



## Local authority Direct Provision of Housing: Fourth Research Report

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January 2024





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## Acknowledgements

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We are grateful for the support of the National Planning Forum, Planning Officers' Society, Savills and Willmott Dixon for this fourth round of our research on local authority direct delivery of housing. The contents of the report remain the responsibility of the authors.

We would like to acknowledge our appreciation for all those who took the time to complete our survey or participate in a roundtable focus group or case study interview as part of the research underpinning this report.

We are also grateful to Isaiah Fleming-Klink who has acted as our Research Assistant while completing his MSc degree at the UCL Bartlett School of Planning.

Final thanks to our research advisory group, who gave thoughtful comments and suggestions throughout the research (although, as usual, the interpretation of that was the responsibility of the report authors): Jo Allchurch, Richard Blyth, Mike De-Ath, Mike Hayes, Hannah Keilloh, Mike Kiely, Ken Lee, Gilian Macinnes and Tony Mulhall.

This research received ethics approval from the UCL Bartlett School of Planning Local Research Ethics Committee, reference 24943/002.

The images illustrating the report have been provided by Willmott Dixon and HTA Design. They are schemes either organisation has been involved in and we are grateful for these photographs, which are included for illustrative purposes only.



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## Executive Summary

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This fourth report follows the same methodological approach of desk research, direct questionnaire survey to local government officers, roundtable discussions and case study interviews to interrogate the current picture around the direct delivery of housing by local authorities across England as our previous reports published in 2017, 2019 and 2021.

Since our previous report published in 2021, there has been an era of continuing change for all organisations engaged in the provision of housing not least local authorities. These changes have both increased the pressure on local authorities to provide more homes and the challenges that councils face in making any provision to meet their local housing need. The first part of this report outlines the key developments over the last two years, including financial context issues such as increases in mortgage costs for purchasers affecting the supply of new homes, the supply of private rented accommodation and inflation and housing benefit and rent matters. Housing context issues such as concerns over non-decent homes, the need to house refugees and asylum seekers and increased concern with housing safety, retrofitting and the climate change have also evolved. Planning reform continues apace including updates to the NPPF, discussion of housing targets and five year housing land supplies, biodiversity net gain and nutrient neutrality rules, and changes to planning gain and viability appraisals. There have also been policy changes very directly linked to social housing including around Right to Buy receipt use and retention, Public Works

Loans Board borrowing rates and the pressures of local government austerity and the spate of section 114 notices related to local government finances.

We then turn to our new research data. Our desk survey of published information from every local authority across England shows that programmes of development are increasing in some areas but may be reduced or extended in others by inflationary costs in construction. Overall, there is a growth in housing acquisition. For those councils which have committed to larger programmes, delivery teams appear to be seeking a range of methods to continue with delivery despite these challenges. In some cases there is still a focus on using council land within existing housing estates but elsewhere, car parks, depots, council offices, former schools and other buildings are being used to provide homes.

Councils are still active in the use of their own companies and joint ventures with housing associations, developers and, in some cases other councils, to provide a range of housing. The number of joint ventures and companies have reduced as an absolute number since 2021 although for some the level of activity has increased. Despite higher costs and pressures on land availability, London Boroughs, supported by the Mayor of London's application of the Affordable Housing Programme are still delivering more homes than other parts of England. In London, the Boroughs can apply for funding for five year programmes, whereas elsewhere in England affordable housing funding is made available on a scheme-by-scheme basis through Homes England. Some mayors of Combined Authorities are now starting to provide housing programme support.

The 2023 desk survey research finds that there is a steady increase in the level of housing activity across English local authorities in comparison with 2017. **Overall, it is possible to see that 94% of local authorities are engaging with housing provision through at least one method** and the range used by councils is gradually increasing. **76% local authorities have affordable housing as a council corporate priority. 14% of local authorities are Registered Providers.** Many councils are focusing on improving the standards and proximity of temporary accommodation. While funding and skills remain as challenges, there is some evidence of housing delivery teams being established, drawing on those with early experience in local government who are returning after working in other sectors.

Our direct survey in 2023 received responses from 231 individual local government officers working in 159 different local authorities across England. **79% of local authorities self-reported that they were directly delivering housing.** This represents a notable increase from the 69% of authorities reporting in our survey published in 2019 that they were directly engaged and the 65% from the 2017 survey answering similarly, but is similar to the 80% who reported being involved in direct delivery in 2021. For those authorities not engaged a lack of funding, lack of land and lack of expertise remained prominent issues in relation to previous surveys, but there was also some concern about risk appetite and being hampered by not having retained

housing stock / an existing Housing Revenue Account. The discrepancy in the findings between the two survey methods may continue to be explained by differing understandings of what 'direct delivery' means and in some cases perhaps by a lack of internal knowledge of all forms of local authority direct housing activity by all staff in different departments internally, including the growth of acquisitions as a policy choice in response to rising costs for temporary accommodation.

Only 7% of local authorities responded that the recent wave of local authority Section 114 notices had impacted their plans around direct delivery of housing. More significantly as a barrier, though, **53% of authorities** (81 answering this question – presumably all stock owning authorities) **reported that increased costs of retrofitting existing housing** (for example in relation to fire safety, damp and/or mould) **were impacting their plans to deliver new housing.**

Meeting local housing requirements and tackling homelessness remain the top two motivations for local authorities in the direct provision of housing. There are a range of other motivations alongside these and looking back over our surveys since 2017 it is apparent that, over time, quality of design seems to have become much more important as a motivating factor whilst income generation has become less important.

54% of authorities were reported in the survey as buying back former Right to Buy (RTB) properties (this was 40% in 2019 and 50% in 2021). Of those authorities who responded to our survey and have an HRA, 41% felt that the current government policy allowing them to keep 100% of RTB receipts for two years will help them directly deliver more housing. 41% of authorities have been delivering at least some new housing to Passivhaus or similar enhanced energy / environmental standards, a notable increase on the 27% reporting this in 2021. This suggests a growing interest and focus of activity around this, perhaps linked to declarations of climate emergency and council's net zero plans.

Many local authorities have moved beyond being reliant on planning gain (through Section 106 agreements) as a sole mechanism to provide affordable housing. Asked whether authorities have an action plan or strategy to boost affordable housing supply in their area beyond just relying on s106 contributions, 68% of authorities for which we had an answer indicated that this was the case and cited:

- having housing strategies with multiple actions planned or specific housing delivery action plans
- actively supporting housing association or other registered provider partners, developments planned on council-owned sites (including small sites and garage sites)
- buying back former RTB properties
- taking on S.106 properties where Registered Providers are not interested
- use of the council's housing company



- having a housing company which is a Registered Provider and can access Homes England grants
- use of council-owned sites in partnership (for example working with registered providers on vacant land)
- an empty homes purchase scheme and direct purchase of existing housing
- building under the Housing Revenue Account (HRA)
- using the Public Works Loans Board
- building out rural exception sites
- proactively targeting stalled sites
- working directly as an authority on land purchase and assembly.

As well as building directly through the general fund and/or HRA and having a wholly owned or joint venture local housing company, authorities are also utilising a host of different arrangements to deliver housing locally. The most common of these was working in partnership with a Housing Association or with a developer, closely followed by in partnership with Homes England. This is a significant finding and should be taken more seriously in considering government planning policies.

#### **52% of authorities reported having one or more local housing companies**

understood as a wholly owned or joint venture company focussed on the development of new housing, compared to the wider finding from our desk survey of 80% of local authorities stating in online documentation that they have companies that undertake the provision of housing either solely or with joint venture partners. Again this difference may be related to differing understandings of definitions (such as whether a company is focussed on development, acquisition, maintenance or management of housing or some combination of these) and a lack of internal knowledge which was sometimes evidenced through roundtables and focus group discussions.

19% of respondents in this survey worked for authorities who were apparently not using their Right to Buy receipts, a reduction from the 25% who said they were not in our 2021 survey, the 28% who were not in our survey published in 2019 (which had been administered in autumn 2018) and 34% on our 2017 survey.

**The top three potential barriers to directly delivery more housing were lack of land** (57% of respondents felt this was a challenge this time, and 59% in 2021), **lack of suitable sites** (56% of respondents felt this was a challenge this time, and 60% in 2021) **and scheme viability concerns** (56% of respondents felt this was a challenge this time, compared to 47% last time). There was comment that affordable housing grant funding was not sufficient, particularly given grant levels per unit compared to actual build costs particularly when wanting to build to higher environmental standards.

For those authorities who are directly delivering housing, their own landholdings remain central to this activity: **95% are building on their own land** (identical to our 2021 and 2019 surveys), 34% are purchasing sites to develop (a drop from 50% in 2021), 36% are

purchasing existing residential buildings (a drop from the 43% in our 2021 and 42% in 2019 surveys), 14% are using land from the One Public Estate initiative (similar to the 16% in our 2021 and 2019 surveys) and 10% are using other public land (slightly down from the 16% indicating this in 2021 and 13% in 2019). However, the desk survey shows that the range of council owned and now being used for housing is widening from the use of housing estate land to schools, community centres, public authority headquarters, technical colleges, car parks and bus stations. The survey showed that there is some capacity in authorities not currently taking this approach although it is recognised that the land identified through corporate asset surveys makes only a contribution to meeting overall housing need.

As with previous surveys, **the final question on the survey asked respondents if they were optimistic or pessimistic about the future prospects of increasing (affordable) housing supply in their area: 50% were pessimistic compared to 23% who were pessimistic in 2021.** Those who remained optimistic highlighted factors such as there being strong support for housing delivery across the council and strong political will driving this, and that there was now strategic vision guiding this with affordable housing development a real and high priority for many councils. There was a long list of comments to explain why those who were pessimistic about the future felt this way. Most commonly mentioned were factors relating to financing direct delivery of housing and the challenging economic context, including increased borrowing costs, inflation of build costs and less income into the HRA through rent caps, that grant levels for affordable housing are not sufficient to actually deliver (leading to a reliance on borrowing, and there are limits to capacity to do that), that it is impossible to cross-subsidise from market housing development to deliver sufficient affordable homes and that revenue budget pressures on councils continue to grow. Linked to this were retrofit costs for existing stock reducing capacity for new build, as were net zero costs. This sat alongside some concerns about labour shortages (particularly skilled construction workers) and supply shortages impacting the construction sector. The continued existence of Right to Buy in England, including for new social housing built by councils, continues to cause widespread concern and a disincentive to reopen an HRA.

With a General Election likely in 2024, in this survey we asked respondents what their top asks would be for government to help support local authorities directly delivering housing. A range of suggestions were made, including:

- More grant funding to appropriately cover the costs of building affordable housing
- Right to Buy reform (abolish, or restrict on new homes, and increased flexibility on use of receipts)
- Additional targeted funding for retrofitting existing homes and to meet net zero commitments
- Longer-term fixed rate PWLB borrowing to support affordable housing delivery
- Reforming Compulsory Purchase to allow local authorities to purchase land at

existing use value for affordable housing

- Tackling nutrient neutrality issues
- Clarifying the new Infrastructure Levy proposals
- Enhanced support to increase capacity in planning and develop further skills in-house to support housing development by local authorities

Across our roundtable discussions and case study interviews, we found discussion around the challenges of homelessness and increased demand for temporary accommodation, inflationary cost increases making some schemes no longer financially viable and with some delivery plans reduced as a result, and **congested priorities for local authorities**, for example between new build and retrofit improvements to existing housing stock. There are, however, a growing range of collaborative and partnership arrangements and real political support locally for housing, particularly affordable housing delivery, which is seen as core part of local government activity again.

Our **recommendations** include:

- Increasing grant through the Affordable Housing Programme and providing longer-term fixing of lower rates of PWLB borrowing for local authority housebuilding. This will lead to a range of long-term benefits including reducing housing benefit costs
- Abolishing the Right to Buy in England, or at least restricting it to not apply to newly built homes for 15 years
- Continuing in the longer-term the 100% retention of Right to Buy receipts by local authorities for housing delivering
- Better data capture by central government of the direct housing delivery activity by local government through all means and across all types and tenures of housing
- Abolishing the First Homes programme with focus shifted to supporting genuinely affordable housing
- Providing additional targeted funding to support retrofitting existing homes for safety, quality and energy efficiency. This will lead to longer-term savings, e.g. for healthcare
- Councils need to be able to acquire land for housing delivery and there should be reversal of the CPO provisions in the 1961 Land Compensation Act to acquire land at existing use value
- Local plans need to be able to identify sites for social housing, family housing and housing for older people to support their local economies rather than treating all housing tenures and types the same in allocations
- Enhanced support from central government through ringfenced funds should be provided to increase capacity in planning and develop further skills in-house to supporting local authority housing development would also be helpful
- Uncertainty over the new Infrastructure Levy is causing concern for many authorities given the significant role that Section 106 plays in the provision of affordable housing. Further clarification over the practicalities and implementation timetable for the IL would be helpful

- Partnership work seems increasingly important but with some trust issues remaining. Homes England could have a role in disseminating best practice, including learning from case studies, to local authorities and private sector partners
- Where councils are contributing to the delivery of homes through companies, JVs, enabling, acquisition, regeneration, master planning, advocacy, land and funding they need to demonstrate what contribution the council's intervention is making to the overall supply of homes as their contribution is being overlooked by others in the sector and government
- There are many ways to provide homes but a silo and separate departmental approach within councils does not appear to be the most supportive way to achieve greater delivery overall, and more integrated working (including planning teams) is important
- Local authority budgets would benefit from some discussion and possible reconsideration with a wider cost benefit approach rather than charging market value for land to be used for social and affordable housing. There also needs to be an evaluation of the contribution of housing delivery to reducing the pressures on the temporary accommodation budget
- While not being a total solution, the land and assets that councils own in the general fund and the HRA are an important component in their housing provision and only 30% of local authorities are shown as using this approach at present. This land needs to be considered for use for housing at other than market price
- There is priority congestion between new build/acquisition/meeting regulatory safety standards and retrofitting to meet climate change. There needs to be leadership on the approach to these priorities where possible



## Introduction

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As we head towards a General Election due within the next year, the ‘housing crisis’ remains a high-profile political issue, but also a pressing everyday reality for people across the country. Rates of building social housing are now far outstripped by rates of households seeking help as they are homeless or at risk of becoming homeless, with the numbers of people living in Temporary Accommodation (TA) at record highs. Concerns about the quality, safety and climate adaptability of our housing new and old, and its link to our health and wellbeing abound. At the same time, issues like rates of inflation driving up costs and interest rates increasing the costs of borrowing, and ongoing planning reforms, have meant that the last two years have been a time of continuing challenge and debate around housebuilding, particularly in relation to affordable housing.

Given this rapidly evolving context, continuing to update our understanding of activity by local authorities to directly deliver housing remains an important issue. This report follows our previous studies from 2017, 2019 and 2021 which have chartered the reemergence of local authority housing provision across England.<sup>1</sup> As we explore in the next section, since 2021 the context for this activity has continued to evolve at pace, including changing central government policy on some key issues and the emergence of some pressing economic (in particular), health and environmental challenges.

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1. 2017 report: <https://www.rtpi.org.uk/media/1891/localauthoritydirectprovisionofhousing2017.pdf>

2019 report: <https://www.rtpi.org.uk/media/2043/local-authority-direct-delivery-of-housing-ii-continuation-research-full-report.pdf>

2021 report: [https://www.ucl.ac.uk/bartlett/planning/sites/bartlett\\_planning/files/morphet\\_and\\_clifford\\_2021\\_-\\_local\\_authority\\_direct\\_delivery\\_of\\_housing\\_iii\\_report43.pdf](https://www.ucl.ac.uk/bartlett/planning/sites/bartlett_planning/files/morphet_and_clifford_2021_-_local_authority_direct_delivery_of_housing_iii_report43.pdf)

This report presents findings, analysis and recommendations which follow from a fourth round of our research on local authority housing delivery in England. This report follows a similar methodological approach to our previous three rounds of research, including a desk survey of public information about activity in this area by each local authority, an online questionnaire survey sent directly to local government officers, a series of roundtable discussions held across the country and some case study interviews. Data from this mixed methods snapshot of activity across England in 2023 then informs our recommendations as to how the potential of local authorities directly delivering housing might further and better be supported in future. Before turning to our own data, we next consider what has happened since our last report in 2021.



## The changing context for local authority housing provision since 2021

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As in previous reports, in this part of our research, we consider the range of changes that have occurred since our last report in 2021. As the review set out below indicates, this has been a period of considerable change for all organisations engaged in the provision of housing not least local authorities. These changes have both increased the pressure on local authorities to provide more homes and the challenges that councils face in making any provision to meet their local housing need. In reviewing the issues to update the changing context, we group these thematically, considering macro-economic context and issues, the housing policy context and issues, planning policy context and issues, particular geographical contexts, and specific updates on local authority provision. After this background section, we then turn in the next section to our new data, starting with our desk survey findings.

### Macro-economic context and issues

#### **Increase in mortgage costs for purchasers affecting supply of new homes**

The financial turbulence of 2022 and the subsequent increase in interest rates following a period of stability has led to a reduction of housing completions.<sup>2</sup> While the HBF has blamed local authority planning services, the Chief Executive of Taylor Wimpey has

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2. <https://www.thetimes.co.uk/article/housebuilding-slows-but-rates-set-to-jump-again-7jjlrkk62>

stated that planners should not be blamed as housebuilders are controlling their supply to maintain price in a difficult market. As Shrimmsley in the *Financial Times* states, housebuilders are more interested in selling homes than building them.<sup>3</sup> While the housebuilding group Vistry has reported a slowdown in sales to private individuals, it has had an increase in sales to housing associations and local authorities.<sup>4</sup> Some housebuilders have recorded a fall in profits due to lower sales which has been made a more challenging market with the end of the governments' help to buy scheme in 2023,<sup>5</sup> with Barratts reporting a 49% drop in demand. For homes that are on the secondary market or completed before the financial turbulence of 2022, prices are reducing, with reductions greater than at any time in the last 14 years.<sup>6</sup> In London, Savills have reported that 70% of the purchases made for central London homes have been by the use of cash.<sup>7</sup> The falloff in the market has also led to fewer planning applications being submitted for new homes. This is blamed by some on the changes in the planning system that are proposed by the government whereas others are linking this directly with inflation, higher mortgage costs, Brexit,<sup>8</sup> and stagnant incomes.<sup>9</sup>

In February 2023, the Competition and Markets Authority launched an investigation into the housebuilding market in England, Scotland and Wales which will publish its report before the end of February 2024.<sup>10</sup> This will include information on how local authorities are overseeing the delivery of new homes and how developers are negotiating affordable requirements.

### **First time buyers and new households**

The rising cost of mortgage finance and maintained prices of housing for sale has meant that first time buyers have been finding it more difficult to make a purchase. The average age of a first-time buyer in the UK is 34 years old. This is 6 years older than the average age of a first-time buyer in 2007. The average deposit placed by a first-time buyer in 2019 was £46,200. The average first-time buyer mortgage in 2019 was £185,300. Research by the Bank of England, published in July 2023 shows that one in four under 25-year-olds are dependent on parents and other family members to help them find a deposit for a home.<sup>11</sup>

The number of adults living with their parents has increased by 700,000 in a decade, with the majority being men who have returned to live at home or who never left.<sup>12</sup> While it was considered that the COVID-19 pandemic may have contributed to this,

3. <https://www.ft.com/content/2e17974f-3337-4326-8f62-3521e1ae7666>

4. <https://twitter.com/peterproperty/status/1681912852590874624>

5. [https://www.theguardian.com/business/2023/jul/13/profits-at-uk-homebuilder-barratt-drop-by-half-as-buyer-demand-slumps?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/business/2023/jul/13/profits-at-uk-homebuilder-barratt-drop-by-half-as-buyer-demand-slumps?CMP=Share_AndroidApp_Other)

6. [https://www.theguardian.com/money/2023/jun/01/uk-house-prices-fall-nationwide-high-interest-rates?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/money/2023/jun/01/uk-house-prices-fall-nationwide-high-interest-rates?CMP=Share_AndroidApp_Other)

7. [https://www.theguardian.com/uk-news/2023/jul/05/70-of-central-london-properties-sold-this-year-bought-with-cash-savills?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/uk-news/2023/jul/05/70-of-central-london-properties-sold-this-year-bought-with-cash-savills?CMP=Share_AndroidApp_Other)

8. [https://www.theguardian.com/politics/2023/jan/24/brexit-uk-construction-costs-eu?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/politics/2023/jan/24/brexit-uk-construction-costs-eu?CMP=Share_AndroidApp_Other)

9. [https://www.theguardian.com/politics/2023/apr/01/planning-applications-in-england-fall-to-record-low-in-housing-blow?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/politics/2023/apr/01/planning-applications-in-england-fall-to-record-low-in-housing-blow?CMP=Share_AndroidApp_Other)

10. <https://www.gov.uk/cma-cases/housebuilding-market-study#statement-of-scope-responses>

11. <https://www.theguardian.com/business/2023/jul/25/one-four-new-uk-homebuyers-under-25-rely-bank-mum-dad-study#:~:text=The%20massive%20scale%20of%20parental,bank%20of%20mum%20and%20dad%E2%80%9D>

12. [https://www.theguardian.com/society/2023/may/10/number-adults-living-parents-england-wales-up-700000-decade?CMP=Share\\_AndroidApp\\_Oth](https://www.theguardian.com/society/2023/may/10/number-adults-living-parents-england-wales-up-700000-decade?CMP=Share_AndroidApp_Oth)



ONS has stated that this more of an underlying trend. The government's scheme to provide mortgage guarantees for first time buyers was extended for a further year in December 2022. In this year, the scheme had supported 24,000 buyers of which 85% were first time buyers.<sup>13</sup>

#### Mortgage costs, inflation and supply of rented accommodation

The increase in house prices and mortgage costs now means that it is two decades since a household with a median income has been able to purchase a mid-range home in England.<sup>14</sup> Further, housebuilders confirm that the length of the term on mortgages on homes has extended to 36 years with purchasers committing to mortgages until they are 75. Rents have also been rising and by December 2022, had increased by one third in comparison with 2019 with some people facing increases of up to 60%. Prices in 48 council areas are now classed by the Office for National Statistics as unaffordable when compared with average wages.<sup>15</sup>

At the same time, in the period since COVID-19 pandemic, the amount of rented accommodation available has reduced. This is also in part due to the higher interested rates since the 2022 mini-budget since when buy-to-let landlords are having particular difficulty in covering their outgoings through rental income.<sup>16</sup>

Increases in inflation and mortgage interest rates has also led to some shift away from the buy-to-let market as landlord costs are now said to be 11% higher than income.<sup>17</sup> Some of these withdrawals from the buy-to-let market have been to fund retirement with Hamptons estate agency finding that 140,000 people who purchased rental property in the 1990s have now sold them for this purpose.<sup>18</sup> There have been other reports that there has been an increase in landlords in arrears in their mortgage payments.<sup>19</sup> Since 2015, landlord sales of properties have exceeded landlord purchases.<sup>20</sup> Some councils are concerned with the consequential reduction in homes for rent in their areas and like Ashford Council are finding ways of managing private rental stock including agreements with buy-to-let landlords to manage and maintain the properties on the mortgagee's behalf.<sup>21</sup>

Inflation is also having a significant effect on housing association development programmes with Peabody reporting a significant reduction in their future pipeline in April 2023. Pressure on wider categories for property finance such as retail is also

13. [https://www.theguardian.com/money/2022/dec/19/government-extends-generation-buy-mortgage-guarantee?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/money/2022/dec/19/government-extends-generation-buy-mortgage-guarantee?CMP=Share_AndroidApp_Other)

14. [https://www.theguardian.com/money/2023/jul/28/how-uk-house-prices-left-the-middle-class-behind?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/money/2023/jul/28/how-uk-house-prices-left-the-middle-class-behind?CMP=Share_AndroidApp_Other)

15. <https://www.theguardian.com/society/2022/dec/01/soaring-rents-making-life-unaffordable-for-private-uk-tenants-research-shows>

16. <https://www.bbc.co.uk/news/business-65833840>

17. <https://www.theguardian.com/money/2023/nov/13/landlords-sell-up-in-great-britain-as-buy-to-let-market-sours>

18. <https://www.bbc.co.uk/news/business-65298662>

19. [https://inews.co.uk/news/private-landlords-buy-to-let-mortgages-arrears-2236840?utm\\_source=Twitter&utm\\_medium#Echobox=1680083727](https://inews.co.uk/news/private-landlords-buy-to-let-mortgages-arrears-2236840?utm_source=Twitter&utm_medium#Echobox=1680083727)

20. [https://www.theguardian.com/money/2023/feb/24/lots-of-us-are-very-anxious-why-britains-buy-to-let-landlords-are-selling?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/money/2023/feb/24/lots-of-us-are-very-anxious-why-britains-buy-to-let-landlords-are-selling?CMP=Share_AndroidApp_Other)

21. <https://www.lettingagenttoday.co.uk/breaking-news/2023/10/tory-council-lettings-agency-steps-up-bid-to-win-private-landlords>

leading supermarket and department store owners to re-value their sites with a view to redeveloping them for housing, including Asda which is said to be considering this move to service their debt in a period of higher interest rates.<sup>22</sup>

There has also been a sharp fall in the number of homes available for rent in London with a 41% reduction in properties available since the start of the pandemic.<sup>23</sup> At the same time, the number of build-to-rent schemes that has been progressed in the period 2022-23 has increased to locations in 186 UK local authority areas an increase from 154 a year previously.<sup>24</sup>

## Housing policy context and issues

### Homelessness and use of temporary accommodation

Homelessness is a growing problem with 85% of councils reporting that it has risen over the last twelve months in their area in August 2023.<sup>25</sup> This has been in part engendered by a rise in no fault evictions which increased by 76% in the period of a year.<sup>26</sup> In July 2023, the government showed that the percentage of people living in temporary accommodation in England has hit a 25 year high in the year to 31 March 2023, with 105,000 households in Temporary Accommodation (TA) including 130,000 children.<sup>27</sup> In April 2023, research by the Museum of Homelessness (MoH) showed the number of people dying while homeless in the UK reached 1,313 in 2022, an 85% increase compared with 2019.<sup>28</sup> In London, there were 170,000 homeless Londoners which London Councils comments is the same size as the population of the City of Oxford.<sup>29</sup>

In April 2023, government figures showed that the number of homeless families in hotels and B&B accommodation longer than legal limit doubled in the previous year in England,<sup>30</sup> with 1,210 families in hotels and B&Bs for longer than the six-week legal limit between 1 July to 30 September in 2022. This was up from 570 in 2021 for the same period. These are the highest figures since 2017. A total of 11,490 homeless households spent time in hotels and B&Bs in the same period in 2022, the highest number since 2003. The problem was particularly acute in London. In December 2022, it was

22. <https://www.telegraph.co.uk/business/2023/03/11/billionaire-issa-brothers-plot-sale-asda-properties-debt-costs/>

23. <https://trustforlondon.org.uk/research/supply-of-private-rented-sector-accommodation-in-london/> [https://beta.londoncouncils.gov.uk/news/2023/sharp-fall-private-rental-listings-means-londoners-housing-pressure-going-bad-disastrous?utm\\_campaign=14022957\\_Key%20Issues%2019%20July%202023&utm\\_medium=email&utm\\_source=London%20Councils&dm\\_i=192K,8CK6L,OM6MR6,YEGBB,1](https://beta.londoncouncils.gov.uk/news/2023/sharp-fall-private-rental-listings-means-londoners-housing-pressure-going-bad-disastrous?utm_campaign=14022957_Key%20Issues%2019%20July%202023&utm_medium=email&utm_source=London%20Councils&dm_i=192K,8CK6L,OM6MR6,YEGBB,1)

24. <https://bpf.org.uk/media/press-releases/build-to-rent-growth-continues-at-slower-pace-as-sector-navigates-challenging-economic-conditions/>

25. [https://www.lgcplus.com/services/housing/emergency-situation-as-over-four-fifths-of-councils-see-homelessness-rise-24-08-2023/?eea=\\*EEA\\*&eea=cVlxbFFHUXZSRmJcCWIUNkPLU1ZUVVnNjdrSG1STS9yeit1UmpoUUFBN0%3D&utm\\_source=acs&utm\\_medium=email&utm\\_campaign=CONE\\_LGC\\_EDL\\_REGS\\_Daily\\_240823&deliveryName=DM167342](https://www.lgcplus.com/services/housing/emergency-situation-as-over-four-fifths-of-councils-see-homelessness-rise-24-08-2023/?eea=*EEA*&eea=cVlxbFFHUXZSRmJcCWIUNkPLU1ZUVVnNjdrSG1STS9yeit1UmpoUUFBN0%3D&utm_source=acs&utm_medium=email&utm_campaign=CONE_LGC_EDL_REGS_Daily_240823&deliveryName=DM167342)

26. [https://www.localgov.co.uk/No-fault-evictions-jump-76/55197?actId=ebwp0YMB8s3Mv0I20I85odUcvuQDVN7aZHxMk8Rn99SshulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN\\_MAIL&actSource=506925](https://www.localgov.co.uk/No-fault-evictions-jump-76/55197?actId=ebwp0YMB8s3Mv0I20I85odUcvuQDVN7aZHxMk8Rn99SshulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN_MAIL&actSource=506925)

27. <https://www.bbc.co.uk/news/uk-66296333>

28. [https://www.localgov.co.uk/More-than-4000-people-die-while-homeless/56023?actId=ebwp0YMB8s3Mv0I20I85odUcvuQDVN7aZHxMk8Rn99SshulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN\\_MAIL&actSource=508125](https://www.localgov.co.uk/More-than-4000-people-die-while-homeless/56023?actId=ebwp0YMB8s3Mv0I20I85odUcvuQDVN7aZHxMk8Rn99SshulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN_MAIL&actSource=508125)

29. <https://beta.londoncouncils.gov.uk/news/2023/one-50-londoners-homeless-housing-disaster-unfolds-capital> ; <https://beta.londoncouncils.gov.uk/news/2023/homelessness-data-shows-need-emergency-action>

30. [https://www.theguardian.com/society/2023/apr/09/homeless-hotels-legal-limit-doubles-england?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/society/2023/apr/09/homeless-hotels-legal-limit-doubles-england?CMP=Share_AndroidApp_Other)

calculated that 26,000 under-fives were living in TA.<sup>31</sup> An investigation by ITV in March 2023 found that 83 councils had paid £876m since 2019 for TA that was often in poor or unfit condition.<sup>32</sup>

Some councils have decided to purchase and renovate homes to provide TA for those who are homeless (or at risk of homelessness). Torbay council has borrowed £10m to buy 37 homes of which 23 are in the process of being acquired.<sup>33</sup> Liverpool City Region is supporting initiatives to provide solutions for homeless people through the establishment of a £9.9m Housing First programme until 2025. The successful scheme has helped more than 200 local people out of homelessness.<sup>34</sup>

In December 2022, the government announced a two-year funding package of £645m to support action on homelessness through the Homelessness Prevention Grant which is designed to support people at risk of becoming homeless by paying their deposits and mediating with landlords.<sup>35</sup>

### **Rent and housing benefit**

In a report published in 2023, the IFS stated that those with rental tenures are more likely to have lower incomes than home owners and higher poverty rates. Given the rise in inflation and pressure for those rental homes that are available, and with the cap on increases to the local housing allowance, those reliant on housing benefit could only afford 5% of the private rental properties listed on Zoopla in early 2023.<sup>36</sup> The New Economics Foundation has found that the government is set to spend five times more (£58.2bn) on paying private landlords' rent via housing benefits than on its entire affordable housebuilding programme (£11.5bn for the Affordable Homes Programme) over the next four years.<sup>37</sup>

### **Overcrowding**

There has been an increase in overcrowding and the use of properties in multiple occupation as homelessness has increased and available homes for rent have reduced overall, with those available having higher rents. There has been an increase in 'sofa surfing' and adult children moving back to live with their parents. A report by the National Housing Federation in April 2023 showed that 310 children in overcrowded homes were forced to share a bed with parents or siblings, with one in every six children living in crowded condition equating to 2 million children in 746,000 households.<sup>38</sup>

31. [https://www.insidehousing.co.uk/news/more-than-26000-under-fives-living-in-temporary-accommodation-new-data-shows-79463?utm\\_source=Oc](https://www.insidehousing.co.uk/news/more-than-26000-under-fives-living-in-temporary-accommodation-new-data-shows-79463?utm_source=Oc)

32. <https://twitter.com/DanielHewittITV/status/1640452110553694209?t=lcxrKotbveli1XlgiFNgAg&s=03>

33. [https://www.localgov.co.uk/Torbay-Councils-first-temporary-home-ready/55625?actId=ebwp0YMB8s3Mv0l20l85odUcvuQDVN7aZHxMk8Rn99ShsulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN\\_MAIL&actSource=507570](https://www.localgov.co.uk/Torbay-Councils-first-temporary-home-ready/55625?actId=ebwp0YMB8s3Mv0l20l85odUcvuQDVN7aZHxMk8Rn99ShsulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN_MAIL&actSource=507570)

34. <https://www.liverpoolcityregion-ca.gov.uk/city-region-wins-9-9m-to-continue-pioneering-housing-first-scheme/>

35. [https://www.localgov.co.uk/Councils-to-receive-share-of-654m-homelessness-fund/55361?actId=ebwp0YMB8s3Mv0l20l85odUcvuQDVN7aZHxMk8Rn99ShsulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN\\_MAIL&actSource=507196](https://www.localgov.co.uk/Councils-to-receive-share-of-654m-homelessness-fund/55361?actId=ebwp0YMB8s3Mv0l20l85odUcvuQDVN7aZHxMk8Rn99ShsulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN_MAIL&actSource=507196)

36. <https://ifs.org.uk/publications/housing-quality-and-affordability-lower-income-households>

37. <https://inews.co.uk/news/conservative-voters-want-uk-build-more-social-housing-2268110>

38. <https://www.housing.org.uk/globalassets/files/resource-files/overcrowding-in-england-april-2023.pdf>



Research by DLUHC also shows that a higher proportion of private rented homes are non-decent in comparison with other tenures.<sup>44</sup> The changes in Building Regulations and inspection requirements are having an effect on the way in which local authorities are considering their roles as landlords. These will involve new requirements and costs, particularly where the council has an ALMO and three councils are actively reviewing their closure. The Regulator of Social Housing also now requires all social landlords to physically inspect the quality of their properties.<sup>45</sup> This includes local authorities and housing associations.

### **Retrofitting**

Councils are assessing their need to retrofit their housing stock such as Camden with 33,000 homes in their programme,<sup>46</sup> and Haringey which is making 15,000 homes warmer and cheaper to run.<sup>47</sup> Where stock is not likely to be easy to retrofit, then some councils such as Colchester are adopting a sales policy when the opportunity arises. Other councils reported that they had poor data on their stock and how best to pursue retrofit programmes or impossible deadlines applied with government funding.<sup>48</sup> For new development, many councils are of the view that the standards required, including for energy, should be incorporated into the building regulations and not subject to negotiation.

### **Climate change and ESG**

While individual local authorities are reporting on their own developments meeting climate change objectives, this is also the case in the private sector, for example in February 2023, housebuilder Redrow announced that all their new homes would be fitted with heat pumps.<sup>49</sup> In London, the GLA reported that the number of new housing developments with heat pumps had doubled in 2022.<sup>50</sup> Some councils, including Cornwall, have adopted climate change DPDs.<sup>51</sup>

For those raising funds for housing development from institutional investors, there are significant requirements that the housing completed should be constructed and subsequently be able to be managed to high ESG (environmental, social and governance) standards. Over 100 housing providers, including funders L&G, M&G, Schrodgers, Aviva, Lloyds and NatWest have adopted an ESG reporting standard that has recently been extended to include tenant issues.<sup>52</sup> The extent to which new homes should meet sustainable standards is now a significant issue in the international investment market.

44. [https://twitter.com/J\\_Elliott94/status/1664264248074342402/photo/1](https://twitter.com/J_Elliott94/status/1664264248074342402/photo/1)

45. [https://www.insidehousing.co.uk/home/home/rshs-proposed-consumer-standards-require-social-landlords-to-physically-inspect-all-homes-82444?utm\\_source=dlvr.it&utm\\_medium=twitter](https://www.insidehousing.co.uk/home/home/rshs-proposed-consumer-standards-require-social-landlords-to-physically-inspect-all-homes-82444?utm_source=dlvr.it&utm_medium=twitter)

46. <https://www.camden.gov.uk/retrofit> ;

47. <https://www.haringey.gov.uk/news/retrofit-council-homes-takes-huge-step-forward>

48. <https://www.insidehousing.co.uk/news/social-housing-decarbonisation-fund-majority-of-councils-failed-to-retrofit-single-home-by-deadline-75180>

49. <https://twitter.com/Redrow/status/1617810134146875392?t=eHFLixpbDIAsND0mw0VuhQ&s=03>

50. <https://www.insidehousing.co.uk/news/new-london-developments-with-heat-pump-systems-double-in-a-year-gla-reveals-79681#:~:text=year%2C%20GLA%20reveals-,New%20London%20developments%20with%20heat%20pump,in%20a%20year%2C%20GLA%20reveals&text=The%20London%20mayor%20has%20revealed,has%20doubled%20in%20a%20year.>

51. <https://www.cornwall.gov.uk/planning-and-building-control/planning-policy/adopted-plans/climate-emergency-development-plan-document/>

52. <https://www.housingtoday.co.uk/news/social-housing-esg-reporting-standard-updated-to-focus-on-tenant-issues/5125513.article>

In 2021, our research identified a comment on the part of housing associations that planning standards were not sufficiently high as to be able to allow housing associations to demonstrate the regulatory requirements to meet ESG standards in their developments. This is also the case of private sector housebuilders that have now been taking their own action to improve ESG standards including the provision of heat pumps in new developments. The Sustainable Reporting Standard (SRS) for social housing has been launched and The Sustainability for Housing Group has found that the number of housing organisations making ESG reports increased by a third in 2022.<sup>53</sup>

### **First Homes**

Some councils, particularly in the South West, have reported being sceptical about the First Homes policy about whether this will be a useful initiative. There are concerns that it will not result in the provision of additional homes but rather take a proportion of homes being developed to be used as this tenure. Councils also consider that the range of administrative burdens for this type of home is disproportionate for the benefits that it brings to local housing supply.<sup>54</sup> Some councils also see issues in the future with this tenure, while the view expressed was that it would be preferable to have more tenure flexibility to meet local needs.

### **Social rent homes**

In July 2023, the government pledged funding for the provision of 30,000 new social rent homes per year, although Shelter indicates that 90,000 new social homes are required each year to meet need and replace those lost to the social rented stock through Right to Buy (RTB).<sup>55</sup> In polling, it has been found that Conservative voters support the provision of social rent homes over homes for sale.<sup>56</sup> A case for social rent housing to support the economy has also been made by research undertaken by Social Europe;<sup>57</sup> a case is also being made for this approach in the UK.<sup>58</sup>

Some councils, including Islington, have decided to purchase back 100 homes sold under the RTB provisions to provide homes for refugees, adults leaving social care and for rough sleepers.<sup>59</sup> Westminster City Council also proposes to triple its supply of temporary accommodation homes.<sup>60</sup>

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53. <https://sustainabilityforhousing.org.uk/sfhs-impact/>

54. <https://www.cih.org/blogs-and-articles/what-s-the-problem-with-first-homesur>

55. <https://www.itv.com/news/2023-07-19/michael-gove-pledges-30000-new-social-homes-per-year-to-tackle-housing-crisis>

56. <https://www.insidehousing.co.uk/news/nearly-half-conservative-voters-support-building-social-housing-over-homes-for-sale-poll-reveals-81951>

57. <https://www.socialeurope.eu/the-economic-case-for-affordable-housing>

58. [https://www.newstatesman.com/spotlight/economic-growth/regional-development/housing/2023/06/community-land-auctions-housing-crisis-houses?utm\\_medium=Social&utm\\_source=Twitter#Echobox=1686662268-4](https://www.newstatesman.com/spotlight/economic-growth/regional-development/housing/2023/06/community-land-auctions-housing-crisis-houses?utm_medium=Social&utm_source=Twitter#Echobox=1686662268-4)

59. Islington Council 14th July 2023

60. [https://www.insidehousing.co.uk/news/london-council-aims-to-nearly-triple-temporary-accommodation-homes-by-2025-81793#:~:text=London%20council%20aims%20to%20nearly%20triple%20temporary%20accommodation%20homes%20by%202025,-News05.06.23&text=Westminster%20Council%20has%20accepted%20a,temporary%20accommodation%20\(TA\)%20homes.](https://www.insidehousing.co.uk/news/london-council-aims-to-nearly-triple-temporary-accommodation-homes-by-2025-81793#:~:text=London%20council%20aims%20to%20nearly%20triple%20temporary%20accommodation%20homes%20by%202025,-News05.06.23&text=Westminster%20Council%20has%20accepted%20a,temporary%20accommodation%20(TA)%20homes.)

## Homes England

In May 2023, Homes England published a new five-year plan which focuses on providing decent, well-designed and sustainable homes. It also commits Homes England to working in a more place-based way,<sup>61</sup> but stated that it did not intend to make a universal offer to all local authorities.<sup>62</sup>

In June 2023, the government announced that it was going to undertake a review of Homes England led by a non-executive director from the Department for Transport. The 2022 Truss mini budget has led to Homes England missing its delivery target for the second year in a row.<sup>63</sup>

### Modern methods of construction (MMC)

The last two years has been mixed for MMC. Legal and General announced that it would close its factory in May 2023, with a loss of 450 jobs,<sup>64</sup> and has also had to dismantle homes in Bristol after finding defects in their foundations.<sup>65</sup> While there has been a slowdown in offsite construction of whole homes, Vistry has increased its production of timber frames which can be used for two and three dimensional MMC and now has capacity for components for 5000 homes per year.<sup>66</sup> One of the reasons for slow take up of MMC according to our previous research in 2021 was a reported uncertainty on the lack of an industry standard and the issue of repairs and maintenance over the life of the MMC homes. The government has started to address this through a consultation on a common standard to be prepared by the British Standards Institute (BSI).<sup>67</sup>

At the same time, fire officers have requested that modular construction used in homes should be subject to more rigorous testing and that speed and sustainability should not overtake the need to ensure safety.<sup>68</sup>

## Planning policy context and issues

### Government policy

While it is difficult to find any complete outline of government policy on housing and planning, this shortfall is made good by the House of Commons Library which prepares regular and updated briefings on all aspects of government policy. In 2023, it produced a short report on the government's policy for tackling the undersupply of housing in

61. <https://www.localgov.co.uk/Homes-England-unveils-five-year-plan/56156>

62. [https://www.lgcplus.com/services/housing/homes-england-support-will-not-be-universal-22-05-2023/?eea=\\*EEA\\*&eea=cVlxbFFHUXZSRmJCcWlUNKpLU1ZUVVnNjdrSG1STS9yeit1UmpoUUFBN0%3D&utm\\_source=acs&utm\\_medium=email&utm\\_campaign=CONE\\_LGC\\_EDl\\_REGS\\_Daily\\_220523&deliveryName=DM143916](https://www.lgcplus.com/services/housing/homes-england-support-will-not-be-universal-22-05-2023/?eea=*EEA*&eea=cVlxbFFHUXZSRmJCcWlUNKpLU1ZUVVnNjdrSG1STS9yeit1UmpoUUFBN0%3D&utm_source=acs&utm_medium=email&utm_campaign=CONE_LGC_EDl_REGS_Daily_220523&deliveryName=DM143916)

63. [https://www.insidehousing.co.uk/home/home/mini-budget-impacted-delivery-as-homes-england-misses-targets-for-second-year-in-a-row-82492?utm\\_source=dlvr.it&utm\\_medium=twitter](https://www.insidehousing.co.uk/home/home/mini-budget-impacted-delivery-as-homes-england-misses-targets-for-second-year-in-a-row-82492?utm_source=dlvr.it&utm_medium=twitter)

64. <https://news.sky.com/story/l-g-shuts-modular-housing-factory-with-loss-of-450-jobs-12872759>

65. <https://www.housingtoday.co.uk/landg-modular-dismantling-bristol-homes-after-finding-basement-defects/5124403.article>

66. <https://twitter.com/peterproperty/status/1681912852590874624>

67. <https://www.bsigroup.com/en-GB/about-bsi/media-centre/press-releases/2023/january/boost-for-modern-homebuilding-as-government-launches-work-with-industry-to-set-uk-wide-standard/>

68. [https://www.insidehousing.co.uk/news/fire-chiefs-call-for-strict-testing-of-modular-to-prevent-influx-of-unsafe-homes-79366?utm\\_source=Ocean%20Media%20Group&utm\\_medium=email&utm\\_campaign=13660816\\_IH-DAILY-8-12-2022-GR&dm\\_i=1HH2,84SR4,U07QB6,XB5BZ,1](https://www.insidehousing.co.uk/news/fire-chiefs-call-for-strict-testing-of-modular-to-prevent-influx-of-unsafe-homes-79366?utm_source=Ocean%20Media%20Group&utm_medium=email&utm_campaign=13660816_IH-DAILY-8-12-2022-GR&dm_i=1HH2,84SR4,U07QB6,XB5BZ,1)

England.<sup>69</sup> In this briefing there is an examination of how much housing England needs, the trends in housing supply, and actions to make good the deficit.

In a speech in July 2023, Secretary of State Michael Gove outlined the government's long term programme for housing which includes the regeneration of 20 places in England.<sup>70</sup> This policy is derived from a 2018 Report by the Conservative think tank Onward, which indicated that housing should be built in cities where the need is the greatest, while in recent years more homes have been completed in rural areas.<sup>71</sup> The government argues that failure to provide urban housing has impacted on the economy, cost more as new infrastructure has to be provided on green field sites and is not in sustainable locations. As part of this policy, the government states that they will now allow the affordable housing programme to be used to deliver regeneration. As part of this process, the government is also proposing to develop new housing in Cambridge as part of a 'science capital' approach and established a Cambridge Delivery Group led by the chair of Homes England to make proposals for new housing and laboratory space. Further details were announced by the SoS on 19 December 2023, but there still appears to have been a lack of collaborative discussion with the Combined Authority and local authorities in the area, who have raised a number of areas of concern about the tentative proposals.<sup>72</sup>

The ability of DLUHC to spend its allocated funding during the period since 2021 has also been noted. In July 2023, it was stated that the Department had to return £1.9bn to the Treasury after failing to spend it through the Affordable Housing Programme and building safety budgets.<sup>73</sup>

In December 2022, under pressure from Conservative MPs, the SoS for DLUHC agreed to drop the requirement for local authorities to adopt house building targets that had been required through local plans. By January 2023, local authorities were beginning to revise their own position on housing targets, which are established through the use of government derived methodology.<sup>74</sup> Those in the housebuilding industry stated that this would lead to a vast reduction in homes completed and that this would fall short of the government's target for 300,000 new homes per year. However, this target is not based on any specific evidence and although planning consents for over 300,000 homes per year have been granted this has not been matched by housing completions as developers do not wish to risk their own capital through flooding the market with homes. Nevertheless, there is a severe shortage of affordable homes to meet need.

69. <https://researchbriefings.files.parliament.uk/documents/CBP-7671/CBP-7671.pdf>

70. [https://www.gov.uk/government/speeches/long-term-plan-for-housing-secretary-of-states-speech?utm\\_campaign=14036544\\_Key%20Issues%2026%20July%202023&utm\\_medium=email&utm\\_source=London%20Councils&dm\\_i=192K,8CUO0,OM6MR6,YFUA8,1](https://www.gov.uk/government/speeches/long-term-plan-for-housing-secretary-of-states-speech?utm_campaign=14036544_Key%20Issues%2026%20July%202023&utm_medium=email&utm_source=London%20Councils&dm_i=192K,8CUO0,OM6MR6,YFUA8,1)

71. <https://www.ukonward.com/wp-content/uploads/2018/06/220618-Green-Pleasant.-Affordable-Web-ready.pdf>

72. <https://cambridgeshirepeterborough-ca.gov.uk/news/joint-statement-from-local-leaders-and-the-combined-authority-mayor-on-cambridge-2040-announcement/>

73. [https://www.theguardian.com/society/2023/jul/12/gove-department-hands-back-19bn-meant-tackle-england-housing-crisis?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/society/2023/jul/12/gove-department-hands-back-19bn-meant-tackle-england-housing-crisis?CMP=Share_AndroidApp_Other)

74. [https://www.theguardian.com/society/2023/jan/15/new-homes-at-risk-as-english-local-authorities-cut-housebuilding-plans?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/society/2023/jan/15/new-homes-at-risk-as-english-local-authorities-cut-housebuilding-plans?CMP=Share_AndroidApp_Other)



The provision of housing nationally is said to have been compromised by the government's decision to remove a national housing target. This has been particularly challenged by the HBF which has made claims in a report it has commissioned from Lichfields.<sup>75</sup>

POS published a manifesto related to the housing crisis in November 2023 which makes a range of recommendations including further consideration of the demand side of the housing crisis. The manifesto highlights the problems of house price inflation so that the cohort of people in need of 'affordable housing' has massively increased.<sup>76</sup>

In terms of potential influence on government housing and planning policy, *the Times* has reported that a fifth of the donations to the Conservative Party over the period 2012-2022 at £60m has been from housing developers.<sup>77</sup> It is also noted that five members of the then Cabinet were landlords, deriving considerable income from their properties with a total of 87 MPs generating income from properties in their ownership.<sup>78</sup>

As part of its approach to the increased delivery of housing through the use of the planning system, the government announced a consultation on local plan reforms. These are part of the proposed reforms of the NPPF announced earlier in 2023 which will have some effect on the ways in which local authorities are required by government to assess housing need.<sup>79</sup> Through these proposed changes, Lichfields have stated that there will be 77,000 fewer housing starts. The government stated that it did not accept the premise of this research.

In April 2023, the Government published research on the effectiveness of the intervention mechanism that it had supported to maintain supply using case studies drawn from Homes England. The primary focus of this research was on the effect of these interventions on price maintenance rather than on overall supply.<sup>80</sup>

In terms of policy in respect of release of Green Belt sites for housing, this is continuing on a site-by-site basis rather than any national coordinated activity.<sup>81</sup> In December 2022, the planning inspectorate granted an application for 1,000 homes in the York Green Belt.<sup>82</sup>

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75. <https://www.hbf.co.uk/news/government-planning-reforms-could-see-housing-supply-fall-record-low-and-cost-400000-jobs/>

76. - [https://www.planningofficers.org.uk/uploads/POS-MBP13-Housing%20Crisis\(1\).pdf](https://www.planningofficers.org.uk/uploads/POS-MBP13-Housing%20Crisis(1).pdf)

77. <https://www.thetimes.co.uk/article/tories-could-lose-millions-in-donations-from-angry-housebuilders-gs2hc9r7j>

78. [https://www.theguardian.com/politics/2023/may/04/hunt-and-braverman-among-five-in-cabinet-earning-thousands-as-landlords?CMP=Share\\_And](https://www.theguardian.com/politics/2023/may/04/hunt-and-braverman-among-five-in-cabinet-earning-thousands-as-landlords?CMP=Share_And)

79. <https://lichfields.uk/blog/2023/february/27/making-a-bad-situation-worse-how-a-fall-in-housing-supply-due-to-nppf-changes-will-cause-social-harm-and-undermine-levelling-up/>

80. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1145971/The\\_Additionality\\_of\\_Housing\\_Supply\\_Interventions.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1145971/The_Additionality_of_Housing_Supply_Interventions.pdf)

81. <https://commonslibrary.parliament.uk/research-briefings/sn00934/>

82. <https://www.theplanner.co.uk/2022/12/16/appeal-nearly-1000-homes-and-school-be-built-york-green-belt>

In December, as this report was being finalised, the updated NPPF was published by government.<sup>83</sup> A number of proposals from the initial consultation were not included, however the revised document does make it clear local authorities do not need to review green belt boundaries while making a local plan. Local planning authorities with an in-date plan will no longer need to demonstrate a five-year housing land supply while those without an up-to-date plan will need to demonstrate the five year supply but without needing any additional buffer and with the ability to factor in historic over-supply into the calculations. An overview of initial reaction to the revision was somewhat mixed.<sup>84</sup>

The SoS also announced that there were seven local planning authorities who it was felt had caused particular concern for having missed plan-making milestones, having neither an adopted or currently submitted draft plan under the current plan making system, leading to government intervention requiring timetables for plan production.<sup>85</sup>

### **Affordable homes**

In December 2022, the House of Commons Public Accounts Committee (PAC) found that the government was falling short in its targets to provide affordable homes. In the 2016-21 programme, the government expected to achieve 157,000 new homes against a public target of 180,000. The PAC found that the government had not set a subsequent target for affordable homes nor did it provide local authorities with any mechanism to ensure that affordable homes required to meet local needs are built.<sup>86</sup> Further, some of the largest shortfalls in the provision of affordable housing are in rural areas.<sup>87</sup>

In the government's proposals for planning reform, as set out in the Levelling Up and Regeneration Act 2023, it is proposed to implement a reform of s106 and CIL which would reduce the potential for local authorities to negotiate the provision of affordable homes as part of a planning application through a s106 agreement. When this was considered by the House of Lords, the government agreed to a number of amendments that would bolster the proposed Infrastructure Levy's role in supporting the provision of social housing.<sup>88</sup>

In some cases the negotiated provision for affordable housing has been challenged by other public sector service providers, with a hospital trust unsuccessfully taking a local authority to the High Court to dispute their decision to favour affordable housing over a health contribution.<sup>89</sup> The APPGs for housing and homelessness have calculated that 20,000 new affordable homes could be created from existing empty homes.<sup>90</sup>

83. <https://www.gov.uk/government/publications/national-planning-policy-framework--2>

84. <https://www.planoraks.com/posts-1/planningreformday-2023-what-just-happened>

85. <https://www.gov.uk/government/publications/local-plan-intervention-secretary-of-state-letters-to-7-local-authorities>

86. [https://www.localgov.co.uk/DLUHC-to-miss-housebuilding-target-by-32000/55270?actId=ebwp0YMB8s3Mv0I20I85odUcvuQDVN7aZHxMk8Rn99ShsulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN\\_MAIL&actSource=507050](https://www.localgov.co.uk/DLUHC-to-miss-housebuilding-target-by-32000/55270?actId=ebwp0YMB8s3Mv0I20I85odUcvuQDVN7aZHxMk8Rn99ShsulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN_MAIL&actSource=507050)

87. [https://www.theguardian.com/society/2022/dec/07/englands-affordable-housing-scheme-falls-32000-homes-short-of-target?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/society/2022/dec/07/englands-affordable-housing-scheme-falls-32000-homes-short-of-target?CMP=Share_AndroidApp_Other)

88. <https://www.planningresource.co.uk/article/1830611/lords-accept-levelling-bill-amendments-strengthen-infrastructure-levys-provision-affordable-housing>

89. <https://www.planningresource.co.uk/article/1829370/hospital-high-court-bid-force-councils-provide-18m-healthcare-allowing-2200-home-scheme>

90. [https://www.insidehousing.co.uk/home/home/empty-council-buildings-could-create-20000-affordable-homes-mps-find-82228?utm\\_source=dlvr.it&utm\\_medium=twitter](https://www.insidehousing.co.uk/home/home/empty-council-buildings-could-create-20000-affordable-homes-mps-find-82228?utm_source=dlvr.it&utm_medium=twitter)

Some councils accept commuted sums instead of specific properties and this issue was discussed by the Future of Westminster Commission. Here it was recommended to the council to cease the practice as the sums negotiated were rarely aligned to the cost of site acquisition and construction at the time of negotiation, and were not inflation proofed against future costs. The view of the Commission, supported by research prepared for its work, was that accepted commuted sums provided fewer affordable homes than direct provision and for this reason this approach should not be used.<sup>91</sup>

The LGA has called on government to set up a national task force for the delivery of affordable housing with each local authority in England being offered an affordable housing deal by 2025.<sup>92</sup> This deal proposes that the government should combine funding from a variety of current government pots now used across England.

Following the *Parkhurst Road Ltd v Secretary of State for Communities and Local Government* and *London Borough of Islington* case in which the judge criticised the RICS 2012 viability guidance, new guidance was published in 2021 whereby the price paid for the land is no longer an input in viability appraisals when considering planning applications and with more detail on standardised and consistent approaches to such appraisals. In April 2023, RICS re-issued their updated guidance document as a professional standard.<sup>93</sup>

In Birmingham, the city council has announced the development of affordable homes on eight sites which would provide 237 homes in total. The council does not propose to develop the sites directly but enter partnerships with others where the council will retain nomination rights for the homes for a ten year period.<sup>94</sup> In May 2023, Birmingham's proposed tallest tower at Curzon Wharf, to be built to provide market rental homes, the affordable housing offer was increased from 3% to 5%.<sup>95</sup>

### **Delays in the provision of associated infrastructure**

There have been concerns expressed about the delivery of associated social and community infrastructure which has been agreed as part of planning applications with the particular example of Northstowe quoted in the press.<sup>96</sup> However, others have blamed the poor drafting of s106 agreements and the failure to monitor their implementation.

In Havering, the council has bought out their joint venture partner Notting Hill Genesis on a scheme for 3,000 homes following the delay in the provision of Beam Park station on the former Ford Dagenham site for 20,000 homes, where approximately half the homes were to be affordable. The station, on the C2C railway line, has been refused

91. <https://www.westminster.gov.uk/future-of-westminster>

92. <https://www.local.gov.uk/about/news/generational-step-change-needed-council-housebuilding>

93. <https://www.rics.org/content/dam/ricsglobal/documents/standards/Assessing%20viability%20in%20planning%20under%20the%20National%20Planning%20Policy%20Framework%202019.pdf>

94. <https://www.birminghammail.co.uk/news/midlands-news/eight-birmingham-locations-set-affordable-26903000>

95. [https://www.birminghammail.co.uk/news/midlands-news/birmingham-tallest-tower-shimmering-canal-26796497?utm\\_source=twitter.com&utm\\_medium=social&utm\\_campaign=sharebar](https://www.birminghammail.co.uk/news/midlands-news/birmingham-tallest-tower-shimmering-canal-26796497?utm_source=twitter.com&utm_medium=social&utm_campaign=sharebar)

96. <https://www.bbc.co.uk/news/uk-england-cambridgeshire-66156561>

funding by the Government even though there has been an offer to support the funding of the station for ten years from the Mayor of London and the Council.<sup>97</sup>

### **Delays in the implementation of planning consents**

A major issue that has been reported as a concern by local authorities, Shelter and the LGA is the extent to which planning consents are not implemented once approved. Since 2022, the reduction in housing completions has been related to the reduction in demand. In 2022 Taylor Wimpey completed 14,300 homes whereas the forecast for 2023 is 9,000-10,500. Persimmon has warned of a fall from 14,900 to 8,000-9,000 home sales.<sup>98</sup> As noted elsewhere in this review, those delays can be associated with the state of the market and housebuilders not wishing to build out homes that they cannot sell or can only sell at a reduced price. However, the local authority has no control to require planning consents to be implemented nor the extent to which these unimplemented consents affect the applications for further housing consents by the same or other housebuilders.

In considering the reasons for such a delay in implementation, a number of other reasons are often cited including the length of time taken to negotiate and finalise a s106 agreement. Others were delayed where new utility connections and social infrastructure were required on green field sites.

### **Site related environmental issues**

In the period since 2012 there has been an increase in the ways in which environmental conditions and climate change are impacting the progress of housing development. This has included water and energy supply and so-called 'nutrient neutrality' rules. *The Times has stated that the policies of Natural England are preventing 160,000 homes being built.*<sup>99</sup> In March 2023, it was reported by the LGA that 20,000 homes were in limbo due to river pollution and high water levels. The LGA has stated that the government could make specific grants available to provide local remedies that would improve housing completions.<sup>100</sup>

In August 2023, the government proposed amendments to the Levelling Up and Regeneration Bill in order to amend the Habitats Regulations and in effect tell local planning authorities to assume that nutrients in waste water from new housing development would not adversely affect habitats. The amendments were rejected by the House of Lords in September 2023.<sup>101</sup> The Levelling Up and Regeneration Act created a new duty on water companies to upgrade wastewater treatment works in the catchments of habitats identified by the SoS as being in an unfavourable condition due to nutrient pollution and that local planning authorities should consider these upgrades

97. [https://www.ianvisits.co.uk/articles/beam-park-station-delays-push-havering-council-to-buy-out-housing-partner-64476/?utm\\_source=newsletter&utm\\_medium=email](https://www.ianvisits.co.uk/articles/beam-park-station-delays-push-havering-council-to-buy-out-housing-partner-64476/?utm_source=newsletter&utm_medium=email)

98. <https://twitter.com/peterproperty/status/1651478880471982092?t=2Sdemc8RenTPo8GEzy3o5Q&s=03>

99. <https://twitter.com/hendopolis/status/1660760947735011330/photo/1>

100. [https://www.localgov.co.uk/20000-homes-in-limbo-due-to-river-pollution-/55787?actId=ebwp0YMB8s3Mv0I20185odUcvuQDVN7aZHxMk8Rn99ShsulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN\\_MAIL&actSource=507786](https://www.localgov.co.uk/20000-homes-in-limbo-due-to-river-pollution-/55787?actId=ebwp0YMB8s3Mv0I20185odUcvuQDVN7aZHxMk8Rn99ShsulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN_MAIL&actSource=507786)

101. <https://commonslibrary.parliament.uk/research-briefings/cbp-9850/>

as certain for the purposes of assessments under the Habitats Regulation. The government also announced, in December, a Local Nutrient Mitigation Fund.<sup>102</sup>

Brighton and Hove Council has committed to build an £87m scheme for 212 new council homes now that concerns about water runoff have been addressed. The project also includes sports pitches, a skate park, public spaces and community buildings and is on an eight-acre site to the east of Lewes Road.<sup>103</sup>

### **Shortage of local authority planners**

During the period since 2021, there has been an increased and marked concern at the number and availability of planners working within local government. The RTPI has found that the funding of planning offices fell by 55 per cent in real terms, from £1.07 billion to £480 million, between 2010 and 2021. Only one in ten local authority planning departments is fully staffed.<sup>104</sup> In 2023, the government announced the provision of investment and the creation of a ‘super squad’ of centrally led expert planners whose task it will be to unlock the backlogs in planning applications in local authorities. This team will focus on Cambridge and the government designated investment zones across England.<sup>105</sup>

### **Design quality**

The issue of design quality has been one that has been a high priority for local authorities in our previous research. The Office of Place has been established by the Government to be located in Stoke on Trent.<sup>106</sup> This has been welcomed by the Chief Executive of Stoke, Jon Rouse, who, as a former civil servant, established CABA, which the government subsequently abolished. In December 2022, the SoS for DLUHC, Michale Gove suggested that better designed homes could help to reduce local opposition to new housing developments. Some councils mentioned that room sizes within new homes remains an issue and needs more attention at the design and consenting stage.

### **Second homes, short term lets and Airbnb**

The increase in the use of general needs housing stock for short term lets or Airbnb has a significant effect through the reduction of housing for rent in some locations such as tourist destinations – both urban and rural. In 2023, the Government consulted on legitimising existing short-lets and giving PD rights for change of use to short-lets through the introduction of a registration scheme.<sup>107</sup> The proposal is to create a use classes order for short term lets. A proposal to charge second homes double council tax has been adopted by South Hams Council.<sup>108</sup>

102. <https://www.gov.uk/government/publications/letter-from-minister-for-housing-planning-and-building-safety-on-nutrient-neutrality-december-2023/letter-from-minister-for-housing-planning-and-building-safety-on-nutrient-neutrality-december-2023>

103. [https://www.localgov.co.uk/Brighton-and-Hove-to-vote-on-council-homes-plan/55390?actId=ebwp0YMB8s3Mv0I20185odUcvuQDVN7aZHxMk8Rn99ShsulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN\\_MAIL&actSource=507237](https://www.localgov.co.uk/Brighton-and-Hove-to-vote-on-council-homes-plan/55390?actId=ebwp0YMB8s3Mv0I20185odUcvuQDVN7aZHxMk8Rn99ShsulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN_MAIL&actSource=507237)

104. <https://www.rtpi.org.uk/news/2023/may/local-authorities-struggle-as-over-a-quarter-of-planners-depart/>

105. <https://www.planningresource.co.uk/article/1831049/government-provide-135m-create-planning-super-squad-24m-skills-fund>

106. <https://www.gov.uk/government/news/office-for-place-a-statement-from-the-chair>

107. <https://www.gov.uk/government/consultations/consultation-on-a-registration-scheme-for-short-term-lets-in-england/consultation-on-a-registration-scheme-for-short-term-lets-in-england>

108. [https://www.localgov.co.uk/South-Hams-council-to-double-council-tax-on-second-homes-/55345?actId=ebwp0YMB8s3Mv0I20185odUcvuQDVN7aZHxMk8Rn99ShsulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN\\_MAIL&actSource=507182](https://www.localgov.co.uk/South-Hams-council-to-double-council-tax-on-second-homes-/55345?actId=ebwp0YMB8s3Mv0I20185odUcvuQDVN7aZHxMk8Rn99ShsulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN_MAIL&actSource=507182)

## **Conversions, empty homes and permitted development rights**

The APPGs for Housing Market and Housing Delivery and for Ending Homelessness have recommended that local authorities should have more powers over the nature of housing conversions including their tenure and type in order to ensure that they can contribute to the specific types of local housing needs that local authorities have to meet, which they hope will contribute to the achievement of local plan housing targets.<sup>109</sup> There has been support for the conversion of vacant commercial buildings to offer much needed housing supply but concern over the lack of affordable housing being created under PDRs and concern that conversions so far have often failed to meet 'Healthy Homes Principles' as promoted by the TCPA.<sup>110</sup> Evidence from pilot research has suggested a link between some of the poor quality housing allowed under PDR and people's health and wellbeing.<sup>111</sup>

The government appear to be committed to the continuation of permitted development rights (PDR) as a means to deliver housing. A consultation in summer 2023 proposed introducing a new right to convert hotels to dwellings under PDR and a proposal to increase the size of schemes (in terms of floorspace / housing units that can be created) for a number of existing rights.<sup>112</sup> This was followed by the recent announcement in the Autumn Statement that the government would consult and then introduce in 2024 a right to convert an existing house to two flats under PDR.<sup>113</sup>

## **Regeneration, brownfield land and town centres**

In order to support their town centres as part of an approach to active regeneration, some local authorities have purchased vacant retail floorspace, including covered shopping centres and former department stores for the provision of housing either within the former retail space or by using this space for municipal purposes and redeveloping existing town hall sites, including Folkestone and Mansfield. Major retail groups have also started to redevelop their own sites for housing including John Lewis Partnership (JLP) which is developing market rent apartments in West Ealing and Bromley with ABRDN.<sup>114</sup> However, in Bromley, JLP proposes to offer only 20% affordable homes, which is below the council's requirement of 35%.<sup>115</sup> Supermarket chain Morrisons has gone into partnership with Barratts to provide new homes with a first scheme in Camden at Chalk Farm to build 700 homes.<sup>116</sup> There has also been an increase in the conversion of former industrial and commercial listed buildings in town

109. [https://www.insidehousing.co.uk/home/home/empty-council-buildings-could-create-20000-affordable-homes-mps-find-82228?utm\\_source=dlvr.it&utm\\_medium=twitter](https://www.insidehousing.co.uk/home/home/empty-council-buildings-could-create-20000-affordable-homes-mps-find-82228?utm_source=dlvr.it&utm_medium=twitter)

110. <https://www.appghousing.org.uk/release-joint-inquiry-with-the-appg-on-ending-homelessness-into-housing-solutions-for-homeless-households/>

111. <https://www.ucl.ac.uk/bartlett/planning/news/2023/may/pilot-study-investigates-link-between-permitted-development-housing-and-health>

112. <https://www.gov.uk/government/consultations/permitted-development-rights/consultation-on-additional-flexibilities-to-support-housing-delivery-the-agricultural-sector-businesses-high-streets-and-open-prisons-and-a-call-f>

113. [https://assets.publishing.service.gov.uk/media/6568909c5936bb00133167cc/E02982473\\_Autumn\\_Statement\\_Nov\\_23\\_Accessible\\_Final.pdf](https://assets.publishing.service.gov.uk/media/6568909c5936bb00133167cc/E02982473_Autumn_Statement_Nov_23_Accessible_Final.pdf)

114. [https://www.theguardian.com/business/2023/jun/30/john-lewis-defends-plans-to-build-10000-rental-homes-on-its-land?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/business/2023/jun/30/john-lewis-defends-plans-to-build-10000-rental-homes-on-its-land?CMP=Share_AndroidApp_Other); <https://www.ft.com/content/de90ceea-b301-4031-9fe4-cd593301f27d>

115. <https://www.telegraph.co.uk/business/2023/06/22/john-lewis-property-development-miss-affordability-target/>

116. <https://www.thebusinessdesk.com/yorkshire/news/743569-morrisons-plans-to-break-into-property-building-700-homes>

centres for housing such as that in Deansgate Manchester, which is being converted into 53 apartments.<sup>117</sup>

The private sector has been lobbying for regeneration to be included within a new planning category and for it to receive specific tax breaks.<sup>118</sup> In terms of brownfield land that might be available to provide homes, CPRE has identified capacity for 1.2m homes on these sites.<sup>119</sup> The amount of land available covered 27,342 hectares (67,563 acres) in 2022, 6% more than in 2021. Planning permission has only been granted for 45% of this land, while 550,000 homes with planning permission are awaiting development.

The focus on previously developed sites in town centres for housing delivery has been notable in a number of city centres such as Leeds where vacant sites, formerly used for car parking, are now being developed by the private sector.<sup>120</sup> Other public sector bodies are also reviewing their land holdings with South East London College working in conjunction with L & Q to provide 294 new homes and a college campus on its Plumstead site.<sup>121</sup> In Southwark, the council has established a Land Commission.<sup>122</sup>

### **New communities**

Despite the increase in inflation, there are still commitments to build housing in new communities and urban extensions such as that in Harlow, where Places for People has agreed to build 8,500 homes in six new urban villages as part of a 23,000 urban extension.<sup>123</sup> In Darlington, the government has approved £43m funding for a 2,000 homes garden village through Homes England with the new community funding will also provide a nature reserve and infrastructure links.<sup>124</sup>

The government has proposed that there should be significant new housing around the City of Cambridge to make it a science hub in the model of Boston, Massachusetts. Although the government's proposals for the Oxford to Cambridge Arc have been put aside, the developer Urban and Civic has acquired options on 2,011 acres land close to the proposed east west railway line for 7,000 homes. The masterplan will include potential for a new railway station on the line.<sup>125</sup>

117. <https://www.bbc.co.uk/news/uk-england-manchester-64875346>

118. <https://www.britishland.com/sites/british-land-corp/files/2023-07/urban-regen-report.pdf>

119. [https://www.theguardian.com/society/2022/dec/21/brownfield-sites-identified-redevelopment-lying-dormant-england?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/society/2022/dec/21/brownfield-sites-identified-redevelopment-lying-dormant-england?CMP=Share_AndroidApp_Other)

120. <https://www.yorkshireeveningpost.co.uk/news/transport/leeds-city-centre-parking-whitehall-road-car-park-spaces-disappear-as-work-begins-on-new-flats-4105690>

121. <https://twitter.com/LQHomesMatter/status/1625139543845347328?t=ts6VHmE9nvT8qjiOwWIF1Q&s=03>

122. <https://www.southwark.gov.uk/news/2023/sep/london-s-first-land-commission-completes-new-report>

123. <https://www.housingtoday.co.uk/news/places-for-people-wins-8500-home-urban-extension-approval/5122103.article>

124. [https://www.insidehousing.co.uk/news/north-east-garden-village-gets-43m-in-government-funding-80003?utm\\_source=Ocean%20Media%20Group&utm\\_medium=email&utm\\_campaign=13753667\\_IH-DAILY-27-1-2023-GR&dm\\_i=1HH2,86SEB,UO7QB6,XKDTX](https://www.insidehousing.co.uk/news/north-east-garden-village-gets-43m-in-government-funding-80003?utm_source=Ocean%20Media%20Group&utm_medium=email&utm_campaign=13753667_IH-DAILY-27-1-2023-GR&dm_i=1HH2,86SEB,UO7QB6,XKDTX)

125. <https://www.urbandandcivic.com/portfolio/strategic-sites/tempsford/>

### International research and experience on housing policy

In its second study of housing policies in its member states following COVID-19, the OECD has recommended a range of measures that countries can take to support the provision of housing.<sup>126</sup> These include the need for governments to intervene in housing markets to help meet the needs arising from the pandemic but also the effects of the war in Ukraine and the need for retrofitting and decarbonising housing. It also includes the need to reform housing finance systems to support resilience and decarbonisation and adapting planning policies to meet the rising need for housing in urban areas. While the EU has never been concerned with housing policy other than as a part of its macroprudential framework, this is beginning to change. In the first part of 2023, under the Swedish Presidency, there was a focus on social inclusion and access to secure housing. In the Netherlands, the supply of housing was a major issue in the March 2023 provincial elections.<sup>127</sup>

In the United States, the state of Minnesota has adopted a range of reforming methods to support social redistribution including the provision of a state-wide housing voucher programme. It will fund this \$1bn programme through an increase in sales tax.<sup>128</sup> In Chicago, the council is introducing measures to disincentivize the moves to gentrify multi-occupied homes into single family homes or redevelopment through the uses of taxes,<sup>129</sup> whereas in New York City, the mayor has published proposals for 500,000 new affordable homes in the city supported through 100 specific reforms in a report 'Get Stuff Built'.<sup>130</sup>

### Scotland and Wales

In Scotland, the government has provided £60m for the acquisition of private market homes for social rent.<sup>131</sup> There is no Right to Buy in Scotland and councils still receive funding for the development of social rent housing. The issue of land in Scotland is a consideration for the Scottish Land Commission which has published a series of reports including on the land market.<sup>132</sup>

In Anglesey, a scheme has been introduced by the council to support local households find homes through the use of funding provided through the higher council tax raised from second homes.<sup>133</sup> There is no Right to Buy in Wales either and councils still receive funding to develop social rent homes.

126. [https://www.oecd-ilibrary.org/sites/e91cb19d-en/1/3/1/index.html?itemId=/content/publication/e91cb19d-en&csp\\_522ce535c5b7f16971b2aaaf2ec3385b&itemIGO=oecd&itemContentType=book](https://www.oecd-ilibrary.org/sites/e91cb19d-en/1/3/1/index.html?itemId=/content/publication/e91cb19d-en&csp_522ce535c5b7f16971b2aaaf2ec3385b&itemIGO=oecd&itemContentType=book)

127. [https://www.theguardian.com/world/2023/mar/15/netherlands-housing-crisis-dutch-elections?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/world/2023/mar/15/netherlands-housing-crisis-dutch-elections?CMP=Share_AndroidApp_Other)

128. <https://www.minnpost.com/state-government/2023/05/minnesota-legislative-big-big-deal-spends-1b-on-affordable-housing-adds-metro-sales-tax/>

129. <https://www.bloomberg.com/news/features/2022-12-14/chicago-slows-gentrification-with-taxes-on-teardowns-2>

130. <https://www.nyc.gov/assets/home/downloads/pdf/press-releases/2022/GetStuffBuilt.pdf>

131. <https://www.insidehousing.co.uk/news/scottish-government-allocates-60m-to-buy-empty-and-private-sector-homes-for-social-and-affordable-housing-82376>

132. <https://www.landcommission.gov.scot/>

133. <https://nation.cymru/news/second-homes-premiums-to-fund-anglesey-housing-schemes-for-locals/>



## London

In July 2023, the Prime Minister intervened in the Mayor of London's (MoL) Affordable Housing Programme (AHP) with more than £200m funding being applied directly to housebuilders than rather through the Mayor who has delegated responsibility for the AHP in London.<sup>134</sup> The government has stated that it needed to intervene because while 52,000 homes are identified to be built each year in the London Plan only 30,000 have been completed and the government is holding the Mayor responsible for this shortfall. The government is also planning to take direct control of areas for redevelopment including Charlton Riverside, Thamesmead, Beckton and Silvertown, each with improved transport as part of a Docklands 2.0 project. As part of this, the government stated that it is investing £1bn in regeneration through the AHP in London. In response, London Councils reported that they have 142,000 affordable homes awaiting delivery if the funding could be put in place.<sup>135</sup> The Mayor's management of the AHP has provided 18,722 starts 2022-23 with 10,000 of those being for social rent.<sup>136</sup> However, the government has delayed the provision of more affordable homes in London with a delay in the payment of the Mayor's affordable housing programme for three months in the first quarter of financial year 2023/24.

The Leader of Brent Council has expressed the view that it may become impossible for homes to be built in London given the costs and that shared ownership homes may almost become impossible for households to access.<sup>137</sup> The Mayor, who also holds responsibility for Transport for London (TfL), has asked TfL to review sites in their ownership near stations for housing development. TfL are also working with Network Rail where they have nearby sites and together they own 14,000 acres of land across London.<sup>138</sup> In January 2023, a scheme for 98 affordable homes was announced next to Barkingside tube station on land that was used when the station was first built.<sup>139</sup> In April 2023, the Mayor announced a scheme on TfL land at Bollo Lane Acton with Barratts for 900 new homes, of which 50% will be affordable and 200 for rent.<sup>140</sup> Another proposal for 1,300 homes near Neasden Station on the Jubilee Line includes a school, road improvements and space for a new West London Orbital Station.<sup>141</sup> The land is currently in industrial use and the development will be covered by a Masterplan to be implemented over a twenty year period. The Mayor has also promoted a housing scheme on the car park adjacent to Cockfoster station for 351 homes of which 40% will be affordable. The government considered calling in this application but eventually decided not to do so.<sup>142</sup>

134. <https://www.bbc.co.uk/news/uk-england-london-66306961>

135. <https://your.londoncouncils.gov.uk/192K-8CUO0-8F1D6B0D264BA986OM6MR65DDE8461DF518E6A/cr.aspx>

136. [https://twitter.com/tomcopley/status/1634508182209830914?t=1qPk8\\_UK0xiHfdE0u9jvQA&s](https://twitter.com/tomcopley/status/1634508182209830914?t=1qPk8_UK0xiHfdE0u9jvQA&s)

137. [https://www.lgcplus.com/services/regeneration-and-planning/building-new-homes-becoming-almost-impossible-30-05-2023/?eea=\\*EEA\\*&eea=cVlxbFFHUXZSRmJcCWIUNkplU1ZUVVnNjdrSG1STS9yeit1UmpoUUFBN0%3D&utm\\_source=acs&utm\\_medium=email&utm\\_campaign=CONE\\_LGC\\_ED1\\_REGS\\_Daily\\_300523&deliveryName=DM145980](https://www.lgcplus.com/services/regeneration-and-planning/building-new-homes-becoming-almost-impossible-30-05-2023/?eea=*EEA*&eea=cVlxbFFHUXZSRmJcCWIUNkplU1ZUVVnNjdrSG1STS9yeit1UmpoUUFBN0%3D&utm_source=acs&utm_medium=email&utm_campaign=CONE_LGC_ED1_REGS_Daily_300523&deliveryName=DM145980)

138. [https://www.ianvisits.co.uk/articles/plans-for-20000-new-homes-on-londons-railway-land-60427/?utm\\_source=newsletter&utm\\_medium=](https://www.ianvisits.co.uk/articles/plans-for-20000-new-homes-on-londons-railway-land-60427/?utm_source=newsletter&utm_medium=)

139. [https://www.ianvisits.co.uk/articles/more-housing-developments-approved-to-sit-next-to-railway-stations-59895/?utm\\_source=newsletter&utm\\_medium=email](https://www.ianvisits.co.uk/articles/more-housing-developments-approved-to-sit-next-to-railway-stations-59895/?utm_source=newsletter&utm_medium=email)

140. <https://www.standard.co.uk/business/tfl-barratt-new-homes-bollo-lane-acton-b1071769.html>

141. <https://tfl.gov.uk/corporate/about-tfl/how-we-work/planning-for-the-future/west-london-orbital>

142. <https://www.enfield.gov.uk/news-and-events/2023/05/government-upholds-councils-decision-to-support-delivery-of-new-homes-at-time-of-housing-crisis>

A new property company, 'Places for London', has been established to develop TfL land in collaboration with public sector organisations and private sector partners in JVs. In 2023, London Councils announced the establishment of a Housing Development Academy which builds upon the support to London borough officers for increasing housing skills provided by the Mayor.<sup>143</sup>

The GLA also consulted in 2023 on revisions to development viability and affordable housing planning guidance documents, aiming to build on London Plan policy and maximise affordable housing secured through development activity in London.<sup>144</sup> In December, however, the SoS wrote to the Mayor to announce a taskforce to examine aspects of the London Plan suggested to be responsible for preventing homes being brought forward on brownfield sites as well as responding to suggestions made by a Housing Delivery Taskforce which had been established by the Mayor.<sup>145</sup>

## Specific updates on local authority direct provision of housing

### Local authority housing provision

As we explore through our own data later in the report, existing literature shows local authorities have continued to provide housing through a range of means, although any method apart from the provision of social housing (including that provided through companies and joint ventures) will not be credited to the local authority in central government data on new housing supply.

In April 2023, an LGC survey indicated that just over a quarter of respondents reported that housing projects had been scrapped and 44% that projects had been scaled back, whereas only 9% of respondents indicated that their capital projects had been unaffected by inflation.<sup>146</sup> However, pipeline schemes are still being completed such as those in Luton and Islington including those with higher environmental standards such as heat pumps as shown in Luton.<sup>147</sup> In Leeds, the council has achieved a top energy rating for a £9m estate regeneration.<sup>148</sup> One popular route is for Joint Ventures (JVs) and Bristol City Council's housing company Goram Homes has entered into JV with Countryside properties in Horfield to provide c.1400 new homes of which 50% will be affordable, a 22-hectare public park, new community facilities and an energy centre on site.<sup>149</sup> The Cambridge City Council JV Cambridge Future is developing 12 Passivhaus council homes using off-site timber frame systems, with thick highly insulated walls and

143. <https://beta.londoncouncils.gov.uk/index.php/news/2023/boroughs-launch-training-academy-staff-building-next-generation-council-housing>

144. <https://consult.london.gov.uk/development-viability-guidance>

145. [https://assets.publishing.service.gov.uk/media/65816753fc07f300128d4429/18122023\\_SoS\\_DLUHC\\_to\\_Mayor\\_of\\_London\\_-\\_housebuilding\\_in\\_London.pdf](https://assets.publishing.service.gov.uk/media/65816753fc07f300128d4429/18122023_SoS_DLUHC_to_Mayor_of_London_-_housebuilding_in_London.pdf)

146. [https://www.lgcplus.com/finance/lgc-survey-housing-plans-hit-as-inflation-bites-20-04-2023/?eea=\\*EEA\\*&eea=cVlxbFFHUXZSRmJcCWlUNkpLU1ZUVVvnNjdrSG1STS9yeit1UmpoUUFBN0%3D&utm\\_source=acs&utm\\_medium=email&utm\\_campaign=CONE\\_LGC\\_EDL\\_REGS\\_Daily\\_200423&deliveryName=DM135031](https://www.lgcplus.com/finance/lgc-survey-housing-plans-hit-as-inflation-bites-20-04-2023/?eea=*EEA*&eea=cVlxbFFHUXZSRmJcCWlUNkpLU1ZUVVvnNjdrSG1STS9yeit1UmpoUUFBN0%3D&utm_source=acs&utm_medium=email&utm_campaign=CONE_LGC_EDL_REGS_Daily_200423&deliveryName=DM135031)

147. [https://twitter.com/ClaireJAstbury/status/1646927078590144516?t=y5rq17MCR8ayd-\\_pS4\\_7hQ&s=033](https://twitter.com/ClaireJAstbury/status/1646927078590144516?t=y5rq17MCR8ayd-_pS4_7hQ&s=033)

148. <https://www.insidehousing.co.uk/news/leeds-housing-estate-achieves-top-energy-efficiency-rating-after-9m-retrofit-79726>

149. <https://www.goramhomes.co.uk/countryside-partnerships-chosen-for-hengrove-park/>

gas free heating.<sup>150</sup> In December 2022, it was announced that in Scotland, all new homes will be built to Passivhaus standards.<sup>151</sup>

Funding for housing derived through Right to Buy (RTB) receipts has also been given a short term extension by the government. Here councils, even where they no longer have existing stock, receive a proportion of the income from RTB sales in their area. The portion of these receipts and the time permitted for their reuse has been restricted by government, which announced in April 2023 that 100% of these receipts will be able to be kept by councils for reuse for housing for the coming 2 year period. This was expected to provide an investment of £366m which the governments estimated could provide 4,000 new social rent council homes.<sup>152</sup> However, the LGA estimates that 100,000 social rent homes will be lost through RTB by the end of the decade of which only 43,000 are likely to be replaced, meaning an overall loss to this type of provision of 57,000 homes.<sup>153</sup>

Despite the rise in costs, councils including Tower Hamlets have maintained their commitments to delivering housing, which in this case is for 1,000 new affordable homes each year.<sup>154</sup> Local authorities are also taking steps to become better landlords as failures have been found in a range of authorities including Camden, Lambeth and Rochdale. Councils are improving their approaches through increased investment in their properties and their landlord services.<sup>155</sup> Two councils – Lewisham<sup>156</sup> and Cheltenham<sup>157</sup> – are proposing to end their ALMO arrangements and bring their homes back into direct management and Lambeth are doing the same for their housing company.<sup>158</sup>

For ethnic minority families, local authority provided social housing is a particularly important source of provision with black people in England and Wales three times more likely to live in social housing.<sup>159</sup> The 2021 census shows that 44% of black people are in social housing compared with 16% of white people. Asians are least likely to live in social housing although there were variations within this group with 34% of British Bangladeshi households likely to be living in social housing – seven times more than other Asian households.

Some local authorities, such as Waltham Forest, have purchased some of the homes that have been built by their own housing company Sixty Bricks through the housing revenue account. This will increase the percentage of affordable homes in this scheme to 60%.<sup>160</sup>

150. [https://twitter.com/cambridge\\_ip/status/1612864182147321874?t=xetw6L1mBe4TqzU9cyFnNg&s=03](https://twitter.com/cambridge_ip/status/1612864182147321874?t=xetw6L1mBe4TqzU9cyFnNg&s=03)

151. <https://twitter.com/iamnicksimpson/status/1605459185268842496?t=ZneGQu83FDTZviiYdlrWtA&s=03>

152. <https://www.architectsjournal.co.uk/news/councils-to-keep-more-right-to-buy-income-to-build-new-housing>

153. [https://www.localgov.co.uk/Social-housing-set-to-lose-nearly-60000-homes-/55733?actId=ebwp0YMB8s3Mv0I20I85odUcvuQDvN7aZHxMk8Rn99ShsulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN\\_MAIL&actSource=507704](https://www.localgov.co.uk/Social-housing-set-to-lose-nearly-60000-homes-/55733?actId=ebwp0YMB8s3Mv0I20I85odUcvuQDvN7aZHxMk8Rn99ShsulCi3AiMYAIQnEJxxqo&actCampaignType=CAMPAIGN_MAIL&actSource=507704)

154. <https://twitter.com/TowerHamletsNow/status/1633470330164453378/photo/>

155. [https://www.londoncouncils.gov.uk/our-key-themes/housing-and-planning/housing-and-planning-reports/delivering-tenants-foundations?utm\\_campaign=13872893\\_Key%20Issues%2019%20April%202023&utm\\_medium=email&utm\\_source=London%20Councils&dm\\_i=192K,89CE5,OM6MR6,XXEVE](https://www.londoncouncils.gov.uk/our-key-themes/housing-and-planning/housing-and-planning-reports/delivering-tenants-foundations?utm_campaign=13872893_Key%20Issues%2019%20April%202023&utm_medium=email&utm_source=London%20Councils&dm_i=192K,89CE5,OM6MR6,XXEVE)

156. <https://www.insidehousing.co.uk/news/london-council-to-close-housing-management-arm-79397>

157. <https://www.insidehousing.co.uk/news/city-council-confirms-plan-to-close-one-of-the-uks-largest-almos-84184#:~:text=In%20October%2C%20Cheltenham%20Borough%20Council,and%20a%20changing%20regulatory%20framework.>

158. <https://www.mylondon.news/news/south-london-news/south-london-council-shuts-down-25630604>

159. [https://www.theguardian.com/society/2023/mar/15/census-black-britons-social-housing-ons?CMP=Share\\_AndroidApp\\_Other](https://www.theguardian.com/society/2023/mar/15/census-black-britons-social-housing-ons?CMP=Share_AndroidApp_Other)

160. <https://walthamforestecho.co.uk/2023/06/08/waltham-forest-council-buys-developers-homes/>

## **Austerity, inflation and financial instability**

The challenge of continuing and renewed austerity from 2010 onwards, added to by inflation from the mini budget in 2022, has caused financial caution in local authorities. In the period since 2021, some local authorities have been identified as being overcommitted in their borrowing and have issued a section 114 notice. These include Woking, Thurrock and Slough and with the investigations into the financial concerns in Croydon noted in our 2021 report continuing. Birmingham City Council has also issued a s114 notice citing backdated equal pay claims and an over budget IT system as causing their problems. Nottingham City Council issued one in November 2023, forecasting a budget deficit of £56.9m which could only be reduced to £23.4m by use of reserves and other corrective actions.<sup>161</sup>

The more challenging financial climate has also led to construction companies entering administration. Where these companies are working on local authority schemes, councils have had to find other contractors to complete the works, often with great difficulty.

## **Funding and investment**

In June 2023, the government announced that it would provide preferential borrowing rates for local authorities building affordable homes through the Public Works Loan Board alongside the announcement that all authorities could retain 100% of the RTB sales income for a period of two years. The government also launched a consultation on the potential use of 5% of local authority pension funds for social value projects which could include housing.<sup>162</sup>

In part as a response to austerity and funding issues, many local authorities are reviewing their land ownership and identifying sites for housing development.

In December 2022, Warwickshire County Council entered a joint venture with Countryside to deliver 2,000 homes over the next 30 years.<sup>163</sup>

## **Special needs housing**

Some councils have been focussing on sheltered and extra care housing partly as a mechanism for improving the use of their homes and trying to help older people remain in their own homes. However, other councils have commented that this is increasingly difficult as housing associations are now less keen to hold these kind of homes without guaranteed additional funding.<sup>164</sup> Some district councils are providing sheltered and extra care accommodation where the county council is supporting the extra care element.

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161. <https://www.housingtoday.co.uk/news/nottingham-city-council-issues-section-114-notice-over-23m-black-hole-in-budget/5126630.article>

162. <https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/local-government-pension-scheme-england-and-wales-next-steps-on-investments#chapter-3-lgps-investments-and-levelling-up>

163. [https://www.insidehousing.co.uk/news/council-announces-new-joint-venture-to-deliver-2000-homes-79543?utm\\_source=Ocean%20Media%20Group&utm\\_medium=email&utm\\_campaign=13691753\\_IH-DAILY-23-12-2022-GR&dm\\_i=1HH2,85GMH,U07QB6,XEBN8,1](https://www.insidehousing.co.uk/news/council-announces-new-joint-venture-to-deliver-2000-homes-79543?utm_source=Ocean%20Media%20Group&utm_medium=email&utm_campaign=13691753_IH-DAILY-23-12-2022-GR&dm_i=1HH2,85GMH,U07QB6,XEBN8,1)

164. <https://lordslibrary.parliament.uk/supported-housing/>

Some councils were looking at using shared ownership for older people which is already provided by a number of housing associations.<sup>165</sup> This has been reported before where those who had exercised RTB had stayed in their homes but now were concerned about maintenance costs and wished to sell their homes back to the council. Here, when there was a value gap, those wishing to sell had been offered shared ownership as a means of selling their homes. However, some people do need to generate income in their 70s and shared ownership is considered to be a potential option for those in this position as a form of equity release.

A number of councils reported that they are also focussing on specific provision for care leavers and not having any appropriate stock available at present for this group of young people.<sup>166</sup> There were also changes reported in the kind of accommodation used to house children in care with a move away from residential homes to larger family houses. As in previous reports, the difficulties in the determination of residential homes between C2 and C3 in the (planning) use classes order was reported. As with other developments, special needs housing has to be financed and assessed on a site-by-site basis with different sources of funding being used in different developments.

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165. <https://www.guinnesshomes.co.uk/blog/guides/older-persons-shared-ownership-opso-scheme-explained/> ; <https://www.anchor.org.uk/our-properties/properties-for-sale/our-tenure-types/older-persons-shared-ownership>

166. <https://moderngov.southwark.gov.uk/mgAi.aspx?ID=66646>



## Findings from the 2023 desk survey

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### Introduction

A desk survey of all English local authorities was undertaken as part of our wider research into local authorities' direct provision of housing in 2023. The research methodology was the same as in previous research in 2017, 2019 and 2021. This desk survey was undertaken between 1 January and 3 May 2023 and includes local authorities which have been amalgamated as part of local government reorganisation in April 2023. In total, all 331 local authorities in England have been surveyed.

The findings from this survey are published as a separate report and incorporated with the findings in the other components of the research here.<sup>167</sup> Overall it is possible to see an increase in activity across most local authorities although in the longer term their programmes of development and acquisition may be reduced by inflationary costs in construction. For those councils which have committed to larger programmes, delivery teams appear to be seeking a range of methods to continue with delivery despite these challenges. In 2023, the survey demonstrates that a large number of local authorities are using their own land and buildings for housing development. In some cases there is still a focus on using land within existing housing estates but elsewhere, car parks, depots, council offices, former schools and other buildings are being used to provide

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167. <https://www.ucl.ac.uk/bartlett/planning/news/2023/jul/new-report-local-authority-direct-provision-housing-england-2023>

homes. More detail of which councils are engaged in using their own land is included in the separate report Appendix 1.

Councils are still active in the use of their own companies and joint ventures with housing associations, developers and, in some cases other councils, to provide a range of housing. The number of joint ventures and companies have reduced as an absolute number since 2021 although for some the level of activity has increased. It is also possible to view the homes that have been completed by council companies and where found, these links are identified in the survey entries.

In 2021, our survey identified which local authorities had included the objective of providing affordable housing in their corporate plans and this information has been collected again in 2023. The role of housing in meeting climate change objectives is also identified in 2023 – both through a mention of the role of housing in climate change action plans and of specific ways in which councils are setting out their own approaches to achieving net zero through specific housing development initiatives. Appendix 2 in the separate report lists those councils which are using Modern Methods of Construction (MMC) and Appendix 3 sets out which local authorities are providing homes to higher environmental standards including Passivhaus.

Despite higher costs and pressures on land availability, London Boroughs, supported by the Mayor of London's application of the Affordable Housing Programme are still delivering more homes than other parts of England. In London, the Boroughs can apply for funding for five year programmes, whereas elsewhere in England affordable housing funding is made available on a scheme-by-scheme basis through Homes England. The higher delivery in London is also despite higher construction costs and smaller land availability. In Mayoral Combined Authorities, there is some support for housing delivery and there is some potential evidence that this is encouraging more housing delivery where this funding is available. Those local authorities mentioning this support are shown in Appendix 6 of the separate report. The role of Brownfield Land Release Funding (Appendix 5 in the separate report) has emerged as being important for housing delivery in 2023 compared with previous years and the One Public Estate programme also continues to play a part in delivery as shown in Appendix 4 of the separate report. In 2021, our research demonstrated the increased role of regeneration and master planning led by local authorities in supporting housing delivery and this continues to be demonstrated here. Through these means, local authorities are able to provide some investor certainty and often are contributing their own land and finance. However, as with homes provided through council companies and JVs, housing provided through regeneration will be ascribed to the partners or promoters and not to the councils which have enabled its delivery. This continues to be a significant issue.

While the desk survey does not compile absolute numbers of homes provided by each local authority as the data collected is non-comparable, it is possible to see that some local authorities are using a range of methods to provide housing. These methods are

set out in the separate report and, by visual inspection of this information, we have identified those councils which appear to be most active across a range of delivery methods in each region in Appendix 9 of the separate report. These local authorities represent all types and political control of councils. We have also become aware of the increasing HRA housing delivery programmes that some councils are progressing. For some it is through a range of multiples smaller sites while for others these developments are larger or span a size range. Where these schemes have been shown on council websites, they are listed in the separate report as Appendix 10, although we appreciate these HRA programmes may now be reprofiled or delayed due to uncertain and rising costs and given the challenge of austerity. Those councils appearing to have little or no engagement in housing delivery are shown in Appendix 11 of the separate report.

Overall, it is possible to see that 94% of local authorities are engaging with housing provision through at least one method and the range used by councils is gradually increasing. The schemes being delivered are demonstrating that increasingly homes are being provided across a range of tenures. In the past, the research has demonstrated how local authorities are seeking to provide the homes they need whether for older people, the homeless or young families. To some extent, the new stock provided will have some relationship with meeting the gaps of what is already available to the council through a longer standing legacy of provision. Many councils are focusing on improving the standards and proximity of temporary accommodation. Where local authorities are using the HRA, the mix of homes provided is generally a function of the levels of cross-subsidy required from other tenures to maximise the number of homes provided for social rent. Councils are also acquiring more homes to meet these needs using a range of methods including through purchase of street properties, from housing associations or from developers.

The 2023 desk survey research finds that there is a steady increase in the level of housing activity across English local authorities in comparison with 2017. While funding and skills remain as challenges, there is some evidence of housing delivery teams being established, drawing on those with early experience in local government who are returning after working in other sectors.

## **Key findings of the desk survey 2023**

Our key findings from the 2023 survey are:

1. The levels of housing delivery being undertaken by individual local authorities is continuing to increase. When considering activity across all types of delivery – company/JV/HRA/RP/relationship with RPs 94% of local authorities are active in providing housing
2. The use of the council's own land for its housing delivery, whether held in the general fund or in the HRA, appears to have increased significantly at about



30% of local authorities including the use of car parks, civic buildings and depots. There are some that remain focused on housing land or estate regeneration for the provision of new housing.

3. The level of activity in regeneration and master planning to provide housing has continued.
4. In 2023, 76% local authorities have affordable housing as a Council priority compared with 80% in 2021
5. In 2023 14% of local authorities are Registered Providers including ALMOs and those councils operating an HRA – this information has not been collected before;
6. In 2023 80% of local authorities stated that they have housing/development companies compared with 83% in 2021 – a slight reduction although still an increase from 58% in 2017
7. In 2023 69% local authorities have Joint Ventures compared with 72% in 2021, and there appears to be an increase in the number of JVs held by local authorities for different sites;
8. 11% of local authorities are seeking to use MMC in 2023 including to provide energy saving and high environmental specification homes;
9. Some local authorities are providing homes for students;
10. Some local authorities are building for market rent;
11. Of local authorities engaging in housing delivery, all London Boroughs are active
12. Altogether, about 23% local authorities appear to be very active and this level of activity does not relate to their size, geography, the type of authority or political control (this figure is derived from inspection of the survey results);
13. In 2023, 6% councils appear to be taking no action to provide housing, comprising 5 county councils and 14 district councils
14. 59% of local authorities are seeking to engage with housing in their climate action plans and approximately 15% are seeking to provide at least some housing at higher environmental standards;
15. While the funds made available from government for Shared Prosperity, High Streets and town centres have not addressed housing specifically, buildings in town centres are being renovated for housing by local authorities . There is also support from Heritage Action Zone funding;
16. Local authorities are developing a wide range of housing delivery initiatives including establishing lettings agencies (Ashford, Bury, Bath and NES, Ipswich, Mendip, South Oxfordshire, Vale of White Horse and Wyre Forest), having council housing design guides (Babergh, Darlington, Dudley and Waverley) and establishing housing areas for orthodox communities (Gateshead)
17. Where local authorities are developing, this might be on sites for 2-200 homes; where information was available, details of sites being developed are shown with associated number of homes being provided in the separate report table.



## Findings from the 2023 direct survey

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### Background

Our previous reports, published in 2017, 2019 and 2023, included the results of a direct survey of local authorities regarding direct provision of housing. This survey exercise was repeated again for this fourth round of research.

### Survey methodology and response

As with previous surveys, this direct survey was hosted online. An invitation to complete the survey was sent directly via email to local government officers identified in a commercially available local government directory that lists email addresses as managers with responsibility for housing, planning, finance and to Chief Executives at all local authorities across England. One reminder email was sent to the same list of recipients. The survey was opened on 10 July and closed on 19 August 2023.

In 2017, a total of 268 responses to this survey were received from individuals working in 197 different local authorities in England (representing 56% of the then 353 borough, district and county authorities). In 2019, we reported from a survey conducted in late 2018 that had received a total of 184 responses from individuals working in 142 different local authorities in England (as the survey data were published in 2019, we will reference this data as our 2019 data in this section). In 2021, we received responses

from 282 individuals working in 194 different local authorities across England. The latest 2023 survey received responses from 231 individuals working in 159 different local authorities across England (there are currently 317 local authorities in England).

Given demands on officer time, this continues to be a healthy response rate for this survey. There may be some self-selection bias, e.g. local authorities who are most active in relation to housing delivery wanting to answer the survey. However, this same issue would have been present in the previous survey responses and the survey does include responses from some authorities who are not very active in direct delivery as well as those who are. Thus, whilst caution must be exercised about extrapolating from our sample of 50% of local authorities to them all, it does seem reasonable to make comparisons between our four surveys and consider the picture this provides of activity by authorities across England.

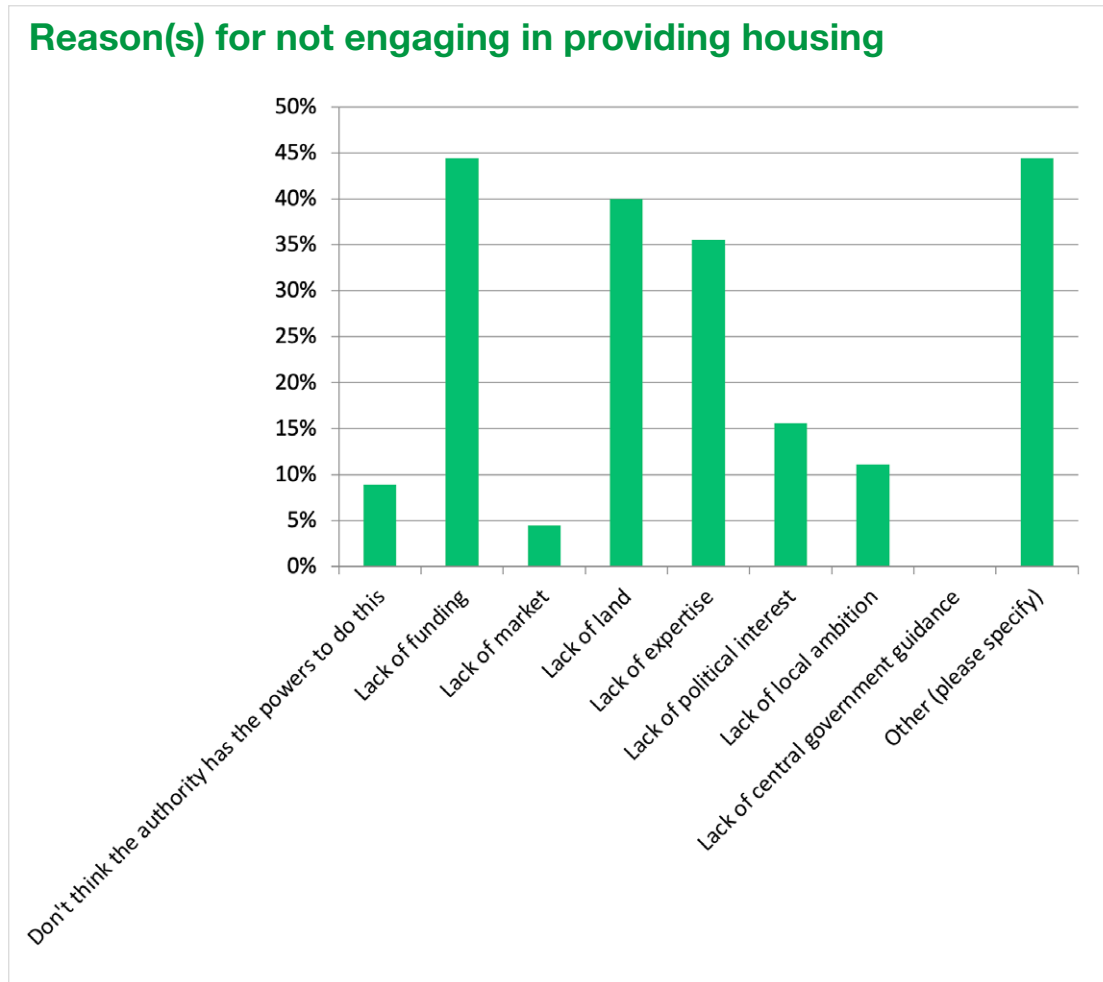
## Results and analysis

### Engagement

There were responses from 155 authorities represented in the survey to the question of whether the authority was, by their own reporting and understanding of those responding to this survey, directly engaged in the provision of housing. Of these, 123 authorities – 79% – apparently were. This represents a notable increase from the 69% of authorities reporting in our survey published in 2019 that they were directly engaged and the 65% from the 2017 survey answering similarly, but is similar to the 80% who reported being involved in direct delivery in 2021. Of the authorities not engaged, 62.5% reported that they were actively considering becoming engaged in direct delivery of housing (much higher than the 36% reporting this in 2021).

### Barriers to engaging in direct delivery

Respondents from those local authorities not directly engaged in the direct delivery of housing were asked to specify the reason(s) for this. 45 respondents chose to answer this question and the results are illustrated below (Figure 1). The three key issues identified from the pre-suggested options were lack of funding, lack of land and lack of expertise, similar to our previous surveys. However, it is noticeable that the 'other' option is the most prominent. Looking at the reasons specified for this category, these mostly relate to not being a stock owning authority and feeling hampered by not having retained housing stock or having a Housing Revenue Account. There were also mentions of risk appetite, the high cost of land and insufficient staffing resources.



**Figure 1: Analysis of survey responses as to why some local authorities were not engaging in direct delivery of housing (based on analysis of those of all 231 respondents completing this question)**

In relation to whether the recent wave of local authority Section 114 notices had impacted plans around direct delivery of housing, there were responses from 150 authorities to this question, of which 11 (7%) said it had, 116 (77%) said it had not and 23 (15%) not sure either way (Figure 2). More significantly as a barrier, though, 53% of authorities (81 answering this question – presumably all stock owning authorities) reported that increased costs of retrofitting existing housing (for example in relation to fire safety, damp and/or mould) were impacting their plans to deliver new housing, compared to 37% (56 authorities) who did not think this was impacting their delivery plans and 10% (16 authorities) who were not sure (Figure 3).

Asked whether they were concerned about right to buy on any new housing they were delivering, 66% of respondents to the survey said that they were, compared to 23% who were not (Figure 4). The ones who are not concerned may be those delivering outside the HRA.

### Have recent Section 114 notices impacted plans around direct delivery of housing?

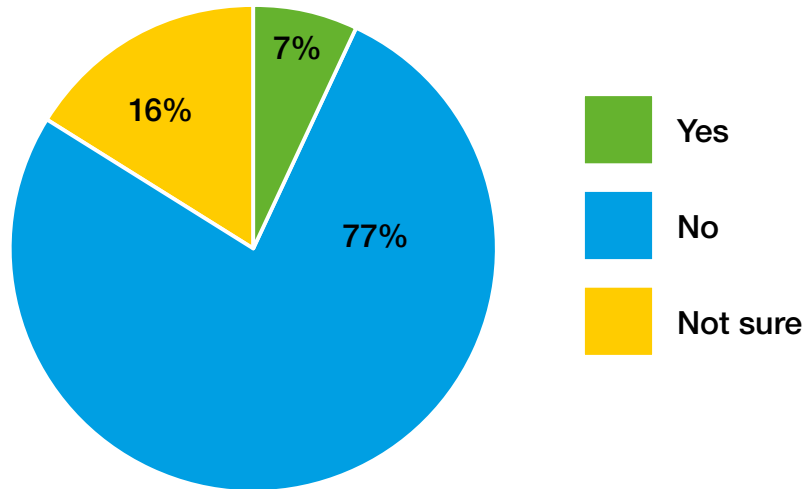


Figure 2: Analysis of survey responses as to whether they felt the recent wave of Section 114 notices had impacted housing delivery plans at their authority (based on analysis of the 159 combined responses for each local authority)

### Have increased costs of retrofitting existing housing impacted delivery of new housing?

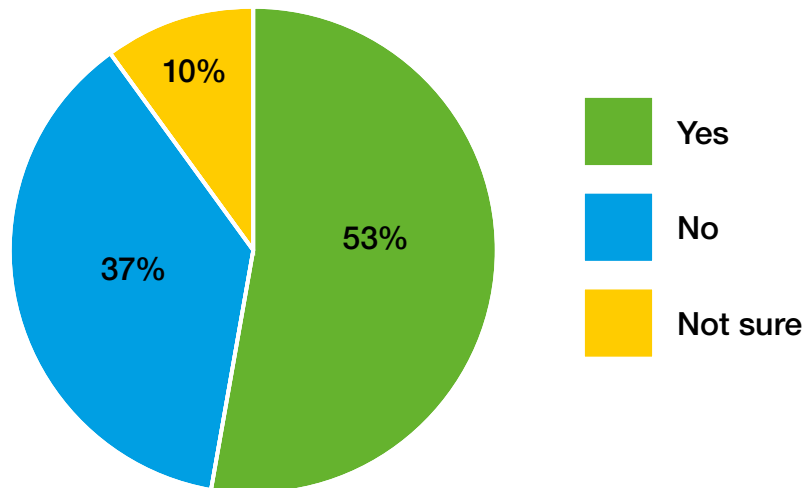


Figure 3: Analysis of survey responses as to whether they felt the increased costs of reoutfitting existing housing were impacting housing delivery plans at their authority (based on analysis of the 159 combined responses for each local authority)

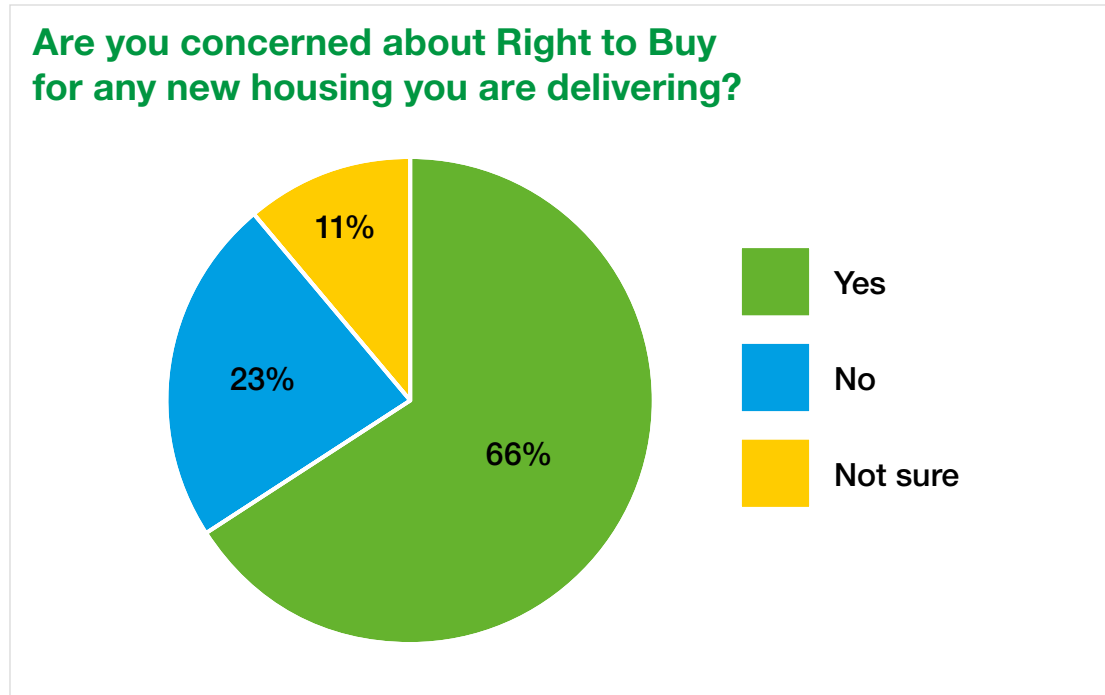


Figure 4: Analysis of survey responses as to whether they were concerned by the continued Right to Buy applying to new housing they were delivering (based on analysis of all 231 responses)

### Motivations

The survey again showed that those local authorities directly engaged in housing delivery do so for a wide variety of reasons. This reflects the findings of our previous surveys together with our case studies and roundtables, which have tended to show that authorities have often approached direct delivery housing with one specific motivation, to tackle one particular issue, but then realised that engaging in this activity might address several different issues. Perhaps unsurprisingly, comparison with the previous surveys reveals that meeting local housing requirements and tackling homelessness remain the top two motivations for local authorities in the direct provision of housing.

There are then a range of other issues which remain important to authorities and are motivating them to engage in directly delivery (Figure 5 and Table 1). Interestingly, over time, quality of design seems to have become much more important as a motivating factor whilst income generation has become less important. The design issues may be linked to frustrations at the delivery of some volume housebuilders and the relationship to particular local contexts and needs. Estate regeneration and place regeneration have become slightly more important over time as a motivating factor. In some case study interviews this has been linked to concerns around maintenance costs, quality of accommodation and sustainability concerns (particularly energy efficiency) in older housing stock but also to seeing direct delivery of housing as part of wider placemaking strategy.

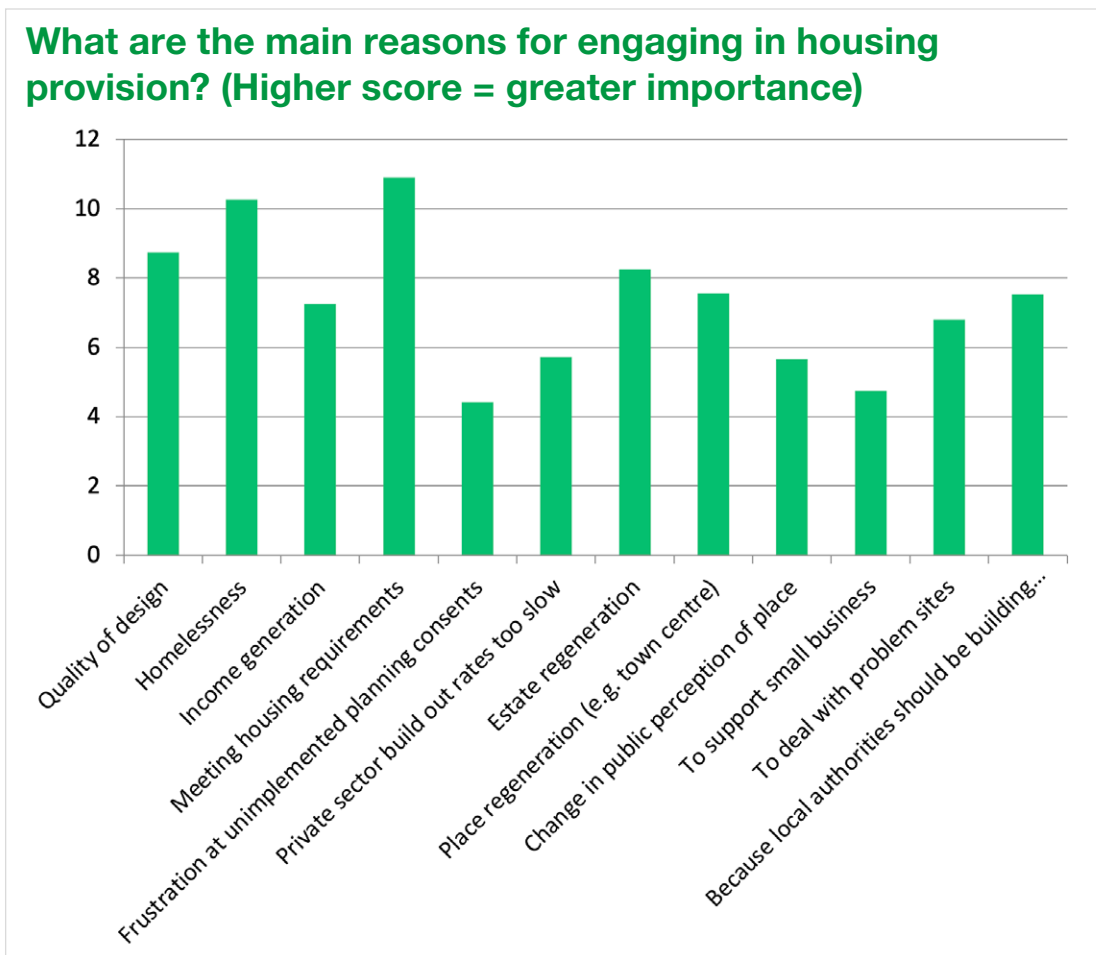


Figure 5: Analysis of survey responses as to what was motivating local authorities engaging in the direct delivery of housing (based on analysis of all 231 responses)

Factor	2023 importance Rank	2021 importance Rank	2019 importance Rank	2017 importance rank
Meeting housing requirements	1	1	1	1
Tackling homelessness	2	2	2	2
Improving quality of design	3	3	=3	8
Estate regeneration	4	4	=5	4
Place regeneration (e.g., town centre)	5	7	=5	= 6
Because local authorities should be building housing	6	6	=5	9
Income generation	7	5	=3	3
To deal with problem sites	8	8	9	10
Private sectors build out rates too slow	9	9	8	5
To change public perceptions of place	10	10	10	11
To support small business	11	12	12	12
Frustration at unimplemented planning permissions	12	11	11	= 6

Table 1: Motivating factors for local authorities to engage directly in housing provision, in order of importance according to survey respondents

## Types of provision

61% of survey respondents reported their authority was building or planning to build housing specifically for the needs of older people, exactly the same as our 2021 survey and compared to 71% of survey respondents in 2019 and 42% in 2017. Other special needs were also being addressed with 36% of respondents stating their council would be building housing for people with mental health needs (previously 32% in 2021 and 38% in 2019) and 57% for people with physical disabilities (this was 59% in 2021 and 60% in 2019). 62% of respondents report their councils are building specifically for larger families (compared to 50% of respondents in 2021). 75% reported they were building or planning to build to address the needs of the homeless (compared to 74% in 2021). 25% of respondents identified directly building housing for the needs of a range of other particular groups and specified a range of groups including young families, key workers, people with dementia, young people in care, care leavers, rough sleepers and victims of domestic abuse. In general, these patterns in relation to building or planning to build to meet the needs of particular groups are similar between this survey and previous ones.

54% of authorities were reported in the survey as buying back former Right to Buy properties (this was 40% in 2019 and 50% in 2021), as illustrated by Figure 6. 23% of authorities where we had a response said that they were directly building housing at below 60% market rent, as illustrated by Figure 7. This was 25% in 2019 and 31% in 2021. This shows a little flux but that this remains a minority of delivery. Asked whether authorities were considering Modern Methods of Construction to help build housing, 66% of authorities where we had a response indicated that they were (Figure 8). This was 73% in 2021 (and not in surveys previous to that), suggesting a still high level of interest but that perhaps some authorities are no longer considering using MMC to directly deliver housing. In contrast to this, when asked whether directly delivered housing has been to Passivhaus or similar energy / environmental standards 41% of authorities reported that they were (Figure 9), which is a notable increase on the 27% of authorities are indicating in 2021 that they were delivering to these standards (the first time we asked about this). This suggests a growing interest and focus of activity around this, perhaps linked to declarations of climate emergency and council's net zero plans.



### Are you buying back former Right to Buy properties?

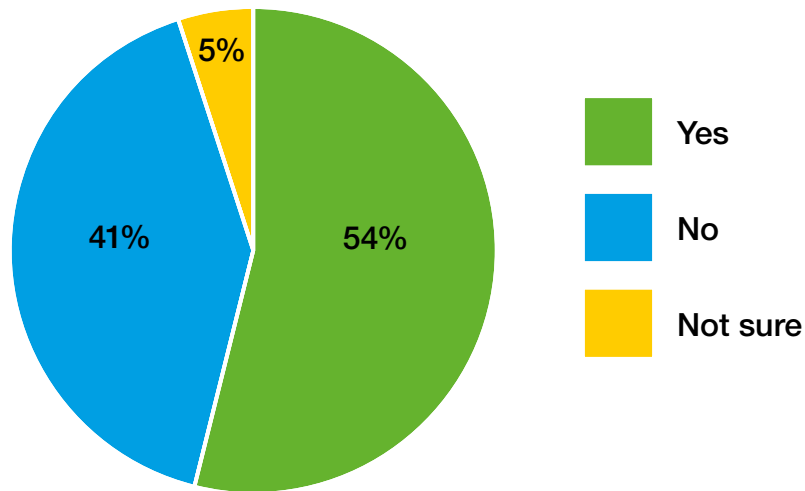


Figure 6: Analysis of survey responses as to whether authorities were buying back former Right to Buy properties (based on analysis of the 159 combined responses for each local authority)

### Are you building at below 60% market rent?

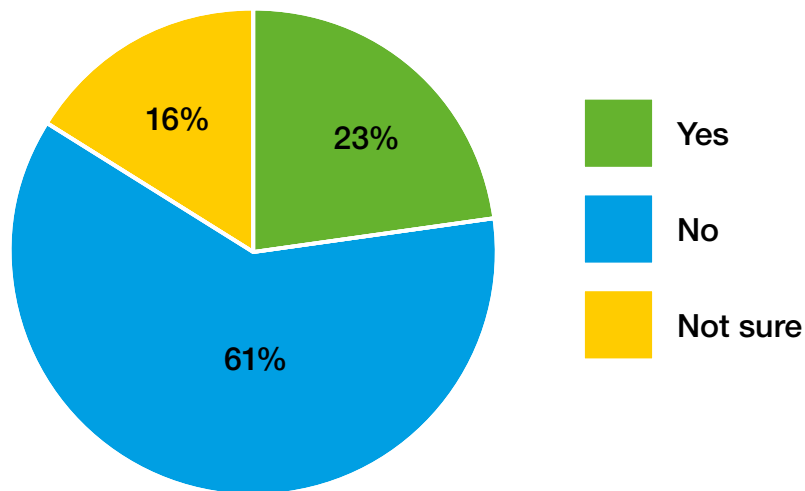


Figure 7: Analysis of survey responses as to whether authorities were building at below 60% market rent (based on analysis of the 159 combined responses for each local authority)

### Are you considering Modern Methods of Construction?

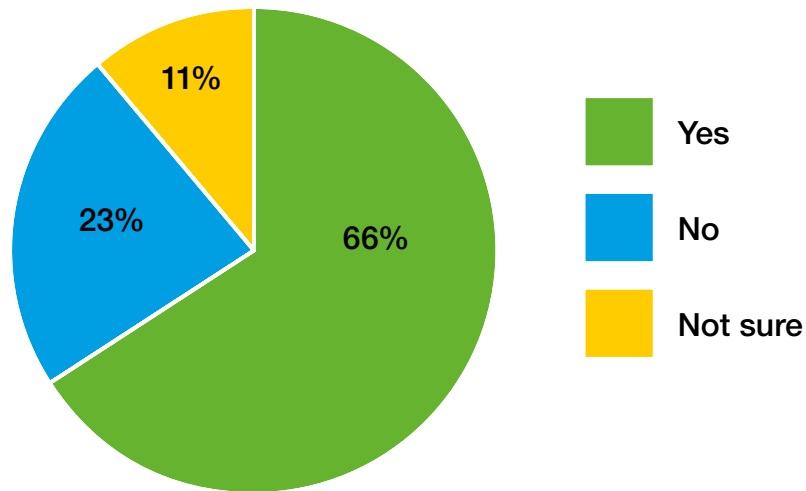


Figure 8: Analysis of survey responses as to whether authorities were considering MMC to help build housing (based on analysis of the 159 combined responses for each local authority)

### Has directly delivered housing been to Passivhaus or similar standards?

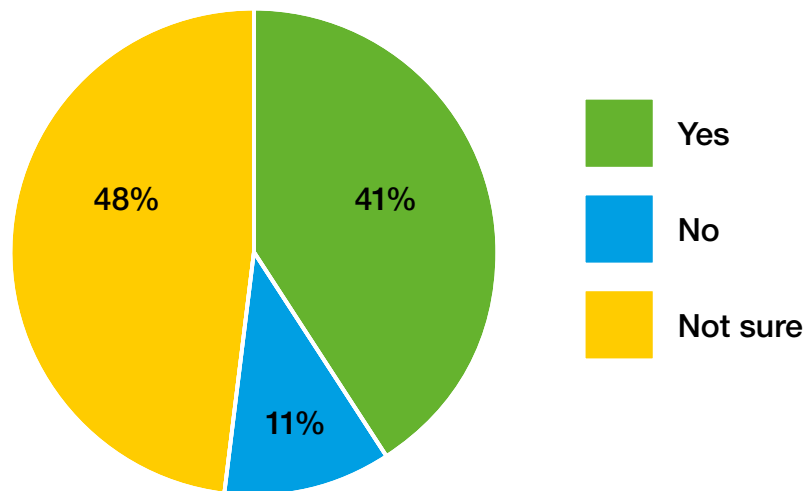


Figure 9: Analysis of survey responses as to whether authorities were to Passivhaus or similar standards (based on analysis of the 159 combined responses for each local authority)

Asked whether authorities have an action plan or strategy to boost affordable housing supply in their area beyond just relying on Section 106 contributions, 68% of authorities for which we had an answer indicated that this was the case (Figure 10) and there was a real sense of this having become a high priority for many authorities, as also demonstrated through the desk survey. Respondents indicating their authority did have a strategy were invited to provide further detail as to what this involved through an open question and 114 individual responses were received. These outlined a wide range of activity that councils were undertaking to boost affordable housing supply, including:

- having housing strategies with multiple actions planned or specific housing delivery action plans
- actively supporting housing association or other registered provider partners, developments planned on council-owned sites (including small sites and garage sites)
- buying back former RTB properties
- taking on S.106 properties where RPs are not interested
- use of the council's housing company
- having a housing company which is a registered provider and can access Homes England grants
- use of council-owned sites in partnership (for example working with registered providers on vacant land)
- an empty homes purchase scheme and direct purchase of existing housing
- building under the HRA
- using the Public Works Loans Board
- building out rural exception sites
- proactively targeting stalled sites
- working directly as an authority on land purchase and assembly.

A new question on this survey asked respondents whether they felt that Homes England support helped them to deliver more housing and 66% of authorities for which we had an answer indicated that this was the case (Figure 11).

**Other than through planning gain (Section 106 agreements), do you have an action plan or strategy to boost affordable housing supply in your area?**

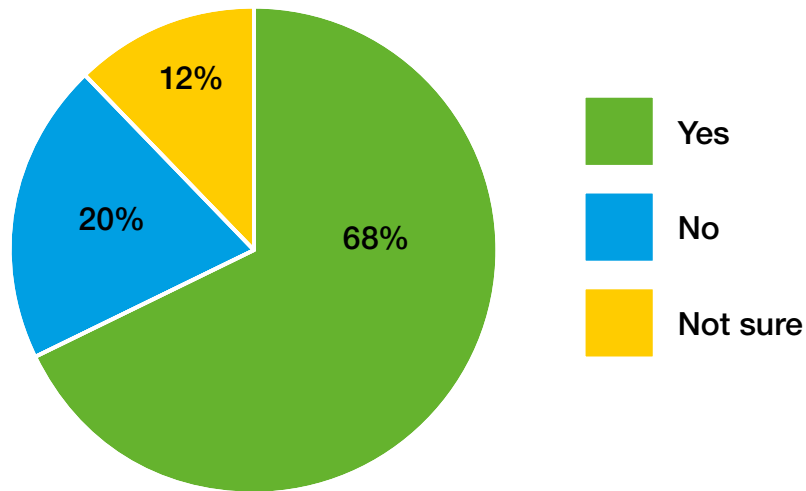


Figure 10: Analysis of survey responses as to whether authorities had a strategy to boost affordable housing supply locally (based on analysis of the 159 combined responses for each local authority)

**Does Homes England support help your authority to deliver more housing?**

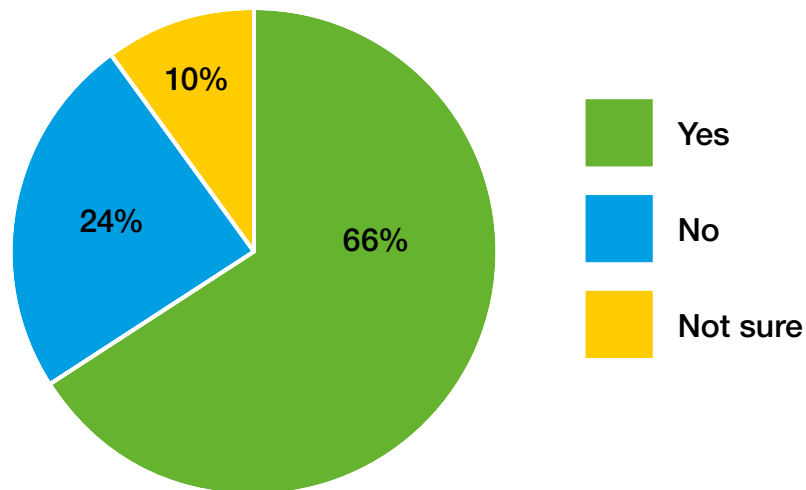


Figure 11: Analysis of survey responses as to whether authorities felt Homes England support helped them to deliver more housing (based on analysis of the 159 combined responses for each local authority)

As well as building directly through the general fund and/or HRA and having a wholly owned or joint venture local housing company (further detailed below), authorities are also utilising a host of different arrangements to deliver housing locally (Figure 12). These include a variety of partnership arrangements reported in our survey. The most common of these was working in partnership with a Housing Association or with a developer, as in our 2021 and 2019 surveys, closely followed by in partnership with Homes England. Under 'other' was a wide range of other partners some authorities were working with, including the GLA, a local historic buildings trust, a county council, community-led housing organisations, One Public Estate and other charities. Asked about whether they were working in partnership with other local authorities to directly deliver housing, 14% of authorities who had responded indicated that they were involved in such collaboration (Figure 13). These included growth partnerships, formal alliances and joint working between authorities in two-tier areas. This rate is similar to the 16% responding yes they had such joint working to directly deliver homes in our 2021 survey (the first time we asked this).

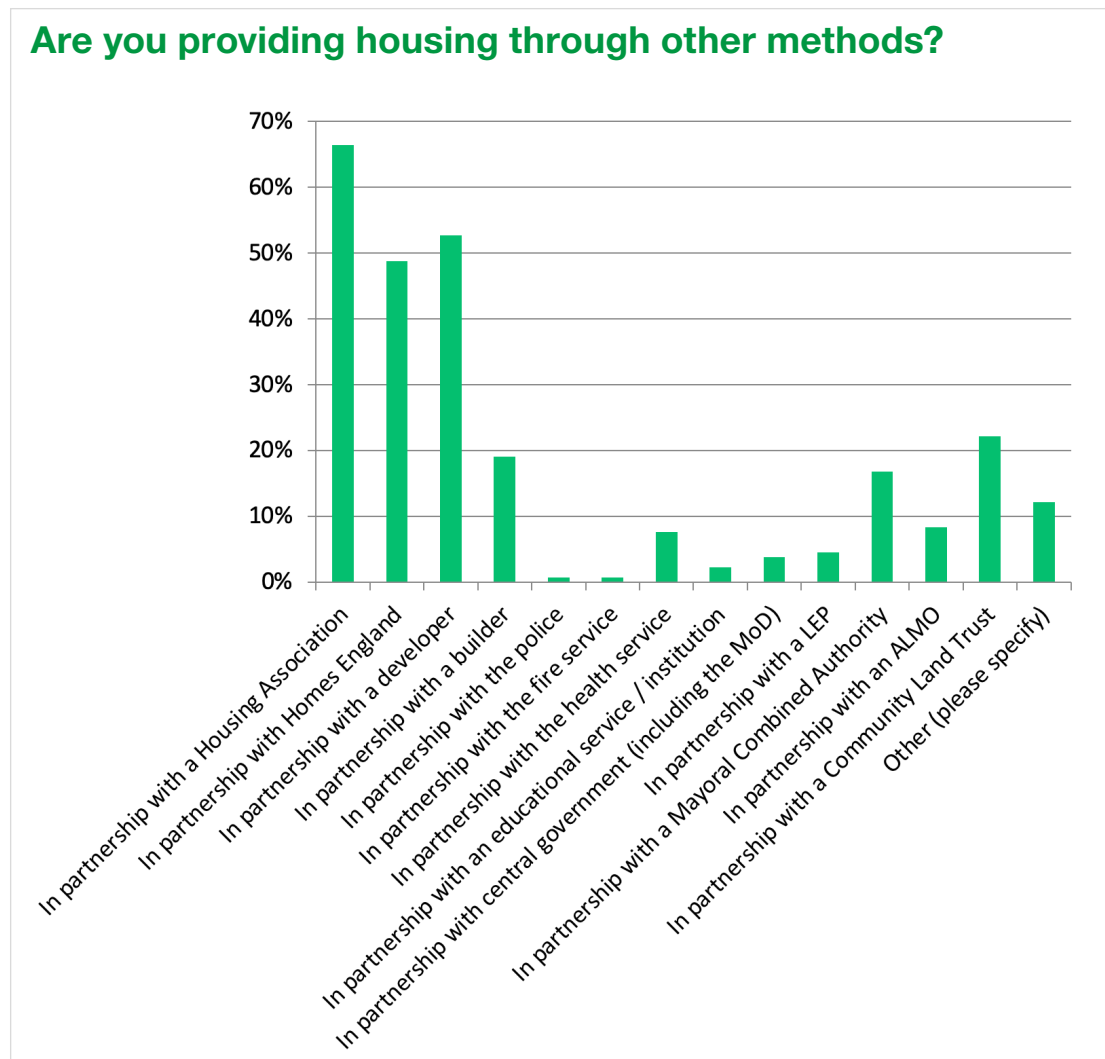
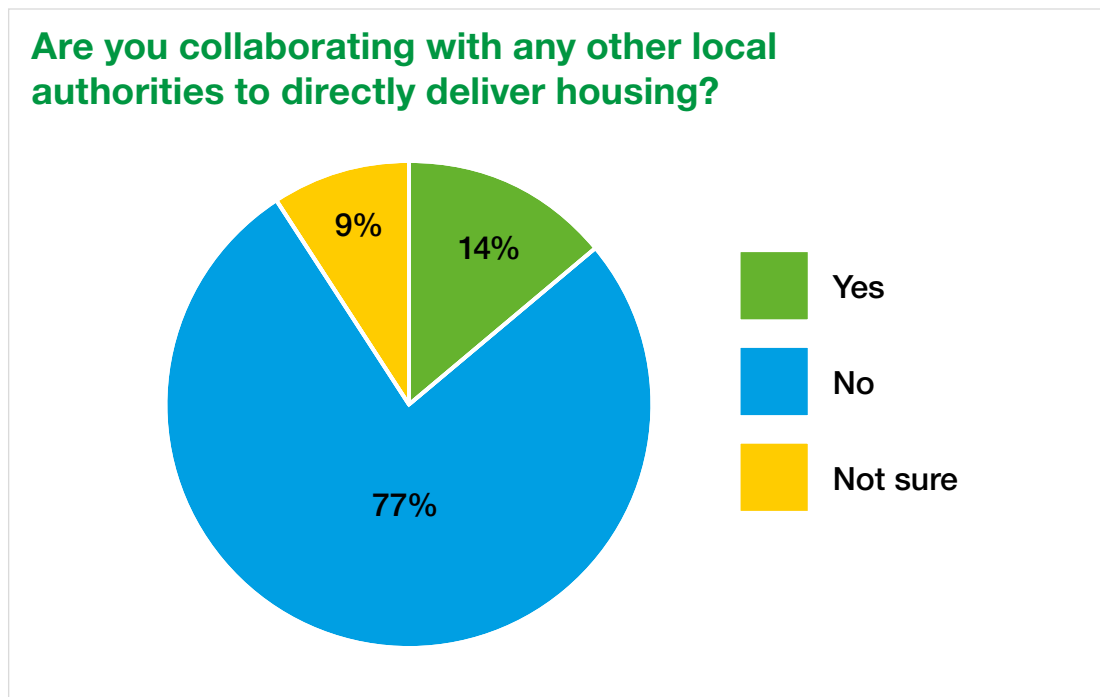


Figure 12: Analysis of survey responses as to what other means local authorities were using to deliver housing locally (total adds to more than 100% as some authorities are taking multiple initiatives and based on all survey responses)



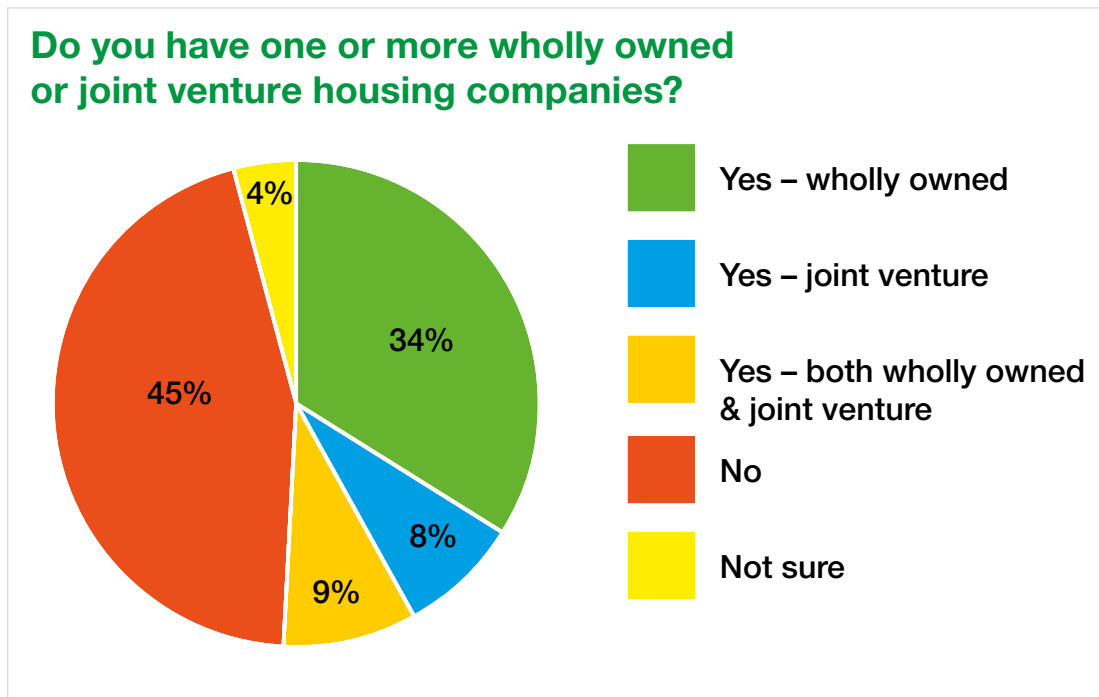
**Figure 13: Analysis of survey responses as to whether authorities were collaborating with other local authorities to directly deliver housing (based on analysis of the 159 combined responses for each local authority)**

### **Local housing companies**

Respondents were asked if their local authority had one or more housing companies. Analysing results by local authority shows that 81 of the 155 authorities who had responded to this question said that they did have a local housing company (Figure 14). This is 52%, which is similar to the 55% seen in 2021 and higher than the 42% from our 2019 survey and 44% from our 2017 survey. This suggests that the phenomenon of the 'local housing company' is firmly established as part of the scene of local authority governance and delivery of housing.

53 authorities (65% of authorities with a company) were reported as having a wholly owned housing company. 15 authorities (19% of authorities with a company) had a joint venture housing company, with there being 13 authorities having reported having both (16%). The most notable change here from previous surveys is the growth of authorities having both from 7% in 2019 and 10% in 2021. Figure 14 shows the percentage of authorities with a wholly owned, JV and both wholly owned JV local housing companies as a percentage of all authorities represented in the response to our survey question on this, so also including those authorities without a local housing company. These figures are different to the ones cited in the desk survey because of how respondents define and understand their own council's activity (for example how they might define a 'housing company' when the focus may be on new build, acquisition, maintenance and management of housing or some combination of these) but also may sometimes reflect a lack of wider knowledge inside many councils about the extent of direct housing delivery being pursued.

For the authorities reporting they had one or more housing company, 58 (72%) indicated that they just had one company, 12 (15%) indicating they had two and the rest of the 81 more than two, up to one authority that said they had 24 different companies (but not all for housing delivery). It is useful to note here that a couple of respondents were unsure when they had umbrella group companies with sub-companies how to answer this question, and again there may be different understandings about how a 'local housing company' . As seen in our desk survey, some councils describe these umbrella companies as 'trading companies' on their websites.



**Figure 14: Analysis of survey responses as to whether authorities had a local housing company (based on analysis of the 159 combined responses for each local authority)**

Asked in an open question the purpose of the company or companies, a wide range of responses indicated the real variety of objectives authorities are trying to achieve by having set-up local housing companies. Responses include:

- provision of below market rented accommodation
- providing further tenancy options for local residents / provide more or better PRS housing locally
- meet unmet housing need
- make a profit for the council
- build more affordable housing
- develop high quality housing
- deliver mixed development
- develop particular sites or locations
- regeneration
- be a morally sound landlord
- demonstrate council support for growth
- delivery of housing on council owned land.

As in our previous survey, we asked if any wholly owned or joint venture companies which the council set-up to support housing delivery are now dormant, sold off or closed. There were responses from 18 different authorities who confirmed that they did have such dormant, sold or closed companies (up slightly from 15 in 2021). In an open question as to explain this, responses indicated several mentions of viability challenges, a couple of examples of companies closed after they had delivered the development they were set-up to deliver, and one mention of political change at the council switching focus on developing social rented homes instead of private rented homes (which was the original business model for the now dormant company).

Those authorities without a company were asked why they did not have one. There was mention of a shift in focus to delivery through the HRA (mentioned a couple of times), concern over a lack of time and resources or expertise, expenses / complexity associated with running a company, concern about competition with other Registered Providers for scarce land if one was established with an affordable housing focus, a feeling it is not necessary as can be built under the general fund, some concern over risk and some mention of having been put off by some other failed housing vehicles from different local authorities.

Those authorities with a company were asked about the main challenges. This is an identical question to previous years and the responses received are illustrated by Figure 15. Comparing with previous surveys, the percentage of respondents concerned about understanding company as opposed to local authority roles seems to have decreased (58% in 2019, 60% in 2021, 47% in 2023) as has concern over availability of specific development skills (47% in 2019, 38% in 2021, 27% in 2023), whilst concern over the cost of setting up a company has increased as a challenge (20% in 2019, 21% in 2021, 30% in 2023) and there is no clear pattern with understanding of what is required or other factors. In relation to the 'other challenges' there was far more mention this time of funding and viability concerns, along with issues around site availability and creating the economies of scale necessary. As one respondent wrote "the main challenge has been the ability to deliver viable schemes in a volatile construction market at the design quality and affordable rent levels the housing need requires".



## If you have a housing company or companies, what are the main challenges?

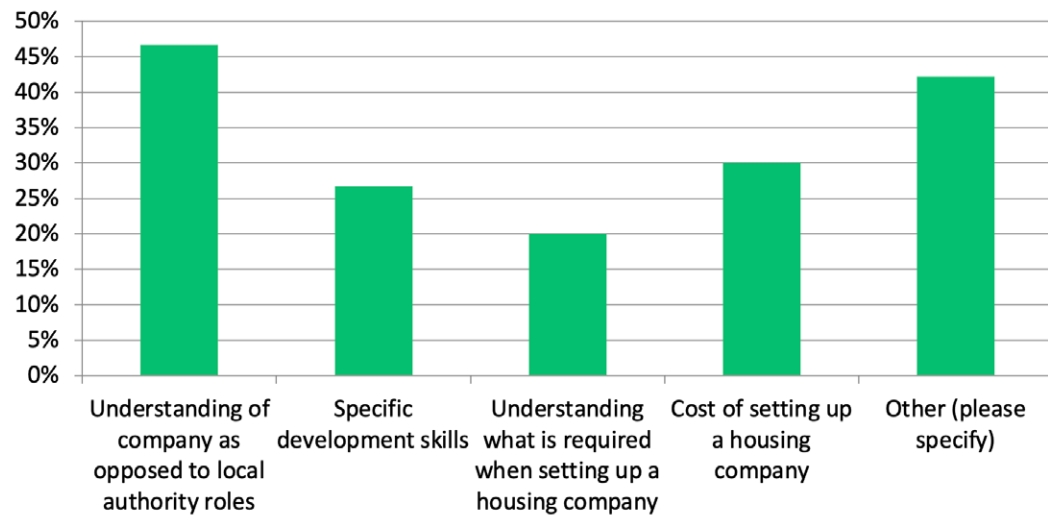
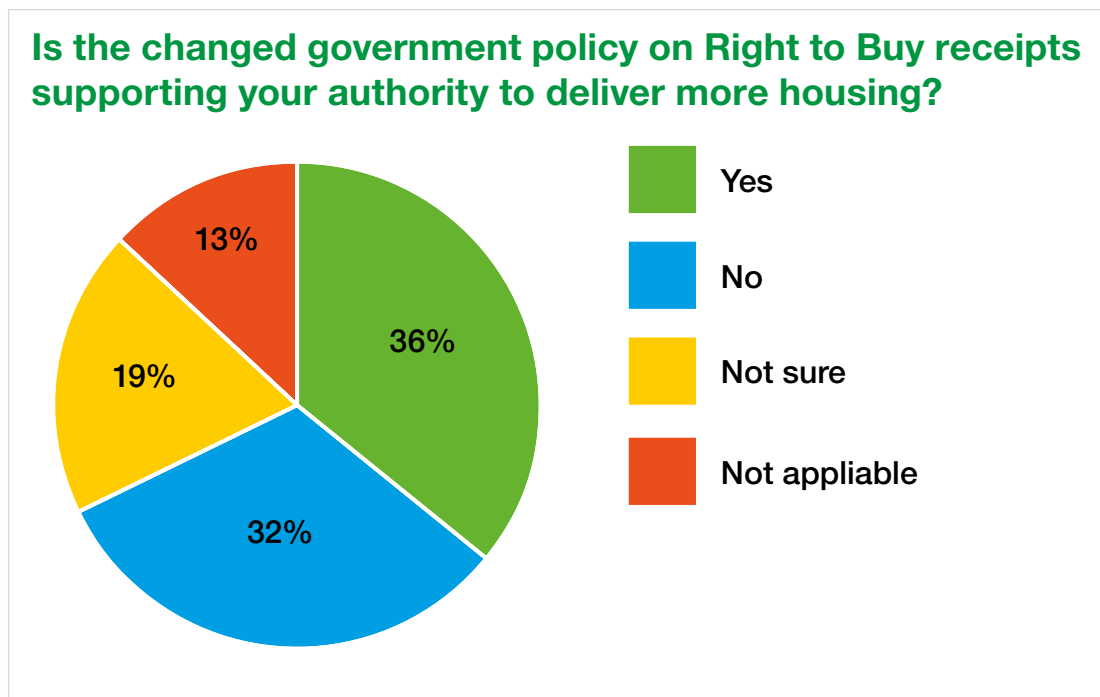


Figure 15: Analysis of survey responses as to what were the main challenges associated with a housing company (based on analysis of all 231 responses; responses add to more than 100% as respondents could select multiple challenges if they were experiencing more than one)

### Funding

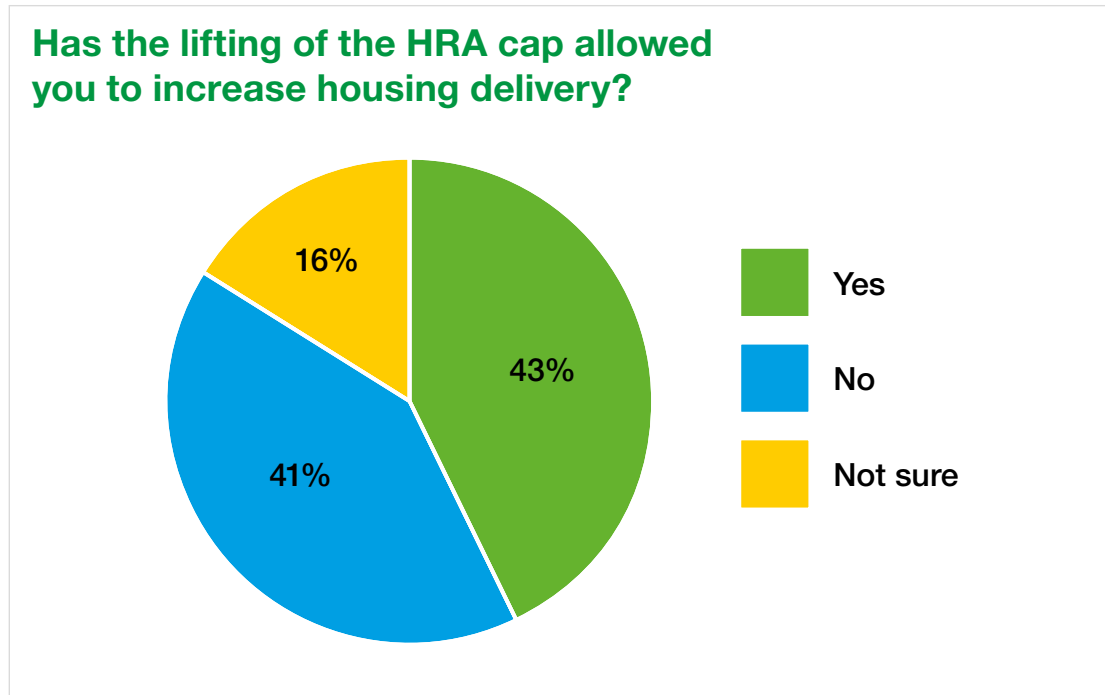
In relation to Right to Buy receipts, 19% of respondents in this survey worked for authorities who were apparently not using their Right to Buy receipts, a reduction from the 25% who said they were not in our 2021 survey, the 28% who were not in our survey published in 2019 (which had been administered in autumn 2018) and 34% on our 2017 survey. This time we also included a new question asking whether the recently changed government policy on Right to Buy Receipts (100% retention of receipts for two years) was supporting authorities to deliver more housing. As Figure 16 illustrates, for 36% of the authorities represented in our survey, they felt that this was the case, and if excluding the 13% of authorities who responded that this was not applicable (as they did not have an HRA), then this would be yes for 41% of eligible authorities.



**Figure 16: Analysis of survey responses as to whether they felt the changed government policy on retaining 100% of Right to Buy receipts for two years had helped to increase housing delivery by their authority (based on analysis of the 159 combined responses for each local authority)**

The HRA debt cap was lifted following our 2019 survey, and so we added a new question to the 2021 survey to ask if the lifting of the cap had allowed an increase in delivery. Analysing by authority represented in the survey responses, in 2021 52% felt it had allowed them to increase delivery. This time, in 2023, 43% felt it had allowed an increase in delivery (Figure 17). An open question asked respondents to explain their answer, and setting aside those who did not have an HRA or retained housing stock, a number positively some said it had allowed them greater ability to borrow to finance direct delivery, that they had previously reached borrowing capacity and had halted delivery but had been able to resume now, that the authority had now stopped using external partners to deliver homes and instead brought things back in house, that the cap being lifting allowed the authority to restart a build programme and one respondent commented that the freedom to borrow and invest in building new stock meant the council was now less reliant on planning gain for much-needed affordable housing. However, the decline in the percentage of authorities saying it had allowed them to increase delivery from 2021 to 2023 may be explained by other comments such as that inflation, build costs and material costs are increasingly more expensive, that there is a need to retrofit existing stock (for which authorities have limited funding and so need to borrow to fund), that other constraints such as decarbonisation / net zero costs, skill capacity, interest rates and Right to Buy meant that even with the increased borrowing capacity overall delivery had not increased.

We also asked if authorities without an HRA were planning to open one. There were answers from 11 authorities who were apparently planning to open one in the responses to our 2023 survey, an increase from the 4 who had indicated in 2021 they were planning to open one.



**Figure 17: Analysis of survey responses as to whether they felt the lifting of the HRA debt cap had helped to increase housing delivery in their authority (based on analysis of the 159 combined responses for each local authority)**

Other funding challenges were present when asked whether the 2023/2024 rent cap was impacting on housing delivery ambitions, with 60 out of 153 authorities responding to this question answering yes (39% - presumably all stock owning authorities relying on HRA funding to build new housing), 63 answering no (41%) and 30 (20%) not sure (Figure 18). This was a new question in this version of the survey. Similarly, there was a mixed picture in relation to Public Works Loans Board funding: when asked whether they were planning to take advantage of the preferential rate of borrowing from the Public Works Loans Board to directly deliver more housing, 59 authorities (39% of those answering this question) said they were, but 58 were not and 35 (23%) were not sure (Figure 19).

In 2021, we asked if respondents thought that the then recent announcement that Homes England had extended their strategic partnership funding to local authorities would help them deliver more housing, to which 27% of responding authorities felt that it would. In this survey, we instead asked more generally whether respondents thought Home England support helped their authority to delivery more housing. Analysing by authority represented in our survey responses, 66% of authorities felt it did (Figure 20) (albeit due to the Mayor's role in London, this question applies primarily outside London).

### Is the 23/24 rent cap impacting on housing delivery ambitions?

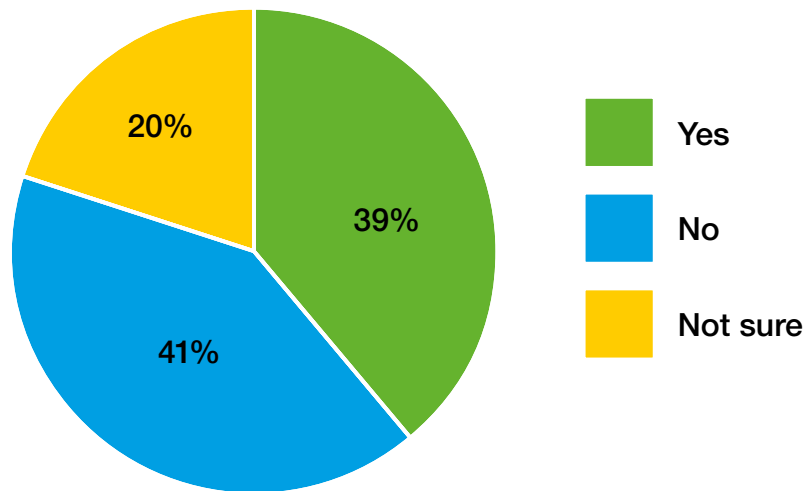


Figure 18: Analysis of survey responses as to whether they felt the 2023/2024 rent cap was impacting on housing delivery plans at their authority (based on analysis of the 159 combined responses for each local authority)

### Are you planning to take advantage of the preferential PWLB rate?

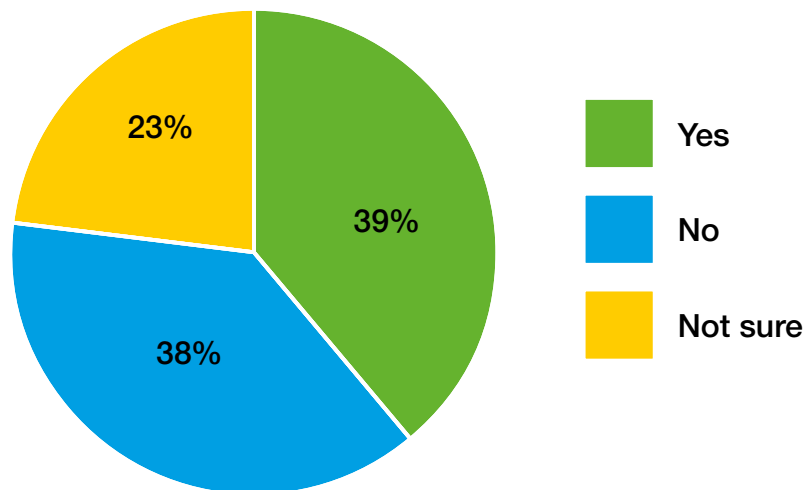
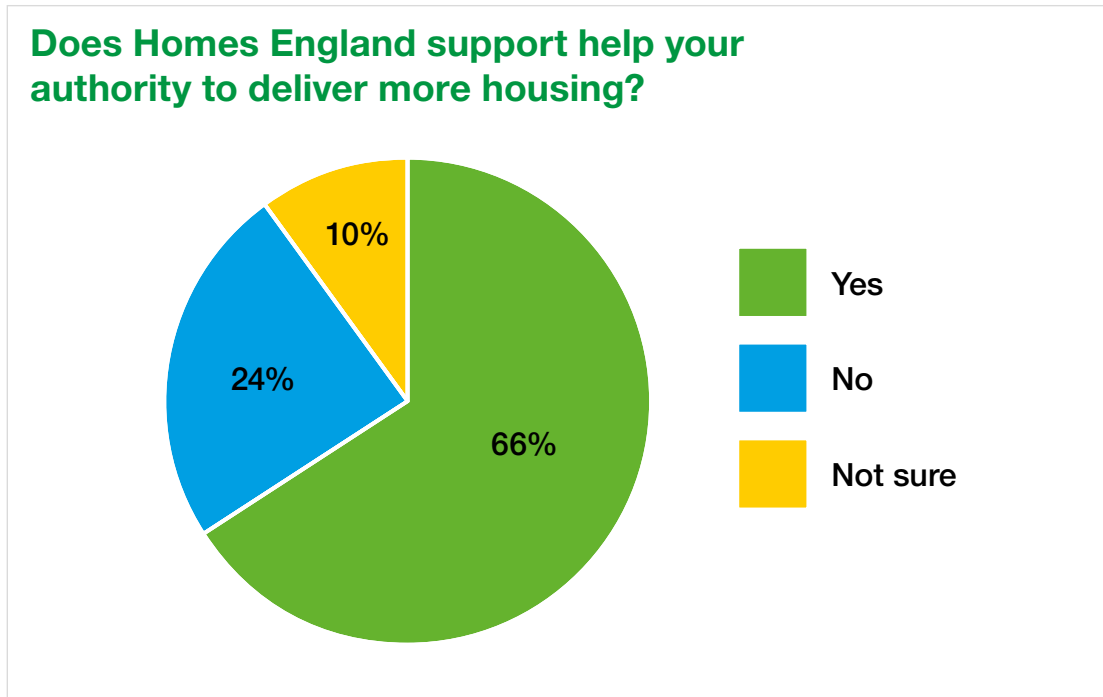


Figure 19: Analysis of survey responses as to whether they were planning to use the preferential Public Works Loans Board rate to help support delivery of more housing (based on analysis of the 159 combined responses for each local authority)



**Figure 20: Analysis of survey responses as to whether they felt Homes England support helped their authority deliver more housing (based on analysis of the 159 combined responses for each local authority)**

Asked to explain their answer in an open question, most respondents were positive about the support received from Home England. For example, commenting that their grant was fundamental to their delivery of new housing, with numerous mentions of the Affordable Homes Programme funding being essential to finance new build by authorities (which is the responsibility of the Mayor of London for London Boroughs). There was also mention of the Rough Sleepers Accommodation Programme several times, for example helping to grow housing accommodation stock through acquisitions, of Local Authority Accelerated Funding grants and of regeneration funding helping provide confidence around major regeneration schemes (and in one case, then helping release other funds from the HRA for more affordable housing). Other examples of support included discussion of design and technical support, funding for strategic infrastructure to unlock sites, engaging consultants to support housing delivery, help around strategic sites, facilitating discussions between councils and strategic investment partners to work together on development opportunities for more affordable housing, grant funding for specialist homes to meet specific special needs, and even an example of a joint venture between an authority and Homes England to deliver 5,000 homes which will be allocated in a local plan review.

There was also, however, some comment from several survey respondents that Homes England grant funding was not sufficient, particularly given grant levels per unit compared to actual build costs particularly when wanting to build to higher environmental standards. There was some commentary around the application process being quite onerous for the size of sites being delivered in a rural authority and that it would be helpful if there could be funding for section 106 allocations on smaller sites which other Registered Providers are apparently no longer bidding for and which

councils must now buy otherwise there is reduced affordable housing supply locally but in turn can impact other plans. There was also responses noting GLA support was more relevant in Greater London (and that GLA support did indeed help London boroughs deliver more housing).

For those authorities with wholly owned or joint venture companies, we asked how they were funded. The results (Figure 21) show authorities drawing on a wide range of sources of funding, and with a similar pattern to our previous survey results. The most common source of funding for a housing company was the council drawing on its own resources. Examples of this include financial support such as a loan from the general fund, using council buildings and land to secure loans and through building on council owned land. The Public Works Loans Board also remained popular, although there was a reduction from the 2021 survey response of apparently being drawn upon to support 46% of companies in undertaking specific housing developments to 36% in this survey.

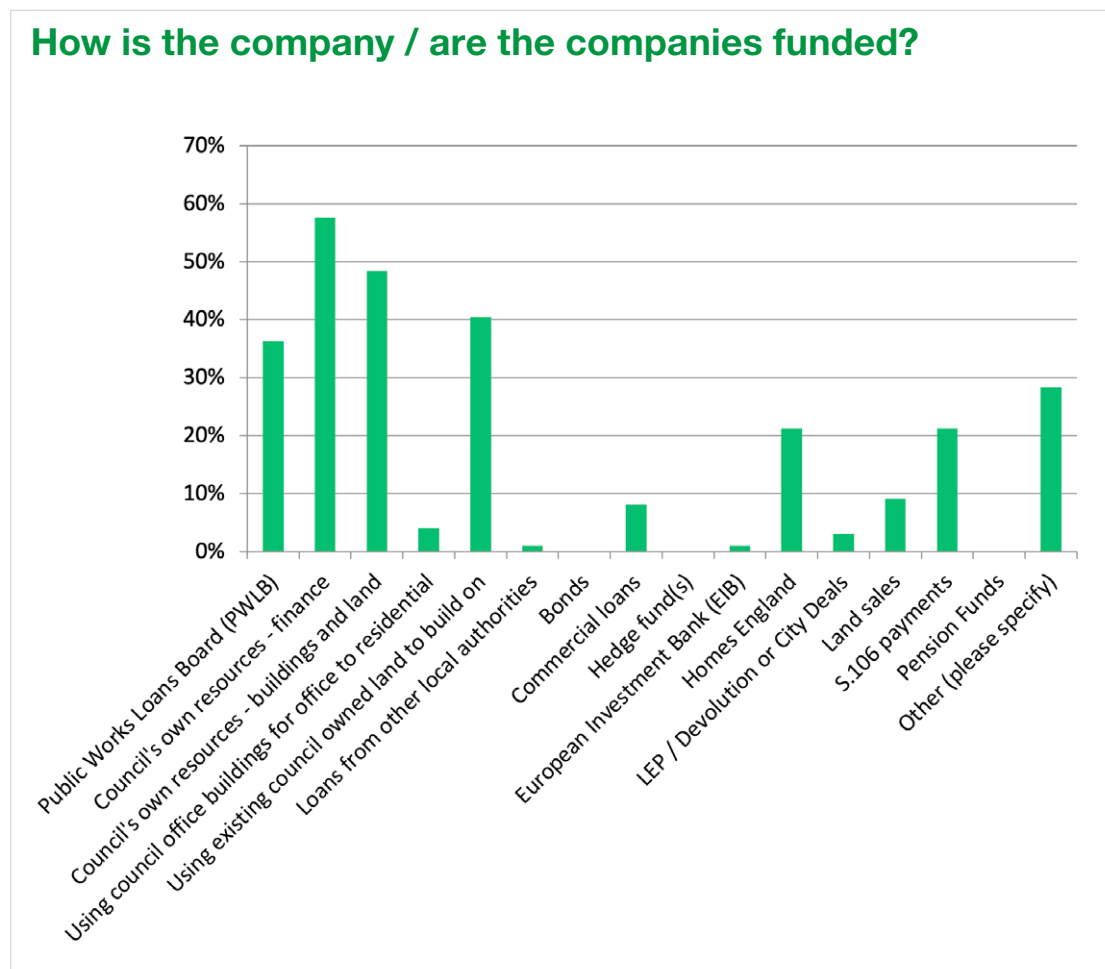


Figure 21: Analysis of survey responses as to how companies were funded (responses add to over 100% as many companies draw on more than one source of funding)

### Homes delivered

The survey asked for the number of homes delivered by the local authority over the last year using all means of direct delivery by category. Most respondents did not complete this question, as with previous surveys, but from those that did, and having combined responses by local authority, there was evidence of 11,152 homes having been

delivered. This is lower than the 20,249 from our 2021 survey but higher than the 8,992 homes reported in the 2019 survey. The response rate this time was lower than the 2021 survey, and this question is likely to be highly influenced by how many people answer it, nevertheless this perhaps suggests some of the challenges being experienced currently in delivery. It may also reflect the way in which local authorities operate housing delivery through different parts of the council including planning, regeneration, housing development and delivery and social care provision so that no total figure is aggregated from these sources. This lack of unified local authority data on homes provided is also reflected in the way in which official data is collected with only HRA funded homes being attributed directly to councils and others provided through JVs or companies being included in the general completion numbers and attributed to the JV partner or development company.

In terms of the breakdown by tenure (using the categories we gave to respondents), 4,317 of the homes were affordable (39%, compared to 29% in 2021), 2,119 were social rent (19%, compared to 12% in 2021), 940 were intermediate (including shared ownership – 8%, compared to 10% in 2021), 3,235 were for market sale (29%, compared to 38% in 2021) and 541 were for private rental (PRS – 5% compared to 10% in 2021). This is suggestive of a shift in focus from market sale and PRS towards affordable / social housing for local authorities, perhaps as income generation has dropped in importance as a motivating factor for this activity. Of those authorities who did respond to the question about the number of homes delivered, Ealing had delivered the highest overall number, followed by Warrington. There were 14 authorities where the responses to our surveys indicated that through all means they had delivered more than 200 new homes over the last year (compared to 24 in 2021, but again with fewer survey responses this time round).

### **Barriers to delivering more homes**

Local authorities were asked what the main challenges to them were in delivering more homes through their HRA or general fund (Figure 22). A similar list of potential challenges was provided in this survey compared to the 2021 survey (but much longer than the two surveys before that). The top three potential barriers were lack of land (57% of respondents felt this was a challenge this time, and 59% in 2021), lack of suitable sites (56% of respondents felt this was a challenge this time, and 60% in 2021) and scheme viability concerns (56% of respondents felt this was a challenge this time, compared to 47% last time). In 2021, no other factors were felt to be barriers by more than 40% of respondents, however this time the lack of grant / insufficient grant levels were felt to be a concern by 48% of respondents (compared to 36% in 2021), the effect of repayments on revenue budgets were felt to a barrier by 47% of respondents (compared to 29% last time), increased expense due to zero carbon targets was felt to be a barrier by 47% of respondents (compared to 27% last time) and competing demands for finite resources was felt to be a barrier by 44% of respondents (compared to 36% last time).

All of this suggests the challenging financial picture for local authorities at the moment, with competing demands compared to delivering new housing, but also perhaps linked to the sense from the survey that authorities are now placing much more emphasis on affordable housing delivery but finding difficulty in maximising this without specific funding. Beyond these top challenges, a wide range of other challenges to delivering more housing is listed and are being experienced by different authorities. Indeed, open comments provided here included that ‘viability is the number one challenge. Locally build costs exceed sales values’ and that ‘Local housing Allowance rates too low so can’t build social or even affordable housing at a genuinely affordable level for vulnerable people.’

In relation to the ‘other’ challenges preventing the delivery of more housing, there were several mentions in response to the open question about nutrient neutrality as a local barrier impacting local authorities delivering new homes the same as private developers. There were several mentions also of officer capacity, one mention of the authority being one with a S.114 notice, one mention of being a newly created local authority and so currently prioritising understanding stock condition and working to better know borrowing capacity within the new HRA, one mention of the costs of running a housing company, and also mentions of inflation, interest rates, insurance costs, labour shortages and private developers being unwilling to share or take risk (e.g. through a JV).

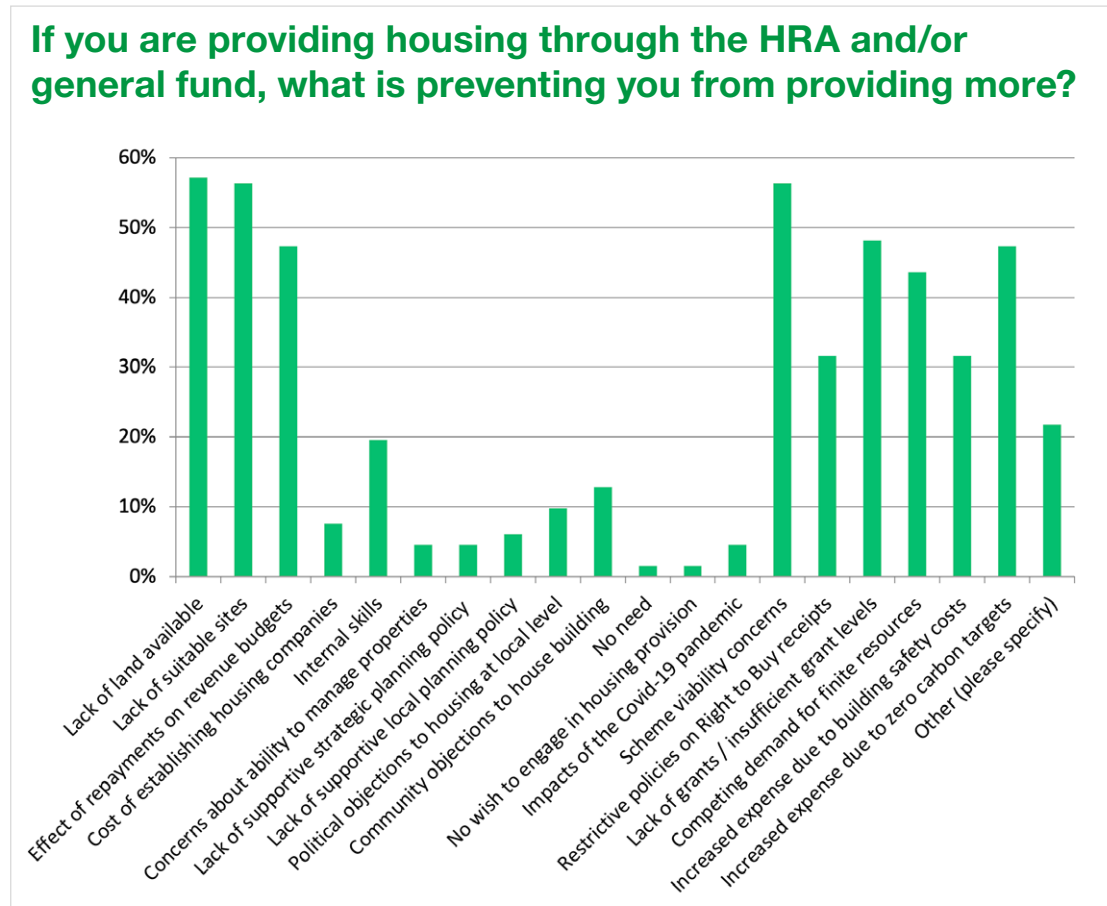


Figure 22: Analysis of survey responses as to what are key barriers for authorities to delivering more housing (total adds to more than 100% as respondents could select any barriers applying)



## Land and planning

In this survey, 30% of authorities indicated that aside from housing, their authority was acquiring more land and/or buildings as part of a longer-term investment strategy to support income (Figure 23). This is a further drop from the 44% who indicated they were in 2021 and the 61% in 2019. This decline may be related to broader concerns around more commercially focussed investment supporting local authority income generation, including some criticism from MHCLG of that, critique of the use of PWLB loans in relation to this, and the recent wave of S.114 notices.

For those authorities who are directly delivering housing, their own landholdings remain central to this activity (Figure 24). 95% are building on their own land (identical to our 2021 and 2019 surveys), 34% are purchasing sites to develop (a drop from 50% in 2021), 36% are purchasing existing residential buildings (a drop from the 43% in our 2021 and 42% in 2019 surveys), 14% are using land from the One Public Estate initiative (similar to the 16% in our 2021 and 2019 surveys) and 10% are using other public land (slightly down from the 16% indicating this in 2021 and 13% in 2019). It is interesting that while building on the local authority's own land has remained constant as by far the most common approach, there has been a drop in respondents purchasing sites to develop, which again may talk to the current challenging financial situation (albeit this still remains fairly common). This is also a much higher figure than in the desk survey and this may be because council's do not always identify when they are using their own land resources to provide housing. However, based on our desk survey, the number of councils undertaking strategic asset reviews appears to be about 30% so a more systematic approach to reviewing all land holdings might identify more land for housing.

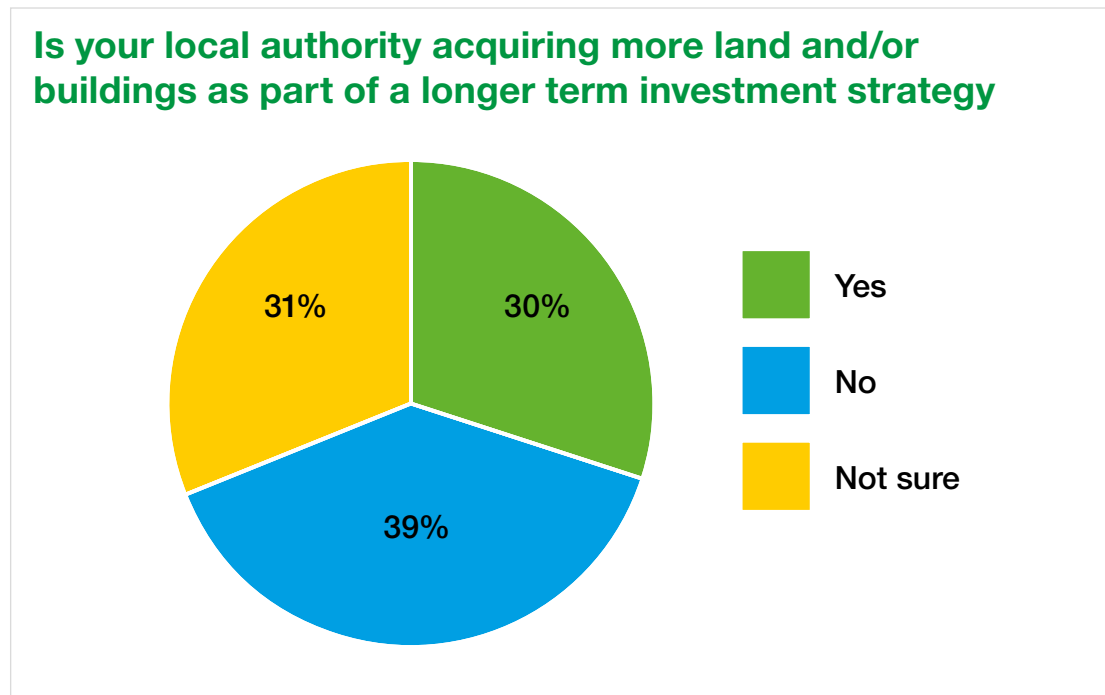


Figure 23: Analysis of survey responses as to whether the authority was acquiring land or buildings as part of a longer term investment strategy (based on analysis of the 159 combined responses for each local authority)

**For all forms of direct delivery of housing by your authority, what type of land is being used?**

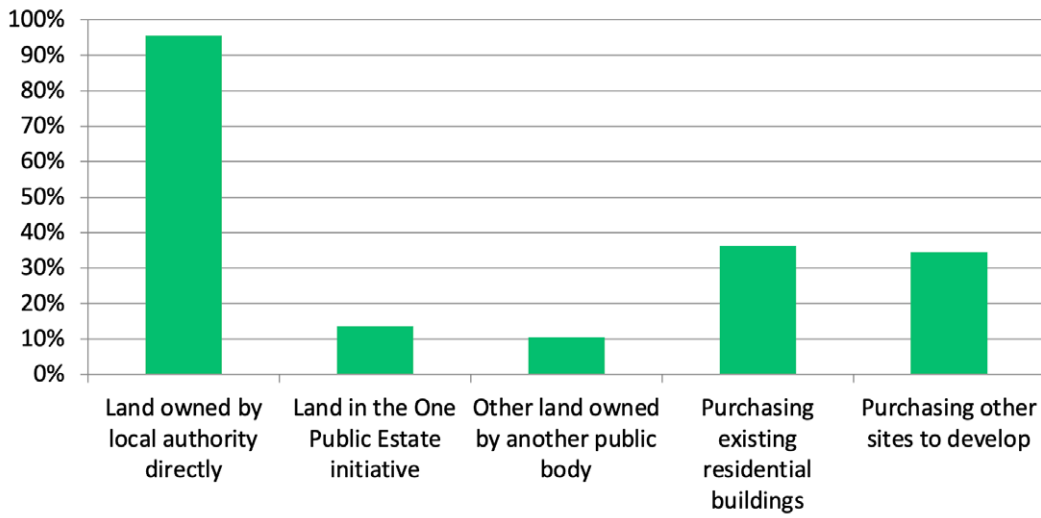


Figure 24: Analysis of survey responses as to what type of land is being used to support direct delivery of housing by local authorities (total adds to more than 100% as respondents could select any barriers applying)

As regards to planning, 59% of authorities directly delivering housing reported that they are accounting for this specifically in their local plans (Figure 25). This is, somewhat concerningly, a decrease on the 70% reporting this in 2021 but still a dramatic increase on the 12% who reported this in our first survey in 2017. Asked if their own directly delivered housing has always been compliant with local plan policies, 86% of authorities responding indicated that it had been (Figure 26), which is similar to the 88% reporting this in our 2021 survey (the first time we asked this question).

**Is the authority's direct delivery of housing being accounted for in the local plan?**

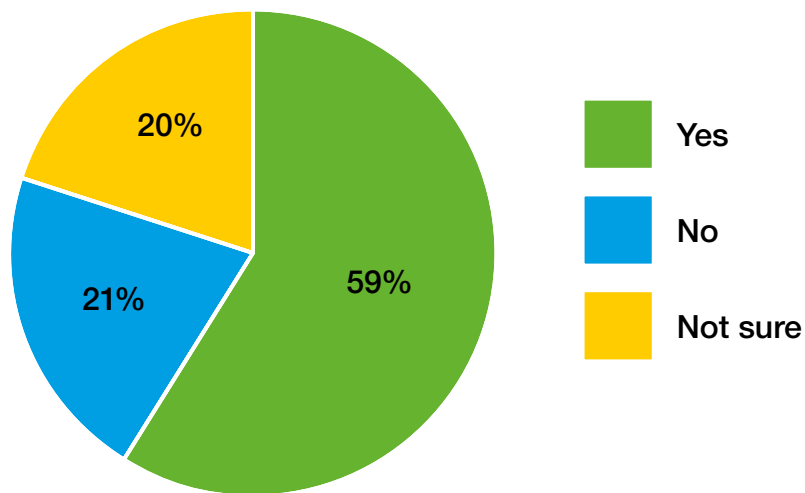


Figure 25: Analysis of survey responses as to whether the authority was account for their own direct delivery of housing in their local plan (based on analysis of the 159 combined responses for each local authority)

### Has the authority's directly delivered housing always been compliant with local plan policies?

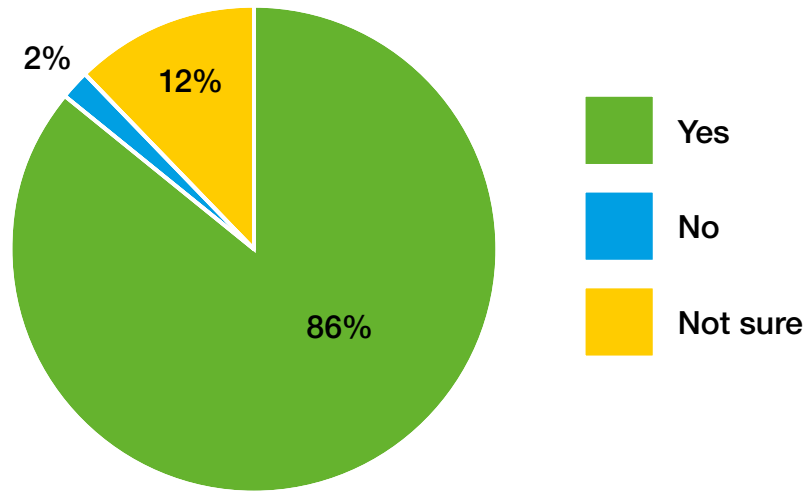


Figure 26: Analysis of survey responses as to whether the authority's own directly delivered housing has been compliant with their local plan policies (based on analysis of the 159 combined responses for each local authority)

A further question on planning asked if there were sufficient resources in the planning department to support direct delivery of housing by the authority (if they were engaged in direct delivery). As Figure 27 illustrates, 51% felt that there were (a slight reduction from 58% indicating this in 2021, the first time we asked this question, but with those who did not feel there were sufficient resources remaining similar between the two surveys).

### Are there sufficient resources in the planning department to support direct delivery of housing by the authority?

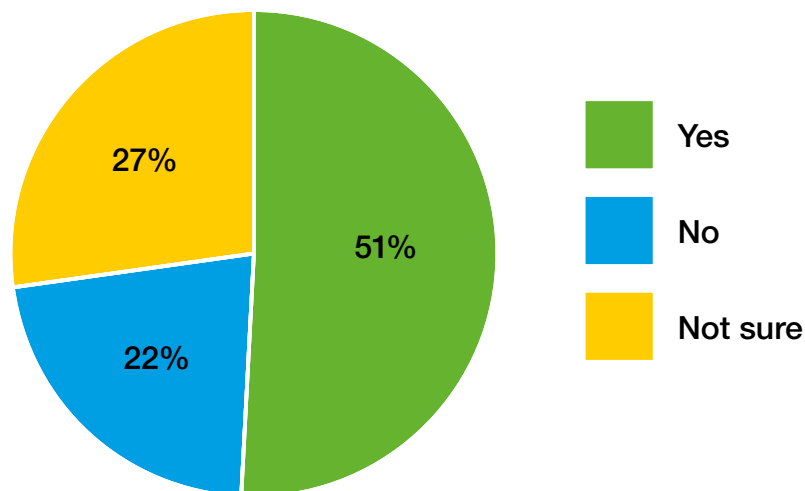
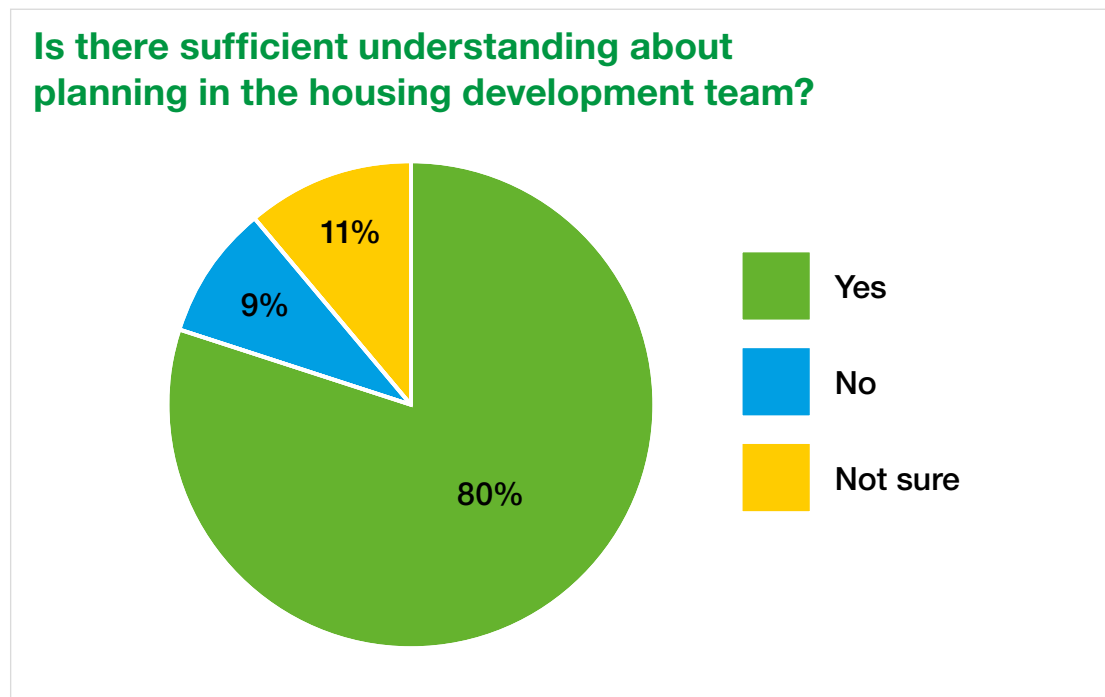


Figure 27: Analysis of survey responses as to whether the authority's planning department was felt to have sufficient resources to support their own direct delivery of housing (based on analysis of the 159 combined responses for each local authority)

A new question this time then asked, perhaps conversely, whether it was felt there was sufficient understanding about planning in the housing development team (if the authority was engaged in direct delivery). As Figure 28 illustrates, it was felt in 80% of authorities represented in our responses that there was sufficient understanding.

A further new question in this survey was an open question to ask respondents whether they thought the government's proposed planning reforms in the Levelling-up and Regeneration Bill would help or hinder their council's delivery of housing (the Bill was passed and received Royal Assent as an Act after the survey closed but whilst the analysis was underway). Just 12% of respondents felt that it would help delivery compared to 29% who felt it would hinder, 20% who felt it would have minimal impact and 39% who were not sure. Looking through the explanations provided by respondents, it is clear that many do not feel planning is the key barrier or issue preventing them directly delivering more housing (resonating with the results illustrated by Figure 22). There were some who felt any streamlining or improvement of the planning process would help delivery (even marginally), but there were other concerns about uncertainty caused by further planning reform being unhelpful, for example in relation to housing targets / the standard method. The most common issue cited by those who thought the proposed measures would be a hinderance was concerned the Infrastructure Levy, with several respondents concerned it would reduce affordable housing delivery, for example with fewer S.106 affordable homes which the authority could then purchase, or potentially reducing investment in supporting infrastructure.



**Figure 28: Analysis of survey responses as to whether the authority's housing development team were felt to have sufficient understanding about planning (based on analysis of the 159 combined responses for each local authority)**

## **The forthcoming general election and the future**

An open question asked respondents considering the upcoming General Election (expected in 2024), what would their top asks be from central government to help local authorities deliver more housing in future? A wide range of suggestions were offered here by survey respondents. By far the most common ask was to have more grant funding available, at a higher rate, to appropriately cover the costs of building new truly affordable housing. This was followed by requests for Right to Buy reform including either abolishing it altogether or limiting it, for example so it does not apply to newly built homes for at least 15 years, and to have the ability for authorities to retain 100% of Right to Buy receipts over a longer period of time and with greater flexibility over their use.

A number of asks were made around extra or targeting funding for retrofitting existing homes (e.g. to improve building safety, fire safety, ensure Decent Homes standards are met) and funding to meet Net Zero commitments. Other suggestions around funding included specific funding for brownfield sites (for example around site remediation), regeneration, for site acquisition and infrastructure if to be used by local authorities for affordable housing development by the local authority. There were also suggestions for lower interest or longer-term fixed rate PWLB borrowing, that funding programmes should be longer-term and without short timeframes to bid for them. Another suggestion was for Homes England grant funding to be able to be used to acquire existing homes if they will be turned into affordable housing. There were asks about certainty over rent setting and reviewing the Local Housing Allowance, to allow authorities to have a mix of tenures under their HRA to allow cross-subsidy and to scrap the First Homes initiative with a focus instead on social housing.

The top ask related to planning was to reform CPO powers, in particular allowing local authorities to purchase land at existing use value if going to be used for affordable housing. There were requests for government policy to meaningfully tackle nutrient neutrality issues, particularly through requiring Water Companies to fund improvements, to clarify the new Infrastructure Levy proposals (or even abandon them), to allow building of affordable housing on selected green belt sites, to give local authorities greater powers and levers over long term empty homes and stalled sites (especially if being used for affordable housing) and to allow sites to be allocated specifically for social / affordable housing. There were also several asks for there to be less planning reform and more certainty in planning so things can settle down to support delivery without constant flux.

Finally, on skills, there were requests for government funding to support increased capacity in planning, for Homes England to provide funding to support local authorities to develop skills and capacity around housing development, and perhaps for there to be funding support for developing and upskilling housing professionals for local authorities (perhaps linked to apprenticeship funding).

As with previous surveys, the final question on the survey asked respondents if they were optimistic or pessimistic about the future prospects of increasing (affordable) housing supply in their area and if there were any other general comments they wished to make. 131 responses were received to this question, of which 57 (45%) explicitly stated that they were optimistic about the future, 64 (50%) were pessimistic, whilst the remaining 10 (8%) were either neutral, undecided or even explicitly stated they were both. This compared to 67% being optimistic in our 2021 survey, 23% pessimistic and 10% neutral or undecided. In other words, there was a marked increase in people feeling pessimistic about the future.

Those who remained optimistic highlighted factors such as there being strong support for housing delivery across the council and strong political will driving this, and that there was now strategic vision guiding this with affordable housing development a real and high priority for many councils now with increasing recognition that the private sector alone cannot deliver what is needed and there is a role for local authorities in this space. There was comment that there is now better skills and ability around housing development in councils, and some mention of better opportunities through collaborative working (including working closely with Registered Providers and Homes England). One respondent mentioned the increased capacity available following recent local government mergers whilst another highlighted that their combined authority was working to support the unlocking of strategic sites. There was mention of better funding opportunities starting to be seen, and positive feedback on the Homes England support for regeneration. There were a couple of comments about new local plans being adopted with strong or helpful policies. Finally, several respondents noted that they were still managing to deliver new homes, bring sites forward and/or had homes in the pipeline, hence they remained optimistic for the future.

There was a long list of comments to explain why those who were pessimistic about the future felt this way. Most commonly mentioned were factors relating to financing direct delivery of housing and the challenging economic context, including increased borrowing costs, inflation of build costs and less income into the HRA through rent caps, that grant levels for affordable housing are not sufficient to actually deliver (leading to a reliance on borrowing, and there are limits to capacity to do that), that it is impossible to cross-subsidise from market housing development to deliver sufficient affordable homes and that revenue budget pressures on councils continue to grow. Linked to this were retrofit costs for existing stock reducing capacity for new build, as were net zero costs. This sat alongside some concerns about labour shortages (particularly skilled construction workers) and supply shortages impacting the construction sector. There was also mention of limited land availability in some authorities, decreasing land supply for affordable housing and high land costs leading to viability issues if councils wanted to purchase sites to develop for housing, and also discussion of a need for more infrastructure funding to unlock strategic sites (which would include affordable homes).

There was concern about other actors, for example Registered Providers building less new housing or being unwilling to take on Section 106 homes, or private housebuilders focussing on high value areas to the detriment of housing delivery elsewhere. There was mention about slow progress on some local plans meaning planning by appeal and less affordable housing through planning gain, concern about the impact of the new Infrastructure Levy on affordable housing supply and mention of nutrient neutrality issues stopping housing development including that directly by councils.

Specific policies were criticised and cited as a source of pessimism about the future, most specifically the continued existence of Right to Buy in England, including for new social housing built by councils. There was comment such as that one council still could not do one-for-one replacement for homes lost to Right to Buy despite now directly delivering about 200 new homes per annum, whilst there was other comment about councils that are building but the finances do not stack up to replace all they lose through Right to Buy. The First Homes policy was critiqued, as it was in our 2021 survey, for apparently impacting authorities' ability to delivery genuinely affordable housing on mixed tenure schemes and similar concern that there was a need for more social housing but instead more intermediate was being delivered as a result of government policies. There was criticism about the perceived lack of a proper affordable housing strategy from central government, and comment that there appeared to be a perfect storm of increased demand for social housing as the Private Rental Sector cannot meet demand or, in one respondent's words had 'collapsed' locally. Overall, there was a sense that a number of authorities did not feel they could sustain their ambition around direct delivery of housing, hence the pessimism about the future.

## Conclusions from the direct survey

Our 2023 direct survey, like the three previous direct surveys administered 2017-2021, has demonstrated a high level of interest and engagement in direct delivery of housing by local authorities. Direct delivery now seems firmly re-established, with 79% of authorities responding saying they are directly engaged in housing provision through a range of means. Meeting housing requirements, tackling homelessness and improving design quality remain the top motivators for this activity, with income generation having markedly dropped as a factor driving this increased activity (and with fewer authorities reporting acquiring land and/or buildings as part of a longer term investment strategy than in previous surveys). Authorities are involved in a range of direct delivery, including building under their Housing Revenue Account and general fund, through local housing companies and through a variety of partnership arrangements. Although many respondents still did not complete the questions in the survey on the number of new homes delivered by local authorities directly over the last year (from all means, and of all tenures), from those who did complete this question, there was evidence of a total of 11,152 homes having been delivered.

Despite high and sustained levels of engagement being apparent in the survey, there were also significant barriers and concerns expressed. The top barriers preventing local authorities delivering more housing directly were reported as a lack of land (with 95% of local authority housing development being on their own land), lack of suitable sites, and viability concerns (particularly the need for grant funding to support truly affordable housing). Unlike our 2021 survey, more respondents were pessimistic about the future prospects of increasing affordable housing supply in their area with key concerns around scheme finance (including retrofit and net zero costs, inflation and borrowing costs), issues around local plan progress, concern about the new Infrastructure Levy and continuing loss through Right to Buy. Issues with the PRS and increasing demand for temporary housing locally whilst council budgets are increasingly squeezed was described as a 'perfect storm'.

With a General Election likely in 2024, in this survey we asked respondents what their top asks would be for government to help support local authorities directly delivering housing. A range of suggestions were made, including:

- More grant funding to appropriately cover the costs of building affordable housing
- Right to Buy reform (abolish, or restrict on new homes, and increased flexibility on use of receipts)
- Additional targeted funding for retrofitting existing homes and to meet net zero commitments
- Longer-term fixed rate PWLB borrowing to support affordable housing delivery
- Reforming Compulsory Purchase to allow local authorities to purchase land at existing use value for affordable housing
- Tackling nutrient neutrality issues
- Clarifying the new Infrastructure Levy proposals
- Enhanced support to increase capacity in planning and develop further skills in-house to support housing development by local authorities





## Our 2023 case studies

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### Introduction

As in previous studies, our approach included some case study local authorities. Case studies were selected on the basis of council officers who had responded to our direct survey volunteering in that to be interviewed and included as a case study. From the list of those volunteering, we did not utilise any authorities which had previously been a case study in one of our three previous reports so as to ensure a variety of examples across all rounds of this research. We selected authorities located across the country and with different political control and different types of authority as well as different approaches to housing delivery. The six case study authorities, discussed in turn below, thus give us a range of examples exemplifying the current challenges and opportunities around local authority delivery of housing.

### Central Bedfordshire Council

Central Bedfordshire Council directly delivers housing in two main ways. First, funded through the Housing Revenue Account (HRA), the council's internal housing services department delivers new affordable homes. Smaller schemes delivered in this way are managed by the housing services department, while larger schemes are project managed by a separate project management unit within the council. Second, the council has created a new arms-length company to develop market and affordable

homes, though the company has not yet delivered any homes (at the time of the interview it was exchanging contracts to close on its first site). In this second prong, the council's housing service department partners with the arms-length company to deliver just the affordable housing component.

The main motivation for Central Bedfordshire's housing delivery is to address the "overarching and growing housing demand for affordable homes." The interviewee explained how homelessness in the area is "through the roof," transitional (temporary) housing is on the rise, and more and more people are on, or are trying to get on, the housing register as they face increasingly challenging housing circumstances (they are "on the edge"). In this environment, the council's intervention into housebuilding is guided by "our remit as a social housing provider to meet [the] affordable home demand we've got in the area." Secondly, the council's housing delivery has a financial benefit for housing services through rents and sales.

In the council's most recent medium term financial plan – a four-year plan for every service, including housing – the affordable housing delivery target was circa 700 new affordable homes in the next four years. Last summer, however, that goal was amended to circa 500 due to financial challenges, such as rising interest rates, inflated building costs, and the rent cap. As the interviewee described, the council "can deliver less with the same money than we could three or four years ago." Other factors which have hindered delivery include internal bureaucracy and skills shortages – both with builders as well as within the housing services department, which has struggled to recruit for vacancies (especially for surveyors) amidst competition with the private sector. To illustrate these challenges, the interviewee described in detail how a flagship delivery project – a former library in a town centre set to be demolished and replaced with housing – is now no longer viable and might only be carried through if local councillors decide to continue with the project at a loss. Indeed, the interviewee said that this is the reality for many of the other schemes the council is working on taking through planning; they may even get to a point at which the council has "to offer a site with planning permission – or a number of sites with planning permission – out to the open market to see if developers themselves are willing to develop" what had originally been intended as sites for direct delivery of housing by the council.

Political changes in Central Bedfordshire have also had an impact on the council's housing delivery. Since it was created in 2009, Central Bedfordshire has been Conservative-led. In May 2023, a new coalition was elected, comprised largely of Independent Councillors. These new Councillors have apparently been on a learning curve since taking over leadership and been a little bit cautious, wanting to understand issues in more detail, which has slowed down some decision-making aspects. This is perhaps to be expected.

Every year, the council loses 30-40 social homes – ~340 in total since Central Bedfordshire was created. In addition to the loss of affordable homes, this Right to Buy

driven loss has resulted in a ~£1 million annual loss in revenue through lost rents. To try to keep up with what they are losing, the council has to either acquire or build new homes.

In general, the council's housing stock is apparently in good condition, yet a significant portion of it is worn down, "tired," and in need of regeneration. Due to the costs of preparing plans, demolition, resident engagement, and everything else that goes into it, regeneration of this part of the council's stock is "really, really difficult." Moreover, it would take "millions and millions and millions" to achieve net zero, especially for some of the council's older stock. Despite this reality, the council undertook an extensive exercise, with internal and external input, to create concrete strategies to work towards meeting the government's 2050 net zero goals. Out of this exercise came "realistic" targets for the housing services department, such as ensuring that all properties have an EPC rating of at least C by 2030.

Collaboration and coordination are critical to Central Bedfordshire's housing work. The housing services department works closely with the planning and strategy department, especially around housing needs data to ensure that planning and delivery policies match – or attempt to match – local demand. The interviewee described how place shaping "is at the forefront" and "takes the lead," with housing often fitting within it. Collaboration is also embedded into the wider council – with housing services endeavouring to share housing needs with other relevant internal departments (i.e. benefits, transport, etc.) – and crucial with external partners as well, such as Homes England and local housing associations (although, because housing associations are often bidding for similar land for housing delivery as the council, they may be considered more as competitors than collaborators in some contexts).

## Fylde Council

Fylde Council is not a stockholding authority – the stock was transferred in 2000 – and is not doing any delivery of (affordable) housing directly itself. Without stock, and without available land, the council does not believe it has adequate resources to deliver housing of its own. The interviewee noted that they believe the stock was lost too long ago to be able to bring back, and thus for the Council to be able "to start housebuilding again." Chiefly because of land availability and lack of internal staffing capacity, expertise, and resourcing, they underlined the fact that "for local authorities like Fylde who transferred their stock several years ago, to actually bring back that ability to house build and take on stock is going to be very, very difficult."

As a result, the council has partnerships with registered providers (RPs) in the area to deliver affordable housing. Fylde aims to ensure that all new housing delivery provides 30% affordable housing on the site – though in some instances they accept provision of off-site affordable housing through Section 106 contribution. In most cases, private developers deliver market housing in these schemes and procure one of the 9 RPs in

the area to deliver and/or manage the 30% affordable housing. The council also provides Section 106 funds to RPs who deliver 100% affordable sites, which are usually brownfield sites. Through both of these mechanisms, the council aims to deliver ~240 affordable homes per annum – though that target has not been hit in the two previous years.”

The RPs hold ~4,400 units of socially rented housing in Fylde. The majority of this stock is from the LSVT. The interviewee is confident that these homes will be kept social for the foreseeable future. While the RPs active in the area are able to deliver housing, the interviewee explained that there are issues around the quality of local housing management. As an example, a Registered Provider based in London recently secured the affordable housing contribution on a large site of over 100 units, but their management and operations are based in London. They have not opened a local office or management team. The Registered Provider is required to have a local presence to be able to allocate accommodation via the Choice Based Lettings Scheme, therefore they have to use a locally based Registered Provider to manage the housing stock. There is an issue of how Fylde, as a small, rural council, can control and manage which RPs come into the area. They want to prohibit developers from bringing RPs into schemes that do not have a local office and staff, but the question is about how to enforce this.

Though the interviewee believes that Fylde is able to deliver housing, via the partnership with RPs, to the area (general needs housing and shared accommodation), they believe that the greatest challenge is delivering such housing for those most vulnerable and most in need (temporary accommodation and accommodation for those with drug, alcohol, and mental health issues). “The delivery works fine,” they explained, “it’s just whether that delivery is actually meeting the housing needs of vulnerable people, especially in the current homelessness climate we’re in.” In effect, the appetite is apparently not there from RPs to provide housing for those most vulnerable populations, particularly those coming from homelessness. RPs are reticent to move away from general housing needs provision and take on the risk of providing housing for vulnerable populations with high needs. There are also political dynamics at play contributing to this situation – the Fylde area is fairly affluent and all proposed development for temporary accommodation or for housing people with complex needs would need to have a community impact assessment. Because of these dynamics, the interviewee fears the council is in “danger of excluding people on low incomes and people with mental health, drug, and alcohol issues” from the affordable housing stock.

Fylde recently conducted a housing needs survey,<sup>168</sup> which confirmed some of these concerns. It concluded that “the local authority is creating a benefit-dependent private rented sector,” as its most vulnerable residents are unable to access affordable housing and thus are only left with limited options in the private rented sector, which is less affordable and comes with fewer protections. General challenges surrounding inflation, building materials costs, and post-pandemic slowdowns are affecting local RPs in their housing delivery as well

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168. <https://new.fylde.gov.uk/housing-survey-new-households-and-younger-people-have-your-say/>

## Leeds City Council

Leeds City Council's direct housing delivery programme was approved by the city's Executive Board and subsequently launched in 2019, following the lifting of the borrowing cap on the HRA. The main impetus for Leeds' direct delivery was and continues to be addressing the affordable housing needs of the city as part of its wider affordable housing delivery strategy which was approved in September 2022. The Council's direct delivery programme consists of a combination of new build developments and acquisitions mainly of ex-Right to Buy (RTB) stock and currently has a pipeline of around 1,200 homes, of which 600 have been delivered by December 2023. All of the sites thus far have been council-owned (though they may need to look at purchasing privately owned sites in the future) and undergo feasibility studies and viability assessments.

The sites range in size – the largest has been 116 homes plus a 60 unit Extra Care Housing scheme for older people and the smallest has been 9 – and are sometimes procured together and sometimes on their own. Funding was identified for the programme at the start and additional sources have been secured incrementally since then. A further 300 additional affordable homes have been delivered on Council owned land through Registered Provider partners who are helping to meet the demand for new housing through nominations from the Council's waiting lists.

Leeds does not currently use an arms'-length development company or joint venture model but has commissioned work through the West Yorkshire Combined Authority to look at a range of delivery models and remains open to utilising different tools and approaches depending on the opportunities that arise to deliver additional affordable housing in the city.

During the creation of the programme, Leeds did consider establishing a local housing company to execute on housing delivery. While the option has not been discounted entirely, Leeds believes it is not an "option at the moment." This is for a number of reasons. One is that local housing companies rely on a consistent land supply to function efficiently, which is something that Leeds City Council cannot offer presently.

Another consideration is that a council-backed local housing company would essentially operate as and compete for sites with other registered providers in the area, which Leeds wants to avoid so as to support the ability of RP partners to continue their positive growth in delivery and not risk valuable relationships that have been built over time.

The overall council housing stock in Leeds is ~53,000 homes, though it is dwindling via Right to Buy sales, which have historically outstripped new council supply. In the last year, for example, Leeds sold 673 properties through RTB. The large volume of RTB sales generates significant receipts, approximately £20 million per annum based on around 600 council house sales. The receipts must be used to provide replacement

housing, or, if unused, returned to HM Treasury with interest. For that reason, the Council has funded the delivery of the vast majority of its programme through RTB receipts rather than Homes England grant funding, with the exception of a number of homes to meet the needs of homeless people.

Demand remains very high: the housing register has around ~26,000 households on it, of which around 5,000 are in priority need. There is apparently a large waiting list and every additional council home can generate further opportunities for relets as people are able to move to homes which more suitably address their needs.

To execute the programme, the council has a Housing Growth Team, which is comprised of about 20 staff, supported by colleagues from other departments within the council, including Planning, Highways, Legal, Procurement, and Finance. Technical and contract management support is predominantly provided through a joint venture partnership with Norfolk Property Services (NPS), part of Norse Group. Moving forward, NPS's role will become more expansive, as they will design some of the schemes that are part of the direct delivery programme, with procurement of builders at a later date (this is in contrast with how things have worked to date, whereby building contractors bring with them their own design teams). In both these internal and external contexts, collaboration is key to the way Leeds directly delivers housing and, at least to this point, has apparently worked well.

More broadly, this programme fits within a wider affordable housing delivery strategy, which is outlined in the Leeds Affordable Housing Action Plan.<sup>169</sup> This strategic vision is comprised of three elements: (1) direct delivery, (2) regeneration (including working with registered providers, assisting with land acquisition), and (3) planning (securing Section 106 and CIL contributions). While these three teams work together, they also have “distinct responsibilities.” Embedded within the direct delivery bucket is the Council's acquisitions programme, which is a critical tenant of affordable housing provision in Leeds.

The acquisition programme is made up of three avenues: acquisitions (1) of new build housing, directly off developers, which is the smallest part of the programme; (2) of former council homes via the Right of First Refusal process, which is the majority of acquisitions within the programme; and (3) of former council homes not via the Right of First Refusal process. In total, acquisitions make up roughly one third of the council's Housing Growth Programme, with 282 properties acquired in total thus far. There is also an element funded via Homes England via the Rough Sleepers Accommodation Fund and Local Authority Housing Fund.

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169. [https://www.leeds.gov.uk/plans-and-strategies/leeds-affordable-housing-growth-partnership-action-plan#:~:text=This%20Affordable%20Housing%20Growth%20Partnership,RP\)%20partners%20on%20the%20Leeds](https://www.leeds.gov.uk/plans-and-strategies/leeds-affordable-housing-growth-partnership-action-plan#:~:text=This%20Affordable%20Housing%20Growth%20Partnership,RP)%20partners%20on%20the%20Leeds)

In terms of barriers for Leeds to directly delivery more housing, land availability is a barrier. Simply put, without a steady supply of land – either privately or council-owned – the council is limited in what they can achieve with respect to direct delivery. Inflationary pressures and increased construction costs have had a large impact in recent years and are a barrier to expanding Leeds’ direct delivery work – in one example the interviewee mentioned, inflation caused one project to stall for a number of months whilst savings and efficiencies were explored to deal with higher costs following a market testing exercise. Building costs are likely to continue to affect our projects moving forward.

Another barrier is contractor appetite to tender for housing schemes in the current market conditions. The availability of funding (or lack thereof, again) is also a major limiting factor, especially because of the fact that projects can only be funded up to 40% by RTB receipts, with the rest usually made up of borrowing, the costs of which have increased and are real challenge for many HRAs.

While the council tries to pursue every avenue that might be open to them (recently, for example, putting all projects forward for a new stream of funding for brownfield housing from the West Yorkshire Combined Authority), funding is always an issue and shapes what might be possible. Finally, on the acquisitions side of the programme, the acquisitions cap imposed by Government rules places an annual limit on the number of acquisitions that can be funded through RTB receipts.

Though the Leeds Core Strategy (part of the Leeds Local Plan) has contained a policy that seeks biodiversity net gain, the requirement for at least 10% as set out in the Environment Act 2021. The impact of the Biodiversity Net Gain policy and other planning policy requirements on the direct delivery of council housing sites might mean some are not viable without additional subsidy. The council housing growth schemes seek to incorporate these requirements and has been an early adopter of alternative energy strategies for its direct delivery programme, whilst accepting this has resulted in some increased costs for the programme.

Leeds’ direct delivery programme is implicitly linked to, and predicated on, the planning and placemaking principles set out in the city’s Local Plan, Local Plan Update, Neighbourhood Plans and other key planning documents. Schemes must embody these values. More tangibly, members of the Housing Growth Team have early sync meetings with the council’s Planning Department to discuss sites under consideration and the needs and specific issues for them and their surrounding areas.

Finally, the local political climate is supportive of the council’s direct delivery of housing and affordable housing delivery more broadly: the “general drive and recognition from local politicians [is] the need to deliver more affordable housing.”

## Sheffield City Council

Sheffield City Council engages in direct delivery of housing through its stock increase programme set out in the council's new homes delivery plan in 2016, revised in 2019. Between 2019 - 2029, the council plans to deliver 3,100 affordable rent homes including 1,600 new builds and 1,500 acquisitions through s106 and the market. The council has regenerated between 500-600 properties and has a joint venture with The Sheffield Housing Company. The council also has its own HRA land which it is using for housing development and using former care home sites where land is no longer required for use by other council services, which the housing service purchases at market value through appropriation. The council has a Housing Growth Board which is part of the Sheffield Together initiative that is supported by Homes England and includes housing associations, local property associations and the council's Chief Executive.

The council works with other local authorities to compare development costs, with current tenders being between 50% and 150% higher than estimates. All historic and current tender prices feed into actual cost data for estimates for projects. The council has also found that constructors are not prepared to take on risk of fluctuations within contracts in the current market, are taking longer to agree contracts, and require more site investigation works to eliminate risk before commencement on brownfield land.

The council is active across a range of housing delivery methods and considers local housing needs when providing new homes. These include the requirements of the Council's housing teams, updated building regulations and safety. The council has no overall political control and the Housing Policy Committee is currently chaired by the leader of the Green Party. The council is still losing considerable numbers of homes through Right to Buy and last year this was 420 homes including some that have been very recently provided.

The council has previously minimised discussions with housing associations on potential new developments and partnerships as there were reports of poor estate management in certain areas leading to political mistrust, alongside the council's own plans to directly deliver. This has now been reconsidered, issues and myths resolved and reversed in the face of the mounting housing needs and the shortfall of over 900 affordable homes per annum. This has meant that all providers need to be included to meet the affordable housing supply challenge. There is currently no formal concordat or framework for working with housing associations.

The council is working with Homes England on regeneration sites which are being assembled into a single ownership. The council is not able to work with Homes England to access grant funding through the Affordable Homes Programme at present as there is an outstanding issue relating to due diligence in existing properties which needs to be resolved before resuming former working arrangements.



Even before concerns about building safety emerged and sustainability concerns increased, the council took a 'fabric first' approach in direct delivery of housing. There has been a focus on a range of approaches including rainwater harvesting and MVHR (Mechanical ventilation with heat recovery) systems. The provision of roof PVs (solar panels) has been a priority but where this is now prohibitive in terms of cost and other priorities, the homes are designed to be able to be retrofitted with PVs at a later date. The council has a programme for heat pumps and is considering the role of embodied/operational carbon as part of its local plan policy discussions.

Sheffield Housing Company, the council's housing company, is committed to delivering 2,000 homes over a ten-year period and some of this stock has been purchased by the HRA. This housing company is a JV with Keepmoat and Great Places Housing association.

The council is continuing with the preparation of its Local Plan and the refreshed Housing Strategy and the housing stock increase programme is part of this. The Housing Growth Service, the commissioning client on behalf of the council's housing department, has relocated from Housing into the new City Futures portfolio alongside Planning, Infrastructure, Property, Regeneration and the Capital Delivery Service. All these services are now located together in the same office which promotes further joint working and is a key component in the success of housing delivery by the council. Close working with Housing colleagues is still critical to this success. The property and regeneration teams are developing a cluster sites model with Homes England. There are also master plans for new homes within the city centre and priority regeneration areas and use of a brownfield fund for land assembly, that is recycled. A new Housing Board has been set up to ensure internal cross-portfolio and cross-service challenges to housing delivery are discussed and overcome.

Although there are many challenges in maintaining the delivery of the city council's housing objectives and programmes, officers are seeking to find ways to achieve delivery and meet housing need across the city. They are looking at using acquisitions strategies, leaseback models, joint ventures, partnerships with housing associations and utilising surplus land that the council owns, or intervening in private sector land assembly and enabling, where this is possible.

## **Stratford-upon-Avon District Council**

Stratford upon Avon Council was initially identified as a local authority that appeared to be less directly engaged in housing delivery in the 2023 desk survey than others. The Council does not have an HRA, housing company or joint venture and it does not indicate directly how it works with housing associations through the use of s106 affordable homes provision, although it does have a website on developing affordable homes.<sup>170</sup>

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170. <https://www.stratford.gov.uk/homes-properties/developing-new-homes.cfm>

However, through the case study interview, the council indicated that it was more active in the provision of affordable housing than this survey finding suggested. The local authority area is very popular for developers and the council has been able to provide affordable housing through negotiation of planning applications for market development. In 2022/23, 540 affordable homes were provided of which 60% were for rent and 40% other affordable tenures and over the last ten years it has delivered 2,709 affordable homes.

As housing completion rates have been slowing, the council has benefitted from additionality funding from Homes England where housing associations have been able to purchase unsold stock from developers, including 18 pilot first homes. There are no developments for market rent. The council has not had a significant issue with procuring temporary accommodation for those who are homeless. The council's waiting list for rented accommodation comprises just over 6,000 households. The council does not own much land and has not used any of this land for housing delivery.

The local authority has just been through political change to Liberal Democrat from Conservative control and the councillors have remained supportive of the approach to housing delivery. The council was considering a merger with its neighbour, Warwick District Council but this has now been halted. The Housing Policy & Development Team is located in the planning and development team and this has been an essential feature of accessing knowledge of proposed new developments and then being able to negotiate the delivery of affordable housing. The Housing Policy & Development Team has also been able to increase the awareness and skills of the planning officers, including in Development Management, of what the council requires to meet need and what it is able to do. The team's work spans across all aspects of the planning department's functions and provides support by preparing policies which enable the council to achieve more affordable housing and then to seek the implementation of this through negotiation on individual schemes.

There is a Development Requirements SPD and the council has prepared model s106 affordable housing clauses in a template which relate to different geographies in the authority. The council also provides over 20 on-line case studies of different types of housing development with affordable housing provision in their area. Much of the success in negotiation has been achieved through the team's involvement from the outset in pre-application discussions. The council has been able to negotiate fewer 4 bed homes, as 2/3 bed homes are more affordable. In terms of s106 homes, housing associations apparently do not like to accept 1 bed homes, although for-profit housing associations will accept all types of stock.

There is also a focus on rural housing as there are 112 parishes in the district. The council funds a full-time independent Rural Housing Enabler to help local communities bring forward rural schemes to meet their housing needs. On planning policy, the council would like to do more on space standards, lifetime homes and

greener development. The council would like to use policy to push up green standards, although the council is finding that housing associations are more advanced with their standards than other developers. However, it is hard to find sites with sustainable locations as the area has poor public transport, although some areas have access to trains.

The council has a good relationship with its local housing associations and meets them quarterly. The council receives nomination rights for affordable homes from HAs. This collaboration is seen as essential and Homes England introduce the council to additional HAs that might work in the area. In the longer term, there would be a preference for less focus on first homes and greater opportunity to determine how to meet local needs rather than this being set through a more formulaic approach by government. The council has local needs schemes, where it seeks to keep communities going and address issues for young families and older people. There is also a need to support the local infrastructure such as schools.

Overall, the council considers that it is able to deliver well, not least because it is in a popular market area. At the same time, the support of councillors and the twin roles of the Housing Policy & Development Team's officers within the planning service makes a crucial difference to the scale of affordable housing delivery, given their involvement at every stage of the planning process from policy to wording of s106 agreements.

## West Lancashire Borough Council

West Lancashire Borough Council has directly delivered housing via its wholly-owned development company, Tawd Valley Developments Limited, since 2019. Though the Council has a “track record of doing small amounts of development work within the council,” to “do it with any meaningful scale is quite challenging...within local government itself, so having a wholly owned vehicle...[has] proved beneficial for us to do it that way.” Thus far, the programme has undertaken seven schemes, which have gradually become larger – moving from 11, to 13, to 22, to 27, to, most recently, 50 homes, with two additional projects in the pipeline between 50-70. The council's direct delivery work has an aspirational target of ensuring current council housing stock levels remain constant (including acquisitions in addition to delivery for ‘no net loss’), as well as more numerical five-year direct delivery targets.

The motivations for West Lancashire's direct delivery work are four-fold. First, direct delivery work is “naturally aligned to [the] corporate vision and priorities” of the council – especially around “diversification of housing stock and meeting housing need” and “improving health and wellbeing of residents in West Lancashire” – as articulated in the new Local Plan.<sup>171</sup> Indeed, the council sees housing as a “core foundation of successful communities and families.” Second, the council has existing stock (making it a retain landlord), and thus already had the skill and knowledge of regulatory requirements in

171. <https://www.westlancons.gov.uk/planning/planning-policy/the-local-plan/the-local-plan-2023-2040.aspx>

place necessary for managing housing stock as a local council. Third, the programme attempts to address the affordable housing shortage in the area and “truly meet local [housing] needs.”

Meeting local need is seen as less straightforward for developers, whether private or social, as they “will fundamentally develop what’s financially preferable for them.” That the council is the only landlord in West Lancashire building bungalows, shared ownership bungalows, and four-bedroom houses with ground floor bedrooms and wet rooms (designed for families with children with disabilities) evidences this motivation and attempt to meet local housing needs. Finally, fourth, direct delivery helps the council retain its stock. West Lancashire currently has a council-owned housing stock of ~6000 homes, of which ~50-70 are lost each year through Right to Buy. In effect, the interviewee explained, without intervention this means that the council is managing a declining asset, “losing economies of scale [and] longer term business plan.” As a result, the “ability to do more good and meet local need...diminishes.” Conversely, retaining stock allows the council to “do an awful lot more good.”

Initially, one of the biggest challenges to the council’s direct delivery ambitions was the “resources and time and financial resources you need to set up a development company – it’s not small, it’s not too shy of circa £800k basically.” It was largely grant funded, ultimately, which supported the creation of the development company vehicle; without the grant funding, the council “would not have been in a position to set up a development company.”

Another important factor which presented “significant challenges and significant delays to progress” of the development company was local political opposition, which advocated against establishing the development company in the way that it was. At the time, a Labour-led Council drove the creation of the devco, the governance arrangements and the Council funding arrangements were two of the key points of contestation from the opposition. Following a political transition into ‘no overall control’ the council carried out an independent review to listen to all the issues and objections from all parties. In response, they then made some revisions to the governance arrangements and revisited the objectives of the development company. One of the key changes was making it such that the development company could only operate in borough (the initial governance allowed the company to operate outside the borough as well), though it can partner with housing associations and other councils outside of the borough on projects and bring any profits back into West Lancashire. While productive in achieving broad political support for the development company, the review process also came at a cost: it took 12 months and “led to delays which had financial implications for both the Council and the company.” In this way, the interviewee explained, local politics “plays a significant role in our ability to deliver,” in particular affecting the “securing [of] funding [and] decisions for specific schemes.”

A number of barriers have emerged since the creation of West Lancashire's development company which prevent it from expanding its work in terms of delivery numbers. These range from the more ordinary – land availability, inflation and increased build costs, planning delays (“timescales of planning is problematic because it increases your cost”), availability of labour (“not seeing as many contractors bidding for work as we did previously”), greenbelt areas limiting developable land, new government policies creating challenges to viability (e.g. the new Biodiversity Net Gain policy), increased renegotiations with contractors due to varying material costs, suppliers going bust and so on – to the more West Lancashire-specific. In the case of the latter, these barriers include challenges related to governance with members and challenges around projects which seek to regenerate existing stock which is outdated and difficult to modernise – for example Skelmersdale (although the interviewee did note how recent changes to Homes England's funding requirements have made it potentially easier to get more funding for these kinds of regeneration projects).<sup>172</sup> While these barriers to additional direct delivery are manifold, the interviewee articulated a belief that they can be overcome “if you have a clear strategy in terms of what your issues are and what you're trying to address.”

West Lancashire's work also highlights interesting and important questions around how timing impacts alignment between housing delivery and overall planning/placemaking strategy. While the borough's local plan is being revised, the housing strategy is apparently overdue a refresh. Though one would intuitively assume that a council's housing strategy would sit alongside and be informed by its local plan, in this case the revision timelines of the two have led to the review of the latter previously being deferred. As the interviewee described, “strategically, [this] presents a challenge for us.”

To address this situation, West Lancashire's housing delivery team is in conversation with both the planning team and the larger county council that the borough sits within to try to create alignment between housing needs and strategy as best as possible. Though there is still “some ways to go to having that long term view of what the needs are in West Lancashire,” the council is actively collaborating both internally and with the county council to address specific local housing needs, such as adult and “early years” social needs and the shortage of one-bedroom and “HMO-type accommodation” particularly for adult single males who have been left vulnerable after central government changes to the rules around housing benefit eligibility.

Interestingly, the interviewee noted how this kind of collaboration – both internally and externally with the county council and Homes England, for example – is especially important today. Of course, “you'll always get more done with collaboration” as a baseline, but this is especially the case in the current context in which local councils have been forced in many instances to shift their role to that of enabler after decades of austerity and diminished internal capacity. In this climate, relationship management

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172. <https://www.westlancs.gov.uk/news/new-skelmersdale-tawd-valley-centre-complete-as-borough-gets-ready-to-embrace-a-bright-future.aspx>

and stakeholder mapping become critical to your ability to meet the needs of your communities. Indeed, West Lancashire is updating some of their thinking in this regard to align with the new local plan – though it is more challenging without the robust and formal infrastructure for collaboration and longer-term strategic planning that, for example, mayoral combined authorities in Manchester and Merseyside provide.

Finally, the interplay between climate-related policy and West Lancashire’s direct delivery elucidates a slight tension that local councils face. Central government policy objectives – like the 2050 carbon neutral and 2030 EPC C targets – come with “very little central government funding...to support the delivery.” As a result, West Lancashire has to “redirect finite financial resources” and focus more resource on meeting our carbon targets as opposed to on building new homes. Policies like the Social Housing Decarbonisation Fund (SHDF) do help, but their impact is limited. The interviewee gave an example of a £7million project they are doing around EPC C enhancements for which they have received circa £2million from government. That government funding, though, comes with a mandate to complete the project in 18 months. As there are a limited number of contractors who can do the fairly specialised work, and many other local councils and register providers are doing the same or similar SHDF-funded work on the same or similar timelines, the value of the £2 million is reduced in practice as the contractors can drive up prices with increased and time-sensitive demand. Even at a more local level, West Lancashire’s commitment to deliver carbon net zero homes in its direct delivery programme presents a similar tension. Because such homes “don’t stack up financially” and require grant funding (which is limited), “there’s a payoff here: we can’t afford to build homes that are carbon zero, so do you not build homes? would be the question.”

## Case study conclusions

The case studies illustrate a variety of approaches to local authority delivery including directly under the HRA, through local housing companies and via a range of partnership arrangements, often reflecting particular local circumstances. Homelessness and demand for temporary accommodation are putting widespread pressure on local authorities, and may partly explain the high level of political support particularly around affordable housing delivery in such a variety of different types, locations and party control of authorities. There are examples of housing delivery being linked to wider objectives (particularly place shaping) and increasingly seen as a core foundation of successful communities, internal efforts to facilitate collaboration between different teams within councils such as planning, housing and regeneration, and efforts around acquisition of housing as well as new build as a means to boost local affordable supply. We can see, as was starting to emerge in 2021, that for stock retaining authorities the lifting of the HRA debt cap has allowed them to expand programmes of direct delivery of housing. For non-stock owning authorities, arrangements may be more partnership driven approaches but with successful examples of collaboration with a range of partners.

There are, however, clearly a range of challenges for local authorities. Inflation and construction costs (including both actual contractor costs and estimates) alongside the availability of labour have become much more prominent issues than in our previous reports, as discussed in these case studies. This has made some schemes no longer financially viable, and in other cases led to reductions in planned programme sizes (in terms of the number of new homes to be delivered). Right to Buy continues to be a challenge, with discussion of losses outstripping new supply, restrictions on spending receipts and the double whammy that with RTB the authority not only loses an affordable home but also the rental income from it. There was also some discussion around challenges collaborating with non-locally based or connected Registered Providers and lack of interest in providing from particular special needs or most vulnerable groups.

There was increased discussion around environmental and climate change related goals and aspirations in these case studies compared to previous iterations of the research, including examples of authorities delivering housing with heat pumps and either provision or, or passive ability for, solar panels. Stock retaining authorities have made plans for improving the energy efficiency of existing housing, however there was discussion around tension between these higher standards and net zero ambitions and the number of new homes that can be delivered and that with too little central government funding to support this, it is a further area of challenge for authorities. With authorities also well experienced with Section 106 agreements to secure affordable housing and discussing success around these (such as with model affordable housing clauses, well established development requirements SPDs and so on), it is also easy to see as reported in the direct survey that there may be concerns around the new Infrastructure Levy requirements.



## Key issues that have emerged during the 2023 research including the Roundtables

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### Introduction

In this section, we draw together the range of findings from all four sources of information – the desk survey, the direct survey, the roundtables and case studies and consider which issues are being expressed by local authorities in England as they seek to provide housing. These issues are drawn from the desk and direct surveys and the case studies as reported separately in this report and a range of roundtables and some housing group meetings that have been held in 2023.

When considering discussion in the wider housing development community, at commercial conferences and seminars, this is primarily focused on housing associations and there is little mention of local authorities as providers. This may reflect the legal position of housing associations as now being outside the public sector but this lack of focus from within the industry is interesting. Within councils, it is possible to see closer working between housing and planning teams becoming the norm and undertaken in a variety of ways. Where the housing team have specific types of property required to meet different need groups, this is often being fed into the planning team's negotiations. The overarching concern about rising costs and viability within council schemes has led many councils to find new ways of providing homes



which they had previously discounted including with developers and housing associations. Many of the issues that we are reporting in 2023 relate to the changing norms of interest rates and easy access to loans for housing in the 2008-2022 period. Many councils have been able to be active enablers and providers but increases in interest rates in 2022 and subsequently have created a number of challenges which are expressed here.

## Roundtable methodology

There were seven roundtable discussions undertaken during the research. Of these, four were held under the auspices of the RTPi in the South West, North West, South East and North East. East Midlands Councils held a roundtable for its members. In addition, there was a roundtable held with the Councils Network of the Housing Forum and with a group of HRA authorities held at Savills and both of these had national representation. There was also a session with the GLA. The roundtables were a mixture of face-to-face and online events. Each of the roundtables used the same set of questions for consideration that were circulated to participants before the event. The development of discussion during the roundtable often reflected the experience of the participants who were drawn from local authorities – primarily housing and planning officers. The roundtable questions covered some of the issues in the direct survey including the longer lasting effects of the COVID-19 pandemic on council policy, what are the barriers to providing more homes and what are the relationships with partners such as Homes England. It also asked about the council's internal working relationships for delivering housing and whether these were changing and the role of master planning and regeneration in providing support for housing delivery. Each roundtable lasted between 1.5 to 2 hours and they were conducted between March and September 2023. The roundtables are not reported separately but included within the analysis (in this section) of the key themes derived from the four research sources. We now turn to consider the key issues emerging from the data, grouped by broad theme.

## Funding, procurement and pipeline

### Finance

The issue of funding for housing provided by local authorities is the greatest challenge in 2023. Specifically there are considerable budget pressures from the provision of temporary accommodation and its associated costs in supporting households. There are also continued issues related to the Local Housing Allowance levels and uncertainties about future rent levels permitted by government. While some councils have issued s114 notices to indicate that they cannot meet their financial obligations, councils have not defaulted on their loans. Once having issued a s114 notice, the council will pay higher interest rates on loans as they will have a lower credit rating.

Overall, councils remain very stretched financially not least as their budgets have been reduced by central government. This is having some perverse effects on council provision of housing. One issue is the way in which any council accounts for its own property assets. In some councils, the property team are provided with income targets that can only be met by charging market rents and disposing of housing sites, into the HRA or council companies, at full market value. While this might provide a capital receipt for the council, it is not offsetting costs elsewhere in the council where the provision of more housing would reduce them. Some Directors of Finance take a cost benefit approach to housing provision, making sites available at low or no cost where the use of the site will meet specific social housing needs. Councils also seem to use a mixed range of practices for the valuation of disposals, for example some stating that only the best consideration can be used as opposed to the best consideration for the use the council specifies. This calls for councils to consider their assets and budgets in the round and have a wider discussion within councils about the sale of assets to provide housing.

More broadly, there needs to be a consideration of the valuation of council assets, including housing, to bring practices in line with those in other OECD countries and the same as the private sector and housing associations. If the International Financial Reporting Standard (IFRS) was to be adopted, as agreed by the UK in 2007, then councils would be also required to keep their housing assets in good order through maintenance and there would be more funds available to do this. There has also been a consultation on the use of public pension funds to provide housing.

Much of the funding being made available from government is very short term and comes in tied projects through deals or to meet the needs of specific groups. Some of these announcements and requirements have very short lead-in times and can result in delays for acting on more mainstream issues of housing delivery. While the funding for town centres and other deals is useful when local authorities are short of resources, they are not making long term contributions to the provision of housing.

Overall the main issue in the provision of funding for housing remains locked up in HM Treasury, whose accounting methods do not generally favour longer term capital investment over short term revenue expenditure and savings. There is a further issue on the way in which accountability for public expenditure is made within the UK constitution. Each permanent secretary of a government department is the accounting officer for all the expenditure in their department's range of responsibilities. Hence the responsibility for local government expenditure sits with the accountable officer at DLUHC, who is its permanent secretary. In 2023, the Treasury imposed a curb on all DLUHC expenditure without their specific approval. This system requires change as part of wider constitutional reform for devolution in England. We were told that local authorities providing homes are not considered to be trusted by government and are considered to be underperforming, although the government could improve its information on the role of councils in providing homes by non-HRA methods including through joint ventures, companies, working with housing associations and masterplanning.

Institutional lenders have higher ESG standards for the use of their funds as we reported in 2021 and the effects of this can be seen in different ways e.g. through the use of heat pumps and other carbon reducing approaches introduced by volume housebuilders. We have heard of an investor who has required an hourly BIM report on the performance of buildings in which they have invested. If institutional investors cannot be assured of housing being provided at required ESG standards, there may be a risk that they move their investment to other countries where this can be guaranteed. If housing stock is not being improved or retrofitted, then it might have a serious negative effect on valuations of the homes by 2045. Funders are expecting more decarbonising partnerships to be established to retrofit existing housing stock. While the government remains focussed on expenditure on new homes, the need to retrofit remains a lower priority and local authorities consider that this needs to be addressed.

The additional costs of housing finance since September 2022 have brought the expected interest rates near to 6%, which reflects the average over a 50 year term in the UK, but one that has not been used since at least 2008. This has led to a slowdown in completions and starts of new homes. While there is more affordable housing being provided, the rent caps and housing allowances make this a declining sector. This slowdown in the market will remove capacity both in construction and in development teams particularly in housing associations. There have been some indications that these housing association development team members are transferring back to local government, where many of them started their careers. On the other hand, housing associations have financial surpluses which those in the industry consider need better explanation on how they are being applied.

For many councils, their housing provision strategy is shifting from development to acquisition and focussing on an asset management strategy. Councils, like other housing providers, need homes to generate rents and an increase in the loss of housing through Right to Buy sales is serving to reduce their net stock even where RTB receipts are being used increasingly to purchase former RTB properties, homes from developers or street properties. In Newcastle-upon-Tyne, the council has established a Fairer Housing Unit and this has developed a lease back model which is similar to PFI.

While there have been reports of lengthening mortgage terms to assist households on to the housing ladder, there are also reports of funding being offered to housebuilders on a shorter term. The government has provided local authorities with a two year period where they can retain 100% of their RTB receipts in order to provide new housing. This is still a short timescale and councils are focussing on acquisitions. Homes England also has been providing funding for additionality i.e. where councils can acquire homes that are surplus in the market. Councils are wary about what is to come including the rent cap.

There has been some discussion about changing the accounting system for councils to include net worth as in New Zealand but HM Treasury appears to have a blind spot for capital investment and maintains a cash focused approach. Overall, there was a view expressed that all council assets are undervalued and this should be addressed to enable them to leverage more finance to provide new and improved homes. There may be a potential for government guarantees to secure more private sector 'build for rent' homes if the government could provide an occupancy guarantee. The acquisition of land through compulsory purchase mechanisms still remains an issue despite some government commitments to address this. Finally, an issue remains that the 2017 report addressed, namely that some councils are still repaying Government debt for housing that was taken out at historically high levels in the early 1990s and this continues to have a heavy impact on local authority revenue budgets and reinvestment in the provision of additional homes.

### **Procurement**

A number of issues have emerged concerning procurement in 2023. Homes England has stated that there can be a 50/50 split in consideration of quality vs price although, in practice, price remains a top priority. On general procurement, some councils have reported tenders which have been received at 125% over expected costs. Even when a constructor has been selected or achieved preferred bidder status, they are refusing to finalise their agreements until a range of other work is undertaken, such as on ground condition surveys.

In some cases, construction firms have gone into liquidation during a project and this has placed the council in a difficult position in trying to find another construction company. In some cases, where the council has not been the main client for the housing when the constructor has gone bankrupt, the council has taken on the project in an effort to achieve completion and to reduce other costs such as pilferage, social dangers and a local eyesore. Overall, it seems councils are wary of contractors and in London there is a benchmarking club where councils compare tender costs.

Some councils have been considering the golden brick approach where it is possible to take on a site from another developer at an early stage and remove the requirement to pay VAT using the Procurement Regulations 2015. The 'golden brick' is the first laid once the project is out of the ground. There are different views on this and some councils have had different legal opinions. A further issue was raised in discussion about the ability to change the development if it is taken on so early in the process to make it fit more nearly to the council's needs but some state that there have also been procurement legal issues raised about this approach to delivery.

### **Pipeline**

During the course of our research since 2017, we have noted that housing programmes for delivery have increased in many councils. This has been supported, in part, by the removal of the debt cap for the HRA but also reflects the extent to which confidence

and experience within local authorities has increased. Some councils have significant targets such as Oxford City Council which has a programme to provide 2,000 homes over 10 years, which is currently achieving 100 per year and will ramp up over the period. Sheffield has a housing increase programme of 3,100 additional homes between 2018-2029. Other councils measure their delivery in completions but also on the number of sites completed or being developed such as Newham and Lewisham.

While councils have maintained the development programme for schemes that are on site, there has been some fear expressed for the provision of new schemes within the future pipeline. In some cases, councils have decided to sell their consented schemes to housing associations rather than to develop in-house. One council reported that they are just completing their own scheme for nearly 150 homes, of which 90% are social rent but there is concern for the future pipeline in the HRA for this council.

Where councils have politically committed programmes for housing, such as Maidstone which has a capital programme for 1,200 homes, the increase in costs in the last year may mean reviewing and extending the length of their programmes. Councils are also aware that if they are going to keep their pipelines going, they may to acquire more land and this has been seen in the direct survey.

Some councils have only recently started to provide homes again, commencing with small programmes with the intention of delivering a larger pipeline over time. In Kirklees, the council has committed to a pipeline of 350 homes over five years from a start of 7 homes in 2020. However, the recent increase in costs is making some councils consider the sale of their sites to other providers in order to maintain their delivery programme and commitments.

Some councils are adding to their stock by remodelling their larger properties. Where larger properties have been subject to Right to Buy, new owners have often extended them into the garden or through loft conversions. Several councils are seeking to increase their stock in this way and particularly as a means of providing larger homes, which are always in short supply.

## Approaches to delivery and types of housing

### Delivery of council housing through the HRA

When the Government lifted the debt cap in 2018, there was an assumption that councils with an HRA would be able to provide more homes and those who no longer had an HRA would consider reopening one. While councils with an HRA have generally increased their programmes, these are now being pressurised by grant levels available through Homes England and the Mayor of London. Some councils have taken on a new programme since 2018 and Colchester, for example, will deliver 350 homes through the HRA by 2024, mainly by acquisition. Others have a housing budget which they are finding it difficult to spend on new build and are also focussing on acquisitions.

For those councils without an HRA, in 2023, 11 councils were reported as considering reopening of their HRAs in the direct survey. A few have reopened or are considering doing so such as Maidstone and Bromley but perhaps not as many as expected. A range of reasons have been given for this including the maintenance of the Right to Buy policy and the difficulty in finding finance staff who are familiar with the complex finance system that accompanies the HRA.

Councils with an HRA report competing demands on making existing stock safe and responding to routine inspection to deal with damp and mould or to meet the updated Decent Homes Standard. This may mean not being able to improve homes to meet net zero standards. Councils also report that it is expensive and difficult to find inspectors and then to find contractors who can undertake this work. There is also considerable pressure in the funding for cyclical stock inspections.

### **Council housing companies and joint ventures**

The number of councils with a company or joint venture has slightly reduced since 2021 but many council companies are still developing and have programmes of acquisition. Some are being reviewed or having their programmes frozen. For joint ventures, there appears to be an increased appetite for these from the private sector, which regard them as more secure forms of development as the risk is shared between the parties. One major development company, Vistry (which includes Countryside Homes), has announced that it will no longer be providing homes for direct sale and will focus instead on working with local authorities and housing associations. The use of local authority companies remains varied. Some are using them for acquisitions and then making homes acquired available at market rents as a means of supporting their supply of temporary accommodation.

### **More builders and developers working with local authorities**

Overall there appears to be greater working between local authorities and private sector organisations to provide housing. There seems to be more willingness from some parts of the private sector to engage in this way while others appear to be turning to institutional investors with their higher ESG standards. For private sector companies, local authorities are seen to provide less risk and can be flexible about changing tenure patterns within developments. Also local authorities are one of the main purchasers of surplus housing completions during a market downturn which also supports the move towards acquisition over new build as a rapid means to increase stock in the face of growing homelessness.

### **Enabling vs direct provision**

While not developing or acquiring directly, some councils have a very active enabling programme, where specific support is provided to RPs in return for tenant nominations. Some councils have been doing this for some time and consider that it provides better value for money in their location. However, others reported that the past practices of providing land for little or no cost to housing associations has now gone while other

councils have reported that there are no housing associations who will want to work in this way. There continues to be a move away from holding social and affordable rented stock in some housing associations with some councils reporting concerns about the extent of housing association stock disposals in these categories of home. Spelthorne council has prepared a draft concordat to be used with housing associations in these circumstances. Some councils reported housing associations working like private developers in their particular locations selling properties in higher priced areas, regardless of need, to fund development elsewhere.

In practice, many councils work to provide homes using a number of methods including direct delivery through wholly owned companies and the HRA but also working in Joint Ventures with developers and housing associations. Councils are constantly evaluating the best approach for each site that becomes available and the selection of delivery mode may depend on its location, types of housing need and viability. In Islington, the council had preferred to undertake all its housing directly but is now examining working with a wider range of partners in order to maintain its delivery programme.

### **Affordable housing**

Where councils have policies for the percentage of affordable homes required in market housing developments, this is generally increasing. Some councils still have low percentage targets but we have noted the number of councils seeking 30-40% has increased. Some councils have reported a reduction in interest for shared ownership homes as they are considered to be too expensive in local markets.

The squeeze on the financial markets and the lower percentage of households being able to purchase a home through a mortgage has meant a considerable slowdown in the provision of new homes for sale and accompanying affordable homes provided through planning agreements. The level of grant support provided through the government's AHP has not kept pace with the rising costs of construction so more schemes are not viable in the public sector. This position is reflected in the direct housing survey.

Where councils have set targets for the provision of affordable homes, these are reported to be most frequently met through acquisitions – including more s106, former RTB, street properties, from housing associations and developers. Again, this is also reflected in the direct survey results. In some areas there is no interest from housing associations to take on s106 properties even on large development sites, so the council will to acquire them.

Some councils such as Manchester have had a significant amount of new private sector development but this has not been associated with the provision of affordable housing. The council leadership is now committed to providing 500 affordable homes. The council is also undertaking other projects such as a redevelopment of a shopping centre in Wythenshawe for housing.

## Local PRS markets

Local PRS markets are changing to reflect increased price of rental accommodation and the reduction in stock. In some cases, local authorities are intervening through acquisition of stock at the lower rent levels. There has also been a reduction in buy to let with providers dropping out of the market as their costs have increased.

Middlesbrough council has introduced a licence fee for all PRS homes including those for individual students within HMOs. Some councils are agreeing to take buy to lets into management, with provision for their maintenance to keep them in the supply available. The Build to Rent pipeline is increasing with up to 250,000 homes being provided and this sector is becoming more associated with institutional capital. However, although this sector provides a helpful contribution, there is still further potential for its expansion.

## Older people

Some councils have focused their housing programmes on supported housing provision although some have reported that it is increasingly difficult to provide.

Councils are reporting that housing associations are less willing to provide extra care housing unless they have guaranteed financial support for the tenants. Other councils, which had focussed on supported housing for older people, such as Wigan, have now moved to focus on general needs to keep people in their own homes where possible. Some councils also reported that new regulatory standards for housing for older people make it more costly to provide.

## Modern Methods of Construction

A number of councils are providing some homes through MMC including Bassetlaw, Bradford, Bristol, Darlington, Hyndburn, Kings Lynn and West Norfolk and Oadby and Wigston. Overall, though, there continues to be mixed feedback on MMC. Some councils like Hinckley and Bosworth have undertaken a sheltered scheme with Wesley in Market Bosworth and Lewes council has a relationship with a local company in Newhaven Boutique Homes. Elsewhere, there have been experiences where the ground tolerances for craned in homes has not been adequate and councils are already procuring ground preparation work and MMC homes through the same contract. Other councils reporting good experience include Sedgemoor, now part of the Somerset unitary authority. It has also been pointed out that when councils are building homes using traditional methods, they are already using two and three dimensional modular components.

## Housing quality and policies

### Regulation

The Housing Regulator has new powers and has identified the risk to reputation to local authorities if their housing stock condition is poor. There is also a greater focus on customer and tenant views and requirements, not least as there is evidence that some tenant complaints have been ignored across the whole sector. On the other hand, there are issues about how regulatory standards can be met and a greater focus on



systematic maintenance. This is required in the private sector but not in the public sector across a range of building types. It is argued that maintenance is not a popular political priority although the consequences of not paying attention to it are considerable. The electorate expects public bodies to maintain their buildings as a basic level of activity and do not expect this to be forgotten. Also some councils are moving away from cyclical maintenance to risk based programmes. Some councils reported new ways of approaching regulation including Colchester which has invited both the Fire Service and HSE to meetings together at a pre-application stage for their planning applications.

### **Quality of existing and new stock**

The quality of existing and new housing remains a significant issue and a strong motivation for engagement in delivery. Much of the private housing stock available for rent in many places is of poor quality and is reducing in availability. We have heard that 75% of English local authorities do not have adopted space standards in their local plans and this remains an issue. We are also still hearing reports that housing associations are not taking on homes that have been provided through s106 and these are having to be taken into the management of the local authority. On a more positive note, some councils now have design guides for council homes (Babergh, Darlington, Dudley and Waverley).

### **Temporary accommodation**

The pressure to provide temporary accommodation and its cost is one of the greatest pressures on council finances in 2023. The increased number of those being evicted is accompanied by a reduction of available stock as councils have fewer voids and Buy to Let providers are now disappearing from the market as costs are higher than income, despite rental increases. In London, for example, the available rented stock has diminished by 40% in the 2022-23 period. Many councils have considerable overspends in this part the budget and this is preventing them providing other services. One London officer reported that the costs of the TA budget in their borough would support a £1bn housing development programme. Some councils report having no problems with homelessness before COVID-19 but subsequently there is now pressure. It has also been reported that council officers and members do not want to acknowledge that there is a 'new normal' with respect to homelessness and are not willing to consider wider ranging and long term approaches, thinking that this is only a temporary issue. In one London borough, for example, ten households are reporting as homeless each day. Where councils are purchasing lower end private rented accommodation or homes in multiple occupation to provide for those living in temporary accommodation, then there are frequently consequential homeless families who have been evicted from the homes that the councils are purchasing and some councils are now taking action to safeguard these households as part of their acquisition policy.

Government announcements on the provision of temporary accommodation for migrants and refugees is often given with very short notice and this again can create diversions for the homelessness team's main work and together the pressures are difficult where supply is reducing. Some councils have been focussing on getting single people moved from hostels into more permanent homes and have undertaken specific development to support this. Some councils are focussing on care leavers which they see as a growing group in the future. For some councils like Oxford, rough sleepers remain a priority.

The focus on local authority housing provision has increased since the changed responsibilities given to them in the Homelessness Reduction Act 2017. This has made all councils much more aware of the local housing market and the needs of homeless households.

### **Right to Buy**

While RTB might be more expensive now, some councils are reporting high levels of RTB which removes properties, including larger ones from the available stock. The loss of properties through Right to Buy was the biggest since change identified in an LGA study in 2023.<sup>173</sup> In Birmingham, for example, the council is losing 600 right to buy properties per year. RTB remains the major disincentive to local authorities building more social rent homes through the HRA, even where time restrictions are discussed on specific homes. The experience of over 40 years of failure of stock replacement once sold remains a strong disincentive. On the other hand, there is an increase in councils buying back former RTB homes. This might be to provide temporary accommodation or for longer term estate management or regeneration objectives.

### **Estate regeneration**

While there were some concerns about the introduction of ballots for tenants before estate regeneration is undertaken, we have had some positive feedback on the ways in which these are working in practice. Council officers have told us that the ballots have required more consideration of the proposed regeneration at an earlier stage and once the ballot has been conducted, if successful, then the tenants and the council appear to be more committed to the delivery of the scheme.

## **Local and central governance**

### **Political support for the provision of housing**

Local authority councillors from all parties appear to be in favour of their councils building or providing more homes, even where a council has changed political control.

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173. <https://www.local.gov.uk/about/news/almost-60000-homes-sold-through-right-buy-will-not-be-replaced-2030>

## **The growth in the use of council housing development teams**

There appears to be a growth in closer working relationships within councils where housing delivery is a priority. This might be through the use of a dedicated housing development team, sometimes with housing professionals who started their careers in local authorities, moved to housing associations and are now returning. Some mentioned their close working with specific departments in the council such as legal, in order to maximise their development agreements and also finance officers, who are sometimes embedded in the housing development team. The joint working between housing and planning appears to be increasing and this is operating through a range of formats including creating a single team, giving officers joint responsibilities, meetings on a regular basis such as in Swindon and Sheffield, or ensuring that the housing and planning teams have the same anchor working days in the office each week. In Cornwall and Stratford-upon-Avon, for example, housing and planning policy have been merged. In some councils, there are joint teams working on pre-application discussions and negotiations for housing development. Some of these teams focus on the council's own development rather than all housing proposals and here there are frequently planning performance agreements established.

## **Silos within councils and central government**

In smaller councils, we have noticed an increasing trend for those responsible for planning and housing policy to have a united role and sit in the planning team. This appears to provide a mechanism for integrated working between those trying to meet continuing and growing housing needs and those working in development management. We were told of councils with meetings every two weeks between these officers and in others a requirement that housing and planning officers had the same working days within the office. In larger councils, there does still appear to be a struggle to achieve a 'one council' approach for housing delivery, where housing negotiation and provision may be split between a range of departments or teams, even when within the same directorate. These can be teams for planning, housing delivery, regeneration, estate renewal and special needs housing. There may also be teams working on homelessness and temporary accommodation. Often, each department has separately managed budgets and there are no incentives to coordinate expenditure around communities and the pressure for affordable housing growth they are experiencing

Councils also reported the effects of silos within government where the provision of housing and the effects of under provision are dealt with across a range of departments including DLUHC, Home Office, DWP, DoH, DfT, and DfE. Previous initiatives to promote a more joined up approach like Total Place were short-lived and Trailblazer Devolution Deals proposed for Greater Manchester and West Midlands combined authorities are very specific and selective in the funding to be included in their proposed single settlements to be introduced in 2025.

Some members of housing development teams who have previously worked in the housing association sector have found a lack of pragmatism within local authorities

which can delay delivery. This might be associated with lack of recent experience of housing delivery in authorities. There has also been experience of where different council departments are not sharing information on land and this needs to be addressed more corporately.

There was some roundtable commentary about the extent to which planners were not part of the corporate team and did not appreciate the council's objectives for housing. Planners were described as not being well represented in discussions about corporate approaches to policy but it was not clear whether this was a deliberate exclusion or whether planners were too pressurised to participate. Either way, it was regarded as a significant omission and one that had some influence on the council's ability to deliver its own housing objectives. There was a call from non-planners for planning to be more integrated into the work of the whole council and less sidelined. This is not the case in all councils, not least where we have been told about roles being combined. However, the lack of corporate engagement and the bypassing of planning services within the council to achieve direct housing delivery objectives has been mentioned on a number of occasions. Some planners appear to be focused on the delivery of housing by the market with associated s106 affordable homes on sites allocated within the emerging local plan. It also remains the case that planners appear to be less well informed about their council's corporate housing delivery approach and, as the direct survey found, details of the council's own provision is less utilised in local plans.

### **The effects of local government reorganisation**

For councils that have been reorganised during the period of this research since 2017, it seems that new councils take some time to establish or reestablish the levels of housing delivery formerly being achieved by the constituent authorities. There is little information available about their programmes or internal organisation. Some councils report the relationships between housing and planning as being more distant than they were prior to reorganisation as they are now part of a larger council and further restructuring may be necessary. Also some councils report that many of their staff have left as part of the reorganisation process and that have not been able to attract new ones. There also appear to be struggles in accommodating the different types and level of housing need from the constituent authorities within the new councils. For the councils we talked with before the reorganisation date of April 2023, there seemed to be little discussion of what the new arrangements might mean and almost an expectation that current arrangements and programmes would continue, although this was more considered in the absence of other preparations.

### **Congested priorities**

The direct survey, roundtables and case studies all report the emergence of what has been described as a state of congested priorities. A number of councils are reviewing and reprioritising their business plans in order to take on requirements of new regulations and retrofitting. This may have some pressure on new build and while many councils are maintaining their new build affordable/social rent targets, the programme is

now being lengthened and to take longer to meet target supply. Some councils have reported conflicts between different priorities for housing expenditure within their councils including retrofitting/higher environmental standards and safety concerns. In other councils, there are specific issues which take priority such as incidence of flooding. Overall, this appears to be having a significant impact on new build schemes with the financial climate and the pressures for temporary accommodation creating much greater focus on acquisition of homes above all other modes of stock increase.

## Planning and land

### Planning

The problem of lack of provision of planning officers to work on the planning application processes for councils' schemes has been reported widely (particularly in the roundtable discussions). In some councils there are Planning Performance Agreements and designated officers but this is not universal. Some housing development teams are now appointing their own planning staff in order to progress their projects and importing approaches that have been used in housing association development teams.

Where the council is the applicant within the planning process, the degree of separation and treatment in the same way as other applicants is still being reported as in previous years. Some councils are still trying to develop homes that have higher standards so that they can be used as an example to the private sector. The provision of quality homes remains a priority motivation for council engagement in direct provision in 2023.

The reform of the planning system, although ongoing during the period of research, has not generated that much comment on the way that it might influence the provision of housing or associated infrastructure. In the direct survey, most comments about proposed planning reforms related to reducing the rate of change and uncertainty about the continuing role of s106 in the provision of affordable homes.

There are examples of where closer working between planning and housing such as in Newcastle-upon-Tyne has led to policy requirements for better layouts and design to enhance quality of finished homes. Other councils that have larger and wider delivery programmes than most, such as Sheffield and Cornwall, are reporting close working with planning teams.

Within housing teams across England, including London, there is a view that councils do not value the role and contribution of planning enough and are not paying sufficiently high salaries to retain or attract planners. Councils still report a loss of experienced planning staff to the private sector and gaps in career progression programmes to attract planners to stay. Many councils are using contract planners and these are costing 25% more than those on permanent contracts. The view expressed is that this appears to be a false economy.

## **Rural exception sites**

Many councils have reported their focus on rural exception sites for delivery. Some councils require provision of 100% affordable homes on these sites.

## **Regeneration**

In terms of regeneration of town centres, brownfield areas and riversides, the contribution of housing to overall placemaking outcomes continues. There have been examples of where local authorities have purchased and/or developed town centre commercial, retail and public service buildings in order to provide housing. In the desk survey, we found examples of where councils have repurposed or redeveloped court buildings, police and fire headquarters, department stores, shopping centres, schools, car parks, depots, training centres and post offices. While this kind of town centre regeneration project has not been funded through the government's support for town centres or other deal funding, the action taken in town centres to provide housing is being complemented by other cultural investment that has often been provided by these schemes. The Brownfield Land Regeneration Fund has been used by a number of local authorities across England including Amber Valley, Havant, Gloucester City, Lancaster, Leeds and Newcastle-upon-Tyne. Homes England may also be involved in site acquisition and assembly.

Some councils are proposing major town centre regeneration using their own municipal buildings as part of the process. There is a view expressed that local authorities are central to regeneration processes and that this needs to be recognised more.

While often still not being discussed in local plans, housing strategies and council strategies, the role of regeneration in the provision of housing continues to contribute affordable and rental housing. This can be through the provision of a masterplan prepared by the council on their own or with other partners including developers or Homes England. Councils continue to contribute land, buildings, funding and can support these programmes through assisting with site assembly or through their advocacy with potential funders. Masterplanning helps with place making and identifying where action and investment is required and the role of councils in this process and its contribution to providing housing needs much greater recognition.

## **Use of council owned land**

In the 2023 desk and direct surveys, there was more evidence of the use of the councils' own property assets to develop housing of all types including for special needs. In some cases this is difficult because property and finance teams require market value for these assets and we have been told that some of these are not realistic. Where councils are in a two tier authority, the County Council may have redundant sites e.g. for schools but also require the full market value for acquisition. Some councils have signed a JV with developers to use their land for housing such as the recent deal agreed between Warwickshire County Council and Countryside.

In some local authorities there is competition for available land for other uses such as energy provision or the provision of culture and leisure facilities in the town centre. Some councils have programme boards to consider sites that might be available and how they should be used across the whole of the council's service needs. Some councils have been appropriating land that has been held in the General Fund although the charges for this have varied from low to market value.

### **Working with landowners**

Some councils like Cornwall have stated how important it is to work with local landowners and we have noted this in previous reports. This is also an area where Homes England is active to support land purchase and site assembly for both housing and mixed use regeneration schemes. Councils have also been active in site preparation including drainage or contamination assessment and remediation, in some cases using the Brownfield Land Remediation Fund. Most councils reported the extent to which brownfield land sites were challenging to develop in urban areas.

### **The effect of housing and population growth on other public services**

While there is the potential to deploy s106 and CIL to support the provision of public services when the population may be increasing or its composition changing, many councils reported that this remains an issue. The funds available may be limited and there are increased pressures for the use of s106 for ground preparation and flood prevention works. The requirement for councils to prepare Infrastructure delivery statements in LURA 2023 will provide more detail on how these funds are being used.

### **Climate change**

Many councils mentioned the need to adopt and implement higher standards through planning and their own development to meet the needs of climate change and this has also been shown in the direct survey. These included Cambridge City, Newham, Wigan, Hereford and Gosport all delivering some homes to Passivhaus standards. Low carbon homes are being delivered by a range of councils including Bury, Rushcliffe, Solihull, Sutton and the Vale of White Horse and others are providing homes with improved energy performance including Babergh, Camden, Rushmoor, Pendle, Leicester and the Forest of Dean. Where councils aspire to develop to Passivhaus or higher environmental standards, there are concerns about the ways in which those using the homes will respond to the new technology and be able to use it effectively.

A number of those participating in the research mentioned that it is difficult to obtain support for higher environmental standards through planning policy and local plans. A number of councils have and continue to design their homes to zero carbon standards if they can. If all the features considered important cannot be provided at the initial build, then the designs are future proofed through the orientation of the individual homes and the angle of the roof line so that they will be ready to take PV in future as in Sheffield. There were also concerns expressed about the failure to understand carbon when selecting building materials and design and this may need more clarification and

training. There also seemed to be little consideration of the location when selecting housing sites to prioritise for development as part of a climate change approach.

### **Housing as infrastructure to support the economy**

A number of councils have reported that there is a growing issue about finding appropriate accommodation for those who work in the local public and private sectors. In particular, in the public sector, there have been reports of difficulty in providing accommodation for medical staff including doctors and also for teachers. In terms of the local economy, providing appropriate accommodation for different types of workers has also been identified as important in different parts of the country, ranging from hotel and hospitality staff to skilled workers and management.

In terms of new provision, there has been less mention of garden villages and new communities as means of provision although these are still going ahead in a range of locations such as Langarth Cornwall, where 3,000 homes are being planned, and Colchester. They will take many years to complete.

## **Key public sector partners**

### **Homes England**

Homes England has a new five-year plan and this represents a shift towards regeneration, including stalled projects, mixed use developments and public realm. There has also been an increase in the funds provided by Homes England for the preparation of masterplans and then associated assisted land acquisition. It still sees its main role as supporting the market. Grant levels provided by Homes England and the Mayor of London provide the universal means for affordable housing delivery across the country. Councils have experience of working with Homes England through their different schemes such as HIF and additionality, where assistance can be provided to help the local authority to purchase surplus stock from developers.

Outside London, where Homes England works directly with individual authorities, there still appears to be sporadic relationship with local authorities, as reported in earlier research, and reported here again in some roundtable discussions although not in the direct survey. This appears to be based on local authorities contacting Homes England for assistance. Some of these relationships are reported to be very positive such as in Cornwall, Swindon, Sheffield and the North East. However, some of the contacts appear to continue to take time to be followed up. Where schemes are not viable, including those in the Affordable Housing Programme, Homes England has suggested pushing out the length of the loan to 60 or 80 years. However, no local authority has reported to us that this approach works and this is the case across higher and lower value areas across England. Some councils have described the Homes England funding mechanisms as very complicated and 'impossible' to work with and very 'bureaucratic' which was also reported in the direct survey.



In some cases, where councils have issues that involve the Regulator, such as poor inspections or stock condition, the funding from Homes England stops for housing and this can be the case for over eighteen months with a lengthy process for councils to return to their former relationship. The increase in regulatory standards and their application is expected to mean that more local authorities will find themselves in this position.

There has been some discussion concerning the culture of Homes England and way in which it manages the land in its ownership. There still appears to be a disconnect between land sale and securing development as part of the condition of purchase. We also heard a view expressed that Homes England see their major clients to be housebuilders and housing associations rather than local authorities.

### **Greater London Authority**

In London, the Mayor has responsibility for the government's AHP. In its operation 2016-2023, the Mayor set tariffs for different tenures for this support but in the second phase 2021-2026, the Mayor has offered a negotiated set of rates which is dependent on different sites. The Mayor has also provided other schemes such as that to help councils buy back Buy to Let Homes and this has been expanded as support for providing housing for Afghan refugees.

Like other parts of the country, the Mayor is willing to discuss the acquisition of homes where the developers may have surplus stock and also consider flipping tenancy types where this might be helpful. A continuing problem is where council homes are demolished for regeneration but the costs remain on the council's books in perpetuity.

In the government's plan for housing, London is expected to take additional housing development particularly through the Docklands 2.0 project. The GLA is in constant dialogue with government on issues such as the provision of second staircases and is hoping for more certainty for the affordable housing programme in the next round.

### **Combined authorities**

Some Combined Authorities have been supportive and encouraging to their constituent authorities in providing housing. In the West Midlands and West of England, there have been specific initiatives for the support of MMC. In others such as West Yorkshire, there has been support provided in a range of ways. Some like North of the Tyne have played a part in the release of Brownfield Land Regeneration funds. Others have provided little or no help or have only offered to do this through schemes which take a long time to approve. In 2023, the government announced the Trailblazer Devolution Deals that will give the Mayors of the Greater Manchester and West Midlands control over their Affordable Housing Programmes (AHP). This arrangement provides fewer powers and control over the AHP than currently exercised by the Mayor of London and there are some fears that there may be pressure to reduce the Mayor of London's powers rather than to increase those of the Combined Authority mayors.



## Conclusions and recommendations

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In all four parts of the 2023 research, there has been remarkable similarities in the findings regardless of the ways in which the evidence has been amassed. The desire and motivation for local authorities to directly deliver housing is clearly there, this has strong local support and is often seen much more centrally as a core role and priority than was the case in our first report in 2017. The vast majority of local authorities across England are now engaged in housing delivery again, through a range of means and methods and for a range of motivations. The lifting of the HRA borrowing cap does appear to be making some difference to housing development by authorities, but there is still some nervousness about long period borrowing given the local government financial context. Budget conversations dominate all, but partly driven by the ongoing challenges of austerity around local authority finances and rising levels of homelessness and use of Temporary Accommodation, delivery of housing through direct development and/or acquisition – in particular provision of affordable housing – has become increasingly important. The trend we have found of local authorities acquiring existing properties to use as (affordable) housing can be a means to respond effectively to homelessness and use Right to Buy receipts given the tight two-year limits to spend such funds. The range of partnership activity continues to expand, and local authority activity is not just about the overall number of new homes delivered but also the types and tenures of housing enabled.

Local authority housing delivery has not, however, scaled-up significantly over the rounds of this research despite the positive intentions of many local authorities. A 200 home programme, without significant collaboration, is likely to be at higher cost per home and unable to get meaningful benefit from developments in MMC. There are clearly a number of challenges and barriers to local authority direct delivery of housing, and a higher level of pessimism around the future than in the previous rounds of our research. Some of these are new issues and not present previously, such as raised interest rates, inflated building costs and the challenges of balancing demands for energy efficiency and net Zero with new build, but others – such as continuing losses to Right to Buy or viability of affordable housing delivery given grant levels / availability – are issues which have been raised before and continue to provide challenges. Local authorities have congested priorities. There are significant problems such as the rise in homelessness and associated temporary accommodation costs which are spreading and do not look likely to significantly abate any time soon. Even potentially positive policies, such as tightening housing regulation and increased inspection requirements may – without additional funding – move resources away from new build in stock retaining authorities.

There is also mixed evidence around planning across our data. Although most local authorities do not see planning as a significant barrier to their own direct delivery of housing, there were some concerns about the ability of planning teams to proactively and positively facilitate housing development and concerns over the extent to which authorities consider their own activity in relation to housing requirements in local plans. Institutional investors are increasingly pushing environmental performance requirements and a greater focus on social value may also soon follow, but planning and building control are often not strong enough on these requirements and at present authorities themselves may see environmental requirements as in conflict with their housing development due to extreme budgetary constraint and congested priorities. There is also concern about planning reforms such as the new Infrastructure Levy given the continuing reliance on s106 to secure affordable housing in so many authorities.

There are some key messages here for government as well as to local authorities in increasing their delivery of homes to meet the needs which they are facing daily. This is being found across the whole country, in low and high price market areas. This leads to a number of recommendations. Before turning to new findings and recommendations, it is worth noting that whilst some recommendations from previous rounds of our research – such as lifting the HRA debt cap – have now been implemented, many other issues remain unresolved. Our recommendations below therefore also include some from earlier reports which we believe remain important (particularly given the approaching the General Election) and continue to be supported by our research evidence.

Overall, we do believe there needs to be a substantial new, national programme of social housing building which, on a longer-term investment horizon, understands the benefits of such affordable housing as a key part of our national infrastructure, improves health and wellbeing and reduces the need for housing benefit payments and temporary accommodation. This would be supported through appropriate funding streams and incentives to collaboration and learning between authorities, with long overdue Right to Buy reform essential to any such programme.

## Key findings and recommendations for central government departments

The following key findings and recommendations from this 2023 study would be particularly relevant for central government:

- Local authorities in England now regard the provision of housing as one of their primarily responsibilities
- 14 local authorities delivered over 200 homes each last year
- Local housing allowance and social rent levels remain key inhibitors to greater provision of new social and affordable homes. These should be reviewed
- Construction costs are having a major effect on local authority new build programmes. Without an increase in grant through the Affordable Housing Programme, existing levels of delivery will fall. Government should increase the AHP grants, and could also provide support by longer-term fixing of a lower rate of PWLB borrowing for local authority housebuilding
- The continuation of Right to Buy is the main disincentive to councils in reopening their Housing Revenue accounts. The RTB should either be abolished, as in Scotland and Wales, or at least restricted to not apply to newly built homes for at least 15 years
- The retention of 100% RTB receipts for 2 years by local authorities is having a positive impact on the provision of homes but the timeframe is still restrictive and this should continue in the longer-term
- The silo and disjointed approach to support housing policy and delivery is having a major impact on the extent to which homelessness and affordable housing can be provided. In addition to loading revenue costs on to council budgets it also appears to be harming the operation of local economies. Government departments should be working together in a more integrated way to focus on the provision of housing as a whole rather than on their specific responsibilities
- Where councils are contributing to the delivery of homes through companies, JVs, enabling, acquisition, regeneration, masterplanning, advocacy, land and funding the government needs to find a way of counting the contribution that the council's intervention is making to the overall supply of housing as their contribution is being overlooked by others in the sector and government. Government statistics should at least properly record all homes delivered, through all means, by local authorities

- There are few in support of the First Homes programme. It should be abolished and focus shifted to supporting genuinely affordable housing
- The costs of retrofitting existing homes for safety, quality and energy efficiency / net zero is reducing the number of new homes many councils with HRAs are planning to build. Additional government funding targeted at this may also be helpful
- While councils would like to acquire more land through CPOs at existing use value, the introduction of a use classes order for housing tenure or type, as exists for employment and retail land uses, could have an immediate impact on site availability and value. Councils need to be able to acquire land for housing delivery and there should be reversal of the CPO provisions in the 1961 Land Compensation Act to acquire land at existing use value
- Local plans need to be able to identify sites for social housing, family housing and housing for older people to support their local economies rather than treating all housing tenures and types the same in allocations
- Enhanced support from central government through ringfenced funds is needed to increase capacity in planning and develop further skills in-house to supporting local authority housing development would also be helpful
- The government needs to take a more proactive approach to ensuring that ESG can be delivered in housing through changes to planning and building control requirements
- Uncertainty over the new Infrastructure Levy is causing concern for many authorities given the significant role that Section 106 plays in the provision of affordable housing. Further clarification over the practicalities and implementation timetable for the IL would be helpful
- Nutrient neutrality rules are vitally important in securing environmental quality. However, at present local authorities' own housebuilding is being held-up in the same way as some private sector delivery. Whilst there has been some recent movement on this, the government's approach seemed to initially be about weakening habitats regulations and still skirts around the core issues. These issues will not be properly resolved until government looks at the funding and operation of the water industry and facilitates better delivery of water treatment infrastructure
- Partnership work seems increasingly important but with some trust issues remaining. Homes England could have a role in disseminating best practice, including learning from case studies, to local authorities and private sector partners

## Key findings and recommendations for local authorities

The following key findings and recommendations from this 2023 study would be particularly relevant for local government:

- Councils are increasingly focussed on the provision of affordable homes, including a focus on those provided outside s106 agreements
- Design quality of homes remains a high priority across local government
- The role of affordable housing within place making and regeneration remains a high priority
- Where councils are contributing to the delivery of homes through companies, JVs, enabling, acquisition, regeneration, master planning, advocacy, land and funding they need to demonstrate what contribution the council's intervention is making to the overall supply of homes as their contribution is being overlooked by others in the sector and government
- There are many ways to provide homes but a silo and separate departmental approach within councils does not appear to be the most supportive way to achieve greater delivery overall. The role of planning teams as part of this corporate housing delivery agenda is important.
- Local authority budgets (with a particular focus on income targets for property teams) would benefit from some discussion and possible reconsideration with a wider cost benefit approach rather than charging market value for land to be used for social and affordable housing. There also needs to be an evaluation of the contribution of housing delivery to reducing the pressures on the temporary accommodation budget
- While not being a total solution, the land and assets that councils own in the general fund and the HRA are an important component in their housing provision and only 30% of local authorities are shown as using this approach at present. This land needs to be considered for use for housing at other than market price
- There is priority congestion between new build/acquisition/meeting regulatory safety standards and retrofitting to meet climate change. There needs to be leadership on the approach to these priorities where possible
- Increased number of former RTB properties are being re-acquired by councils for both immediate housing needs and longer term estate regeneration objectives. As acquisitions increase, Councils need to be careful about the fate of existing tenants in purchased properties
- MMC is still being considered but there is greater integration in contract specifications between site preparation and off site manufacture of homes to overcome implementation challenges. More cross-authority collaboration may be helpful in realising the benefits of economies of scale