A photograph of a modern, three-story brick building with a gabled roof and a curved corner. The building has a mix of window sizes and a textured brick facade. A person is riding a bicycle on the sidewalk in front of the building. A street sign on the right corner reads "GOLDSMITH STREET".

A housing revolution? Examples of councils delivering housing directly

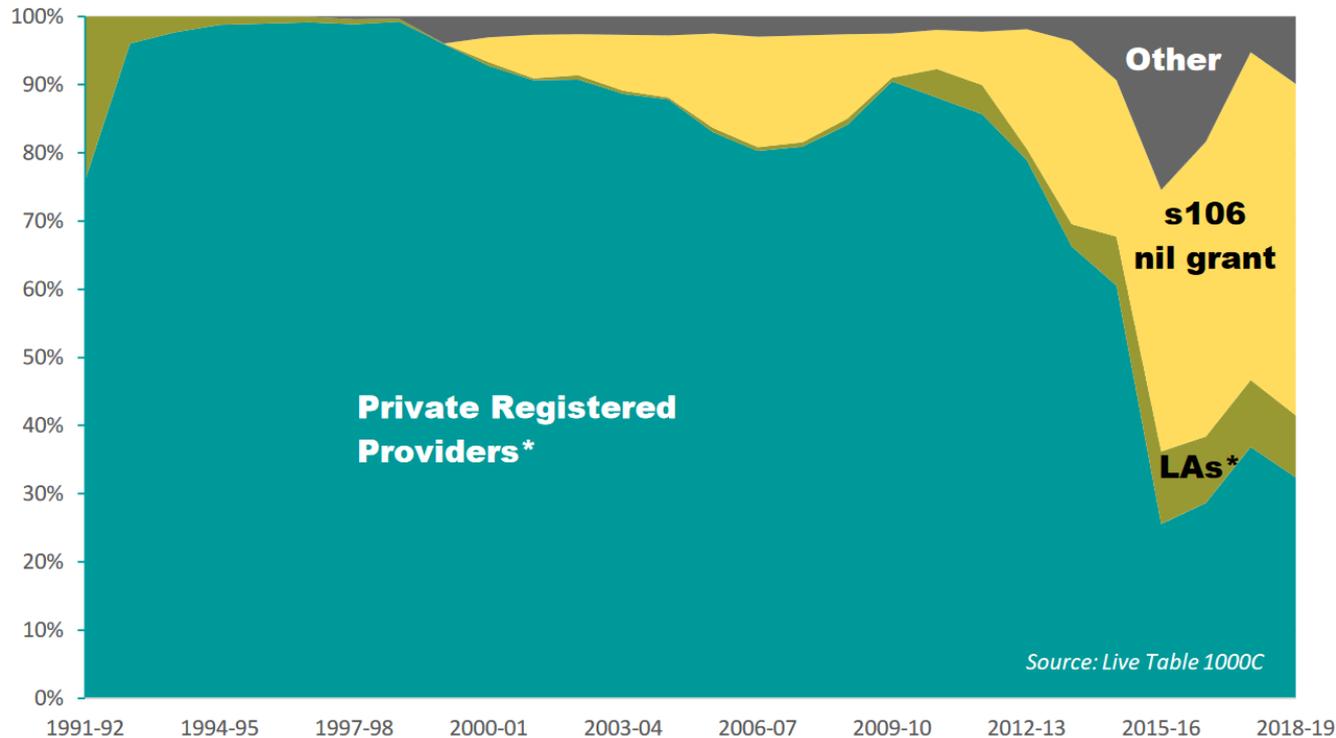
Professor Janice Morphet and Dr Ben Clifford

@janicemorphet @drbenclifford

Re-emergence of direct delivery by LAs

- We draw on research from two projects to explore how and why LAs are providing housing again

Chart 3: Affordable Housing completions by funding, England, 2018-19



What surprised us from our research?

- **Extent** of local authority engagement in housing provision
- Provision by local authorities of all **political** parties, sizes and locations
- The range of **methods** being used to provide housing
- How **quickly** local authorities are taking up housing provision
- Growth in local authority engagement in direct delivery of housing: 65% reported such engagement to us in 2017 but by 2018 it was 69% (direct survey results)

Motivations for authorities to engage

- Authorities frequently taking a **‘problem solving’** approach, trying to address one housing issue then adding others
 1. to **deliver housing requirements** - concern in many places about a lack of private sector delivery
 2. **Tackling homelessness** - LGA estimates councils paying £2million per day to private landlords across England
 3. **income generation** - particular concern about mitigating loss of revenue support grant from central government
 4. Growing concern about **design quality**
 5. Often **multiple** motivations

What powers are used to do this?

- **Range** of powers being used to engage in housing provision
- Powers to establish wholly owned and joint venture companies under the **Localism Act 2011**
- Using the **Housing Revenue Account** and acting as an HCA registered provider under Local Government and Housing Act 1989 (as amended)
- Range of **ancillary powers** around compulsory purchase, development, contracts

How is it funded?

1. Many started with their **HRA** and have then sought **other sources** of funding (only about 200 local authorities are registered providers with an HRA)
2. Most common source of funds after that is the **Council's own finance**, for example loans from the general fund (must be paid back with interest)
3. Use of the Council's own **buildings and land** is also very common, where possible (For those authorities directly delivering housing, 95% are **building on their own land**, 44% are purchasing sites to develop, 42% are purchasing existing residential buildings, 17% are using land from the One Public Estate initiative and 13% using other public land)

Funding

4. **Public Works Loans Board** commonly used to support both companies and building directly by the authority
5. **Right to Buy** receipts - 66% of survey respondents reported using, but a notable number of authorities do not due to restrictions
6. **Section 106** / affordable housing **contributions** can be effectively put to use by council's to support housing (although viability issues present challenges)
7. Development funds from **Homes England**
8. Loans from other LAs, Joint Ventures, devolution and city deals

Stockport Homes Ltd, Council's Housing Company, delivered 1,000 units in 2017-18, half social (including affordable rent) and half shared ownership



Former Tatton Cinema, Stockport: 7 apartments for shared ownership and 26 apartments for rent for the over 55 age group are under development

Southwark borough council delivered 1,500 new council / affordable homes 2015-2018 and aims to deliver 11,000 by 2043



Willow Walk, Southwark – 27 social rented flats. Newground architects

Norwich City Council 105 homes on Goldsmith Street funded by a mix of borrowing, council reserves and right-to-buy receipts and won the RIBA Stirling Prize in 2019



Barriers to delivery

- Main barriers seen as
 1. lack of **funding** – in particular RTB (e.g. Nottingham has built 600 affordable homes over three years but loses over 400 per year). RTB receipt restrictions
 2. lack of (suitable council owned) **land**
 3. lack of **expertise / internal skills**
 4. lack of **retained stock** (and so HRA / RTB receipts)
 5. In some cases, a lack of **political will**
 6. concern about the effect of **loan repayments** on budgets (PWLB rates recently increased)
 7. **Planning** – public perceptions and permission risks

What do we think could happen next?

- The **vast majority** of local authorities have some activity on which further housing development could be undertaken
- Local authorities are well placed to **scale up** their delivery of housing to help meet national needs
- Local authorities are **learning** from each other
- Local authorities see housing as a **core** function
- Local authorities want to be active after a period of **austerity** – we estimate they delivered about 13,000 new homes last year
- For affordable housing, **funding** remains the key challenge