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The Lyons Housing Review

Purpose of report

For discussion and direction.

Summary

Sir Michael Lyons will be attending the Board meeting to discuss the findings of his review with the LGA. This report provides an overview of the key findings from the Review and the LGA's response.

Recommendation/s

That Board members note the report.

Action/s

As directed by the Board.

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The Lyons Housing Review

Background

1. The Labour Party announced a review of Housing, independently led by Sir Michael Lyons at their party conference in 2013. The review is concerned with identifying measures to increase the supply of new homes in England above 200,000 a year by the end of the next Parliament.
2. The review, '[Mobilising across the nation to build the homes our children need](#)' was published on 16th October 2014 and contains a raft of proposals covering a wide range of issues including planning for housing, large scale development, community engagement and quality and sustainability.
3. The LGA provided evidence to the Review and seconded a member of staff to Sir Michael's review team. Cllr Ed Turner, Oxford City Council, also acted as a commissioner to the review. This report provides an overview of the key recommendations for local government raised in the review.

Summary of key findings

4. The review details 39 recommendations which range from housing as a priority for government, the role of the HCA to national spatial assessments, transparency in the land market and support for small and medium enterprises to build more homes. The key recommendations for councils are summarised below.

The role of councils:

5. The Lyons review endorsed LGA recommendations that councils should supported to take a leadership role to plan for, attract and build housing. The review agreed that large scale development should be locally led by councils and provided councils with powers to form locally led Housing Development Corporations. The review also agreed with the LGA that the mechanisms underpinning the Right to Buy should be reviewed. The review did not however lift the housing borrowing cap. Key recommendations include:
 - 5.1 **Councils have an important role as developers for their communities alongside the private sector.** This includes councils identifying and assembling land, securing investment and working with public and private partners to build homes.
 - 5.2 **Councils should act as lead developers to identify and lead housing growth areas** – this would include powers to designate areas and capture the uplift in land value to fund infrastructure.
 - 5.3 Local authorities should be given powers and incentives to establish **Housing Growth Areas** and take a proactive approach to land assembly and development.

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- 5.4 **New homes corporations should be established by councils operating across a housing market area** (which may include Housing Growth Areas above). The corporations will bring together the public and private sector to build housing.
- 5.5 **The Right to Buy should be reviewed** to assess whether it is meeting its policy objectives, the distribution of receipts from sales and the total level of affordable housing stock.
- 5.6 Local authorities should be able to ensure their **local plan reflects the right mix of tenures to meet local need** and that where there is a public stake in development **homes can be released and marketed locally before further afield.**

Financing house building and infrastructure:

6. The Lyons review endorsed LGA proposals that there should be financial tools and support to underpin large scale development and that local government must play a prominent role. The review also agreed with LGA recommendations to scale up the application of deferred payments and bring consistency to central government disposal programmes.
- 6.1 **The HCA should be refocused to focus on investment of public land** rather than managing separate grant programmes.
- 6.2 **The HRA borrowing cap will not be lifted.** There will be provision to raise individual caps on borrowing for housing within the current HRA borrowing envelope where councils provide an investment plan. The review proposes a review into whether there is a need for an increase in headroom in the longer term and encourages councils to consider alternatives to borrowing under the HRA.
- 6.3 **Housing funding streams should be consolidated and devolved to county or city regions** through the economic development fund proposed by Lord Adonis. Devolution of this funding will be based on clear contracts with government about delivery.
- 6.4 **There will be support for garden cities, suburbs and reshaping existing towns** by allowing garden cities to retain 100% of business rates and supported by government guarantees. Where land is designated for a Garden City or Housing Growth area, compensation for CPO powers should be based on current use value plus a premium to ensure that infrastructure costs can be met from the uplift in value created by the new development.
- 6.5 **The New Homes Bonus should be reviewed** including an assessment of the redistributive impact of the policy.
- 6.6 **A programme of revolving infrastructure funds should be created.** New Homes Corporations will be able to access this fund and Tax Increment Financing.
- 6.7 **A consistent approach to deferred payments across government** should be pursued. This would support the public sector to unlock the potential for significant

large scale development and that the government should produce guidance to departments to ensure a consistent approach to the disposal of land.

6.8 A review of Community Infrastructure Levy should be undertaken to include a removal of the restrictions on pooling S106 agreements.

Planning for housing:

7. The Lyons Review endorsed LGA proposals to give councils stronger and streamlined compulsory purchase powers and responded positively to our calls for stronger powers to incentivise plots with planning permission or identified in the local plan to be developed swiftly. Secondly the review agreed that the current approach to viability assessment is unsatisfactory and proposed a clear method should be put in place. Finally, the review endorsed the LGA's campaign for locally set planning fees so that local authorities and council tax payers can recover the cost of planning.

7.1 Local plans will be put on a compulsory footing (all plans should be submitted by December 2016). The plan making process will also be split into two stages.

7.2 To implement the 'Right to Grow' the Secretary of State (SoS) should have the power to require authorities within a housing market area to complete a Strategic Housing Market Plan where cooperation is not forthcoming and housing need is not met. **The SoS will have the power to intervene and instruct the planning Inspectorate** to ensure that it happens.

7.3 Councils will have 'use it or lose it' powers to levy council tax on plots allocated for housing that are not built out and stronger Compulsory Purchase Order powers. The life of a planning permission should be reduced to two years.

7.4 A clear method for assessing viability and a new arbitration service for negotiations between councils and developers.

7.5 The responsibility of councils to identify sufficient land for new homes in local plans will be strengthened. This will include a requirement for a 15 year pipeline of land. There will also be additional emphasis on the delivery of housing in the plan. Delivery will be monitored annually by DCLG and the Secretary of State will have powers to direct further efforts in the case of persistent under delivery.

7.6 Introduction of red line applications for sites of less than 10 units. This would allow the principle of development to be agreed up front. The review also endorses greater use of master planning and planning performance agreements.

7.7 Local authorities will have the powers to set planning fees on a full cost recovery basis. Local authorities will be required to present a clear business case and charging schedule in consultation with developers.

7.8 The restriction on pooling Section 106 contributions will be removed. The review also recommends a review of the Community Infrastructure Levy. The

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proposed changes for a minimum threshold for affordable housing S106 should be reversed.

7.9 **Housing standards** should be streamlined into a single set to be implemented through building regulations. Space standards should be introduced across all tenures. The LGA should work with HBF, RBA and TCPA to establish a new kite mark for quality places.

LGA response to the review

8. The LGA's response to the review is detailed below.

"We are pleased the Lyons Review recognises the central role councils need to be given in ending the housing crisis, but it is disappointing it has not recommended removing the housing borrowing cap, which is the single biggest obstacle to delivering the thousands of homes the country desperately needs.

"The housing borrowing cap is fundamentally flawed and places unnecessary restrictions on the amount of money councils can invest in housing. Until this is removed councils will continue to be hampered in our efforts to provide the homes residents need.

"It is positive that the Lyons Review has also recognised the importance of giving councils a lead role in speeding up building and making sure increased land values benefit communities through investment in schools and roads. We are pleased the review has listened to our calls and proposed reforms to Right To Buy.

"The LGA has set out plans which, if adopted by the next government, would see half a million extra new homes built over the next Parliament, transforming the lives of hundreds of thousands of families. But to do this, we need an immediate removal of the housing borrowing cap, as well as changes to Right To Buy, the creation of council-led local land trusts and a meaningful incentives scheme to encourage developers to speed up building.

"Councils have set a precedent in the past and shown they can deliver housing on a large scale. It's time national politicians learned from the past to build for the future and we hope all parties make housing a priority in their manifestos."

Financial Implications

There are no financial implications arising from this report.