

BRIEFING NOTE | AUGUST 2020

District Councils' Network: Housing investments and recovery

The District Councils' Network (DCN) is a cross-party member led network of 187 district councils. We provide a single voice for all district councils within the Local Government Association.

Context

As well as sending a shockwave through the construction industry and property market, the Covid-19 pandemic has shone a light on housing inequality like never before. Households without access to green outside space, living in overcrowded conditions in congested areas are among those who have suffered the most during this unprecedented time.

With unemployment forecast to rise dramatically, and a quarter of households having just £100 in savings; protections for those in the private rented sector, and access to social housing has never been so important. DCN research has identified around half a million people paying over half of their total household income in private rented accommodation, including 108,000 low income parents at risk of becoming homeless and joining the close to 80,000 homeless families in temporary accommodation.

A downturn in the property market puts affordable housing delivery via the planning system at risk. However, the opportunities are at their greatest now; capitalizing on low interest rates to invest in social housing to deliver significant returns on investment, mostly through jobs and growth and increased tax receipts, and housing benefit savings. Previous research by Capital Economics demonstrates investment in social housing 'could return £320 billion to the nation over 50 years'¹, and that 'each new social home would generate a saving of £780 per year in Housing Benefit and generate a fiscal surplus through rental income'².

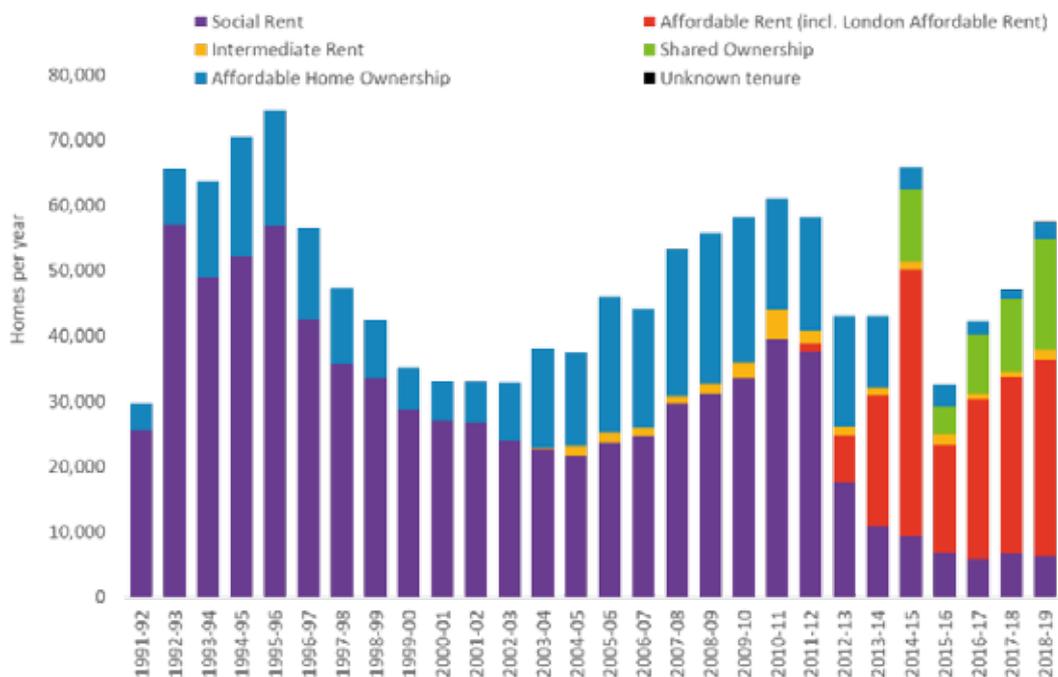
An increase in social housing should be at the heart of the recovery. Social housing accounts for just 1/6th of total housing stock, and 1.1m households are on local authority housing lists (2018-2019)³. The introduction of affordable rent in 2010/11 has seen the proportion of those in the social rented sector spending more than a third of their income on housing rise.⁴ Affordable rents for typical two-bed properties are 30% more expensive than social rents. Research commissioned by the DCN from Residential Analysts further demonstrates how affordable rent has replaced social rent as the main discounted rental tenure over time, as the chart below demonstrates:

1 <https://www.local.gov.uk/delivery-council-housing-stimulus-package-post-pandemic>

2 <http://d3n8a8pro7vnm.cloudfront.net/themes/5417d73201925b2f5800001/attachments/original/1519256246/CapExRents.pdf?1519256246>

3 <https://www.gov.uk/government/statistical-data-sets/local-authority-housing-statistics-data-returns-for-2018-to-2019>

4 <https://www.jrf.org.uk/data/housing-costs>



Affordable housing for older persons who are retired and/or in need of care or extra care is an increasing issue. District councils are finding that there are increasing numbers of lifelong renters who leave the world of work and who cannot afford market rents for retirement properties. Relatively few retirement housing or care schemes incorporate significant numbers of social or affordable rented units citing viability issues caused by the costs of communal and support services. The lack of lower cost rented options for the increasing elderly population needs attention and directly links to the delayed Social Care Green Paper.

Our offer

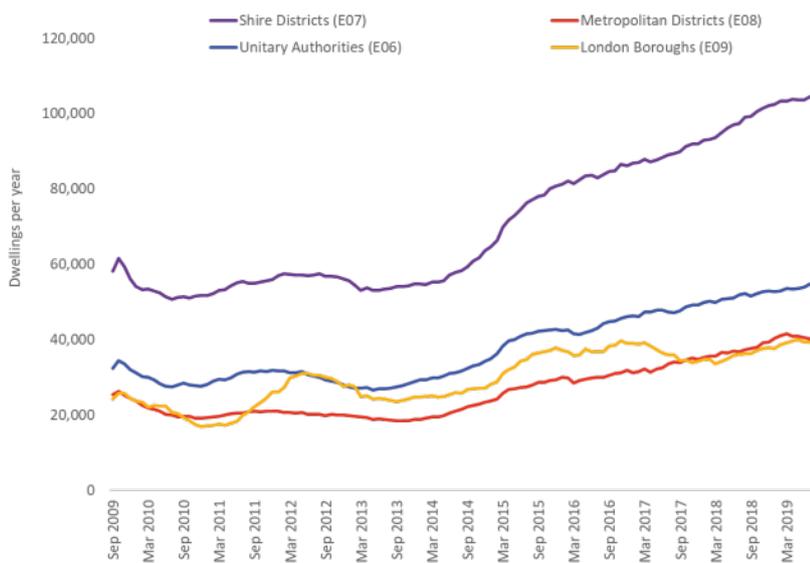
Strategic Growth Planning

There is evidence nationally that demonstrates the effective and proactive collaborative role districts have taken in the coordination and development of strategic growth plans. These plans identify ambitions for housing growth and delivery together with key infrastructure requirements for housing market areas. This has resulted in innovative proposals for garden villages and sustainable development providing certainty for the market to bring forward plans to help meet the Government's ambitions for achieving 300,000 new homes built per year.

Delivering new homes

As planning and housing authorities, districts have a strong track record delivering the new homes the country needs. District councils are also playing a key role as developers, planners and enablers in increasing the supply of social and affordable rented housing, with districts delivering an increasing share of national affordable homes, from around 30% of the total in the early 1990s to over 40% last year.

Tracking energy performance certificates over time for new builds demonstrates the contribution that districts are making to delivery of all new dwellings. This is demonstrated in research undertaken by Residential Analysts for DCN, in the chart below:



Tracking energy performance certificates (EPCs) on new build dwellings provides a more detailed view of housing supply. The data is currently available up to August 2019.

The chart opposite shows the annual average number of new build EPCs by month and highlight the relative under-performance of London relative to the rest of England.

The EPC data does not include any information on tenure or type of company but it can be used to investigate the geographic location of housing supply in great detail. E.g. this map of supply by full postcode <https://builtplace.com/supply-map/>

Our report “Districts Building for the Future: The impact of the removal of the HRA borrowing cap”⁵ (published in June 2019), demonstrates that many district councils are directly developing more new affordable homes and taking full advantage of the removal of the HRA (Housing Revenue Account) borrowing cap to increase their development programmes. Alongside this direct development, district councils also work in partnership with other agencies such as Registered Providers to enable them to deliver new affordable housing schemes.

District councils are also local planning authorities with responsibility for setting local planning policy and development control. They have a crucial role in setting and implementing planning policy which secures the delivery of affordable homes. However, district councils will frequently face challenges from developers who wish to minimise the provision of social or affordable rented housing within their schemes by citing issues such as viability. District councils are robust in responding to such challenges, but in many cases a planning application that is refused on the ground that it does not include enough affordable housing will then be subject to appeal to the Planning Inspectorate.

Our Asks

The Government should work with District Councils to:

Drive investment into the supply of social housing

Long term certainty of capital funding streams, rent standards and welfare benefits are all essential in maximising supply. Plans to lower the interest rate on new loans as part of the current consultation on PWLB lending terms are welcome. Government should look at subsidy by a combination of grant funding and access to low-interest loan streams that will allow rent levels to be set as low as possible. Affordable housing providers including district councils need certainty to develop their business plans, deliver new housing and manage the associated risks.

If the Government wishes to increase the level of new social and affordable rented housing, then the Planning Inspectorate must ensure that it considers the impact of any appeal decision that reduces or removes the requirement for affordable housing that the council is seeking.

⁵ <https://districtcouncils.info/wp-content/uploads/2019/07/Districts-building-for-the-future-FOR-WEBSITE.pdf>

Reconsider how First Homes might impact on supply of affordable homes and delivery of overall schemes

District Councils recognise the demand to increase home ownership and will support the government to deliver these units. However there needs to be a balance and a recognition that home ownership is not going to be accessible for every household.

Affordable homes delivered through the planning system can help speed up delivery of all homes, including market homes. This is because they can often be bulk purchased by housing associations early in the development process, providing developers with confidence to move quickly with new development. First Homes delivered through S106 agreements at the expense of affordable rented homes would reduce this certainty, as becomes more reliant on market for purchase at a challenging time.

The impact of First Homes as proposed could be significant for supply of affordable homes. Last year 27,944 new affordable rented homes were delivered through S106 out of a total 57,485 new affordable homes – 49% of all affordable homes. Assuming the 80% allocation of S106 for First Homes applies equally to infrastructure and affordable housing, and that the other means for building affordable rented homes remain level, the measure reduces the overall total supply of affordable rented homes to just 35,130 – the lowest since 2002/03.

With the government looking at further relaxation of permitted development rights, it's crucial that developers exercising these rights should still be subject to making some form of affordable housing contribution.

Bring forward investment in energy efficiency of existing housing

The £50m announced by the Chancellor for low-carbon retrofitting of social housing is a welcome start, but we urge the government to bring forward proposals for the £3.8bn social housing decarbonisation fund, to kickstart jobs and support the journey to Net Zero.

District councils should also have a lead role in shaping £2 billion investment in energy efficient measures in private homes, in order for maximum benefits for homeowners, the industry, and for best value from government investment. This is because, for instance, districts have access to information on the condition of local housing, the EPC rating for individual properties, and can monitor prices offered by suppliers to shape the market, and can link in to jobs and training opportunities to support employment.

Continue to incentivise home building and ensure the delivery of supporting infrastructure through the review of the New Homes Bonus.

It is critical that district councils continue to see incentives for new housing so that communities see the benefit of new housing development. Councils work hard to win local support through connecting new development with the new local services and infrastructure. Further focus on supporting associated green infrastructure such as electric charging points will be important to communities going forwards as we move towards Net Zero – matters given fresh impetus because of the reported links between air quality and Covid-19.

Empower districts to deliver local solutions

We reiterate our calls for districts to be free to set Right to Buy discounts locally and retain 100 percent of sales receipts to enable delivery of more council homes. Elements

of Right to Buy can be both a source of uncertainty and a potential drain on future revenues that holds them back from pursuing more ambitious goals. There is a risk involved in funding and building a new home which may subsequently be sold at a discount in the near future (resulting in the loss of an affordable home and a reduced capital receipt to the council). Having local control over the Right to Buy discount levels and the time period for retention of receipts would enable local leaders to adapt the policy so that it fits local market conditions. We note that the outcome of the consultation in October 2018 on right to buy receipts has yet to be published.

Government should allow districts the flexibility to combine RTB receipts with funding from the Affordable Homes Programme in order to increase the overall level of subsidy that they can then utilise to fund new affordable homes – especially useful for social rented units that require more subsidy. For example, if a council funded 30% of the build cost from RTB receipts and 20% from the Affordable Housing Programme then this would represent an overall subsidy of 50% (which would support districts being able to let the property at significantly less than market rent level).

The DCN would also welcome allowing councils to retain all HRA capital receipts without any restrictions on use. This would allow ambitious, active councils further freedom to use their assets and finances productively.

Ensure proactive and timely support from Homes England

Homes England must be proactive in assisting district councils to deliver new homes and unlock sites where there are obstacles to development. We would like to see Housing Infrastructure Funding allocated on an aggregated basis to places to enable local decision making. Some district councils report that negotiations with Homes England over potential sites can become very protracted and bureaucratic. This can delay and potentially jeopardise development opportunities. The primary focus should be on securing the best outcome for the development and maximising the number of rented affordable homes to be delivered on site. If there is a high cost or risk to the council in securing a site from Homes England, then the site is unlikely to secure a significant amount of social and affordable rented homes.

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