

Building Homes and Funding Associated Infrastructure Workshop 27 January 2017 at Church House, London

SUMMARY

This SEEC-LGA event was attended by 85 senior councillors and officers from the South East and beyond. It provided an opportunity to hear about innovations in delivering housing and infrastructure, learn from others' experiences and identify where Government changes could help councils achieve more.

SEEC Chairman, **Cllr Nicolas Heslop** opened the event and summarised three key South East challenges:

- The need to increase delivery of affordable and market housing in all tenures
- That councils' local growth plans are not being matched by developers delivering on the ground
- That housing cannot be seen in isolation without considering the infrastructure to support it. Existing funding streams are inadequate to deliver the transport, schools, health, utilities and affordable homes needed to support the South East's economic and housing growth.

Event Facilitator **Andrew Coleman** from Local Partnerships, said that local government has the ambition to overcome these challenges – many councils are gearing up for housing delivery either directly or in partnership but the right support and tools from Government are needed to scale this up.

A **presentation by Cllr Heslop** summarised SEEC's new report '**Unlock the housing blockers**' including **seven recommendations** to Government for tackling unimplemented planning permissions and barriers to housing delivery. These changes would help councils ensure developers build and would free up more funding to invest in infrastructure.

In a keynote address, LGA President, **Lord Kerlake** said the housing challenge is to double the supply of homes on a sustained basis to meet need, but infrastructure is also essential to make great places. On both counts, the South East pressures are particularly high. He believed there had been a sea-change in Government, with Housing Minister Gavin Barwell supporting rented homes as well as starter homes but he said infrastructure was harder to crack because it straddled multiple Government departments. He said there was a big responsibility on the South East, so councils would need to offer Government more delivery in return for new powers.

Lord Kerlake suggested a number of priorities local authorities should be asking Government for including:

- Flexibility on setting of planning fees to cover costs and provide a better service to developers

- More Government investment in the place-making capacity of local authorities
- Relaxation of the housing borrowing cap and the ability to trade headroom between authorities to allow councils to build more themselves
- Mechanisms for councils to attract up-front infrastructure investment before growth
- Extending the qualifying period for Right to Buy to significantly more than the current 3 years.

Tim Leunig, Economic Adviser to DCLG Secretary of State on Housing Supply, outlined innovative options that Ministers could consider now they had power to give councils planning flexibilities under the Lucas Clause (S154 of the Housing & Planning Act 2016). For example, councils could ask for powers to purchase land for development themselves and capture the uplift in land value once planning permission is granted. This could then be used to fund infrastructure investment, pay for services or reduce council tax. Flexibility would only be available in return for delivering more homes. He said, “If you can come up with a compelling proposition to deliver more houses than the Secretary of State wants to hear from you.” His ideas were subsequently outlined in a Planning Advisory Service [blog](#).

Jenny Coombs from Local Partnerships presented an [overview](#) of how the Housing Finance Institute is helping councils deliver homes and infrastructure.

Delegates heard from a number of good practice case studies within and beyond the South East:

- **Cllr Paul Carter CBE**, Leader of Kent CC [outlined the partnership approach](#) taken in the Kent and Medway Growth and Infrastructure Framework (GIF), to align Kent’s 13 district plans into a strategic framework. Solutions identified include capturing the uplift in land values and exploring options such as Tax Increment Financing that would support borrowing to forward-fund infrastructure. The GIF also prioritises development of new towns and villages over urban sprawl into areas with limited or no supporting infrastructure.
- **Steve Ingram**, Strategic Director, South Kesteven Council [summarised the approach](#) taken in negotiating S106 agreements for a large scale development. The council identified clear priorities such as a relief road that had been planned since 1983 and held significant benefit for the wider community. In return they agreed with the developer to reduce the requirement for affordable homes to 9% and accepted land for schools.
- **Julie Cook**, Head of Housing Services, Elmbridge Borough Council described how Elmbridge’s strategic review of housing had led to a focus on increasing delivery of affordable homes and the ambition to set up a housing company.
- **Nick Tustian**, Chief Executive, Eastleigh BC [explained](#) how a joint venture housing company with neighbouring Fareham BC and two housing associations had enabled the council to deliver new housing in tenures needed locally. Partners recognised that private developers were not meeting local demand and working through housing associations speeded up procurement.
- **Mark Jaggard**, Planning Policy Manager, Oxford City Council [outlined](#) how a joint venture enabled council control over all aspects of the delivery of new houses on public land. Crucially, their approach ensured 40% affordable homes, quality of design and speed of delivery and the model is now being rolled out across other developments.
- **Simon Bowers**, Business Manager, Daventry Council [detailed](#) how creating a trading company had enabled the delivery of new housing and the creation of both revenue and capital value for the council. He gave tips on avoiding some of the pitfalls in setting up council owned companies.

NOTES FROM TABLE DISCUSSIONS

Points raised by delegates are recorded below. It is also worth noting that some were subsequently covered or partially addressed by the Housing White Paper published in February 2017, reflecting influencing work by LGA and SEEC on behalf of their members.

1. What good practice is already happening in the South East?

Financing housing and infrastructure

Councils in the South East are utilising a range of strategies to support the financing of housing and infrastructure, including:

- Setting up a company, wholly owned by the council to deliver new homes
- Working with the LEP to fund road improvements, by demonstrating how these will open up housing development
- Compiling packages of finance to deliver housing. Examples include **Kent County Council working with Kier and Oxford City Council's joint venture**, both set out in SEEC work on the local authority role in housing. A Lewisham joint venture is highlighted in the **LGA Housing Commission report**. Further information is available from the **Housing & Finance Institute**.
- Investing in research on viability studies to inform improvements to CIL rates
- Securing a financial contribution instead of housing units on site for s106, and then borrowing against the funds to deliver more on a strategic basis
- Retaining ownership of land being developed, in order to take value out at the end of the development instead of up front
- Working with other local stakeholders to support them to achieve 'guaranteed' investment income.

Building homes

Local authorities are increasingly prioritising housing delivery, using a range of tactics, including:

- Building their own council homes for rent
- Taking opportunities as they arise – e.g. building on old garages
- Ensuring good linkages and working relationships between housing and planning services, and using masterplanning
- Using modular homes and offsite construction where financially viable, particularly in the build to rent sector, leading to reduced construction and waste traffic
- Neighbourhood planning – a helpful means of engaging communities to understand local need
- Exploring whether models of long term leasing can be developed to support building on land owned by institutions.

2. What should SEEC/ the LGA ask Government to do, to help councils get more homes built?

Financing housing and infrastructure

Delegates identified a number of priority areas for influencing:

- A mechanism is required to capture a percentage of the land value uplift once planning permission is granted, to fund infrastructure

- Local authorities need quicker access to infrastructure funding, and to enable its forward funding
- Changes to CIL are necessary as it is not fulfilling its purpose of funding adequate infrastructure: this should include allowing CIL on affordable homes and small sites, and consideration of greater standardisation in order to avoid lengthy negotiations and delays
- LEP funding should follow evidence of need and ambition for growth and co-ordination and consistency of approach for schemes crossing LEP boundaries is required
- Councils should be given freedom to use existing resources to meet local demands: for example, right to buy receipts could play a useful role in supporting development but councils are held back by restrictive and complex rules and the money reverts to the Treasury
- Government should enable certainty for financial forward planning by halting national proposals for enforced sale of higher-value council assets
- Government should provide assurance to local authorities and communities that funding is not dependent on elected mayors and combined authorities
- Guidance on viability should be reviewed by Government, since developers are driving down delivery of affordable housing and infrastructure
- Processes within the Department for Transport for funding new roads should be streamlined, particularly with reference to two-tier areas
- Councils should be able to retain first time sale Stamp Duty for infrastructure investment
- HRA funding rules should be relaxed to allow building of temporary accommodation
- Limits on borrowing and rent reductions should be removed
- Local authorities should be able to set their own planning fees, with the income ringfenced to plan making and development management
- Consideration should be given to enabling Housing Associations to pool and borrow against stock to raise funds.
- Planning authorities should have the right to demand good quality broadband as part of the permission.
- Strategic planning for utility companies should be aligned with Local Plans, and capacity constraints addressed so that they will provide estimates for development schemes.

Building homes

Delegates identified areas where increased freedoms and flexibilities and a reduction in complex schemes and rules would support the delivery of housing growth:

- The system for developing Local Plans should be reviewed to allow staged sign off of draft documents so councils are aware of problems early on and can adapt later stages of work to avoid plans being rejected late in the process. Staged sign off would allow councils greater confidence in housing numbers/ allocating sites. More generally, stability and certainty in the planning system is required
- National planning guidance should be more flexible in relation to 5-year land supply, and PINS should be more flexible in its application
- A comprehensive review of Green Belt is required, including consideration of options and zones, and replacement of sites used for development with new Green Belt sites
- Councils should have powers to split large sites between developers to encourage quicker delivery. Consideration should be given to the continental method, where large sites have a limit on the percentage of the site a developer can develop, leading to competition, numerous (smaller) developers on a larger site, and a mix of styles and offers
- CPO powers should be enhanced and made simpler where land is being banked, including the ability to buy at current use value and not future value

- Councils should be equipped with the levers and funding to ensure skills development in their areas to support housing and economic growth
- Conversion of office space into housing should be revisited or ended as the provision of employment is now increasingly under threat
- Government should remove the red tape in relation to garden cities infrastructure
- Local authorities should be given more power to fine or rescind permission if schemes are not built, to avoid landbanking/unimplemented permissions. One option would be to apply council tax via a land charge
- Restrictions on pooling CIL contributions should be lifted as they can be a constraint on funding infrastructure, and generate work and delays
- Government should integrate prioritisation, planning and activity better across its departments and agencies and make access easier to enable blockages to housing delivery to be resolved e.g. there are examples of Network Rail demanding very large amounts of money for bridges over rail lines which are necessary to provide access to development sites
- Government should promote good design and sustainability in planning policy
- Respect is required for local authorities' knowledge of what areas need and how to achieve the required balance for growth, especially building the homes that a particular area needs
- If it was possible to demonstrate local priority/ connection for shared ownership housing, local communities will be more accepting of development
- A strong and ongoing dialogue is needed between ministers and local authority leaders to enable a shared approach to problem solving.

3. What further support would be helpful?

Delegates suggested a range of ways in which they would welcome further help to deliver homes and associated infrastructure. These are set out below, incorporating latest information about how these can be supported:

Information sharing - how can we share information about who's doing what across the sector, including benchmarking and best practice?

- A network for South East housing company council officers is currently being established, and those officers are being surveyed to identify key areas for the network to address. This could include:
 - sharing learning from when things didn't go well, as well as learning from success
 - encouraging councils to work together on shared challenges, pooling resources
 - a mechanism for councils to share the results of consultancy work commissioned locally
 - opportunities to share procurement
 - how to work effectively with the Homes and Communities Agency
 - how to encourage building by small and medium sized builders
 - exploring councils' approach to calculating commuted sums for affordable homes (ie developer contributions 'off site').
- A **shared services map**, coordinated by the LGA, helps councils to see where there are opportunities to share services with others
- **LG Inform** aids benchmarking across a range of council services: collation and presentation of information can be tailored to meet local needs

- SEEC's '**Unlock the housing blockers**' report includes examples of councils addressing challenges and opportunities in housing delivery
- The Town and Country Planning Association (TCPA) recently published an LGA-commissioned report, **Building Homes Together**, which gives examples of local authority innovation, covering both urban and rural areas and working in the face of a range of housing challenges
- A 2014 LGA case study report, **Supporting Housing Investment** includes further examples
- The LGA held a national housing conference, **Building homes, reducing homelessness**, in March 2017: the presentations contain information about good practice.
- **New Conversations: LGA Guide to Engagement** was published in February 2017. It includes practical advice to members on how best to engage with communities and deliver persuasive messages about, for instance, housing needs and growth in their communities – such as the connection between housing numbers and infrastructure (GPs, roads, schools etc).

Sources of further information –

- Different models of housing delivery, their pros and cons and how to choose between them:
 - The Housing Finance Institute has published **Financing approaches and mechanisms which councils have used to increase housebuilding**
 - Local Partnerships has produced a **Housing Toolkit**.

Specialist knowledge and expertise –

- Shared resources and expertise: councils cannot all afford to retain experts on their staff.
 - The LGA is developing its support to councils in relation to technical detailed challenges related to housing and housing delivery. For more information on this, please contact your LGA Principal Adviser.
- Joint commissioning of consultancy work; a framework for procurement of specialist legal advice.
 - The SEEC Housing Network will discuss possibilities for joint commissioning by councils.
 - The LGA may be able to add any particular areas of expertise to our commercial procurement framework. Please discuss any desired additions with your LGA Principal Adviser.
- Assistance with negotiations with developers, helping councils to assess their proposals more critically.
 - The Planning Advisory Service (PAS) can provide a range of support to councils prior to negotiations to ensure they enter negotiations in the strongest possible position.
 - PAS also provides pre-application development training to committees as a charged service.
 - The LGA is in the process of recruiting specialist housing advisers who will be available to work with groups of councils to develop approaches to working with developers. For more information on this, please contact your LGA Principal Adviser.

Working across sectors – One Public Estate can broker joint work and fund feasibility studies to help maximize housing growth on land across the public sector, including local authorities, the NHS and Ministry of Defence.

Further events for senior members and officers – South East England Councils and the Local Government Association will consider the potential for a further event, later in 2017-2018, by which time there should be progress to report arising from the new Government's plans.