



working together to build the homes we need

**RESEARCH
HIGHLIGHTS
2016:
CONFERENCE
SPECIAL
EDITION**



A compilation of key publications and comment pieces
for today's housing and infrastructure challenges

A national Housing & Finance Institute to support a step change in housing delivery was a formal recommendation of the UK Government's Elphicke-House Report 2015. The recommendation was accepted by the Government and the UK's Chancellor, George Osborne, asked Natalie Elphicke and Keith House to take it forward through working with local and central government. Its establishment was announced by the Chancellor in the March 2015 Budget. Industry, professionals and government leaders came together to establish the HFi at a special event led by the Housing Minister, Brandon Lewis MP, in June 2015 at the City of London's Guildhall. The HFi started operations in September 2015 under the chairmanship of Mark Boleat, Chairman of the City of London Corporation's Policy and Resources Committee, with Natalie Elphicke OBE as its first Chief Executive.

The Housing & Finance Institute (the HFi) is an independent not-for-profit organisation created to work with industry and public sector partners to deliver a step-change in housebuilding, housing delivery, asset management and finance. The HFi offers expertise and guidance in the fields of housing and finance. Its independent board is one of the most experienced and respected in the country. It has representatives from the highest level of achievement from central government, local government and business.

Its purposes are to increase housing supply across all tenures, create opportunities for councils, finance & businesses to work together to build more homes, and promote the better delivery, management and financing of housing. Any profit we make is re-invested in our work boosting capacity and delivery in housing and finance.

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Our work would not be possible without the generosity of our core partners and sponsors:





Working together to build the homes we need.



The HFi: our first year

The Housing & Finance Institute works with councils and businesses across the country. We work practically to help councils identify and manage their housing wants and needs in a way which is right for them and their communities.

Sharing knowledge, celebrating success: In our first year of operations we have worked with over 250 organisations and individuals from councils, businesses and housing associations around the country to help them with their capacity building and translating appetite to greater housing delivery. We host regular knowledge events for business and councils. The HFi national 'Celebrate' tour identifies and celebrates examples of housing success around the country.

Are you Housing Business Ready? At the heart of our work is our flagship "Housing Business Ready" programme and specialist workshops, which have reached over 40 councils. We have celebrated our first anniversary with a new Housing Business Ready workbook, *A Guide to shaping up Municipal Muscle*, which helps councils with support and strategic clarity in their growth and housing agendas. It is an accessible guide containing practical checklists and advice to help councils assess and improve their housing and growth performance.

Data excellence: Our Housing Business Ready work is underpinned by a unique data model which can analyse and assess housing performance for every council around the country. Our data work includes metrics on additional capacity to build and market absorption rates. Understanding of our data model capacity has been developed with assistance from the DCLG data specialists and continuing work with DCLG, ONS, NHBC, HBF and others.

Making a difference: By helping local and central government devise a more effective housing strategy to make the best of their resources and to make sure that housing money meets with the opportunities and ability to deliver, we can and will continue to deliver the homes that we need across the country. Our work has already helped to locate new sites, speed up delivery, set up housing companies and share pioneering practical techniques in governance and monitoring.

Meeting the challenges for all our communities: We work practically to bring together partnerships and new thinking to ensure housing and finance solutions support all our communities around the country. This year we have been proud to have been working with the Coastal Community Team in Jaywick Sands in Essex for a ground-breaking place-based renewal of the most deprived small area in England led by Tendring District Council and the Jaywick Sands residents. Wates Giving have generously supported detailed research work, soon to be published, on the role of social investment finance in place-based renewal.

Collaboration: We can't do all of this by ourselves. Collaboration is at the heart of our work. We have a first class board of senior leaders and experts in local and central government, housebuilding, regeneration and the property industry. We are delighted to have worked on a first of a kind regional programme with the South East Local Enterprise Partnership to share knowledge and pinpoint housing and infrastructure requirements across the South East area. We are rolling out a national collaboration for our Housing Business Ready programme with Local Partnerships,

which is jointly owned by HM Treasury and the Local Government Association. Our work is supported by an excellent group of HFi Fellows who share their knowledge and expertise in housing, finance, local government and good governance in order to ensure that our work is current, accessible and technically robust.

Policy into Practice: We contribute in the national media and policy arena to shape and develop thinking in housing and finance. Our chief executive is a member of the UK Government's estate regeneration expert panel and this year we have had technical discussions with the DCLG team and with the Housing & Planning Minister, with the DWP team and the Minister for Welfare Reform. The HFi team have supported the cross-party research work of the Housing and Planning APPG chaired by James Cartlidge MP. We work with a range of other organisations in the policy arena and speak at national and regional conferences and events. This book contains some of our key research publications and comment pieces for 2016 addressing key questions and challenges of today such as:

- How do we build more homes, faster?
- Does London have capacity to build a million homes?
- How could boosting the boroughs help London to build more homes?
- Are the water companies holding up housebuilding?
- Who has the best track record for housing: the London-metropolitan areas or regional local councils?
- What is the housing legacy of the Cameron-Osborne government?
- What are the big challenges for the May government?
- Does the planning system need further change?
- Are a million homes even possible?
- Could we use infrastructure money better to make sure it supports faster housebuilding?
- Should housebuilders have to agree minimum rates of build out where they receive infrastructure or financial support?
- Do local councils really make a difference in driving housing delivery?
- Has big Devo and the super Mayors been shown to deliver more housing, or is it time to try Devo for Districts, putting greater flexibility with money and powers wherever councils are getting results?
- What to do about the levy? Should regional local councils be allowed to keep the levy and sales receipts if they are delivering new homes?

We hope you enjoy this book – and decide to join and support us in our work.

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From the Shores to the Shires

Regional Local Councils, Big Housing Opportunities

From the Shores to the Shires

From the Shores to the Shires, Britain is building again, but not where most people expect. You might think that housebuilding is dominated by the big cities and bustling metropolitan areas. But it isn't.

Building, and opportunity to build, is dominated by Britain's coastal communities, the country villages and market towns, post-industrial heartlands and the historic cities and counties of England.

Regional local councils have been the beating heart delivering new homes for our country.

Through their ambition and determination they have been making a huge difference in building new homes that our country needs, without the mammoth resources and powers of the Capital and the Metropolitan councils.

Regional Local Councils – Big Housing Opportunities

- **Building new homes:** Last year around 70% of all new homes completed were built in regional local council areas.
- **Starting new homes:** Last year around 70% of all new homes started were in regional local council areas.
- **Planning Permissions:** The major balance of housing opportunity for growth sits in the regional local councils – around 70% of all planning permissions for new homes in the last year were granted within the regional local councils and not the Capital and Metropolitan areas.
- **Housing Need:** It is not the case that housing need exists only in the Capital and Metropolitan areas. There are nearly 80,000 more households on the waiting lists in the regional local councils than in the Capital and Metropolitan areas.
- **'Not Spots' for housing associations:** Additional housing need across the regional local council areas is too often not being met by housing associations. Nearly 90% of areas where housing associations did not start one single new home in the last year were in regional local councils.
- **Money, power and resources:** However, regional local councils do not have the attention, full powers, funding and support from central government which is enjoyed by the Capital and Metropolitan areas. Nor have they for many, many years.

Re-balancing our housing policy

Re-balancing our housing policy to better support the regional local councils is necessary. It makes housing business-sense to give a fairer share of resources to regional local councils who have a good track record, significant housing need, who can realise their housing opportunity and who can build more homes, faster.

The Institute's five-point plan to re-balance national housing policy

1. **Keep the cash from sales:** Allow regional local councils to keep the cash from

any valuable houses they sell, provided there is a track record of housing delivery and a clear deliverable plan for new homes within 4 years.

2. **Exempt from the Levy:** Allow regional local councils to be exempted from the high value assets levy, provided there is a track record of housing delivery and a clear deliverable plan for new homes within 4 years.
3. **Devo for Districts:** Give extra cash allocations, financial support and housing flexibilities to regional local councils if they can show they can and will deliver more homes and growth. ‘Devo for Districts’ would allow energetic councils to benefit from some of the freedoms and flexibilities given to urban centres and to housing associations around finance and housing tenure.
4. **Housing hubs:** Pinpoint key areas of housing opportunity in regional local councils which can be translated into more homes, faster. Provide additional support for infrastructure funding to realise these homes sooner, including for new water supply and other utilities funding.
5. **Housing Business Ready:** Fund capacity building with our flagship “Housing Business Ready” programme to help councils in the practical work needed to implement good business skills, improve monitoring and business resilience and drive through housing delivery.

Regional Local Councils: The 70%

The success of regional local councils has been well-demonstrated in their overall contribution to housebuilding. In 2015/16 around 70% of all new homes were built in regional local council areas.

When it comes to permissions for new homes regional local council areas are responsible for around 70% too.

Despite this, it is the big cities and Metropolitan councils who receive the lion's share of government funding and attention.



It is a long time since the 70% got their fair share of funding for housing – the 70% who are doing lots of the heavy lifting without sufficient central government support. Let's take 2009/10. The London-Met group got half of the money but built only 30% of the homes. All of the other English councils got half of the money but built 70% of the homes. When times are so tough for ordinary hard-working councils, that's simply not fair.

It's not just historic allocations, it's still happening.

Housing Zones funding shows the way finance is skewed towards the major urban centres. Of £606.3 million initially allocated for housing zones, £600 million has been announced for London and a paltry £6.3 million for the whole of the rest of England.

And with that extra cash – one hundred times extra in fact – London will only build twice the number of homes. Imagine how much more could be done by high performing regional local councils if they had a bit more of the available money.

This is nothing new. Not one government or another is responsible. It merely reflects a cultural myth that the big city areas and metropolitan areas – such as London, Manchester and Birmingham – are where all the housing action is. But in fact housebuilding is happening all over the place.

Undoubtedly there is more that can be done in London and other major urban centres to build more homes but those areas already have huge resources and powers to do more. Their challenge is simply now to deliver. The demand for new homes is as great in the regional local council areas, the opportunity to turn planning permissions into new homes is greater. These councils need a fairer share of funding and they should not be asked to pay a greater and greater share of their, much smaller, resources.

Coastal
communities

Post industrial
heartlands

Country villages
& market towns

Historic cities &
counties of England

Keeping the Levy: Housing 'not-spots'

Regional local councils with a good track record who are building and permissioning homes for their areas and who have their own housing stock should be exempted from the high value asset levy and be allowed to keep their own money from housing sales. They should not be required to hand over sales receipts and levy amounts to fund the programmes of housing associations.

Why? Because our research shows that there is a growing geographical imbalance in where housing associations are building new homes. In some areas, such as London, almost 30% of housebuilding is done by housing associations, whilst in other areas, such as Cumbria and Derbyshire the proportion of housing association homes built is less than 7%.

Around 18% of local authorities had a housing association 'not-spot' in 2015/16. 'Not-spots' are those areas where no homes at all were built by housing associations in an area. Out of these 'not-spots', the overwhelming majority, around 90%, were in regional local councils.

The number of local authority 'not-spots' has risen by 25% year on year. The group comprising the increase is entirely made up of regional local councils. The number of 'not-spots' in the London-Met group has remained the same year on year. There is not much point giving high value asset sales receipts to housing association if they not going to build in that area. So why not let those councils keep the receipts if they have a credible plan to build?

Housing Need

It is not the case that housing need exists only in the Capital and Metropolitan areas.

There are nearly 80,000 *more* households on the waiting lists in the regional local councils than in the Capital and Metropolitan areas.



Knowing what they are doing

Many councils up and down the country are putting in extra effort to deliver new homes. Such effort is bringing results – and so they deserve more resources. The Government should put more of its housing money where the opportunity to deliver is being identified and can be met. This means more funding to energetic councils right across the country who are working tirelessly to make a difference for their communities but do not have access to the comfortable cash flow of the largest cities and biggest housing associations.

There is a great myth that these counties, smaller cities and districts don't know what they are doing. The 70% evidence proves otherwise. Many regional local councils have a track record of delivery. Our flagship Housing Business Ready programme works with councils up and down the country to celebrate and capacity build with some excellent organisations. They are the builders and housing delivery enablers who are taking our country forward.

Right now there is an opportunity to power up these areas even more: to allow them to keep the cash from any valuable houses they sell, to be exempted from the high value assets levy and given extra cash allocations and financial support if they can show they can and will deliver more homes. Only then can we really build the homes we need – and more quickly.

Technical Notes

In this paper we use the collective definition 'Regional Local Councils' to identify unitary authorities and shire district categorisations used in DCLG housebuilding and planning statistics. This paper draws on detailed statistical information contained in DCLG Live Table 253 for housebuilding statistics, Live Table 600 for housing waiting lists, Live Table P122 and P124A for planning application statistics and the www.gov.uk (DCLG press releases), www.gov.uk (open data, HCA) and www.london.gov.uk (press releases) for additional information.

The Housing & Finance research team for this paper:
Natalie Elphicke, Claire Coutinho, Martha Richardson and Jimmy Coles.

Debunking the myth – Cameron and Osborne's housing legacy is the strongest for a generation

By Natalie Elphicke, Chief Executive, The Housing & Finance Institute

The conventional wisdom is that Theresa May has inherited a full-blown housing crisis. We are told that there aren't enough homes being built – and those that are being constructed are unaffordable for the vast majority of Brits.

A whole generation of young people are unable to even consider buying their first home – being either stuck with Mum and Dad or suffering in a soaring rental market that restricts their ability to save.

It is true we have some serious housing challenges, but it is also a fact we have made some extraordinary steps forward since David Cameron and George Osborne took control of the tiller in 2010.

For two politicians perceived to be masters of spin and presentation, they failed to sell their ground-breaking housing achievements while in government. But they really did preside over record-breaking house building, a reformed planning policy and a package of reforms that leave our housing industry in a much stronger position than when they took office six years ago. Cameron and Osborne's is the strongest housing legacy of any government for over 35 years.

They oversaw a quiet revolution in housing supply. As Chancellor, Osborne put housing at the heart of Britain's recovery and growth strategy, committing over £38 billion of public money into the sector; a scale of public finance housing support has not seen since the post war era.

Financial commitment has been matched by root and branch reform across all parts of government which impact on housing: planning, public finances, local government finance, local government powers and the government's entire public land estate.

A key part of their programme was giving back control to councils.

In the 'humpty-dumpty' post recession world, Cameron and Osborne were in no doubt that central government by itself could not fix everything that was broken. A recovery which worked for everyone needed to devolve power to find local solutions.

This included money, direct access to billions of pounds which could be borrowed directly by councils for housing, growth and community building through the Housing Revenue Account settlements and Prudential Borrowing.

There has been wholesale reform of planning through the introduction of the National Planning Policy Framework. This is helping councils and housing businesses alike understand what housing is needed and where. Action has been taken on empty homes, on better utilisation of existing social housing stock and on keeping Britain building.

Undoubtedly the flagship Help to Buy scheme has been a key driver to their success. Often mis-analysed as a demand side boost, the original Help to Buy scheme was a supply side boost to address the immediate challenge that volume housebuilders

faced, which was that new buyers did not have the higher deposits necessary to secure a mortgage after the credit crunch. The Help to Buy programme ensured that builders had the confidence to continue to build new homes, knowing that the homes were within the reach of buyers.

These root and branch reforms of housing are working. Britain has more fuel in its housing tank than at any recent time. Planning permissions are at an eight year high with over 475,000 in stock at the beginning of 2016. Over 200,000 additional homes have been added to the council tax base in the year to March 2016. There are fewer empty homes than at any time since records began.

Another overlooked achievement of the last six years is social housing. The evidence belies the political rhetoric. David Cameron oversaw the only net increase in the number of households in social housing of any of the last five Prime Ministers. The last two full reported years to 2015 saw the highest numbers of households in social housing for more than a decade.

Contrary to widely held perception, Britain is building again – and much of that is down to our last Prime Minister and Chancellor. A policy of engaging across all markets with a broad range of participants of councils, housing associations, developers, investors and government has delivered more homes. They can hold their heads high.

More than 750,000 homes have been built during their term of office already, with final figures to be released in the coming months. Housebuilding starts are more than 100 per cent above the low point of March 2009.

This strong inheritance gives Theresa May and Phillip Hammond the opportunity to meet the Government's one million homes by 2020 target.

However, the timing of the Cameron-Osborne departure occurred just as they had set a firm course to deal with another economic legacy issue – the imbalance between home ownership and private renting.

To keep Britain building, Hammond will need to steady the global financial markets and continue with Help to Buy and other interventions. The previous government had dipped a toe in the water for building directly commissioned by government and was supporting the development of construction and other skills academies, encouraging off-site manufacturing, re-invigorating estate regeneration and nurturing the return of smaller builders.

To counter the short term Brexit impact, the new government will need to accelerate the pace of change for these critical areas.

An abridged version of this article was published in the Times Red Box, August 2016.

Useful Sources:

UK Government: Elphicke-House Report 2015

HMT Autumn Statement 2015

DCLG 211: Housebuilding: Permanent dwellings started and completed by tenure, United Kingdom (Quarterly)

English Housing Survey – Annex 1, Table 1.1: Tenure Trends 1980 to 2014-15

DCLG Table 209 Completions (annual)

DCLG Table 208 Starts (annual)

DCLG Table 120 Net Housing Supply

DCLG Table 213 England Starts & Completions (Quarterly)

DCLG Housing Statistical Release March Quarter 2016

DCLG Empty Homes Press Release, 28 April 2016

DCLG Dwelling Stock Statistical Release, 28 April 2016

LGA planning permission press release: 7 January 2016

National Housing Federation (members' data)

Valuation Office Agency 'Council Tax Stock of Properties 2016', 30 June 2016



Proposals to increase housebuilding rates for the homes we need

Britain is Building Again: The most recently published figures show that every type of developer – private developer, housing association developer and council developer – has increased the amount of homes completed and increased the number of homes started. Housing completions performance has powered past the long term trends for the first time since the credit crunch and recession; housing starts are well placed and planning permissions have been approved at recent record levels.

Stock to Build: In addition to improved housing completions, there are around 500,000 permissioned sites to build out, a very healthy stock number of housing opportunity. With around 360,000 planning permissions granted last year, the highest level since the recession and credit crunch. The uplift in housebuilding and in permissions together suggest that from a land supply and permissioning perspective the expressed ambition for a million homes, over 200,000 a year, is achievable and feasible and that planning and land access reforms are unlocking housing opportunity.

Let's Build More Homes, Faster: Now is the time to turn that housing opportunity into delivery. To build more homes, faster. This paper sets out what drives and holds back housing delivery in practice and recommends approaches and additional powers to accelerate and prioritise housebuilding. To drive through that housing opportunity into homes on the ground. To unblock the next stage of the housing delivery supply chain; utilities major infrastructure and expectations around acceptable build out rates. There is more which can be done to build more homes, faster.

How To Build More Homes, Faster recommends:

Recommendations to Improve the Timely Provision of Utilities Required for Housing Growth

Recommendations to improve the timely provision of utilities required to meet housing growth are based around two principles: (i) infrastructure dependencies mapping and (ii) direct intervention by the regulator and by the Secretary of State to force improved performance.

1. **Infrastructure Dependencies Mapping for Housing Growth:** Infrastructure Dependencies Mapping at a local and area level could be undertaken by Councils and Local Enterprise Partnerships working together. This approach would provide a firmer basis on which to understand and negotiate the better provision of utilities within an area other than on an individual business-to-business basis. This would also better ensure that the utilities companies are planning for the increased activity which is needed in order for them to fulfil this regulated connections role.

2. **New Secretary of State Utilities Directions Powers:** Where council leaders are finding that particular utilities companies are holding back housing delivery then they can apply to the Secretary of State to start a process to meet with the utility and the council/operating area representatives and consider Utility Direction Powers. Utility Direction Powers would allow the Secretary of State for Communities to serve a direction order, including as to costs, where utilities are causing a detrimental impact on housing, growth and community wellbeing.
3. **Single Utility Provider and Stronger Implementation:** There is a case for providing the same legal framework for water as there already exists for electricity. Given that there are so few utilities providers for water and electricity, there is a strong case for a single utility regulator to drive more collaborative and planned local utilities provision and higher standards across all regulated entities. Financial penalties, attaching conditions to licences to operate and, ultimately, withdrawing licences are the structural responses which are already available for a regulated utilities which, practically, cannot be subject to the usual anti-monopoly responses of introducing market competition. Given the importance of housing to national growth, where utilities providers fail to plan and support required national infrastructure these available regulatory responses ought to be considered.

Recommendations for Councils, LEPs and Government action to Build More Homes, Faster:

4. **Monitoring and Driving Up Build Out Rates:** There is practical action which can be taken by councils to set and drive faster delivery where their housing health and growth plans are dependent on faster market delivery. The starting point is monitoring the actual and intended build out rates by authority and for larger sites. In the planning system, Councils could place a condition on planning consent based on a minimum level of build out of homes as part of their planning negotiations. Key to this is understanding and not limiting the capacity of the local market to increase and absorb housing activity.
5. **Pricing in Faster Build Rates:** Public Sector loans, other financial support or waivers on planning conditions could be made conditional on faster agreed build out rates or provided on a reduced interest rate to reflect higher performance. This should be encouraged where it will result in accelerated build out of sites, particularly larger strategic sites.
6. **Housing Money to Support Housing:** Consideration could be given to allow amendments to the planning guidance and council finance in order to allow greater flexibility in setting expectations for build out rates and utilisation of CIL and the full range of housing related receipts in order to finance the faster delivery of affordable housing, including starter homes and to encourage competition and new entrants for skills, methods of construction and finance. Councils have billions of pounds of access to public finance, reserves from private sector contributions, receipts from disposal and much else besides. In the planning and in the finance systems, there should be greater flexibility

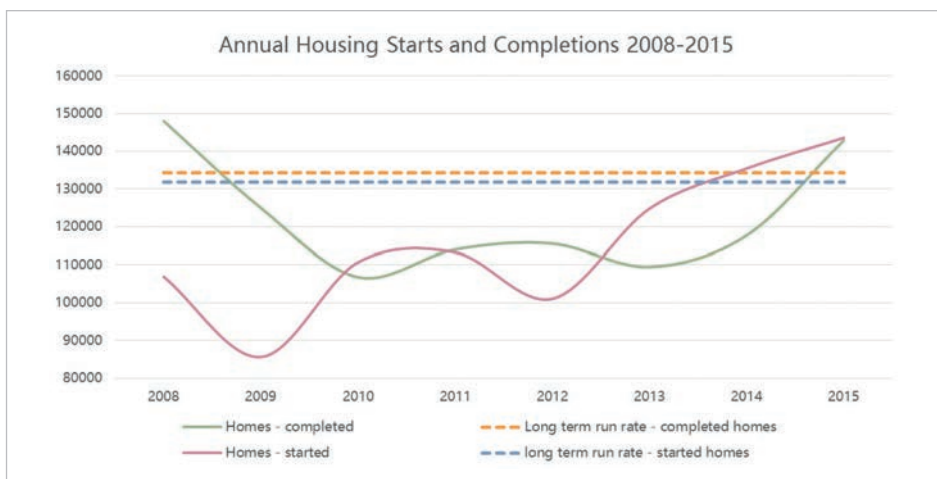
for housing money to be spent on housing, where it is needed and where it can accelerate housing delivery.

7. **Major Infrastructure Dependencies Mapping:** The build out profile and dependencies for major schemes such as road junctions, road upgrades, bridge strengthening or other such works which are not currently funded and for which the funding may not be agreed for some years should be clearly articulated from the outset and captured by Councils and Local Enterprise Partnerships in Major Infrastructure Dependencies Mapping.
8. **Prioritising Infrastructure Investment for Schemes Closest to Market:** Major Infrastructure Dependency projects should not be 'baked' into housing delivery assumptions until the dependencies are resolved and funding confirmed. A Major Infrastructure Dependencies Mapping approach could assist with decision making on the relative benefits of funding housing project (A) over housing project (B) at a point in time. This could ensure that funds are advanced which will have most impact in bringing forward housing most quickly; prioritising funding and support for those projects which are closest to market.
9. **Stagnant Public Land Direction Power:** Give Councils a new Direction Power allowing them give councils a new direction power allowing them to dispose of larger sites in their area which are owned by other public bodies which are causing blight on the community because they have not been built out over many years.
10. **Secretary of State Step In to Build Out Powers:** Where there are areas of national strategic importance in which Government is investing key infrastructure to support housing and growth there may be a case for considering greater powers for direct interventions in sites by the Secretary of State for Communities through Step In Powers which would allow direct commissioning and/or break up of delayed strategic sites.

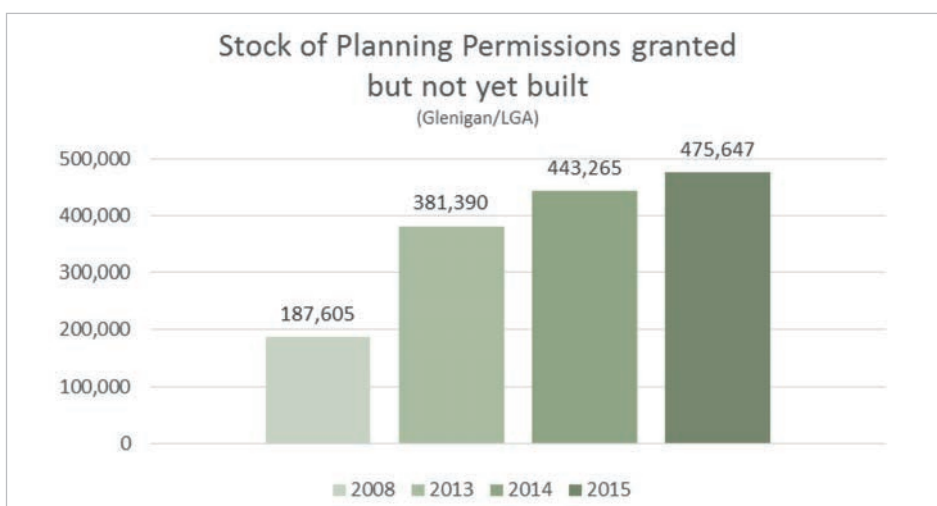
1. Part One: Britain is building again

- 1.1 **Britain is Building Again:** Britain is building again. The most recently published figures show that every type of developer – private developer, housing association developer and council developer – has increased the amount of homes completed and increased the number of homes started. Housing completions performance has powered past the long term trends for the first time since the credit crunch and recession; housing starts are well placed and planning permissions have been approved at recent record levels.
- 1.2 **Consensus for Housebuilding:** There has been expressed ambition across all major parties for a long term step-change in housing delivery. From Labour's Lyons Review to the Coalition Government's Elphicke-House Report the ambition and need for a long term step-change has been accepted.

1.3 **Current Government Commitment:** The Housing & Planning Minister, Brandon Lewis MP, has an ambition to build a million homes over this parliament. This statement of political intent by the Housing & Planning Minister has been matched by a Chancellor, George Osborne MP, who is rarely seen without his construction hat on and who has found more than £20 billion for housing in the current Parliament, the largest investment in housing to date. In addition, the Secretary of State for Communities and Local Government, Greg Clark MP, takes personal charge of a regular cross government committee overseeing land and delivery and he was himself the architect of the National Planning Policy Framework which has led to the transformation and unblocking of the planning system.



1.4 **Housing Permissions High:** This commitment to housing is delivering change. The overall position for housing is stronger than for a long time. In addition to building more homes, the level of newly permitted homes is at a high. In 2014/2015, 360,000 new planning permissions were granted. The Local Government Association (LGA) and Glenigan have estimated that the stock of planning permissions granted but not yet built on is now 475,647. This is an increase in planning stock from 443,265 in 2013/14, 381,390 in 2012/13 and up from 187,605 in 2007/08.



1.5 **Need to Accelerate Building Delivery:** Earlier this year the LGA reported that the time from planning permission to start on sites has doubled from 7 weeks in 2008 to 14 weeks in 2015. This has contributed to an overall increase in build times from 21 to 32 weeks. The LGA has an ongoing commission reviewing this issue which is now considering the evidence it has received and the Government have issued a planning consultation on speeding up the planning system further so no doubt more information will emerge over the coming weeks and months. This paper sets out six areas where reform may accelerate delivery to realise the ambition to build a long term step-change in housebuilding and sets out the important role which Councils can play in driving housing delivery.

1.6 **Role of the Local Authority in Driving Housing Delivery:** Managing the delivery supply chain of housing is not simply an issue for builders. Housing is essential to the success of communities and to the growth and success of the country as a whole. Councils have an obligation to assess and make provision for housing delivery through their Local Plan process, including ensuring that there is sufficient land to meet housing needs. The front pages of the national papers are testament to the responsibility that the Government is awarded in ensuring that new homes are delivered. In recent years much attention has been given to the availability of land and the granting of planning permissions. But identifying land and granting planning permissions is not enough by itself to ensure the adequate and timely delivery of homes. Housing is of such national, local, economic and social importance that driving housing delivery should be the public duty at national and local governments, with the powers to drive through the homes that are needed.

1.7 **Driving Delivery:** Identifying land and granting planning permissions is not enough. Councils can also drive delivery. The Elphicke-House Report made a specific recommendation which is as follows:

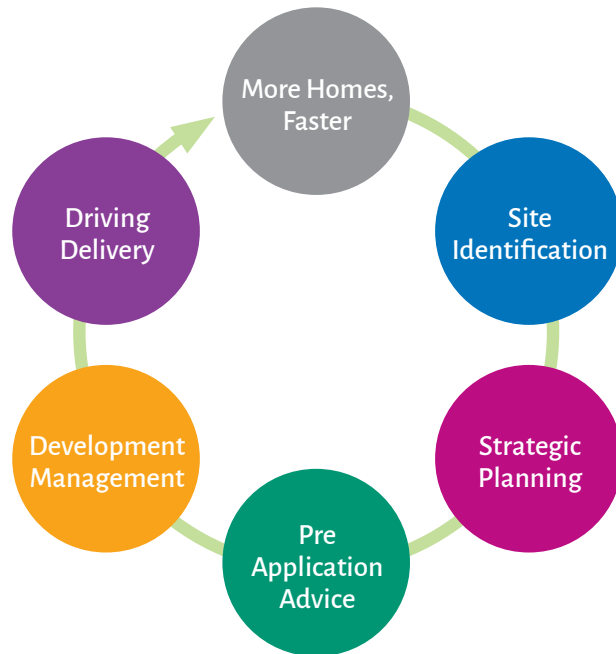
“Recommendation 22: Councils take responsibility to work with developers, local businesses, agencies and others to ensure that sites with planning permission are taken forward in a timely manner to delivery.”

The elements of councils as Housing Delivery Enabler for the housing delivery supply chain were described in the following way:

“Managing the process of development, from site identification, through strategic planning, pre-application advice, development management and on to delivery, are critical parts of enabling housing delivery.”

1.8 **What Could be Holding Back Faster Delivery?** In the practical business engagement work with Councils and businesses undertaken by the Housing & Finance Institute over several months there are two specific themes which are reoccurring relating to delays in housing delivery on the ground: (i) the extent to which failure of some utilities companies may be holding back housing growth; and (ii) understanding how to accelerate the build out rates for land which is

approved for building. These questions and possible solutions are explored in Part Two and Part Three of this paper.



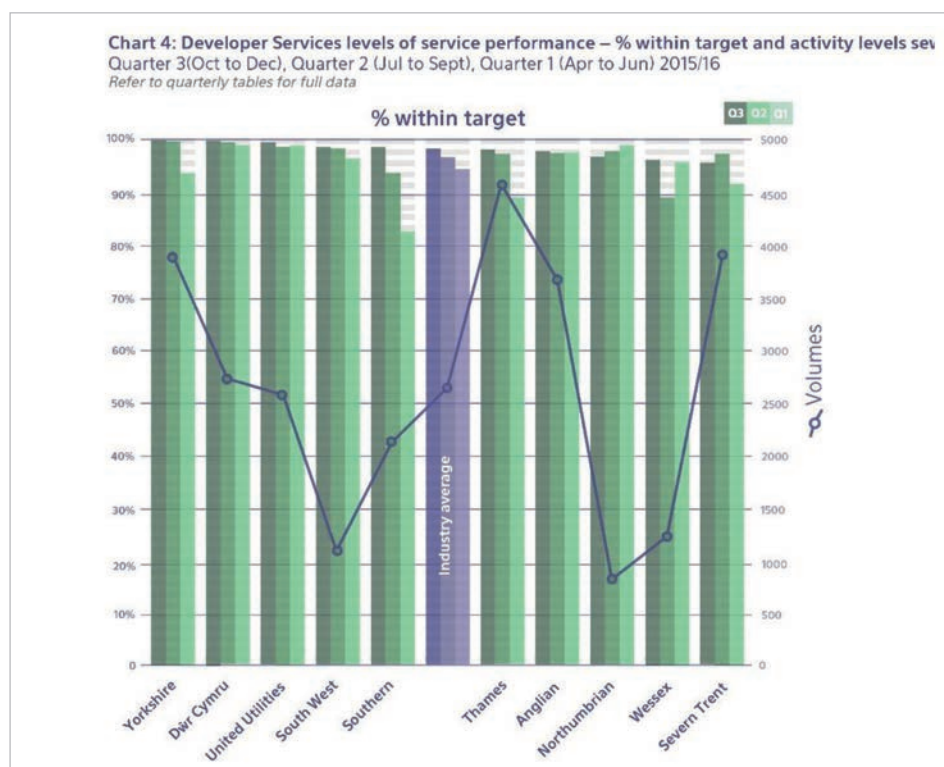
2. Part Two: Are Utilities Companies Constraining Housebuilding?

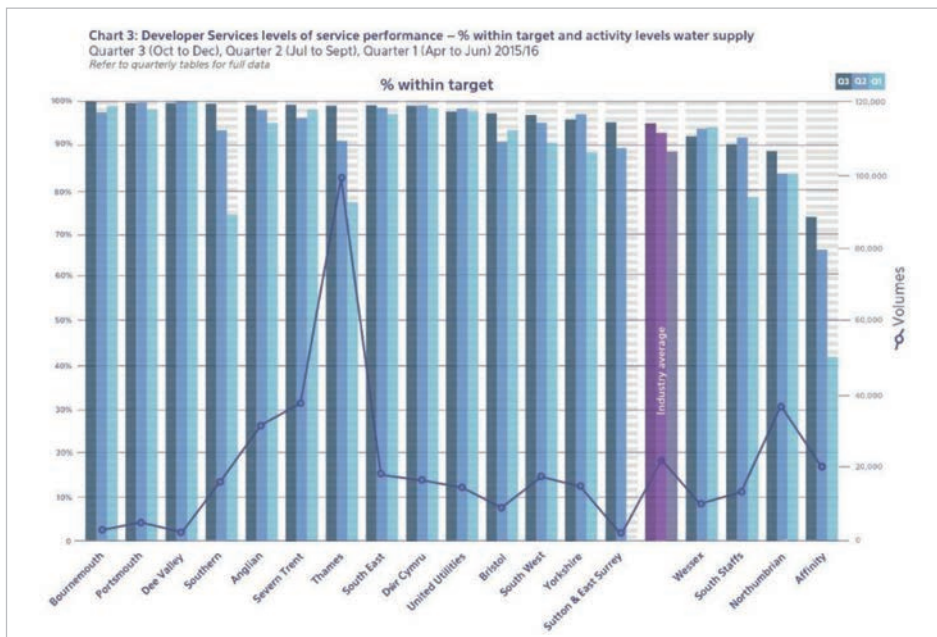
- 2.1 **The role of the Utilities Companies in Constraining Housing Growth:** In industry discussions it is water, electricity, gas, broadband and roads which are the areas most often cited as holding back accelerated housebuilding and which create practical barriers to speedy housing growth. Each of these is subject to separate companies, regulators, public authorities, price negotiations and its own industry rules and procedures. There is mounting evidence that the performance of some utilities provision is adversely impacting on housebuilding. In particular, there is evidence that a continuing failure of performance of some water companies is delaying housing growth. Some water companies are failing to respond to needs for housebuilders in making timely and effective sewerage and water connections. This poor experience of the water industry seems to impact on larger and smaller builders alike.
- 2.2 **Water, Water, Not Everywhere:** New homes cannot be built without sewerage and fresh water connections. Following concerns raised by the Government about the performance of the water industry, performance targets were agreed and have been published. From a housebuilding perspective, the voluntary targets agreed by the water industry are generous to the water industry. A water company can take up to between six months and a year to connect a property and still meet their regulatory target. This is despite the fact that the water company will benefit from the revenues of the new connections for many years.

2.3 **Sewerage Connection Performance:** The water industry is divided into those companies who provide only water and those who also provide water and sewerage functions. There are very few companies: only around 20 companies in England and Wales. In the first period of performance reporting, covering the first three quarters of 2015, only one water company fully met its performance target overall for sewerage connections, the Welsh water company, Dŵr Cymru. Every water company in England failed its sewerage targets for housebuilding as an average over the 2015 published period.

“Every water company in England failed its sewerage performance targets for housebuilding as an average over the 2015 published period”

2.4 **Are Volumes of Activity Driving Sewerage Non-Performance?** The Water Regulator has published a specific review of the first six months of operations of the performance targets against the volume levels of each sewerage service provider which identifies the poor performance achieved by the water companies in meeting their own voluntary targets for housing. Water UK, the industry body for water, publishes performance information each quarter against the developer targets. The first three quarters of reporting by water companies have confirmed some worrying outturns for housing:



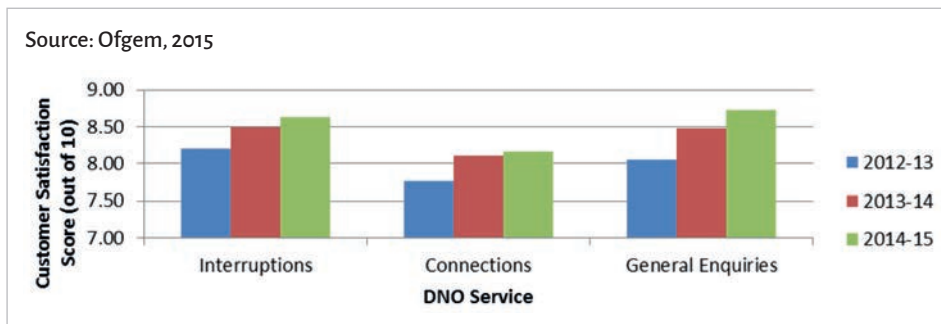


2.5 **Housebuilders Failed by the Water Companies:** Since the lower performers are mostly in higher impact growth areas, the assumption could be that the water industry is overwhelmed by the more recent upwards trend in housing. Unfortunately, that is not substantiated and there is underperformance against low volumes. For would-be new home occupiers in the South East, the sewerage position is compounded by performance of water connections. Of the water, rather than sewerage, connection performance, only Dee Valley, which operates in Wales and Cheshire, secured 100% of its connections time target, though it was closely followed by Dŵr Cymru at 99%. Like the sewerage connections, only one water company achieved its target. The company which has failed its performance targets most dramatically is Affinity Water. Affinity Water services critical growth areas. In the first quarter it failed its performance target by nearly 60%. Its average performance over the first three quarters of 2015 saw its performance fail by nearly 40%. Significantly poor performances were recorded in quarters of 2015 for Thames Water, Southern Water and South Staffordshire, all of which saw 20-25% failure rates in at least one quarter of 2015. This failure of the water industry to support the national needs for housebuilding is serious and may need more direct intervention.

2.6 **Electricity Companies:** The Electricity Regulator, Ofgem, has been active in continuing to address and drive electricity connections performance and it recognises that firmer action is now required. Ofgem does have more specific statutory powers than Ofwat which Ofwat have explained as follows:

“The electricity sector has prescriptive statutory regulations and licence conditions setting out the minimum service levels for companies’ developer services, with enforceable penalty payments where these are failed. In contrast, the Water Industry Act 1991 provides prescribed statutory timescales for only a small number of the developer services water companies provide.” [Ofwat, 2015]

Back in 2011, research by the British Property Federation reported that nearly two-thirds of developers had problems with connections to the electricity network. In their 2015 review of performance, Ofgem noted some improvement in customer satisfaction levels for connections. That said, while connections satisfaction has improved between 2012 and 2015, connections still have the poorest customer satisfaction level of the three main areas of activity.



Ofgem concluded in 2015 that they need to focus on increased competition and increased financial penalties to drive better performance in connections. Larger housebuilders use specialist firms to manage the electricity relationships and this may in part account for the better relationships which are generally reported.

- 2.7 **Utilities Provision Needs to Support National Housing Growth:** Connections of utilities to construction companies building homes is not simply an individual business-to-business conversation. Housing is a national priority and the failure to build at speed can adversely impact on national and local growth and wellbeing. The work which is undertaken under the National Planning Policy Framework (NPPF) provides a framework, which did not hitherto exist, to project and plan for new utilities requirements across the country in detail. If there is not capacity for a regulated utility to plan for and meet new projected demand in a timely fashion then this should drive conversations about additional competition to meet demand. Going forward, approaches to the better provision of utilities required to meet housing growth in a timely and planned manner could be based around two principles: (i) infrastructure dependencies mapping and (ii) direct intervention to force improved performance.
- 2.8 **Infrastructure Dependencies Mapping:** the starting point for driving better utilities performance could be Infrastructure Dependencies Mapping at a local and area level. This could be undertaken by Councils and Local Enterprise Partnerships working together. Local Enterprise Partnerships work across an economic area and may be well placed to collect information on intended build out rates of homes by area and these could be cross referred to utility operational areas. This approach would provide a firmer basis on which to understand and negotiate the better provision of utilities within an area other than on an individual business-to-business basis. This would also better ensure that the utilities companies are planning for the increased activity which is needed in order for them to fulfil this regulated connections role.

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- 2.9 **Intervention Powers:** Just as the Secretary of State can make determinations in relation to other planning and land matters, there may be a case for additional reserve powers to be held by the Secretary of State for Communities (DCLG) whereby a utility company can be required to bring forward utilities to a site within a specified time period and to make costs allocations orders against utilities providers who are failing to meet targets to support housebuilding. This could sit alternatively with the Secretary of State for Business (DBIS).
- 2.10 **Statutory Powers:** There is a case for providing the same legal framework for water as there already exists for electricity. Given that there are so few utilities providers for water and electricity, there may be a case for a single utility regulator to drive more collaborative and planned local utilities provision and higher standards across all regulated entities. Financial penalties, attaching conditions to licences to operate and, ultimately, withdrawing licences are the structural responses which are already available for a regulated utilities which, practically, cannot be subject to the usual anti-monopoly responses of introducing market competition. Given the importance of housing to national growth, where utilities providers fail to plan and support required national infrastructure these available regulatory responses ought to be considered.

Recommendations to Improve the Timely Provision of Utilities Required for Housing Growth

Recommendations to improve the timely provision of utilities required to meet housing growth are based around two principles: (i) infrastructure dependencies mapping and (ii) direct intervention by the regulator and by the Secretary of State to force improved performance.

1. **Infrastructure Dependencies Mapping for Housing Growth:** Infrastructure Dependencies Mapping at a local and area level could be undertaken by Councils and Local Enterprise Partnerships working together. This approach would provide a firmer basis on which to understand and negotiate the better provision of utilities within an area other than on an individual business-to-business basis. This would also better ensure that the utilities companies are planning for the increased activity which is needed in order for them to fulfil this regulated connections role.
2. **New Secretary of State Utilities Directions Powers:** Where council leaders are finding that particular utilities companies are holding back housing delivery then they can apply to the Secretary of State to start a process to meet with the utility and the council/operating area representatives and consider Utility Direction Powers. Utility Direction Powers would allow the Secretary of State for Communities to serve a direction order, including as to costs, where utilities are causing a detrimental impact on housing, growth and community wellbeing.

3. **Single Utility Provider and Stronger Implementation:** There is a case for providing the same legal framework for water as there already exists for electricity. Given that there are so few utilities providers for water and electricity, there is a strong case for a single utility regulator to drive more collaborative and planned local utilities provision and higher standards across all regulated entities. Financial penalties, attaching conditions to licences to operate and, ultimately, withdrawing licences are the structural responses which are already available for a regulated utilities which, practically, cannot be subject to the usual anti-monopoly responses of introducing market competition. Given the importance of housing to national growth, where utilities providers fail to plan and support required national infrastructure these available regulatory responses ought to be considered.

3. Part Three: Let's Build Accelerating Build Out Rates

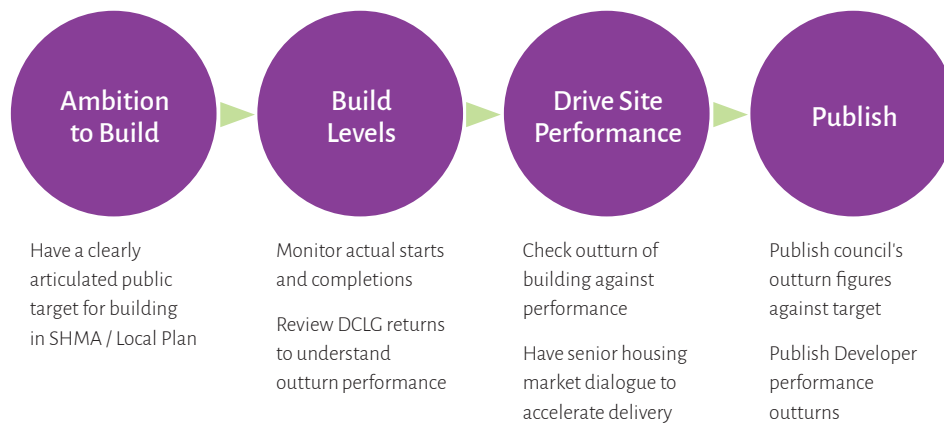
- 3.1 **Let's Build:** In addition to improved housing completions, there are around 500,000 permissioned sites to build out, a very healthy stock number of housing opportunity. Last year planning permissions issued exceeded 360,000 which is the highest level since the recession and credit crunch. The uplift in housebuilding and in permissions together suggest that from a land supply and permissioning perspective the expressed ambition for a million homes, over 200,000 a year, is achievable and feasible and that planning and land access reforms are unlocking housing opportunity.

- 3.2 **Monitoring Stock Levels:** At an individual authority level, the stock of outstanding homes yet to be built can be difficult information to access. This was noted in the Elphicke-House Report:

"Visibility around local permissions: While the headline planning permissions picture is becoming positive, it proved difficult to have sufficient visibility of available data to compare and consider planning permissions at a local level, particularly in the context of councils' self-assessment on market need. Housing Delivery Enablers should be aware of the stock of land, progress on permissions and delivery, how many homes are being built and which sites are stalled or not started. Councils would benefit from making this visible to residents. However the Review found little evidence that this was happening. Making this information publically available would encourage better visibility and assessment of locally assessed housing need and locally driven housing delivery."

- 3.3 **Real Build Out Rates:** At both local and national level, it is easy to broadcast the outline plan for a large scale development of 5,000, 10,000 or even more homes. Behind the large headlines, the build out rates may be 25-30 years and the actual number of homes delivered on a large site may be as low as 50 homes a year, once building gets going. Perception of building rates on sites or in areas against actual completions can vary wildly.

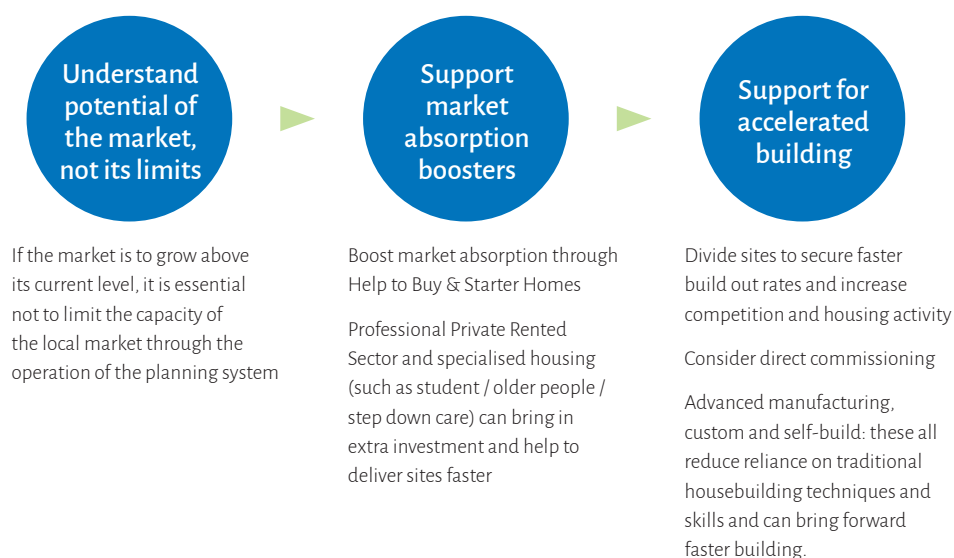
3.4 **Monitoring Build Out Rates:** In practice there is action which can be taken to enable councils to set and drive faster delivery where their housing health and growth plans are dependent on faster market delivery. The starting point is monitoring the actual and intended build out rates by authority and for larger sites. Information can be built up on in the following areas:



3.5 **How Could Build Out Rate Be Approached?** It is perceived wisdom that a long build out rate on a site is the preferred model for all housebuilders and that the rate of build for an area is somehow set and certain. This defies evidence where areas are perfectly capable of absorbing differential rates and where local housing markets do not slavishly follow a national trend. The received wisdom on speed of delivery on one site in the hands of one developer or the whims of one investor does not reflect the actual market opportunity for homes or the capacity that there would be for other market participants to build, finance and deliver homes in that area more quickly. Given the importance of housing to growth and wellbeing, the housing supply for any particular area should not be limited simply by a housebuilder's balance sheet or the desired capital returns of investors. The drivers for housing delivery and build out rates should be the housing requirement to support wellbeing and growth not that of an individual company. Greater understanding of the drivers to building more homes and securing greater resilience and absorption capacity can lead to better utilisation of land which has been already identified for building out. The challenge of build out speed was well explored and articulated in the Barker Report more than a decade ago, making recommendations that were not implemented. It may be that now it is time for a renewed focus on this important area.

The received wisdom on speed of delivery on one site in the hands of one developer or the whims of one investor does not reflect the actual market opportunity for homes or the capacity that there would be for other market participants to build, finance and deliver homes in that area more quickly.

3.6 **Practical Drivers to Increase Build Out:** There are tools in the toolbox to assess and contractually condition build out rates. These tools are already available to Councils to drive housing delivery. In the planning system Councils could place a condition on planning consent based on a minimum level of build out of homes as part of their planning negotiations. Key to this is understanding and not limiting the capacity of the local market to increase and absorb housing activity:



3.7 **Pricing in Faster Build Rates:** Public Sector loans, other financial support or waivers on planning conditions could be made conditional on faster agreed build out rates or provided on a reduced interest rate to reflect higher performance. This should be encouraged where it will result in accelerated build out of sites, particularly larger strategic sites.

3.8 **Housing Money to Support Housing:** Consideration could also be given to allow amendments to the planning guidance and council finance in order to allow greater flexibility in setting expectations for build out rates and utilisation of CIL and the full range of housing related receipts in order to finance the faster delivery of affordable housing, including starter homes and to encourage competition and new entrants for skills, methods of construction and finance. Councils have billions of pounds of access to public finance, reserves from private sector contributions, receipts from disposal and much else besides. In the planning and in the finance systems, there should be greater flexibility for housing money to be spent on housing, where it is needed and where it can accelerate housing delivery.

3.9 **Major Infrastructure Dependencies Mapping:** and **Prioritising Schemes Closest to Market:** It is usual practice for some larger sites to be planned and announced for delivery when such sites are dependent on major infrastructure such as road junctions, road upgrades, bridge strengthening or other such works which are not currently funded and for which the funding may not be agreed for some

years. This can be damaging to housing delivery as the local community believe that thousands of homes will appear shortly, often strengthening opposition to other sites coming forward, and some such sites become only partially build out, not achieving their timely housing delivery potential. The build out profile and dependencies for major schemes such as road junctions, road upgrades, bridge strengthening or other such works which are not currently funded and for which the funding may not be agreed for some years. should be clearly articulated from the outset and captured by Councils and Local Enterprise Partnerships in Major Infrastructure Dependencies Mapping. Major Infrastructure Dependency projects should not be 'baked' into housing delivery assumptions until the dependencies are resolved and funding confirmed. A Major Infrastructure Dependencies Mapping approach could assist with decision making on the relative benefits of funding housing project (A) over housing project (B) at a point in time. This could ensure that funds are advanced which will have most impact in bringing forward housing most quickly; prioritising funding and support for those projects which are closest to market. Businesses and public bodies should work together to improve collection, articulation and priority setting of major infrastructure dependencies which could delay or prevent housing being built, such as funding for new roads or transport upgrades which are not currently funded.

A review of Major Infrastructure Dependencies Mapping could assist with decision making on the relative benefit of funding housing projects on an area and national basis, so as to ensure that funds are advanced which will have most impact in bringing forward housing most quickly; prioritising funding and support for those projects which are closest to market.

3.10 **Addressing Market Failure through Direct Intervention:** Council Direction Orders on Stagnant Public Land: The Elphicke-House Report identified a negative impact on Councils where other public bodies are failing to sell or develop their available local land promptly. This is not Council's own land but land which is owned by other public bodies over which the Council has little control to bring forward. The Report noted:

"6.32. There appeared to be many reasons why organisations were holding onto land, rather than releasing it for housing development. In some cases, the body appeared to be unaware of the value of the land, or was unclear how to go about disposing of the land. In other cases, bodies were holding onto land in anticipation that land values would rise, so they would maximise the value of their asset. This approach fails to recognise that the value of land was not always monetary. To the wider community, including prospective renters, first time buyers, and people in priority need, there is a non-monetary value in land that is left vacant or disused. Similarly, this approach does not take account of the negative impact on the council and its prospective

partners whose proposed development is hindered, or in some cases, thwarted, by such an approach.”

6.33. *Councils have relatively few levers to encourage such bodies to release disused or vacant land. Yet their plans for housing development can be significantly delayed, or thwarted, if land is not released.*

3.11 **Councils working to release land:** There are cases of public sector, as well as private sector sites, being vacant for 10, 15, 20 or more years and still not being brought forward for building in a timely fashion. The work of the Government on the One Public Estate programme is welcome to focus attention on bringing forward such sites more quickly. This could reap greater dividends working alongside Councils and the LGA and others for the release of all public land, including helping Councils with the tools to understand the potential benefits of identifying and releasing their own land. In the work of the Housing & Finance Institute on the Housing Business Ready programme, there has been identification of fresh opportunities of Council's own land for development and land assembly opportunities. There are many opportunities for utilising Council's own land to create long term investment returns as well as to accelerate housebuilding.

3.12 **Directions Powers for other public land:** In addition to practical work to unlock housing delivery by Councils on their own land, there is a recommendation set out in the Elphicke-House Report for Direction Order powers by Councils to be able to move forward other public body sites where these sites are creating an adverse impact in an area's housing delivery potential.

Elphicke-House Report Recommendation: Government consults on proposals, ahead of legislation, to give councils a new direction power allowing them to dispose of larger sites in their area which are owned by other public bodies.

3.13 **Step In to Build Out:** Given the national importance of housing, consideration could be given to allowing new statutory powers for the Secretary of State for Communities and Local Government to 'Step In' to strategic sites which are not building out to the required housebuilding rate in order to directly commission other contractors. 'Step In' is a well-developed process and could be applied to commission housebuilding where the private sector has failed to deliver and the failure is sufficiently strategic for intervention to be reasonable and likely to result in a faster delivery of homes. Where there are areas of national strategic importance in which Government is investing key infrastructure to support housing and growth there may be a case for considering greater powers for direct interventions in sites by the Secretary of State for Communities through Step In Powers which would allow direct commissioning and/or break up of delayed strategic sites.

Recommendations for Councils , LEPS and Government action to Build More Homes, Faster:

4. **Monitoring and Driving Up Build Out Rates:** There is practical action which can be taken by councils to set and drive faster delivery where their housing health and growth plans are dependent on faster market delivery. The starting point is monitoring the actual and intended build out rates by authority and for larger sites. In the planning system, Councils could place a condition on planning consent based on a minimum level of build out of homes as part of their planning negotiations. Key to this is understanding and not limiting the capacity of the local market to increase and absorb housing activity.
5. **Pricing in Faster Build Rates:** Public Sector loans, other financial support or waivers on planning conditions could be made conditional on faster agreed build out rates or provided on a reduced interest rate to reflect higher performance. This should be encouraged where it will result in accelerated build out of sites, particularly larger strategic sites.
6. **Housing Money to Support Housing:** Consideration could be given to allow amendments to the planning guidance and council finance in order to allow greater flexibility in setting expectations for build out rates and utilisation of CIL and the full range of housing related receipts in order to finance the faster delivery of affordable housing, including starter homes and to encourage competition and new entrants for skills, methods of construction and finance. Councils have billions of pounds of access to public finance, reserves from private sector contributions, receipts from disposal and much else besides. In the planning and in the finance systems, there should be greater flexibility for housing money to be spent on housing, where it is needed and where it can accelerate housing delivery.
7. **Major Infrastructure Dependencies Mapping:** The build out profile and dependencies for major schemes such as road junctions, road upgrades, bridge strengthening or other such works which are not currently funded and for which the funding may not be agreed for some years, should be clearly articulated from the outset and captured by Councils and Local Enterprise Partnerships in Major Infrastructure Dependencies Mapping.
8. **Prioritising Infrastructure Investment for Schemes Closest to Market:** Major Infrastructure Dependency projects should not be 'baked' into housing delivery assumptions until the dependencies are resolved and funding confirmed. A Major Infrastructure Dependencies Mapping approach could assist with decision making on the relative benefits of funding housing project (A) over housing project (B) at a point in time. This could ensure that funds are advanced which will have most impact in bringing forward housing most quickly; prioritising funding and support for those projects which are closest to market.

9. **Stagnant Public Land Direction Power:** Give Councils a new Direction Power allowing them give councils a new direction power allowing them to dispose of larger sites in their area which are owned by other public bodies which are causing blight on the community because they have not been built out over many years.
10. **Secretary of State Step In to Build Out Powers:** Where there are areas of national strategic importance in which Government is investing key infrastructure to support housing and growth there may be a case for considering greater powers for direct interventions in sites by the Secretary of State for Communities through Step In Powers which would allow direct commissioning and/or break up of delayed strategic sites.

Conclusion

Much has been done to identify land and create a healthy stock of planning permissions.

Now it is time to turn that housing opportunity into action. Let's build more homes, faster.

Sources:

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Original business-to-business and local authority qualitative research undertaken by the Housing & Finance Institute 2015 and 2016.

Opinions and research expressed in this paper are those of the Housing & Finance Institute and should not be assumed to be those of any foundation partner organisation or individual director of the HFi.

London could take an extra one million homes

By Mark Boleat, Chairman, The Housing & Finance Institute

There is one way in which we can solve London's housing crisis – and it does not involve rent controls, a policy that would do more to intensify our supply problem than fix it.

The only solution is to build at higher densities.

This does not mean “concreting over the whole of London”, masses of high rise towers, or making London look like Singapore or Hong Kong.

It means bringing London into line with other European capitals like Paris and Madrid. And it's about delivering more homes in less space and improving Londoners' standard of living.

The truth is that we are more sparsely spread than many of our European neighbours. Compare for instance Islington, one of London's densest boroughs, with a 200,000 population living at an average of 138 people per hectare, with Madrid's Centro district, which has 150,000 people living at an average of 286 people per hectare.

Similarly, the Haussmann boulevards of Paris give that city a much higher level of housing density than London. And for the record, the Kowloon district of Hong Kong has a staggering density of 1,700 people per hectare, more than ten times the figure for Islington.

The natural instinct of Brits is to be anti-development. We think London has no room to spare. But these figures prove it does – and it is this space that provides us with the key to unlocking the residential capacity Londoners so crave.

We need to build more terraced housing and low-rise apartment blocks, particularly in areas that currently have a low density but well connected transport. Doing this won't result in us all living on top of each other, but it will increase our housing supply and our living standards.

London First think we can create 1.4 million new homes across London if we adopt this strategy – a full one million more than the current ten year house building target. And already, pockets of our great city are leading the way.

Islington for example is going to add 140 homes to the 470 in its King Square estate – with the full support of local residents who have been involved in the plans. Just a third of these homes will be for private sale to help fund the project.

Hackney's ambition for 2,500 new homes is being delivered through public-private sector partnership and investment with the Berkeley Group and Genesis Housing Association.

Barking and Dagenham continues to be a market leader in many ways and is working with East Thames Housing Association and Bouygues to deliver over 1,500 new homes on its Gascoigne Estate.

And as Chairman of the Policy & Resources Committee in the City of London, I am proud that we are doing our bit. We own 2,000 units of social housing and intend to build another 700 units on those estates, and we will build 3,000 units on other land that we own.

The debate on housing in London has become more informed and we are moving in the right direction.

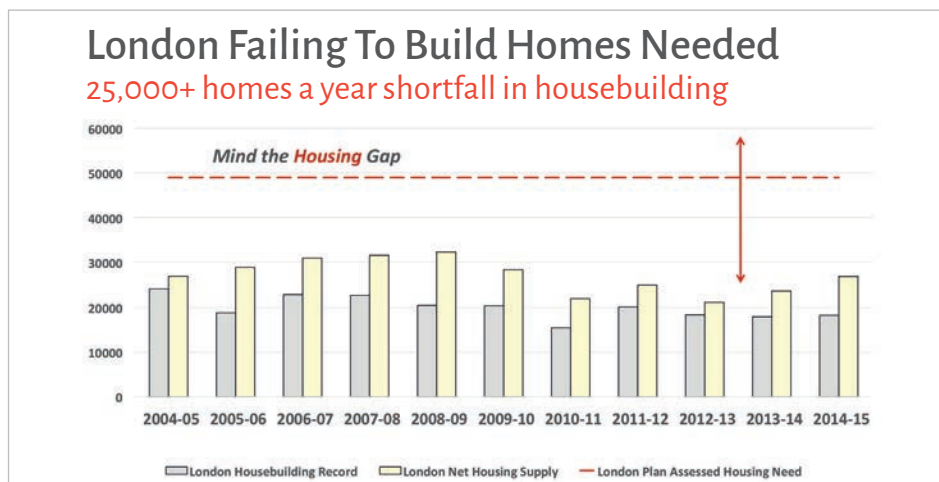
But there is still some way to go—and the long-term solution lies in forging a close and successful cooperation between local authorities and the private sector to unlock new homes in space we are not currently using efficiently.

An abridged version of this article was published in the Evening Standard, February 2016.



How to build more London homes, faster

A Six Point Plan for Housing Delivery



London has a minimum assessed housing need of around 50,000 homes a year. There has been a building shortfall of more than 25,000 a year. For over a decade London has failed to deliver the homes needed for the growth & wellbeing of its population. However, London has amassed the building blocks for housing—money, land, political will and powers—to be able to build more London homes, faster. London's next Mayor will be all about housing delivery. Building the homes needed. This Six Point Plan can turn those building blocks into housing delivery. To close the housing gap and to build the homes that Londoners need.

Six Point Plan: From Building Blocks to Housing Delivery

1. **Political Leadership:** the Mayor devolving more powers to boost the Boroughs. For City Hall and the Boroughs to work better together.
2. **Money:** Put London's Housing Money to work.
3. **Business:** Harness London's Businesses to solve the housing crisis.
4. **Delivery Expertise:** An Expert Housing Delivery Taskforce in City Hall.
5. **Resources:** Invest available resources now including through a London wide multi-tenure investment & improvement fund.
6. **Space:** Encourage urban density in line with other capital cities.

“The London Challenge: The scale of the London Challenge is further illustrated by the London Plan. The London Plan shows the current household challenge will not be met within 40 years. That is on the basis of ambitions which would require London to deliver housing at double the rate it has in fact achieved in recent years.”

Elphicke-House Report UK Government, 2015

1. Political Leadership: Powering Up Municipal Muscle and Boosting the Boroughs

The new Mayor should harness the municipal muscle of the London Boroughs. The 32 Boroughs and the City of London Corporation each have different characters, resources and political leadership. Devolving more responsibility to the Boroughs will see more homes built. A strong Mayor should lead strategically: to help Boroughs deliver the right homes for their communities—encouraging and balancing the

needs of London as whole, providing practical central support through the expert housing delivery taskforce and an arena for effective cross-party, crossLondon discussion.

2. Money: Put London's Housing Money to work

London Boroughs and the Mayor's City Hall have Billions of pounds to put to work for housing. Having surplus money in reserves and in the bank or sitting waiting to be borrowed from Treasury at super low rates doesn't do anyone much good if they need a home now.

London's Boroughs have up to £1billion of underspent housing revenue account money, Billions more in land values, other funding pots, national housing grant allocations and guarantee capacity.

3. Space: capacity for a million homes

London has capacity for over one million homes, simply through better land use. Many other capital cities – like Paris and Madrid - use their land and densities much better than London.

4. Expertise: An Expert Housing Delivery Taskforce to provide practical solutions

London's expert housing delivery taskforce would work for the benefit of councils, housing associations and other housing businesses who want to build more housing faster for London. The expert taskforce would encompass housing, finance, land, planning, structuring, regeneration, housing management and long term investment. London has money, land, ambition, housing demand, planning permissions and a need to deliver more homes, faster. The expert housing delivery taskforce resource would work to provide practical solutions to solve London's housing crisis sooner.

5. Invest: Invest Now for Londoners' Futures

A cross London resources fund to assess available money and resources and put money to work for new homes, affordable homes and better homes. Including:

- for remediation & infrastructure works
- in new homes and in long term high quality affordable rented homes
- for rent and part purchase schemes for London's younger workers and older population
- for improving estates and older street housing.

6. Business: Working with London's Businesses

Businesses in London know that London's housing crisis is threatening the future prosperity of the Capital City. Businesses don't want to stand by. For centuries businesses and business people have been part of the housing solution, like Peabody, Rowntree and Cadbury. There is huge opportunity to harness the work of the Capital's businesses in a number of ways in investing and actively supporting the building of new high quality affordable homes. To get businesses on board to build the homes London needs.

Boosting the Boroughs

A devolution revolution to build the homes London needs

As London elects a new Mayor in 2016, housing is set to be a centrepiece of the next London Mayoral term. Or is it? This paper explores the diversity of London's housing Boroughs and recommends:

Full Housing Devolution to the Boroughs: Full direct devolution of housing to the London Boroughs should allow Boroughs to reflect housing diversity across the capital and unlock better housing outcomes.

Housing Delivery Enablers: A strengthening of the role of the Borough as the Housing Delivery Enabler would drive housing activity to meet local housing needs. Boroughs should be freed up to work with other Boroughs and Councils outside London in order to best address the needs and aspirations of their communities, including investing in other areas.

Eliminating the Deficit, in homes: There should be no Borough with more families and people to house than it has homes to house them. Funding, resources and active support should be provided to every such Borough at a national rather than Mayoral level. It is a realistic ambition to eliminate the Dwellings Deficit. Within 5 years, every Borough should have enough homes for the people who live there.

1. The London Housing Challenge

- 1.1 In the Elphicke-House Report for Government last year, Housing & Finance Institute founding directors, Natalie Elphicke and Keith House, drew attention to the specific challenges of delivery faced by London stating:

"The situation in London which has arisen over successive years of housing under activity in the capital may be impacting on its business and growth opportunities and on the wellbeing of some of its residents."

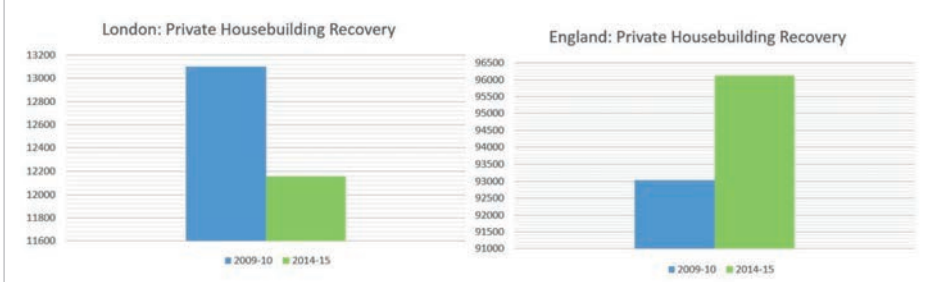
- 1.2 The gap between ambition in delivery and actual delivery presented by London was described in the following way:

"... even if London doubled its housing delivery as it believes it could, there would need to be a new development equivalent to the size of Ebbsfleet (new garden city development) every five years to deal with London's housing gap."

- 1.3 Yet in spite of London's immense financial and business advantages, London has not powered ahead during the housing recovery. London's housing recovery has been muted and less strong than in other parts of the country. It has not been demonstrated that the extension of Mayoral powers for housing in London has improved the likelihood of strong housing delivery. Indeed it may be holding it back.
- 1.4 Given housing need, housing demand, expressed appetite and profitability of the London market it is perhaps unexpected that private sector housebuilding in London has not recovered as strongly as the country as a whole. The credit crunch had a catastrophic impact on private housebuilders. The year 2007 had been a terrific year for builders. But as fear spread and the money markets struggled, the number of new private homes near halved. Builders were quick to put sites on hold. Building confidence collapsed like a soufflé.

1.5 While there is still further to go against the 2007 high point, in England private sector housebuilding has powered back above its 2009/10 housebuilding completion performance and in line with long term trends. London's recovery in that period remains comparatively muted.

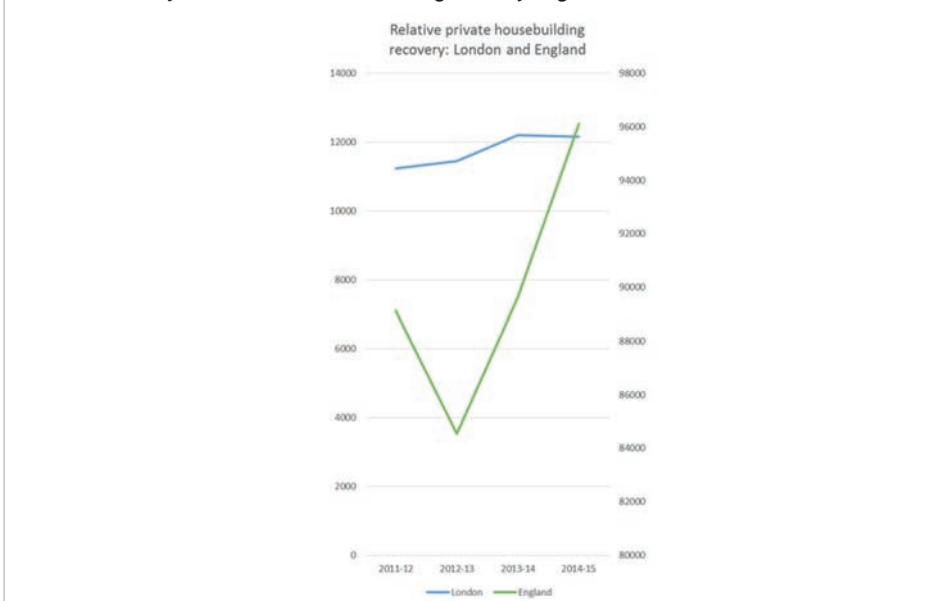
Chart 1.5: London and England Private Housebuilding Recovery 6 year snapshot



1.6 Given the market opportunities and profitability presented by London, there is more to be done to attract and support private housebuilding activity in London to support and drive housebuilding needs alongside the public grant supported housing activity in London. London has not experienced the same degree of recovery in the private sector that has been experienced across the country. Opening up competition to access to land, including through development licences, could be a strongly positive outcome from the work by the One Public Estate and the London Land Commission. Constraints on access to land in the context of over-reliance on development panels was strongly expressed in evidence quoted in the Elphicke-House Report:

“The degree to which [public procurement] is actively closed (via development panels) has shocked us... Clearly tests about experience and track record are appropriate but everyone should be able to bid to build so that the councils do not end up always dealing with the same select providers with consequent constraints of supply.”

Chart 1.6: Last 4 years, national housebuilding recovery England and London



2. The Housing Delivery Enabler

- 2.1 The Elphicke-House Report recommended that councils take on the role of Housing Delivery Enablers. The core recommendation of the Report was accepted by the Government in the Autumn Statement 2014. It is:

“Councils have primary responsibility to assess and meet the housing needs of their local population as Housing Delivery Enablers. Councils should assess and drive housing activity and housing delivery in their areas and for their local population.”

- 2.2 The Housing Delivery Enabler role puts councils in the driving seat. Whether looking at the success of Bevan's big build or Macmillan's million homes it is councils who have been instrumental to the delivery of additional homes. Councils are best placed to meet the needs of their communities, working in partnership with private and other public bodies.

- 2.3 In London, the Elphicke-House Report took account of a number of Boroughs with resources and opportunities available to them to harness in the role of the Housing Delivery Enabler. It provides a strong basis on which to boost the Boroughs and give them greater freedom to meet their responsibilities and ambitions for housing across all tenures.

“Many of the London Boroughs have now developed ambitious proposals for increasing housing activity since the self-financing changes. There are substantial resources available to such London Boroughs, around £1 billion HRA borrowing capacity, high value land, business partners, investors and opportunity to be harnessed as Housing Delivery Enablers”

- 2.4 The core role of the Housing Delivery Enabler is as important in London as in the rest of the country. Whoever is the next Mayor of London, London may be best served by the Mayor taking a step back, taking a supportive and strategic role to help the London Boroughs who have the responsibility for shaping and delivering housing to meet the needs of their communities. 2.5 A review of the key metrics in housebuilding completions, in housing grant allocation and absolute shortages of homes to meet the local population needs suggests that London's housing market is more diverse and contains more opportunity than may be unlocked under the current approach. Freeing up the London Boroughs through direct devolution of housing is likely to provide more opportunity and drive the delivery of more homes.

“Freeing up the London Boroughs through direct devolution of housing is likely to provide more opportunity and drive the delivery of more homes.”

3. Not enough homes for its people: the Dwellings Deficit Boroughs

- 3.1 Dwellings Deficit occurs where there are fewer homes than the reported household population in an area. In short, there are not enough homes for its people. Dwellings Deficit is serious and the impact of under-housing has been widely reported in the media: unacceptable housing wellbeing outcomes for some residents include multiple households live together in overcrowded

situations, the exploitation of vulnerable renters by some unscrupulous landlords, beds in sheds, beds on boats, beds in warehouses, sleeping on a sofa or in a chair, living among the boxes in a storeroom at the back of a local shop.

Unacceptable housing wellbeing outcomes for some residents include ... beds in sheds, beds on boats, beds in warehouses, sleeping on a sofa or in a chair, living among the boxes in a storeroom at the back of a local shop.

- 3.2 There is not a Dwellings Deficit across the country. DCLG analysis for the Elphicke-House Report demonstrated a core Dwellings Deficit of less than 6% of English Councils. Dwellings Deficits councils are concentrated in London. Across England as a whole, 19 out of 326 councils displayed a Dwellings Deficit. The Dwellings Deficit occurred in 16 London Boroughs. The London boroughs are: Southwark, Redbridge, Enfield, Merton, Kingston Upon Thames, Hounslow, Barking & Dagenham, Camden, Sutton, Lewisham, Lambeth, Newham, Waltham Forest, Tower Hamlets, Hackney and Havering.

Table 3.2: Dwellings Deficit by Councils (Elphicke-House Report)

Dwellings Deficit By Councils-All England		
Southwark	Redbridge	Enfield
Merton	Kingston upon Thames	Hounslow
Barking and Dagenham	Camden	Slough
Crawley	Sutton	Lewisham
Lambeth	Newham	Waltham Forest
Tower Hamlets	Hackney	East Cambridgeshire
-	Havering	-

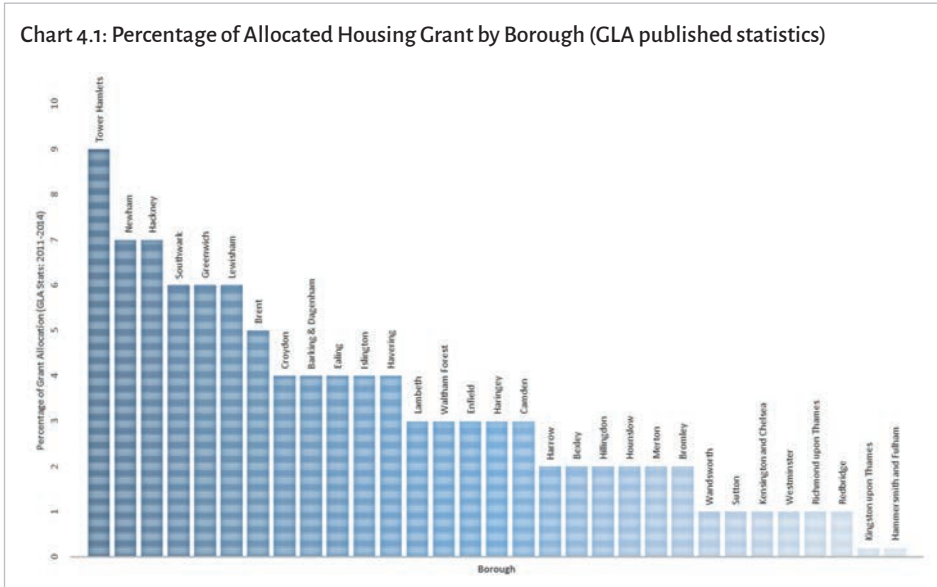
- 3.3 More than £3.3 Billion of housing grant has been allocated to London between 2011 and 2014. There are substantial resources, including unused borrowing capacity, in the Boroughs themselves. The aggregate scale of the Dwellings Deficit is of such a scale that it is realistic and achievable to wipe it out. However, like all deficits, every year it is not resolved there are pressures adding to it. The relative flatlining of the London private market housebuilding recovery when the rest of the country has powered ahead is of concern.

“The relative flatlining of the London private market housebuilding recovery when the rest of the country has powered ahead is of concern.”

4. Mapping London's Housing Grant allocations to Dwellings Deficit by Borough

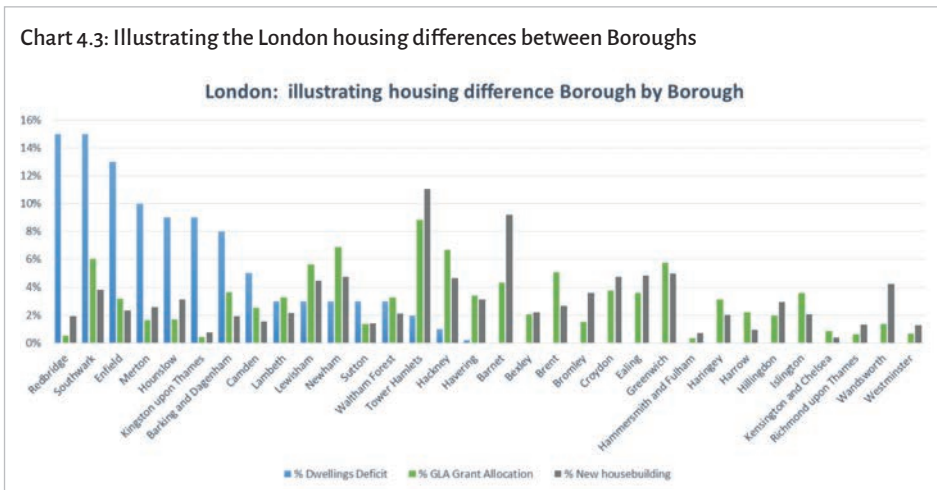
- 4.1 Using the GLA's published data, over £3.3 Billion of housing grant was allocated within boroughs between 2011 and 2014. Of this, Tower Hamlets received 9% while Kingston Upon Thames and Hammersmith & Fulham received less than 1%.

Chart 4.1: Percentage of Allocated Housing Grant by Borough (GLA published statistics)



- 4.2 Some disparity in the percentage of housing grant allocations among the London Boroughs might be anticipated. However, the extent of the disparity of allocations may be more significant in the context of the Dwellings Deficit by Borough. Mapping the Dwellings Deficit to Housing Grant by Borough it is not the case, as perhaps might be expected, that Boroughs with an absolute shortage of housing were allocated most financial support. Councils which have no Dwellings Deficit received almost 50% of the housing grant budget but four councils that account for 50% of the dwelling deficit, Redbridge, Southwark, Enfield and Merton, in aggregate received 11%.
- 4.3 It is not the case that housebuilding activity demonstrates significant correlation to housing grant allocations or housing need by Borough. Housebuilding varies significantly by Borough. Analysis of Borough performance challenges some commonly expressed views on Borough by Borough performance. For example, Bromley is contributing the same percentage of housebuilding as Wandsworth, Lewisham and Southwark and more than Hounslow and Hillingdon.

Chart 4.3: Illustrating the London housing differences between Boroughs



- 4.4 There is a huge diversity of housing in London between the Boroughs. Whether looking at housing building, housing need or, as in the case of this table extracted from Appendix 2 of the Elphicke-House Report, Dwellings Deficit, housing need and borrowing capacity, the Boroughs are all very different. That diversity in the Boroughs provides opportunity to work differently.

Table 4.4: Extract, Appendix 2 of Elphicke-House Report

Local Authority	Dwelling deficit (2013)	Households on local authority waiting lists: Top 20 (2013)	Homeless acceptances per thousand households: Top 20 (2013)	Households in temporary accommodation per thousand households: Top 20 (2013)	Available capacity to borrow under Housing Revenue Account (2012)
Southwark	-2,170	N	N	N	£125,937,000
Redbridge	-2,125	N	N	Y	£33,931,000
Enfield	-1,870	N	N	Y	£38,441,000
Merton*	-1,421	N	N	N	N/A- stock transferred
Kingston upon Thames	-1,320	N	N	N	£19,410,000
Hounslow	-1,298	N	Y	Y	£29,619,000
Barking and Dagenham	-1,094	N	Y	Y	£6,695,000
Camden	-678	Y	N	N	£86,677,000
Slough	-565	N	N	N	£18,433,000
Crawley	-478	N	Y	N	£3,577,000
Sutton	-449	N	N	N	£14,829,000
Lewisham	-414	N	Y	Y	£43,730,000
Lambeth	-409	N	N	Y	£147,933,000
Newham	-401	Y	Y	Y	£81,668,000
Waltham Forest	-379	Y	Y	Y	£29,984,000
Tower Hamlets	-306	Y	Y	Y	£114,706,000
Hackney	-149	N	Y	Y	£101,415,000
East Cambridgeshire*	-63	N	N	N	N/A –stock transferred
Havering	-40	N	N	N	£28,591,000

5. Devolution to strengthen the Housing Delivery Enabler role

- 5.1 The strength of the Housing Delivery Enabler approach is that it recognises that areas have different characteristics, needs, ambitions, resources and priorities. The Housing Delivery Enabler model allows each Borough to find the right approach for them to meet their residents' needs and aspirations, working with other councils and partners inside and outside London.

“The Housing Delivery Enabler model allows each Borough to find the right approach for them to meet their residents' needs and aspirations, working with other councils and partners inside and outside London”

- 5.2 A more individual Borough approach could unlock additional internal capacity to meet need and accelerate delivery. It may be that greater freedom for the Boroughs, including over proceeds and grant allocations, would provide better visibility, accountability and, importantly, housing delivery.
- 5.3 An incoming Mayor may find that an approach which is strategic where the Mayor intervenes only as a backstop measure and last resort, as did the Secretary of State in Tower Hamlets under the Coalition Government, provides an effective model of governance.

5.4 The Elphicke-House Report noted a number of councils who were working in imaginative and collaborative ways in order to improve housing opportunity for their areas, including in London. Partnership is key to additional delivery. The Elphicke-House Report considers the important role of responsibility and co-ordination.

“This can be a shared responsibility: there are frequently grounds for coordination of housing policy across council areas where this is the most appropriate spatial scale for considering housing market outcomes. But at core, councils have responsibility for delivery in their area.”

5.5 It may well be that the individual Borough's experience, leadership, resources, needs and aspirations may lead to different partnerships between and across Boroughs, inside and outside London; different solutions and approaches. So many aspects of London life, benefits from drawing strength from diversity and celebrating difference.

“A new Mayor gives a chance for change: to let loose the Boroughs and deliver the homes that London needs.”

Sources:

The Elphicke-House Report 2015, UK Government 2015 Available capacity to borrow: DCLG modelling for self-financing settlement Dwellings deficit: Dwelling stock estimates in England, 2013 (table 100); Household interim projections in England, 2011 to 2021 (table 406) Homeless acceptances & households in temporary accommodation: Statutory homelessness in England: July to September 2013 (table 784a) Housebuilding: DCLG permanent dwellings started and completed, by tenure and district (table 253) Housing Grant Allocations: GLA Affordable Housing Dataset by borough 2011-2014 Waiting lists: Local Authority Housing Statistics in England 2012-13 (table 600).

A Guide to Shaping up of Municipal Muscle'

Introduction by Lord Bob Kerslake and the Housing Business Ready programme

A Guide to Shaping Up Municipal Muscle was launched to support the anniversary of the flagship Housing Business Ready programme and is available to participants on the HBR programme.

Introduction to A Guide to Shaping up Municipal Muscle: Lord Bob Kerslake

Building more homes is one of the great challenges of our times. It is clear that we will only succeed if everyone works together to make it happen.

Local authorities, housing associations, investors and developers all have important roles to play. Councils have a special responsibility and a unique opportunity to shape their communities and build more homes which are right for their areas.

This work-book is an accessible guide for local authorities seeking to understand more about what they can do and how they make the difference. It sets out how councils can become Housing Business Ready – identifying their goals and ambitions, supporting residents with housing choices, as well as working in a strong partnership with housing associations and housebuilders to build more homes.

No-one should underestimate how hard it will be to deliver the new houses our nation requires nor how important. This book is a welcome helping hand for local authorities with the vision and passion to meet the challenge to build the homes we need.

Lord Bob Kerslake, September 2016



The Housing Business Ready Programme

What is Housing Business Ready?

Home is where the heart is and Housing Business Ready is about housing sitting at the heart of the culture across your Council. It is about your Council taking ownership of housing and its impact on residents – from planning right through to delivery; from the leader and chief executive through all parts of the council's strategy, business and operations which impact on housing and finance. It is about considering residents' wants and needs now and in the future. Taking account of issues such as health, ageing, where and how people work, access to housing and affordability. Considering and influencing the impact of housing on your residents' housing choices.

How does a Housing Business Ready council behave?

A Housing Business Ready council goes that extra mile – you think strategically about your ambitions and then actively translate that strategy into housing delivery.

HBR Councils take control of their housing and growth wants and needs. HBR helps to identify appetite and delivery techniques to ensure that your area is assessing, monitoring and building the homes wanted and needed to sustain, to develop, to nurture and to grow your community.

Housing Business Ready matters. Housing Business Ready builds clarity and confidence in your Council. That in turn provides the basis and the framework for housing success. Better housing supply supports homes needed for strong and sustainable communities. HBR can help to secure housing delivery to build the homes that your community wants and needs.

The Housing Business Ready Programme

Across the country, there is money, land, permission for planning, housing business appetite, council leadership and resident engagement which is coming together to collaborate, to support, and to build the homes we need in order to strengthen communities and provide housing choice.

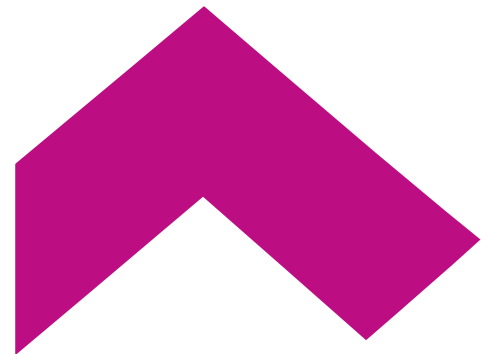
We have seen how our Housing Business Ready programme can make a practical difference. It is more important than ever that we work together to find the practical solutions to deliver the homes our country needs – are you Housing Business Ready?



Join us to make the change

This book contains some of our key research publications and comment pieces for 2016 addressing key questions and challenges of today such as:

- How do we build more homes, faster?
- Does London have capacity to build a million homes?
- How could boosting the boroughs help London to build more homes?
- Are the water companies holding up housebuilding?
- Who has the best track record for housing: the London-metropolitan areas or regional local councils?
- What is the housing legacy of the Cameron-Osborne government?
- What are the big challenges for the May government?
- Does the planning system need further change?
- Are a million homes even possible?
- Could we use infrastructure money better to make sure it supports faster housebuilding?
- Should housebuilders have to agree minimum rates of build out where they receive infrastructure or financial support?
- Do local councils really make a difference in driving housing delivery?
- Has big Devo and the super Mayors been shown to deliver more housing, or is it time to try Devo for Districts, putting greater flexibility with money and powers wherever councils are getting results?
- What to do about the levy? Should regional local councils be allowed to keep the levy and sales receipts if they are delivering new homes?



We hope you enjoy this book – and decide to join and support us in our work.

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