**Local Government Association Housing Commission: London Councils Response**

London Councils represents London’s 32 boroughs and the City of London. We make the case to government, the Mayor and others to get the best deal for Londoners and to ensure that our member authorities have the resources, freedoms and powers to do the best possible jobs for residents and local businesses.

**Section 1: Housebuilding - in particular looking at new ways that councils can enable investment in new homes**

**Key Questions**

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

1.1 Councils already play a strong role in the development process. It is the responsibility of councils to shape places through plan making and many also lead large-scale regeneration projects. Many London boroughs also play a role in directing, delivering and commissioning new affordable housing. In London, councils have been successful in working with development partners to create housing zones, which has involved them taking an active role in land assembly and proactive planning to successfully create new neighbourhoods. Councils are also responsible for allocating and granting planning permission for residential development through the planning system.

1.2 Statistics have shown that the number of residential planning permissions for housing granted each year by boroughs has generally been over regional targets for housing delivery set out in the London Plan.[[1]](#footnote-1) An issue that requires policy discussion is that the public sector has very few levers to speed up delivery on such sites or to ensure transfer to owners who are better prepared to and able to build. The Government has the potential to introduce mechanisms that incentivise the building out of planning permissions in order to ensure increased house building.

1.3 A responsively designed and flexible planning fee structure set at a local level can ensure that the costs of processing applications can be recovered by local authorities. This will enable the faster and improved processing of planning applications, which will increase the certainty in the development process and therefore enable increased investment in new homes of all tenures. A more localised approach, which would allow councils to recover the cost of processing applications, would be beneficial to house builders of all sizes as it would enable an improved and efficient service. It would also allow planning departments to attract and retain the quality of staff required for running an improved and efficient service.

1.4 Recent years have seen a renewed political focus on new housing and many London boroughs are now directly delivering homes across a range of tenures. To support the wider delivery of housing by councils it is important that they have the right powers and resources to help deliver new housing that can play a part in increasing supply.

1.5 Given the extent of council owned housing in London, enabling increased borrowing against Housing Revenue Accounts (HRA) would be a major opportunity for the capital’s boroughs to use their housing income to support new development. With sufficient flexibility and a framework that focusses on delivering outcomes, councils can deliver many new homes. The Housing Revenue Account cap remains an unnecessary impediment to investing in new homes. Councils could also use their Right to Buy receipts far more efficiently if they were able to keep 100% of receipts and if the current restrictions were removed in favour of greater flexibility, including:

* Potential for use of receipts for home building outside the Housing Revenue Account
* Potential for use of receipts in combination with any other grant funding
* Potential for use of receipts for related work leading to housing delivery
* Removal of the 30 per cent rule so that councils might have full flexibility of receipt use
* Removal of the three year time limit to ensure supply pipelines can be constructed

1.6 Many of London’s boroughs recognise that reducing unnecessary financial regulation may allow better use of available resources to increase supply. More freedom in financial regulation can also see increased public sector investment in development which can aid attracting in substantial private investment in development and regeneration schemes.

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

1.7 The constraints on investment within the HRA, and limited government funding, mean that councils are increasingly looking to using alternative resources to support new housing. In addition to its provisions for HRA self-financing, the 2011 Localism Act granted the “general power of competence” to local authorities, enabling them to undertake any action that an individual would be legally entitled to do. This provision gives the councils the right to establish wholly-owned companies, which could include housing companies.

1.8 Boroughs such as Newham have established a council led housing company to develop, deliver and acquire new homes for private rent. The company plans to build 3,000 new properties over the next decade and to acquire 518 properties, with a mixture of market rent and affordable homes. Acting commercially as a developer means it can support mixed communities and scheme viability through private sales where appropriate.[[2]](#footnote-2)

1.9 Other councils have been successful innovatively using existing resources to increase housing supply. Wandsworth Council has delivered nearly 250 new homes through its ‘hidden homes’ initiative, which identifies disused or problematic spaces on the borough’s estates and redevelops them as new housing for rent or shared ownership. As well as increasing housing supply, the initiative supports the delivery of new community facilities and reduced anti-social behaviour through the elimination of disused space.[[3]](#footnote-3)

1.10 Estate regeneration can also provide significant additional new homes and there are many examples across London of ambitious regeneration plans. However regeneration is complex and requires a wide range of skills and expertise, often making it a slow and resource-intensive process. Furthermore, the leaseholder buy-back process can be expensive and bureaucratic, sometimes to the point of threatening viability. New policies such as the extension of the Right to Buy to housing associations and requiring the sale of higher value council homes will introduce more leaseholders onto existing estates, fragmenting ownership and risking potentially making some schemes unviable. It is critical that the Government works with local authorities to ensure that areas with potential for regeneration are protected from some of the unintended consequences of impacts of these new policies.

1.11 Those councils who have successfully been able to deliver homes either in a range of tenures, either through innovative use of existing resources or through the creation of council led companies and other delivery vehicles (which have utilised a mix of public and private financing) should share best practice with other willing councils to enable the delivery of more council led residential development.

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

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

1.12 Public land can support a substantial increment to new development but needs more effective coordination and more efficient processes for bringing it forward. The London Land Commission is aiming to map surplus public sector owned (including land owned by local authorities) land in London. This is a first step in enabling suitable sites of all sizes to be allocated and developed for housing. It also enables a holistic view of public sector owned land to be taken as many public sites have divided ownership barriers that need to be overcome before development can take place. Transferring surplus public sector land to London government and brokering development through development and contractor panels would maximise delivery and reduce overheads on large sites and sites suitable for development by smaller house builders.

1.13 Many boroughs are already taking active steps to utilise their land to deliver new homes. The London Borough of Greenwich, for example, has offered a council-owned site on a deferred payment basis, which is helping to maximise the numbers of affordable units delivered in Woolwich. This arrangement has reduced the need to call on government grant for the scheme to be viable.

1.14 Another model is to use a leasing arrangement to retain the ownership of public land while ensuring developers deliver the housing that is needed for the community: in the Royal Borough of Kensington and Chelsea for example borough land has been released on a leasehold basis, selecting a private developer to develop and manage two housing schemes. The council have retained the freehold ownership and are taking a share in the long-term rental income with the developer.

1.15 The London Land Commission is taking steps forward to coordinate the mapping and use of public land for housing. To support this, local authorities should have stronger powers to direct the disposal of public land where appropriate, to ensure a coordinated approach that delivers best value for local communities.

1.16 The Commission must work closely with boroughs to develop a strategy for the release of public land in their area to make sure it helps deliver local priorities around housing and supporting infrastructure. The Mayor’s Housing Zones initiative has demonstrated the value of London boroughs playing a more active role in promoting, assembling and coordinating sites to support a delivery strategy for their area.

1.17 There are significant barriers to entry for smaller developers, particularly around access to finance and land. Land costs are often prohibitive for smaller builders and public landowners can potentially help by supporting them to access suitable small sites that can be built out quickly. Boroughs are also looking at ways to support a more diverse industry and encourage innovative development models on small sites – the London Borough of Lewisham, for example, has allocated a site for custom-build for up to thirty new homes.

**Section 2: Place shaping, community and infrastructure - in particular looking at the role of councils in shaping homes within prosperous places and communities**

**Key Questions**

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

**How can housing supply and supporting infrastructure best support employment and growth across local economies, helping resolve skills gaps?**

2.1 London Councils believes that boroughs need greater devolved commissioning powers in order for boroughs to be able to promote economic growth, including: empowering boroughs to deliver directly on transport infrastructure to improve connectivity and unlock housing and mixed use development sites, flexibility to maximise borrowing against housing revenue to support these projects and measures to ensure developers use local labour and suppliers to increase local employment.[[4]](#footnote-5)

2.2 Devolution of land registry powers would allow a more accurate collection of data on publicly owned land that might be suitable for housing and infrastructure development. The London Land Commission has set up partnership working between London’s boroughs, the Greater London Authority and other public sector bodies to map public land ownership in London. Facilitating the borough led development of public land can ensure that local development priorities for housing and supporting infrastructure can be bought forward.

2.3 It is essential that permitted development should also be controlled locally to ensure boroughs can manage the right mix of developments to support thriving local economies and neighbourhoods with sufficient affordable housing and supporting infrastructure. There have been particular problems with permitted development rights creating poor quality residential environment in some of London’s boroughs.

2.4 For example, conversions under permitted development rights are not subject to planning obligations or affordable housing requirements. These obligations aim to mitigate the impact of new housing development as an element affordable housing is provided to meet local need. As permitted development conversions are not subject to these requirements they can often be detrimental to local areas.[[5]](#footnote-6)

2.5 Residential permitted development conversions are also no longer required to be plan-compliant meaning that many unsustainable and poor quality schemes have been brought forward, with the local planning authority having no power to ensure they meet basic standards such as minimum space and adequate light and ventilation.[[6]](#footnote-7) National control of permitted development is making it difficult for councils to plan for mixed and balanced communities.

2.6 London’s Housing Zones initiative has demonstrated the value of London boroughs playing a more active role in promoting, assembling and coordinating sites to support a delivery strategy for both housing and infrastructure in their area. So far, the development of these zones has been a good demonstration of how a locally-led and multi-agency approach can ensure the suitable transport and social infrastructure to unlock new housing supply.

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

**Do councils need new or different capacity and skills within planning teams to ensure all developments best contribute to a place, and if so what are the key areas for improvement?**

2.7 A key method for delivering affordable homes in prosperous areas is through planning obligations. Recent changes to planning policy have made section 106 the only negotiable element of planning obligations, increasing the pressure on affordable housing contributions by prioritising developer profit margins and increasing the complexity of planning negotiations. As a consequence, significant developments are being agreed based on a site-by-site assessment of viability that fails to meet wider planning objectives around sustainability and affordability.

2.8 This has weakened the ability of local authorities to negotiate robustly with applicants and adds delays to the planning process. Viability assessments can be extremely complex, and recent research has identified that the lack of transparency and agreed criteria in viability assessments sometimes made it more difficult to secure affordable housing.[[7]](#footnote-8) It is important that people working within local planning departments receive training on land and property development valuations and negotiation skills.

2.9 The government should review current guidance on viability and explore ways to simplify the system. In the first instance, while it may not be possible for viability assessments to fully transparent, the Government should support a simplified and rigorous approach to viability assessments in the capital by London boroughs. There is the potential to use locally set benchmarks for affordable housing contributions on major development sites and the level of contribution required could be rooted in Policy from the London plan. This approach would better ensure that boroughs can secure suitable obligations from developers to help deliver much-needed affordable housing.

**Section 3: Employment, welfare reform and social mobility - in particular looking at the role of housing in supporting tenants to find and progress in sustained employment**

**Key Questions**

**What is the future role for housing within the welfare to work system and what support, incentives and powers do providers of sub-market rented housing need to deliver better employment outcomes for their tenants?**

3.1 To support social tenants finding and sustaining employment, local councils can facilitate the creation of local employment hubs. The Department for Work and Pensions’ settlement at the Spending Review has meant that Job Centre Plus is in the process of reducing its estate by 20%.[[8]](#footnote-9) There is an opportunity for local authorities’s aid in creating a ‘single front door’ for both social tenants and local populations to provide information on a range of services. For this to be as effective as possible, it is important that facilities include access and referral to other services that job seekers need, such as housing and welfare advice.

**How can homeless and employment services better support people that are homeless and in temporary accommodation to prepare for and take employment opportunities?**

3.2 Discretionary housing payments (DHP) are targeted at housing benefit or universal credit claimants who need help with housing costs and payment and allocation is usually conditional with the claimant engaging with employment support. However, in many cases, DHP funding is taken up by local authorities meeting the shortfall of temporary accommodation (TA) procurement costs. London Councils research has shown that DHP funding is being used in this way in large proportion of London boroughs (in some boroughs more than 40% or even 50% of DHP payments were spent on TA costs).

3.3 Using DHP funding to fund TA costs squeezes out the possibility of using a DHP award in a proactive or preventative manner. Exempting households in temporary accommodation from the benefit cap and ensuring TA is sufficiently funded to cover actual London costs can allow DHP funding to be devoted to helping address the root causes of homelessness and enabling tenants in TA to better find employment.

**How are providers of sub-market housing supporting their tenants to find and progress in work and how can positive practice be spread across places?**

3.4 There is currently no holistic Government approach to support for in-work housing tenants. Housing associations are facilitated in aiding residents in areas such as financial management, skills development and employment advice as they are able to spend rental income on such initiatives, whereas HRA dependent local authorities are restricted in how they spend rental income.

3.5 Many housing associations design, deliver and fund their own programmes support tenants to find employment.[[9]](#footnote-10) The focus of these schemes often seems to be on supporting tenants gain basic qualifications, although some housing providers also assist with career development and in-work progression. Wandsworth Council runs the innovative ‘Housing into Work’ scheme that makes it conditional that a resident in line for help with their housing is looking for employment. This voluntary scheme incentivises young local residents who are registered as unemployed to actively seek employment or training to ensure that they are made priority applicant for social housing in the borough.

3.6 To aid local authority tenants to find and gain employment, the Government could consider allowing the spending of rental income in HRA dependent local authorities on initiatives that incentivise tenants to seek training and work. There is a need for housing providers to share best practice information and guidance on individual programmes, and this can offer an insight into how skills policy and potentially, Government funding, can be improved to support in-work tenants.

1. Greater London Authority (2015) Annual Monitoring Report Data [↑](#footnote-ref-1)
2. London Borough of Newham (2014) Mayor of Newham launches Red Door Ventures, an ambitious new company which will build thousands of private rented homes (available from: <https://www.newham.gov.uk/Pages/News/Mayor-of-Newham-launches-Red-Door-Ventures-an-ambitious-new-company-which-will-build-thousands-of-private-rented-homes.aspx>) [↑](#footnote-ref-2)
3. London Borough of Wandsworth (2015) Hidden Homes tally tops 250 with unveiling of new rooftop extension scheme (available from: <http://www.wandsworth.gov.uk/news/article/12797/hidden_homes_tally_tops_250_with_unveiling_of_new_rooftop_extension_scheme>) [↑](#footnote-ref-3)
4. Evidence on line taken from the London Finance Commission<https://www.london.gov.uk/sites/default/files/gla_migrate_files_destination/London%20Councils.pdf> [↑](#footnote-ref-5)
5. London Councils (2015) The impact of permitted development rights for offices [↑](#footnote-ref-6)
6. Ibid [↑](#footnote-ref-7)
7. Joseph Rowntree Foundation (2015) Rethinking planning obligations: balancing housing numbers and affordability [↑](#footnote-ref-8)
8. Department of Work and Pensions (2015) Autumn Statement [↑](#footnote-ref-9)
9. Centre for Cities (2015) Delivering change: What Housing Associations can tell us about employment and skills [↑](#footnote-ref-10)