

New entrants to housebuilding? The potential of local authorities

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Issues for consideration

- Opportunities for local authorities in the Housing White Paper
- Examples of how local authorities are approaching direct provision of housing

Voices for public sector housing provision growing...

- The HoL Select Committee Report January 2016
- House of Commons Select Committee Report June 2016
- Housing White Paper 2017

The Housing White Paper

- Offers a **policy reset**
- Takes a wider look at housing provision – but does not really take into account the **whole stock**
- Offers opportunities for local authorities to **provide housing directly** with no right to buy (RTB in the WP but subsequent ministerial statement that this will not be pursued)

Housing WP – positive proposals

- **Transparency** around land ownership, options and contracts
- **Land banking** tackled
- Opportunities for **smaller builders**
- Higher **planning fees**
- Taking action against **unimplemented consents**
- Taking on **utilities** – but Gov has to work with the regulators
- Support **estate regeneration**
- Stronger support in NPPF for sites for **affordable housing**
- Role of **smaller sites/subdivision** of larger sites
- Adopt **design standard/space standards**
- Fees for **appeals**

Housing WP – issues for local authorities

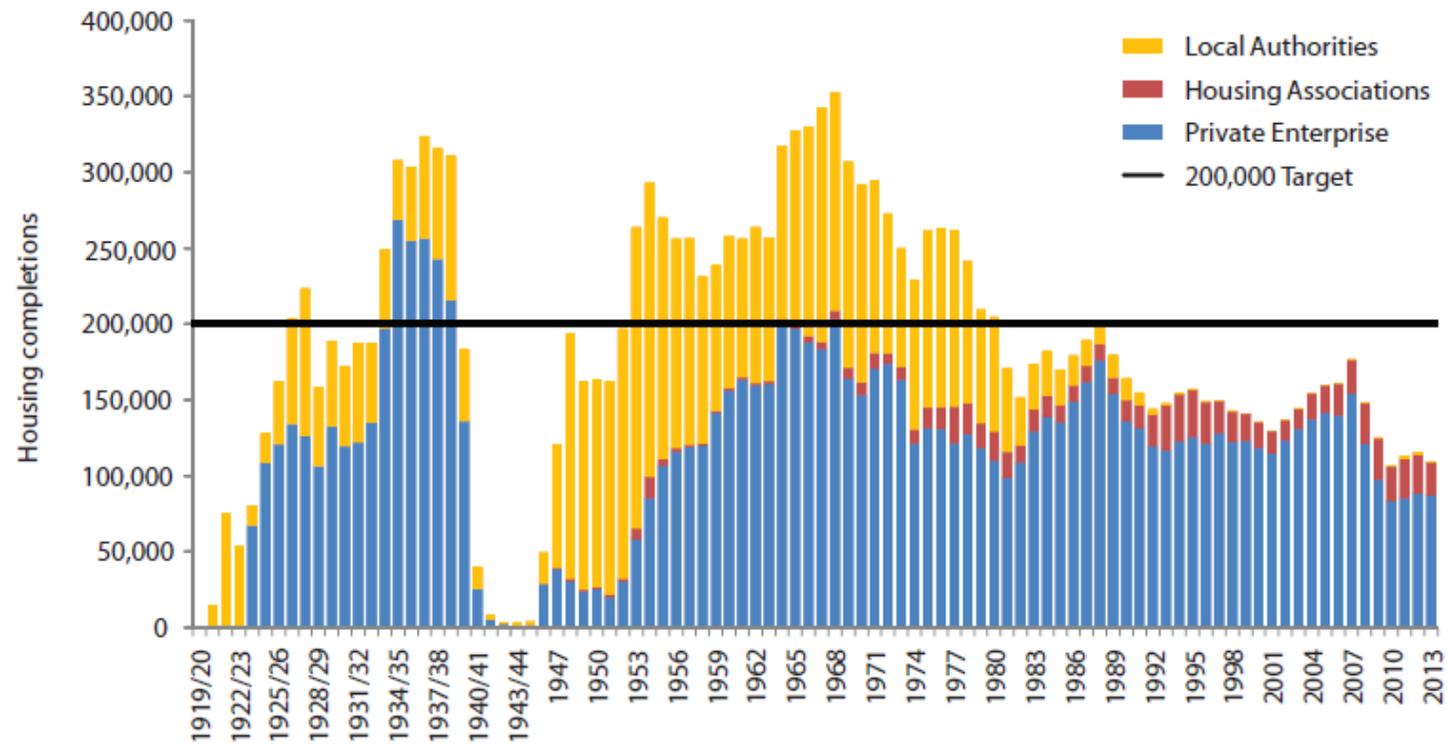
- Will **objectively assessed needs** approach really be robust?
- Having an **up to date plan** – moving target
- **No link** with Industrial Strategy and NIC
- Maximising **development contributions** may need a different system also need to clarify what contributions are for...double funding schools and health
- New **housing delivery test** – appears to be under-developed and possibly helicoptered in as a proposal
- Las can **dispose of land** where they have given pp but do Las really want to dispose? Better to have revenue stream?

Housing WP

backing local authorities to build

- ‘local authorities have an important role in delivering homes themselves’ (3.27)
- ‘tools to get housing built where market isn’t coming forward with enough’
- **Models** – LDCs, Housing companies, JV
- **Tenures** – all
- **Support offered** eg PAS, accelerated construction, land remediation
- **Bespoke deals** in areas of high demand
- Support for **site assembly** and infrastructure

Figure 5 – Historic housing completions, England



Source: DCLG

What has prevented local authorities returning to provide housing again?

- Government levy on **capital receipts**
- Assumptions that housing can only be provided through the **Housing Revenue Account**
- Use of **financial balances** to keep services running
- Uncertainty about **powers**
- **Right to buy** – reductions in stock and replacement

What is making some local authorities actively engage in housing provision again?

- Need to generate **income stream** post 2020 changes in local government finance
- Improving **design** of new build housing in their area
- Cost of funding Bed and Breakfast for **homeless** people
- Needs of specific **groups** including older people
- Failure of the market to provide housing – **unimplemented consents**
- Policy objectives to change **housing mix**
- **Regeneration and place making**
- Policy **objective** to build housing again
- Wish to support **local economy** including small builders, apprentices, growth sectors

What powers can local authorities use to build housing?

- **2011 Localism Act** s1-7 – provides local authorities with powers to act as a company using general fund and also set social rents for GF properties
- Implementation of International Financial Reporting Standards (**IFRS**) in local government means public and private sector have same financial reporting methods –
 - affects use of funds for capital investment
 - allows public and private sector partnerships to operate more easily
 - Allows the use of the whole of the LA asset base to secure funds for development

What funding can be used to build local authority housing?

- Take and make **loans** eg South Oxfordshire, Croydon
- Use **New Homes Bonus** eg South Norfolk, Leicester
- Set up housing **companies** all LBs, Birmingham
- Use **asset backed vehicles** for development eg Gateshead
- Enter into public/public or public private **partnerships** eg South Kesteven
- Use **pension funds** Manchester, Islington
- Use **land, finance or reputation** as partnership assets Newham
- Create **housing associations** – Birmingham, Nottingham
- Use funds raised to act as **developers** or patient investors eg Woking
- Use of **hedge** funds – Luton, Croydon, Barking and Dagenham
- Open **Bank** – Warrington
- Use **HRA** Cambridge, West Lindsey
- Use **EIB** – Barking and Dagenham, Enfield

What are the barriers emerging?

- Unaware of powers of 2011 Act
- Believe can only do if registered provider with HCA for HRA development (199 LAs registered; 166 active)
- Politicians not in favour
- Officers not in favour
- Legal advice offered on social rents in GF housing overly cautious and suggesting properties may be taken into HRA
- Right to Buy
- Skills?

Where barriers not being reported

- Land availability
- Funding
- Skills – buying them in

Can local authorities be major providers of housing across all tenures?

- Some are committed and will **deliver** all site build out (ie not reliant on sales for building rate)
- Some local authorities may have active housing companies but no adopted **local plan**
- **Numbers growing** in each local authority year on year – some building 500-1,000 pa with more in successive years, others committed to 8,000+ e.g. in Outer London

Some concluding thoughts

- Local authorities using **multiple means** of delivery – start with one and expand approaches as suits site and requirements
- Unless for sale, local authorities **retaining interest** in developments
- Local authorities viewing their role as **patient investors** – also purchasing commercial developments
- Local authorities beginning to **nudge** other land owners eg out of town retail