



Local Government Association



Local Leadership in Housing: Renaissance of the Local Authority Strategic Housing Role

Discussion paper for CIH/LGA seminar on 20 April

1. Introduction

The government is embarking on a ten year strategy for local government called **local:vision** and is currently seeking input to inform the overall vision that is being developed on the future of local government. ODPM's report *People, Places and Prosperity* clearly sees local authorities' future as leaders of communities and as champions of local people. Local authorities will be helped to:

'...become genuine community leaders, driving and co-ordinating effective action to address the things that matter to local people' (ODPM 2005b, para 4.1).

In relation to housing, ODPM's *Homes for All* argues that local authorities now have a new housing role. In the past, the report argues, they were mainly concerned with managing their housing stock and responding to applications from developers. The government is now, however:

'...keen to encourage local authorities to adopt a more strategic role in planning and building homes and communities, using the new, more flexible planning system. Local authorities are the only bodies at the local level with a crosscutting remit and the democratic legitimacy to intervene to ensure that all aspects of the housing market in their area operate effectively.' (ODPM, 2005a, para 5.25)

This paper is intended to stimulate thinking around the future of the strategic housing role of local authorities and to stimulate debate at the CIH/ LGA seminar on 20 April. The seminar is the first part of a programme of work that seeks to reassess the nature and scope of the role and to promote changes in local practice.

The paper is divided into five main sections:

- Background
- Understanding local housing markets – basis for housing strategy
- The impact of the regional housing agenda
- Local partnerships to develop strategy and deliver the programme
- Influencing resources

2. Background

The Housing Green Paper published in 2000 (DETR 2000) argues that the separation of the landlord and strategic roles would allow local authorities to address in the round the housing needs of communities, whilst those responsible for day to day management could get on with the job of delivering a high quality service. Since then, not only have many more authorities separated their landlord function through stock transfer or by setting up an ALMO, but the need to operate more strategically in the way that the housing stock across all tenures is 'managed' (in the widest sense of the word) and that housing and related services are delivered has also become more pressing.

The main focus recently has been on the regional level – both regional (and sub-regional) housing strategies and regional spatial strategies – for making more strategic decisions relating to public and private housing. This represents an entirely new level of decision-making in relation to investment in housing in the future there is also the likelihood of moves to a single regional pot that includes economic develop, transport and housing resources. This along with other significant changes has had a major impact on the strategic role of local authorities.

The Housing Corporation's Investment Partnering programme has radically altered joint commissioning and other partnering arrangements and raised questions both about the relationship between local authorities and developing RSLs and the ongoing role of local authorities in housing development.

Despite this, the local strategic role has in some ways been strengthened in recent years. The local housing strategy now has a basis in statute: section 87 of the Local Government Act 2003. The housing strategy document itself now needs to be 'fit for the purpose' of stating the intended future direction of housing investment and management, whilst the assessment of options to bring homes to the Decent Homes Standard is an essential task for the strategic function. Also, the CPA considers an authority's ability to deliver a balanced housing market.

Local authorities are being required to be more strategic in a number of other ways too, some of which are listed below:

- The Supporting People programme places responsibility for funding housing related support on local authorities.
- Local housing authorities now have a duty to write a homelessness strategy with an emphasis on the prevention of homelessness.
- The creation of a new framework for the renewal of private housing under the Regulatory Reform Order requires local authorities to publish a strategy setting out how they propose to deliver housing renewal. This is important because it also removed the prescriptive grant regime and gives more flexibility to local authorities on how renovation is to be encouraged.
- There are also new responsibilities and powers in the Housing Act 2004, regarding the licensing of sections of the private rented sector and bringing empty homes back into use, add to the strategic tools that are available.

Not all aspects of government policy have, however, been favourable. The removal of Local Authority Social Housing Grant, a significant resource that allowed housing association schemes to be funded according to locally determined priorities, has removed a specific, and powerful, lever which some authorities had used to good effect.

Not all councils have used the opportunities created by the separation of roles through stock transfer to improve their strategic role. Audit Commission research has found that:

‘Some authorities have taken the opportunity of transfer to refocus on different housing issues across tenures, aligning housing with other services to address local priorities. But transfer does not automatically widen thinking or mean that staff can deliver more. Some councils have lost interest in housing, maintaining only a minimal presence to fulfil statutory requirements.’
(Audit Commission, 2002, p. 13)

The Audit Commission report identifies the need for transfer authorities to keep councillors’ and senior managers’ interest in housing and the importance of retaining capacity in terms of staff numbers and expertise.

Research on local housing strategies commissioned by CIH Scotland concluded that some local authorities find it difficult to secure sufficient funding to support strategic housing activities. Anecdotally this is also a problem everywhere, particularly affecting small authorities. The report recommends that resource issues need to be addressed as a priority, especially where stock transfer is being considered (CIH in Scotland, 2005).

3. Understanding local housing markets – basis for housing strategy

There are rising expectations about local authorities’ role in understanding the housing situation in their districts and basing their strategies on a robust evidence base. In the past, much of local authorities’ housing research effort was devoted to calculating how much more social, or other ‘affordable’, housing was needed in their areas (Blackaby, 2000), while the planning function separately looked after the figures for total housing requirements.

The relationship between demand and supply is often a complex one. In some areas, there are shortages in parts of the stock, but some types and tenures are in surplus or approaching surplus. The growing complexity leads to the importance placed on balancing local housing markets in terms of understanding that demand is not uniform and the need to adjust supply and access mechanisms to the local situation.

In this climate, the traditional approaches to separately deriving total and affordable housing requirements are no longer appropriate. This issue was raised by the CIH and RTPi in their joint publication *Planning for Housing: the potential for sustainable communities* (CIH, 2003) with the recommendation that new methods that take a ‘whole stock’ approach are needed for deriving both total and affordable housing figures.

A number of recent developments are indicate that a different approach is emerging:

- The final report of the *Review of Housing Supply* (Barker, 2004) recommends the need for planning for housing development to take more account of market

information, stating that regional and local planning should make better use of information about prices and preferences. The Review argues for merging of the Regional housing Boards and Regional Planning Bodies, a common evidence base for the RHS and RSS and independent advice to support them.

- The Office of the Deputy Prime Minister's (2004) manual on housing market assessment (as opposed to housing needs assessment) provides comprehensive guidance on the task, although, as it acknowledges, it should not be seen as a prescriptive approach that is applicable to all areas.
- Proposed changes to planning policy regarding the creation of mixed communities underline the need for thorough information about the local housing market, including current and anticipated demand for affordable and market housing and the particular accommodation needs of black and minority groups, first time buyers, students people with disabilities, older people and Gypsies and Travellers (ODPM, 2005c).
- More recently, ODPM has issued drafts of two pieces of practice guidance. One of these is on Local Housing Assessments, and it consolidates existing approaches to housing market and housing needs assessments into one document (ODPM, 2005d). The other accompanies the draft PPG3 update on Planning for Mixed Communities (ODPM 2005e).
- Following the Barker Review, Ministers have confirmed that they intend to set up a national advice unit, responsible for providing technical advice on understanding housing markets to all the regions, including London. This will also impact on local authority assessments that will need to be coordinated regionally.

It is clear that Government is expecting local authorities to engage a range of stakeholders to assist in the preparation of the evidence base and to provide input into their local planning strategies (local development documents). The most recent guidance proposes that local planning authorities should set up a Local Housing Partnership (LHP) for this purpose. The proposed constitution of LHPs is:

- LA – housing, planning, economic development, corporate strategy etc
- County councils
- Housing Corporation
- RHBs/RPBs
- Housing associations
- Research and intelligence experts
- House building representatives
- Govt Offices
- English Partnerships
- Local strategic partnerships
- RDAs
- House builders and developers
- Private sector partners – estate agents, lenders education and health authorities reps, transport and regeneration
- Major landowners
- Countryside Agency (or nominated representatives)
- Special interest groups (BME, elderly, students, gypsies and travellers etc)
- Private landlords
- Tenant reps

- Social services
- Primary and secondary health care trusts
- Major employers (particularly public sector workers)

The ODPM guidance is focused on planning for housing. It is unclear about the nature of responsibilities of those developing and delivering the wider local housing strategy in relation to the LHP and whether the LHP would also have a role in drawing up and overseeing the delivery of the local housing strategy.

The CIH published *Intelligent Approaches to Housing: achieving better integration of housing and planning* (CIH, 2004) looks at ways of better integrating spatial and investment plans for housing. It suggests that development plans should be the spatial expression of housing strategies and that those with responsibility for planning and housing are pooling their efforts and properly engaged in each others strategies. The proposed LHP could provide a useful mechanism for integrating local housing and planning strategies. It must be promoted as being led by both the planning and housing functions and to harness information to feed into both.

A number of issues and questions arise:

- The Barker Review's principal objective should result in much sharing of local housing strategy and planning research agendas. Are housing strategy and planning staff jointly involved in housing market intelligence projects?
- How strong are the links locally between housing and planning policy? Are the housing elements of local development frameworks becoming the 'spatial expression of the vision set out in local housing strategies' in the way the Chartered Institute of Housing is advocating?
- Housing market assessment involves an attempt to identify a boundary to the housing market area, which typically will be larger than a single local authority district. How far therefore are market assessments being carried out jointly by two or more local authorities? Is sub-regional collaboration working? What needs to happen to make it work better?
- Are local authority research and policy/strategy development activities well integrated with each other, or is there a tendency for research reports to sit on the shelf?
- What is/should be the RSL and other developers role in deciding where new housing is developed?
- The Office of the Deputy Prime Minister's fit for purpose criteria for local authority housing strategies focus on needs analysis. Important though the understanding of needs is, the more recent stress on the operation of the housing market suggests that the research underpinning of the strategy should be broader than simply measuring housing needs. Should guidance on local housing strategies therefore be updated to take account of the whole housing market?
- How can LAs respond effectively to both market-related and less-market related issues? Would it be helpful for strategic housing activities to be identified as 'market-related' and 'not market-related' or is that too simplistic?

- Whilst there is a growing body of guidance on how greater community cohesion should be promoted, is there a need for the requirements to be given a harder edge? Should the topic be built more explicitly into fit for purpose criteria for local authority strategies and the Audit Commission's housing inspections?
- What sort of skills are required to plan for housing in sustainable communities?
- Do LAs (officer's and members) have the skills to deliver this strategic agenda relating to housing markets – either within their planning or housing functions, or elsewhere?
- What needs to happen to develop these skills?

4. The impact of the regional housing agenda

Public resources for housing investment are now channelled through Regional Housing Boards in accordance with regional housing strategies, which set out strategic housing investment priorities. The government is now proposing to merge regional housing and planning bodies.

The presence of the regional strategic level clearly has an impact on the local authority strategic role, as do national targets and top-sliced programmes, eg. the key worker programme. On one hand, the regional strategy might remove all priority for public housing investment from a particular district, leaving the local authority with few resources to direct for new housing, apart perhaps from resources resulting from affordable housing negotiations through the use of planning powers. On the other hand, a district given high priority for funding within the regional strategy faces the task of facilitating the partnerships and opportunities needed to deliver the programmes locally and of linking housing investment to its broader social, economic and environmental objectives laid down in its community strategy.

The emphasis on sub-region and cross-border issues also creates new challenges for the authority's role in intelligence gathering, raising the need for more inter-authority co-operation in commissioning research and on brokering partnerships that operate across administrative boundaries.

Local authorities must be given all opportunities to contribute to the development of the regional housing strategy. As *Homes for All* reminds us, they are the only local organisations with a cross-cutting remit and democratic legitimacy. Furthermore, their role in developing an understanding of local housing markets should result in their having vital information to contribute to the process.

However sophisticated regional strategies become, they will not be able to provide sufficiently detailed information about local needs and priorities. Local strategies should therefore translate the broad framework set down in the regional strategy into a clear view about the **what, where and how** of investment issues.

A number of questions need to be considered:

- What should the strategic housing responsibilities of LAs be in the new regional strategic context? How do they need to change?

- Are there barriers to effective involvement of local authorities in the development of regional housing strategies – resources, information, access to relevant regional bodies, skills etc?
- What should the RHB's responsibilities be in relation to development and delivery of LA housing strategy?
- Are there particular constraints on the involvement of rural authorities in Regional Housing Strategy, for example shortage of staff with the relevant skills?
- Does more thought need to be given to how regional and local housing strategies relate to each other?
- How do Housing Market Renewal Pathfinders and growth areas fit into the picture?
- How can housing strategy be coordinated properly with transport and economic strategy, at both local and regional levels? What are the implications of the recent Treasury consultation paper *Devolved Decision-making* on the proposal for a single regional pot.
- How will the proposed 'rural proofing' of Regional Housing Strategies work? (Office of the Deputy Prime Minister 2005a, para 3.37.
- What new skills requirements and capacity issues does this raise?

5. Local partnerships to develop strategy and deliver the programme

There is an increasing emphasis on planning and delivering services in a crosscutting way and which is specific to particular communities. The local Community Strategy is intended to articulate this broad vision and give rise to solutions that cross department boundaries. The picture has become more complex as the range of programmes that have a housing element has risen. Relationships and partnerships, both internally and with a range of external organisations are crucial to developing their strategic vision and delivering the programme. The Housing Green Paper says that a part of the strategic function is identifying, coordinating and facilitating resources and agencies and operating and facilitating local partnership schemes.

A number of developments have made different types of partnerships more important – some of these are covered below.

The ***neighbourhood renewal programme*** and neighbourhood management projects are examples of initiatives that focus on particular communities. Pilot Local Area Agreements were announced in the 2004 Spending Review. These involve agreements between the Government, the local authority and others responsible for local services working through Local Strategic Partnerships. The agreements are being piloted in 21 areas, with a further 40 targeted by April 2006. In addition to this, new approaches to securing more mixed communities and to tackling problems of worklessness, crime and poor environments are being piloted in three areas, two in the north of England and one in London (Office of the Deputy Prime Minister, 2005b).

The establishment of **Local Strategic Partnerships** in some areas that has enabled a wider input to the Community Strategy, but has also complicated strategy development and decision-making arrangements.

The **Supporting People** programme that relies heavily on a partnership approach to delivering housing-related support and the fact that housing programmes strongly underpin other agendas such as **health and education**.

There has been **a shift from the use of grants to loans and equity release mechanisms for delivering renewal in private housing** following the introduction of a regulatory reform order in July 2002. Local authorities are starting to engage with lenders, community banking enterprises and other organisations to stretch the grant funds available and. This is also changing the way they relate to home owners taking up grant and loan services and the way they engage with financial advisers to ensure home owners have access to the necessary advice.

The Housing Act 2004 has delivered new tools to local authorities to improve the **private rented sector** in the form of licensing options and the introduction of a tenancy deposit scheme. At the same time the government's commitment to halve the use of temporary accommodation for homeless households will require local authorities to make more use of the private rented sector. 'Managing' the private rented sector (in the widest sense of the word) to achieve strategic outcomes will test local vision and leadership skills.

In the **housing market renewal pathfinders** and the **growth areas** new relationships are being created to deliver complex strategies. Coordinating English Partnerships agendas, the Regional Development Agencies' strategies and the pathfinder and growth area strategies is a particular challenge.

Housing associations and other landlord bodies (including PFI contractors) are dominant partners of local housing authorities. The Housing Corporation's new investment partnering arrangement has significantly changed the nature of these relationships (covered in more depth in the following section of this paper). As well as this, stock transfer and the establishment of ALMOs increase the number of potential landlord partners locally or, where stock transfer is to existing housing association(s), it can change radically the size and nature of the partners. A crucial challenge concerns the relationship between the authority, the new landlord and other social landlords. Should the new landlord simply be one amongst several housing agencies working locally or does the fact that the new body has its origins in the local authority give it some special status? The Audit Commission believes that a special relationship between the authority and the new body is inevitable (at least in the early years) and argues that: 'treating the largest provider (the stock transfer organisation) as if it is no different from others is rarely helpful; its relative size makes a good relationship vital' (Audit Commission, 2002, p23). The Commission acknowledges, however, that managing the tension between supporting new organisations and rewarding other partners is important and that all partners need to be clear about local policy. Also, with the increase in mergers and group structures, this can mean that the LA's partners is a long way away, geographically.

ALMOs present a new set of issues for local authorities in relation to their strategic enabling role – issues that we are only just beginning to think through. Although ODPM has always been clear that ALMOs were not strategic bodies some have sought to take on a degree of strategic thinking – often for the very practical reason that the staff responsible for this activity move from the Council to the ALMO. It can be hard to create a distinctive strategic role for the Council going forwards when an

ALMO is in place yet this is the task for a significant number of local authorities over the coming years.

The task for the strategic role is to develop mechanisms for effective partnerships between the authority and other key players. Mechanisms, which will govern such issues as role, funding and support, need to be sensitive to the different specialisms and the potential contribution that each partner can make to deliver the local housing strategy. The presence of a stock transfer organisation may have particular implications locally in view of its size, and this needs to be reflected in the role that such an organisation should play, but size is only one relevant factor in the assessment of potential contributions.

The current pressing question relates to the proposal – in draft planning guidance – for LAs to establish a Local Housing Partnership (section 3). Many local authorities, through their housing function, already have good relationships with many of these groups, although they may be less well developed with others. In these cases then, it would be a case of further developing relationships to establish a Local Housing Partnership – if it is seen that this is the best way to develop. This group could assist both in providing an input into the evidence base relating to housing markets, and in developing and delivering the wider housing strategy.

In addition to creating new relationships between service providers and users, there is increasing concern about how relationships between residents in neighbourhoods should be improved and how more cohesive communities can be created. The evidence is that, whilst some authorities and their partners have developed housing strategies to promote greater social mixing and better race relations, the role of housing in the community cohesion agenda is far from universally recognised (Robinson et al, 2004).

There are a number of questions that need to be addressed:

- Is the suggestion in planning guidance to set up a Local Housing Partnership to facilitate relationships and build partnerships a helpful one? Are the suggested groups for involvement the right ones? What functions might the partnerships perform and how would it operate?
- How can LAs identify partners they need to work with for local initiatives? Is there a need for some guidance on building effective partnerships?
- Are housing, health, transport and education authorities communicating and coordinating their programmes to the right extent? How will the relationships to these authorities differ from partnerships with private bodies?
- To what extent are housing staff involved in managing neighbourhood programmes? Are there particular difficulties for stock transfer authorities, where housing staff may have no neighbourhood presence, in becoming involved in neighbourhood management and similar programmes?
- How has the HC investment partnering regime and the bidding regime open to non-RSLs changed the nature of partnership working with RSLs? (this issue is covered in more depth in section 6).
- Partnerships are a means to an end. What outcomes should LAs be aiming to achieve through partnership working?

- How can LAs ensure that they play to the respective strengths of both stock transfer and traditional organisations?
- Should local authority department structures be changed to give greater emphasis to working on crosscutting issues, for example 'urban renaissance departments' that bring together housing and economic regeneration?
- What new skills requirements and capacity issues does this raise?

6. Influencing resources to deliver cross-tenure strategy

As well as investing money directly, LAs can have a role in influencing other organisations' investment and other spending programmes to deliver the housing strategy. If they are to successfully influence the spending of money over which they have no direct powers, then they need to identify levers, and in some cases develop new mechanisms to do this.

Licensing powers and planning permission are examples of levers that can have considerable direct impact on others' spending decisions. Others that can also be useful when applied in a partnership setting include accreditation schemes, advisory services and consultative forums. On the face of this, these may seem less effective, but if applied intelligently and collaboration with partners and if incentives are attached, they can be extremely effective.

Below are some examples of where these types of levers may be applied:

- Investment by private developers – local planning policy will be seeking to regulate the location, nature and speed of house building. Government guidance on the importance of creating sustainable communities through an appropriate mix of homes is a central task
- Investment by home owners – appropriate maintenance and improvement of the housing stock are essential to ensuring that it not only meets the decent homes standard but that it remains attractive to future purchasers, thus contributing to sustainable communities. Local authority grants and loans, together with improvement agency and advisory services, can all help to ensure that investment meets key priorities
- Investment by private landlords – local councils can exert influence and, in some cases, control over private landlords through their new licensing responsibilities, voluntary accreditation schemes and landlord forums. Schemes to ease access to the sector, such as deposit schemes, can also be tied into accreditation and thus ensure appropriate physical and management standards
- Investment by agencies providing housing with support – the Supporting People programme is a lever to investment (and disinvestment) by housing with support providers
- Wider investment by RSLs that are not a chosen partner and therefore not in receipt of ADP (as well as those that are)

The Housing Corporation's investment partnering programme has radically altered the influence that LAs have over spending of the ADP. The Housing Corporation

policy paper (2003) which launched this new approach makes scarce reference to local authorities although there is a passing reference to their role in providing information on associations' management competence.

It has become clear that the task of identifying and prioritising needs is clearly seen as the responsibility of others – those drawing up the regional housing strategies and the Housing Corporation itself, through its Geographical Information System and Index of Housing Market Efficiency.

The Housing Corporation's new £200 million pilot investment programme, which is open to both registered and unregistered bodies to bid, recognises more fully the local authority role. The programme document stresses the importance of schemes meeting priorities and needs identified in Regional Housing Strategies, and then adds that:

'We will ensure that the pilot programme contributes to tackling local needs....We will encourage participants to work closely with local authorities to identify development opportunities and the priorities in local housing markets' (Housing Corporation, 2004, para 2.5).

These proposals create new challenges for local authorities. They will have more, and a greater variety of, partners to work with to deliver affordable housing. There are also new opportunities since they will be able to bid for funds from the programme, particularly where they are classed as 'excellent' in the Comprehensive Performance Assessment and are working in partnership with other organisations.

There is a case for local authorities having a much greater role in establishing local partnerships – both RSLs and non-RSLs – for developing affordable housing. They often have a high level of knowledge on the character, nature, specialisms and competence of housing associations operating in their areas, and even within the limits of the new partnering arrangements (ie. only being able to choose from 71 partners) this knowledge could be brought to bear on the choices for development.

A number of questions arise:

- What other resources can LAs influence, other than those listed?
- What are the potential levers for influencing these resources? Should the tools available to local authorities to influence investment be improved?
- How successful are accreditation schemes and consultative forums in improving housing outcomes for residents?
- What role should LAs have in decisions over which RSLs and non-RSLs should receive public funds for affordable housing development?
- Will local authorities be able to exercise the same degree of influence with private developers and other non-registered organisations than they can with housing associations given that relations with private developers have traditionally been more arms length?
- Should local authorities become more involved in brokering partnerships between developer organisations and housing associations that will manage new homes and provide specialist services, including BME associations?

- What new skills requirements and capacity issues does this raise?

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