

# Local Authorities' Role in Housing Supply

## Delivering more homes and better places

Briefing paper



### Key findings

- The UK is facing a chronic housing shortage: only 134,000 homes were built in 2010, the lowest number in any year since the Second World War, and less than half the projected growth in households.
- Undersupply has serious negative consequences for individual households, the economy and society as a whole.
- By taking a leading role in addressing housing supply problems in their areas, local authorities will not only see their communities better housed, but will also boost local employment and improve the economic health of their areas.
- Taking a pro-active approach to planning will lead to the creation desirable and sustainable developments and support the local construction industry.
- Making the most of empty properties will provide a further source of increased supply and benefit low-demand areas.
- Local authorities should work together to share good practice of addressing housing issues, in order to use the wealth of experience in authorities across the UK.

# Undersupply and why it matters

The UK faces a serious housing shortage. In 2010, there were only 134,000 homes built, the lowest number in any year since the Second World War. This was less than half the projected growth in households, which is 272,000 each year until 2033.<sup>1</sup> In addition, there is a backlog of undersupply arising from years of insufficient housing development. This undersupply will continue to worsen unless significantly more homes are built.

*In 2010, only 134,000 homes were built, less than half the projected growth in households*

This picture, however, masks the fact that there is not one national housing crisis, but many local housing crises, affecting individual neighbourhoods, villages, towns and cities in different ways. In many areas, constrained supply contributes to housing becoming increasingly unaffordable, which puts pressure on household finances and Housing Benefit expenditure. Equally, there are many areas suffering from low housing demand and high numbers of empty properties.

Housing undersupply has a number of serious implications:

- **The economy:** Undersupply is associated with higher house prices and market volatility, which makes the UK economy less stable, creating difficulties for local economies.
- **Society:** A lack of suitable housing leads to problems such as overcrowding and homelessness, which in turn put pressure on communities by increasing demand for services such as health and social care.
- **Households:** A lack of homes and the impact of undersupply on house prices limits people's choice about where they live, leading to overcrowding, an inability to move for work, and long waiting lists for social housing.

# The role of local authorities

By taking an active role in addressing housing supply problems in their areas, local authorities have the opportunity not only to see their communities better housed, but also to boost local employment and improve the economic health of their areas.

Local authorities are uniquely placed to tackle these housing problems. Each local authority not only has a vital role in the planning process – which is crucial if supply is to increase – but also has democratic accountability and a long-term interest in meeting the needs of the community. The central position of local authorities within their communities makes them ideally suited to provide the vision and leadership needed to secure successful and sustainable development.

*By addressing housing supply, local authorities have the opportunity to improve the economic health of their areas.*

In financially difficult times, the recommendations for action outlined below rely more on identifying better ways of working than on measures that require extensive additional funding.

## Creating new places

To ensure that a sufficient number of high-quality homes are built and sustainable communities are developed, **local authorities should take a leading role in assembling land and parcelling it out to a range of suppliers, to increase competition** amongst firms and between different models of development. Increasing the number and range of providers will increase both the quantity and quality of new homes built. By assembling land with planning permission, local authorities can free up more appropriate land for development; and by bringing in new providers, it will be possible to increase supply. By increasing the number of providers on a site, the different developers will be encouraged to compete on the quality of homes built in order to secure sales.

For large-scale strategic sites, local authorities should establish local ventures to **engage in site assembly**: taking title of land, promoting it, granting planning permission, putting in infrastructure and parcelling out the serviced land. This approach should be led by local authorities, but would **draw in a range of stakeholders** with a financial interest in development. Such an approach has been successfully used in the Netherlands to develop new housing (see the case study, page 4). By undertaking activities related to planning permission, site assembly and

the installation of infrastructure, the **risk to developers would be substantially reduced** and development would be encouraged.

In addition to development within existing settlements, local authorities should consider taking a leading role in **creating a new generation of garden cities, or other styles of new settlements**, best suited to local conditions. This could be done using the local ventures described above, with local authorities working in partnership with private enterprise. Many of the strongest lessons for new settlements could be drawn from the garden city movement and international examples (see, for example, the Vathorst case study below).

Assessment of potential locations for development should include strategic appraisals of sustainability, comparing available sites to ensure that any planning allocation secures the most sustainable patterns of development, and rules out other less sustainable locations.

### **Case study: Vathorst – how one local authority created a successful and sustainable new settlement<sup>2</sup>**

Vathorst, a sustainable urban extension to the historic Dutch town of Amersfoort, illustrates how local authority leadership and effective partnership working can create a popular and successful new settlement.

The development of Vathorst was instigated by the local authority, which engaged in extensive public consultation and developed a strong master plan for the development. The Alderman of Amersfoort, a senior and respected local politician, led this process, ensuring that the long-term needs and aspirations of the local community were met in the development.

Although the local authority took the lead, they worked alongside a range of private sector partners in the form of a joint development company. This enabled the securing of finance, which was used to provide infrastructure to the site. Through using a wide range of developers and architects, a distinctive and varied settlement was developed that was sensitive to the existing town. There was also a strong emphasis on social sustainability, which has led to high levels of satisfaction amongst the local community. By carefully assessing long-term housing need, Vathorst will also meet the needs (including affordability) of future generations.

Another effective way to encourage development is for local authorities to create small **innovation zones where the need for planning permission is relaxed** or removed entirely, which reduces risk and cost for developers. Local authorities could provide a master plan or design code for such areas, to ensure that development would be in keeping with the local area. This would particularly benefit smaller models of development, such as self-build, which have difficulty in finding suitable plots and obtaining planning permission. Local authorities would be able to create such zones using powers available through Local Development Orders. In the future, communities in England will also be able to have a say in creating such zones, through the Community Right to Build.

Local authorities should also **work in partnership with community-scale models of development**, such as community land trusts and cooperatives. These models deliver housing that encourages community cohesion and focuses on the long-term needs of the community. They also have the potential to unlock social and economic capital, and broaden choice, as well as increasing the supply of housing. Among other approaches, local authority partnerships with community-scale housing organisations could include the creation of loan guarantee schemes to enable these groups to access finance, which they may otherwise struggle to do.

A range of approaches have been developed by the Confederation of Co-operative Housing, which sees the role of local authorities as vital because they “are best placed to understand what local land and resources are available; what local demand there is for homes and of what type; and to ensure that local community groups are facilitated to establish cooperative and mutual housing”.<sup>3</sup>

A further way that local authorities can support housing development in their area is through the **creation of revolving funds to fund infrastructure development** and, where relevant, land purchases. By taking a leading role in creating such funds, local authorities could draw in sources of private finance. These could be used in a **counter-cyclical** fashion, supporting local economies and building infrastructure at times when other construction work is slower and acting to support growth where there is market failure.

### **Existing housing stock**

Local authorities with housing stock that has been vacated pending demolition should **strongly consider the potential for homesteading**. Homesteading is where properties are sold for very low or nominal sums on condition that they are brought back into use.

## Case study: Mansfield District Council – making effective use of empty homes

Mansfield District Council is in the process of selling seven derelict council houses to a local charity. The properties are to be sold for £1 each, but would have cost the council a total of over £150,000 to renovate. The properties will be renovated by ex-soldiers and homeless people, who will become the tenants of the property once the renovation is complete.

Councillor Mick Colley from Mansfield District Council explains why the local authority chose to engage in the project:

“We felt this was an excellent training opportunity for ex-soldiers, as it will give them new skills to develop future careers, provide much needed housing and contribute to the enhancement of the area. This proposal will also alleviate the need for the Council to invest in the refurbishment of these properties.”

### Making it happen

For local authorities to address housing supply in their areas, each authority should prioritise having a senior role within the organisation with responsibility for **inward investment and the securing of the common wealth of the area**. An important part of this would be the provision of a single point of contact for private investors, with experience of development economics. It is also vital that as part of this, decisions regarding planning and housing are given greater importance with regard to the strategic direction of the local authority. In some authorities such a role will already exist, in others it will need to be created or developed.

In securing the common wealth of the area, it is important for local authorities to look beyond the narrow outcome of maximising cash returns from individual actions, to ones that **create long-term capital and social value in communities**.

If this strategic approach is to be effective, local authorities need a more **detailed understanding of the housing that is needed** in their area. It is important that planners are able to rely on a robust evidence base when considering future land release and housing investment strategies. This includes considering the future needs of an area – affected by factors such as age profile and labour mobility – as well as present needs.

An understanding of the housing needs and demands of an area could also seek to gain an understanding of the appetite for self-build accommodation and other parts of the self-organised sector.

To make the most of the wealth of experience amongst different local authorities in addressing housing issues, **working together to share good practice** is vital. This could occur through a national body like the Local Government Group, or through other networks of local authorities. Knowledge transfer will enable all local authorities to take advantage of best practice and learn from the innovations of others in tackling housing undersupply.

### Current government policy changes

The recommendations outlined here sit alongside the current government policy changes, such as the Localism Bill and National Planning Policy Framework, which will affect local authorities in England.

While there is significant uncertainty regarding these various changes, there is potential for local authorities to use the new powers and regulations, along with the recommendations outlined above, to benefit their local areas. By taking a strategic approach, appropriate development can occur that is economically, socially and environmentally sustainable.

## About this paper

This briefing paper summarises the findings that are relevant to local authorities of **More Homes and Better Places: Solutions to address the scale of housing need**, a report, based on expert analysis, which reviews the issue of housing supply.<sup>4</sup>

The report outlines the causes of undersupply – including local opposition to development, the availability of suitable land and recent financial constraints – and, more importantly, provides solutions to significantly increase supply.

The key to tackling undersupply is a strategic approach. This government, like the last, is committed to increasing housebuilding, but its current approach and policies lack coherence and there is concern that they are insufficient to address the scale of the problem.

*More Homes and Better Places* therefore provides four strategic objectives designed to offer this coherence, coordinating policies to tackle undersupply. These strategic objectives are:

- **Build new places**, ranging from small developments to whole new settlements.
- **Enhance delivery of land**, with taxation and regulations that encourage rather than discourage development.
- **Ensure an appropriate range of finance** is available to support development, both development finance and responsible mortgage lending.
- **Maximise the use of the existing building stock**, including empty homes and, where appropriate, empty commercial properties that can be converted.

As well as this strategic approach at a national level, housing supply needs to be addressed at the local level. The report therefore makes recommendations as to what a local action plan might look like and highlights the vital role of local authorities in overcoming undersupply. These findings form the basis of this briefing paper.

*More Homes and Better Places* was the result of a Consultation held at Windsor Castle in June 2011. The Building and Social Housing Foundation invited a wide range of experts from across the housing sector to engage in a comprehensive discussion of the issues surrounding housing supply. This Consultation sought to move the debate forward, to highlight new ideas and challenge some of the current assumptions, and ultimately to provide a high-level strategic approach to tackling the problem.

A copy of the full report – which provides a comprehensive assessment of the issue and a full list of recommendations – is available on request from BSHF, or to download from our website at <http://www.bshf.org/published-information/>.

If you would like any further information, please do not hesitate to contact us using the contact details below.

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## References

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