

# Direct delivery of housing by local authorities

Janice Morphet's research shows that 119 new local authority housing, development and property companies were formed between January 2018 and March 2019. As a result completions may start to rise in 2022

The pressures on the provision of housing for a range of needs has never been greater with fewer people being able to purchase homes, more pressure on the rental sector and a marked increase in no-fault evictions. Councils in England and the London Boroughs in particular have been addressing the ways in which more housing can be provided. The Government's approach is to rely on planning policy to provide new market homes with some affordable housing provided as part of developer contributions as a residual source of funding. However, local housing studies point to a far wider range of needs across all types and tenures of housing. In addition to providing homes for sale, councils need homes for social rent not least to address the requirements placed on them to avoid household homelessness in the Homelessness Reduction Act 2017 which came into force in 2018.

Also, councils must address the climate emergency and nothing within the planning system meets the need to retrofit homes that will be required if the UK is to meet the Paris Climate Accord targets. As Councils prepare and contribute towards their Local Industrial Strategies, it is also clear that the requirements of local economies are for a range of housing rather than market housing and shared ownership. In some local authorities there is a return to key worker housing, including requests for doctors. Finally, the population is ageing and in some parts of England, the main population growth is through longevity rather than from in-migration or birth rate and more housing is required designed for older people.

In attempting to meet these housing needs, councils are using the planning system but are also being frustrated by this in a number of ways. In the research undertaken for the RTPi (2019)<sup>1</sup> Janice Morphet and Ben Clifford found that councils were being faced by a number of challenges. These included the slow conclusion of planning agreements on planning consents, slow commencement and build out rates and increasing attempts to renegotiate the planning agreements, viability tests and contributions following the award of planning permission.

This is frustrating for councillors and local communities and also reduces the likely residual contributions for affordable housing. Councillors were also concerned that commitments that had been made to local communities about the associated benefits being provided though new housing development contributions were now not being met, creating distrust when further housing developments are proposed. This has also been at a time when councils are losing their mainstream funding through the Revenue Support Grant, from government and losing contribution funds is an additional blow.

The research investigated how councils are responding to these issues by taking direct action. The evidence that was

collected for this research came from a range of sources. There was an updated review of planning and housing policy across England to set the context and this is in the main report<sup>2</sup>. There were two surveys – the first directly to local authorities in September/October 2018 that was funded by G L Hearn and secondly there was a 100 per cent English councils desk survey which collected data on the current range of local activities in providing housing including whether local authorities have an HRA, a company or a joint venture. This survey also collated examples of what councils are doing through on-line examples for each council. This survey is available<sup>2</sup> and there is also an extract of this of the activities of London Boroughs shown at the end as Table 1 at <https://tinyurl.com/tj5mj4c>.

In addition to the surveys, the research undertook 13 round tables across the whole of England and 12 case studies which examined how councils are responding to specific issues. Two of these case studies were in London Boroughs – in Croydon where the use of clawback was discussed and in Islington where the use of negotiations for affordable housing are considered. While aware of the funds provided to London Boroughs for the Mayor to support the delivery of social rent housing through capital funding and skills development support, this is not specifically considered in the case studies. The research was particularly focused on the ways in which planners are working within councils to deliver housing or how they could do so. On this latter point, the RTPi has now published a practice guidance note based on the research<sup>4</sup>

What did the research find? In our desk survey we found that 78 per cent councils have at least one housing or property company, with a number of councils having more than one. In one of the research case studies, Slough Borough Council has two wholly owned companies, a joint venture with Morgan Sindall and maintains a housing revenue account and all of these means of providing housing are addressing different needs. The direct survey found that 72 per cent of councils are also focussing on providing housing for older people and 60 per cent for people with physical disabilities. In London, three Boroughs appeared to have no company in 2019 – City of London, RB Kensington and Chelsea and LB Richmond upon Thames – although the first two boroughs were reported to have companies in 2017. Hounslow is an example of a local authority with more than one company whereas Tower Hamlets has the HRA, a company, a community benefit society and a community interest company. Some councils are delivering a wide range of housing through their companies such as Barking and Dagenham and Croydon whereas others are focussing on more specific redevelopment sites such as Kingston upon Thames.

Councils are also active in the use of their own land and

land purchase. The direct survey found that 95 per cent of councils who are building housing are doing so on land in their ownership. This might be on existing estates through the redevelopment of garages or other sites but increasingly councils are having detailed trawls through the whole of the council's land ownership rather than just relying on sites that might have been considered suitable for housing in the past. Councils are looking for small sites for the self-build register as well as larger ones to develop.

Many councils are undertaking these land reviews using architects or development surveyors and planners to identify if the sites might be suitable for any type of housing development. Councils are also purchasing land for immediate implementation or for the establishment of a longer-term portfolio and, overall, councils are starting to exhibit the behaviour of patient investors. Some councils such as Bristol, have a large housing land portfolio and have changed their approach away from land sales for housing to direct delivery. Other councils are reappraising the use of sites and buildings in their ownership. In Bournemouth, a case study in the 2017 research, the council is developing over 20 surface carparks to provide housing above the retained car park use. The housing company is undertaking this with a range of partners. In Spelthorne, a 2019 case study, the council has re-configured its offices to include new residential units within the HQ building.

The research focused on other planning issues in relation to housing. Given the priority stated by councils for the provision of housing for older people, there was a case study on how this was being achieved, focused on South Worcestershire and with additional information from Wigan. What this found was that where councils could engage in town extensions or development briefs/master plans, it was easier to include housing for older people as part of the proposals for the whole site. However, even very good planning policies would fail where there were not enough development management staff to be able to negotiate for the needs of older people within individual schemes. In Wigan, one of the five Greater Manchester councils where population growth will be due to longevity, the council has housing provision of older people as its main focus using the means available to it.

Another key issue that was investigated was that of design, including inside and outside the dwelling and completion standards. In the Hartlepool case study, the Council's planners found that space standards within new dwellings were too small for the council to purchase new market dwellings once completed for their own use. Elsewhere, the research found that that councils have difficulties in placing s106 affordable homes with housing associations given their finish, size and distribution within developments. This has led to councils taking on these properties directly by default. Some councils are



now planning to take on all their s106 affordable homes and Wokingham, for example, has established a 'for profit' housing association. Other councils have established housing associations access grants from Homes England as well as for managing properties.

One of the main issues that the research examined was how do planners work within the council on all of these initiatives for housing delivery. The case study in Slough examined working with a JV and that in Huntingdonshire in working with a major developer without any specific form of legal agreement. We also found that there were challenges for planners in working on small sites which were outside much of their experience – particularly for design and access and well as costs and contributions. In Croydon, the planners have developed an SPD for small suburban sites<sup>5</sup> which has been helpful in both private sector development negotiation and for the council's own schemes. In working with the council's development, particularly where Councils are using companies, the research found that schemes were compliant with planning policy.

The demonstration that this could be achieved was one of the Council's main objectives so that this could be used in other negotiations as an example. The research did not find any local authority housing company that had appealed a refusal of planning consent although this may change over time.

The research also investigated the ways in which councils were succeeding in delivering housing using all of these direct means as well as softer partnership approaches. The research identified some common practices of higher delivering councils which are set out in the report and should be useful for other councils to consider although these will need to be tailored to each council.

The main approaches that appear to be more successful are >>>

ABOVE Ravensdale and Rushen in Upper Norwood by HTA.

ALL images are of Brick by Brick projects for the London Borough of Croydon



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>>> related to bringing together all these staff working on housing delivery into a unified housing delivery team. This includes planning, housing, highways legal, finance officers and property development surveyors. This team deals with all housing sites and developments throughout the council area and the focus is as much on site delivery as ownership and methods. In the research, there are case study examples in Plymouth, Bristol, Doncaster and South Lakeland. In London, Tower Hamlets and Hackney have elements of this approach. This focus by the housing delivery team on all housing sites has led to the creation of a type of customer relations management system for individual sites where every conversation, all correspondence and associated information is included in one file and the site is the responsibility of a named officer. This lead officer lead is given as the main means of contact for all sites in Doncaster and the focus on site delivery is a key component of the Plymouth approach, where each site has its one delivery plan devised by the team.

In using this site-specific approach, councils are examining each for its development potential and delivery. This is a key feature of the Plymouth approach where a fund has been established to provide loans to support delivery where there are infrastructure blockages and the same approach is used in Bristol. The role of the development surveyor – now increasingly common in local authorities – is to undertake the viability negotiations on planning applications and to assess schemes for the council's own development or where the council will be a partner in some form.

The knowledge of each site is invaluable in negotiation, where developer claims can be examined and challenged if necessary. They are also used as evidence in local plan exami-

nations and on appeals. It provides the councils with an in-depth understanding of the local housing market and building costs that are also invaluable in negotiation.

These teams take time to build up but we found some anecdotal views that they were good in supporting staff retention given the type of experience that was on offer. In Tower Hamlets, the team considers any site or building available to it and then, after this appraisal, decides which of its four routes to development would be the most appropriate and viable. Yet, we also found councils where there are still silos in the delivery of housing and where there is some rivalry between more traditional means of delivering housing such as the HRA and the new company approaches.

To overcome this, there needs to be strong political leadership and in councils with the joint housing delivery team approach, these are generally supported by a housing delivery board led by a senior Executive Councillor and also a regular housing forum which all those involved in housing delivery – including the council, housing associations, developers, land owners and charities are expected to attend. Overall, we found that councils are taking a more decisive approach to housing delivery particularly using the focus on delivery in the latest version of the NPPF.

However, problems remain in the current government approach to planning policy for the delivery of the type and range of housing required plus retrofitting. Outside London, many planning officers are responsible for preparing their local housing needs assessments and aware of the ever-widening gulf between these assessments and the type of housing identified as 'need' in the planning system. Until local plans can designate sites for specific types of housing through



LEFT:  
Station Road in South  
Norwood by CGA

a review of the use classes order, bringing all types of housing into its operation in the same way as employment and retail uses, then this continues to be a major challenge. In many councils, politicians have come to the view that planning is not an adequate tool to provide the housing that is needed locally and the only way to address this is through their own actions to provide housing and then to retain ownership of the land.

The government removed the HRA debt cap in 2018 as one of its means of encouraging Council delivery of social rent housing but this applies to fewer than 50 per cent of all councils. Further, although councils are exploring how this might be helpful, they continue to be discouraged from this approach through the continuing right to buy policies where many councils are losing more social rented homes each year than they can replace, given the government's rules on the reuse of sales receipts. Further the government increases the interest rates for new borrowing from the Public Works Loans Board in 2019 – again making HRA development less attractive and more costly.

Overall, the research found that to provide more housing locally, councils needed more corporate commitment across the whole council and that this had to be a primary focus that is reinforced through all that the council does. Councils need strong relationships with landowners and providers, and like Plymouth, need to have their own assessment of the type of development that could be appropriate and viable on each housing site. Councils also have to have a systematic review of the land in their ownership, including sites in other uses, to identify which can be developed by them or others.

As the research found, local plans are only one means of delivering housing and are now likely to be overtaken by these other means that are emerging. Plans are important as are planning permissions but these do not all result in completions or improving housing for local needs. Councils are changing the ways in which they work and more are actively promoting internal skills development, particularly through apprenticeships and recruiting older and early retired development surveyors who work part time or are shared between councils. Others are joining councils from housing associations.

As yet the rise in council delivery of housing is yet to emerge through data on completions and some of this will be hidden in the way that statistics are collected. However, 119 new local authority housing, development and property companies were formed between January 2018 and March 2019 and, as these take about two years to get going, completions may start to rise in 2022.

Councils appear to be positive about directly delivering housing and the return to this role is popular amongst local communities. Council housing has gone through a period of being stigmatised but councils are finding a market for the range of housing they are providing as trusted institutions with a long-term commitment to their areas. Some councils are moving ahead more rapidly and others are more cautious. It will take some time to build up the skills required or to develop models where skills can be shared. However, this research demonstrates that councils are now back into housing delivery across England and planners have an essential role as part of these emerging teams. ■

#### NOTES

- 1 Local Authority Direct delivery of housing: 2019 Continuation Research <https://www.rtpi.org.uk/knowledge/better-planning/better-planning-housing-affordability/local-authority-direct-provision-of-housing/>
- 2 <https://www.rtpi.org.uk/media/3426186/lahousing2019.pdf>
- 3 <https://www.rtpi.org.uk/media/3291304/table-of-local-authority-housing-provision2019.pdf>
- 4 Local authority delivery of housing Advice for planners on how to support local authority led housing delivery <https://www.rtpi.org.uk/lahousingadvice>
- 5 Suburban Design Guide [https://democracy.croydon.gov.uk/documents/s14561/Agenda per cent20Item per cent20 per cent20Appendix per cent20SPD2 per cent20Suburban per cent20Design per cent20Guide.pdf](https://democracy.croydon.gov.uk/documents/s14561/Agenda%20Item%20per%20cent%20Appendix%20per%20cent%20SPD2%20Suburban%20Design%20Guide.pdf)

RIGHT:

Barrie Close Mews in  
Coulsdon by Pitman Tozer

