

Consultation response

Shelter response to the Local Government Association's Housing Commission

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Shelter helps millions of people every year struggling with bad housing or homelessness through our advice, support and legal services. And we campaign to make sure that, one day, no one will have to turn to us for help.

We're here so no one has to fight bad housing or homelessness on their own.

Introduction

Shelter welcomes the opportunity to respond to the LGA's Housing Commission. The comments in this response focus on the first two themes of the Commission, house building and place shaping, as these are the areas we are best placed to comment on.

Main recommendations

Recommendations to the LGA and councils:

- The LGA should support measures to strengthen compulsory purchase powers in the Housing and Planning Bill (2015-16) currently in front of Parliament
- Councils should look for opportunities to invest public land in lieu of cash in joint development ventures
- Councils should look to work with elected mayors where possible, to coordinate more effectively across local authority boundaries

Recommendations to central government:

- Councils should be enabled to take a proactive approach to planning and land assembly, including having the power to designate New Homes Zones
- Borrowing caps on councils should be lifted, allowing them to borrow money to fund house building

Response to specific consultation questions

House building

Is there a role for councils to facilitate house building at scale, and how might this be supported, within a wider context of economic growth?

Yes, we believe that councils can and should play a proactive role in facilitating house building at scale.

Shelter strongly believes that enabling councils to take a proactive approach to planning is key to facilitating more and better house building. The current reactive nature of the planning process contributes both to the high cost of land, and to the piecemeal delivery of new housing.

We advocate the introduction of powers for local authorities to designate New Home Zones – similar to Enterprise Zones, these would enable local authorities to make strategic decisions about appropriate locations for housing in their area¹. A clearly segmented approach to designating planning status, assembling land, preparing a master plan, and procuring house builders would allow for a less costly and more strategic, proactive planning process.

What are the options and opportunities for councils wanting to build houses, and what can we learn from the experience of council led housing vehicles? What lessons can we learn from councils on how to turn plans for housing vehicles into reality?

In our 2014 report with KPMG, 'Building the homes we need', Shelter looked in detail at options and opportunities for councils to build (or enable the building of) housing. The report identified finance as the key constraint for local authorities; councils hold planning powers and often land assets, but are simply unable to provide the funding required for development. The key financial constraint to consider within the context of council house building is that of restrictions on council borrowing capacity. Housing Revenue Account reforms and strict caps on borrowing have limited councils' capacity to build – we

¹ 'Building the homes we need' Shelter and KPMG, http://england.shelter.org.uk/_data/assets/pdf_file/0010/802567/Building_the_homes_we_need_digital_copy.pdf

support the LGA's call to lift council borrowing caps for house building. With greater borrowing capacity, councils would be far better placed to respond strategically to local housing need².

In addition to directly funding house building, a key opportunity for councils can come through the use of joint ventures; as an example, local authorities could lease land to developers or investors in lieu of a financial contribution, allowing land costs to be reduced and avoiding extra burden on the public purse. This would allow for greater provision of affordable (including social) housing³.

Could council housebuilding become an exemplar for faster and more efficient methods of house building?

Yes, we believe that council house building could become an exemplar for improved house building methods. For this to happen, councils will need to look at innovative responses to current resource constraints.

Key to this is strategic leadership (see below) and a proactive approach to planning: acting on housing needs assessments; identifying and making available public land; and seeking out opportunities to work in partnership, such as joint ventures.

In Shelter's submission to the Wolfson Economics Prize 2014, we proposed an 'investment waterfall' model, which would diversify private investment in house building on a given development, offer varying levels of risk, and most importantly capture and harness the uplift in land value granted through planning consent, to be reinvested in the development⁴. This could contribute to fulfilling councils' housing targets across tenures, without depending on public subsidy.

What do councillors and council leadership need in order to explore new routes to invest in house building?

Lack of resource and limited budgets have restrained the ability of councils to invest in house building across the country. In order to explore new routes to invest, councillors and council leadership need to identify the resource they have available to contribute – which will often not necessarily be hard cash.

As an example, as outlined in our joint report with KPMG, local authorities could contribute land to a joint venture with public and private sector partnerships, in lieu of a financial contribution⁵. This would allow councils to make use of existing assets, providing good value for money, and could lead to a long-term rental income, relieving future budget pressures.

Councillors and leaders also need to be able to co-operate strategically across local authority boundaries. It is difficult to do this at present, as resources, funding and powers are distributed strictly along administrative boundaries; however, greater autonomy to work across broader economic areas would have a real impact on delivering affordable housing in the places its needed most.

How can the public sector, including councils in their enabling role, support smaller house builders?

A key proposal in Shelter's 2014 joint report with KPMG was that of giving local authorities the power to designate New Home Zones.

² 'Solutions for the housing shortage', Shelter, <https://england.shelter.org.uk/_data/assets/pdf_file/0011/689447/Solutions_for_the_housing_shortage_-_FINAL.pdf>

³ 'Building the homes we need' Shelter and KPMG, <http://england.shelter.org.uk/_data/assets/pdf_file/0010/802567/Building_the_homes_we_need_digital_copy.pdf>

⁴ 'How would you deliver a new garden city which is visionary, economically viable, and popular? Shelter's submission to the Wolfson Economics Prize 2014' Shelter, <http://england.shelter.org.uk/_data/assets/pdf_file/0005/941324/SHELTER_WolfsonPrize_WEB.pdf>

⁵ 'Building the homes we need' Shelter and KPMG, <http://england.shelter.org.uk/_data/assets/pdf_file/0010/802567/Building_the_homes_we_need_digital_copy.pdf>

Local authorities could identify suitable sites for housing, grant planning consent, and divide and service plots – all prior to inviting house-builders to bid to build one or more of the plots out.

Removing planning risk and ensuring infrastructure provision is already underway at the time of inviting bids for construction would level the playing field and allow for more diverse supply, opening up opportunities for local and SME builders and housing associations, as well as custom builders, to contribute to new housing provision.

To allow councils to facilitate development and unlock land, there is a need for robust compulsory purchase (CPO) and other legal powers. The Housing and Planning Bill (2015-16), currently going through Parliament, is making technical reforms to make CPO easier, which were consulted on by the Treasury in 2015. Shelter has been supportive of this process, but we would like to see it go further.

The most critical CPO reform would be to modernise and clarify the level of compensation that is paid to landowners so that it better reflects international norms and makes land for house building less expensive. Currently land is one of the most expensive components in building homes. The high price of land eats into the finances of new schemes, making it much harder to fund affordable housing (such as social housing or shared ownership), as well as local infrastructure.

The uncertainty in the law on CPO process skews the whole land market. Allowing local authorities to bring land into development at lower and stable costs could enable the market to deliver much better homes, more affordable housing and to contribute to better local infrastructure.

How can councils and other public sector partners make the best use of surplus public land for housing?

As outlined above, access to land is central to unlocking councils' capacity to build or facilitate the building of housing. Limitations on councils' own ability to build on their land due to centrally-imposed debt caps can be overcome through strategic participation in joint ventures. Local authorities could lease land in lieu of contributing capital to a development vehicle, thereby limiting land costs and planning risk within the development process. Leasing land into such a joint venture also allows councils to retain control over the development – capturing the uplift in land value to reinvest into the project, and potentially deriving a long-term rental income in return for donating a public asset.

An example where this is already being done is joint developments between Grainger plc and the Royal Borough of Kensington and Chelsea, to redevelop under-utilised council-owned land⁶. These have delivered or are delivering mixed-tenure developments, with a council-owned long lease and long term rental income stream.

Place making within and across economies

What opportunities does devolution offer for the development of housing within strategic place-making within and across local economies, and how can councils realise this?

The Cities and Local Government Devolution Act (2016) contains measures allowing the Secretary of State to create a position of elected mayor for any combined authority area in England. Statutory powers can then be devolved to that Mayor, potentially changing how decisions are made affecting housing in those areas. The specific powers elected mayors will hold relating to place-making and housing development will vary from region to region, but all elected mayors will be able to take overall strategic oversight over their locale.

⁶ 'Development – Residential led mixed use', Grainger plc, <<http://www.graingerplc.co.uk/what-we-do/development.aspx>>

Devolution offers the opportunity for councils to work with elected mayors and combined authorities to ensure that new housing development is meeting the needs of the whole strategic housing market area, rather than working only within local authority boundaries. Strategic decisions on housing development should take into consideration the needs of current and future communities, including those in need of a stable home, as well as local economic and labour market requirements.

A key opportunity could be to require council co-ordination for the production of Strategic Housing Market Assessments (SHMAs) across combined authority areas, in order to more accurately identify local need. This is explored more fully above, in relation to council leadership.

What powers and flexibilities are needed to ensure the delivery of homes within a wider strategy for developing prosperous places?

Affordable, good quality housing provision is central to the prosperity and well-being of local communities. It is therefore vital that councils and local authorities have the necessary powers to deliver such housing. We have identified many of these in previous answers – they include but are not limited to:

- Stronger compulsory purchase and land assembly powers
- Proactive planning powers, including land designation and servicing of sites
- Flexibility to participate in public-private development partnerships
- Flexibility to open up opportunities to a diverse range of developers – including local firms, housing associations, and custom builders

Central to the development of prosperous places is a meaningful assessment of housing requirements. As outlined above, councils should be enabled to co-ordinate production of SHMAs across local and combined authority areas in order to identify and address local housing requirements.

Further information

[‘Building the homes we need’](#) – Shelter and KPMG, 2014

[‘Housing and Planning Bill: Second reading briefing \(House of Commons\)’](#) – Shelter, 2015

[‘How would you deliver a new garden city which is visionary, economically viable, and popular? Shelter’s submission to the Wolfson Economics Prize 2014’](#) – Shelter, 2014

[‘In the Mix: the need for a diverse supply of new homes’](#) – Shelter, 2014

[‘Local decisions on tenure reform: Local Tenancy Strategies and the new role of local housing authorities in leading tenure policy’](#) – Shelter, 2012

[‘Shelter response to CLG consultation: Draft National Planning Policy Framework’](#) – Shelter, 2011

[‘Shelter response to the Lyons Review of housing supply’](#) – Shelter, 2014

[‘Solutions for the housing shortage’](#), Shelter, 2013