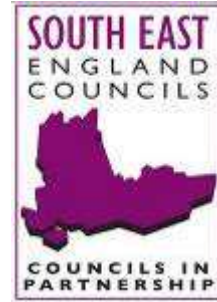


**SOUTH EAST ENGLAND COUNCILS  
EXECUTIVE COMMITTEE MEETING**



Date: 4 April 2014

Subject: Review of local authority role in supporting housing supply

Report of: Heather Bolton, SEEC Director

**Recommendations:**

SEEC Executive members are asked to:

- i) Discuss changes required to allow local authorities to do more to support housing delivery
- ii) Consider a SEEC response to the call for evidence from an independent review into councils' role in delivering new housing.

**1. Background**

- 1.1 On 30 January 2014 Government launched an independent review into how more homes can be built and the role of local authorities in this. It is co-chaired by SEEC Executive Member Cllr Keith House (Lib-Dem, Eastleigh BC) and Natalie Elphicke (lawyer and Chair of Million Homes, Million Lives).
- 1.2 The review will report jointly to CLG and the Treasury by the end of 2014. A [call for evidence was published on 25 March](#) with a deadline of 23 May. The review focuses on issues including:
  - Whether Housing Revenue Account (HRA) borrowing in stock-holding councils is supporting delivery of new homes
  - Whether all councils (stock-holding or not) could do more – for example by:
    - maximising asset sales to support new development
    - increasing local capacity and skills
    - bringing local authority land into productive use
  - Innovative finance mechanisms and how Government could support these
  - How council efficiency improvements could free up more resources to support new development
  - How data on HRA-owned assets could become more transparent
  - How the cost of council-led development compares to private options and how local authorities could reduce costs by working with private sector partners.

**2. The South East picture**

- 2.1 In recent years the South East has delivered England's highest levels of private house-building – 15,090 in 2012-13. In the same year the South East also delivered 4,620 affordable homes, the second highest after London.
- 2.2 SEEC members have expressed concern, however, that South East affordable housing completions have fallen by some 1,300 a year since 2009-10 and local authorities are keen to play their part in increasing supply.
- 2.3 Case studies from several SEEC members already show a number of innovative approaches to delivering housing. For example:
  - Oxford City Council has entered a joint venture with a private sector developer sharing risk 50:50 to deliver 885 homes (40% at social rents)

- Ashford BC has set up a council-owned trading company, initially funded by council borrowing, to build homes for sale and rent, including affordable rents.
- Kent CC has entered a partnership with a private sector developer, providing land for 150 new homes – including some at affordable rents – funded by the developer and an international pension fund.

### **3. Releasing more potential**

3.1 Member views are welcome on Government measures that would release more potential for councils to support further housing development. Options to consider include:

- i) Allowing councils more freedom to invest in housing growth, including:
  - Relaxing wider local authority borrowing rules to allow councils to borrow more against their assets or expected revenue from new housing developments
  - Allowing local authorities to borrow at preferential rates, eg via a municipal bonds agency as promoted by the LGA
  - Simplifying and clarifying the position on state aid to allow councils to invest in mixed tenure housing so private sales and market rents can help subsidise affordable homes
  - Allowing all South East authorities access to city-deal type fundraising powers to help address the need for affordable homes in the high cost South East
  - Ensuring councils are able to retain full receipts and revenues from housing developments to fund future growth. Any penalties or related funding reductions would serve to make housing investment unattractive.
- ii) Giving councils greater powers to support development, for example:
  - Streamlining compulsory purchase order powers to speed up councils' ability to assemble land, especially brownfield land, in order to make sites suitable and attractive for development
  - Giving local authorities powers to tackle undeveloped land – for example the ability to revoke unused planning permissions, to reduce the validity period of planning permissions or to levy taxes on stalled developments
  - Reviewing and streamlining the role of statutory consultees in the planning system to speed up the process of granting permissions
  - Ensuring councils retain full control of section 106 agreements to ensure private developers make a viable contribution to providing affordable homes in line with local needs
  - Allowing innovative ways to collect developer contributions to affordable housing – for example via cash payments in lieu of including a set proportion of affordable homes in specific developments
  - Allowing greater local authority control over skills funding and delivery to help ensure training matches local needs. For example, ensuring a supply of skilled construction workers will increase capacity for housing growth in all sectors of the market.
- iii) Introducing incentives to encourage development of affordable homes, such as:
  - Financial incentives for councils and investors to enter public-private partnerships to build affordable housing – for example with councils giving land and financing provided by pension funds or private sector developers.
  - Incentives for councils to assemble and fund clean up of brownfield sites to make them viable for development.

3.2 Member views are invited on whether SEEC should submit a response to the call for evidence when it is published and, if so, which issues should be highlighted. Examples of good practice and innovation to include in any response would also be welcomed.