Review of local authorities’ role in housing supply

For discussion

**Summary**

Cllr Keith House and Natalie Elphicke, co-chairs of the review of local authorities’ role in housing supply will attend the board meeting to discuss the review. This paper provides a summary of the work of the review and the LGA’s evidence.

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| **Recommendation**  That the board note the report.  **Action/s**  As directed by the board. |

**Lead Member:**  Cllr Heather Kidd

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**Background**

1. The government announced a review of the Local Authority role in supporting housing supply as part of its Autumn Statement in 2013. The review will be led by Cllr Keith House (Eastleigh Council and Deputy Chair of LGA Environment and Housing Board) and Natalie Elphicke (Chair of Million Homes, Million Lives[[1]](#footnote-1)). The review will report jointly to the Secretary of State for Communities and Local Government and the Chief Secretary to the Treasury before the end of this year.
2. The review’s purpose is to consider how councils -both stock and non-stock holding- can help to increase supply for their communities across all tenures. The review will consider the following specific issues:
   1. How stock holding authorities are using their self-financing flexibilities to support housing supply. Recommendations from the review must not breach the government’s fiscal consolidation plans or require changes to the national accounting framework.
   2. How local authorities could bring forward housing thorough their use of housing assets, use of land and through innovative financing mechanisms.
   3. How local authorities can drive efficiency improvements in their management and development of housing to free up resources to support new housing development.
   4. How data on local authority assets including housing and land can be made more transparent.
   5. How the public sector costs of local authority-led housing development compares with the private sector driven routes (including Housing Association development).
3. The Review has focused to date on engagement with local authorities and key stakeholders. This work has included a call for evidence, consultative events, reviewing good practice examples and analysing published housing data. The call for evidence closed in May 2014 and the review team received over 250 responses.
4. The LGA submitted written evidence to the review, which is available at Annex A. The key issues raised in the LGA’s evidence included:
   1. Highlighting the role that councils already play to build houses, both directly and in partnership. This includes evidence to demonstrate that councils are using their self-financing flexibilities to scale up direct investment in housing and their leadership position, assets and powers to bring underutilised land on stream and attract housing investment in partnership. The LGA has called for the removal of the HRA borrowing cap and the reform of the right to buy so that capital receipts are retained locally to support this work.
   2. Proposals to accelerate housing development through more effective use of the public sector estate. This included proposals to extend deferred payments across the public and private sector, reforms to compulsory purchase powers and council led local land trusts to pool surplus public sector land locally for disposal or investment.
   3. Stronger incentives to encourage sites with planning permission to be built out quickly and reviewing the approach to the assessment of viability so that it becomes less contested, more transparent and effective.
5. The review published a progress update in July 2014. The key headlines from the review’s work to date were noted as:
   1. **Housing matters:** there is widespread agreement that the supply of housing activity should be increased and that local authorities have a key role to play.
   2. **Local authorities can be central to housing delivery:** There is strong agreement that housing is a priority at both local and national level. The review found that there needed to be a step change in the role that local authorities can play in supporting housing supply and activity which includes renewing and refreshing existing housing, using existing powers levers and opportunities to lead housing growth.
   3. **Harness private finance, unlock capacity:** the review identified clear signs that this step change could be delivered through collaboration between public and private partners and market-supported solutions. The next phase of the review will explore further opportunities to lever-in private finance and expertise to support local housing activity.
6. The next phase of the review will involve in depth work on a number of key challenges identified by the review. These will include:
   1. **Whole of market delivery approach:** how local authorities can take more responsibility for ‘whole of market’ housing delivery – including articulating a clear vision for how housing can contribute to other strategic priorities, and being transparent about how ensuring housing delivery to meet assessed housing market need.
   2. **Boost local authority skills and capacity:** this will focus in particular at risk assessment, finance, land disposal and estate management and recognising internal skills and resource challenges.
   3. **A focus on smaller sites:** the review will consider how local authorities can help in delivering-out small sites in order to generate momentum, and foster a culture of housebuilding at the local level.
   4. **Simplified access to private finance:** the review will consider how innovative finance and local delivery vehicles can support local authorities’ approach to housing delivery. This will include exploring the potential appetite, scale and shape for creating a stronger finance market to support local authorities of all sizes in accessing private finance.
   5. **Better land transparency**: the review will consider how to improve the transparency of land and asset holdings available for housing. This will include considering the options for open reporting of ‘all public interest land’, including local authority land, so that communities and potential developers are aware of the land available for future housing development.

1. Natalie Elphicke is chair of Million Homes, Million Lives. It is a charity which works with councils and housing associations for more better-quality affordable housing that is built in the right places. She is also non-executive director of Principality Building Society. She is a qualified barrister and solicitor, and previously a city law firm partner specialising in housing finance. [↑](#footnote-ref-1)