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Lord Richard Best  
Chair of the Affordable Housing Commission  
C/O The Smith Institute  
Somerset House  
London, WC2R 1LA  
*Sent via email*

4th April 2019

Dear Lord Best

**South East England Councils: submission to the  
Affordable Housing Commission's call for evidence**

**1. Introduction**

- 1.1 We respond on behalf of South East England Councils (SEEC). SEEC is the cross-tier voice of local authorities in the South East, representing 9.2 million residents. We are a voluntary membership body, bringing together county, unitary and district councils to promote the views and interests of all tiers of local government across the South East, an area comprising 74 local authorities.
- 1.2 We welcome the opportunity to respond to your call for evidence. Our members are committed to addressing local housing needs - including affordable homes - to support sustainable communities and economies. However, there are a number of national policy and funding challenges which currently hold back delivery of affordable homes in the South East, and where the Commission's help in securing Government action would be welcome.
- 1.3 South East councils recognise the need for housing and have demonstrated their commitment, enabling a total of over 110,600 homes in the 3 years to March 2018 – the UK's highest delivery rate. Although there has been a welcome increase in affordable homes built in the South East over recent years, up to 6,330 in the year to March 2018, affordability remains a key issue in the South East with average house prices up to 12 times average earnings in some areas. Our response sets out key issues where the Affordable Housing Commission could help make the case for Government actions needed to tackle long-standing challenges in delivering affordable homes in the South East. Our response focuses on Commission issues 2 and 3 around powers to help councils maximise delivery of homes and help for local authorities to secure greater investment in infrastructure including affordable housing.
- 1.4 SEEC's response to the Affordable Housing Commission covers:
  - Methods for tackling slow delivery of affordable housing.
  - The need to review the housing need assessment methodology to address unexpected results.
  - How providing earlier certainty on Local Plan status can prevent planning by appeal.
  - A toolkit of mechanisms that can increase capturing land value uplift to provide more funds for affordable homes and supporting infrastructure.
  - Importance of developer contributions to support the development of affordable homes.
  - How giving local authorities more freedoms and flexibilities to use Right to Buy receipts can build more affordable homes and help towards delivering 1:1 replacement.
  - How local control to better target skills funding for construction can assist with housing delivery.

## **2. Commission Issue 2. Towards a new affordable housing offer – increasing supply**

### ***Commission question: What role should housing providers play and what products old and new should be backed by government and how?***

- 2.1 SEEC believes councils could do more to deliver affordable homes if they have the right freedoms and flexibilities. Local authorities only provide a small proportion of affordable housing with the private sector delivering the lion's share. Alongside help for local authorities to deliver more affordable housing, there also needs to be a focus on the way the private sector delivers and funds affordable homes.
- 2.2 SEEC members welcomed Government recently removing the Housing Revenue Account (HRA) cap on borrowing allowing some councils to build more homes themselves – something our members have called on Government to do for a while. However, around a third of local authorities in the South East don't have an HRA to borrow against, so other avenues of funding must be found for these authorities to enable house building.
- 2.3 **Reviewing Right to Buy (RtB) receipts** is one area where more funds could be captured to enable stockholding local authorities to sustain numbers of affordable homes if Government allowed councils to retain adequate funding to deliver 1 for 1 replacements. Whilst Government proposals in 2018 for some RtB flexibilities are a move in the right direction, we would welcome the Commission's support for allowing local authorities further freedoms and flexibilities to deliver the homes needed. More details on our proposals on RtB receipts are in para 2.12.
- 2.4 We would also welcome the Commission's support for SEEC's calls on the Government to **give encouragement to councils who want to build homes through other non-HRA models**. For example, measures could simplify creation of local housing companies or joint ventures to deliver affordable housing, for example older adults' extra-care housing and key worker housing, and joint approaches between councils and colleges or land-holding estates.

### ***Commission question: What planning reforms would deliver more affordable housing?***

- 2.5 We would welcome the Commission's support for planning reforms which could significantly increase the delivery of more affordable homes in the South East. These include:
- 2.6 **Tackling slow delivery** - LGA research estimates the South East has at least 60,000 unimplemented housing permissions – around 18 months' supply of homes, of which a proportion would be affordable homes. Our members were interested to see the outcomes of Sir Oliver Letwin's independent review, commissioned by Government to investigate reasons for slow build out of planning permissions. SEEC members can see merits in Sir Oliver's recommendations on diversity as a way to help housing delivery in some situations. However, SEEC members believe more could be done to strengthen and widen its applicability to the South East. **We ask for Commission support for:**
  - Local authorities to be given discretion to apply Sir Oliver's principles to smaller sites, say 500 homes or more, as the current recommendation of 1,500+ homes would only apply to a small proportion of developments in the South East.
  - Government help to boost the supply of much-needed skills in the construction industry by allowing councils and other partners powers to better target funding to meet local training needs, and support vocational training/career paths.
  - Local authorities to be given discretionary powers to charge fees or council tax on unfinished homes to incentivise private sector build-out of slow-to-deliver planning permissions.
- 2.7 **Review Housing Need Assessment methodology** - The proposed standard housing need assessment methodology published in National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG) has delivered multiple unexpected results compared to current assessed needs in the South East and beyond. SEEC has called on

Government to address the unexpected results, which include reductions in some parts of the South East. These could undermine local growth plans and reduce the opportunity to build affordable homes in some areas. In figures analysed from Government's consultation, in Oxford City Council the housing needs figures approximately halved (from 1,200-1,600 pa to 746 pa). In the same analysis, Reading BC saw a 13% reduction and West Berkshire Council an 18% cut despite high levels of locally assessed need for affordable housing. SEEC Members **seek the Commission's support to urge Government to ensure that any 'reduced' need in housing does not take precedence over locally-led higher-growth plans, which may play a key part to help increase affordable housing provision.**

- 2.8 **Providing earlier certainty on Local Plan status** - Long timescales to examine and approve submitted local plans open councils' development plans up to challenge from developers. At present developers do not have to comply with draft local development plans which have been submitted for examination and can appeal decisions on sites, even if the submitted draft plan meets objectively assessed need (OAN). This could have negative consequences for local plans that have calculated an assessed need for affordable housing. To prevent planning by appeal from developers SEEC wants to secure **interim protection for submitted local plans that meet objectively assessed need**, and would welcome the Commission's support. We want to see an interim period of protection for councils that can demonstrate a 5 year land supply and that meet OAN. This would continue while plans navigate lengthy Planning Inspectorate processes to gain approval, doing a great deal to prevent planning by appeal from developers that can undermine affordable housing targets.

***Commission question: How can government support the funding and financing of affordable housing and what needs to change with the current system?***

- 2.9 SEEC members support introducing additional methods of raising funds for affordable housing and ask the Commission to support:
- 2.10 **Capturing land value uplift** - The South East is the financial powerhouse of the UK making a net contribution of £154bn to the Treasury between 2000/01 and 2015/16, the highest in England. Yet we face an estimated £15.4bn infrastructure funding gap - including affordable homes - by 2030. The continued success and growth of the South East economy relies on, in part, local authorities and other providers' ability to build affordable housing which workers can live in. Whilst SEEC members generally welcomed the Government's recent amendments to s106, CIL, viability and the introduction of the Housing Infrastructure Fund, they will not make enough difference to significantly address the South East needs. We make further recommendations on how developer contributions can assist funding in para 2.11. However, SEEC members see greater potential for Government to support councils in developing new options to achieve Land Value Uplift Capture. While there is no 'silver bullet' solution, a toolkit of mechanisms could assist in capturing land value for infrastructure - as set out below. SEEC members ask the Commission's support in persuading Government to consider these key points;
- **Reforms to the 1961 Land Compensation Act** - Currently where Compulsory Purchase Orders (CPOs) are used there is a requirement on local authorities to pay 'hope value' to the land owner. Despite recent changes, further steps are needed to prevent hope value distorting land prices, encouraging land speculation and reducing availability of public funding for affordable housing and supporting infrastructure. **Government should reform the 1961 Act to allow local authorities the power to compulsorily purchase land at a fairer price** when it is in the public's best interest. A welcome approach could be based on the recent Commons Select Committee recommendations on land value capture ie. any increases in the value of land arising from public policy decisions should be shared with the local community. This would allow the hope-value compensation paid to owners to be adjusted downwards to reflect the public costs of providing the affordable housing and infrastructure associated with the development. Another approach suggested by SEEC members would be for Government to fix land value compensation at current use value, and remove the hope value completely. The option to use CPO in this way could provide a useful negotiating tool for councils when trying to secure developer contributions through non-CPO routes,

in the knowledge they have the potential to use CPO if developers unreasonably claim financial viability constraints.

- **Localising receipts to set up community infrastructure funds** – Government should give councils greater powers and flexibilities to help fill the infrastructure and affordable housing funding gap with some new, innovative approaches. These include allowing councils to have access to a **share of Stamp Duty the first time a new home is sold and a proportion of Capital Gains Tax receipts**. These could form an area-focused community infrastructure investment fund, managed by the council.
- In para 2.6 we recommend that Government give **discretionary powers for councils to charge fees or council tax on unfinished homes to incentivise private sector build-out of slow-to-deliver planning permissions**. Any receipts from this approach could also form part of the fund.

2.11 **Supporting affordable housing through developer contributions** – As highlighted above, whilst developer contributions are not sufficient to fund all needs, they do play an important part in helping fund some affordable housing and infrastructure in the South East. Whilst welcome, recent amendment to s106, CIL and viability do not go far enough to address the existing funding issues South East Councils face, so more ways of raising funds through developer contributions are needed. The new NPPF increases focus on small sites but it can be hard for councils to secure developer contributions on sites under the 10-house threshold as developers are exempt from contributing. In addition, permitted development rights for conversion to residential uses are not required to contribute towards infrastructure and affordable housing costs. **SEEC has called on the Government to ensure developments of all sizes and those that use Permitted Development Rights (PDR) make a financial contribution towards infrastructure**. SEEC also calls on the Commission's support to **develop a more robust system around the viability process to ensure that the affordable housing and infrastructure commitments made by developers are met and not negotiated down**. Too often developers are not meeting their original commitments in building affordable homes.

2.12 **Using Right to Buy (RtB) receipts to build more affordable homes** - The current restrictions around the use of RtB receipts are already a barrier to delivery of sufficient numbers of affordable homes. Recent LGA research shows that nationally two thirds of council will not be able to fund replacement of homes sold off under RtB on a one-for-one basis in five years' time. SEEC members want to ensure RtB provides the funding to allow them to deliver one-for-one replacements. We would welcome the Commission's support for Government giving local authorities the freedoms and flexibilities in the use of RtB receipts to help them deliver the homes needed, specifically:

- That Government should allow a more flexible 5 year, rather than 3-year time limit for spending all RtB receipts to enable longer term housing delivery plans.
- Restrictions on the proportion of replacement costs that can be RtB funded should be lifted entirely. This will give councils the opportunity to avoid unnecessary borrowing where that is financially possible.
- Councils should be allowed to keep 100% of receipts to help them replace RtB sales with an equivalent number of properties. Government should also allow councils to set RtB discounts – some SEEC members argue they kick in too soon and that the discounts are too high to fund replacement homes.
- Councils should be allowed full freedoms to use RtB receipts to replace affordable housing stock as appropriate locally eg. not only building new homes but also for conversion or purchases.

**Commission question: What needs to change to ensure the skills and capabilities are in place to deliver more affordable housing?**

2.13 Previous research by the London Chamber of Commerce and Industry showed that 20% more construction workers were needed across London and the South East to meet housing and infrastructure needs. Government has committed £24m to the construction skills fund to support and incentivise employer-led approaches to construction training by funding onsite training hubs across England. Sir Oliver Letwin's review recommended a 5-year 'flash' on-the-job training course which could ease the shortages. However, whilst these are welcome, SEEC members feel that further action is needed to address the

shortages in construction by giving councils the ability to shape and target local skills training to meet local construction needs. We ask the Commission to support powers for **councils to better target funding towards local training needs, and support vocational training/career paths that will boost the supply of construction skills.**

- 2.14 Another particular issue in the high-cost South East is that developer application costs are being subsidised by public funds, as Government does not allow fees to cover the full cost. **SEEC would welcome the Commission's support for changes to allow councils to set planning fees locally.** This would enable them to adequately cover the full cost of staff and systems to process applications and help progress the development needs of their area.

### **3. Commission issue 3. Towards a new affordable housing offer - managing demand**

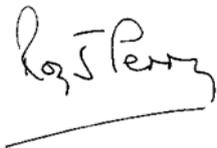
**Commission question: What regulatory reforms and new products/schemes are needed to make both social and private housing more affordable?**

- 3.1 The level of Local Housing Allowance (LHA) in high cost areas such as the South East can often be a barrier to residents finding private rented housing within their budgets. Competition in the South East private rental market in many areas pushes prices up and makes it difficult for lower income households to find affordable homes. Some SEEC members are concerned that the impact of freezes in LHA in combination with high costs, rising rents and shortage of affordable properties can make it almost impossible to find a home within budget. **We seek support from the Commission to urge the Government to increase LHA in high cost areas such as the South East.**

**Commission question: How can we ensure the better use of existing stock?**

- 3.2 See para 2.12 setting out SEEC's comments on how the Commission could help address challenges relating to Right to Buy (RtB).

Yours sincerely



**Cllr Roy Perry**  
Chairman, South East England Councils



**Cllr Ralph Bagge**  
Deputy Chairman, South East England Councils