/or buildings as part of a longer-term investment strategy to support income. In this survey, that had dropped to 44%
- For those authorities who are directly delivering housing, their **own landholdings** remain central to this activity: 95% are building on their own land, 50% are purchasing sites to develop, 43% are purchasing existing residential buildings, 16% are using land from the One Public Estate initiative and 16% are using other public land

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What did we find from the direct survey?

- As regards to planning, 70% of authorities directly delivering housing reported that they are accounting for this specifically in their local plans – an increase on the 61% reporting last time
- Asked in their own directly delivered housing has always been **compliant with local plan policies**, 88% of authorities responding indicated that it had been
- 58% of authorities felt there were **sufficient resources** in their planning departments to support their own housing delivery; a fairly significant 23% did not

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Case study findings

- The growing **optimism** felt by many respondents to the direct survey was shared by the case study interviews
- **Bolsover** have a target to deliver 200 homes over the next 4 years under their HRA and general fund, having already delivered 103 over the last 4 years. A local SME developer is construction partner. Land availability and viability are the key barriers
- **Brent** has been a bold political commitment for the council to support the delivery of 5,000 more affordable homes 2019-2024, including 1,000 by the council directly (are on target to meet). Provision of GLA funding is seen as transformative, lifting the HRA debt cap has helped too

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Case study findings

- **Cambridge** have received £70million through the devolution agreement. This, supported by some RTB receipts, will fund 500 homes through the HRA, all being started by the end of this year. Also have a company to develop intermediate level rental properties
- **Cheltenham** has set an ambitious target to realise a step change in affordable housing delivery within the Borough via the Housing Investment Plan. As well as aiming to deliver 500 affordable homes, the council is also acting as a master developer having acquired 45 hectares of prime development land in the Golden Valley strategic allocation area

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Case study findings

- **Cornwall** has one of the highest levels of homelessness in the country. The provision of rented accommodation is also important to support the seasonal economy, including the needs of SMEs and the construction industry but often poor quality. The council is working closely in partnership with RPs to address this. Also working to support small builders
- **Derbyshire Dales** does not have retained stock but grant funding from the LGA to develop ideas related to housing helped secure consultancy advice to confirm the feasibility of the council undertaking a programme of direct housing development. A plan was developed to use S.106 income to build 50 homes over 5 years

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Case study findings

- **Gravesham** has a pipeline of about 400 homes to be delivered by 2024. Funding so far has been from RTB receipts and HRA balances and they have just started to borrow. They are also re-registering with Homes England as an investment partner. The aim of the council's housing development activity is to deliver more social housing, as well as help with some regeneration and improvement of problematic sites. There is a need to deliver what the market won't, as well as to use council land productively. There is an income generation aspect insofar as new building housing can have lower maintenance costs and there is some profit possible from affordable rents built on the council's own land.

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Case study findings

- **Wigan** has a priority for providing housing for those with specific needs including older people and those with learning disabilities and autism. The Wigan Deal has a target to provide homes for all by 2030 and the housing approach has close links with adult social care.
- **York** has a new approach to delivering a greater number of new homes directly by the Council, led by the creation of a new role of Head of Housing Delivery. The council identified housing as a high priority as well as declaring a climate emergency and this combination of initiatives has informed the Housing Design Guide Standards. However, there are challenges in meeting higher environmental standards in development

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What did we find from the roundtables?

HRA

- removal of debt cap has encouraged some councils to **increase** their programmes
- Increasing concern that new build will be reduced in an attempt to **retrofit** existing homes
- Increase in London Boroughs due to MoL's five year **programme approach**

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Roundtables continued

- Overall Councils are **increasing** their housing targets for direct delivery over 20-30 year period
- More councils establishing **housing association**
- Where council is providing **affordable housing through planning**, negotiations are starting in pre-app with more LAs requiring named end owner at this stage; also much greater focus on design in relation to service charges;
- Affordable housing provided through **s106** can be too large – some councils specifying maximum size, others takes land or specifying total housing floorspace

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Roundtables continued

- Working with **JV partners** needs a very informed expectation and understanding of risk transfer – JV partner focused on negotiation, LA focused on delivery
- JV relationships now more likely for single or small groups of **projects**
- **Regeneration projects including** housing (in 207 LAs) are largely omitted from Corporate strategies, housing programmes and local plans
- Working with **Homes England** can be positive but too many points of entry and lack of clarity on programmes

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Roundtables continued

- LAs **purchasing** land, buildings, former RTBs
- Social value **procurement** is increasing in its use
- Some council developing use of **MMC**
- Councils have found difficulties in procuring MMC to **higher environmental standards**
- Passivhomes can lead to **lower arrears**, lower antisocial behaviour and lower maintenance costs
- LAs need to learn more about requirements for market sales, BTR and shared ownership – contractors, mortgage funders, service regimes – **think about sale from outset not on completion**

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Roundtables continued

- **Upskilling** existing council staff into project managers appears to be very successful not least when staff from allied departments – legal, finance
- Putting **planners** into housing development teams first as part of their training
- Give all those involved in housing delivery some **experience of sales and marketing**

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Key themes from all research strands...

As in 2019, councils that are delivering often have:

- brought planning and housing officers together into a **housing delivery team**
- the HDT monitoring **all housing sites** for progress, quality and delivery of **affordable** housing
- a **housing delivery group** of all providers that meets regularly
- a **housing delivery board** that meets regularly to review progress
- In 2021, increased focus on **design** for long term maintenance e.g. lifts, service charges

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Achieving affordable housing

Councils are now regarding the provision of affordable housing as a corporate priority in their areas. Helped by:

- **Identifying ultimate owner** before planning application negotiation commences
- Considering ultimate **service costs** in design of housing including lifts, mixed tenure
- Develop council's own schemes in policy **compliance** to demonstrate that it can be done
- Consider taking **land** rather than dwellings
- Consider overall **floorspace** for housing rather than number of homes
- Consider **management** – pepper potting vs single blocks
- **Competition** for s106 from other charges e.g. flooding

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Conclusions

- **Delivery of housing is now a mainstream local authority activity**
- Councils are **increasing** their levels of housing delivery in all ways including development, acquisition, regeneration and joint working (with more councils now active);
- The **pandemic** has led to more housing delivery and the increase in local authority capital expenditure for 2021-2022 confirms this;
- There is a greater recognition of the role of housing in **regeneration** and town centre schemes to bring life to these areas and to anchor other uses;
- **MMC** is being increasingly used by councils and this is expected to grow as skills shortages continue;

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Conclusions

- There is growing **experience** of managing different types of housing tenures and development;
- The **planning system** needs to include more active policies for promoting the delivery of **net zero**;
- **Higher environmental standards** in development may cost more but they may result in fewer arrears and lower maintenance costs;
- There will be major considerations about the extent housing budget should be used for **new build or to improve existing dwellings through retrofitting**;
- There is still plenty of scope for councils to **learn from each other**

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Questions / discussion?

