

Housing and Planning

Purpose

For discussion and direction.

Summary

This report sets how the Environment, Economy, Housing and Transport Board will take forward the cross-cutting work it is leading on housing and planning.

Recommendation

That the Leadership Board is asked to consider the implications for councils of government's recent housing proposals and to consider and agree the approach to the LGA's Housing Commission.

Action

Officers will take action as directed.

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Housing and Planning

Housing context and new housing policies

1. Housing is central to the economic and social wellbeing of communities and its supply has an important role to play in enabling growth in local areas. The supply of houses has fallen below demand for many years. It is estimated that the UK needs to build around 250,000 homes to meet demand (a number which has not been achieved since 1976); in 2014-15 160,000 houses were built in the UK (134,000 in England).
2. The LGA has continued to make a strong, pro-active and positive offer to the government on behalf of councils that want to be able to increase housing supply. This has included arguing for the powers and flexibilities to invest in building and to bring forward development, for instance calling for powers over the wider public estate, and making the case for council housing expenditure and borrowing to be excluded from counting against the UK index of public debt
3. The government has indicated that it wants housing supply and home ownership to grow and housing benefit to fall and through its manifesto and Summer 2015 Budget it has brought forward a number of housing policies including:
 - 3.1. The extension of right to buy to housing associations, with the associated sale of high value council houses to pay for discounts;
 - 3.2. A one per cent reduction in social rents a year over four years;
 - 3.3. A commitment to build 200,000 starter homes, with discounts paid for by rescinding section 106 and CIL payments to councils;
4. These policies have been brought forward to support the government's overall aims, but our independent research indicates that individually they have unintended consequences which will have negative impacts on communities and council tenants and collectively they potentially interact to frustrate the aim of increasing housing supply.
5. The LGA Chairman and the Environment, Economy, Housing and Transport (EEHT) Board have undertaken a range of activity over the summer seeking to lead the debate in a way that mitigates the negative impacts of recent policy developments on councils and local housing markets. This has included:
 - 5.1. Regular representations to Ministers and discussions on policy detail with officials
 - 5.2. Research and analysis on the impact of proposals, including press releases attracting national media coverage
 - 5.3. Activity and events, including a seminar with officials, seeking to bring together a consensus view to the government, involving a range of councils, Association of Retained Council housing (ARCH), Society of Local Authority Chief Executives (SOLACE), District Council Network (DCN) and London Councils

- 5.4. Engagement in Parliament, including representations to the Communities and Local Government Select Committee, and on the progress of the Welfare Reform and Work Bill.

Sale of High Value Council Homes

5. The LGA has argued that the extension of the Right to Buy should not be funded by forcing councils to sell off their homes. The LGA and individual councils have made representation to government on the need for councils to be able to manage their assets independently and to retain 100 per cent of capital receipts to reinvest in building houses, including a [press release](#).
6. The National Housing Federation has struck a deal with government, the terms of which make it unlikely that replacement homes will be for social rent. The LGA has stated publically that it is disappointed with the National Housing Federation's actions which voluntarily deliver the Right to Buy extension on the back of forcing the sale of council homes, and by its willingness to move away from providing the genuinely affordable homes that the most vulnerable in our communities need.
7. Independent analysis commissioned by the LGA has forecast that around 24,000 housing association tenants a year will buy their home with an average discount of £63,271 under the Right to Buy extension - the discount would cost £1.5 billion a year. Housing Associations balance sheets are robust and they could be required to manage their assets effectively to help fund the right to buy extension.

Reductions on social rent

8. The proposed reductions in social rent will lead to councils losing around £2.6 billion in planned revenue over the four years up to 2019/ 2020, with a gap of £1 billion per year thereafter; taking account of the lower rent base and assuming that CPI+1 per cent is reintroduced from 2020/2021. The annual £1 billion gap is equivalent to 25 per cent of the controllable expenditure in the Housing Revenue Account. The LGA published this analysis in a [press release](#). If implemented this policy will have implications for planned investment in housing and in maintaining existing stock.
9. Council tenants already pay the lowest rents across all housing providers. On average, English councils charged £82.44 per week in 2012/13, whereas Private Registered Social Landlords charged £95.54 per week, and the private rented sector charged £137.31 per week. Renting a council home is already 13 per cent cheaper than renting a Housing Association home and 40 per cent cheaper than renting in the private sector. Few council tenants will benefit from the proposals directly, as 70 per cent claim Housing Benefit. Instead, it will be reflected as a short-term Housing Benefit saving for the Department and Work Pensions.
10. The LGA has proposed that a more sustainable way to reduce Housing Benefit is to increase housing supply. This could be achieved if councils had a greater role in managing and disposing of publicly held assets. The public sector holds more than £300 billion worth of land and buildings. While local government is set to achieve £13.3 billion land and property sales up to 2018, the government had a target of realising just £5 billion by 2020. The government should match the scale of ambition and pace of change achieved by local government on management of assets and raise its own target to £13 billion by 2020. If councils had a 'power to direct' the sale of government-owned public

land and the ability to retain 10 per cent of receipts, they could deliver 180,000 new homes across the government-owned land.

A commitment to build 200,000 starter homes

11. Starter Homes are defined as new homes available for first time buyers under 40 at 20 per cent less the market value, with an initial price cap at £450,000 in London and £250,000 outside. Starter Homes will be defined as affordable homes. It is proposed that the 20 per cent discount will be in part funded by exempting Starter Homes from section 106 affordable housing contributions and Community Infrastructure Levy (CIL).
12. The Housing and Planning Bill includes a duty on councils to promote Starter Homes, with an option for the Government to introduce regulations to determine that councils only grant planning permission if a specific Starter Home requirement is met. Regulations may vary this requirement for different areas. The legislation is likely to include provisions ensuring that a proportion of homes on every 'reasonable sized' site (size yet to be determined) are Starter Homes.
13. Starter Homes are being promoted by the Government as an alternative to other housing tenures, such as shared ownership, social rent, discount market rent. Councils need the powers and flexibility to shape the supply of genuinely affordable homes to meet needs of different people in their area, in line with their local plan and the National Planning Policy Framework (NPPF).
14. The delivery of 200,000 Starter Homes will put additional pressure on local infrastructure. Exempting Starter Homes from Community Infrastructure Levy and other tariff-based contributions to general infrastructure pots will reduce the amount of funding for infrastructure in some areas. Furthermore, delivery through the planning system will create significant new burdens on council planning teams, and so should be fully funded.

Overall implications of recent housing policy

15. The Environment, Economy, Housing and Transport Board has commissioned Savills to evidence the overall impact of the recent housing policy changes on housing markets, in particular affordable housing, housebuilding and home ownership. The LGA has begun to publish some initial findings looking at the potential costs of different policies, for instance included in recent press releases arguing against the forced sale of council homes. This work is still ongoing and is being used as a basis for engagement with the government and partners.
16. Reforms impacting on overall social and affordable rented stock may also impact on the capacity of councils to fulfil duties to the homeless. 13,850 households were accepted onto council waiting lists between 1 April and 30 June 2015, 5 per cent higher than during the same quarter of 2014. The total number of households living in temporary accommodation while awaiting placement in a settled home on 30 June 2015 was 66,980 households; this is 12 per cent higher than at the same date in 2014.

The Housing and Planning Bill

17. The Housing and Planning Bill was published on 13 October 2015, the LGA briefing is available [online](#). The Bill sets out in broad terms how the government is seeking to

implement its housing and planning policies summarised above, however, much of the detail has been reserved for determination by the Secretary of State through regulation.

The Housing Commission

Background

17. Much of the public discussion on housing policy has naturally focused on the recent proposals from government and the LGA has been active in seeking to influence these proposals. However, there is also a need to take a longer view to consider housing within a wider social context and the role that councils should have in shaping supply
18. As part of the recent member-led review of governance, the LGA Executive and Leadership Board have been asked to commission work from our Policy Boards where a clear corporate priority has been identified or where an important policy issue straddles more than one Board. The Leadership Board met in July 2015 and agreed that housing was one of the corporate priority areas.
19. The Leadership Board asked that the housing commission be led by the Environment, Economy, Housing and Transport (EEHT) Board. EEHT Board met on 1 October and agreed the aims, focus and governance arrangements for the Commission.
20. The EEHT Board also agreed that the group leads on the Board would act as the leads for the Commission. An outline work programme has been agreed by the group leads and is set out below.

Aims

21. The EEHT board agreed that the Housing Commission will set the debate for the future of housing as critical to resolving a number of central public service challenges. It will take a medium-term view in understanding the key opportunities for housing the nation, and make recommendations for bringing forward housing as part of a strategy for driving growth and reducing demands on public services. Within that, the Commission will focus on the role of councils in: building more homes, delivering affordable homes to drive growth and employment and reduce welfare spending, and help meet the housing needs of an ageing population.
22. The work of the commission will cover four themes
 - 22.1. House building
 - 22.2. Place shaping and community building
 - 22.3. Employment and social mobility
 - 22.4. Health and an ageing population

Timing

23. The Housing Commission will begin its work this month allowing time to take on board the implications of the Housing Bill - and building upon the LGA's work to understand and influence the cumulative impact of the government's proposals – with a view to starting a

new housing debate beyond the implementation of the Housing Bill reforms. The Commission will have a number of outputs over the next 6 months to reflect the four themes and will pull these together into a final report in summer 2016.

Governance

24. The Housing Commission will be led internally by the lead members of the EEHT Board. The Board representatives will appoint a panel of advisers who will help to steer the commission, support the commission's enquires and shape its conclusions.
25. The panel will be drawn from the experts covering the Commission's four key themes. Invites are now with prospective panel members.
26. The commission will also work with Community Wellbeing and Resources portfolio holders.
27. The expert panel will be asked to draw on their extensive networks to enrich the advice and guidance to the commission.

The work programme

28. The Commission will:
 - 28.1. Put out a call for evidence in October 2015 seeking submissions from councils, house builders, health bodies, the voluntary and community sector and other key stakeholders.
 - 28.2. Survey councils on the opportunities and challenges for housebuilding
 - 28.3. Hold evidence gathering seminars on the four key commission themes (these will be held in venues around the country to ensure that we get good regional and local coverage for the commission)
 - 28.4. Commission specific pieces of research to support the themes.
 - 28.5. Publish short pieces of analysis and recommendations for each of the four themes
 - 28.6. Pull the analysis and recommendations together in a final report.
29. The work plan themes are set out in Table 1.

Next steps

30. Members are asked to:
 - 30.1. consider the implications for councils of government's recent housing proposals and to consider and agree the approach to the LGA's Housing Commission
 - 30.2. Agree to receive further updates at a subsequent meeting.

Dates	Activity/Theme	Potential areas of focus/comment	Outputs
End of Oct	Appoint Advisory panel and Network	Appoint advisory panel of 5 or 6 leading figures to shape and influence the direction of the commission and its focus for each theme Invite partners to sit on an Advisory Network to input into the development of policy ideas virtually and through seminars	Panel and Network appointed
Oct - Dec	All – Open call for evidence	Capturing activity, barriers & solutions - what are councils seeking to achieve (following the Elphicke-House and Lyons reviews what - what are the key opportunities and risks - what more do councils need to deliver	Summary of evidence
Nov - June	Best practice studies	Develop and write up a range of good practice studies demonstrating how councils are putting housing at the centre of resolving wider public service challenges.	Case evidence
Seminars to be hosted and chaired by EEHT lead members			
Oct – Jan	House building	Building the right homes in the right places - councils role in building and supporting building - what are councils doing (i.e. housing finance innovations) - how to enable and shape house building across all areas	Evidence seminar Case study work Report / analysis Recommendations
Nov – Feb	Place shaping and community building	Homes for communities and economies - the importance of place-shaping and planning, creating jobs and growth - what are councils doing - what works and what are the barriers - how enable good practice in all areas, lessons for government and councils	Evidence seminar Case study work Report / analysis Recommendations
Jan – April	Employment and social mobility	Homes for families and supporting the vulnerable - role of housing in employment, social mobility and welfare reform - what are councils and others doing that works - how to incentivise this in the system	Evidence seminar Case study work Report / analysis Recommendations
March – June	Health and an ageing population	Homes, health and demographic change - role and value of housing in supporting an ageing population - current and future challenges and barriers to utilising stock - what are councils doing and what more can they do - what does government need to do	Evidence seminar Case study work Report with analysis Recommendations
May- July	Report		Final report