Building homes, creating communities

Ensuring councils provide innovative solutions to meeting housing need

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APSE (Association for Public Service Excellence) is a not-for-profit local government body working with over 300 councils throughout the UK. Promoting excellence in public services, APSE is the foremost specialist in local authority frontline services, hosting a network for frontline service providers in areas such as waste and refuse collection, roads and highways, renewable energy, parks and environmental services, leisure, school meals, cleaning, as well as housing and building maintenance.

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Town and Country Planning Association (TCPA) founded in 1899, is the UK's oldest independent charity focused on planning and sustainable development. Through its work over the last century, the Association has improved the art and science of planning, both in the UK and abroad. The TCPA puts social justice and the environment at the heart of policy debate, and seeks to inspire government, industry and campaigners to take a fresh perspective on major issues, including planning policy, housing, regeneration and climate change.

The TCPA's objectives are:

- To secure a decent, well designed home for everyone, in a human-scale environment combining the best features of town and country.
- To empower people and communities to influence decisions that affect them.
- To improve the planning system in accordance with the principles of sustainable development.

Dedication

This report is dedicated to the late Cllr Van Coulter who sadly passed in March 2017. Cllr Coulter was APSE National Chair and an Oxford City Councillor. He was a great champion of APSE, a staunch advocate for social justice and fairness and as a political economist a towering intellect in his field of work in the public sector. Cllr Coulter was a supporter of this housing research and the previous study, Homes for All, having attended the stakeholder roundtables for both projects. This report is dedicated to him.

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Foreword

As we go to print the Prime Minister has called a snap General Election for early June 2017. We hope the delivery of affordable housing will be a key priority for all political parties as we go to the polls and for the new Government. The need for affordable, well designed, accessible and sustainable homes affects every community in the UK, with our latest research revealing that 98% of councils have identified the need for affordable homes in their local authorities as severe or moderate.

This report *'Building homes, creating communities: Ensuring councils provide innovative solutions to meeting housing need'* is the third housing research collaboration between the Association for Public Service Excellence (APSE) and the Town and Country Planning Association (TCPA). This study follows on from 'Housing the Nation: ensuring councils can deliver more and better homes' published in 2015 and 'Homes for all: ensuring councils can deliver the homes we need' published in 2016. Together the three reports track the scale and pace of change to housing and planning policy, and the implications of these changes for local authorities.

The objective of this research project has been to understand whether the current policy framework supports local authorities across the UK in taking an active role in planning, delivering and managing new homes of all tenures, and if not, what might need to change. In England the policy landscape shifted significantly during the course of the study with the passage of the Neighbourhood Planning Bill through both Houses of Parliament and the publication of the Housing White Paper in February 2017. With the General Election in June the policy landscape may well shift further still.

By exploring a range of issues faced by councils this study has identified how local authorities can take a more active role in housing delivery through entrepreneurial approaches to setting up local housing companies and innovative approaches to partnership working. It also identifies a number of key challenges faced by councils in meeting the need for affordable housing, an issue which is affecting councils and communities right across the UK.

Drawing on feedback and insight from an online survey, a series of case studies and a high-level stakeholder roundtable, this report sets out key recommendations for the new Government to enable councils to deliver more and better homes of all tenures. The report showcases the huge ambition and innovation taking place in local authorities, for example Birmingham City Council – one of the case studies – has built more new council homes since 2009 than any other local authority in the UK.

APSE have pioneered a new model of local government, the 'Ensuring Council'. Based on the principles of stewardship, maintaining core capacity to provide services, municipal entrepreneurialism, collaboration, local political accountability and social justice, APSE believe the 'Ensuring Council' can connect strong core values with strategic decision-making and efficient delivery of services.

The 'Ensuring Council' principles lie at the heart of the solution to meeting the UK's housing crisis. As this report shows, there is tremendous opportunity for councils, to once again, play a full and active role in planning, delivering and managing social and affordable homes on a meaningful scale.

Paul O'Brien

Chief Executive, APSE

Executive summary

This report went to print in the days just after the Prime Minister has called a General Election for the 8th June. The research was undertaken in the early part of 2017 and the report sets a clear call for action for the new Government.

The report identifies the need for urgent action in seven principal areas to unlock the potential of local authority house building and partnership delivery. The recommendations are presented below:

Leadership, vision and confidence

Recommendation 1: The new Government must match an ambition to increase housing numbers with a commitment to specific measures to ensure quality outcomes including social mixed communities, good design and space standards.

Funding social and affordable housing

Recommendation 2: The new Government must invest in building new homes available for social rent to house essential low-paid workers – whose employment underpins an economy on which we all depend. Investment in social-rented homes is in addition to the need for continued Government support for low-cost home ownership, the rented sector and a range of affordable housing products.

New models of housing delivery

Recommendation 3: To ensure that local government innovation flourishes, resulting in more homes of all tenures, the new Government should make clear that Right to Buy rules do not apply to local authority housing companies.

Recommendation 4: The new Government should ensure that Build to Rent brought forward by the public sector is not subject to the Right to Buy.

Planning

Recommendation 5: The new Government should continue to support the development of effective strategic planning as part of a clear and logical narrative of local plans in England. To avoid uncertainty, the new Government should restore the policy requirements for local plans, but ensure that they don't duplicate the strategic content reflected in the new statutory duty.

Recommendation 6: The new Government should revise the viability test (set out in the National Planning Policy Framework (NPPF)) to ensure that it is not '…used to compromise the ability of local authorities to meet housing need, including affordable housing need, as determined through development plans' as recommended by the House of Lords Built Environment Committee. [1]

Recommendation 7: The new Government should remain committed to redrafting of NPPF to set out the future direction of planning and place-making. In updating the NPPF the new Government must make sure that the final draft version is open to public consultation.

Recommendation 8: While the changes made to the implementation of the starter homes policy in the Housing White Paper are welcome they still do not constitute genuine affordable housing options for many people on low and moderate incomes. The new Government should ensure that the definition of an affordable home set out in the NPPF is be based on a measure of income and not pegged to an arbitrary proportion of market price.

Recommendation 9: The new Government should bring forward the Housing White Paper proposal for a standardised approach to assessing housing requirements. However, the final

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1 House of Lords, 2016, Select Committee on National Policy for the Built Environment Report of Session 2015–16 Building better places http://www.publications.parliament.uk/pa/ld201516/ldselect/ldbuilt/100/100.pdf

terms of how housing need is assessed must be balanced by a national conversation to ensure that short-term market demand does not exacerbate regional inequalities.

Recommendation 10: The new Government needs to clarify whether the developer-contribution model of funding social and affordable housing, via planning obligations, remains a policy objective, and if not, where the replacement investment is going to come from.

Housing quality and standards

Recommendation 11: The new Government should introduce nationally agreed minimum space standards which development should not fall below and which is not subject to the NPPF viability test.

Recommendation 12: While guidance to estimate the need for accessible homes for older and disabled people is a welcome commitment in the Housing White Paper, it is vital that the new Government ensure the policy to implement these needs is not subject to the NPPF viability test.

Recommendation 13: The new Government should re-commit to low carbon homes to reclaim the opportunity to be a world-leader in sustainable development. This will not only help safeguard the environment for future generations and help protect consumers from fuel poverty, it is crucial to driving innovation in the development industry and providing a firm foundation for planning decisions.

Boosting local authority capacity and capability to deliver

Recommendation 14: Consideration of local flexibility of fee recovery in the Housing White Paper is welcome, however the new Government must ensure sufficient resources are available for the planning service in lower demand areas in order to maintain an adequate, minimum standard of delivery.

Recommendation 15: The new Government must not place yet more obligations on local authorities for poor performance on issues which are beyond their control, while providing delivery tools which are unlikely to be effective due to the skills, capacity, funding available, and limitations of the current CPO compensation system.

Brexit and construction skills

Recommendation 16: The new Government needs to support the expansion of the construction industry, recognising the current capacity constraints on delivery due to factors such as the availability of skilled and unskilled workers, equipment and raw materials. Councils can also play an important role in expanding the construction skills sector through apprenticeships to ensure that the sector is not overly reliant on migrant workers from Europe or further afield.

Part 1: Introduction

Local authorities have a vital role in the planning, delivery and management of social and affordable homes. This study by the TCPA, on behalf of APSE, is the third housing research collaboration between the organisations following the publication of 'Housing the Nation: Ensuring councils can deliver more and better homes'[2] in 2015 and 'Homes for all: ensuring councils can deliver the homes we need[3]' in 2016.

The first two projects highlighted the opportunity for councils to, once again, be at the cutting edge of solving the UK housing crisis, playing a full and active role in planning, delivering and managing social and affordable homes.

Since the publication of the first two reports there has been a tremendous amount of political change with the EU Referendum in June 2016, a change of UK Government in July 2016, and a General Election on the 8th June 2017. Over the past year political changes have led to a significant shift in housing and planning policy in England resulting in both positive and welcome support for local authorities to deliver much needed housing of all types and tenures, alongside a further round of planning reform. However, as the research reveals the cumulative impact of existing housing and planning policies in England - such as the 1 per cent annual rent reductions in the social rented sector, permitted development and the forced sale of high value council homes through the Right to Buy - have reduced the ability of councils to secure genuinely affordable homes available at social rent.

This third phase research project is particularly timely given the publication of the Housing White Paper Fixing Our Broken Housing Market[4] in February 2017, which sets out housing and planning policies for England. The study explores the potential impact of the policies in the White Paper as well as tracking the latest policy changes in Scotland, Wales and Northern Ireland. As with the previous two studies the emphasis is on both making recommendations to government to improve the ability of councils to enable the delivery of more and better homes, and identifying positive solutions and innovation within local government.

1.1 Research approach

There are four components to the research project, as follows:

1. Desk-based policy review of the housing challenge and policy context – in terms of housing, planning, and finance – in England, Wales, Scotland and Northern Ireland.

2. Analysis of five case studies. Each case study aims to present different models of council leadership in delivering and managing social and affordable housing, set within the socio-demographic context of each local authority area. The case studies are Birmingham City Council, the London Borough of Lambeth, Midlothian Council, Oxford City Council, and South Cambridgeshire District Council (the case studies are set out in Part 2 of the report).

3. An online survey which was sent to the Leader, Chair of Finance, Chair of Housing, Chair of Planning and Chair of Economic Development Committees, the Chief Executive, Chief Finance Officer, Chief Housing Officer, Chief Planning Officer and Chief Economic Development Officer in all local authorities in England, Wales, Scotland and Northern Ireland. The survey was conducted between the 1st and 24th February 2017. The analysis of the survey is set out in Part 3 of the report and the survey questions are set out in Annex 1.

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2 APSE, 2015, Housing the Nation: ensuring councils can deliver more and better homes http://www.apse.org.uk/apse/index.cfm/research/current-research-programme/housing-the-nation-ensuring-councils-can-deliver-more-and-better-homes/

3 APSE, 2016, Homes for all: ensuring councils can deliver the homes we need

4 DCLG, Feb 2017, Fixing our broken housing market, Her Majesty's Stationary Office, UK. https://www.gov.uk/government/publications/fixing-our-broken-housing-market

4. An expert roundtable discussion was held on the 6th March 2017 to test the analysis and draft recommendations (roundtable participants are listed in Annex 2).

The research aims to demonstrate that local authorities can, and want to, deliver more and better housing. Councils are a fundamental part of the solution to meeting the nation's housing need.

1.2 The housing crisis

In February 2017, the Prime Minister, Theresa May MP, said: "Our broken housing market is one of the greatest barriers to progress in Britain today. Whether buying or renting, the fact is that housing is increasingly unaffordable – particularly for ordinary working class people who are struggling to get by. Today the average house costs almost eight times average earnings – an all-time record. As a result it is difficult to get on the housing ladder, and the proportion of people living in the private rented sector has doubled since 2000. These high housing costs hurt ordinary working people the most."[5]

The Prime Minister has powerfully set out the scale of the housing crisis. The need for more affordable homes affects communities across Britain and the Housing White Paper is an important first step in reframing the debate on how to solve our housing crisis. The Housing White Paper acknowledges the need for a complex range of solutions to a long-term problem and sets out a welcome and more pragmatic approach to housing tenure.

However, there is one significant element missing from the Affordable Housing Programme and the Housing White Paper and that is funding and support for new social rented homes for people on low and modest incomes whose employment underpins an economy on which we all depend. In addition, Government policies such as the Right to Buy, a reduction in social rent, the move to an affordable rent model (rents set at up to 80% of the market rate), permitted development, and the viability test in the National Planning Policy Framework – all explained in section 1.3 below – are reducing the ability of councils to secure homes available for social rent.

The Chartered Institute of Housing (CIH) estimate the loss of 122,000 existing social rented homes between 2016 to 2020 as a result of conversions to the higher 'affordable' rent model, the Right to Buy, and demolitions.[6]

In 2015-16 the number of affordable homes in England fell to a 24-year low, with around 32,000 built, compared to 66,600 in the previous year.[7] According to Government figures, of the affordable homes built last year in England only 6,550 of new homes were for social rent.

1.3 The current policy context

The overall policy context for planning and housing in England has rapidly changed in the past 12 months following the EU referendum in June 2016, the change of UK Government in July 2016 and the publication of the Housing White Paper 'Fixing Our Broken Housing Market' in February 2017[8].

The two previous TCPA studies for APSE - 'Housing the Nation: ensuring councils can deliver more and better homes'[9] and 'Homes for all: ensuring councils can deliver the homes we need[10]' – mapped in detail the housing and planning policy changes between 2010 and 2016. This content is not

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5 Rt Hon Theresa May MP, Foreword to the Housing White Paper DCLG, Feb 2017, *Fixing our broken housing market*, Her Majesty's Stationary Office, UK. https://www.gov.uk/government/publications/fixing-our-broken-housing-market

6 Barnes, S. 2017 '250,000 social homes lost by 2020' 18 January 2017 Inside Housing http://www.insidehousing.co.uk/250000-social-homes-lost-by-2020/7018425.article

7 Richardson, H, 2016 Affordable home building dips to 24-year low, BBC News http://www.bbc.co.uk/news/education-38015368

8 DCLG, Feb 2017, *Fixing our broken housing market*, Her Majesty's Stationary Office, UK. https://www.gov.uk/government/publications/fixing-our-broken-housing-market

9 APSE, 2015, *Housing the Nation: ensuring councils can deliver more and better homes http://www.apse.org.uk/apse/index.cfm/research/current-research-programme/housing-the-nation-ensuring-councils-can-deliver-more-and-better-homes/*

10   APSE, 2016, *Homes for all: ensuring councils can deliver the homes we need*

repeated here; however it is worth highlighting that the introduction of the Housing White Paper comes after six years of far-reaching legal and policy changes to housing, planning, benefit provision and regeneration funding. The cumulative effects of these measures have changed the ability of local authorities to deliver affordable homes, as well as affecting the wider role of councils in place-making. Some of the measures, such as permitted development, which were initially introduced as temporary, have now been made permanent.

The Housing White Paper in England reinforces the sense of diverging policy approach between the nations and regions of the UK. Scotland, Wales and Northern Ireland each have a distinctive policy environment in these administrations, discussed below.

1.3.1 England
Policy context for housing and planning

This section focuses on the Housing White Paper, published during the course of this research project, and the Affordable Homes Programme.

The Housing White Paper

The White Paper comprehensively sets out the scale of the housing crisis and how this impacts on many people's wellbeing. The focus of housing and planning policy between 2010 and 2016 has been on home-ownership and the deregulation of the planning system, when in practice the real problems were a lack of investment in social housing and a 'broken' private sector housing delivery model. The White Paper acknowledges the need for a complex range of solutions to a long-term problem.

The White Paper sets out a pragmatic and measured approach to housing tenure, as well as the recognition that the planning system needs adequate resources to uphold the public interest. The Government's commitment to legislate to update the New Towns Act offers real hope for a rapid step-change in housing delivery. The White Paper contains positive reforms in planning to meet the needs of our ageing society, strengthen the definition of sustainable development, and ensure that we improve community resilience to climate change. However, the White Paper also signals the further reform of the planning system, including potentially ending the long-standing policy requirements for Local Plans.

Chapters 1 and 2 of the White Paper are open to consultation and relate to the further proposed reforms of planning for housing. Chapters 3 and 4, on housing policy, are not open for consultation, but they do contain significant proposals for change. Of particular relevance to this study is Chapter 3 of the White Paper on diversifying the housing market which includes:

• Support for small and medium-sized builders to grow, including through the Home Building Fund;

• A boost for custom-build homes with greater access to land and finance;

• An emphasis on Accelerated Construction;

• Encouragement for institutional investors with an emphasis building more homes for private rent (there is a separate consultation for build to rent);

• Support local authorities and housing associations and to build more homes;

• Encouraging councils to build homes;

• Support for modern methods of construction in house building to boost productivity.

The following section sets out four dimensions to housing and planning in England:

• Funding for social and affordable housing;

• Structural changes to planning;

• Policy changes to planning for social and affordable housing;

- The planning service and capacity issues.

Funding social and affordable housing:

Affordable Homes Programme: April 2015 saw the start of a new phase of the Affordable Homes Programme (AHP) up to 2018 with £2.9 billion in funding. The programme was expected to deliver 165,000 homes with an emphasis on affordable rent. During the Autumn Statement and Spending Review 2015 the Government's focus on increasing home ownership was made clear; all unallocated Homes and Communities Agency funding is now going towards home ownership schemes and the revised AHP funding allocation is now £1.8 billion for 2015/2018. Funding for the AHP between 2018/19 and 2020/21 will increase to almost £4 billion but output will be primarily focused on the development of properties for shared ownership. The UK Housing Review 2016 describes this as a "radical switch in central government support from rented housing to home ownership." The programme is expected to deliver:

- 200,000 'starter homes' aimed at first-time buyers
- 135,000 'help to buy: shared ownership' homes
- 10,000 new homes that tenants can live in for five years at reduced rents while they save for a deposit. They will then have 'first right' to buy the home
- 8,000 specialist homes for older people or those with disabilities.

Thus of the 400,000 new affordable homes the Government has pledged to deliver, 335,000 will be provided via a mixture of home ownership schemes[11].

Starter Homes: The Starter Homes policy, which was legislated for in the Housing and Planning Act 2016, aims to help young first-time buyers (below 40 years) purchase a home with a minimum 20% discount off the market price which is £450k in London and £250k outside the capital. Starter Homes will help some middle and high earning people in parts of England, however homelessness charity Shelter estimate that middles earners will actually be priced out in 58% of the country and people on the new 'national living wage' are priced out of Starter Homes in 98% of the country.[12]

In response to a wide range of concerns, including recommendations in the 2016 APSE/TCPA Homes for all report, the Government has made a number of modifications to the Starter Homes Policy in the Housing White Paper, including greater flexibility in the amount of Starter Homes required on new sites. These changes are not subject to consultation and will come into force when the National Planning Policy Framework (NPPF) is republished at the end of 2017.

Shared ownership: From April 2016 Government removed restrictions on who can buy a home through shared ownership.[13] Shared ownership is a useful form of intermediate tenure enabling people to buy a share of a home – rather than the whole house. Shared ownership is open to anyone who has a household income of less than £90,000 in London or less than £80,000 outside London.

Right to Buy: The Government has focused on a 'voluntarists' approach to extending the Right to Buy to 1.3 million housing association tenants. The scheme will be funded by forcing local authorities to sell off high value council houses when they become vacant. The Local Government Association (LGA) have '...forecast that 66,000 council homes will be sold to tenants under the existing Right to Buy scheme by the end of the decade with current complex rules and restrictions making it difficult for councils to rapidly replace the majority of these homes sold.'[14]

11   House of Commons Library, 2016, *Stimulating housing supply - Government initiatives (England),* Briefing Paper Number 06416, 15 June 2016 by Wendy Wilson, The House of Commons Library, UK. http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06416#fullreport

12   Shelter, 2015, *Non-starter homes*. Shelter policy blog. Shelter. 26 Aug 2015. http://blog.shelter.org.uk/2015/08/non-starter-homes/

13   HM Treasury and Department for Communities and Local Government, 2015, Help to Buy: new announcements. London Help to Buy and Shared Ownership: key announcements from the Spending Review and Autumn Statement. HM Treasury and Department for Communities and Local Government. Nov 2015. https://www.gov.uk/government/news/help-to-buy-new-announcements

14   Local Government Association (LGA), 2016, 80,000 council homes could be lost by 2020, press release. http://www.local.gov.uk/media-releases/-/journal_content/56/10180/7668062/NEWS#sthash.8O3ep93I.dpuf

Social rent reductions: From April 2016 the Government introduced a 1 per cent annual rent reduction in the social rented sector for four years. The Office for Budget Responsibility (OBR) highlighted that this 'will directly reduce social landlords' rental income, and therefore their financing for, and returns to, investing in new housebuilding'.[15]

Housing Infrastructure Fund: In the Housing White Paper the Government announced a £2.3bn Housing Infrastructure Fund which will be targeted at the areas of greatest housing need. Government will open this capital grant programme to bids in 2017, with money available over the next four years. Government '...expect to fund a variety of infrastructure projects (including transport and utilities) where these will unlock the delivery of new homes, enabling economic development across the area.'[16]

Structural changes to planning:

Devolution: The Housing and Planning Act 2016, and the Cities and Devolutions Act 2016 both set out arrangements for Combined Authorities. Each devolution deal is different, and there is a potential for Combined Authorities to have an important role in planning for housing, but there needs to be clarity about the extent of Combined Authority's planning functions and how they will be democratically accountable to the public. Combined Authorities and Mayors will have the power to designate Mayoral Development Corporations and, subject to the approval of the secretary of State, powers to intervene in local plans. However, it is now also clear that a Combined Authority will not have statutory plan making powers, so to be effective, this strategic approach will need to be reflected in the Local Plans of the constituent authorities. This leaves open key questions about the effectiveness of strategic planning for housing. There are also unanswered practical questions about the capacity and resources of the Combined Authorities administrations to prepare strategic housing plans.

New requirements for strategic planning and the removal of the requirements for a single local plan: The Neighbourhood Planning Bill 2016-2017 creates a legal requirement for local authorities to set out their strategic planning priorities[17]. The Housing White Paper provides some further detail on the expectation of how this system will work. In essence, there will no longer be a policy requirement to have a full local plan[18]. Instead the new legal requirement will be for a form of strategic plan which could be prepared jointly. Under this strategic tier, local authorities will have a choice of what kind, if any, local plans documents to prepare. Neighbourhood Plans will continue to be an option where communities have the desire and capacity to prepare them.

The development of a new tier of joint strategic planning is welcome and could help address the limitations of the 'duty to cooperate' in planning for housing growth. However, the removal of the NPPF requirement for a local plan raises significant issues for where place-making standards for communities and housing will be located. Neighbourhood planning cannot fulfill this role since there is no minimal legal requirements on such plans for policy content on housing standards. Neighbourhood Plans do not have to comply with same minimum legal duties on sustainable development or climate change as local plans. Local authorities also have very limited control over the policy content of such plans. While local authorities will still have the choice to develop a local plan, and this is essential to deliver high quality places, justifying the expense will be much more difficult when the national policy requirement to have a local plan has been removed.

Permitted development: Permitted development has been made permanent creating a range of concerns to councils from the loss of employment space to poor quality development that they have no say over. Large office buildings have been approved for conversion through the policy which,

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15   Office of Budget Responsibility, 2015, *Economic and fiscal outlook,* July 2015. http://budgetresponsibility.org.uk/docs/dlm_uploads/July-2015-EFO-234224.pdf

16   DCLG, Feb 2017, *Fixing our broken housing market*, Her Majesty's Stationary Office, UK. https://www.gov.uk/government/publications/fixing-our-broken-housing-market (pages 38-39)

17   The White Paper makes clear that these priorities will those limited issues set out in Paragraph 159 of the NPPF

18   See DCLG, Feb 2017, Fixing our broken housing market, Paragraph 1.10, bullet 1. Her Majesty's Stationary Office, UK: https://www.gov.uk/government/publications/fixing-our-broken-housing-market

had they gone through the planning process, would have been a significant source of either new affordable housing or contributions towards offsite provision.

Policy changes to planning for social and affordable housing:

National Planning Policy Framework (NPPF): The House White Paper is consulting on changes to the NPPF including changing the definition of affordable housing to include Starter Homes. Despite changes to the Starter Homes policy discussed above, the impact of this change will be to broaden the definition of affordability to contain housing products whose cost is linked to market prices rather than to a genuine metric of affordability based on income.

Planning service and capacity:

Skills and resources: The planning service is at a critically low ebb in terms of resources. The Housing White Paper includes a welcome commitment to boost 'local authority capacity and capability to deliver' by taking '…steps to secure the financial sustainability of planning departments; ensure that the planning system has the skilled professionals it needs to assess and make the tough decisions we expect; and provide targeted support to address areas of specialist weakness.' In particular, the Government will allow for 20% increase in planning fees from July 2017 if the local planning authority commits to invest this income in their planning service.[19]

1.3.2 Wales, Scotland and Northern Ireland

In general, the policy and institutional context for Wales, Scotland and Northern Ireland is marked by greater continuity and consensus than those in England. Nonetheless, significant changes are now taking place in policy.

Wales

Planning and housing functions are largely devolved to the Welsh Government and Welsh local authorities. The Housing Act (Wales) 2014 sets out a legal framework for the devolved powers. The Act places duties on local authorities on homelessness, the provision of sites for Gypsies and Travelers and standards in housing management. It also reforms the Housing Revenue Account subsidy system and introduces a compulsory registration and licensing scheme for private rented sector landlords. The Welsh Government provides financial support through the Social Housing Grant and Housing Finance Grant which support Registered Social Landlords, although the amounts are relatively modest. The Wales national housing strategy, 'Improving Lives and Communities – Homes in Wales', contains the detailed policy objectives of the Assembly Government.[20] The Local Government Act 2003 already requires local authorities to produce local housing strategies.

Planning in Wales continues to reflect a distinctive and coherent approach with a national plan and guidance documents framing local development plan preparation by local authorities. National policy was updated after review in 2016 with the Welsh Government committing to ensuring that:

- previously developed land is used in preference to greenfield sites;
- new housing and residential environments are well designed, meeting national standards for the sustainability of new homes and making a significant contribution to promoting community regeneration and improving the quality of life; and that
- the overall result of new housing development in villages, towns or edge of settlement is a mix of affordable and market housing that retains and, where practical, enhances important landscape and wildlife features in the development.

Planning policy in Wales set out in 'Planning Policy Wales' (updated 2016) contains a stronger and more

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19   DCLG, Feb 2017, Fixing our broken housing market, Paragraph 2.15. Her Majesty's Stationary Office, UK: https://www.gov.uk/government/publications/fixing-our-broken-housing-market

20   Welsh Government, 2010, National Housing Strategy – 'Improving Lives and Communities – Homes in Wales' www.gov.wales/topics/housing-and-regeneration/publications/strategydoc/?lang=en

coherent definition of affordability than the suggested changes to the English NPPF in the Housing White Paper with a stronger recognition of the importance of, for example, social rent. Local Planning Authorities must also include an authority-wide target for affordable housing (expressed as numbers of homes) based on Local Housing Market Assessments (LHMAs).

Planning for housing is also now more robustly framed around the well-being goals set out in the Well-being of Future Generations Act 2015, in particular under 'A Wales of Cohesive Communities' where planning should ensure that all local communities – both urban and rural – have sufficient good quality housing for their needs, including affordable housing for local needs and for special needs where appropriate, in safe neighbourhoods.

In Wales, some councils are seeking approval from the Welsh Assembly Government to suspend the Right to Buy policy in order to tackle the housing crisis. Anglesey, Carmarthenshire and Swansea have already stopped the Right to Buy policy, while Cardiff, Flintshire and Denbighshire have submitted proposals to Ministers.[21]

Scotland

Scotland has extensive devolved powers on planning and housing. The Scottish Government sets overall national planning policy in the National Planning Framework and the 32 local authorities prepare local plans. The four major city regions also have to prepare a strategic development plan. Scotland is regarded as having the most coherent and effective planning system inside the UK with a strong emphasis on meeting housing needs. The Housing (Scotland) Act 2001 requires local authorities to prepare a local housing strategy supported by an assessment of housing need and demand.

In March 2016, the Scottish Government launched its 'More Homes'[22] approach to increasing housing delivery by innovative investment in housing, getting land ready for housing, and planning for new housing effectively. Scotland's 32 unitary authorities have responsibility for housing with financial and policy support from the Scottish Government who will invest £1.7 billion in new homes over the lifetime of the current parliament. The Joint Housing Delivery Plan for Scotland, published in 2015, set out key actions over a 5-year period recognizing the complexities of the housing system.

In 2015 the Scottish Government committed to full and independent review of the planning system which has now been completed. One focus of the review was on housing delivery. As a result of its response to the review, the Scottish Government published a white paper, 'Places, people and planning'[23] in 2017 for public consultation. This paper makes significant changes for the way local authorities plan for housing when they come into force. The consultation is seeking views on proposals for:

*   a reconfigured system of development plans. This will link with proposals to extend the role and scope of the National Planning Framework and Scottish Planning Policy;

*   new tools to assist housing delivery and diversification of types of housing;

*   an approach to infrastructure delivery which recognises the development planning process;

*   changes to the development management process to improve efficiency and transparency;

*   embedding IT and innovation to achieve a digitally transformed planning system.

The Scottish Planning Policy requires local authorities to identify functional housing market areas and a generous supply of land for each housing market area with involvement from developers, registered social landlords and local communities. Affordable housing is defined as housing of a reasonable

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21   BBC News, 2017, Law to scrap right to buy to be proposed by Welsh Government 16 February 2017 http://www.bbc.co.uk/news/uk-wales-politics-38996673

22   Scottish Government, 2016, *More Homes,* The Scottish Government, UK. https://beta.gov.scot/policies/more-homes

23   Planning and Architecture Division, The Scottish Government, 2017, Places, people and planning: A consultation on the future of the Scottish planning system, The Scottish Government, UK. https://consult.scotland.gov.uk/planning-architecture/a-consultation-on-the-future-of-planning/supporting_documents/694570_v4_20170109.pdf

quality that is affordable to people on modest incomes. Local development plans should clearly set out the scale and distribution of the affordable housing requirements.

The Right to Buy policy ended for all council and housing association tenants in Scotland on 31 July 2016.[24]

Northern Ireland

Housing in Northern Ireland has a number of distinctive aspects not least the legacy of community division and direct rule. The peace process has offered a radical period of change with devolution of planning powers from central administration to the new 11 local authorities which occurred in April 2015.

From May 2016 there were major changes to the number and scope of the executive department in Northern Ireland. These changes will result in significant changes for planning and housing with responsibilities being split in a way which risks a fragmentation of the wider responsibilities for planning and place making. One of the major questions for the future is how to harness the opportunity and challenges of devolving housing provision to newly restructured local authorities in Northern Ireland. Housing policy is the responsibility of the new Department for Communities together with urban regeneration, while strategic planning, transport and regional developments functions are the responsibility of the Department of Infrastructure.

The Northern Ireland Housing Executive, established by statute, is the strategic housing authority and the Northern Ireland equivalent of a local authority housing provider working under the Department for Communities. The Executive manages 89,000 homes and had a program to build 2,000 units of social housing in 2015. It sets out a number of strategies on homelessness, private rented sector, empty homes, and Housing Investment Plans for each of the new councils over four year plans providing a long term, holistic, cross tenure look at local housing markets. It is responsible for undertaking the Housing Needs Assessment / Housing Market Analysis to inform local development plans, including social and affordable housing requirements.

The Regional Development Strategy sets out an objective to manage housing growth to achieve sustainable patterns of residential development. The Strategic Planning Policy Statement for Northern Ireland[25], published in September 2015, requires planning authorities to deliver balanced communities and good design, with community cohesion a main theme. The Department is currently consulting on an Affordable Housing Planning Policy Statement.

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24 Scottish Government, 2016 *Right to Buy* http://www.gov.scot/Topics/Built-Environment/Housing/16342/rtb

25 Department of the Environment, Northern Ireland Assembly, 2015, 'Strategic Planning Policy Statement for Northern Ireland' - Planning for Sustainable Development (SPPS), Northern Ireland Assembly, UK. http://www.planningni.gov.uk/index/policy/spps_28_september_2015-3.pdf

Part 2: Case studies

The study is based upon five case studies. The case studies represent innovation within local government, setting out different models of council leadership in the delivery of new homes of all tenures, including affordable housing. The case studies are as follows:

1. **Birmingham City Council**: Birmingham Municipal Housing Trust and INREACH, both are wholly-owned by the council but delivering different housing tenures.

2. **London Borough of Lambeth**: Homes for Lambeth, the council's emerging housing strategy.

3. Midlothian Council: Direct delivery of new affordable homes

4. **Oxford City Council**: Barton NHS Healthy New Town, a council-led joint venture on council owned land

5. **South Cambridgeshire District Council**: Securing affordable housing through rural exception sites and boosting the supply of market rented homes through a local authority housing company.

Two of the case studies – Birmingham City Council and Oxford City Council – were showcased in the APSE/ TCPA Housing the nation report in 2015. The aim of revisiting these case studies is to look at progress and new innovation over the past two years as well as emerging lessons.

2.1 Birmingham City Council

The housing challenge in Birmingham

Birmingham is home to over 1.1 million people. Birmingham is a youthful city; 45.7% of Birmingham residents are estimated to be under 30, compared to estimates of 39.4% for England.[26] It is the second largest local authority area and city outside of London. After a period of population decline from the 1960s to 1990s, the City's population is growing again, with 96,000 additional residents between 2001 and 2011, an increase of 9.8%.[27] Significant further population growth in Birmingham is projected over the next decade and a half, by 2031, Birmingham's population is expected to grow by 156,000.[28]

Birmingham City Council own a significant stock of housing. However, each year the council has fewer homes available for rent due to two main reasons; firstly some of the council housing no longer meets modern needs having been built in the mid-20th century and is demolished as it becomes uneconomic to maintain and secondly, the Right to Buy scheme. In 2015 it was reported that Birmingham was selling more than twice as many council houses as it was currently building, and the total council housing stock in the city had fallen from 64,315 in 2013 to 62,843 following Government changes to the right to buy discount.[29] The National Housing Federation's latest figures show not enough homes are being built to meet demand – the West Midlands already has a five-year shortfall of over 45,000 homes, with more than 18,000 needed in Birmingham alone[30].

The most recent City wide Strategic Housing Market Assessment (SHMA), published in 2012, found that around 38% of the City's overall housing requirement is for affordable housing. The City Council

26   Birmingham City Council 2017, Population in Birmingham: https://www.birmingham.gov.uk/info/50065/population_and_census/1003/population_in_ birmingham

27   Birmingham City Council (2013) 2011 Census: Birmingham Population and Migration Topic Report

28   Birmingham City Council, 2017, Adopted Birmingham Development Plan: https://www.birmingham.gov.uk/info/20054/planning_strategies_and_ policies/78/birmingham_development_plan

29   Birmingham Mail, (22 Sep 15) by Neil Elkes, Birmingham council house crisis: Twice as many sold as built in last three years: http://www.birminghammail. co.uk/news/midlands-news/birmingham-council-house-crisis-twice-10103392

30   National Housing Federation 2016. Home Truths 2016/17, The housing market in the West Midlands: http://www.housing.org.uk/resource-library/ browse/home-truths-2016-17-west-midlands/

will seek to achieve this requirement by making the best use of the finance available including public subsidy, by directly building new council housing and by exploring all partnership opportunities to increase supply. Affordable housing provided through developer contributions will also continue to play an important role in meeting the City's affordable housing needs.[31]

Birmingham's objectively assessed housing need for the period 2011 to 2031 is 89,000 additional homes, including about 33,800 affordable dwellings. It is not possible to deliver all of this additional housing within the City boundary. The City Council will continue to work actively with neighbouring Councils through the Duty to Co-operate to ensure that appropriate provision is made elsewhere within the Greater Birmingham Housing Market Area to meet the shortfall of 37,900 homes, including about 14,400 affordable dwellings, within the Plan period.[32]

The planning context

The Birmingham Development Plan (BDP) 2031 was adopted by Birmingham City Council in January 2017. The BDP sets out a spatial vision and strategy for the sustainable growth of Birmingham for the period 2011 to 2031, and is used to guide decisions on planning, development and regeneration.[33]

Over the period 2011-2031, 51,100 homes are planned to be delivered. This reflects the current capacity and land allocations available within Birmingham's administrative area.[34] Policy 'TP31 Affordable housing' of the BDP states that "the City Council will seek 35% affordable homes as a developer contribution on residential developments of 15 dwellings or more. The City Council may seek to negotiate with the developer in order to revise the mix of affordable dwellings (for instance to secure additional larger dwellings) or to adjust the level of subsidy on individual dwellings (a higher subsidy may be required in high value areas)." [35] There will be a strong presumption in favour of the affordable homes being fully integrated within the proposed development. However the City Council may consider off site provision, for instance to enable other policy objectives to be met, subject to an equivalent level of developer contribution being provided. Off site provision could be either by way of the developer directly providing affordable dwellings on an alternative site, or by making a financial contribution which would enable provision either through new build on an alternative site, by bringing vacant affordable dwellings back into use or through the conversion of existing affordable dwellings to enable them to better meet priority needs.[36]

Birmingham Municipal Housing Trust and INREACH

In 2009 Birmingham City Council launched Birmingham Municipal Housing Trust (BMHT). The Trust is part of the Council and works in partnership with private developers to deliver new homes across the City. Birmingham Municipal Housing Trust delivers a mix of housing tenures including homes for rent and homes for sale. As featured in the APSE/ TCPA 2015 report Housing the nation the Council brings forward both large and smaller-scale council-owned sites and develops them for social rent and for market sale through BMHT.[37]

Birmingham pioneered the "buy now, pay later", approach to the sale of new homes in 2009. Basically, this meant that the Council would share with developers some of the risks which a developer usually has to take in developing new homes for sale (such as delays in securing planning permission, finding

31   Birmingham City Council, 2017, Adopted Birmingham Development Plan: https://www.birmingham.gov.uk/info/20054/planning_strategies_and_policies/78/birmingham_development_plan

32   Ibid

33   Birmingham City Council, 2017, Adopted Birmingham Development Plan: https://www.birmingham.gov.uk/info/20054/planning_strategies_and_policies/78/birmingham_development_plan

34   Ibid

35   Ibid

36   Ibid

37   APSE/ TCPA, 2015 Housing the nation

bad ground conditions, buying land up front in a fragile housing market), in order to encourage developers to build new homes for sale. This was at the height of the housing market crash when banks were reluctant to lend to developers, and developers were reluctant to build homes for sale because of the risk of not selling them. This approach was very successful, and resulted in the Council winning two national awards for innovation. Birmingham was the first local authority to build new homes for sale, and has built more than any other Council.

In 2016, Birmingham developed this approach one step further in order to capture more financial benefit for the public sector. Under the risk sharing approach, the Council shared the risks and rewards arising from the development of homes for sale. Under the 2015 model, the Council acts as developer and takes all of the sales risk, but also captures all of the developer's profit. In order for this approach to succeed it is essential to select the right sites and be confident that the new homes have been developed in attractive locations, to a high standard, and that they can be sold at a profit which justifies the risk that the Council is taking.

The Council is currently on site developing 150 new homes using this approach. The homes are selling faster than they can be built and 12 have already been sold before completion. The surpluses generated from the sale of each home are in the range of 100-400% higher than those created by the risk share approach. The anticipated total surpluses across 3 sites total over £12 million. This money will be used to build new affordable rented housing to help to meet the needs of some of the 23,000 households on the Council's housing waiting list. This direct sales methodology will be continued as the Council continues to build homes for sale and will generate more surpluses for reinvestment in social housing.

Since it was established in 2009Achievements of the Council through the BMHT programme have been:

• Built of a total of 2,350 new homes, 1,346 homes for rent and 999 homes for sale;

• Currently BMHT is developing 900 homes on 19 sites across the city;

• Built 341 (rent), 285 (sale) larger homes – 4 and 5 bedrooms;

• Built 19% out of all of the new homes built in the city since 2009;

• Built 28% of all new homes in the city in 2014-15;

• Built 562 new homes in the city in 2015-16;

• Built 30% of all new homes in the city in 2015-16;

• Built more homes in the city in 2014-15 than all of the Housing Associations combined (221);

• Built more homes in 2014-15 and 2015-16 than all of the Housing

Associations combined (129);

• Built more new Council homes since 2009 than any other Local Authority in the UK;

• Raised the standard of new social housing in the city by building all new rented homes to Code 4 of the Code for Sustainable Homes;

• Continued to build rented homes at social rents post 2010 when most Housing Associations moved over to charging "affordable rents";

• Developed 97 acres of brownfield land;

• Developed 69 new homes on derelict garage sites;

• Won seven major national awards for innovation and design;

• Created over 300 training and apprenticeship places;

• Created the Building Birmingham Scholarship programme, which provides bursaries to young people from deprived neighbourhoods to enable them to enter higher education; the programme is currently supporting 40 young people;

• Created investment of £2.12 billion into the economy;

• Generated £2.8 million in additional Council tax;

• Generated over £10 million in additional rent to the Housing Revenue Account;

• Generated £6.4 million in New Homes Bonus;

• Generated over £20 million in capital receipts from the development of homes for sale.

More recently Birmingham City Council have set up INREACH, a wholly-owned company to develop new homes for market rent as part of the City's 'Facilitating the Private Rented Sector Housing Programme'. The Council provides both loan finance on commercial terms, and disposal of land to INREACH, thus safeguarding and maximising the use of the Council's assets.[38] INREACH will not divert resources away from the existing programme of developing social rented homes by the BMHT; instead

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38   Birmingham City Council, 2016. Facilitating the Private Rented Sector Housing Programme, Public Report, 18 October 2016

it is intended to complement it by providing an alternative tenure option.

In March 2017 a new four year programme was launched which will see small and medium sized house builders working for BMHT. Birmingham City Council's cabinet member for housing and homes, Cllr Peter Griffiths, said: "To make the most of the land sites available we needed to address the issue of small sites. As large building companies have greater overheads and higher profit margins set by their executive boards, this scheme allows us to work with the smaller companies that are best placed to build on smaller plots of land." A tender strategy and process for the establishment of a regional Dynamic Purchasing System was approved by the council's cabinet in June last year. The new system will see homes built on designated small sites of up to 15 houses for a four year period. Small and medium sized house builders located in and around Birmingham will also be available to other local authorities in the West Midlands Combined authority area and adjacent authorities wishing to use it. The 'dynamic' element of the purchasing system means that the council can be more flexible in the appointment of contractors and more companies will be able to come on board.[39]

Key lessons

- BMHT demonstrates the Council's ambition to not just to increase the quantity of new homes, but also the quality. By working in partnership the Council delivers a range of housing types and tenures to meet local housing need.
- Through the BMHT the Council is helping diversify the local housing market through supporting small and medium sized house building.
- The Council have identified PRS, managed through INREACH, a wholly-owned subsidy of the Council, as a way of addressing the need for more high-quality rented accommodation in the City and to derive a long-term income for the Council.
- The Right to Buy policy has and continues to impact on the number of homes available for social rent in Birmingham.

2.2 London Borough of Lambeth

The housing challenge in Lambeth

Lambeth is an inner London borough with a northern boundary on the river Thames, covering an area of approximately ten and a half square miles. The north of the borough including Waterloo and the South Bank has a mix of central London activities, while the south of the borough is predominately suburban in character[40]. Lambeth combines areas of affluence with areas of severe poverty and deprivation.

Lambeth's population has grown rapidly from 245,000 in 1991 to 303,100 in 2011, and is expected to grow to 357,000 by 2030[41]. The borough is one of the most densely populated areas in the country, with over 11,300 per square km. The number of households is expected to grow from 130,000 in 2011 to 158,500 in 2030[42], an average annual increase of 1,500.

There is a very large shortfall of social and affordable homes in the borough, with a housing waiting list of 23,000, and 1,300 families severely overcrowded in their current home[43]. Between 2015-16, 425 homes were lost by the council through the Right to Buy. A council report in January 2017 describes the situation in Lambeth:

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39 Birmingham City Council, 2017, New Programme to support small housebuilders, Birmingham Newsroom: http://birminghamnewsroom.com/new-programme-to-support-small-house-builders/

40 Lambeth Local Plan, adopted September 2015, https://moderngov.lambeth.gov.uk/documents/s77094/Local%20Plan%20Report%20Appendix%202.pdf

41 GLA demographic projections 2012 round, DCLG 2011 based, SHLAA based, as quoted in Lambeth Local Plan

42 ibid

43 ibid

"Good, affordable housing is the absolute bedrock of our community. It provides the security and stability needed to nurture strong communities and healthy families. The insecurity of tenancies in the private rented sector, fear of rising rents, the impact of unsafe or unsuitable homes has serious implications for mental health and wellbeing; we also know that many children develop asthma and respiratory disease because of cold, damp homes; and children growing up in overcrowded homes too often fall behind at school, setting them back just as they start out in life". (Cllr Matthew Bennett)

The planning context

Lambeth's Local Plan was adopted in September 2015. The council's affordable housing policy in the plan is to require between 40% and 50% affordable homes on sites of at least 0.1 hectares or 10 or more homes, depending on the availability of government grant. 70% of new affordable housing should be social and affordable rent, and 30% intermediate provision[44].

The first strategic objective in the Local Plan is to *"Increase the overall supply of housing by at least 17,925 additional dwellings, and increase the mix and quality of housing to address the need for all types of housing, including affordable housing and the needs of different groups in the community, as identified through the Strategic Housing Market Assessment".* [45]

Lambeth's Community Plan was approved in September 2016. It focuses on three priorities: inclusive growth; reducing inequality; and strong and sustainable neighbourhoods. The plan provides an overview of the direction the council intends to take and sets the framework for more detailed plans to be developed, including updating the borough's housing strategy[46].

The council has a commitment to building 1,000 extra homes for council rent. This will be delivered over the next four years through a combination of initiatives, including estate regeneration, small sites development and specific housing projects[47].

Homes for Lambeth

The council's emerging housing strategy will be focused on four key priorities: increasing supply; housing quality; housing and support for vulnerable residents; and integrating housing with other services. To help deliver the first priority, the council is establishing Homes for Lambeth, a Special Purpose Vehicle wholly owned by the council. This will *"allow Lambeth to buck the trend in the decline of the numbers of social homes being built in the country"*[48].

The purpose of Homes for Lambeth is to fulfil the pledge of the council to build 1,000 extra homes for council rent, and to *"take greater control over the pace, quality and volume of new housing delivery in Lambeth across a range of tenures, in order to address market failures and to support the Council's growth agenda"*[49]. As well as building social rent homes, the plan is that the company will also build private rented homes with longer tenancies and rent stability, and homes at intermediate rent for residents not eligible for social housing, but not able to afford private rents. The council will grant long-leases to Homes for Lambeth to build the new homes.

Estate regeneration

Another key part of the council's pledge to deliver significant numbers of new council homes is their estate regeneration programme. This provides the opportunity to improve the quality and size of

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44   Lambeth Local Plan, 2015, Lambeth City Council

45   Lambeth Local Plan, 2015, Lambeth City Council

46   "Lambeth's New Housing Strategy", LB Lambeth Leaseholders' Council report, 19 January 2017, https://moderngov.lambeth.gov.uk/documents/s86058/2%20Housing%20Strategy.pdf

47   Lambeth Council Cabinet report, October 2015, https://moderngov.lambeth.gov.uk/documents/s77349/South%20Lambeth%20Cabinet%20Report.pdf

48   Ibid

49   Homes for Lambeth website, accessed 24th March 2017, http://estateregeneration.lambeth.gov.uk/why_is_the_council_setting_up_homes_for_lambeth

homes on selected estates, invest in the wider neighbourhood and increase the provision of new homes on those estates[50]. Additional new council homes are being delivered as part of the first estate regeneration schemes in the programme. A scheme on the South Lambeth estate involves partial redevelopment, *"replacing all existing homes, building at least an extra 100 homes for council rent and 100 homes for private rent; offering the chance of a secure home in Lambeth to hundreds of local families"*[51].

The work of the council has involved significant consultation with the local community about the options for the estate regeneration schemes, and the council has been clear that "we must be upfront about the approaches, the timescales and costs"[52]. As well as adding more social rented homes, the council's preference is for cross-subsiding the regeneration of the estates through well-designed and managed private rented sector stock, rather than open market sale homes. The benefits of this approach are cohesive management, and the potential for the rented housing in the future to be transferred to affordable or intermediate rent, should finances allow and if the wider housing market becomes unaffordable.

Key lessons

* The council is taking a proactive approach to meeting the severe shortage of social and affordable housing in the borough, through establishing Homes for Lambeth, a Special Purpose Vehicle that is owned by the council. This will provide greater flexibility over the use of pension funds and other sources that the council is unable to use itself.

* The council's approach to estate regeneration has been to maximise the use of its land holdings to increase the number of council rent homes available, to meet the need for high quality, genuinely affordable homes.

* The council is also looking to build a range of other tenures, recognising that *"the need for high-quality secure homes in Lambeth goes far beyond council-rent homes"*[53]. This includes providing more stable, longer-term tenancies for those renting in the private sector, and intermediate housing products.

2.3 Midlothian Council

The housing challenge in Midlothian

Midlothian is a small local authority adjoining Edinburgh's southern boundary in South East Scotland. Most of Midlothian's population, of 82,000, resides in or around its six main towns, the southern half of the authority is predominantly rural[54] It is projected that the population of Midlothian will increase from 82,211 in 2012 to 91,017 in 2035 – an increase of 11%. The population growth is also projected to increase significantly in the short term, by 3% between 2012 and 2018.[55]

Midlothian has a relatively low proportion of housing association and private rented housing. "There has also been a significant reduction in the availability of affordable rented housing in Midlothian, as between 1998/99 and 2015/16, 2,543 properties were sold under the Right to Buy scheme".[56] There are now a total 6,638 of council homes in Midlothian. Demand for affordable housing is high throughout Midlothian, and "despite the significant investment in new affordable housing since 2006, the total

50   Lambeth Council Cabinet report, October 2015, https://moderngov.lambeth.gov.uk/documents/s77349/South%20Lambeth%20Cabinet%20Report.pdf

51   Ibid

52   Lambeth Council Cabinet report, November 2015, https://moderngov.lambeth.gov.uk/documents/s77907/Estate%20Regeneration%20Cover%20Report.pdf

53   Lambeth Council Cabinet report, October 2015, https://moderngov.lambeth.gov.uk/documents/s77350/Homes%20for%20Lambeth%20an%20SPV%20for%20Lambeth.pdf

54   Midlothian Council, 2013. Midlothian Local Housing Strategy 2013 – 2017

55   Ibid

56   Scottish Government, 2017, Housing Statistics for Scotland - Sales and applications - local authority time series

number of applicants on the housing list continues to increase".[57] The Housing Need and Demand Assessment for the South East Scotland Strategic Development Plan (SESplan) indicates that there will be a significant increase in the need for both affordable and private housing to meet the demands of a growing population in Midlothian.[58]

The planning context for Midlothian

Strategic Development Plan for South East Scotland

SESplan is the Strategic Development Planning Authority for the Edinburgh and South East Scotland region. The region covers six council areas including Midlothian which it works in partnership with to prepare a Strategic Development Plan for the area. The Plan identifies the strategic housing land requirement for the SESplan area, this requirement is then expected to be met through local development plans from various sources, including committed housing sites, windfall sites and new allocations through the Proposed Midlothian Local Development Plan (MLDP)[59]. The SESplan Housing Needs and Demand Assessment (HNDA) identified that to provide for predicted levels of growth in Midlothian, "the total need for new private and affordable housing between 2012-2032 was 8,235 units". [60][61]

Midlothian Council Local Housing Strategy

Midlothian Council Local Housing Strategy 2013 – 2017 included key actions such as; "the completion of a second phase of Midlothian Council's affordable housing programme to build up to 1,300 new council homes by 2017, development of affordable housing using innovative models for securing more affordable homes which requires less subsidy, such as Mid Market Rented Housing, and increasing the use of the private rented sector in meeting housing need, including through the use of HMOs." [62] The Council are now in the process of developing the next Local Housing Strategy for 2017-2022, increasing the supply of affordable housing is expected to remain a key priority.

Midlothian Local Development Plan

The Midlothian Local Plan was adopted in 2008 and set out the Council's approach to land use, and development. The plan sets out an Affordable Housing Policy that states "within residential sites allocated in the Local Plan, and on windfall sites, provision shall be required for affordable housing units equal to or exceeding 25% of the total site capacity (depending on the total number of units being developed)"[63]. Supplementary Planning Guidance for affordable housing provision sets out the potential delivery mechanisms for affordable housing development. It identifies "there is the potential for a range of types of affordable housing to be provided to meet the Local Plan's affordable housing requirement, including social rented housing; subsidised low cost housing for sale; shared ownership; shared equity; unsubsidised entry level housing for sale, and housing let at a mid market or intermediate rent." [64]. The plan also identifies specific sites for future housing development. The policy on affordable housing is expected to be reinforced by the new Midlothian Local Development Plan due for adoption in autumn 2017.

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57   Midlothian Council, 2016, Strategic Housing Investment Plan 2017/18 - 2021/22

58   The Strategic Development Planning Authority for Edinburgh and South East Scotland, 2015, Housing Need and Demand Assessment for the South East Scotland Plan

59   Midlothian Council, 2016, Strategic Housing Investment Plan 2017/18 - 2021/22

60   The Strategic Development Planning Authority for Edinburgh and South East Scotland, 2015, Housing Need and Demand Assessment for the South East Scotland Plan, "Alternative Future Steady Recovery 2" scenario

61   Ibid

62   Midlothian Council, 2013, Midlothian Council Local Housing Strategy

63   Midlothian Council, 2008, Midlothian Local Plan

64   Midlothian Council, 2012, Supplementary Planning Guidance, Affordable Housing

Midlothian Council Strategic Housing Investment Plan

The Midlothian Council Strategic Housing Investment Plan 2017/18 - 2021/22 (SHIP) is a key part of the Local Housing Strategy process. The key statements on affordable housing investment priorities guide the application of Scottish Government subsidy and other funding in Midlothian.[65] The SHIP sets out the strategic investment priorities for affordable housing over a 5 year period.[66] "Midlothian Council, together with RSL partners and the Scottish Government have provided affordable or subsidised housing options for 2,414 homes in Midlothian during the last 10 years."[67] The SHIP identifies sites for the delivery of 1,441 units during the next 5 years to meet the increasing level of housing need in Midlothian.[68]

Investment in new council housing

The Council has illustrated its commitment to the construction of new build council homes in Midlothian. It allocated £108million for its phase 1 new build programme, with 864 homes developed on 16 sites by the end of 2012. The Council is undertaking a second phase and has committed a further £64million for the development, many of these sites are now under construction or completed[69] In 2016, all Council tenants and applicants on Midlothian's Housing List were given options regarding the future rent strategy for council housing in Midlothian. "As there was support for higher rent increases to fund additional new council housing a 5% per annum rent increase has been agreed between 2016/17 and 2018/19. This will enable the delivery of approximately 240 new council homes."[70] These new homes will all be allocated using a Local Letting Initiative to ensure the best use of the new housing stock.[71] It is intended that the majority of new affordable housing in Midlothian will be social rented housing.

Key lessons

* The Council has ambitious plans to increase the number of affordable homes in Midlothian and these will not be subject to the Right to Buy which ended in Scotland in July 2016. After a period of decline in the number of affordable homes available there is now an opportunity to grow the affordable housing stock.

* Unlike the situation in England where there is a 1% annual rent reduction for the next four years, in Midlothian there was support for higher rent increases to fund additional new council housing. A 5% per annum rent increase has been agreed between 2016/17 and 2018/19 enabling the delivery of approximately 240 new council homes.

* Midlothian Council is working with other local authorities in the Edinburgh City Region to identify the housing needs and opportunity across the area through the Second Strategic Development Plan for South East Scotland, which is due for final approval in Spring 2018.

2.4 Oxford City Council

The housing challenge in Oxford

Oxford currently has the greatest affordability issue of any city in the UK, with average house prices more than 16 times the average wage in the city, making it even less affordable than London[72].

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65 Midlothian Council, 2016, Strategic Housing Investment Plan 2017/18 - 2021/22

66 Midlothian Council, 2016, Strategic Housing Investment Plan 2017/18 - 2021/22

67 Ibid

68 Ibid

69 Ibid

70 Ibid

71 Ibid

72 Williams, Maire, 2016, *Fast Growth Cities; The opportunities and challenges ahead,* Centre for Cities

The Oxfordshire Strategic Housing Market Assessment (SHMA), October 2014, identified an objectively assessed range of housing need for Oxford of between 24-32,000 homes for the period 2011-2031.[73]. Whereas the most recent Oxford Housing and Economic Land Availability Assessment (HELAA)[74], October 2016, identified there is potential capacity in Oxford to accommodate only around 7,511 additional homes, meaning there is a significant shortfall of sites to meet the identified housing need in Oxford.

Through the Local Plan 2036 the council will be reviewing policies including density, building heights, and Green Belt release to increase housing capacity. However, a shortfall will still exist, so alongside the local plan, they are also working with the adjoining Oxfordshire authorities and the Oxfordshire Growth Board to address this gap by delivering some of Oxford's un-met housing need in the surrounding districts. In September 2016, the joint working reached a significant milestone with the local authorities (with the exception of South Oxfordshire) all agreeing to each accommodate an apportionment of Oxford's unmet housing needs. Currently, the joint work assumes that there will be around 15,000 homes that need to be delivered outside of the City[75].

Barton Park, the focus on this case study, comprises 36 hectares within Oxford and is the largest residential development opportunity in Oxford for many years. It is a once-in-a-generation opportunity to provide up to 885 new homes and associated facilities in the form of a thriving and vibrant new community that forms part of the city[76]. It received outline planning permission in 2013 and in 2016 it became one of ten developments in the NHS England Healthy New Town programme.

The planning context

Oxford City Council are working towards their Local Plan 2016-2036, to replace their current Core Strategy 2026 and other local plan documents. The current Affordable Housing Policy in the Core Strategy states that "Planning permission will only be granted for residential developments that provide generally a minimum of 50% of the proposed dwellings as affordable housing on all qualifying sites."[77] The 2012 Barton Area Action Plan policy on Affordable Housing provides a more bespoke planning context for the development. It explains that the Council undertook a viability assessment at an early stage and identified that due to infrastructure costs the full 50% affordable housing provision was not viable, and instead sets the level at 40% social rented affordable housing. It states, "Any additional affordable housing provided above the minimum 40% may include intermediate, shared-ownership or affordable rent homes. In order to create a mixed and balanced community, a target of 35% affordable housing will be sought in any phase of the development, subject to achieving the overall minimum of 40% across the strategic development site as whole."[78]

As part of the outline planning application in 2013, the Affordable Housing Statement confirmed that the development would comply with the Area Action Plan and provide 40% affordable housing – all social rented[79]. The detailed mix of provision would be determined in a reserved matters application. The first phase of residential development (237) was granted reserved matters planning permission in 2016, and the first completions are expected in the coming months.

73 GL Hearn Limited, April 2014, *Oxfordshire Strategic Housing Market Assessment*, GL Hearn Limited, 20 Soho Square, London. http://www.southoxon. gov.uk/sites/default/files/2014-04-14_Final%20SHMA%20Report.pdf

74 Aecom, October 2016, *Oxford City Council Housing and Economic Land Availability Assessment and Employment Land Assessment.* Aecom – prepared for Oxford City Council. https://www.oxford.gov.uk/downloads/file/2985/housing_and_economic_land_availability_assessment_october_2016_report

75 Oxfordshire Growth Board, 2016, *Memorandum of Co-operation between the local authorities in the Oxfordshire Housing Market Area - Meeting the Objectively Assessed Need for Housing in Oxfordshire*

76 Oxford City Council, 2012, Barton Area Action Plan - Adopted December 2012

77 Oxford Core Strategy 2026 Adopted 14th March 2011

78 Oxford City Council, 2012, Barton Area Action Plan - Adopted December 2012

79 Savills, On behalf of Barton Oxford LLP, May 2013, Barton Outline planning application, 4.8 Affordable Housing Statement

Barton Park Healthy New Town

In 2016 Barton Park achieved the award of one of ten Healthy New Towns which are part of NHS England's programme to promote healthy lifestyles through new developments. Barton Park is a joint venture established in 2011between Oxford City Council and Grosvenor Developments Limited. This partnership, called the Barton Oxford LLP, combines the Council's land and vision for the site with Grosvenor's funding capacity and expertise.[80]

The Barton Healthy New Towns team combines practitioners from the City Council, Grosvenor, Oxfordshire Clinical Commissioning Group and Oxfordshire County Council Public Health; with input from the local community and activities being delivered by local groups. The project aims and priorities were developed using the Barton Health Plan and feedback from the community, which identified significant health inequalities around life expectancy, food poverty, mental health issues and social isolation[81].

The aim of the project is to create a sustainable range of activities that will help address these inequalities as well as help create opportunities to support improved health care delivery for the current Barton community, such as through the redevelopment of the Bury Knowle GP surgery and the range of services it delivers. Additionally, the project aims to model new ways of thinking in terms of the design of Barton Park and how the built environment affects health and wellbeing.[82]

Barton Park will be integrated with neighbouring communities, bringing regeneration benefits to Barton, Northway and Oxford as a whole. There is a strong green infrastructure network, including greenways and a linear park with cycling and walking actively promoted through the careful design of the primary street and masterplan[83]. Existing footpaths will be enhanced and re-connected and there will be new ring road crossings for pedestrians, cyclists and buses. A network of pedestrian and cycle connections will link the new community with existing facilities, adjacent areas and other destinations and jobs across Oxford[84].

The scheme will include new community facilities such as a primary school, a community hub, new sports pitches, pavilion and a 3G pitch for use of the school and community. There will also be two civic squares along the primary street to create natural gathering points and encourage social inclusion and community engagement[85]. Access to schools, community facilities and open space will be improved by ensuring that the facilities in the new neighbourhood are accessible to existing communities.[86]

Key lessons

- Being part of the NHS England's Healthy New Towns programme has enabled the development of Barton Park to not only meet Oxford City Council's pressing need for more affordable housing it is also seeking to address a range of health and wellbeing issues including food poverty, mental health issues and social isolation.

- NHS England Healthy New Towns status has created a positive forum for open discussion between planning and health practitioners working in the public sector and the Barton Park LLP.

- In developing a new community, the Council is helping improve the facilities and health and wellbeing of the existing neighbouring community.

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80 For more information on the Barton Oxford LLP see APSE and TCPA 2015 study, Housing the Nation

81 Oxford City Council, Background to Barton Healthy New Town: https://www.oxford.gov.uk/info/20272/barton_healthy_new_town/1151/background_to_barton_healthy_new_town

82 Ibid

83 NHS England, Healthy New Towns – Barton Park: https://www.england.nhs.uk/ourwork/innovation/healthy-new-towns/barton-park/

84 Barton Oxford LLP, 2017: http://www.bartonparkoxford.com/updates/news.aspx

85 Ibid

86 Barton Oxford LLP, 2017: http://www.bartonparkoxford.com/updates/news.aspx

2.5 South Cambridgeshire District Council

The housing challenge in South Cambridgeshire

South Cambridgeshire is a predominately rural district of Cambridgeshire, surrounding the city of Cambridge, with a population of approximately 147,000. The district is located centrally in the East of England region, with direct rail access to London and Stansted Airport. South Cambridgeshire comprises of over 100 villages, none larger than 8,000 in population[87].

The district was ranked number six in the top places to live in the UK in 2016, based on criteria such as employment rates, weekly earnings and health levels[88]. However, housing affordability is a major concern in South Cambridgeshire, with the average house value over £380,000. This has in the past been cited as a weakness of the district by residents and businesses, "who considered that an increase in affordable housing would make a positive contribution to the quality of life in South Cambs and improve the labour supply and sustainable village communities"[89].

The council recognises that the shortfall in affordable homes in South Cambridgeshire "...especially with the huge disparity between property prices and income, has meant that many young families have had to move away as they are unable to afford to stay within their community"[90]. One way that the council has sought to tackle the lack of affordable housing is to secure homes for local people on rural exception sites.

The council has also recognised the need to provide homes of all tenures. To address the challenge of a lack of supply of market rented homes, and to provide additional revenue, the council has established a local authority housing company, Ermine Street Housing. The company now has a portfolio of over 100 homes purchased and rented at market rents and offering long-term tenancy options, and a further 142 homes under the company's management.

The planning context

The South Cambridgeshire local plan, once adopted, will guide the future of the district up to 2031. Following examination of the draft plan, proposed further modifications were submitted in November 2016, and the council anticipates that the plan will be adopted in 2017[91].

The draft Local Plan states that *"many of our rural villages face particular difficulties in securing an adequate supply of land for affordable housing to address local needs. Most villages do not have housing site allocations, house prices are often high and existing social rented housing is usually under long term occupancy and rarely available to re-let."*

The plan reports that the council has a very good record of delivering exception sites and "much progress has been made to deliver new local affordable housing in this way".[92]

Delivering affordable homes on rural exception sites

The National Planning Policy Framework defines rural exception sites as "small sites used for affordable housing in perpetuity where sites would not normally be used for housing. Rural exception sites

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87 Proposed submission South Cambridgeshire Local Plan, July 2013, Chapter 1, https://www.scambs.gov.uk/sites/default/files/documents/Proposed%20 Submission%20Document%20-%20Chapter%201%20Introduction_0.pdf

88 "South Cambridgeshire named as one of the best places to live", http://www.itv.com/news/anglia/2016-12-17/south-cambridgeshire-in-top-10-places-to-live/

89 South Cambridgeshire District Council Economic Development Strategy 2010 – 2015, p.37, https://www.scambs.gov.uk/sites/default/files/documents/ Economic%20Development%20Strategy.pdf

90 "Affordable Homes for local people on exception sites", South Cambridgeshire District Council webpage, extracted 23rd March 2017, https://www. scambs.gov.uk/content/affordable-homes-local-people-exception-sites

91 South Cambridgeshire District Council, 2016, Local Development Scheme, December 2016, https://www.scambs.gov.uk/content/local-development-scheme

92 South Cambridgeshire District Council, 2014, Draft Local Plan

seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection". Local authorities within the Cambridge Sub Region and local Registered Providers work in partnership and help fund the Rural Housing Enabler employed by Cambridgeshire Action with Communities in Rural England (ACRE). The Rural Housing Enabler acts as an independent adviser in the development of an exception site, to help identify local housing need and works closely with parish councils to help them through the process of developing new housing[93].

South Cambridgeshire District Council has agreed as part of their City Deal negotiations to provide an additional 1000 new homes for local people on rural exception sites and other windfall sites. The City Deal is £0.5 billion of central government grant that will be utilised in three tranches up to 2031 to provide infrastructure across Cambridge City and South Cambridgeshire to generate better transport links and economic growth[94].

Ermine Street Housing

The draft Local Plan also recognises that "*the private rented sector plays an essential role in the housing market*" and says that the council "*will support the private rented sector to grow through build to let, to meet the growing demand for rented homes as part of the market element of housing developments*".[95]

In 2013, the council agreed to invest £7 million in a pilot project to establish Ermine Street Housing. Ermine Street Housing is an independent limited company, but wholly owned by the council. The company portfolio includes 160 homes purchased and rented at market rents, with longer term tenancy options. In November 2015, a decision was made to expand the business and invest a further £100 million over the following five years, to buy an additional 500 properties. Ermine Street Housing now owns housing stock outside the district in Suffolk, Northamptonshire and Peterborough.

The housing company has helped the council to meet a number of wider objectives including[96]:

* generating a revenue stream enabling the council to deliver services at a time of reduced government grant;
* assisting economic development in the district by helping to provide good quality, flexible rental housing for local business workforces;
* providing an innovative solution to assist meeting housing need and gaps in the market.

Key lessons

* The Council's has been successful in helping meet the need for affordable housing in rural areas by delivering on exception sites. The replication of this approach across the district has made a major contribution to meeting housing need, and can achieve support from communities for development through focussing on the needs of local people via partnership working with rural housing enablers and parish councils.

* The establishment of Ermine Street housing company is an innovative approach to meeting requirements for high quality market rented homes, while providing a valuable revenue stream to cross-subsidise other council services at a time of reduced government grant. This has wider economic benefits by supporting businesses to recruit and retain staff, by boosting the stock of private rented sector housing.

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93 Exception Site leaflet, South Cambridgeshire District Council, 2015, https://www.scambs.gov.uk/sites/default/files/documents/Exception%20Site%20 Leaflet%202015_0.doc

94 Affordable homes for local people on exception sites, South Cambridgeshire District Council website, accessed on 24th March 2017, https://www. scambs.gov.uk/content/affordable-homes-local-people-exception-sites

95 South Cambridgeshire District Council, 2014, Draft Local Plan

96 Filling the funding gap with a housing company – the road to Ermine Street, Local Government Association, http://www.local.gov.uk/ documents/10180/49942/Filling+the+funding+gap+with+a+housing+company+MJ+award.pdf/d21ce2ee-fc09-4fe0-b5c9-a5c0e4a4c32b

Part 3: Analysis and recommendations

Part three of the report sets out an analysis which has identified a number of key themes relating to the challenges and opportunities faced by councils in the delivery of homes of all tenure, with a particular focus on the provision of social and affordable housing. It is followed by a series of recommendations which flow out of the analysis.

3.1 Overview of the housing challenge

The analysis of challenges and opportunities set out in this chapter is based upon a survey of local authorities across the UK (see annex 1), five case studies (set out in part 2 of the report) and a stakeholder roundtable (see annex 2).

Of the 153 councils from across the UK that responded to the survey, 98% described their need for affordable homes as severe or moderate. This demonstrates just how pressing the need is for more homes right across the four nations of the UK.

3.2 Key themes

3.2.1 Leadership, vision and confidence

Governments play an important role in setting out a clear vision and ambition for the kinds of communities which we could create for the future. In undertaking the policy analysis (Part 1 of the report) it is clear that the devolution of some powers to Scotland, Wales and Northern Ireland has created a distinctive policy environment in each of these administrations. As such the recommendations below are predominantly focused on the housing and planning policy framework for England which is in a period of significant reform.

In England, the Housing White Paper sets out the Government's plans for a more diversified and innovative housing sector. It proposes a range of housing and planning solutions and welcome support for those in housing need. However, the White Paper assumes that the problem we face is crudely about the number of housing units rather than creation of places where people want to live in environments that enhance their well-being. For example, at the stakeholder roundtable some of the participants thought that there was little recognition in the White Paper of the wide-ranging benefits to people and the economy in the design of resilient and healthy environments.

Recommendation 1: The new Government must match an ambition to increase housing numbers with a commitment to specific measures to ensure quality outcomes including social mixed communities, good design and space standards.

3.2.2 Funding social and affordable housing

While the Housing White Paper rightly recognises the complexity of our housing crisis it does not deal with the fundamentals that might offer real hope of high quality affordable homes to buy and social homes for rent. A recent study by Shelter found that 83% of private renters are unable to buy a new build home, even with Help to Buy.[97] Affordable housing remains a public good and efforts to get the market to deliver such goods require significant public subsidy.

A participant at the stakeholder roundtable stated *"quite apart from the social justice arguments, growing urban economies need a wide range of affordable housing products if they are to function effectively and the more open-minded approach in the White Paper is welcome, so long as it feeds through to substantial funded programmes to boost supply."*

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97   Shelter (2017) New Civic Housebuilding p.6 - https://civichousebuilding.org/wp-content/uploads/2017/03/NCH_Policy_Report.pdf)

Recommendation 2: The new Government must invest in building new homes available for social rent to house essential low-paid workers – whose employment underpins an economy on which we all depend. Investment in social-rented homes is in addition to the need for continued Government support for low-cost home ownership, the rented sector and a range of affordable housing products.

3.2.3 New models of housing delivery

Local authority innovation and the right to buy

The Housing White Paper includes a positive section on 'backing local authorities to build' which states at paragraph 3.27 that *'Local authorities' role in delivering new housing goes beyond using their planning powers. They also have an important role in delivering homes themselves. We want to make sure that they have the tools they need to get homes built where the market isn't coming forward with enough.'*

The survey and case studies demonstrate the considerable level of ambition and innovation in local government. For example, since 2009 Birmingham City Council have built 2350 new homes, 19% of all new homes built in the city (see case study in section 2.1).

In response to the survey question 'are you currently considering or have already set up a local housing delivery company?' just over half of the councils (51%) said 'yes - a wholly owned subsidiary of the council' and a further 18% stated 'yes as a joint venture'.

However, the White Paper implies that Right to Buy rules will apply to local authority housing companies who are delivering social rented tenure homes.[98] The recent expansion of innovative delivery vehicles by local councils has been a positive development in the diversification of housing delivery. The core incentive for many of these companies and joint ventures was to use local authority assets to develop housing schemes which could meet an urgent social housing need. Since this housing can no longer be secured over the long term, one of the core incentives for this innovation has been removed. Central imposition of Right to Buy on this new sector is counterproductive in the overall drive for affordable housing delivery.

> **Recommendation 3**: To ensure that local government innovation flourishes, resulting in more homes of all tenures, the new Government should make clear that Right to Buy rules do not apply to local authorities housing companies.

Build to Rent

The case studies demonstrate considerable interest in private rented sector housing, commonly known as Build to Rent or PRS. For example, in South Cambridgeshire District the establishment of the Ermine Street housing company demonstrates an innovative approach to meeting requirements for high quality market rented homes, while providing a valuable revenue stream to cross-subsidise other council services at a time of reduced government grant (see case study in section 2.5).

As highlighted by the South Cambridgeshire District Council case study, PRS provides a mechanism for local authorities to create council-owned assets (through a locally-owned company or joint venture) which generate long-term revenue income with sustainable returns, as well as addressing housing need. There is an opportunity for PRS to provide greater choice for people who require rented accommodation (out of choice or necessity). Local authority involvement in PRS could help ensure that PRS homes are well managed and maintained.

Local authority interest in PRS is growing. 65% of councils that responded to the survey are currently delivering PRS or exploring PRS as an option, this is an increase from 47% of councils when the *Homes for All* survey was undertaken 12 months ago in February 2016.

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98   Para 3.28 of the Housing White Paper states: 'we want to see tenants that local authorities place in new affordable properties offered equivalent terms to those in council housing, including a right to buy their home.'

The Housing White Paper has given Built to Rent a welcome boost. There is a separate consultation on Build to Rent which will look at changing the NPPF "...*so authorities know they should plan proactively for Build to Rent where there is a need, and to make it easier for Build to Rent developers to offer affordable private rental homes instead of other types of affordable housing; and to 'ensure that family-friendly tenancies of three or more years are available for those tenants that want them on schemes that benefit from our changes.*" (see paragraph 3.23 of the Housing White Paper)

The Government's support for Built to Rent was welcomed by the participants at the stakeholder roundtable. Councils can invest in PRS and through partnerships can also encourage others to invest in PRS in their local areas. Investing in PRS can provide a number of positive benefits, including providing greater choice and better quality accommodation for those reliant on the private rented sector. Tenures such as PRS can also help increase build out rates on sites. However, PRS will not replace the need for social-rented homes.

> **Recommendation 4**: The new Government need to ensure that Build to Rent brought forward by the public sector is not subject to the Right to Buy.

3.2.4 Planning

Strategic and local plans

In England, the Housing White Paper makes clear that the Government intends to *'remove the expectation that they (local planning authorities) should be covered by a single local plan. Instead, we will set out the strategic priorities that each area should plan for, with flexibility over how they may do so'* (paragraph 1.10 of the Housing White Paper). This proposal goes with the new legal duty[99] to set out the strategic priorities of an area in a high-level plan, possibly jointly prepared with other local planning authorities.

However, in offering a new and welcome opportunity for strategic planning we may be losing the requirement for a vital tier of planning where important place-making standards are located; for example, in the absence of local plans where will the detailed place-making policies on health, accessibility and green infrastructure sit?

The only legal or policy requirement in England will now be for the preparation of a single or joint strategic development plan. This plan is explicitly limited only to strategic issues. The rest of the system will now be entirely voluntary[100]. There is little detail in the White Paper about how this might work in practice. The policy update on Scotland (see section 1.2.2) and the Midlothian Council case study (see case study 2.3) both highlight that there is much to learn from Scotland's strategic planning framework which commits to positive outcomes relating to people and place-making.

> **Recommendation 5**: The new Government should continue to support the development of effective strategic planning as part of a clear and logical narrative of local plans in England. To avoid uncertainty the new Government should restore the policy requirements for local plans, but ensure that they don't duplicate the strategic content reflected in the new statutory duty. A single or joint strategic plan provides the basis for simpler local plans which can be focused on more detailed issues. Neighbourhood plans can then reflect community aspiration for those communities who want them.

Viability and the NPPF

In England, the NPPF includes a viability test based on a straight forward residual valuation, but it is framed narrowly to *"provide a competitive return to willing developers and land owners"*. In response to the question 'has the viability test, as set out in the NPPF, helped or hindered your local authority's ability to secure sufficient social and affordable housing to meet local needs?' over half (61%) or

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99   Set out in the Neighbourhood Planning Bill 2016/17

100   It is not clear to the TCPA how this will impact on waste and minerals local plans which are not discussed in the White Paper.

the 126 councils that responded to this question said that it had hindered. This is a 11% decrease in councils who think the NPPF is hindering their ability to secure sufficient social and affordable housing, compared to 12 months ago when the *Homes for All* survey took place. However, it is still an increase on the figure in 2015 which was 54%. Only 13.5% of councils think the viability test has helped; an increase of 2.5% in the past 12 months.

The White Paper does not reference the negative impact of the viability test in the NPPF[101] on decent outcomes for people, despite the growing evidence of the impact of this test on reducing policy standards. A participant at the stakeholder roundtable said: *"The viability test has spawned a wasteful and costly industry for all parties, which has had the net effect of inflating land values and dramatically reducing the delivery of affordable housing, whilst adding yet more complexity and potential delay to the planning process. Simplicity, consistency and clarity is badly needed."*

Another participant at the stakeholder roundtable said: *"The government has an opportunity to clarify and strengthen its commitments to people and places in the updated version the NPPF due for publication late this year."*

> **Recommendation 6**: The new Government should revise the viability test to ensure that it is not *'…used to compromise the ability of local authorities to meet housing need, including affordable housing need, as determined through development plans'* as recommended by the House of Lords Built Environment Committee. [102]

> **Recommendation 7**: The new Government should remain committed to re-drafting the NPPF to set out the future direction of planning and place-making. In updating the NPPF the new Government must make sure that the final draft version is open to public consultation.

Starter homes and definition of affordable housing

In England, the White Paper suggests changes to the NPPF definition of affordable housing, to *'include a range of low cost housing opportunities for those aspiring to own a home, including starter homes'* (paragraph A.119 of the Housing White Paper). The survey reveals that three quarters of councils do not think starter homes will help address the need for affordable housing in their local authority area.

A number of participants at the stakeholder roundtable thought it was positive that Government had *"…listened to concerns that our original plans for a mandatory requirement of 20% starter homes on all developments over a certain size will impact on other affordable homes'*[103] and welcomed the Government's intention *"…to amend the NPPF to introduce a clear policy expectation that housing sites deliver a minimum of 10% affordable home ownership units.'*[104]

A participant at the stakeholder roundtable said that *the "15 year repayment period for a starter home (so when the property is sold on to a new owner within this period, some or all of the discount is repaid)"*[105] was a welcome step in the right direction, but thought Government should go further ensuring starter homes are available in perpetuity *"…otherwise it is just a publicly funded bonanza for a lucky few"*.

> **Recommendation 8**: While the changes made to the implementation of the starter homes policy in the Housing White Paper are welcome they still do not constitute genuine affordable housing options for many people on low and moderate incomes. The new Government should ensure that the definition of an affordable home set out in the NPPF is be based on a measure of income and not pegged to an arbitrary proportion of market price.

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101   See Para 173 of the NPPF

102   House of Lords, 2016, Select Committee on National Policy for the Built Environment Report of Session 2015–16 Building better places http://www.publications.parliament.uk/pa/ld201516/ldselect/ldbuilt/100/100.pdf

103   See Para 4.16 of Housing White Paper

104   See Para 4.17 of Housing White Paper

105   See Para 4.15 of Housing White Paper

Housing forecasting

In England, the White Paper makes clear that the Government will consult on options for introducing a standardised approach to assessing housing requirements (Paragraph 1.13 of the Housing White Paper). A standard forecasting regime could speed up and simplify the identification of housing need and demand. However, a new market dominated system of assessing housing demand may result in the rapid inflation of housing land requirements in the south east and the reduction of housing numbers in lower demand areas of the north.

> **Recommendation 9**: The new Government should bring forward the Housing White Paper proposal for a standardised approach to assessing housing requirements. However, the final terms of how housing need is assessed must be balanced by a national conversation to ensure that short-term market demand does not exacerbate regional inequalities.

Planning obligations

Roughly two thirds (65%) of councils stated that their dominant model of delivering social and affordable housing in their local authority area was through planning obligations via section 106 agreements.

> **Recommendation 10**: The new Government needs to clarify whether the developer-contribution model of funding social and affordable housing, via planning obligations, remains a policy objective, and if not, where the replacement investment is going to come from.

3.2.5 Housing quality and standards

Space standards

Three quarters of the 145 councils from across the UK that responded to the survey question 'does the current Building Regulations and housing standards regime ensure the homes built in your local authority area by the private sector have decent space standards?' thought that they did. However, 21% of councils did not think the current framework ensured decent space standards in homes built by the private sector.

In England, the White Paper suggests that the existing 'Nationally Described Space Standards' will be reviewed to generate even greater flexibility (paragraph 1.55 of the Housing White Paper). The impetus for this review is to accommodate those developers whose financial model is based on the creation of extremely small living spaces. Basic space standards were deregulated with the abolition of the Parker Morris code in 1980. The case for the removal of these very basic standards was to promote design innovation, but the result for England is some of the smallest room sizes in north-west Europe. In some cases room sizes have become so limited as to no longer accommodate the basic furniture necessary to make them function. The national space standards are also optional[106] and their adoption in local plans are subject to the NPPF viability test. Basic minimum standards of space for living are vital to people's well-being. Basic provision for storage of the essentials of life, like bins and bikes are also vital and should be seen as an essential part of good design.

> **Recommendation 11**: The new Government should introduce nationally agreed minimum space standards which development should not fall below and which is not subject to the NPPF viability test.

Housing our ageing population

When asked whether '...the current Building Regulations and housing standards regime ensure the homes built in your local authority area by the private sector have sufficient proportion of accessible and inclusive homes for older and disabled people (previously known as the Lifetime Homes standard)?' half of 145 councils that responded to this survey question said they did, however over a

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third of council (36%) didn't and a further 13% didn't know.

In England, the White Paper contains positive proposals to reflect the future needs of older people (paragraph 4.42 of the Housing White Paper). A new statutory duty to set out guidance for accessible homes for older and disabled people is particularly welcome.

> **Recommendation 12**: While guidance to estimate the need for accessible homes for older and disabled people is welcome in the Housing White Paper, it is vital that the new Government ensure the policy to implement these needs is not subject to the NPPF viability test which empowers developers to remove such policy where it impacts, to any extent, on their 'competitive returns'.

Environmentally sustainable homes

While 47% of councils across the UK thought 'current planning policies and building regulations ensure the homes built in your local authority area by the private sector are sustainable, making the most of low-carbon technologies?' 41% of councils didn't and a further 12% didn't know.

Year after year communities across the UK experience the effects of climate change with severe flooding. In England, the Government have made a welcome commitment to strengthening NPPF policy on climate change adaptation, as set out in the White Paper (paragraph A.135 of the Housing White Paper). This is an important step forward, however as the survey results indicate more needs to be done to ensure the homes built today are fit for purpose in the future.

Participants at the stakeholder roundtable agreed that it is vital that we adapt the way we build to create more resilient places.

> **Recommendation 13**: The new Government should re-commit to low carbon homes to reclaim the opportunity to be a world-leader in sustainable development. This will not only help safeguard the environment for future generations and help protect consumers from fuel poverty, it is crucial to driving innovation in the development industry and providing a firm foundation for planning decisions.

3.2.6 Boosting local authority capacity and capability to deliver

In England, the White Paper commitment to increase nationally set planning fees (paragraph 2.15 of the Housing White Paper) is welcome. A participant at the stakeholder roundtable said *"Government has listened. The fact that it is ring-fenced to the planning service is vital and very welcome. It is also sensible that it is an optional increase and the rapid introduction is particularly helpful. By 2020 planning services will need to be able to fully finance themselves through fees in many authorities. The next step should be handing fee setting over to the local authorities, as previously proposed."*

Another participant at the roundtable welcomed the proposal to increase planning fees but cautioned that *"...local planning authorities in lower demand areas may have major and costly planning issues to deal with, such as flood risk, and these local planning authorities may still struggle to maintain an effective minimum planning service."*

> **Recommendation 14**: Consideration of local flexibility of fee recovery in the Housing White Paper is welcome, however the new Government must ensure sufficient resources are available for the planning service in lower demand areas in order to maintain an adequate, minimum standard of delivery.

The White Paper brings forward a number of proposals to empower local authorities to ensure planning permissions are implemented in a timely way. These rely on the wide spread use of compulsory purchase powers, changes to completion notices, the threat of the 'withdrawal of planning permission'[107] and reducing the duration of planning permissions from 3 to 2 years subject to any impacts on viability[108].

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107   See para 2.42

108   See Para 2.41

Some of these proposals will be subject to a further consultation so it is not possible at this stage to assess whether they would have any effective value in driving delivery.

Taking back control of a site with planning permission through compulsory purchase[109] or through revoking the planning permission is a complex and extremely costly proposition given that full compensation for market land values would need to paid. In high demand areas the costs would be dramatic and while the local authority would be accruing an asset it would still need a scale of funding beyond the reach of most local authorities. A participant at the stakeholder roundtable said *"We share the frustration where approved sites are not built out, but this is not an area that local authorities can directly affect on any scale. Most authorities cannot realistically resource numerous CPO processes on a large scale. Revocation has very open-ended compensation rules, which is why it is hardly ever used. In any case withdrawing the permission may be counter-productive if a company is in trouble and a successor may be found to take on the development."*

> **Recommendation 15**: The new Government must not place yet more obligations on local authorities for poor performance on issues which are beyond their control, while providing delivery tools which are unlikely to be effective due to the skills, capacity, funding available, and limitations of the current CPO compensation system.

3.2.7 Brexit and construction skills

Brexit has generated uncertainty in the sector. In response to the survey question 'what do you think will be the impact of Brexit on your local authority's ability to meet housing need in the short term (within the next 5 years)? of the 157 councils that responded 3% thought it would have a positive impact and that they would be able to build more homes. Around a third of councils thought it would have a negative impact reducing the ability to build homes, two fifths of councils didn't know and just under a quarter thought it would have no impact.

When asked the same question about the impact of Brexit over the next 5 to 10 years the results were similar; 4% thought it would have a positive impact, 31% thought it would have a negative impact, 22% thought it would have no impact and 43% did not know.

At the stakeholder roundtable participants agreed that the impact of EU referendum result on the UK housing market is unclear at this stage. The main concern raised at the roundtable was the potential fall in the number of skilled construction workers from the EU currently working in the UK. The Federation of Master Builders have cautioned that Brexit could worsen the construction skills shortage, stating: *"The UK construction industry has been heavily reliant on migrant workers from Europe for decades now – at present, 12% of the British construction workers are of non-UK origin. The majority of these workers are from EU countries such as Poland, Romania and Lithuania and they have helped the construction industry bounce back from the economic downturn when 400,000 skilled workers left our industry, most of which did not return."[110]*

Local government can help address the construction skills shortage, for example Birmingham City Council have created over 300 training and apprenticeship places in the past eight years (see case study 2.1).

> **Recommendation 16**: The new Government needs to support the expansion of the construction industry, recognising the current capacity constraints on delivery due to factors such as the availability of skilled and unskilled workers, equipment and raw materials. Councils can also play an important role in expanding the construction skills sector through apprenticeships to ensure that the sector is not overly reliant on migrant workers from Europe or further afield.

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109 See Para 2.44

110 Federation of Master Builders, 2016, Brexit could worsen construction skills crisis 24 June 2016 https://www.fmb.org.uk/about-the-fmb/newsroom/brexit-could-worsen-construction-skills-crisis/

Annex 1: Survey questions and results

The TCPA sent an online survey to the Leader, Chair of Finance, Chair of Housing, Chair of Planning and Chair of Economic Development Committees, the Chief Executive, Chief Finance Officer, Chief Housing Officer, Chief Planning Officer and Chief Economic Development Officer in all local authorities in England, Wales, Scotland and Northern Ireland. The survey was conducted between 1st – 24th February 2017. All responses are treated as anonymous.

166 local authorities from across the UK completed the survey, with

- 147 from local authorities in England (out of a total of 353 local authorities in England)
- 12 from local authorities in Scotland (out of a total of 32 local authorities in Scotland)
- 4 from local authorities in Wales (out of a total of 22 local authorities in Wales)
- 3 from local authorities in Northern Ireland (out of a total of 11 local authorities in Northern Ireland)

Political representation

England: 147 councils responded out of a total of 353, with a roughly proportional representation of political parties.

	Political control of councils that responded to the survey (%)	Political control of councils across England, Scotland and Wales* (%)
Conservative	50	51
Labour	27	29
No overall control	18	17
Lib Dem	3	2
Independent and smaller parties control	2	2

*Source: LGiU http://www.lgiu.org.uk/local-government-facts-and-figures/

Scotland: 12 councils from Scotland responded

	Political control of councils that responded to the survey (%)
No overall control	75
Independent	8
Coalition of Independents, SNP and Liberal Democrats	8
Scottish Labour	8

Wales: 4 councils from Wales responded

	Political control of councils that responded to the survey (%)
Labour	50
No overall control	50

Northern Ireland: 3 councils from Northern Ireland responded

	Political control of councils that responded to the survey (%)
No overall control	100

About you

(This information is treated as confidential because all survey responses are anonymous in the report)

1. Which local authority do you represent/ work for?

2. What is your name?

3. What is your role/ job title?

About your local authority

Q1: How would you characterise the need for affordable homes (i.e. homes available for subsidised or social rent) in your local authority area?

152 councils responded to this question

Answer	Totals	Percentages
Severe	96	62.5
Moderate	54	35.5
Not substantial	2	1
Don't know	1	1

Brexit

Q2: What do you think will be the impact of Brexit on your local authority's ability to meet housing need in the short term (within the next 5 years)?

157 councils responded to this question

Answer	Totals	Percentages
No impact	36	23
Positive impact (able to build more homes)	5	3
Negative impact (able to build less homes)	53	34
Don't know	63	40

Q3: What do you think will be the impact of Brexit on your local authority's ability to meet housing need in the medium term (next 5 – 10 years)?

156 councils responded to this question

Answer	Totals	Percentages
No impact	34	22
Positive impact (able to build more homes)	6	4
Negative impact (able to build less homes)	49	31
Don't know	67	43

About your authority's approach to delivering more affordable homes

Q4: What is the dominant model of delivering social and affordable housing in your local authority area?

130 councils responded to this question

Answer	Totals	Percentages
Direct delivery	31	24
Joint Ventures on council-owned land	14	11
Through the planning process via Section 106 agreements	85	65

Delivering homes

Q5: Are you currently considering or have already set up a local housing delivery company?

152 councils responded to this question

Answer	Totals	Percentages
Yes - a wholly owned subsidiary of the council	65	51.5
Yes - as a joint venture	23	18
No	31	25
Don't know	7	5.5

New tenures

Q6: Is your council currently delivering or exploring private rented sector homes (PRS) as part of the solution to creating new homes in your local authority area?

151 councils responded to this question

Answer	Totals	Percentages
Yes - exploring PRS as an option	70	46
Yes – currently delivering PRS	29	19
No	42	28
Don't know	10	7

The role of planning in delivering more affordable homes

Q7: Do you currently have an up-to-date plan with an adopted 5 year land supply?

148 councils responded to this question

Answer	Totals	Percentages
Yes	90	61
No	57	38.5
Don't know	1	0.5

Standards

Q8: Do current planning policies and building regulations ensure the homes built in your local authority area by the private sector have decent space standards?

145 councils responded to this question

ALL

Answer	Totals	Percentages
Yes	110	76
No	31	21
Don't know	4	3

ENGLAND

129 councils responded to this question

Answer	Totals	Percentages
Yes	94	73
No	31	24
Don't know	4	3

WALES

4 councils responded to this question

Answer	Totals	Percentages
Yes	4	100
No	0	0
Don't know	0	0

SCOTLAND

9 councils responded to this question

Answer	Totals	Percentages
Yes	9	100
No	0	0
Don't know	0	0

NORTHERN IRELAND

3 councils responded to this question

Answer	Totals	Percentages
Yes	3	100
No	0	0
Don't know	0	0

Q9: Do current planning policies and building regulations ensure the homes built in your local authority area by the private sector, meet the needs of older and disabled people by providing a sufficient proportion of accessible and inclusive homes (previously known as the Lifetime Homes standard in England)?

145 councils responded to this question

ALL

Answer	Totals	Percentages
Yes	74	51
No	52	36
Don't know	19	13

ENGLAND

129 councils responded to this question

Answer	Totals	Percentages
Yes	67	52
No	45	35
Don't know	17	13

WALES

4 councils responded to this question

Answer	Totals	Percentages
Yes	0	0
No	3	75
Don't know	1	25

9 councils responded to this question

Answer	Totals	Percentages
Yes	4	44.5
No	4	44.5
Don't know	1	11

NORTHERN IRELAND

3 councils responded to this question

Answer	Totals	Percentages
Yes	3	100
No	0	0
Don't know	0	0

Q10: Do current planning policies and building regulations ensure the homes built in your local authority area by the private sector are sustainable, making the most of low-carbon technologies?

143 councils responded to this question

ALL

Answer	Totals	Percentages
Yes	67	47
No	59	41
Don't know	17	12

ENGLAND

128 councils responded to this question

Answer	Totals	Percentages
Yes	61	47.5
No	52	40.5
Don't know	15	12

WALES

4 councils responded to this question

Answer	Totals	Percentages
Yes	0	0
No	3	75
Don't know	1	25

SCOTLAND

8 councils responded to this question

Answer	Totals	Percentages
Yes	5	62.5
No	3	37.5
Don't know	0	0

3 councils responded to this question

Answer	Totals	Percentages
Yes	1	33.3
No	1	33.3
Don't know	1	33.3

Viability [England only question]

Q11: Has the viability test as set out in the National Planning Policy Framework helped or hindered your local authority's ability to secure sufficient social and affordable housing to meet local needs?

126 councils in England responded to this question

Answer	Totals	Percentages
Helped	17	13.5
Hindered	77	61
Don't know	32	25.5

Starter homes [England only question]

Q12: Do you think the implementation of the Government's starter homes initiative will help address the need for affordable housing in your local authority area?

130 councils in England responded to this question

Answer	Totals	Percentages
Yes	21	16
No	99	76
Don't know	10	8

Right to Buy [Scotland only question]

Q13: Right to Buy' ended for all council and housing association tenants in Scotland on 31 July 2016. What do you think the impact of ending 'Right to Buy' will have on housing available for social rent in your local authority area?

7 councils from Scotland responded to this question

Answer	Totals	Percentages
Yes - there are more social-rented homes available	6	86
Yes - there are less social-rented homes available	0	0
No impact	1	14
Don't know	0	0

Annex 2: Roundtable attendees

A high-level roundtable discussion was held on the 6th March 2017 at the TCPA, 17 Carlton House Terrace, London, SW1Y 5AS. Attendees at the roundtable:

Cllr Van Coulter, National Chair, APSE and Oxford City Council

Chloe Fletcher, Policy Director, National Federation of ALMOs

Vickie Hacking, Principal Advisor, APSE

Kate Henderson, Chief Executive, TCPA

Alex House, Projects and Policy Manager, TCPA

Nicola Laszlo, Senior Planning Policy Officer, North Dorset District Council

Toby Lloyd, Head of Housing Development, Shelter

Andrew Longley, Head of the North Northamptonshire Joint Planning Unit, Kettering Borough Council and North Northamptonshire Joint Delivery Unit

Luke Murphy, Senior Research Fellow – Economy and Housing Team, IPPR

Jim McAllister, Chief Executive, The Rutland Group

Paul Nichols, Divisional Director Regeneration Enterprise and Planning, Harrow Council

Paul O'Brien, Chief Executive, APSE

Mary Parsons, Chair, TCPA and Group Director Placemaking and Regeneration, Places for People

Eloise Shepherd, Head of Housing and Planning, London Councils

Henry Smith, Projects and Policy Manager, TCPA

Elizabeth Wood, Director, Energy, Infrastructure & Government, Walker Morris

This report aims to reflect the range of opinions expressed at the roundtable, but not every detail contained within it will reflect the opinions of all the attendees at the discussion. It should, however, reflect the spirit of constructive collaboration and considered debate.

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