

# POWER BEHIND THE HOME

Why devolving housing powers  
will build more homes

Jack Airey



LLOYDS  
BANKING  
GROUP



# About Localis

## **Who we are**

Localis is an independent think-tank dedicated to issues related to politics, public service reform and localism. We carry out innovative research, hold a calendar of events and facilitate a growing network of members to stimulate and challenge the current orthodoxy of the governance of the UK.

## **Our philosophy**

We believe in a greater devolution of power to the local level. Decisions should be made by those most closely affected, and they should be accountable to the people which they serve. Services should be delivered effectively. People should be given a greater choice of services and the means to influence the ways in which these are delivered.

## **Find out more**

Please either visit [www.localis.org.uk](http://www.localis.org.uk), email [info@localis.org.uk](mailto:info@localis.org.uk) or call 0870 448 1530 to find out more about us.

# About Lloyds Banking Group

Meeting the country's housing needs is one of the greatest challenges that we face. That is why we launched an independent review in 2015 – the Lloyds Banking Group Commission on Housing – to identify the policy responses necessary to achieve a sustainable level of house building sufficient to overcome the chronic shortage of high quality affordable homes.

Concluding that the country needs to build 2 million to 2.5 million homes by 2025, the Commission found that there is no silver bullet to hitting this target. A concerted effort is needed to increase output by all forms of house builders over the next decade: by housing associations, major developers, SME house builders, self and custom builders, and local authorities.

Since then Lloyds has worked with the Department for Communities & Local Government in establishing the Housing Growth Partnership. Through this innovative joint venture, the £100m fund is providing much needed capital into the UK's house building sector, and particularly the SME house builders whose numbers have declined markedly in recent years.

In this report, we commissioned Localis to explore in greater depth the local aspects of housing and the potential role of local authorities, examining the problems and potential solutions for improving how the housing market operates. The research has sought to recognise how the housing market varies across the UK, and therefore considers whether greater flexibility is needed in housing policy to allow for local solutions that address local market needs.

In conducting the research, Localis has engaged people across the country, in local government, from housing associations and from the commercial sector. The overriding message is the common desire to work together to achieve a more effective housing market – an encouraging sign.

As the UK's largest retail and commercial bank, we are committed to advancing the prosperity of the country. We believe we have a responsibility to take part in some of the vitally important policy debates the country is engaged in, by promoting research and a wide-ranging conversation. We hope the challenging recommendations put forward by Localis within this report will provoke debate and discussion about how we can deliver the sustainable supply of more high quality affordable homes that Britain needs to prosper.

# Acknowledgements

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We would like to thank interviewees and roundtable participants who generously gave up time, as well as our survey respondents. Their contributions, examples and views have been extremely helpful and shaped what follows.

Localis would also like to thank and acknowledge the support of Lloyds Banking Group in helping to produce this pamphlet which builds on the Lloyds Housing Commission published in 2015.

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# Executive summary

When dealing with something as complex as housing, I find it helpful to begin with a point of definition. Is the UK in the midst of a housing crisis?

Well, the answer depends on where you live and what sort of home you want to live in. Whilst the UK may be struggling with a housing challenge, each area of the UK has its own distinct issues; as does each family and individual. From affordability to demography, and from suitability to supply, the UK isn't home to one housing market in crisis, but rather hundreds in need of correction. Each area requiring a slightly different prescription to cure the ailment.

Thankfully, there is now an emerging consensus that more must be done to build the homes people need, in the places they want them. The previous government, and now Theresa May's new administration, pledged to make house building a priority – Secretary of State for Local Government, Sajid Javid, has described tackling the country's housing shortfall as "a moral duty" – and this report has been written to help them deliver on it.

Local housing challenges require local solutions. We will not provide the homes our nation requires with a one-size-fits-all approach. This is not to say we do not need a national strategy, far from it, but we need a better one. It should set political direction then be permissive enough to allow local areas to respond to local need. This is the next logical step in the devolution agenda.

In her first speech as Prime Minister, Theresa May talked of a Government that is driven by the interests of those who "can just about manage, but... worry about the cost of living". Housing is only one part of this equation, but one of the most important. If the new administration is to be successful, acknowledging that the problem is different depending on where you live will be a good start.

**Liam Booth-Smith**  
**Chief Executive**  
**Localis**

## Localis's main recommendations to give more local flexibility around housing provision

1. Local authorities should be given greater flexibility over local implementation of Starter Homes, with regulations more sensitive to local circumstance.
2. To drive greater local authority house building, the Housing Revenue Account debt cap should be lifted and better reflect local authorities' ability to service debt.
3. Constituent members of combined authorities should set up Combined Authority Housing Companies.
4. Right to Buy receipts should be fully retained locally.
5. After a property is purchased through Right to Buy, local authorities should be able to place a moratorium on allowing it to be let out for a set number of years, dependent on the local housing market.
6. To drive greater efficiency in the land market, local authorities should be allowed to levy council tax on plots allocated for housing which are not built in reasonable timescales.
7. Where they do not already have them, combined authorities should be devolved powers to freeze land values as part of their Mayoral Development Corporation.
8. Government should also make it a legal obligation for all combined authorities (or similar) to establish a land commission.

### Summary of research methods

Research for this report included:

- Three roundtables held across the country attended by a range of people from the local government and housebuilding sectors.
- 12 wide-ranging interviews with stakeholders from every English region and all devolved nations, including council leaders, chief executives, chief housing officers, chief planning officers, cabinet members for housing and MPs.
- An online survey answered by 153 local authority respondents from every English region and all devolved nations, including chief executives, leaders, cabinet members for housing, chief housing officers, chief planning officers and chairs of planning committees.

# 1. Local circumstances, local challenges

In recent years there has been a growing acceptance that the United Kingdom faces a significant housing challenge. Delivery has not kept up with need, while the costs of renting and owning your own home have soared.<sup>1</sup> Correcting this was an ambition of the previous government (2015-16) and has taken similar prominence in the emergent agenda of the new administration under Theresa May.

These issues of delivery, affordability and tenure have, of late, fluctuated from being seen as a specifically London and Southern problem, to what is now, more regularly, recognised as a national one.<sup>2</sup> But this is a mistake. The challenges around supply and demand of housing do not have a uniform character and never have done.

In fact, local housing markets vary significantly throughout the country, each of which create localised housing challenges; typified by unaffordable and often inappropriate housing stock. Factors such as existing stock, the nature of local demand, constraints in land supply and future demand projections, all vary greatly across the country, as we describe below. In short, what is affordable and appropriate housing in one part of the country is often not so in another.

Throughout this report we make the case that **for local areas to be able to address these issues of affordability – by increasingly the supply of affordable homes – local authorities need to be given the powers and flexibilities from central government to do so.**

## London – a global city of its own

Central – and increasingly outer – London boroughs face an almost unique set of challenges with regards to housing in comparison to other areas of the country. As a global city London plays host to domestic and international flows of people and capital that are disparate when measured against the rest of the country. National policy – e.g. stamp duty tariffs – has a much different impact on the ground.

<sup>1</sup> As the 2014-15 English Housing Survey has recently shown, first time buyers are getting older and tend to have higher incomes than was the case twenty years ago. DCLG (2016) - English housing survey 2014 to 2015: first time buyers and potential home owners report

<sup>2</sup> Resolution Foundation (2015) - The Housing Headwind



This report does not focus upon London, but we note that the city's sheer scale and stark difference not just with the rest of the country but between boroughs makes its empowerment urgent. **The city is at the epicentre of the housing affordability crisis but does not have the requisite ownership of policy to mitigate the problems that such a crisis brings.**

## 1.1 Housing stock

Although we are predominantly a nation of home owners – 63.1% of households in the United Kingdom own their own home<sup>3</sup> – tenure mix is highly variable across the country. As illustrated by figure 1, the proportion of housing that is owned, privately rented and socially rented varies widely by local authority area when compared against the national average.

For example while 63.6% of people in the UK own their own home, in Hackney just 23.8% do; compared to 81.2% in East Dunbartonshire.<sup>4</sup> Similarly 19.1% of people rent privately nationally, compared to 8.6% in Torfaen and 39.7% in Westminster.<sup>5</sup> 43.7% of residents in Southwark and 7.0% in Mid Ulster rent socially in comparison to the national average of 17.7%.<sup>6</sup>

Occupancy of stock also varies hugely across the country. In areas such as St Ives in Cornwall, where 25% of residential properties are classed as second homes<sup>7</sup>, a substantial proportion of local housing is not in full use all year round.<sup>8</sup> Whereas areas such as Newham suffer from high rates of overcrowding, with 25.2% of households in the borough deemed overcrowded.<sup>9</sup>

The housing challenge is national, but it doesn't look the same everywhere.

3 DCLG, Table 101: Dwelling stock: by tenure, United Kingdom

4 Ibid.

5 Ibid.

6 Ibid.

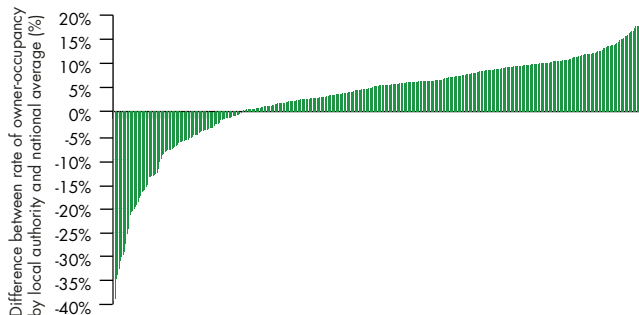
7 The Guardian (2016) - St Ives residents to vote in referendum on second home ownership

8 Although the town's neighbourhood plan now includes measures to restrict ownership of new properties to those who plan to use it as their primary property.

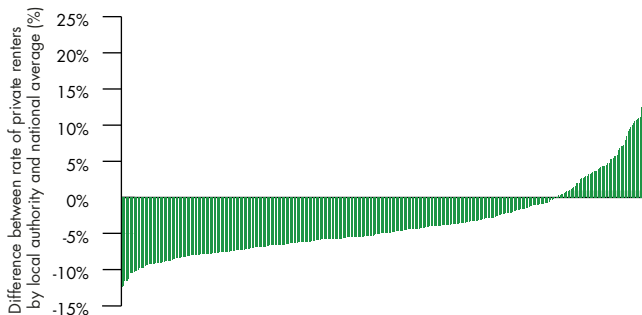
9 DCLG (2014) - Overcrowding and Under-occupation in England and Wales

**Figure 1:** Difference between average percentage of UK households that are owned, rented privately and socially rented compared to local authority areas in England and Wales (2011), Scotland (2014) and Northern Ireland (2014).

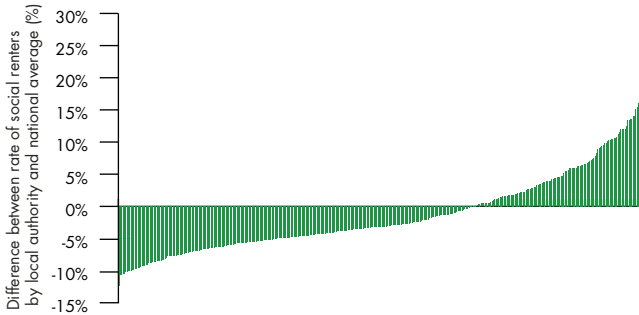
**Figure 1a:** Variation in owner-occupancy rates by local authority area



**Figure 1b:** Variation in rate of private renters by local authority area



**Figure 1c:** Variation in rate of social renters by local authority area



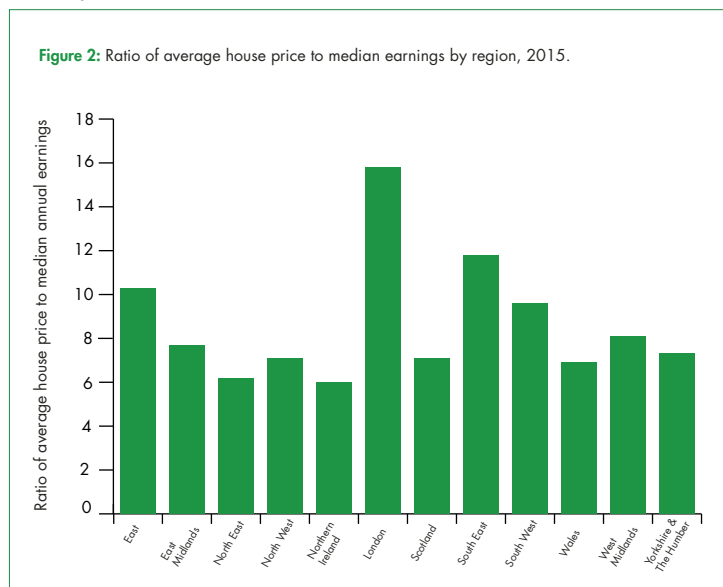
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2011 Census,  
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local authority:  
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Housing  
Statistics for  
Scotland,  
Scottish  
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## 1.2 Differing demands

Driven by a range of demographic and economic factors, housing demand is equally variable as tenure. Differences in local economic prosperity, such as levels of income, employment and deprivation, all affect the assortment of homes that local people want and can afford. As illustrated by figure 2, the financial means which drive demand for housing vary significantly across the country – something that efforts to boost home ownership need to account for (such as Starter Homes, as we explore further in Chapter 2).<sup>10</sup>

Local authorities already identify the nature of local demand by producing strategic housing market assessments, but, as said to us by one director of housing, they are rarely able to meet that demand. Indeed many areas have specific housing challenges that often require special and individual policy attention.

For example, in areas where there is a high proportion of students, typically centres of higher education such as Brighton and Hove, where it's 11.8%, or Manchester, where it's 15.8%, there is high demand for houses of multiple occupancy. And in rural areas where the population is sparser and often older, what constitutes suitable housing is much different.<sup>11</sup>



Sources:  
Mixadjusted average house prices, House Price Index: July 2015, ONS; Median gross annual pay, Annual Survey of Hours and Earnings 2015, ONS (accessed via NOMIS).

<sup>10</sup> Government and the banking community should also consider how credit scoring can lock people out of home ownership and consider whether the current system could better reflect an individual's economic circumstances.

<sup>11</sup> Interviewee 1

### 1.3 Land supply

Local authorities often face different challenges when providing viable and appropriate land for development. In Sevenoaks, for example, 93% of land is classified as green belt which heavily restricts opportunities for development in the local area.

Similarly in areas such as Oxford and Cambridge development is restricted by local authority boundaries. Although there is a need and ambition to build new housing, central measures aimed at driving new housebuilding are often irrelevant in these areas as there simply isn't enough viable land to build on.

Councils are often left with available plots that are too small to attract a larger developer's investment.<sup>12</sup> These smaller plots could potentially be used to bring smaller and more innovative developers in to local authority areas or even be used by the council themselves to build more homes.

Land supply is, of course, one variable in the housebuilding process. But housing markets do not begin and end where one local authority meets another, so a more strategic view is needed.

### 1.4 Meeting future growth

It is projected that the number of households in the UK will reach 32.5 million by 2036, an increase of 4.8 million (17.2%) from 2016.<sup>13</sup> As figure 3 illustrates, this household increase is hugely variable by region across the country. It is even more varied by district. For instance in Tower Hamlets the number of households is projected to increase by 51.8% between 2016 and 2036 compared to Barrow-in-Furness where the number of households is expected to decrease by 4.9% over the same period.<sup>14</sup>

While not all differences in local projections are so disparate, it reflects the different demand pressures councils will face in coming years. Housing markets function on a local, rather than national, level and policy should better reflect that.

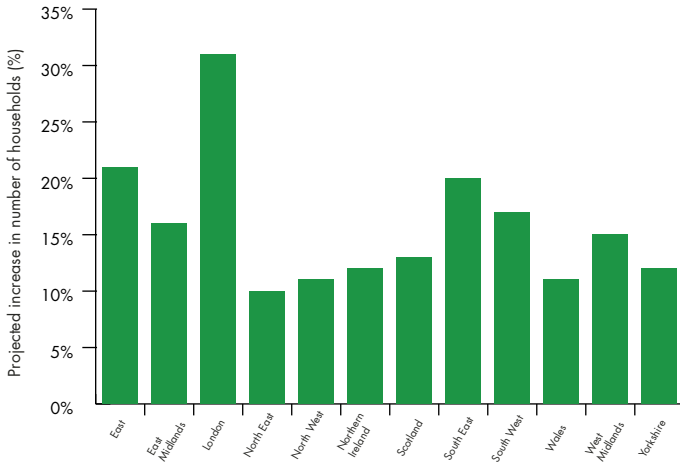
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<sup>12</sup> Roundtable participant 1

<sup>13</sup> DCLG, Welsh Assembly Government, National Records of Scotland, NISRA (2016) Table 401: 2014-based household projections, United Kingdom, 1961-2039

<sup>14</sup> DCLG (2016) Table 406: Household projections by district, England, 1991- 2039

**Figure 3:** Projected percentage increase in number of households for English regions and devolved nations, 2016-2036.



Source: Table 425, Housing and Planning Analysis Division, DCLG, Crown copyright. Regional analysis produced from author's own calculations using district-level data.

## 1.5 Devolution deals

One of Government's recent principal agendas has been devolving power to English cities and regions (following significant devolution to the devolved nations and London in the previous decade). Alongside skills, transport and economic development powers, significant housing and planning powers have been included as part of the devolution deals framework.

To date, 12 devolution deals have been negotiated between Government and local areas, with more to be agreed; including second, third and fourth iterations. Although each deal varies, there are similarities in the bodies, strategies and funds devolved and established.

As the incoming metro-mayors<sup>15</sup> and combined authorities continue to mature, local areas should be devolved greater control over housing and planning policy. It is imperative they gain the flexibilities needed and we would envisage many of the recommendations we make in this report forming part of future devolution deals.

<sup>15</sup> The first wave of metro mayors is to be elected in 2017.

<p>Spatial frameworks</p>	<p>In many devolution areas, metro-mayors will have the powers to establish spatial frameworks, providing them with the capacity to establish a planning framework across their region. In some areas, such as Greater Manchester, the frameworks will be statutory.</p>
<p>Mayoral Development Corporations</p>	<p>Several metro-mayors will have the power to create Mayoral Development Corporations to support the delivery of new homes on strategic sites and complex schemes. In some areas, such as the North East, these powers will include the capacity to use Compulsory Purchase Orders.</p>
<p>Land Commissions</p>	<p>Many devolution agreements have included plans to establish a Land Commission to identify potential growth areas. In each case a register of cross-sector public land assets will be developed, with some Commissions (as part of Joint Investment and Assets Boards) also seeking to identify viable private sites.</p>
<p>Housing Investment Funds</p>	<p>The Mayor of Greater Manchester will control a £300m Housing Investment Fund that will be provided over a 10 year period to the private sector in the form of a loan. There are commitments to discuss the provision of such a fund within other devolution deals, including in Sheffield City Region.</p>

## 2. Determining affordability locally

As stewards and facilitators of local housing markets, one of the most crucial roles of local authorities is negotiating and ensuring the delivery of affordable housing. Unfortunately, as was made clear to us by council members and officers throughout our research, central policy often constrains authorities' ability to effectively fulfil this role.

The 1% reduction in social rent, as introduced in the 2016 Welfare Reform and Work Act, is a case in point. One housing manager from a city council said the reduction would cost their authority £250m over the next ten years which will "destroy our business plan as a provider of affordable housing".<sup>16</sup> This contention was common across authorities of all sizes and political control during the research roundtables we held.

<sup>16</sup> Interviewee 2

Individual areas have unique challenges alongside common issues. For example the current policy of permitted development rights to convert existing employment space to homes (i.e. without the need to seek planning permission) is a considerable issue in London. The policy is aimed at boosting housing supply but has allowed a sidestepping of affordable housing requirements as well as leading to an estimated 100,000 square metres of office space lost between 2013 and 2015.<sup>17</sup> These are both issues in which the local authority has a responsibility to manage and provide, yet they are constrained in doing so by Whitehall diktat.

Many council members and officers feel they are operating with one hand tied behind their back, with current policy tending to cut against the grain of their local housing markets rather than with it. One council director of housing said their authority's biggest challenge is "delivering the appropriate type of affordable housing in the face of government policy".<sup>18</sup>

Some local areas have been creative with ways to circumvent these restrictions. A number have started their own housing companies, sometimes as joint ventures, which allow greater flexibility over supply and regulations. Other authorities have pushed for more local solutions by helping parish councils to either develop neighbourhood plans or set up community land trust schemes.

However, the fundamental inflexibilities remain; hampering the delivery of appropriate and affordable housing. Unless local authorities are afforded greater flexibility, genuinely affordable housing for those on lower and medium incomes will be difficult to deliver.

## 2.1 Starter Homes

Starter Homes are perhaps the most totemic disconnect between national strategy and the challenges of local implementation. Offering first-time buyers under 40 years old homes sold at a 20% discount; the policy is a key driver of the Government's priority to increase home ownership. Local authorities are duty-bound to promote the supply of Starter Homes and the Government expects 20% of all major sites to be Starter Homes. Significantly, Starter Homes have been classified as an affordable tenure.

In some areas the policy is effective, offering younger local people homes they can afford which keeps them in the area.<sup>19</sup> However for many local authorities the homes are seen to be too expensive for

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<sup>17</sup> Claire Kober, the MJ (2016) - A mammoth task on housing

<sup>18</sup> Interviewee 2

<sup>19</sup> Roundtable participant 1

their local population, thereby pricing their communities out of this particular market.

One council housing director from a rural area said: “Starter Homes are a great idea, but with our low levels of income and the high levels of costs I don’t think enough local people can afford them”, noting that few people in their area would be able to get the mortgages.<sup>20</sup>

By classifying Starter Homes as affordable housing, many local authorities are increasingly worried that they will not be able to provide genuinely affordable rental accommodation to those on lower incomes for whom home ownership is out of reach. As summed up by a roundtable participant, “our objective assessment of need says we need socially rented homes, but we won’t be able to deliver them; we need low cost home ownership but the products are too expensive – we have to provide Starter Homes but local people cannot afford them”.<sup>21</sup>

The policy has in some cases also overridden local plan making. One council housing director said that their local development plans which had been carefully negotiated with local rural communities are now out of date: “the ministerial statement introduced the [Starter Home] threshold and those communities are back to being anti-development – completely blowing three years of work out the water”.<sup>22</sup> By allowing Starter Homes to be built on rural exception sites, many authorities feel they will look like “complete liars” after promising local communities any housing would be affordable on such plots.<sup>23</sup>

## 2.2 Delivering greater local flexibility

The Government was elected with a mandate to encourage home ownership, but to deliver on that, current legislation around Starter Homes needs to become more flexible; something the new Housing Minister, Gavin Barwell, appears to accept.<sup>24</sup> As written by Savills, Starter Homes “could distort the new homes sales market without significantly increasing the number of new homes delivered at all.”<sup>25</sup>

With 59% of our survey respondents indicating that the duty to promote the supply of Starter Homes is either ineffective or very ineffective, we hope that as part of the technical consultation over

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20 Roundtable participant 2

21 Roundtable participant 3

22 Roundtable participant 3

23 Roundtable participant 4

24 In his first address to the House of Commons as Housing Minister, Mr Barwell said “We need a mix of tenures - a mix of offers” BBC News (2016) - How can the UK build more homes post-Brexit?

25 Savills - The impact of new housing measures on development



the regulations of the policy, local areas are given a much greater say in local application of the policy, as well as how it interacts with the provision of affordable rented homes.<sup>26</sup> In practice this should mean greater flexibility over what tenures make up affordable housing commitments.

In particular, the Government should look at emerging work around the Living Rent framework (in place of the current affordable rent framework) and how this can support different types of tenure. Living Rent, as put forward by the Joseph Rowntree Foundation, National Housing Federation and Savills,<sup>27</sup> is a rent-setting mechanism that links rent levels to local incomes – as opposed to the current definition of affordable rent being equal to up to 80% of market rent. By linking rent levels to local earnings, housing costs would better reflect what is affordable to lower-wage households, and also provide financial space with which to save.<sup>28</sup>

Consideration should also be given to whether, as part of affordable housing obligations and in place of or alongside Starter Homes, local authorities can promote the supply of intermediate retirement homes. Currently, because it tends not to be as profitable as higher-end retirement homes, there is a gap in the provision of this type of housing in the private market. Despite the benefits greater supply brings, namely wider availability of family-oriented housing stock, there are very few state incentives to provide intermediate housing that allows older people to downsize their home.

### **Recommendation 1**

Local authorities should be given greater flexibility over local implementation of Starter Homes, with regulations more sensitive to local circumstance. As part of this, Government should consider the possibilities of supporting different types of tenure by establishing a Living Rent framework; as well as how local authorities can facilitate the supply of intermediate retirement homes.

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<sup>26</sup> Positively, it has been reported that Government is considering reclassifying Rent to Buy housing as Starter Homes, which will offer local areas greater flexibility with regard to delivering affordable housing.

<sup>27</sup> JRF, NHF and Savills - Living Rents – a new development framework for Affordable Housing

<sup>28</sup> Ibid.

## 3. Empowering councils to deliver more housing

In 2014-15 just 2,510 homes were built by local authorities in the United Kingdom.<sup>29</sup> Although this is a slight increase from the previous decade – where between 2000-01 and 2009-10, the average number of homes built by local authorities was 369 per year – it is a miniscule amount when compared to 1969-70, when 185,000 new homes were built by local authorities.<sup>30</sup>

To meet the Government’s ambition of one million homes being built by 2020 the number of new homes built for social rent will need to increase substantially (it’s estimated that building 100,000 homes for social rent per year by 2020-21 is a reasonable goal).<sup>31</sup> And with the future of councils increasingly growth oriented, as illustrated by full business rates devolution, it is important they’re given the tools to improve and grow local housing stock alongside their economies.

To drive new housebuilding for social rent, we envisage local authorities being given greater flexibilities to borrow money with which to invest in social housing; as well as greater flexibilities over how their own stock is disposed through the Right to Buy programme. To be clear, the long-term aims of empowerment should be for local authorities to provide affordable homes where the private market fails to, not to supplant it.

### 3.1 Greater borrowing flexibilities

Since its introduction in 2012, the Housing Revenue Account (HRA) debt cap has restricted local authorities’ ability to invest in new social housing. 56% of our survey respondents said that it is either ineffective or very ineffective in enabling their local authority to respond to the housing needs of their local population, while 78% of survey respondents said that being devolved more control over the Housing Revenue Account (and its associated debt cap) would be either very helpful or helpful.

With councils wanting greater borrowing headroom, we reiterate our previous call for this cap to be lifted.<sup>32</sup> The debt cap is an obstacle to greater local authority housebuilding and does not

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<sup>29</sup> DCLG – Table 209: permanent dwellings completed by tenure and country

<sup>30</sup> Ibid.

<sup>31</sup> Capital Economics (2015) - Building new social rent homes

<sup>32</sup> Localis and LGA (2016) - What next for devolution?

accurately reflect their capacity to service debt – though, of course, it only affects those councils that own housing stock (in 2015 ninety-nine local authorities owned no housing stock and many own less than ten units).<sup>33</sup> Given the low numbers that could use this flexibility we consider it a relatively low risk change to local authority borrowing rules, and in those areas where it can be utilised it would have a significant impact. As summed up by one council chief executive, “we have the ideas and the people to build but our hands are tied by the cap”.<sup>34</sup>

Furthermore, like many local authorities have done with shared services, members of combined authorities should consider setting up Combined Authority Housing Companies. Backed by in-built economies of scale, this would offer members the opportunity to provide affordable housing at the same time as generating income through rent and capital appreciation. Companies could raise finance for investment through vehicles such as the UK Municipal Bonds Agency or by issuing bonds through the establishment of new regional Housing Investment Funds.

### Recommendation 2

The Housing Revenue Account debt cap should be lifted.

### Recommendation 3

Constituent members of combined authorities should set up Combined Authority Housing Companies.

## 3.2 Right to Buy with strings attached

Between 2010-11 and 2015-16, 47,151 local authority-owned social homes in England were sold via Right to Buy.<sup>35</sup> This has given a substantial number of families the chance to own their own home, yet very few of these homes have been replaced – in 2015/16, 12,246 homes were sold through Right to Buy yet only 2,125 replacements have been started<sup>36</sup> – which has meant that much less local authority-owned housing for social rent is available. As one council leader summarised, “Right to Buy is getting rid of a lot of our stock at a rate of knots”.<sup>37</sup>

33 DCLG (2016) - Table 116 Dwelling stock: local authority stock, by district : England 1994 - 2015

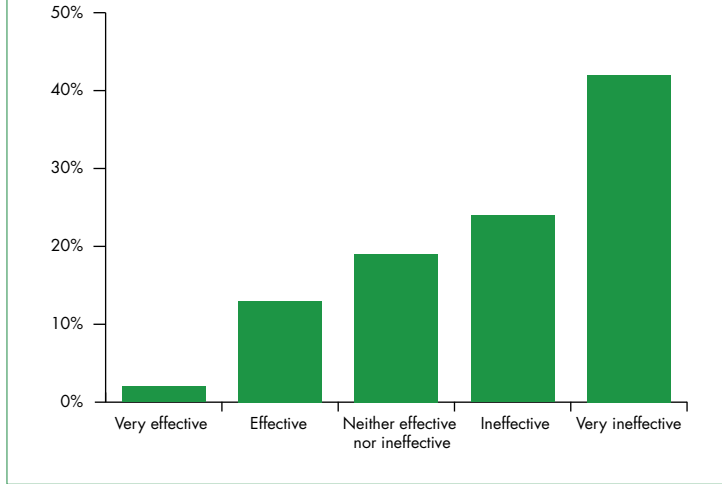
34 Interviewee 4

35 DCLG - Right to Buy Sales in England April to June 2016

36 Ibid.

37 Interviewee 5

**Figure 4:** How effective do you think Right to Buy is in enabling your authority to respond to the housing needs and circumstances of your local population?



As has been the case in Scotland<sup>38</sup> and as there are plans to in Wales,<sup>39</sup> many in English local government, across the political spectrum, would like the Right to Buy to be repealed.<sup>40</sup> In many cases councils already try to use alternative delivery routes such as housing companies and section 106 exemption clauses to “escape” Right to Buy, as one council leader put it.<sup>41</sup>

Despite well-documented criticism, there is little political appetite to repeal the policy in England so the issues it causes require reform rather than outright repeal. We therefore believe that local authorities should be given greater flexibility over the terms and conditions of sale.

Firstly, and as long-argued by many in local government, Right to Buy receipts should be fully retained locally. 87% of our survey respondents said a larger retention would be either very helpful or helpful in enabling them to meet the housing needs of local populations. By fully retaining the receipts, local authorities would have more revenue with which to invest in social housing as well as greater confidence to invest – knowing less of their initial investment will be lost.

Secondly, like the restrictions on the future sale of a property

38 BBC News (2014) - MSPs scrap social housing tenants' 'right-to-buy' in Scotland

39 BBC News (2016) - Right-to-buy housing scheme faces abolition in Wales

40 All recommendations related to Right to Buy in this pamphlet are therefore focused on the Right to Buy policy in England, rather than the rest of the UK.

41 Roundtable participant 5

bought through Right to Buy (the original or another local social landlord must be given first refusal if selling within ten years of buying), local authorities should be able to place protections on a property's future letting. An estimated 38% of properties purchased through Right to Buy have been transferred to the private rental sector – often at considerably higher rental costs and often prohibiting benefit claimant tenants.<sup>42</sup> By protecting lower income citizen's future letting rights, local authorities would also have greater confidence to invest in social housing.

To stem the flow of ex-council homes into the private rental sector local authorities should therefore be able to place a moratorium on properties bought through Right to Buy being let privately. The moratorium's length should be determined locally – perhaps linked to the length of time the authority envisages replacing the property within, and should not exceed 15 years.

#### **Recommendation 4**

Right to Buy receipts should be fully retained locally.

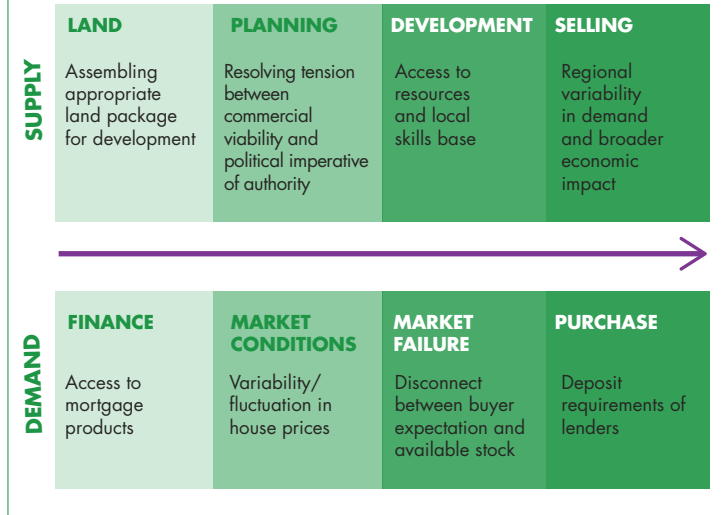
#### **Recommendation 5**

After a property is purchased through Right to Buy, local authorities should be able to place a moratorium on allowing it to be let out for a set number of years, dependent on the local housing market.

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42 Inside Housing – Right to Buy to Let

**Figure 5:** The top line challenges faced by developers and purchasers to build and buy a house at each stage in the supply and demand cycles.



## 4. Equipping councils to drive efficiency in the land market

As well as greater flexibility over aspects of legislation and borrowing, local authorities should be given more powers over the local land market. All too often the market is a failed one for the consumer; where the scarcity of land drives up prices and the risks of development. In order to maintain high house prices and profit levels, developers therefore restrict the supply of new homes.<sup>43</sup>

Local authorities should be encouraged by Government to take a more proactive role in the market, with the explicit aim of shifting the housebuilding model away from dependency on high land prices and towards higher productivity. This would sit alongside existing obligations to produce robust Local Plans, Strategic Housing Land Availability Assessments; as well demonstrating five year land supplies.

Land market efficiency will need to be achieved in conjunction with improvements in local authority planning operations, which are seen to vary by competence and capacity across the country.<sup>44</sup> As one interviewee alluded, this means that developers, restricted by capital ceilings, tend to concentrate their investment in areas where local

<sup>43</sup> Policy Network (2015) - Britain's dysfunctional housing market: a European comparison

<sup>44</sup> Roundtable participants 3,6 and 7

planning departments are seen to be most efficient.<sup>45</sup> Local planning authorities should therefore be encouraged to share best practice as far and wide as possible.

## 4.1 Encouraging development

To encourage development where viable land with planning permission is held, or as one council housing director put it, putting a stop to the “drip feeding [of] the market to suppress supply”,<sup>46</sup> local authorities should be devolved powers that incentivise developers to build out more quickly. As the House of Lords Economic Affairs Committee, Shelter, Civitas and the Institute for Public Policy Research have all recommended, councils should be able to apply council tax on non-built plots when not built within an appropriate time period.

We echo these calls, noting that 88% of our survey respondents said use it or lose it powers (i.e. to levy council tax on plots allocated for housing which are not built in reasonable timescales) would be either very helpful or helpful to their local authority in responding to the housing needs of their local population. One council housing director said this would “provide a powerful incentive to get people to come up with reasonable build up schemes”.<sup>47</sup>

### Recommendation 6

Local authorities should be allowed to levy council tax on plots allocated for housing which are not built in reasonable timescales.

## 4.2 Powers to freeze land values

On top of greater fiscal powers, we also recommend that where they do not already have them, combined authorities are given powers to freeze land values as part of their Mayoral Development Corporation. Using explicit compulsory purchase powers, metro-mayors should be able to purchase land at existing use value plus a premium, with the commitment to develop the land as part of a public-private partnership. These mayoral powers would sit alongside the streamlining reforms to the compulsory purchase regime currently being introduced via the Neighbourhood Planning Bill.

<sup>45</sup> Interviewee 1

<sup>46</sup> Roundtable participant 6

<sup>47</sup> Interviewee 6

### Recommendation 7

Where they do not already have them, combined authorities should be devolved powers to freeze land values as part of their Mayoral Development Corporation.

## 4.3 Driving greater transparency

Another factor in driving efficiency in the land market is greater transparency. In London, Greater Manchester and several other devolution areas, land commissions have recently been established to help create transparency over public land locally. In each case, registers of publicly-owned land are being identified to enable a quicker release of land for development and a more strategic approach to the management of public sector assets.

We recommend that the Government should make it a legal obligation for all combined authorities (or similar) to produce a land commission. This would build on local authorities' existing work within the One Public Estate programme.

In many cases the surplus land identified will include smaller plots which tend to be ignored by larger developers and go undeveloped. Several roundtable participants from urban authorities said this was an issue for them – particularly with many 'built out' to their borders<sup>48</sup> – which underlines the need to encourage more SME developers into local housing markets who tend to deliver innovative solutions for such plots.

The disposal of public land is, of course, not an end in itself. As we have written before, it is imperative that the number of affordable homes is maximised, that it takes an efficient pathway through the planning process; and that optimal value returns to the public purse.<sup>49</sup>

### Recommendation 8

Government should make it a legal obligation for all combined authorities (or similar) to establish a land commission.

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<sup>48</sup> Roundtable participants 8 and 9  
<sup>49</sup> Localis (2014) - Public Land, Public Good

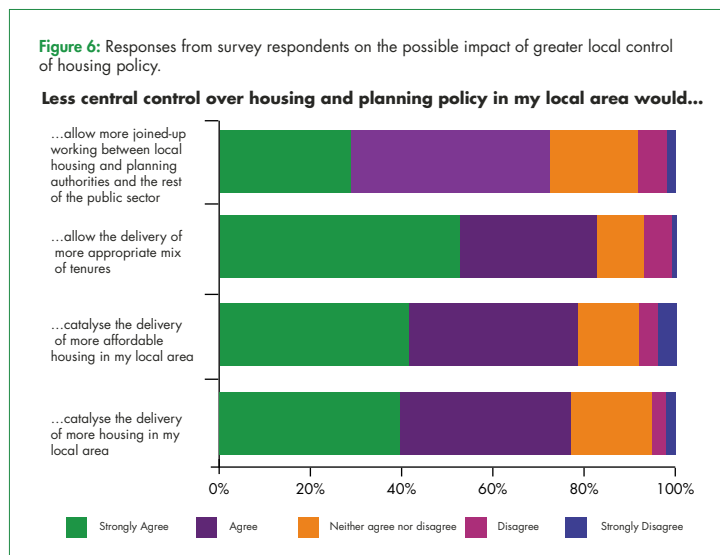


## 5. Conclusion

In this pamphlet we make the case for greater local flexibility over housing and planning policy. In turn councils could be more active in pooling their resources, borrowing power and expertise. This would enable them to take on a much greater role in improving the functionality of their local housing markets.

Combined authorities should play a key role in this new landscape, playing a strong part in taking strategic decisions over large development sites. With many combined authorities and other urban areas having already negotiated one or more devolution deal, many rightly see future deals as the vehicle to greater flexibilities over housing supply and policy.

The benefits of empowering local areas are clear. As figure 6 below illustrates, our survey respondents overwhelmingly believed that greater local control over housing and planning policy would increase the delivery of housing, increase the delivery of affordable housing and facilitate more joined-up working between local housing and planning authorities and the rest of the public sector.



## WALES

2015  
+0.3%  
2014

Mix adjusted average house price, 2015

**£173,000**



Median gross annual pay, 2015

**£25,178**



Average house price: median earnings ratio

**6.9**



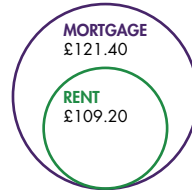
Projected % increase in number of households over next 20 years

**10.8%**



- Owned (67.4%)
- Social rented (16.5%)
- Private rented (14.1%)
- Shared ownership (0.3%)
- Living rent free (1.6%)

Average weekly household expenditure on rent by renters, and mortgage payments by mortgage holders, 2014:



## SCOTLAND

2015  
-1.3%  
2014

Mix adjusted average house price, 2015

**£196,000**



Median gross annual pay, 2015

**£27,732**



Average house price: median earnings ratio

**7.1**



Projected % increase in number of households over next 20 years

**12.7%**



- Owned (61.6%)
- Social rented (24.3%)
- Private rented (12.4%)
- Shared ownership (0.4%)
- Living rent free (1.3%)

Average weekly household expenditure on rent by renters, and mortgage payments by mortgage holders, 2014:



## NORTHERN IRELAND

2015  
+7.4%  
2014

Mix adjusted average house price, 2015

**£154,000**



Median gross annual pay, 2015

**£25,842**



Average house price: median earnings ratio

**6.0**



Projected % increase in number of households over next 20 years

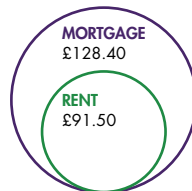
**11.5%**



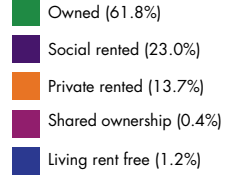
- Owned (66.5%)
- Social rented (17.8%)
- Private rented and other (15.7%)

NB As Northern Ireland carry out their own census, their categories don't include shared ownership and living rent free.

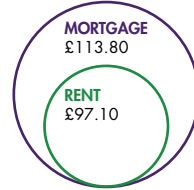
Average weekly household expenditure on rent by renters, and mortgage payments by mortgage holders, 2014:



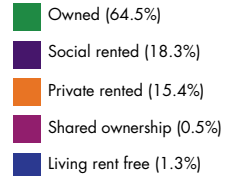
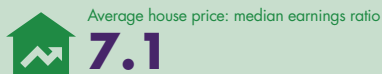
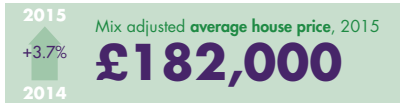
## NORTH EAST



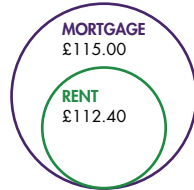
Average **weekly household expenditure** on rent by renters, and mortgage payments by mortgage holders, 2014:



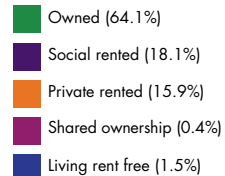
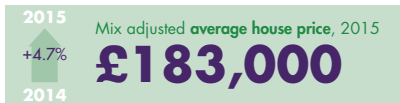
## NORTH WEST



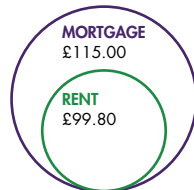
Average **weekly household expenditure** on rent by renters, and mortgage payments by mortgage holders, 2014:



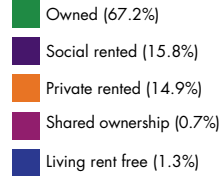
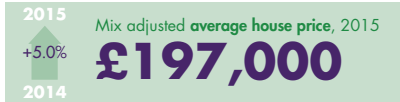
## YORKSHIRE AND THE HUMBER



Average **weekly household expenditure** on rent by renters, and mortgage payments by mortgage holders, 2014:



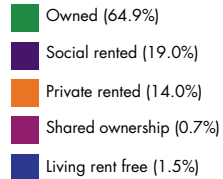
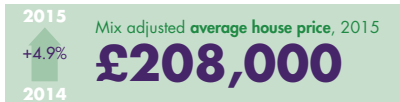
## EAST MIDLANDS



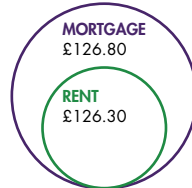
Average **weekly household expenditure** on rent by renters, and mortgage payments by mortgage holders, 2014:



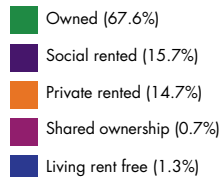
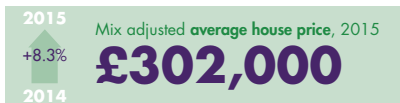
## WEST MIDLANDS



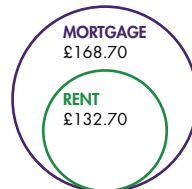
Average **weekly household expenditure** on rent by renters, and mortgage payments by mortgage holders, 2014:



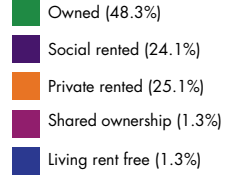
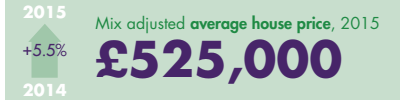
## EAST



Average **weekly household expenditure** on rent by renters, and mortgage payments by mortgage holders, 2014:



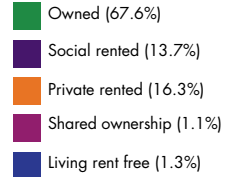
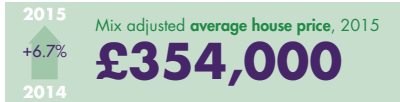
## LONDON



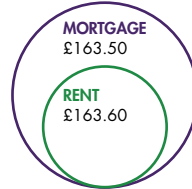
Average **weekly household expenditure** on rent by renters, and mortgage payments by mortgage holders, 2014:



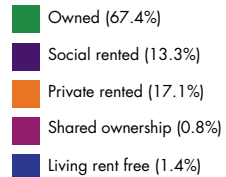
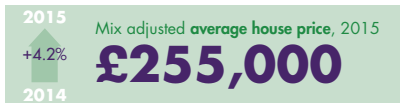
## SOUTH EAST



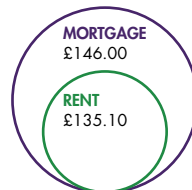
Average **weekly household expenditure** on rent by renters, and mortgage payments by mortgage holders, 2014:



## SOUTH WEST



Average **weekly household expenditure** on rent by renters, and mortgage payments by mortgage holders, 2014:



### Appendix Sources:

- **Mix-adjusted average house prices**, July 2015 (House Price Index: July 2015, ONS)
- **Median gross annual pay** (Annual Survey of Hours and Earnings: 2015, ONS (accessed via NOMIS))
- **Average house price: median annual earnings ratio** (sources same as above)
- **Tenure mix** (Table KS402EW – Tenure, Census 2011, ONS (accessed via NOMIS); Table KS402SC, Scotland Census 2011; Dwelling tenure, Northern Ireland Census 2011, NIIIS)
- **Projected percentage increase in number of households 2016-2036** (Table 425, Housing and Planning Analysis Division, DCLG, Crown copyright)
- **Average weekly expenditure on housing** – mortgage payments and rent (Table 2.11, Expenditure on rent and mortgages by renters and mortgage holders, Living Costs and Food Survey 2014, ONS)





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