



Addressing the Housing Challenge

Discussion Paper (DRAFT)

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Executive Summary

Solace is the representative body for Chief Executives and Senior Leaders working in the public sector. Solace Members therefore bring a wealth of experience and expertise, which we have drawn upon in this paper to help inform Housing policy and direction.

Local Government has great strengths, one of which is its ability to not only shape places, but to create them. Local Authorities have a key role in creating the conditions to increase housing supply through the use of responsibilities and powers relating to purchasing of land, remediation and facilitating development solutions. Local Authorities are therefore uniquely placed to address housing supply acting as both the direct provider of affordable homes and as an enabler of private and social housing developments.

With the vision and drive to create new places, Local Authorities can deliver regeneration and economic growth for their communities. They grasp that which is distinctive about particular localities and build upon skills, strengths and heritage to create housing and employment opportunities for residents.

This paper explores the housing challenges we face as a nation, the potential implications of proposed national policies intended to tackle these issues and how the views and experiences of Solace Members, working **in partnership with Central Government** and other organisations, can help **shape solutions**.

Background to the housing challenge

It is vital that all communities have a variety of homes available to rent and buy. Good quality housing is essential for thriving economies and sustainable communities; it can be a springboard to better lives for individuals and families. Challenges around housing supply and growing demand, as well as rapidly rising house prices, have pushed this issue to the top of Local Government's agenda. Britain is now building less than half the number of homes needed to meet population growth and tackle the backlog in housing need, caused by decades of undersupply. As an illustration, 1.4 million families in England sit on social housing waiting lists; private rents have hit a record high and the average home now costs ten times the average salary.¹

1. ResPublica, 'Devo Home: A double devolution of housing to people and places', June 2015.

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The housing challenge needs to be addressed with urgency.

In a recent survey of Solace members to identify priorities for the coming twelve months, the affordability of housing scored significantly higher than any other issue (61%).² Whilst the third most important matter was devolution (51%), housing also featured in the top five areas for which members would like to see the devolution of power (48%). As such, Solace has identified housing as one of our key priorities, alongside devolution; the two of which are inextricably linked.

We therefore believe that many of the solutions to deal with the housing challenge need to be locally tailored to deliver the homes we need as a nation. Local Government is central to addressing the challenge and delivering the number of homes required to meet our ambitions.

In developing tailored solutions there are a range of factors to consider:

HOUSING DEMAND

- House prices are rising faster than average earnings and without new homes being built, they will continue to rise unsustainably.
- Across the UK, the average home now costs ten times the average salary. In the 1960s, a home was four and a half times the average salary.
- Over the last two Parliaments, the number of people under 45 who can afford their own home has fallen by 20%.
- More than three million adults aged 20-34 are now living with their parents.
- 1.4 million households in England are on waiting lists for affordable homes.
- Tenants in private rented homes are facing high rent increases and demand from tenants continues to drive up the rent landlords can charge.

HOUSING SUPPLY

- The private sector alone will not build the numbers of homes required to meet demand. Private enterprise last delivered above 200,000 homes in 1968, and has averaged 130,000 completions per year over the last 40 years.
- It is estimated that we need to build around 245,000 homes nationally, each year, to keep pace with demand. Britain has not built this many homes since the late 1970's, when Local Government used to build 100,000 houses per year.
- Around 80,000 of the 245,000 homes required annually need to be for rent and shared ownership.
- Investment in homes in the UK is low by international standards. Between 1996 and 2011, just 3% of national GDP was invested in housing in the UK; in Germany it was 6%, in France it was 5%, and in the USA it was 4.5%.

2. Solace, 'Solace Insights: Changing Local Services', February 2015.

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Analysis, Proposals and Action

Solace wants to work with Central Government, along with our partners in the Local Government Association, Housing Associations, National Housing Federation, and the Town and Country Planning Association, to take forward the following proposals to address the housing challenge:

- Devolution of powers to Local Authorities or Combined Authority administrations to achieve more coordinated management of all land and property held by the public sector.
- Work to establish long-term funding streams creating the conditions for Local Authorities to take a strategic approach to housing investment and the management of local assets.
- The ability to use income generated at a local level more flexibly e.g. capital receipts from the sale of Local Authority assets.
- Taking forward the recommendations of the Elphicke-House Review to reinforce the role of Local Authorities as Housing Enablers, including the establishment of a Housing and Finance Institute (HFI) to support Local Government and business to develop new finance models and innovative ways of unlocking investments.
- Remove the Housing Revenue Account borrowing cap to allow Local Authorities' to stimulate economic growth through house building.
- Establish new covenants to ensure owner-occupation of 'Right to Buy' homes supports the aim of increasing home ownership. Alongside this, enhance the powers of Local Authority housing services to ensure the highest standards for all tenants.
- Work with Central Government on the implementation of new and emerging planning regulations to support their delivery and ensure they make a positive impact on the ground. Removal of national exemptions from infrastructure and affordable housing contributions.

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The key proposals set out above would support Government and achieve our joint ambition to provide the homes our communities need. These proposals can be summarised into the following five key areas:

- Devolution of Powers
- Funding Certainty and Flexibilities
- Local Authorities as Housing Enablers
- Better Regulation
- Improving the Planning System together

DEVOLUTION OF POWERS

Local Authorities are best placed to understand local need and identify the sites that can most sustainably deliver new homes. We propose that powers and funding relating to land remediation, enhanced CPO and Urban Regeneration are devolved to a local level thereby providing the opportunity for Local Authorities to bring forward a supply of suitable land to build new homes.

We support the principles of delivering more homes on Brownfield Land, and protecting the Greenbelt as far as possible. The development of brownfield can be problematic, often involving multiple owners and costs related to remediation and infrastructure requirements can often be so high as to render the sites unviable. Local Government has the experience of unlocking such sites. With enhanced powers Local Authorities can establish vehicles such as Land Boards, to review and better manage all land and property held by the public sector, including all suitable brownfield land, to address these issues and work with developers to de-risk brownfield sites and bring assets into use for housing or economic development use.

FUNDING CERTAINTY AND FLEXIBILITIES

The certainty of long term investments programmes will stimulate increased confidence in the housing market. It enables Developers, Registered Providers and Local Authorities to take a strategic long-term approach to housing investment and to commit to building the homes we need.

Central Government has made clear its commitment to devolving responsibilities to local areas. Through devolved decision-making and housing investment funds of at least 10 to 15 years, Local Government can develop the delivery vehicles and partnerships required to shape local housing markets and tackle growth targets.

Housing should therefore form an essential strand in devolution deals that are being considered. The integrated management of assets locally would enable the unlocking of land for economic growth and housing and the opportunity to drive housing delivery through combined public and private sector investment.

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Greater flexibilities for income generated at a local level would enable Local Authorities to deliver the Government's priorities of building more homes (including more affordable homes) and facilitating home ownership through 'Right to Buy'. Other financial flexibilities need to include:

- Use of capital receipts from the sale of Local Authority assets, including homes bought through 'Right to Buy';
- Setting rent levels for Local Authority owned housing stock;
- Removing the Housing Revenue Account borrowing cap;
- Retaining additional revenue from the 'Pay to Stay' policy.

Removing the HRA borrowing cap would also allow Local Authorities to both increase the scale and pace of house building locally to deliver much needed affordable stock that would be lost through 'Right to Buy' and meet the Government's ambition of 'one for one' replacement of affordable homes.

LOCAL AUTHORITIES AS HOUSING ENABLERS

We propose taking forward the recommendations of Elphicke-House Review to reinforce the role of Local Authorities as Housing Enablers. This includes the establishment of a Housing and Finance Institute (HFI) to support Local Government and business to develop new finance models and innovative ways of unlocking investments. Successful models could be shared to help Local Authorities find the solutions that best fit the challenges they face to drive forward housing delivery.

BETTER REGULATION

A clear risk of the extension of 'Right to Buy' discounts to Housing Association tenants is that more homes end up moving into the private rented sector (as has happened with stock sold by Local Authorities) therefore not achieving the aim of increasing home ownership. We believe that the Government can reduce this risk by establishing new covenants in sale agreements to ensure owner-occupation in homes sold under 'Right to Buy'.

We believe that a range of housing regulatory powers should be reviewed to remove unnecessarily complex requirements. It is essential that Local Authorities are given the powers to make improvements to the quality of housing and to effectively challenge poor quality landlords. The Private Rented Sector will continue to grow and play a critical role in local housing provision, and we must therefore enhance the powers and resources available to Local Authorities to ensure the delivery of good quality homes for all tenants.

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IMPROVING THE PLANNING SYSTEM TOGETHER

We recognise the frustrations of developers and individuals regarding the planning system and the importance of Local Authorities determining applications within the required timescales. The planning system is vital to ensure that needs of local people are appropriately considered, not just in terms of housing but also jobs, schools, green spaces, transport infrastructure and community facilities.

The National Planning Policy Framework provides a firm basis for us to build on, but we see the need for local planning frameworks specific to the needs of each Local Authority or Combined Authority administration. This would better support local development and address the specific needs of our communities. It would also reduce the need to make major changes to national policy as the viability of sites would have already been considered through the local planning process.

Conclusion

We believe that taken together these proposals will allow Local Authorities to plan, programme and deliver the homes that our communities need, supporting Government's commitment to increase housing supply and ownership.

If you have any thoughts or ideas regarding the issues discussed in this paper, or would like to get more involved in Solace's work on housing, please get in touch by email at martina.cicakova@soalce.org.uk



solace.org.uk

First Floor
Millbank Tower
21-24 Millbank
London SW1P 4QP
020 7976 3311