



RTPI
Royal Town Planning Institute

LOCAL AUTHORITY PROVISION OF HOUSING (INTERIM REPORT)

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Executive Summary

The RTPI and National Planning Forum published ground breaking research on direct delivery of housing by local authorities in England in 2017. The RTPI has sponsored a second phase of the research, of which these are the Interim findings. These findings are based primarily on a desk survey of local authority activity, as well as a survey sent to every local authority in England. This report also includes an analysis of how various recent political and policy changes have impacted local authority provision of housing.

This Interim findings report is being published alongside a table providing information on the activities of every local authority in England. This time the survey has been expanded to include details of local authority company names, the years they were established where this is available and where the local authority has one or more Joint Vehicles (JVs). In all these cases, the 2019 survey has included weblinks so that those interested in learning about the activities of councils can access more detail. These weblinks include council reports and strategies and press links.

The next stage in this research is to consider the planning delivery issues in more detail. The final report will be published in early-Summer 2019. It will contain findings from interviews with local authority officers around England, as well as a number of case studies focusing on particular aspects of delivery for example social and affordable housing, design quality, and the provision of special needs housing.

All publications relating to both phases of this research can be found at www.rtpi.org.uk/lahousing.

Key interim findings:

- Comparing 2017 with 2019, there is evidence of local authorities taking on larger programmes and bigger development sites.
- Some of the local authorities who have been engaging longer in direct delivery are building expert teams. These are working across all housing delivery in the council as a common development team and often this team is also providing the negotiation skills required for planning applications, particularly for viability calculations.
- Local authorities are increasingly employing a wider range of those with development skills from housing associations and the private sector to support their activities. There is a need for direct funding to be made available for improving and capacity and skills of local authorities in the direct delivery of housing particularly in planning. There are challenges around charging fees to capital projects particularly for planners. However, several planners have reported that they have established Planning Performance Agreements with their in-house companies.
- Local authorities are increasingly concerned about the standards and quality of housing development provided by the private sector. This has become a more important driver for councils engaging in the direct delivery of housing. Local authorities want to demonstrate how better quality of design, improved space standards and external layouts can be better for place-making and long-term stability within new housing areas. They consider that they

have to provide directly to meet these standards.

- The Prime Minister decided to remove the borrowing debt cap in 2018 and the setting of council housing rents on a reducing scale has been reversed so from 2021 councils can start to increase rents which will allow more investment. For some local authorities the removal in the HRA debt cap is leading to new social housing delivery for the first time in many years, for others it has enabled the development of schemes that were already being considered. Local authorities are also expanding their own delivery outside the HRA and this includes the establishment of their own companies and the use of joint ventures with developers, housing associations or other public bodies. However, the lack of support provided from Government for the development of social housing in non-stockholding local authorities is a growing concern.
- There has been an increase in the number of local authority wholly owned companies for the provision of housing. In 2017, 57% of local authorities had a company and in the 2019 this has increased to 78%.
- We found that 57% councils overall had some form of joint venture that included housing. These arrangements could be with the private sector, with Registered Provider, other councils or with other public bodies such as universities, the police or the Ministry of Defence. Our research shows numerous councils engaging in what they described as a 'partnership' working with other bodies.
- When all these types of activities relating to housing provision are considered together, including the partnerships and property companies, then fewer than ten councils in England show no activity.
- The Government continues to place great reliance on the delivery of affordable housing of all kinds from developers' contributions. At a time of increasing uncertainty in the property market this would seem a risky strategy.
- One key emerging finding is the diverging gap between the Government's housing and planning policies. Ministers have supported the building of more *social* housing in principle, but changes to the NPPF to support this are not evident. Where local authorities have housing need, including the backlog of social and affordable housing, clearer indications of which sites can be used for which type of housing in the local plan could speed up delivery.
- Local authorities will continue to have problems in meeting their social and affordable housing needs when there is no recognition of the scale of these requirements nor the land use mechanisms for delivering them in local plans and through into the planning application processes.

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Janice Morphet is a Visiting Professor in the Bartlett School of Planning at University College London. She is currently working on infrastructure planning, health, smart cities and their infrastructure and governance and sub-state governance in the UK including the role of the British Irish Council and Devolution. Janice has held senior posts in local and central government, including as a Chief Executive and as a Director of Technical Services, was Head of the School of Planning and Landscape at Birmingham Polytechnic and on the ODA Planning Committee of the London 2012 Olympic Games. She was the main official between the local government division and other government departments for the then ODPM from 2003-2005. Janice is now a member of the Council of the National Infrastructure Planning Association (NIPA), a former trustee of the RTPI and the TCPA and was included in the Planning Power 100 for 2013. Since 2015, Janice has been a Built Environment Expert for Design Council/CABE specializing in infrastructure delivery.

Since 2006, Janice has acted as a consultant and academic working particularly on infrastructure planning and public sector change. Her recent books are *Modern Local Government* (2008), *Effective Practice in Spatial Planning* (2010) and *How Europe Shapes British Public Policy* (2013), *Leadership and management in Planning* (2015), *Infrastructure Delivery Planning – an effective practice approach* (2016) and *Changing Contexts in Spatial Planning* (2018). Janice is also the author of blogs and notes on Brexit for the national Planning Forum, Planning Futures, Planning magazine, the RTPI and the London Society and she has recently published *Beyond Brexit* (2017). Janice and Ben have received a grant to research the Local Authority Direct Delivery of Housing from National Planning Forum and the RTPI and subsequent grants from G L Hearn and the RTPI to investigate these issues further.

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1. Introduction

1.1. The 2017 research

When the National Planning Forum (NPF) and Royal Town Planning Institute (RTPI) study on the direct provision of local authority housing was published in December 2017¹, it highlighted the type of changes that were emerging in local authority practices in housing provision. Through the means of a direct survey to all local authorities in England, the research was able to demonstrate what was motivating councils to become engaged in housing delivery again – in many cases years after transferring their housing stock to other providers.

In 2017, the motivations most frequently cited by local authorities to engage in the direct provision of housing were the need to provide housing in the local authority area – frequently across all tenures. Secondly, there was a motivation to deal with homelessness in different ways. Homelessness is expensive for society – it has high costs for local authorities, even where they are not stockholders, finding and funding accommodation for those who have been made homeless, who were also bearing high social costs. The research demonstrated that councils were active in a variety of ways to reduce homelessness: by buying housing from the second-hand market, purchasing dwellings from developers and by buying existing bed and breakfast establishments, hotels and hostels that they were already using on a rental basis. The third local authority motivation cited in 2017 was the need that councils had to generate income to run their services. The decision by the Government in 2012 to remove the Revenue Support Grant (RSG) for all English councils by 2020, using a taper over this time period, has made many councils consider how to change their financial practices moving from the sale of land and assets to obtain capital receipts to consider how they could become more like patient investors, retaining their land and seeking rental income that would be guaranteed into the future.

The second group of motivations on 2017, as shown in the survey, was related to the frustrations being expressed by many politicians at the slow scale of build-out rates or stalled sites with planning permission in their areas. Councillors felt as if they had no control over housing delivery, and were concerned that after long negotiations and commitments made to local communities for additional social infrastructure as part of the development evaporated, as developers returned to the council to seek renegotiation of their viability assessment and development contributions. The government has made funding available to councils to help stalled sites to be moved on² through a planning delivery fund but this is defined as local authority planning delays not as the result of developers' inactions. A study by CPRE and Shelter has found that this type of renegotiation has halved the number of affordable homes provided as part of development schemes³ and Shelter also found a loss of affordable homes through this renegotiation in their own study⁴. Where

¹ <https://www.rtpi.org.uk/knowledge/better-planning/better-planning-housing-affordability/local-authority-direct-provision-of-housing/>

² <https://www.gov.uk/government/news/new-money-to-build-homes-stalled-by-planning>

³ <https://www.theguardian.com/politics/2018/mar/03/affordable-housing-rural-england-planning-laws-loop-hole-exploited-developers-report>

⁴ https://england.shelter.org.uk/_data/assets/pdf_file/0010/1434439/2017.11.01_Slipping_through_the_loopole.pdf

councils act as housing developers, they can provide policy compliant development with the right level of affordable homes and build developments more rapidly rather than phasing completions to maintain price⁵.

The third set of local authority motivations for the direct provision of housing found in 2017 was related to the need to support small scale local builders, to improve local skill levels, to provide opportunities for the long term unemployed and ex-offenders. Others were keen to engage in modern methods of construction (MMC) to speed up the delivery of housing and improve its completion rates including opening a factory. This last group of motivations also included a concern for the quality of build that was being achieved by private sector developers. Some councils were of the view that the type of housing units being built, together with the quality of design and finish within and outside the dwelling, could lead to many of these properties moving quickly into the buy to let market where tenants might require much more council support and intervention than would be expected through private market sales.

The NPF/RTPI research report also considered the means and the methods being used by councils to engage in direct provision of housing including the establishment of wholly owned companies. The 2017 survey found that the levels of activity in each council was not related to their size, political control or geographical location and there were examples of all types of local authority engaging in the direct provision of housing across the country, with only the North West region showing slightly less activity. The research found that the companies were primarily funded by the councils' own financial resources and with the use of funding from land sales and loans from the Public Works Loans Board most frequently used after this. Councils were also using their own land for housing development. This survey found that the councils with companies were also experiencing challenges such as learning how to separate their roles between the council and the company, learning to act in a commercial way and maintaining appropriate separation in decision-making including on planning applications. Those councils without a wholly owned company described them as being too complex or expensive to establish or that the council did not own any land for housing development. Another reason cited by councils in 2017 for not developing housing directly, was that the council was not a stockholder and therefore did not have any powers to build housing, a myth that the report attempted to put to rest.

In addition to the direct survey, the NPF/RTPI research included other elements. There were regional roundtables in all parts of England and a 100% local authority desk survey which examined the housing of activity that local authorities might be engaged in. The 2017 research also undertook ten case studies of councils. Over 60 councils volunteered to be case studies in the survey and the intention was to choose case studies across the country, at different stages in the process of developing housing – that is with or without a company. The case studies were selected to include councils run by different political parties. As the case study interviews were arranged, it was clear that most of the case study authorities selected for not having a company had changed their views and were now setting up housing companies, with one council agreeing this only the day before the case study interview. In the event only one council not intending to have a housing company was included as a case study.

⁵ Letwin Review 2018 <https://www.gov.uk/government/publications/independent-review-of-build-out-preliminary-update>

1.2. Building on this research

The NPF/RTPI research report was well received and provided an opportunity to review the position of councils in relation to direct housing provision. However, the research had expected to find more detail on the planning issues within Councils in relation to the direct provision of housing and this proved to be more challenging as these interviews tended to focus more on the housing delivery issues within each council. However, as more councils become engaged in direct delivery of housing, then there are several issues that remain to be explored and that is the purpose of this study. For example, the extent to which councils are involved in a range of joint ventures (JVs) with partners for mixed development including housing. These JVs are frequently with the private sector or Housing Associations (HAs), but other examples emerged of councils having JVs with other local authorities and public bodies, an issue that needs further examination.

In 2018, GL Hearn, a planning and housing consultancy, came forward with funding to undertake a second survey of local authorities using the same questions as those used in 2017. This survey went ahead in September/October 2018. The survey was followed by two roundtables that focused primarily on housing delivery issues. The findings of the survey and the roundtables and the results are published in a separate report. A comparison between the 2017 and 2018 surveys will be included in the main report on this research.

The focus of this RTPI 2019 research is the way in which planning is facing up to and responding to local authority direct provision of housing and this will be the subject of the main research report. This interim report is an opportunity to provide an update of Government policy and local authority activity since 2017 and the trends that are emerging.

The desk-based survey of local authority direct housing delivery undertaken in 2017 has been repeated for this research and its preliminary findings are published alongside this report.⁶ In the 2017 desk survey, direct local authority housing provision was included if the local authority was building using the HRA, had a wholly owned company or was selling land for housing. This time the survey has been expanded to include details of local authority company names, the years they were established where this is available and where the local authority has one or more JVs. In all these cases, the 2019 survey has included weblinks so that those interested in learning about the activities of councils can access more detail. These web links include council reports and strategies and press links.

This 2019 desk survey identified another category of local authority engagement in direct delivery of housing. This is most frequently referred to by councils as partnership working. It is difficult to discern from the information available in the public domain whether these partnerships are legal agreements or whether they represent close or allied working. They include the use of s106 receipts and agreements with HAs on affordable housing. In any future survey, this would be an additional category to include. However, in the 2019 desk survey, although councils may show no activity in a wholly owned company, JV or HRA, if they are involved in providing affordable housing in other ways, then these are included in the weblinks. Where these partnership relationships are demonstrably providing some housing they are taken here as evidence of local authority direct engagement in housing delivery.

⁶ See www.rtpi.org.uk/lahousing for all publications relating to this research

Finally, several councils have established property investment companies primarily to acquire and manage commercial assets to generate rent to support their council services. While some of these property companies include housing within their portfolios, at present most do not. However, it is important to note that those councils with a property investment company will have access to development and professional skills that could be extended to housing and that housing may be added to their portfolios in the future. In the desk survey, it is clear from council reports that some are already considering this extension. For this reason, where councils have a property investment company, these have been included as a sign of general activity and the potential to do more in the direct delivery of housing. When all these types of activities are considered together, including the partnership and property companies described above, then fewer than ten councils in England show no activity. It should also be noted that some of these 'inactive' councils are currently in the process of merging into unitary authorities.

The 2019 desk survey shows that local authorities are engaging in the direct provision of housing across England. It includes all types of local authority and political control. This desk survey is not evaluative and does not indicate if one council's approach is better than another either for the local authority or for providing housing overall. However, it does provide a range of examples of the ways in which Councils are engaging in the direct delivery of housing and we hope the inclusion of the weblinks may encourage local authorities to contact others to compare experiences.

The desk survey does not include any details of housing numbers being achieved through all forms of direct provision of housing. This is generally the first question asked of any research in this area. At present it is not possible to find delivery outcomes for each council but it appears that, in comparison with the 2017 surveys – desk and direct – the scale of local authority direct engagement is increasing, both by volume of home being provided and numbers of councils engaged in delivery.

2. What has changed: Government policy?

2.1. Introduction

During the period since the last report was published in December 2017, there have been three Ministers for Housing and Planning (Alok Sharma, Dominic Raab and Kit Malthouse) and two Secretaries of State for Housing, Communities and Local Government (Savid Javid and James Brokenshire). The changes in Government policy since December 2017, summarised in this section of the report, demonstrate that the initiatives for housing and planning are pulling in different directions, despite being the responsibility of a single Minister.

While several government initiatives to support the delivery of all types of housing have been introduced or continued in the last year, there remains no fundamental policy for the relationship between housing and planning policy. While the revised NPPF⁷ is primarily concerned with the supply of housing through the market, whether for sale or residual affordable housing provision,

⁷ <https://www.gov.uk/government/collections/revised-national-planning-policy-framework>

the demand side of housing of all types, including the condition and management of existing stock, is generally contained in local authority housing or homelessness strategies. There is little or no place for the condition and access to existing housing stock in the NPPF although there is some policy for the provision of new housing for specific need categories and private rented sector (PRS). There is no role or mention of the direct provision of affordable housing by local authorities as a primary form of development rather than as a residual of market housing within the NPPF despite mention of this type of provision in the Housing Green Paper. Where local authorities still have a Housing Revenue Account (HRA) and are building homes under part II of the Housing Act 1985, these activities are again absent from the NPPF although now the borrowing cap has been removed since the end of 2018.

The housing delivery test (HDT) methodology that was introduced in the NPPF is strongly criticised as being weak in the National Audit Office report⁸ as is the government's intention to penalise local authorities where private developers are not building homes, even though local authorities have no powers to make this happen. Further, there is a strong disincentive to housing developers to deliver development within this HDT as if councils fail to demonstrate housing completions, then the opportunities for planning by appeal is increased. This rewards the developer for failing to develop and penalises the local authorities where it has no powers to act. It is not surprising therefore, that local authorities are engaging in more direct delivery of housing so that they can be more in control of their own provision.

The changes in the NPPF do not support the housing needs of local authorities across all type of housing and tenures. The supply of new housing through the mechanism of the market – for sale, affordable tenancies and some special needs housing – is expected to be provided through planning policy while the demand for all types of housing, including improvements to existing stock is set out in local authority housing strategies. While we have found that the local plan and the housing strategy are now frequently prepared by the same team, there is little to connect the two and the mechanisms for assessing demand in the local plan do not take account of the demand as set out in the wider housing considerations or the Joint Strategic Needs Assessment (JSNA) despite its legal status as evidence for local authority services.

Similarly, while there might be a need for affordable housing that is being provided by local authorities and others, there is no mechanism within the NPPF to ensure that the land required to provide this type of housing is safeguarded even where need is expressly identified in the JSNA or housing strategy. While not explicitly stated, it is implicitly understood that the five-year housing supply in local plans is assumed to be for market housing even where this exceeds demand for this type of tenure. The five-year land supply is for all types of new housing need and unless the local authority is a land owner there is no means of protecting housing land for affordable or social tenure in the local plan. Further, there is no way of controlling housing types built to match housing need and many local authorities are reporting an oversupply of market housing types that is mismatched with their needs. Again, this is another reason why there is direct delivery by local authorities who are having to work through land ownership rather than planning policies to provide the housing that is needed.

⁸ <https://www.nao.org.uk/report/planning-for-new-homes/>

2.2. Changes in Government housing policy

Since the publication of the NPF/RTPI research in December 2017, there have been several Government announcements and policy initiatives which have influenced local authority direct delivery of housing.

Social Housing Green Paper

The Social Housing Green Paper, *A new deal for social housing*, was published in August 2018⁹ for consultation. The government's stated intention for the paper was to recognise the role of social housing in providing homes for 20% of the population and the role of rented accommodation particularly for those on lower and middle incomes. In this Green Paper there was also an explicit recognition of the role that local authorities had in the provision of social housing in the past, present and future. The Green Paper recognised that there are at least four main housing markets and there needs to be more prioritisation on social and affordable housing provision than there has been in the recent past. Changes in the role of housing associations, to become more mainstream developers, like the private sector, has also reduced the amount of social and affordable housing provision each year. For both local authorities and housing associations, this has also been related to the reduction in housing subsidies that have been available from the Government and a switch in government policy from 2012 onwards to assume that social and affordable housing would be a residual function of the private housing market. By giving developers support for sales for market housing through the interim sales loans for short term discounts through Help to Buy schemes, the government has primarily been using subsidy to support developers that provide about 50% of the total housing provision each year. However, other types of need have not been directly funded to the same level which is estimated to be between £22bn-£32 bn between 2015 and 2022.

The Green Paper starts by declaiming a new deal for social housing which it defines as housing with rent levels at 50% of market levels, of which 14% is estimated to be housing for those with specific needs. It focuses on several issues including resident safety, whether there should be a decent homes standard, quality, tenant engagement as part of regeneration projects, complaint resolution, the relationships between housing and communities and promoting good design. The design elements of the Green Paper were linked with the revised NPPF which was published in February 2018 and finalised in July 2018. This promoted the role of design in new development through design guides and other means including the inclusion of residents in the design of new social housing.

The provision of social housing was also discussed in the Green Paper. It links to the general approaches to housing provision set out in the Housing White Paper *Fixing our broken housing market*, published in 2017¹⁰. While supporting the provision of more social housing, there are also links to aspirations for home ownership, social and geographical mobility. Social tenants tend to be less mobile than other parts of the population. Since the introduction of Right to Buy (RTB), 2 million tenants have become home owners, but they have not stayed in their former council homes

⁹ MHCLG (2018) Social Housing Green Paper <https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733605/A_new_deal_for_social_housing_web_accessible.pdf

¹⁰ <https://www.gov.uk/government/publications/fixing-our-broken-housing-market>

but frequently sold on their properties to landlords which have bought them to let and this has also been reflected through a rise in the rental market overall. There is a clear statement in the Green Paper that the government will support local authorities to provide more housing. The Green Paper also focused on those 166 local authorities with an active Housing Revenue Account, introducing key issues as a requirement to be able to borrow more, the rent levels that can be charged and the use of RTB receipts. The Green Paper proposed the increase in the HA borrowing cap for local authorities by £1bn but this was very quickly superseded by an announcement that the debt cap would be removed together¹¹. The control of rent levels, which had been reducing the ability of councils to undertake development in the HRA has been changed and a consultation on the use of RTB receipts was launched. There was also pressure on local authorities to sell their high value homes to replace them with other types of stock, but this was also subsequently removed as a policy as a result of the Green Paper commitments.

Although these reforms of the HRA have been welcomed by stock holding authorities with an HRA, it leaves several other issues for council provision of social housing unaddressed. The first is that the majority of local authorities are no longer stockholders and there have been no specific initiatives to understand where and how these outcomes of previous government policy will play out in practice. Local authorities without an HRA have been considering whether it would be worth re-opening an HRA in order to access grant for affordable housing from the Mayor of London or Homes England. However, it appears that a more favoured route for non-stockholding local authorities may be to establish a registered provider which would allow them to access grant in the same way as other housing associations.

The Green Paper did not address the issue of the government maintaining the HRA system when this is a political and not an accounting construct as the last report on this research demonstrated. The government made a commitment to implement the International Financial Reporting System (IFRS) in 2009¹² which brings local authority capital and revenue accounts into the same regime as private sector bodies. However, this has not been applied by HM Treasury in respect of local authority physical assets of land and buildings. Any development funding by local authorities is counted as borrowing rather than investment, as it would be in the private sector. This has a detrimental effect on the ability of local authorities not only to provide new housing but also to invest in the maintenance of the existing stock to maintain asset value as would be the case in the private sector. Secondly, local authority physical assets are valued at notional rather than market rates and in some cases on the value at the point of acquisition. Almost all local authority assets are not valued at market rates and this means that as well, as being denied access to investment finance, councils cannot raise funds to a level which would be the same as the private sector, including keeping these assets in good order to maintain their value. There are frequent comments on why other countries such as Germany and the Netherlands can provide housing, and this is the main difference.

The Green Paper also included mention of the role of local authority housing companies which the Government states is an appropriate way to deliver housing where the private sector is not doing so. This could also include types and locations for market housing when the private sector is not

¹¹ <https://www.socialhousing.co.uk/news/news/finance-leaders-welcome-removal-of-hra-cap-but-say-it-is-not-a-silver-bullet-for-the-housing-crisis-58906>

¹² <https://www.parliament.uk/documents/upload/ifrsbriefing.pdf>

currently building homes. These may be where the local authority has no Housing Revenue Account. The Green Paper suggests that the local authority might consider transferring any stock built through a company to a housing association. However, in many local authority areas, housing associations are no longer active or have indicated that they do not wish to take on stock for social and affordable rents. Also, some local authorities have established their own housing associations and the properties could be transferred to these. The Green Paper states that the government considers that local authorities should also offer opportunities for those households in these tenures to move into home ownership although it does not indicate that this will be through a requirement to implement RTB provisions. In some local authorities, those in social rented properties are being offered the opportunity to build up a housing deposit or to buy at some future stage, for example Hackney and Woking¹³.

In terms of providing more affordable housing, the Green Paper indicated that there would be support to housing associations through funding channelled through Homes England and through the Mayor in London for the establishment of strategic partnerships. In London the mayor has gone beyond this to provide social rented housing funding for London Boroughs¹⁴ and provided direct support to the councils to deliver this housing¹⁵. Finally, the Prime Minister gave a speech in support of local authority housing direct provision in September 2018¹⁶.

Homes England

Since its formation in 2017, Homes England (HE) has been expanding its role and its staff¹⁷. HE has continued the roles of its predecessor bodies in supporting the delivery of housing through making land available to the private sector and housing associations. It is also moving to take equity in housing developments in a new approach. While HE has provided support for all aspects of the market, it has not yet supported local authorities in the direct provision of social housing outside of the grants available through the HRA or in their upskilling in the same way as the Mayor of London. HE has supported local authorities through infrastructure funds, the Accelerated Construction programme and a special grant regime for small sites. HE has made a commitment to working with 'ambitious' local authorities in their current planning period but there is no indication of what this relationship might be. One of the major uses of HE funds allocated from government is to the Help to Buy Scheme which provides loans to new home purchasers. After 2021 this will only be available to first time buyers and it is likely that the scheme will be ended altogether in 2023¹⁸.

2.3. Changes in planning policy

National Planning Policy Framework (NPPF)

The publication of the draft revised version of the NPPF in February 2018 was long anticipated and the final version was published in July 2018. The first version was published in 2012 and it created

¹³ <https://www.getsurrey.co.uk/news/surrey-news/trying-housing-ladder-social-tenants-14239785>

¹⁴ <https://www.london.gov.uk/press-releases/mayoral/mayor-agrees-1bn-plan-to-build-11000-new-homes>

¹⁵ <https://www.london.gov.uk/press-releases/mayoral/mayor-boosts-councils-homebuilding-with-10m-fund>

¹⁶ <https://www.gov.uk/government/speeches/pm-speech-to-the-national-housing-federation-summit-19-september-2018>

¹⁷ <https://www.gov.uk/government/publications/homes-england-strategic-plan-201819-to-202223>

¹⁸ <https://www.thisismoney.co.uk/money/mortgageshome/article-6330133/Help-Buy-extended-two-years-time-buyers.html> ; <https://www.building.co.uk/news/revised-help-to-buy-extended-until-2023-but-will-end-after-that-date/5096290.article>

a range of policy interpretations for the delivery of the Planning and Compensation Act 2004 which has continued largely unaltered in its content. Initially, the 2004 Act was accompanied by guidance and policy statements that were related to a range of planning policy issues including housing and the format of local plans. The NPPF was accompanied by revisions to Planning Guidance to make it more succinct. However, the NPPF places a focus on the delivery of planning permissions for housing while tipping the balance towards private sector housing provision above other tenures and types of housing in local plans.

Before the revised NPPF was published for consultation, there were Government sponsored reviews of its focus and delivery including those undertaken by an Expert Group led by John Rhodes¹⁹ and the Elphicke-House review of local housing delivery²⁰. Both reviews were conducted from the perspective of the private sector.

There has also been an expansion of permitted development rights, particularly as they relate to the conversion of offices to housing which meant that this process no longer required planning consent²¹. This led to a considerable loss of income for local authorities as well as the associated affordable housing that would normally be expected with this scale of development²².

The publication of the draft revised NPPF for consultation in February 2018 was accompanied by considerable amounts of consultation from both the government and the RTPI. This included roundtables across England at which officials attended to listen to concerns.

The main policy focus in the NPPF was concerned with housing and the extent to which land supply could be made available in local plans to meet the nation's housing needs. The draft revised NPPF focused on the role of the local plan in understanding the range of local needs for different types and tenures of housing including those for special needs and students. Despite the subsequent Green Paper on social housing, the term is removed from the NPPF and replaced with the more generic affordable housing. The provision of market housing is to be at least 10% of any market scheme, based on the viability assessment for any development with exemptions for smaller sites and those where there have been other permitted development changes, for example office to residential conversions.

The revised NPPF requires that the quantity of land identified for each local plan is to be calculated using a specific method known as the Housing Delivery Test (HDT) which is entirely for market-based housing. There is no test for the other parts of the housing market identified in wither the specific needs element of the revised NPPF nor the Letwin review viz, market, social, affordable and special needs including key worker²³. Where developers have not built out the requisite volume of housing in their areas, local authorities will be held responsible for this although they have no legal control over build out rates of the private sector developers, as later pointed out by the NAO²⁴.

The revised NPPF also provides local plans with one new tool which is a deliverability test for

¹⁹ <https://www.gov.uk/government/publications/local-plans-expert-group-report-to-the-secretary-of-state>

²⁰ <https://www.gov.uk/government/publications/review-into-the-local-authority-role-in-housing-supply>

²¹ Ben Clifford et al <https://www.rics.org/uk/news-insight/research/research-reports/assessing-the-impacts-of-extending-permitted-development-rights-to-office-to-residential-change-of-use-in-england/>

²² <https://www.local.gov.uk/about/news/10000-affordable-homes-potentially-lost-through-office-conversions>

²³ <https://www.gov.uk/government/publications/independent-review-of-build-out-preliminary-update>

²⁴ <https://www.nao.org.uk/report/planning-for-new-homes/>

housing sites and there is some evidence that this is being used in practice by some local authorities such as those in Oxfordshire. Here, in order to have their sites included within the five-year land supply, developers and land owners/promoters are being asked to state their expected profit margin for their proposed developments on the understanding that those seeking larger profits are likely to be slower in developing than those looking for a smaller margin. In these cases, the developers with the higher profit objectives are being moved down the list as being less likely to deliver quickly. As the Letwin Review demonstrates (see below), this is entirely set to the rhythm of the market and forcing the pace might be market tampering. If the developers do not deliver the volume of housing as identified by the HDT then the local authority rather than the developer is penalised by having to bring forward more land and this enshrines a perverse incentive to non-delivery by the market. Thus the five-year housing land supply is regarded as a land supply for market housing with some provision of affordable housing provided as developer contributions.

While the revised NPPF strongly advocates that local plans should identify housing need in specific locations and by type of dwellings up to paragraph 62 in the text, after this there are no mechanisms for how these housing needs will be met in practice other than market solution. Evidence demonstrates that homelessness is growing and the NPF/RTPI research demonstrated the strong and growing motivations of local authorities to provide housing directly to meet these and other unmet needs in their areas²⁵. The NPPF has provided no planning policy link to the Government's changing housing policies as initially set out in the Housing White Paper in 2017 and Social, Housing Green Paper 2018.

So how can local authorities guarantee that the proportion of the housing built in their area is of the type and tenure that matches their housing need through the means of their local plan? Firstly, local authorities are designating sites and housing types for special needs including students and considering ways of providing key worker housing although this may be through their own direct action rather than through their local plan policies. Secondly, the revised NPPF provides means through which PRS developments should be treated in the planning system. The remainder of the development needed for social and affordable housing is a result of specific providers coming forward with schemes or as a residual in any development through viability assessments and planning agreements which may be re-presented after consent for renegotiation.

While the government has been less concerned with the provision of non-market housing this has created a long backlog of housing need that is now exacerbated by homelessness. Given the revised NPPF position which is deaf to both the scale of this issue and the changing overall government policy, it is hard to see how long the revised NPPF can continue without further policy adjustments to meet the pressure for social and affordable housing to be provided. Although removed from the consultation draft, the government restored the definition of social rent to be used in the revised NPPF after concerns had been expressed by local authorities²⁶ and which is defined as at least 20% below market rent. Concerns at the proposal to make this change were expressed by the Local Government Association²⁷ as they were concerned about levels of social

²⁵ <https://www.rtpi.org.uk/knowledge/better-planning/better-planning-housing-affordability/local-authority-direct-provision-of-housing/>

²⁶ Government restores 'social rent' to definition of affordable housing 24th July 2018

<https://www.insidehousing.co.uk/news/news/government-restores-social-rent-to-definition-of-affordable-housing-57341>

²⁷ <https://www.themj.co.uk/LGA-in-social-rents-plea/211263>

rent properties falling to a historic low level²⁸. When considering homes for social rent, the numbers completed has fallen in four consecutive years.

The Letwin Review

The review undertaken by Sir Oliver Letwin on housing build out rates was commissioned in the 2017 Budget. His terms of reference were to “explain the significant gap between housing completions and the amount of land allocated or permissioned in areas of high housing demand and make recommendations for closing it”. It followed on from the Housing White Paper and was tasked with examining the gap between the number of planning permissions for housing being issued by local authorities in England and the number of completions. Letwin was requested to review this gap, to identify what might be causing it and then to make recommendations to the Government. The draft analysis for the review was published in June 2018²⁹. In this Letwin examined the structure of the housing market and an assessment of the reasons provided by developers for the gap between permissions and build out rates leading to housing completions.

In his work, Letwin chose to focus on larger sites and this is where his final recommendations were made³⁰. However, in his draft report, Letwin made some significant findings about the operation of the housing market and its relationship to the planning system. The review focused on the absorption rate for housing being the critical element in moderating delivery at the local level. This is that housing completions are dependent on the rates of sales in any area consistent with the maintenance of housing values in the existing secondary market. The draft analysis of the review found that there was a median rate of 15.5 years for build out on very large sites and continued to examine why this might be the case. The review team were told by developers they met that the absorption or sales rate varied by location although the review also found that smaller housing sites were built out more rapidly. In his review, Letwin focused on the ways in which larger sites could be developed more rapidly within the current system. He then looked at the reasons given for slow build out and what might be done to increase this.

In his assessment of the speed with which planning permissions are turned into housing completions, Letwin considered the development process. In this he examined the issues of land purchase and its residual value after other costs had been considered. The price of the land reflects what could be achieved for the price of each completed dwelling and in turn this is related to the prevailing levels of sales prices achieved on the secondary market. It did not consider the levels of profit that may be included within this assessment. While acknowledging that the price for land would include some contribution towards achieving the NPPF standard of 10% market homes within this price margin, Letwin did not consider what the price of land would be if the type of housing that was restricted to a specific mix of affordable and market housing, rather than a residual function of viability assessments for the development.

Letwin’s approach to encouraging building out of large sites more rapidly is to differentiate the type

²⁸ https://www.insidehousing.co.uk/news/councils-issue-social-rent-warning-as-supply-drops-to-historic-low-57044?utm_source=Ocean%20Media%20Group&utm_medium=email&utm_campaign=9622618_IH-DAILY-2-7-2018-GR&dm_i=1HH2,5Q8UY,7UMZVR,MB194,1

²⁹ Letwin O. (2018) Independent Build Out review; draft analysis https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718878/Build_Out_Review_Draft_Analysis.pdf

³⁰ <https://www.gov.uk/government/publications/independent-review-of-build-out-final-report>

of housing provided within them. The low build out rates currently relate to homogenous housing being developed on large sites and that this is a product of the structure of the housing market and how housing is delivered. In this analysis, Letwin found six types of housing market operating in each local area and that these markets were separate and not overlapping:

- Housing for sale
- Market rented private housing
- Social rented housing
- Affordable rented housing
- Special needs and key worker housing
- Custom and self-build

However, he also found that providing the levers to deliver an adequate supply of each type by location was difficult and in effect the planning system was primarily providing market housing for sale, which might go immediately into the private rental sector. The planning system could provide up to 10% of the total provided for affordable rent as set out in the NPPF and some special needs housing including for older people and for students. However, Letwin found, even though this was not the primary focus of his review, that none of these housing market sectors were working very efficiently.

In effect, he found that the way to improve housing build out rates would be to build housing for all the market sectors in relation to local need. Letwin pointed out that this approach to providing housing by tenure and type as required to meet local housing need is set out in the revised NPPF (paragraph 61). However, by selecting quotations carefully, he did not reflect the next paragraphs statement that affordable housing was only to be provided by residual market funding and then that these should be for affordable home ownership rather than affordable or social rent. Having identified the full range of requirements in the housing market and that meeting these needs across all housing market sectors would speed the delivery of housing. Letwin makes no recommendations on the methods that could be used to achieve this in practice across all sites.

Letwin's proposals in his final report only related to large sites and did not offer any ways of controlling the mix of development on each site other than direct intervention by local authorities as occurs in other parts of Europe. While Letwin indicates that the outcome of market development is homogenous and that this needs to be more mixed if there are to be faster build out rates, the mechanisms that are suggested in his final report appear to rely on specific public interventions using the form of urban development corporations or other similar vehicles which are only available to larger local authorities or combined authorities.

Letwin also considered the stated blockages to the speedier build out of housing. These included failures to provide adequate infrastructure including roads and social facilities, stated delays in finalising planning agreements, the lack of availability of capital, land condition and the need for remediation, delays by utility companies, lack of skilled labour and of building materials. Of these Letwin was able to find some concerns for example about utilities but was not able to find any evidence that these factors had caused delays in development. When reviewing housing finance, Letwin found that housing developers had very low gearing in their companies and could be given more extensive credit, but they rarely do this as they already have adequate cashflows to finance

development.

Letwin also considered the issue of land banking, and his response to this was to suggest that there should be more variation of type and tenure within large sites but there are no planning or other tools that can ensure that this occurs. Letwin concluded in the interim report that the only sectors in the market that are being served by the planning system are market housing and some affordable housing. The others are not supported through planning policy in local plans and are not able to be provided easily through the planning system. Despite some additional funding being provided for housing associations and local authorities through specific scheme offered by Homes England outside London and in London by the Mayor, there has been no recognition of these changes in funding patterns for social and affordable housing within the planning system. While land identified in five-year land supplies in local plans remains undesignated by tenure and type, then there is some potential for competition between providers for the use of land and an expectation that social and affordable tenures will find it difficult to deliver when the system does not recognise these changes in wider government policy.

Letwin's final report was published in October 2018³¹. There have been many comments and criticism of the Letwin Review not least on its narrowed focus on large sites in the final report. It is also the case that the government has already indicated that it will not be implementing some of the recommendations made while the response to the whole review has been considerably delayed³².

2.4. Other policy issues

Local authority commercial investment

As local authorities have been seeking to generate more income to replace the shortfall created by the abolition of the Revenue Support Grant in 2020, a number have established property companies that have primarily invested in commercial and retail development. In this way councils have been acting in the same way as patient investors and pension funds that rely on rents to meet payments to their beneficiaries. This increased activity in the market has been met with considerable criticism by existing property investors³³ who have objected to the opportunity available to local authorities to borrow funds at below market rates from the Public Works Loans Board in comparison with private investors. The local authority engagement in property investment has also been viewed as a market disruptor by existing investors and they have been pressing the government to act to stop or reduce the role of local authority property companies. In response, CIPFA has offered advice about the way in which local authorities should consider the risk of such investment and have pointed out that investment in housing is less risky³⁴. The government has

³¹ <https://www.gov.uk/government/publications/independent-review-of-build-out-final-report>

³² <https://www.building.co.uk/news/government-response-to-letwins-review-likely-to-be-weeks-overdue/5098198.article>

³³ <https://www.ft.com/content/5dcd8fa6-d1e7-11e8-a9f2-7574db66bcd5> ; House of Commons Library Briefing Paper Number 08142, 16 February 2018 Local government: commercial property investments

³⁴ <https://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/investing-in-commercial-property-and-the-need-for-new-guidance>

also provided new advice³⁵ which does not seem to provide any real break on local authority commercial property development in practice.

National Audit Office review of Government's policy on planning for housing

The National Audit Office (NAO) review of the implementation of the Government's policy to deliver 300,000 homes per year by the mid-2020s examined the policies and initiatives in place to achieve this end. The Review examined the planning tools that the government is using to achieve these numbers including local plans and the role of planning applications and appeals. It also considered the way in which infrastructure is provided to support this new housing. The NAO points to the fact that there is a wide gap between local authority assessments of housing need and the way that housing supply is calculated in local plans. The NAO concludes that the coordination between central government departments to support housing delivery is poor, the system that supports local authorities in the negotiation for infrastructure contributions from developers is not working well and that developers are also using the system to pay less contributions than have been previously agreed. The NAO has also found that while developer profits have been increasing along with house prices, the levels of contributions have been reducing. As the summary report states:

“The Department estimates that average contributions agreed with developers remained in cash terms at around £19,000 per new home permissioned between 2011-12 and 2016-17. In contrast, over the same period, average house prices increased in cash terms by 31% and the top five developers' average operating profit margins increased from around 12% to 21% between 2012 and 2016. The Department estimated that in 2016-17, local authorities and developers agreed contributions of £6 billion to the cost of infrastructure and affordable housing through the Levy and section 106 agreements. However, the actual contribution developers make will be lower as developers will not build everything that local authorities approved, and developers may renegotiate lower contributions during the build”³⁶

The NAO have also concluded that the government does not understand the effect of skill shortages in planning and the staffing issues in the Planning Inspectorate National Service (PINS).

NAO Recommendations

The Department's new National Planning Policy Framework is an important step in planning policy. It is too early to tell whether the changes it introduces will be effective.

The following recommendations are for the Department to implement alongside the framework to help the planning system to work more effectively.

a The Department needs to regularly monitor the gap between the number calculated by the standard method, local authorities' own assessment and the ambition for 300,000 new homes and assess the risks of not meeting its ambition.

b The Department needs to assess the numbers of, and the potential implications for, local authorities that are at risk of failing the housing delivery test and set out how it will

³⁵

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf

³⁶ <https://www.nao.org.uk/wp-content/uploads/2019/02/Planning-for-new-homes-Summary.pdf> (page 11)

support those local authorities.

c The Department's performance metrics for local authorities and the Planning Inspectorate for dealing with planning applications and appeals need to reflect performance more fully, the process in its entirety and take capacity into account.

d The Department needs to work with local authorities and other government departments to ensure that the necessary infrastructure is funded and delivered.

e The Department should work with industry bodies on detailed research on the skills gaps in local authorities' planning teams, particularly on the shortages of experienced planners with specialist skills sets.³⁷

Labour Party housing policy

In April 2018, the Labour Party published a Green Paper on housing policy, *Housing for the many*³⁸. This set out the Labour Party's commitment to providing more affordable homes if they come to power, including the reform of the definition of affordable rent to link it with income. The Green Paper also gave commitments to safe homes which is seen to be an important policy pledge in a post-Grenfell world. The paper also makes a commitment to end Right to Buy for council tenants. It also pledged to make a new duty on planning to provide affordable homes and to close the viability loophole. Finally, it proposed the establishment of an English sovereign land trust to provide land or housing at a lower price than currently available.

2.5. Discussion: So, where are we on government policy?

The Government's major policy initiatives for the planning system during 2018 and early 2019 focus on the delivery of market housing, and this is now sitting uncomfortably alongside the Government's policies for greater delivery of social and affordable housing through Homes England and the Mayor of London's partnership agreements with Housing Associations and local authorities. The Housing and Planning Minister has stated that there are insufficient homes for social rent being delivered but has not considered changing the planning system to enable greater delivery to occur. While the reforms in the funding regimes will support the delivery of more social and affordable homes, the default position for this type of home to be provided through the planning system is through developers' contributions. The identification of 5-year land supplies do not provide a mechanism to identify the tenure or type of dwelling and is fundamentally dislocated from the assessment of all housing need in an area. The Letwin Review identified this issue in its interim report but did not follow through on the consequences of this failure to recognise the four housing markets in the planning system in its final report.

While the volume housebuilders are providing approximately 150,000 dwellings per year, they are supportive of the role of local authorities and housing associations in meeting the requirements set at 300,000 per annum by the government, although they do not want there to be any direct competition. However, while the planning system is dependent on the market for delivery of all

³⁷ <https://www.nao.org.uk/wp-content/uploads/2019/02/Planning-for-new-homes-Summary.pdf> (page 12)

³⁸ <https://labour.org.uk/issues/housing-for-the-many/>

types of housing, analysis has shown that the number of new social rented homes being provided each year is falling while Right to Buy properties are not being replaced. There are also concerns about the type of dwellings being provided through planning policy including the failure to provide a mix that meets local housing need. In 2019, the main issue facing local authorities in providing housing in their areas is the relationship between the government's planning and housing policies.

In conclusion, since 2017 there have been changes in government housing and planning policies, but they are not in alignment and they are not providing any additionality through working together in the same system. Unexpectedly, local authorities are continuing their engagement in direct delivery of housing.

3. What has changed: the housing market

In this section, we review of the changes in the housing market since the NPF/RTPI Report (2017).

3.1. Supply

Land

While the supply of land continues to be identified as a major restriction on house building in all sectors of the housing market, the pressure to build homes is bringing a renewed approach to identifying the type of sites that can be considered. In local authorities that are engaging in direct delivery of housing, the GL Hearn survey (2019) has shown that 95% of local authorities are building on land that is in their ownership. In some cases, this is on smaller sites that are unattractive to other builders and some local authorities have planning policies aimed at small sites including Cornwall³⁹ and Bristol⁴⁰. Croydon has also prepared a Supplementary Planning Document (SPD) for windfall and other types of small site redevelopment in suburban areas⁴¹.

In the private sector, there has been a sustained interest in agricultural land being brought into housing use⁴². On brownfield sites, land such as that owned by major food retailers is being redeveloped for housing using upper floors⁴³ while car parks and industrial land⁴⁴ are also being developed with housing on upper floors⁴⁵. Another use that is being considered for housing is

³⁹ <https://www.cornwall.gov.uk/media/14384453/affordable-housing-spd-local-plan-supporting-document-draft-march-2015.pdf>

⁴⁰ https://bristol.citizenspace.com/business-change/urban-living-supplementary-planning-document/user_uploads/urban-living-spd--making-successful-places-at-higher-densities-august-2018-consultation-version-1.pdf

⁴¹ https://www.croydon.gov.uk/sites/default/files/articles/downloads/SPD2_Chapter%201_Introduction.pdf

⁴² <https://www.fwi.co.uk/business/housing-need-pushes-farmland-1macre>

⁴³ <https://www.homesandproperty.co.uk/property-news/buying/new-homes/thousands-of-new-london-homes-could-be-built-above-stores-and-tesco-is-leading-the-charge-a114431.html>

⁴⁴ https://www.london.gov.uk/sites/default/files/136_industrial_intensification_and_co-location_study_-_design_and_delivery_testing_reduced_size.pdf

⁴⁵ <https://www.barratthomes.co.uk/new-homes/London/news/news-archive/fulham-riverside-wins-bronze-partnership-award/> ; <https://www.constructionnews.co.uk/markets/sectors/housing/barratt-to-redevelop->

above car showrooms⁴⁶. The Mayor of London has provided a loan to a company to explore how additional floors on residential can be added to be used for housing⁴⁷. Some retailers are building mixed developments as part of their case for new retail stores⁴⁸. In Bournemouth, the council is developing its own car parks with housing above to maximise the use of the land⁴⁹ and there is potential to undertake similar development elsewhere⁵⁰

Local authority delivery

As the desk survey published with this report and the direct survey undertaken for GL Hearn (2019) demonstrate, local authorities are continuing to increase their volume of housing provision. While for some – such as York – the removal in the HRA debt cap is leading to new social housing delivery for the first time in many years,⁵¹ for others it has enabled the development of schemes that were already being considered (as in Southwark)⁵². Local authorities are also expanding their own delivery outside the HRA and this includes the establishment of their own companies and the use of joint ventures with developers, housing associations or other public bodies. Some councils are building housing using the general fund and not holding these homes in a company⁵³.

Local authorities have several ways in which they can hold housing within their ownership. The three main ones are within Part II of the Housing Act 1985 and any homes held within this provision, regardless of tenure, must be held within a Housing Revenue Account. In practice, a council can hold up to 200 homes using this legal provision without opening an HRA if they do not have one, but they are required to obtain permission for this from MHCLG, which is a formality. Councils can also hold housing for commercial reasons – that is to generate income. This housing might be held within a property or development company and can be for all tenures and can be let at social rent although not with the same security of tenure as those provided using the Housing Act 1985. This might be done using Sections 1-7 of the Localism Act 2011. The third main way that Councils can hold housing is to support wellbeing purposes within Section 2 of the Local Government Act 2000. In this case, homes might be held in specific tenures or locations to meet the wellbeing of the area including the need to support economic and social objectives and may also be offered at social rent but without the same security of tenure. Only tenants of homes held within the Housing Act 1985 powers are eligible for RTB. If councils use the other powers to hold housing, then it can offer rolling tenancies of up to five years⁵⁴ although L&Q and other housing

[450m-sainsburys-nine-elms-scheme/8642462.article](https://www.theguardian.com/property/2019/jul/25/450m-sainsburys-nine-elms-scheme/8642462.article) ; <http://camdennewjournal.com/article/700-home-development-planned-in-overhaul-of-morrisons-supermarket-site-in-chalk-farm>

⁴⁶ <https://www.am-online.com/news/dealer-news/2019/01/25/lookers-opens-battersea-volkswagen-in-a-housing-development>

⁴⁷ https://www.developmentfinancetoday.co.uk/article-desc-7131_apex-airspace-secures-%C2%A310m-loan-from-mayor-of-london

⁴⁸ <https://www.theguardian.com/business/2018/jul/29/discount-grocer-lidl-plans-build-3000-homes-school-planning-permission-new-stores>

⁴⁹ <https://www.bournemouthcho.co.uk/news/17213038.flats-to-be-built-at-eden-glen-car-park/>

⁵⁰ 'Car Parks to residential innovation: Driving Innovation' Nick Whitten JLL January 2017

⁵¹ <https://democracy.york.gov.uk/ieDecisionDetails.aspx?AllId=50870> Building More Homes for York - Removal of the HRA Borrowing Cap

⁵² <https://consultations.southwark.gov.uk/housing-community-services-department-community-engagement-team/11-000-new-council-homes-design-and-neighbourhoods/>

⁵³ <https://www.plymouth.gov.uk/home/homesandproperty/ourplanshousingandhomes/ourplanbuildinghomes>

⁵⁴ <https://www.lbbd.gov.uk/affordable-rents-reside-housing>

associations are now extending their tenancies from fixed term to lifetime⁵⁵.

Private sector delivery

Private sector delivery of homes has continued at a steady rate supported by the Government's Help to Buy scheme which provides loans to reduce the initial costs of house purchase for new properties of these with an income of £80,000 per annum or less. Estimates show that a third of housebuilders private sales are supported by this Government scheme⁵⁶. While this has supported increased completions⁵⁷, the Chancellor of the Exchequer has announced that the scheme will end in 2023. Further there have been public anxieties about the scale of Help to Buy funding which has supported remuneration packages for staff such as that for Persimmon⁵⁸, particularly when there have been major quality concerns about their products across the country. A second housebuilder, Taylor Wimpey, has also seen an increase in profits despite the public concerns about their leasing rather freehold sales of their properties which have included ratcheting costs⁵⁹. The government has said that it will consider excluding Persimmon from its Help to Buy scheme⁶⁰. In response to a Parliamentary Select Committee⁶¹, the Government has also said that it will outlaw these leasing deals, but no action has been taken yet.

In the NPF/RTPI (2017) report, concerns were expressed by local authorities about the low build out rates of developers and this again provides a continuing motivation for local authorities to build housing directly. There have been further studies on the issue of unimplemented planning permissions held by developers in comparison with their build out rates⁶² which remain a concern to local authorities. As the NAO report has demonstrated, the number of affordable homes being provided by housing developers as part of their development contributions has been reducing while their profits have been increasing. The head of Berkeley homes has stated that affordable contributions are making developments unviable and has reduced contributions on all its London sites although he has been given £174m in salary and benefits⁶³.

Registered providers

In the period since December 2017, the role of Housing Associations now more frequently called

⁵⁵ <https://www.lqgroup.org.uk/about/media-centre/news/details/135> L&Q to end Fixed Term Tenancies to give greater security to social housing residents;

⁵⁶ <https://www.helptobuy.gov.uk/>

⁵⁷ www.theguardian.com/business/2018/mar/20/bellway-on-track-to-build-more-than-10000-homes?CMP=Share_AndroidApp_Gmail

⁵⁸ https://www.theguardian.com/business/2019/feb/26/persimmon-profits-help-to-buy-scheme?CMP=Share_AndroidApp_Gmail

⁵⁹ <https://www.bbc.co.uk/news/business-45431914> House owners rue leasehold purchases; <https://www.thisismoney.co.uk/money/mortgageshome/article-6043987/Taylor-Wimpeys-leasehold-scandal-redress-fund-spent-one-tenth-budget.html>

⁶⁰ https://www.bbc.co.uk/news/business-47356378?ocid=socialflow_twitter ; https://www.theguardian.com/business/2018/mar/12/persimmon-chief-bonus-raab-housing-help-to-buy?CMP=Share_AndroidApp_Gmail

⁶¹ <https://www.parliament.uk/business/committees/committees-a-z/commons-select/housing-communities-and-local-government-committee/inquiries/parliament-2017/leasehold-reform-17-19/> Leasehold reform inquiry

⁶² <https://www.theguardian.com/society/2018/oct/25/developers-hog-land-for-record-130000-homes-analysis-reveals>

⁶³ https://www.theguardian.com/business/2018/sep/03/berkeley-calls-affordable-housing-targets-unviable-as-chairman-earns-174m?CMP=Share_AndroidApp_Gmail

Registered Providers (RPs) has continued to change. There have been continuing mergers to create larger associations and reduce the number of smaller RPs, often at a very fast pace⁶⁴. This has meant that in some locations, the local authority relationships with local RPs are not as close as they were particularly where developments are small. Also, local authorities that sold their housing stock to local RPs are now finding that the development focus supported by rental income is no longer on their area and priorities of these newly managed RPs are elsewhere. Further, some RPs no longer want to take on affordable properties provided to local authorities through s106 agreements although, as our surveys demonstrate, there are many partnership relationships between local authorities and RPs.

Some RPs have also purchased land supply companies to ensure a pipeline for their own development⁶⁵. RPs are also changing their portfolios. They are building more housing for sale although in locations such as London some RPs have been caught by a reduction in sales and must consider other options including changing their financing to use properties for market rent. Where this is the case, the capital repayments will be over a longer period and this might slow down the wider RP development programme. Other RPs have been selling new property to local authorities and this trend may continue. The larger RPs are seeking more significant relationships with local authorities such as that between Places for People and Surrey County Council which is worth £1.5bn and lasts 15 years⁶⁶. It could provide up to 10,000 homes on 35 sites across the County.

There is also another trend in that there are several for-profit RPs established by the private sector. These include Legal and General, Sage, Grainger and British Land⁶⁷. The changes in legislation in 2008 means that these RPs must be registered but traditional Housing Associations are concerned that this means that these for-profit RPs will be eligible to receive local authority s106 properties and they may sully the reputation of their housing association brand.

Affordable homes

In the period since the last research was undertaken in 2017, the uncertainties in the market, particularly related to Brexit have increased. These uncertainties have related to finance, labour force to construct housing, professional skills and shifts in the proportions of dwellings in each tenure type overall. Levels of construction have reduced⁶⁸. While planning permissions have increased, the volume of housing being built has not increased at the same rate. Uncertainties in the market, which is having some influence on rental or sale process for market housing is expected to have an influence on the levels of CIL and s106 that can be collected⁶⁹. As the TCPA's recent study has shown⁷⁰, much of the recent social and affordable housing completed was funded

⁶⁴ <https://www.insidehousing.co.uk/news/news/housing-association-in-talks-for-second-merger-in-four-months-55509>

⁶⁵ <https://www.ft.com/content/cbea7aa8-e7c4-11e6-893c-082c54a7f539>

⁶⁶ <https://www.propertyweek.com/news/surrey-cc-forms-places-for-people-resi-jv/5098595.article>
<https://www.building.co.uk/news/places-for-people-lands-15bn-housing-jv/5094879.article>

⁶⁷ <https://www.insidehousing.co.uk/insight/insight/new-kids-on-the-block-why-for-profit-providers-are-making-housing-associations-nervous-57923>

⁶⁸ <https://www.bbc.co.uk/news/business-43342505> UK construction output in biggest fall since 2012

⁶⁹ 'Property downturn could reduce number of affordable homes built by 25%' The Guardian Julia Kollewe 26th November 2018 https://www.theguardian.com/business/2018/nov/26/property-downturn-could-halve-building-of-affordable-homes-savills?CMP=Share_AndroidApp_Gmail;

⁷⁰ <https://www.tcpa.org.uk/planning-for-affordable-housing-report>

by developers' contributions and indeed this is the Government's preferred model for social and affordable housing funding. Any reduction in these contributions will have a considerable effect on the volume of delivery for this tenure type.

The supply of affordable homes within the planning policies of the government are becoming more difficult⁷¹ while demand remains very strong. For example, in Edinburgh, more than 3,000 people applied for 138 affordable homes.⁷² This is for several reasons including the increase in permitted development. The Local Government Association has assessed that local authorities have missed the provision of 10,000 homes since 2015 because of permitted development allowing offices to be converted for residential use with the need for planning consent⁷³.

Another major concern is that since the publication of the NPPF in 2018, the definition of affordable housing had become blurred. While most people might consider that affordable housing is for social rent, the NPPF means that in practical terms affordable housing means shared ownership. The definition of social housing has been subsequently restored to the revised NPPF. There are some councils and companies that are finding that building affordable homes at scale can still make some return. There are a number of companies that are investing in affordable housing as a tenure offer rather than as a residual tenure from market sale⁷⁴. Pocket Living has joined up with Optivo on several London sites where two types of affordable tenure are available within the same development⁷⁵.

The provision of social rented homes still needs some subsidy provided by Homes England and the Mayor of London. In a recent offer to London Boroughs, the Mayor has had a scheme where councils could bid for funds to build social rent homes⁷⁶. Initially it was considered only to be available to those boroughs with HRA. However, after consideration it was extended to non-stock holding authorities if they went into partnership with a registered provider to manage these homes.

Some councils are providing affordable homes by bringing together a range of funding that they have been collected from commuted sums on s106 agreements. Derbyshire Dales District council is currently providing more than 500 homes through a range of means and working with the private sector and housing developers⁷⁷ which is a significant addition to the number of affordable homes that the council was providing in 2015.

While the planning mechanisms for providing affordable homes appear to be under more threat through re-negotiation of extant planning consents from a low base, local authorities are now becoming more engaged in the provision of affordable homes through other means. By April 2018,

⁷¹ http://england.shelter.org.uk/_data/assets/pdf_file/0011/1597709/2018_10_19_Shelter_briefing_-_Building_more_affordable_homes.pdf

⁷² https://www.insider.co.uk/news/rettie-co-affordable-housing-edinburgh-13231451?utm_source=twitter.com&utm_medium=social&utm_campaign=sharebar More than 3,000 people apply for 138 affordable homes in Edinburgh

⁷³ <https://www.localgov.co.uk/Permitted-development-rules-are-exacerbating-affordable-housing-crisis-councils-warn/46448>

⁷⁴ <https://www.insidehousing.co.uk/insight/insight/the-development-that-is-100-affordable-housing-57334>

⁷⁵

https://www.pocketliving.com/bucket/pocket/documents/Inside%20Housing%20Pocket%20Optivo%20interview%20003_5b5b01bdb4aa5.pdf

⁷⁶ <https://www.london.gov.uk/press-releases/mayoral/mayor-agrees-1bn-plan-to-build-11000-new-homes>

⁷⁷ <https://www.matlockmercury.co.uk/news/more-than-500-affordable-homes-are-to-be-built-in-the-derbyshire-daales-to-help-those-struggling-to-buy-a-house-1-9239201>

the Mayor of London had increased the number of affordable housing starts by 40% compared with the previous year⁷⁸.

Right to Buy

Many council tenants are continuing to exercise their Right to Buy but the mechanism for using receipts does not allow the replacement of the same number of homes as have been lost. Further, once purchased from the council, former tenants are now selling their properties which are frequently entering the PRS sector and in several locations, councils are renting back properties from the new private owners to use for their homeless. In Salford for example, 13,000 council homes have been lost to RTB which represents 5% of the Council's stock⁷⁹. In Manchester, 10,000 homes have been lost and there have been no replacements⁸⁰

There is also another phenomenon which is that those who exercised the right to buy early on and have stayed in their properties are now reaching retirement and are concerned about the costs of potential repairs on their property. Some of these households are approaching the council to seek a council buy back option so that they can return to be council tenants with a more secure situation. Some councils are buying back properties where there are estate regeneration or property management reasons for doing so. For these older RTB owners, then this may mean moving back into a shared ownership or other tenancy relationship with the council.

When tenants exercise Right to Buy, a portion of the receipts are returned to the council with the intention that these fund replacement homes. Despite Government commitments for a 100% replacement of homes sold through RTB, this is not being achieved⁸¹. The ways in which these receipts are provided back to councils are proportionate and short-lived and it is not possible to use the receipts to achieve a one-for-one replacement of the sold homes. If the RTB receipts are not used within the government specifications, then they revert to Homes England outside London and to the Mayor of London within London. This has been a source of contention and in London, the Mayor has offered a different approach where, instead of unused receipts going into the Mayor's general housing pot, the unused RTB receipts are placed within the equivalent of a bank account so that councils are able to use them later and also they can be used in a way that is less restricted. This approach does not apply outside London. Some councils are using RTB receipts in innovative ways⁸². There has been continued pressure on government to change the current system to allow freedom on the use of these receipts and to retain all the funding that is received. In August 2018, the government issued a consultation to seek views for the councils and other interested parties on variations on the current use of receipts⁸³.

⁷⁸ <https://www.insidehousing.co.uk/news/news/london-mayor-funding-highest-level-of-affordable-housing-since-2010-55868>

⁷⁹ https://www.theguardian.com/society/2018/oct/30/salford-mayor?CMP=Share_AndroidApp_Gmail

⁸⁰ <https://www.manchestereveningnews.co.uk/news/greater-manchester-news/calls-right-buy-policy-suspended-15154742>

⁸¹ <https://www.insidehousing.co.uk/news/news/government-breaks-promise-on-right-to-buy-replacements-55559>

⁸²

<https://democracy.islington.gov.uk/documents/s15276/Building%20Genuinely%20Affordable%20Housing%20in%20EC1.pdf>

⁸³ <https://www.gov.uk/government/consultations/use-of-receipts-from-right-to-buy-sales>

Build to rent

While living in rented accommodation is more typical in countries other than the UK, including on mainland Europe and in the US, this has been a less popular tenancy option since the 1930s when there was a surge in rented mansion blocks. However, there has been an increase in development interest in this type of tenure from two main sources. The first is the build to rent market being developed by pension funds including Legal and General⁸⁴. Places for People, a large RP has also set up a build to rent scheme through its investment arm, PfP Capital⁸⁵. The second is through the introduction of US companies in the UK with developments for longer term rental tenants who are seeking this form of housing as an alternative to ownership. One development in Wandsworth being promoted by Grey Star Homes is for 894 dwellings⁸⁶. This development also includes 20% affordable homes – 161 apartments- although the revised NPPF has lower expectations of affordable housing being achieved in PRS schemes.

Empty homes

One of the major concerns across England has been the number of empty homes. These are lost to the housing supply and reduce council income as they attract a lower level of council tax⁸⁷. In 2018, the BBC made an assessment that there were 11,000 homes in England that had been empty for ten years or more⁸⁸. And 2018, there was an estimate made that there are over 200,000 homes empty across England although this is a fall from the 300,000 vacant homes in 2010⁸⁹. In some places, such as in the higher priced areas of London, these are empty homes are assumed to be 'buy to leave' properties where the owners are only concerned with the rise in their asset value not in rents. Elsewhere in the country, there are empty properties because there has been market failure. Another cause for concern in second homes that are kept vacant for much of the year with little added to the local economy. Finally, there are major government owners such as the MoD that have vacant housing stock.

Most local authorities now have empty homes initiatives providing support for bringing properties into reasonable order to be let or sold and assisting with rentals and management⁹⁰. In 2018, the government announced that it intended to provide councils with more powers to double the level of council tax on empty homes although some councils already charge a 50% premium⁹¹

Buy to let

The buy to let market is not as buoyant as it was⁹², although it appears that the buy to let market

⁸⁴ <https://www.legalandgeneralcapital.com/media-centre/lg-capital---media-centre---articles---walthamstow-start-on-site.html>

⁸⁵ <https://www.placesforpeople.co.uk/about-us/news/2018/pfp-capital-launches-550-million-build-to-rent-fund/>

⁸⁶

http://www.wandsworth.gov.uk/news/article/14708/affordable_housing_boost_as_nine_elms_rental_homes_given_green_light?utm_source=Wandsworth%20Borough%20Council&utm_medium=email&utm_campaign=9864924_Sep%2021&dm_i=XWH,5VFTO,4QUUDUY,MYTOJ,1

⁸⁷ https://www.theguardian.com/society/2018/mar/31/council-tax-cuts-empty-homes-costing-millions?CMP=Share_AndroidApp_Gmail

⁸⁸ <https://www.bbc.co.uk/news/uk-42536418>

⁸⁹ <https://www.telegraph.co.uk/property/uk/number-empty-homes-england-rises-first-time-decade/>

⁹⁰ <https://www.no-use-empty.org.uk/> ;

⁹¹ <https://www.localgov.co.uk/Councils-given-power-to-double-council-tax-on-empty-homes/45039>

⁹² <https://www.theguardian.com/business/2018/oct/15/weaker-buy-to-let-market-hope-first-time-buyers-landlord-survey>

remains active⁹³ with numerous mortgage products available.

Airbnb

In some cities, there are concerns about the loss of residential accommodation to Airbnb. This is an issue in Edinburgh where now there has been a clause included in the title deeds that forbids owners from this type of letting⁹⁴, whilst Camden Council in London has also been taking enforcement action around this issue.⁹⁵

Housing for older people

Housing for older people is one of the specific categories that can be addressed in the NPPF although it is less certain how this can be achieved in policy terms. What type of housing to older people want to move to? In some cases, developers are building homes with larger storage accommodation which has been identified as a major concern for older people downsizing. A survey undertaken for a House of Commons Select Committee found that more than half of older people would consider living in bungalows⁹⁶.

Quality

One major concern expressed by local authorities that has increased since 2017 is that of quality. This is particularly about the design and finish of converted housing developments and concern has particularity related to some developers. These issues relate to room sizes, not least in unregulated conversions from offices to residential. Further there are concerns about the size of dwellings and the connection between this and health and happiness⁹⁷. One of the key concerns about quality is that of space standards within new dwellings. In the past there were minimum space standards for dwellings such as Parker Morris but since these have been abolished it is more difficult to bring them into use at the local level. Research by LABC (2018)⁹⁸ has shown that room sizes have reduced and that the UK has the smallest room sizes of any EU state. Problems of housing quality have been particularly acute in permitted development office to residential conversions, where many units are well below suggested national space standards (which can only be applied to developments going through planning permission if adopted into local policy), with little amenity space and in unsuitable locations.⁹⁹

There are also other concerns about access to sustainable forms of transport, walking and cycling

⁹³ <https://www.telegraph.co.uk/property/buy-to-let/buy-to-let-isnt-dead-meet-new-generation-young-property-investors/>

⁹⁴ <https://www.thetimes.co.uk/article/luxury-flats-with-a-catch-no-letting-them-on-airbnb-jvxx9jvrt>

⁹⁵ <http://camdennewjournal.com/article/camden-council-urged-to-get-tough-on-airbnb-lets>

⁹⁶ <https://www.insidehousing.co.uk/news/news/more-than-half-of-older-people-would-consider-living-in-bungalows-57634>

⁹⁷ https://www.theguardian.com/society/2018/sep/03/how-is-the-size-of-your-home-affecting-your-happiness-and-health?CMP=Share_AndroidApp_Gmail

⁹⁸ <https://www.theguardian.com/business/2018/apr/08/uk-living-rooms-have-shrunk-by-a-third-survey-finds> ; <https://www.labcwarranty.co.uk/blog/are-britain-s-houses-getting-smaller-new-data/> ; https://www.theguardian.com/commentisfree/2018/apr/10/the-guardian-view-on-shoe-box-britain-space-is-good-for-us-lets-have-some?CMP=Share_AndroidApp_Gmail

⁹⁹ Clifford et al <https://www.rics.org/globalassets/rics-website/media/knowledge/research/research-reports/assessing-the-impacts-of-extending-permitted-development-rights-to-office-to-residential-change-of-use-in-england-rics.pdf>

in new developments¹⁰⁰. A study by the RTPI, *Location of development*¹⁰¹ (2018) demonstrated that that 51 per cent of new housing permitted between 2015 and 2017 is over 2km from railway stations, compared with 53 per cent for the period 2012-2015.

Modern Methods of Construction

The use of modern methods of construction (MMC) has continued since 2017 by all types of housebuilder. MMC is popular because it can deliver homes at speed while homes made in factory conditions can be less fault prone than those made on site¹⁰². Some local authorities are considering building an MMC factory as in London¹⁰³ whilst RPs L&Q and Swan are also developing off site construction approaches¹⁰⁴. These approaches are also being used by volume builders including Barratts¹⁰⁵. There are some multi-storey developments using offsite construction such as in Croydon¹⁰⁶. Legal and General have also started to engage on offsite construction¹⁰⁷ as part of its objective of providing 3,000 homes per year¹⁰⁸.

One Public Estate and public sector partnerships

Some local authorities have started to work directly in partnership with other public bodies including the police, fire service, NHS and Universities. Rutland County Council has a partnership with the MoD to build homes on St Georges Barracks¹⁰⁹ and in February 2019, the Government announced a partnership between Homes England and the MoD for 10,000 homes.¹¹⁰

3.2. Demand

Homelessness

Since 2017, homelessness has continued to rise¹¹¹ particularly through no fault evictions where households are being evicted to house different and higher paying tenants. The legislation available to secure better practices from landlords is disjointed and piecemeal and, it is argued, full of loopholes.¹¹² Other issues have related to the changes in universal credit where the government is now paying out £22bn per annum which could be put into brick and mortar. The Government has

¹⁰⁰ <https://www.livingstreets.org.uk/news-and-blog/press-media/new-housing-developments-leaving-scots-car-sick>

¹⁰¹ https://www.theplanner.co.uk/news/only-half-of-housing-built-near-train-stations-finds-report?utm_source=Adestra&utm_medium=email&utm_term=

¹⁰² <https://www.centreforlondon.org/publication/made-for-london/>

¹⁰³ <http://www.bimplus.co.uk/news/london-councils-plan-launch-modular-housing-firm/>

¹⁰⁴ <https://www.building.co.uk/news/landq-to-ramp-up-offsite-production-/5097686.article> ;

<https://www.swan.org.uk/home/news/swan-delivers-the-first-of-their-modular-homes-to-site-in-basildon.aspx>

¹⁰⁵ <http://www.barrattdevelopments.co.uk/sustainability/taking-action/investing-in-innovation-and-development/innovating-to-improve-build-efficiency>

¹⁰⁶ <https://www.theconstructionindex.co.uk/news/view/croydon-towers-ready-for-module-fitting-to-begin>

¹⁰⁷ <https://www.legalandgeneral.com/modular/>

¹⁰⁸ <https://www.theguardian.com/business/2018/apr/27/legal-general-affordable-homes>

¹⁰⁹ <https://www.stgeorgesrutland.co.uk/>

¹¹⁰ <https://www.insidehousing.co.uk/home/home/government-announces-deal-for-10000-homes-on-mod-land-60172>

¹¹¹ <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CDP-2018-0053> Homelessness

¹¹² https://www.theguardian.com/business/2018/oct/23/the-rogue-landlords-loopholes-how-the-law-fails-renters?CMP=Share_AndroidApp_Gmail

maintained that homelessness is the fault of marriage break up or drug issues,¹¹³ but this has been challenged.

For both renting and purchase of homes, people are trying innovative approaches to sharing¹¹⁴. This has included people sharing with older people¹¹⁵, living in a van, house-sitting¹¹⁶, being a property guardian¹¹⁷ or living in a co-operative.

First time buyers

First time buyers are still a key element in the housing market and the pressure on the market for sales has meant that there has been a shift on the terms of mortgage provision and some commentators have been arguing that there are concerns that the position is like those before the Financial Crash in 2008. Some mortgage providers are indicating that they are offering mortgages at six times salary levels¹¹⁸. Many first-time buyers are helped to find their deposits by their parents or other family members. However, there are now views that the 'bank of mum and dad' could be drying up¹¹⁹ as there are other pressures on household income and a rise in consumer credit levels. Also, the number of people who consider that they are never likely to be able to purchase a house has increased by 50% and now stands at 1.75m private renters¹²⁰. Research has also shown that the number of middle-aged renters has doubled in a decade¹²¹. Research undertaken by the Resolution Foundation has found that 40% of households are not likely to be renting in their 40s with a third renting when they reach pensionable age¹²². This changes the structure of the housing market to one that was more like that before the 1970s when many people rented their homes.

Special needs

There are different types of special needs housing requirements including for those with mental and physical disabilities and for older people. An issue is for social care and the type of housing required when people are discharged from hospital. The rising number of older people together the costs of providing staff is at critical levels in this type of provision and the National Audit Office has reported that councils are dipping into reserves to meet annual expenditure costs. The NAO report estimates that authorities saw a reduction in centralised funding of 49.1% from 2010-11 to 2017-18¹²³.

¹¹³ https://www.theguardian.com/politics/2018/dec/18/rising-homelessness-is-not-due-to-tory-policies-says-james-brokenshire?CMP=Share_AndroidApp_Gmail

¹¹⁴ https://www.theguardian.com/money/2019/feb/17/high-rents-alternative-living-arrangements?CMP=Share_AndroidApp_Gmail

¹¹⁵ <https://www.shareandcare.co.uk/>

¹¹⁶ <https://www.trustedhousesitters.com/gb/>

¹¹⁷ <https://dotdotdotproperty.com/>

¹¹⁸ <https://www.thetimes.co.uk/article/mortgage-time-bomb-fears-asloans-hit-six-times-salary-96p3dsb3k>

¹¹⁹ <https://www.bbc.co.uk/news/business-45521714> 'The Bank of Mum and Dad will run dry'

¹²⁰ https://www.theguardian.com/society/2018/may/28/england-private-renters-dont-believe-they-will-ever-buy-a-home?CMP=Share_AndroidApp_Gmail

¹²¹ <https://www.bbc.co.uk/news/business-43504015>

¹²² https://www.theguardian.com/money/2018/apr/17/one-in-three-uk-millennials-will-never-own-a-home-report?CMP=Share_AndroidApp_Gmail ; <https://www.resolutionfoundation.org/media/blog/two-housing-crises/>

¹²³ https://www.theguardian.com/society/2018/mar/08/councils-raid-reserves-to-cope-with-social-care-nao-report?CMP=share_btn_tw

Benefits

One of the key concerns that has been rising is that of the relative government funding for benefits rather than the use of funds for bricks and mortar and hence subsidy through rents. According to a report prepared for the Chartered Institute for Housing, 95p of every pound spent on housing is on benefits¹²⁴. Further the report indicates that only 20% of the government's housing funds are being spent on affordable housing with the remainder being given to the private sector. The Chancellor announced additional funding for affordable housing in the Spring Statement 2019 but this was only in the form of loan guarantees¹²⁵. One of the key concerns about the role of benefits has been in its role in supporting those in low pay rather than worklessness. The Institute of Fiscal Studies have found that the majority of those in poverty are in households where someone works¹²⁶.

Land value capture

Since the NPF/RTPI Report in 2017, there has been further discussion and comment on the role of land value capture (LVC) in supporting the delivery of housing. There has been pressure also to consider property issues through the European Convention on Human Rights¹²⁷. LVC has been supported as a commitment in the UN's Sustainable Development Goals in SDG 11 on the New Urban Agenda. The UK government has signed up to this commitment but has been less active than other countries. The UK's response to these goals is about to be considered by a Parliamentary Select Committee for International Development¹²⁸. Secondly, there has been a proposal for LVC from another Parliamentary Select Committee¹²⁹ and thirdly other reports have been written¹³⁰ that have argued that by introducing LVC, there could be a significant benefit to the provision of housing¹³¹. However, there is no Government commitment to any action on this.

Type of dwellings being built

Another major issue that has not been considered or dealt with since the NPF/RTPI research and a reason why local authorities have been directly engaged in the provision of housing, is concerned with the type of housing being built. The private sector favours the development of apartments and larger houses on greenfield sites where possible. This is not to say that these are the only type of housing being built but there is little relationship between the preferred type of developer housing and meeting local housing needs. This is an inherent flaw in the NPPF and the methods of calculation of housing needs that are far removed from a reality that most people can

¹²⁴ <https://www.politicshome.com/news/uk/communities/housing/news/93786/95p-every-%C2%A31-government-housing-cash-goes-benefits-not-new> ; <https://www.insidehousing.co.uk/news/news/less-than-5-of-government-housing-spending-used-for-development-says-cih-55407> ; http://www.cih.org/publication/display/vpathDCR/templatedata/cih/publication/data/UK_Housing_Review_2018

¹²⁵ <https://www.homesandproperty.co.uk/property-news/what-the-spring-statement-2019-means-for-housing-3-billion-affordable-homes-guarantee-scheme-and-a-a128726.html>

¹²⁶ <https://www.ifs.org.uk/publications/13075> Living standards, poverty and inequality in the UK: 2018

¹²⁷ [https://www.echr.coe.int/LibraryDocs/DG2/HRFILES/DG2-EN-HRFILES-11\(1998\).pdf](https://www.echr.coe.int/LibraryDocs/DG2/HRFILES/DG2-EN-HRFILES-11(1998).pdf) The European Convention on Human Rights and property rights

¹²⁸ <https://www.parliament.uk/business/committees/committees-a-z/commons-select/international-development-committee/news-parliament-2017/uk-progress-sdgs-evidence-17-19/>

¹²⁹ <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/766/76607.htm>

¹³⁰ <https://www.progressive-policy.net/publications/gathering-the-windfall-how-changing-land-law-can-unlock-englands-housing-supply-potential> by Thomas Aubrey

¹³¹ <https://www.insidehousing.co.uk/news/news/land-reform-could-save-billions-on-affordable-housing-development-says-thinktank-55553> ; <http://www.civitas.org.uk/publications/the-land-question/>

understand. While the NPPF requires that local authorities assess their housing need, social and affordable housing tenure homes, delivered by any providers, are treated as a residual form of housing that can be provided through market contributions rather than as a full indication of how local housing needs can be met.

While Housing ministers such as Kit Malthouse have stated that not enough social rented homes are being built¹³² and that the Government may use financial incentives to providers to deliver more, they have not undertaken the parallel changes in the planning system to allow this to happen more readily. Where local authorities have housing need, including the backlog of social and affordable housing, clearer indications of which sites can be used for which type of housing in the local plan could speed up delivery. Local authorities will continue to have problems in meeting their social and affordable housing needs when there is no recognition of the scale of these requirements nor the land use mechanisms for delivering them in local plans and through into the planning application processes.

The role of existing stock in planning policy

A further issue is that the government's policy is addressed towards the provision of new housing and not the condition and management of existing housing. Only approximately 10% of housing is provided by new stock while the condition of the existing stock and how it is managed is left without much comment or action¹³³. Work undertaken by the Smith Institute, for example, demonstrates that over 1m homes in owner occupation are cold and the owners are not wealthy enough to pay for insulation to keep themselves warm¹³⁴. Also, there are no major policies for retrofitting housing in order to deal with climate change mitigation nor is there any management of poor landlords who are offering housing in sub-standard conditions. Many migrants still live in beds in sheds in locations which spring up as quickly as they are closed, and landlords are still terminating leases where there are no arrears because they wish to benefit from the rising rental market. In Britain owner-occupiers have now fallen to 63% with a much greater demand for rented accommodation being experienced in many places. At the same time the supply of homes available to buy and rent is not the same across the country.

4. Changes in local authority direct delivery of housing

4.1. Introduction

In this section, we review the motivations and changes in local authority direct delivery of housing since the NPF RTPI Report in 2017.

¹³² 'Malthouse: percentage of social rented housing being built is not enough' Inside Housing 27th November 2018 https://www.insidehousing.co.uk/news/malthouse-percentage-of-social-rented-housing-being-built-not-enough-59272?utm_source=Ocean%20Media%20Grou

¹³³ <http://researchbriefings.files.parliament.uk/documents/CBP-7671/CBP-7671.pdf>

¹³⁴ <http://www.smith-institute.org.uk/book/the-hidden-costs-of-poor-quality-housing-in-the-north/>

4.2. How many homes are local authorities providing through direct delivery?

The number of dwellings being provided by local authorities through direct delivery is difficult to assess, but it appears that in reviewing each council's activity in the desk survey there is evidence of local authorities taking on larger programmes and bigger development sites. The expansion of local authority direct housing delivery will be a long process not least as councils are building their skills and working practices.

It is also the case that some of the local authorities who have been engaging longer in direct delivery are building expert teams. These are working across all housing delivery in the council as a common development team and often this team is also providing the negotiation skills required for planning applications, particularly for viability calculations. It is also coming to light through the roundtables undertaken as part of this research that local authorities have employed a wider range of those with development skills from RPs and the private sector to support their activities than was the case in 2017.

4.3. Funding and Fees

While funding for direct delivery of housing was an issue in some locations in 2017, particularly in relation to the HRA debt cap, this has not been raised as a concern in the roundtables in this research. In the survey undertaken for G L Hearn, local authorities undertaking direct provision of housing indicated that the funding for their developments was primarily from their own resources or from land sales. The third most common source was the Public Works Loan Board (PWLb) which offer lower than commercial interest rates. The level of local authority loans taken from the PWLB has been increasing and was reported to have reached a seven year high in 2018¹³⁵. In the last financial year, the PWLB increased the value of loans to local authorities by 42%. In its annual report¹³⁶, the board showed that it advanced 780 loans with a value of £5.2bn to local authorities, compared to 622 loans with a total value of £3.6bn in 2016-17.

A more frequently raised issue has been around the practicalities of charging fees to capital projects particularly for planners who are less familiar with this approach in comparison with highway engineers and those in housing. However, several planners have reported at the roundtables that they have established Planning Performance Agreements with their in-house companies whether for the company programme or for individual schemes. Some councils are also using clawback/overage provisions in local authority company schemes. Other issues are also emerging such as CIL wavers for councils on housing development although these are not automatic¹³⁷.

¹³⁵ https://www.publicfinance.co.uk/news/2018/08/pwlb-loans-rise-councils-try-shore-financial-futures?utm_source=Adestra&utm_medium=email&utm_term=

¹³⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/730773/PWLB_Report_Accounts_2018_accessible.pdf

¹³⁷ https://www.planningportal.co.uk/info/200126/applications/70/community_infrastructure_levy/4

4.4. Quality and Standards

Since 2017, it is apparent that local authorities are even more concerned about quality, standards and design of homes provided by the private sector. According to the GL Hearn survey, this has become a more important driver for councils engaging in the direct delivery of housing. Local authorities want better standards for the housing their communities occupy and, in some cases, private sector homes have been reported as having space standards that are below the minima to be considered acceptable to be purchased by councils to house homeless people. Local authorities want to demonstrate how better quality of design, improved space standards and external layouts can be better for place-making and long-term stability within new housing areas. Some volume builders are paying much more attention to this and are winning awards that demonstrate these practices. However, this is not the case everywhere and some local authorities consider that they have to provide directly to meet these standards.

Another issue in relation to quality is that concerned with the finish of dwellings. This was a major concern in the Housing Green Paper where a housing quality regulator was appointed. Some press reports have indicated that some new properties have over 300 faults at the point at which they are handed over for occupation. In the TCPA nationwide study of affordable housing¹³⁸ (2018) it was found that planners considered the focus on the quantity over the quality of new housing was a false economy because the poor standards applied are storing up problems and costs for future generations. The same study found that there were major concerns for the space standards available for future generations.

4.5. Support

As part of the Mayor of London's support package for the London Borough providing social housing through his fund, he has established both a general support and training package¹³⁹ and direct funding to develop skills and employ more staff¹⁴⁰. Neither of these approaches are available elsewhere in the country in the same form through Homes England.

4.6. Management of council stock

Where local authorities remain as stockholders and have not sold their housing to another provider, some councils operate manage their stock through arm's length management organizations (ALMOS). These frequently operate as companies and can act in the same what as other council wholly owned housing companies. While ALMOs have been popular in the past, there has been a growing trend for the housing stock to be taken back and managed in-house¹⁴¹. There are a range of reasons for this. The first is that the ALMO may be seen to be underperforming¹⁴². Secondly, while the councils can transfer the management of its stock to an ALMO it remains responsible for the quality and management of its housing as demonstrated through the case of Kensington and Chelsea and the Grenfell Tower fire. Other councils are

¹³⁸ Planning for Affordable housing TCPA and nationwide 2018

<https://www.tcpa.org.uk/Handlers/Download.ashx?IDMF=780d5d17-f263-4f9f-907a-05084626ce2b>

¹³⁹ <https://www.futureoflondon.org.uk/networks/council-led-housing-forum/>

¹⁴⁰ <https://www.london.gov.uk/press-releases/mayoral/mayor-boosts-councils-homebuilding-with-10m-fund>

¹⁴¹ <https://www.insidehousing.co.uk/insight/insight/almo-closures-how-are-they-affecting-services-60071>

¹⁴² <https://www.localgov.co.uk/Westminster-to-bring-housing-almo-back-in-house/46051>

closing their ALMOs in order to save management costs that can be created by duplication of functions that can be reduced with a unified organization. This is happening even where tenants would prefer the ALMO to remain¹⁴³.

4.7. New Homes Bonus

Since 2011, local authorities have been incentivised to support the delivery of new housing in their areas through New Homes Bonus (NHB)¹⁴⁴ which is paid to them for every completed development. As council income has reduced, then NHB has become increasingly important¹⁴⁵, although there has been a suggestion that its future may be in doubt¹⁴⁶.

4.8. Property investment

As local authorities have been experiencing the final reductions in revenue support grant before it is removed altogether in 2020, they have been seeking other ways to generate long term income to support their services. Many have already sold capital assets such as libraries and golf courses¹⁴⁷. It is increasingly common to establish a local authority wholly owned property company that then invests in commercial properties using the rental income to support services. Purchases of commercial investments are made either through the council's own resources or through loans from the Public Works Loans Board or other sources. These commercial properties include hotels, retail centres and offices. In some cases, these property companies are being used to purchase housing that may be held for market or affordable rent.

There has been considerable criticism of local authority property companies from the traditional property sector that regards local authorities as unwelcome disruptors to the system. They argue that this investment is risky¹⁴⁸, that councils may be in competition with each other and push up prices against the public interest and that councils should not be able to raise funds at lower than commercial rates from the PWLB to make these investments. However, without any government funding and tight restrictions on local council tax and other funding, many local authorities have few options and have decided that acting as a patient investor provider a means to keep the council finally stable and running services.

4.9. Place-making

In terms of wider place making and public concern for adequate provision in future; this was formerly dealt with through the application of public standards. These standards included those for access to schools for different age groups, parks, open spaces and play areas, libraries, bus stops and other services that are frequently not remembered such as post boxes. Also, there were standards for emergency service responses for 999 calls so that the location of fire, police and ambulance stations in relation to development were important. Since the late 1990s these

¹⁴³ <https://www.bassetlaw.gov.uk/media-centre/in-touch-magazine/>

¹⁴⁴ <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN05724>

¹⁴⁵ <https://www.24housing.co.uk/news/brokenshire-confirms-18m-new-homes-bonus/>

¹⁴⁶ <https://www.themj.co.uk/EXCLUSIVE-Future-of-new-homes-bonus-cast-in-doubt/211949>

¹⁴⁷ https://www.theguardian.com/society/2018/mar/14/councils-forced-sell-parks-buildings-art-fund-basic-services?CMP=Share_AndroidApp_Gmail ; <https://www.hulldailymail.co.uk/news/hull-east-yorkshire-news/questions-raised-over-possible-land-1376639>

¹⁴⁸ <https://www.thebureauinvestigates.com/stories/2018-12-04/councils-borrow-billions-to-buy-real-estate>

standards have been removed, not least as part of government reducing requirements on local authorities. At the same time, the NPPF 2012 allowed for local plans to include standards such as these that have been lost together with new standards such as Wi-Fi speeds and broadband access.

This clarity of the provision of standards has been lost through the revised NPPF. Further, apart from parking standards and some for play areas, most local plans have omitted inclusion of these standards, making it difficult to reinforce quality of place though access to services. However, it is not only about access but the quality and capacity of such facilities that are important. Thurrock Council undertook an infrastructure study that gave each service a traffic light assessment for adequate, adequate for now and needing improvement¹⁴⁹. This provided a good basis of evidence for the infrastructure delivery plan and guidance for developer contributions and the council's own priorities.

The provision of services and infrastructure was once a determinant of the location of development rather than a residual to be retrofitted after the consent has been delivered through contributions. This has raised uncertainty about their delivery as viability and s106 agreements are renegotiated or infrastructure delivery tied to housing delivery may be some time in the future where there are slow build out rates.

While it seems difficult to contemplate the reinstatement of standards by central government, despite these being useful for place-making, it might be possible for local authorities working together with other bodies to accept some standards. Bodies such as Public Health England could support the development of access standards by walking and cycling to local facilities and include mental health standards for these services which require social interaction such as day centres for older people. These are primarily public services and are within the ownership of local authorities. Where there are major developments these social infrastructure standards can be adopted as a determinant against which to evaluate design and the location of any new facilities. While the government may not wish to adopt delivery standards for local services, this approach could be adopted more systematically across local plans. The LGA could support the development of a standard set of access standards and these could be systematically adopted within local plans. In the period until the local plan is adopted, then it would be possible for councils to adopt them though council resolution using their wellbeing powers.

4.10. Mechanisms for delivery

Housing Revenue Account (HRA)

Since 2017, there have been significant changes in the way in which the local authority Housing Revenue Account can operate. As a political rather than an accounting construct, any changes are driven by political considerations. The changes that have been applied since 2017 have been in part associated with proposed changes that were introduced in the 2016 Housing and Planning Act particularly in relation to the proposed enforced sale of higher priced property. Secondly, after an open competition for funding from local authorities with HRA, the Prime Minister decided to remove

¹⁴⁹https://www.thurrock.gov.uk/sites/default/files/assets/documents/ldf_tech_infrastructure.pdf;
https://www.thurrock.gov.uk/sites/default/files/assets/documents/ldf_tech_infrastructure_2010.pdf

the borrowing debt cap and this was delivered in the 2018 autumn statement¹⁵⁰. The setting of council housing rents on a reducing scale has been reversed; from 2021 councils can now start to increase rents which will allow more investment. These changes have meant that many local authorities with an HRA are beginning to embark on housing programmes which have been dormant for a long period of time¹⁵¹.

While this research has been focusing on the ways that councils have been building homes outside the Housing Revenue Account, there has also been a new initiative by the Mayor of London to support local authorities in building council housing again using £1.75bn funding with the objective of building 10,000 homes. Councils were invited to bid for grant funding that would allow them to build housing at council housing rents¹⁵².

While this research has not concentrated on the ways in which local authorities are delivering housing through the Housing Revenue Account, the government's decision to remove the cap for the HRA in 2018 has provided a significant push to those councils that are stockholders. Some councils were establishing companies to develop housing as they were near to their limit in terms of borrowing are now considering the role of these schemes in the HRA instead.

The Government's introduction of tenant ballots for estate regeneration may, however, add to a perceived level of delay in delivery of this type of scheme which might make them less attractive in some locations, although the rationale for this democratic reform is understandable. Councils are also concerned about using the HRA when it continues to have Right to Buy provisions and they are concerned that stock which is being built now will eventually be lost to the system.

Wholly owned companies

This research has reviewed the increase in the number of local authority wholly owned companies for the provision of housing. In the desk survey of all local authorities in England undertaken in 2017, 57% of local authorities had a company and in the 2019 survey this has increased to 78%. The 2019 desk survey also identified that of those councils without a company, 23% were considering starting a company. Some of these companies are property companies focussing on investment in retail and commercial properties. However, some council property companies include housing investment within or outside their areas.

Joint Ventures

In the NPF/RTPI research undertaken in 2017, little specific information was collected on the extent to which local authorities have been undertaking the delivery of housing using joint ventures with a range of partners. As this appears an important route being used by councils to provide housing and it was decided to consider this in more detail in the RTPI and GL Hearn surveys in 2018/9. In the GL Hearn survey, it was found that of those councils with a company, about one third of these were joint ventures. In the desk survey, it was found that 57% councils overall had some form of JV that included housing. These arrangements could be with the private sector, with an RP, other councils or with other public bodies such as universities, the police or the MoD.

¹⁵⁰ <https://blog.shelter.org.uk/2018/10/cap-is-scraped/>

¹⁵¹ <https://www.yorkpress.co.uk/news/17362928.plan-for-600-new-council-homes-for-key-york-workers/>

¹⁵² <https://www.localgov.co.uk/Sadiq-Khan-announces-plan-to-build-10000-council-houses/45301> ;
https://www.london.gov.uk/sites/default/files/building_council_homes_for_londoners_16_may.pdf

The type of JV also varies. In some cases, the council contributes land and the partner contributes funding and expertise. In other cases, two local authorities might work together to commission housing and to share the risk. The partnerships with housing associations also vary, with that between Brighton and Hove Council and Hyde being established on a 50/50 basis while others have different arrangements. Further information on the local authority JVs is found in the RTPI desk survey that is published with this report.¹⁵³

While JVs are a popular mechanism for providing housing, there were a range of responses to this method of working within the research roundtables held as part of this research. While some councils found JVs to be useful, particularly where there was a perception of low skill levels within the council, there were several other issues raised in the discussions. Some councils found that working with JV partners was slower than if they were developing through their own company. Some councils considered that the arrangements for the use of technical expertise and advice did not work well. Others were concerned about the financial arrangements. Overall, the main concerns about council JVs were about the speed of development and the inability of the local authority to influence their JV partner in this. This may suggest the need for different contractual arrangements and a greater clarity in the specification.

Partnerships

In the desk survey undertaken for the RTPI research and published with this report, there were numerous councils engaging in what they described as a 'partnership' working with other bodies. It was difficult to determine what legal arrangements, if any, might be underpinning these partnerships. However, it was also clear that many local authorities that are not active in the other methods of delivery set out here, were finding ways to deliver housing through what they describe as partnerships. For some councils this might be through agreements with RPs for the use of dwellings provided through s106 agreements including the use of commuted sums in return for nomination rights. In some councils that are not stockholders, such as Derbyshire Dales District Council¹⁵⁴, this method of partnership delivery was their main means of delivering affordable housing. This approach is also used in regeneration schemes where councils might be providing guarantees for investment or have other legal relationships with land owners and developers.

While these arrangements seem to be fluid and less formalised, they appear to be working to provide housing in a variety of ways. This type of arrangement could benefit from further investigation to find how it works and whether these are about close or aligned working relationships or whether they have some contractual basis and will be considered further in the next stage of this research.

5. Some emerging issues

In this interim review some issues have emerged that are worth examination in more detail at the next stage of this research project. The issues that are being considered and included in the final report relate more specifically to planning and local authority direct delivery of housing. There are

¹⁵³ See www.rtpi.org.uk/lahousing for all publications relating to this research

¹⁵⁴ <https://www.matlockmercury.co.uk/news/more-than-500-affordable-homes-are-to-be-build-in-the-derbyshire-dales-to-help-those-struggling-to-buy-a-house-1-9239201>

some wider delivery issues that have also been highlighted in this report including:

- The diverging gap between the Government's housing and planning policies
- The continuing pressure that needs to be applied to housing developers on issues such as viability and affordable housing
- The role of the local plan in supporting different types of housing since the revised version of the NPPF was published. In the roundtables that have been undertaken as part of this research, it has been suggested that bringing housing wholly within the use class order (rather than having some categories as sui generis)¹⁵⁵ could be a way of ensuring that the housing that is required for the social and economic needs of the country is more likely to be provided rather than relying on the supply side approach that is currently set out in the NPPF. Here may be a need to consider a housing use class for all housing development as for retail and commercial development.
- The continuing local authority concerns about standards and quality of housing development provided by the private sector
- The implications for localities of the continued mergers of housing associations
- Direct funding to be made available for improving and capacity and skills of local authorities in the direct delivery of housing particularly in planning
- The lack of support provided from Government for the development of social housing in non-stockholding local authorities
- The recognition that homelessness needs more funding at the local level to provide appropriate accommodation
- Housing for the elderly and special needs housing are important but are they appropriately addressed in local plans?

¹⁵⁵ https://app.estatesgazette.com/2018/02/20/a-reckoning-with-the-c-classes/pugpig_index.html

6. The next stage of the research – planning issues in delivery

The next stage in this research is to consider the planning delivery issues in more detail though the use of desk research and specific case studies. The questions that are being considered and will be addressed in the final report are:

1. How can planning help to deliver more social and affordable housing? How can the Housing Revenue Account be used to deliver more housing including the active use of RTB receipts?
2. How are councils achieving housing delivery through General Fund investment either through directly owned housing companies or through direct provision without a company?
3. How are councils using their s106 pots to prime and deliver housing development?
4. What are councils doing to ensure that they are receiving clawback payments for the provision of additional housing following viability negotiations?
5. What are councils doing within their local plans to provide affordable housing?
6. What are councils doing to provide special needs housing for example for the elderly? This could include approaches where local authorities are working directly with CCGs on transitional housing arrangements for those leaving hospital.
7. How can local authorities obtain the best outcomes when they negotiate large housing developments or garden cities in terms of affordability and housing types to meet a range of local needs?
8. What have local authorities learned using joint ventures and what do they regard as being the most successful arrangements?
9. How are local authorities managing the planning processes when they are the developer?
10. How do councils consider their direct provision of housing can contribute to the improvement of housing quality in their areas and how are they doing it?