



Visionary Leadership in Housing

# Housing and the economy

*integrating strategies*



## Executive summary

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The drive to provide prosperity in a cohesive and sustainable fashion is a key aim of government and has shaped policy development and investment in the regional agenda. A strong economy offering sustainable growth is seen as essential to maintaining Britain's effectiveness in a fast changing world, and the importance of housing in contributing to the achievement of that prosperity and growth has come to the fore in recent years.

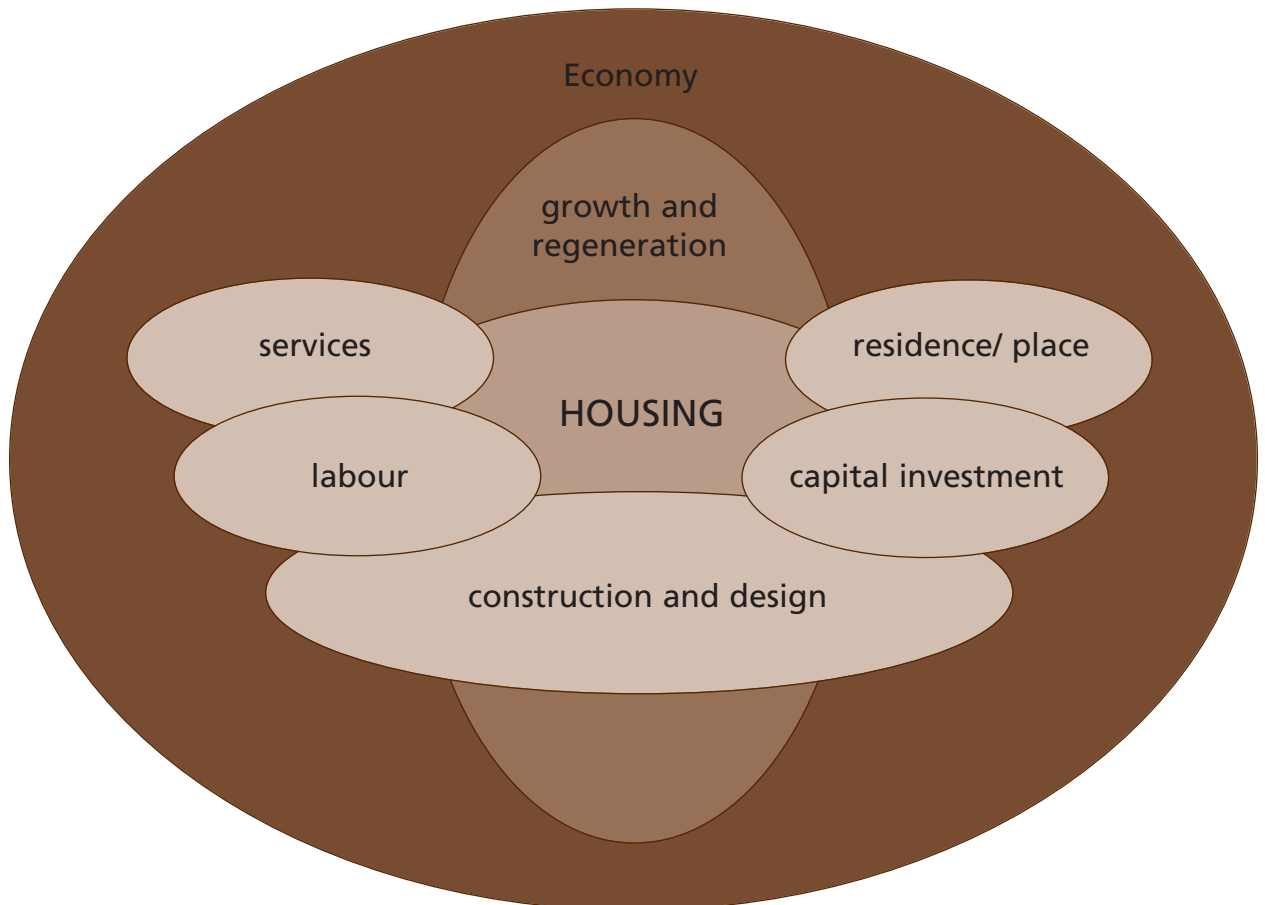
The recent government *Review of Sub National Economic Development and Regeneration* is driving forward changes in the regional structure and puts new emphasis on the Regional Development Agencies and local authorities working together to join up strategic decisions on economic development, regeneration, housing, planning and other key policy areas to deliver economic growth and sustainable communities.

The dominant expression of the linkages between housing and the economy has until recently been focused on the lack of supply in housing, high prices and lack of accessibility to affordable housing. This has been seen as impacting recruitment and labour mobility adversely. Recent reversals in house prices has not eased the situation, with difficulty in accessing finance leading to a sharp drop in house building. The changes and volatility have emphasised the need to develop greater understanding of the two way impact in the housing and economic markets.

This briefing paper presents a framework which is intended to help decision makers and key officers at regional, sub regional and local levels to:

- explore the relationship between housing and the economy
- make better strategic links to inform activity locally, sub regionally and regionally.

The diagram below illustrates how complex the interaction of the different linkages identified in the framework can be, and how together these contribute to wider economic development.



The framework suggests some of the key areas through which to explore how housing and the economy link, and understand how housing issues might be taken forward, alongside plans for economic growth or regeneration. It considers:

- the fundamental role of housing - **as a residence and a basis for place shaping** – contributing to attractive localities and neighbourhoods, which draw in investment by businesses, supporting productivity and consumption
- the accessibility of housing, including affordable housing, to enable effective **labour markets** – the support for mobility to access employment - and the role of housing organisations in wider schemes to support education, training and employment of residents in the neighbourhoods
- understanding and responding to the demands locally for **growth or regeneration**, and increasingly being able to evaluate what future impacts business decisions may have on housing markets, to assess when and how to intervene in response. Linking these activities up to wider infrastructure plans, integrating policies for housing, health, education and transport will be increasingly important in the Integrated Regional Strategies and local strategies
- the contribution of housing in **construction and design**, through major development or refurbishment schemes, and the opportunities these create for employment and training within local communities
- the wider impacts of housing as a **service provider** locally, in terms of housing and associated services (neighbourhood management, supported housing), as a delivery partner in many local public services and the engagement of many housing organisations with community development programmes
- housing as a **medium for capital investment** and the problematic nature of this relationship, which can challenge the delivery of the long term vision for an area as expressed in the Integrated Regional Strategies and local Sustainable Community Strategies. How Regional Development Agencies, local authorities and partners can understand and gear up for that will have a significant impact on the overall ambition to ensure increased economic prosperity in the regions.

## **Making it work**

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Better understanding and articulation of the linkages between housing and economic development is the first stage; putting together a plan for action is the next step – looking at how to make the links between housing and the economy work more effectively across the region and with all relevant partners. The briefing paper suggests some of the questions around which debates in the region might be formed, as local authorities, partners and the Regional Development Agencies work together to develop and then deliver an integrated strategy for their region.

## Foreword

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The government's recent *Review of Sub National Economic Development and Regeneration* sets out a dynamic and changing regional landscape that has important implications for the relationships between Regional Development Agencies, local authorities, housing providers and local communities. It provides an opportunity to build on good relationships in the regions to date, and to strengthen structures that can build a more fully integrated approach to planning strategically, for housing, regeneration and economic growth in local areas and regions.

IDeA and CIH are pleased to have collaborated on this briefing paper, which aims to provide a step in achieving that better integration, by supporting professionals and elected members to make the connections between housing and economic development, and maximise the contribution of housing to the delivery of economic prosperity. This briefing paper is one of a series around the strategic housing role of local authorities equipping strategists to embed housing in the bigger economic, environmental and social well being agenda, and builds on previous collaboration by IDeA and CIH to support a stronger and more integrated strategic housing role, which can maximise the contribution of the role to developing sustainable local communities.

The briefing paper is also intended to provide support to engage in conversations and debate on the best way forward locally, sub regionally and regionally – supporting RDAs in the wider leadership role they will be taking up in the near future; an opportunity welcomed by *emda*, co-sponsors of this briefing paper.



Sarah Webb  
CIH Chief Executive



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IDeA Executive Director

# Introduction

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The government's number one priority is to continue to increase Britain's economic prosperity in a way that is cohesive and sustainable.

A strong economy offering sustainable growth<sup>1</sup> is seen as essential to maintaining Britain's effectiveness in a fast-changing world as well as providing stability against future turbulence. This is the backdrop to the most recent policy proposals in economic development which revolve around the Treasury's *Review of Sub National Economic Development and Regeneration* (SNR)<sup>2</sup>, although developments in many policy areas have been orientated towards this goal of economic prosperity. So, the growing skills agenda<sup>3</sup> and policies around community empowerment are understood in terms of the contribution they can make to developing a well-equipped and adaptable workforce providing the means for Britain to make the most of opportunities that support rising prosperity. The replacement of the Neighbourhood Renewal Fund and Deprived Areas Fund with the Working Neighbourhoods Fund<sup>4</sup> is another example of policies being refocused to support economic growth.

When it comes to housing, its importance for a prosperous economy has been appreciated but the workings of that relationship have not been properly researched, understood or articulated. This element is still in its infancy and has tended to be relatively narrowly focused on housing markets and particularly around the supply of housing and affordable housing to support economic growth.

## Visionary leadership in housing – aims of this briefing paper

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In this briefing paper we seek to explore a greater range of ways in which the interplay between housing and the economy can be understood to gain a more sophisticated appreciation of what drives confidence in an area, the impact of this on behaviour and on drivers of economic prosperity, including market, productivity and consumption drivers. It aims to encourage a new shared understanding and language between housing, planning and economic development professionals to facilitate the development of a shared sustainable vision for local areas.

The briefing paper is one in a series that aims to support housing professionals in making stronger and more effective strategic links to the wider agenda ensuring delivery of economic, environmental and social well being at local, sub regional and regional levels. CIH identified in 2005 the need for a fresh and enhanced vision for how local authorities approach their strategic housing responsibilities, and the importance of the strategic housing function in linking with and contributing to the vision for local areas as set out in Sustainable Community Strategies. In partnership with LGA we set out the new scope of the function in *Visionary Leadership in Housing*, together with a new framework for improving performance and building capacity in the sector to deliver the role.

The series of briefing papers that CIH has produced following *Visionary Leadership in Housing*, including this one, explore how local authorities – working at a number of levels – might approach strategic housing differently. This briefing paper seeks to identify areas of connectivity between housing and the economy and encourage more sophisticated thinking about how they do or could relate at regional, sub-regional and local levels – including through presenting a number of existing practical applications. It also develops a framework to encourage relevant partners to begin planning to address these linkages, and get better results for the community through more effective planning and alignment.

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<sup>1</sup> Sustainable growth' in the SNR (see 2 below) refers to economic growth that can be sustained and is within environmental limits, but also enhances the environment and social welfare, and avoids greater extremes in future economic cycles

<sup>2</sup> *Review of Sub National Economic Development and Regeneration*, HMT/BERR/CLG, July 2007, and *Prosperous Places: Taking forward the review of sub national economic development and regeneration*, CLG/BERR, March 2008

<sup>3</sup> *Skills in the UK: the long term challenge*, Lord Leitch, HMT 2006

<sup>4</sup> *Working Neighbourhoods Fund* CLG/DWP Nov 2007

We are publishing this briefing paper at a significant time with ongoing debates taking place about how local, sub-regional and regional bodies might organise themselves to support the broad economic and regeneration agendas – of which housing is a critical part. At the same time work is progressing to establish the new Homes and Communities Agency and the Tenant Services Agency, following provisions in the Housing and Regeneration Act. We hope that this briefing paper will help to inform those debates, and the emerging relationships.

Strategic housing activity needs to be seen to address more than just housing needs. It needs to be positioned within economic, transport and other strategies to deliver wider benefits to the delivery of the bigger vision for local, sub regional and regional areas.

Specifically then, this briefing paper aims to:

- set out the policy context in which housing and economic development operate and draw out the links being made in recent policy development
- develop a framework with which to explore how housing might be understood and dealt with in the context of supporting economic development and regeneration
- encourage the debate between regional and local stakeholders, and develop ways to make the partnerships work effectively to align strategies and activities to deliver the Integrated Regional Strategies (IRS) and desired outcomes.

## Who is this briefing paper for?

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### **Local elected members and corporate decision makers**

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This briefing paper aims to enable elected members and corporate decision makers to see the benefits of making more effective connections between housing and the economy locally, sub regionally and regionally, and to engage with relevant partners to support robust decisions that will deliver more for local communities. The vehicles of Local Area Agreements (LAAs) and Multi Area Agreements (MAAs) are a vital framework in which the embedding of such connections should take place to drive forward delivery of outcomes for achieving local and regional vision.

### **Strategic housing, planning and economic development professionals**

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By demonstrating the many different connections between housing and the economy, and drawing out how some of these are being addressed in other areas, the briefing paper is intended to provide professionals with a structure within which they can make the connections and align relevant strategies to maximize the impact of investment in housing and economic activity.

### **Regional Development Agencies**

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As the regional body soon to be responsible for developing the IRS, the briefing paper demonstrates the benefits of incorporating regional housing strategies within future integrated strategies to contribute to better outcomes, and the importance of active engagement with housing strategists and planners in taking forward the future regional work.

### **Local Strategic Partnerships**

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As the key local forum for engaging public, private and voluntary and community sectors in developing a shared local vision in the Sustainable Community Strategy, the importance of connecting housing and economic plans and investment to contribute to that vision will be valuable in helping to take forward action to shape localities in the future.

# The policy context for housing and economic development

## Regionalism

Regionalism in England is driven by the pursuit of economic growth and prosperity. The reason for setting up the English Regional Development Agencies (RDAs) in 1999 (at the same time as power was devolved to governments in Scotland and Wales) was to drive improvements in regional economies with a view to reducing the gap between the UK and wider European economic achievements and growth.

The independent assessments of the RDAs undertaken by the National Audit Office<sup>5</sup> demonstrated that all agencies were performing well or strongly, both overall and in terms of achievement, with some key areas of progress in the different regions, from better strategic leadership, partnership working, to developing a strong evidence base. However, there is still a major challenge ahead for all regions in terms of improvement in meeting future challenges.

The latest developments – proposed in the two key documents that have become known as the ‘sub-national review’ or SNR (see Box 1) – offer the most radical solution so far to achieving coordination of activities at different spatial and administrative levels. The nine RDAs will become key players in the emerging system of national, regional, sub-regional and local governance and will have an expanded responsibility for coordinating economic development and spatial planning, and delivering more coherently and sustainably across the range of policy areas that contribute to economic development.

The RDAs remit is an inclusive one. They will be expected to focus not on driving economic performance in a narrow fashion, but on social and environmental well being too, as counterparts to economic prosperity. They will be expected to drive improvements in all areas of the country – including those that are most deprived. And they will be expected to deliver against sustainable development targets and to improve opportunity for people and communities across the board, so that everyone is individually and collectively enabled to use their talents<sup>6</sup>.

*Prosperous places: taking forward the review of sub national economic development and regeneration* says that:

*The SNR is a vehicle for reforming public institutions to enable them to achieve sustainable economic growth, development and regeneration at every spatial level through better alignment of economic and spatial planning, within a sustainable development framework. Implementing the reforms in the SNR will support every region, sub-region and locality to respond to the challenges and opportunity presented by globalisation, technological and climate change, and to increase its competitiveness.*

### BOX 1

The *Review of Sub National Economic Development and Regeneration* set out proposals to integrate regeneration more closely with economic development. The business-led RDAs will have overall responsibility to develop an IRS, the intention being to achieve much closer alignment between economic and spatial planning to support sustainable economic growth. The expectation is for other regional strategies – including regional housing and transport strategies – to be integrated into the new IRS. Connections with and integration of other strategies such as health, care and education are also needed to deliver wider social, economic and environmental well being.

The local authority role is strengthened with a proposed duty on unitary and upper tier authorities to undertake economic development assessments, used to underpin local strategies and LAAs, as well as the IRS. Through the leaders’ forum, they will have responsibility to work with RDAs in developing the IRS. They will also have a scrutiny and accountability role, signing off the IRS.

<sup>5</sup> <http://www.berr.gov.uk/regional/regional-dev-agencies/rda-performance/page24206.html>

<sup>6</sup> *Unlocking the talent of our communities*, CLG March 2008

The subsequent consultation paper, *Prosperous Places: Taking forward the Review of Sub National Economic Development and Regeneration*, proposed more detail on:

- the core principles for developing the IRS
- the relationship between the RDAs, local authorities and central government – including through a member forum and new scrutiny arrangements to facilitate better coordination
- how to take forward the proposed economic development assessment duty for local authorities.

There will be a linked exercise to streamline funding allocations to regional priorities that will embrace funding for transport, European development and housing and regeneration.

## **Sustainable communities and the new Local Government Performance Framework**

The government's programme for devolving powers to local authorities and improving community outcomes – as set out in the Local Government White Paper: *Strong, safe, prosperous communities* – is fundamentally about delivering economic development and sustainable communities. It has moved rapidly with a Central-Local concordat being agreed with the LGA<sup>7</sup> and a new Local Performance Framework to improve quality of life in places and deliver improved public services<sup>8</sup>.

The framework consists of a new and streamlined set of performance indicators, against which local authorities and their partners will be assessed. The delivery of national, regional and local priorities will need to be agreed and expressed through these indicators in MAAs and LAAs to ensure the delivery of the vision and ambitions of the IRS and other regional and local strategies.

*Delivering Economic Prosperity in Partnership*<sup>9</sup> the joint CLG, DIUS, DWP and BERR guide to the new local performance framework includes a number of powerful economic development and regeneration indicators, some of which are listed below:

- overall employment rate
- working age people claiming out of work benefits
- working age people claiming out of work benefits in deprived neighbourhoods
- working age population qualified to at least Level 2 or higher
- average earnings of employees in the area
- previously developed land that has been vacant or derelict for more than 5 years
- VAT registered businesses in the area showing growth
- people falling out of work and on to incapacity benefits
- skills gaps in the current workforce reported by employers
- working age people with access to employment by public transport (and other specified modes)
- satisfaction of businesses with local authority regulation services.

<sup>7</sup> *Central-Local Concordat*, HMT/LGA, December 2007

<sup>8</sup> CLG has published a set of narratives covering different activities and how they relate to the new local performance framework

<sup>9</sup> CLG/DIUS/BERR/DWP *Delivering Economic Prosperity in Partnership*, March 2008, see also CLG/HMT, *The new performance framework for local authorities and local authority partnerships*, October 2007

The statutory guidance on creating strong, safe, prosperous communities set out the local framework for agreeing and achieving local action<sup>10</sup>. The local authority has a key role in providing strategic and political leadership, supporting the Local Strategic Partnership (LSP) in its central role as the forum in which the relevant stakeholders in the locality establish the overarching vision in the Sustainable Community Strategy. This encompasses the shared ambition for economic, social and environmental outcomes, and the key centrally and locally agreed priorities to deliver this are then expressed through the LAAs, which can happen at a different level of local government (taken forward by unitary and upper tier authorities<sup>11</sup>).

## **Comprehensive Area Assessment**

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New arrangements for assessing and inspecting area outcomes – the Comprehensive Area Assessment (CAA) – are being developed by a ‘partnership of inspectorates’ including the Audit Commission<sup>12</sup>. This will look at issues of importance to the local community and focus on the leadership role of local authorities, and the quality and value for money of services delivered by the authority and its partners, including the private and voluntary sector and will be in operation from April 2009.

## **Economic development**

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The consultation on Planning Policy Statement 4: *Planning for Sustainable Economic Development (PPS4)* set out the need for the planning system to build stronger understanding of what local and regional economies need to remain competitive and responsive, and factor in benefits of economic development alongside environmental and social factors.

Local authorities have a leadership role through the LSP and LAAs to bring together partnerships that can drive economic prosperity and make the connections to public service policy areas to support that growth. The most recent proposal in relation to economic development – both in PPS4 and in the SNR papers – in relation to economic development is a duty on local authorities to assess the economic conditions of their local area.

## **Strategic housing**

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In relation to housing, the Housing Green Paper, *Homes for the future: more affordable, more sustainable*, sets out a new target for housing supply to support economic development. It also sets out very briefly the expectation on local authorities in relation to their strategic housing role.

A development programme driven by the IDeA and supported by CIH has helped to improve proficiency in strategic housing<sup>13</sup>. Further guidance is expected to position strategic housing firmly within this corporate / community context.

<sup>10</sup> HM Government, *Creating Strong, Safe and Prosperous Communities: Statutory Guidance*, July 2008

<sup>11</sup> *Delivering Housing Strategy through LAAs*, CIH, 2007 was produced to support and encourage the engagement of housing strategists in the development of LAAs.

<sup>12</sup> <http://www.communities.gov.uk/localgovernment/performanceframeworkpartnerships/inspectioncomprehensive/>

<sup>13</sup> One of the publications produced was *Skills for success: delivering proficiency in strategic housing* IDeA/CIH, 2007

## Spatial planning

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Housing has traditionally been addressed in statutory plans through a projection of housing need from demographic and migration trends, assumptions around employment growth and then a physical and infrastructure capacity exercise to position land allocation for projected needs. The spatial planning approach introduced in the 2004 Planning and Compulsory Purchase Act requires the alignment and spatial expression in land use allocation. Monitoring and reviewing land release on a regular basis is now required to provide a more integrated approach to housing land supply and community place shaping. To be effective, spatial planning needs to link housing activity with physical and social infrastructure provision and demonstrate suitable awareness of what could impact upon the 'housing market'. At the local level, the Local Development Framework suite of documents, is required to align housing, economic and planning policies and identify a rolling 5 year supply of housing land, reviewed annually. At the regional level, the National Housing and Planning Advice Unit will provide expert advice at early stages of the development and review of regional strategies, and has recently issued advice to the Housing Minister on medium and long term planning to meet housing requirements<sup>14</sup>.

## Community engagement

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Increased emphasis on community empowerment in local governance is supported by government's recent Statutory Guidance for *Strong, Safe and Prosperous Communities* and the White Paper, *Communities in control: real people, real power*<sup>15</sup> which takes further the double devolution agenda, and provides a greater say and control by local communities, with a focus on seven key areas, including: being active in the community; access to information; having an influence; challenge; redress; standing for office; ownership and control. The LSPs are a framework for ongoing engagement with local communities, increasing communication and involvement in setting the vision for the locality. There is a challenge for housing strategists and economic development professionals in communicating the evidence to support growth and housing development, and engaging with local communities to achieve an agreed way forward that balances the interests of all within the community, including both those who need increased volumes of affordable housing and those seeking housing on the 'open market'.

Teignbridge District Council in liaison with the South West Housing Initiative<sup>16</sup> recently worked with housing, planning and legal professionals, district and parish councillors, landowners, developers, registered social landlords and housebuilders to establish mechanisms to increase the supply of affordable housing. A key conclusion was the need to communicate the local housing problem including its impact on the local economy, and working with local communities to develop solutions. A number of clusters of parish councils, with IDeA support, are now working with the council to establish local need and identify exception sites for affordable housing provision.

The initiative offers a 10 stage process for parish councils to participate in the process of delivering affordable housing of which the second stage is engaging with communities, so that they are part of the process of assessing needs, as well as identifying sites and solutions.

The involvement of the local community in both demonstrating/ establishing the need for housing in order to retain or access local jobs and its involvement in generating solutions will influence government in reaching financial settlements with local authorities. The involvement of locally elected members, and officers, in strong, ongoing community engagement is important to work out shared ambitions for local areas, and to address dissent around the use/ development of land, as direct economic and social benefits can be identified.

<sup>14</sup> NHPAU, *Meeting the housing requirements of an aspiring and growing nation: taking the medium and long term view*, June 2008.

<sup>15</sup> HM Government, *Creating strong safe and prosperous communities*, July 2008, and CLG, *Communities in control: real people, real power*, July 2008.

<sup>16</sup> *Teignbridge DC step by step guide to parishes*, TDC/SWHI/IDeA

## Recognising the links

The interplay between housing and the economy are predominantly addressed in relation to the supply of housing and affordable housing to support a prosperous and growing economy. The high profile Barker Review (see box 2) and the Calcutt Review have helped to raise the profile of this issue and to make the case for a political and practical solution.

### Box 2

The Barker Report<sup>17</sup> forms a foundation for government economic policy concluding that housing supply, in particular the supply of affordable housing, is a foundation stone for a successful economy. The demand for housing, driven by economic and population growth is outstripping housing supply. The shortage of housing is seen to have the following detrimental economic effects:

- lower rates of housebuilding constraining economic growth – a negative effect on business location decisions and regional price differentials reducing labour mobility
- restricting supply leading to a loss of economic welfare – resources that might have been used for housing are used for other less beneficial purposes
- the housing market contributing to macroeconomic volatility – changes in house prices and housing wealth are linked to public consumption (and borrowing)
- higher house prices creating affordability problems – restricting labour supply in areas of economic growth
- the undersupply of houses having unfortunate distributional consequences – those who own homes receive disproportionate benefits compared to those who don't.

There is an established and growing awareness within government of the need to coordinate policy, legislation, institutional arrangements and other structures to bring about better coordination between housing, regeneration and economic development. Such links have featured strongly in recent policy development and directions and include:

### *Market participation*

- **a move from needs-based to market-based housing strategy, encouraged through the newly introduced sub regional housing market assessments (SHMAs)** – this has shifted the focus of analysis (and solutions) from the administrative level to the less distinct market area level and has facilitated new thinking which has led to the presence of housing matters, along with economic development and infrastructure, in a number of MAAs
- **access to finance and the impact of monetary policies** – a wide ranging article<sup>18</sup> drew attention to the accessibility to finance for housing, of monetary policy and the impact for housing, for individuals and more widely for the UK. The impacts of recent retrenchment in the financial and banking sectors, the problems of accessible finance and economic difficulties have reinforced the close relationship of monetary policies for housing and wider economic growth
- **support for a growing intermediate housing market to maintain local labour markets in the face of increasing aspirations for home ownership** – in the experience of rising house prices, this became evident in the keyworker HomeBuy programme and financial support for other shared equity programmes.

<sup>17</sup> Kate Barker, *Securing our future housing needs*, Interim Report December 2003 and Final Report December 2006

<sup>18</sup> Paul Semper, 'UK Housing and the Economy' in *Housing Finance International*, March 2007

### *Support for inclusivity*

- **economic development increasingly linked to regeneration funds and activities** – the recently announced Working Neighbourhoods Fund is a good example of this link being made in public policy
- **close connection between great places and a growing economy** – successful city centre regeneration has proved that confidence in an area is a crucial key driver for stimulating and sustaining economic activity, so that attention is now turning to new ways of reconnecting deprived areas with local and regional economies – this is a strong theme in the SNR. Additionally at every level the importance of place, its quality and attractiveness, is a significant factor in economic and wider sustainability. Local authorities have a key role in drawing together the range of partnerships amongst stakeholders, voluntary and community sectors to shape places, as demonstrated in the Lyons Review<sup>19</sup>
- **financial inclusion and capability to participate in a local economy** – the Treasury's strategy for financial inclusion (which is being delivered with the involvement of intermediaries, including housing providers) is intended to help individuals to manage money effectively, plan for the future and be able to deal with any financial distress, to enjoy improved life outcomes, including participation in the local economy.
- **impact of welfare and other systems to the wider fiscal environment and employment** – the current move to the local housing allowance partly designed to reduce disincentives to work. Work on Choice Based Lettings systems have also been designed to support choice and mobility, particularly with the increasing focus on emerging sub regional schemes, and the expansion of some to include private rented as well as social rented housing and low cost home ownership properties.

### *Developing new delivery structures*

- **better engagement of communities in setting local policy and investment plans** – so that the policy directions pursued are based on the multiple felt needs and aspirations of people on the receiving end of the combined policy package
- **combining powers, responsibilities and strategic plans within institutions** – including the transfer of planning and housing powers at the regional level from the regional assemblies to the to the RDAs and the amalgamation of the Housing Corporation investment and English Partnerships land and regeneration responsibilities within the new Homes and Communities Agency.

These areas demonstrate the connections being made between housing and economic development in the policy context, and the potential for greater integration in activities at local, sub regional and regional levels. There is a need to build further on the policy framework to develop stronger understanding of the connections within regional and sub regional variations.

The challenge for policy makers, strategists and practitioners alike is to gain a much more sophisticated understanding of the ways in which housing and the economy interact. A more tailored local/ regional framework, built on a fuller understanding of the geographical context will lead to more effective outcomes supporting economic growth and development.

<sup>19</sup> Sir Michael Lyons, *Lyons Inquiry in to Local Government: Place shaping – a shared ambition for the future of local government*, The Stationery Office, March 2007

## Developing a framework

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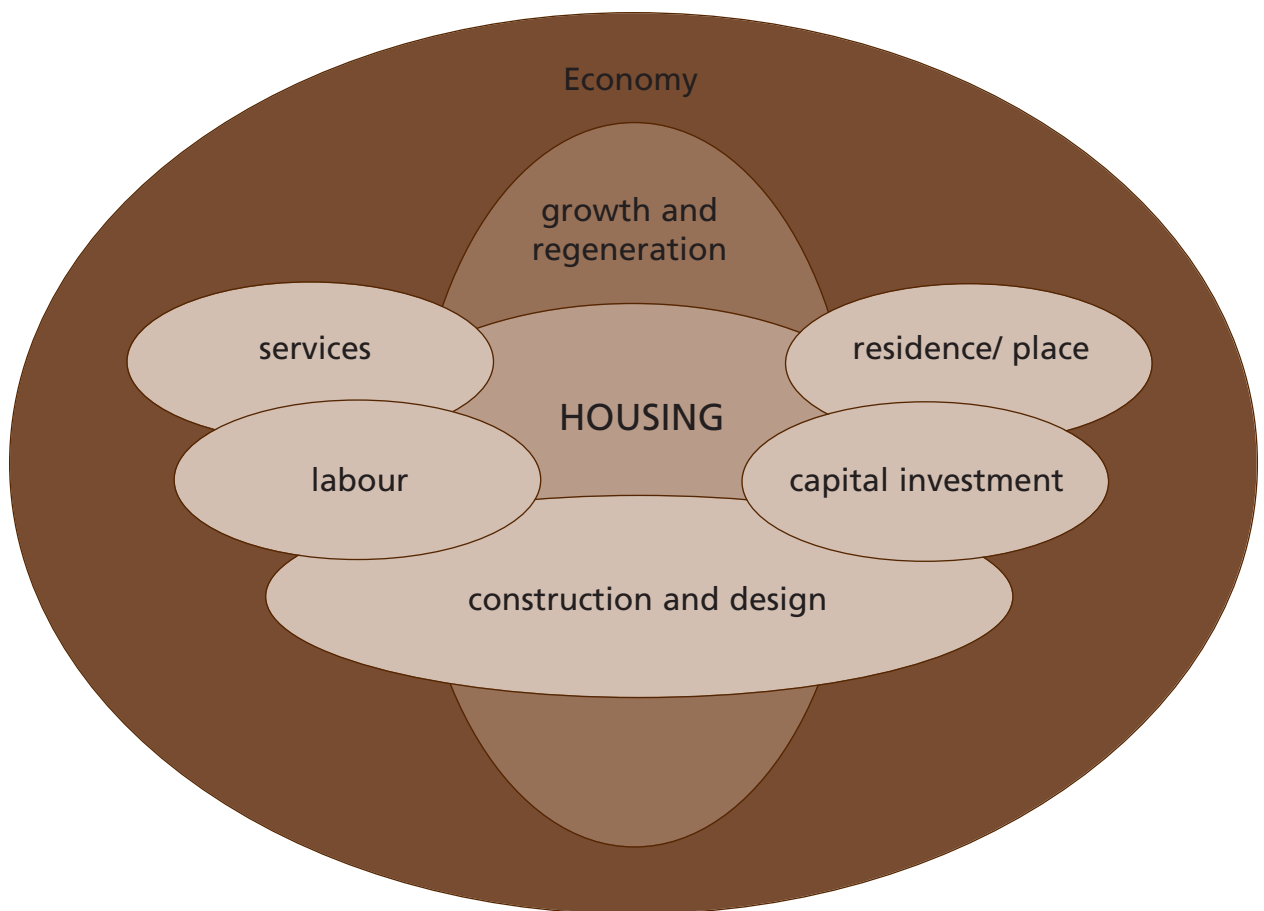
Evidence gathered during the course of this research found many instances of links being stated between housing and the economy, with less precision on what those linkages might represent, and how they might develop and interact, shaping local areas and regions.

The structure<sup>20</sup> suggested below is a proposed framework within which to explore and express the ways in which housing and the economy link, and understanding how housing issues alongside plans for economic growth or regeneration might be taken forward.

These can be articulated under the following headings:

- housing as a residence and a basis for place shaping
- housing and labour markets
- housing within areas of 'growth' and regeneration
- housing and the construction and design sectors
- housing as a service provider within local economies
- housing as a medium for capital investment.

Whilst the linkages are considered separately in more detail below, the diagram illustrates how complex the interaction of these different linkages can be, and how together these contribute to wider economic development.



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<sup>20</sup> From an initial framework developed within East Midlands Development Agency

## Housing as a residence and basis for place shaping

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When considering housing in the context of regional, national and even global economies, there is a temptation to overlook the primary role that housing can play. Fundamentally, decent homes in safe and cohesive communities that themselves have a recognised 'function' and identity can inspire confidence in an area as well as provide a secure base that offers real opportunity enabling people to lead fulfilling lives.

This sort of positive residential experience is more likely to deliver economically active residents able to engage with wider market activities and opportunities. So, it supports productivity as well as consumption as people have higher disposable incomes and more reasons to spend on improving and maintaining their homes.

The Housing Corporation has published "*Shared Places – a Community Cohesion Strategy*"<sup>21</sup> recognising that good quality homes and decent neighbourhoods provide a positive sense of belonging and identity – important factors in building confidence in and commitment to a locality. It explores the wider contribution of housing providers in fostering that through the partnership and community empowerment work, and investment directly in integration and cohesion. The final report of the Commission in Integration and Cohesion – *Our Shared Future*<sup>22</sup> – also drew out a strong underlying theme of the importance of place, that localities have unique qualities and will require 'tailored and bespoke local activity to build integration and cohesion'. It demonstrated a high correlation between satisfaction with a local area as a place to live, with a perception of cohesion.

The Neighbourhood Renewal Initiative and Housing Market Renewal Pathfinders have together helped to coordinate improvements in housing condition and mix with improvements in the appearance and security of neighbourhoods and the introduction of programmes to increase educational attainment and help people into work. The extent to which improvements in economic performance have followed these initiatives appears to be variable. A lack of strategic alignment with economic regeneration activities can result in an increase in attractive housing and neighbourhoods but further excludes local low waged employees.

The long term management of neighbourhoods is becoming recognised as an important factor in maintaining economic, social and environmental well being. This is increasingly the case as mixed use and mixed tenure become the norm in new developments. New approaches are needed to meet the high expectations of those sharing the space. A recent report from The Housing Forum<sup>23</sup> makes the case for ongoing management of commercial and residential areas to be planned during the development phases.

## Housing and labour markets

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The relationship between housing and labour markets revolves around the need for certain skills to be available in steady and reliable supply to meet the needs of local businesses.

The *Leitch Review* identified the need for better coordination between skills development and employer requirements – something which is pertinent for housing providers seeking to assist their residents to prepare for and enter employment.

<sup>21</sup> Housing Corporation, *Shared Places: a community cohesion strategy*, October 2007

<sup>22</sup> Commission on Integration and Cohesion, *Our Shared Future*, June 2007

<sup>23</sup> The Housing Forum, *Building Homes – Pushing Forward: Report of Working Groups*, April 2008

Gentoo (a group of businesses focused on people and property) has trained staff located in local offices to provide advice and signposts to tenants who may wish to set up their own enterprise. It also has two dedicated business advisors and runs regular events to promote these opportunities for support. The scheme is called Enterprising Futures, and involves a number of other local partners. Gentoo also runs a range of construction skills projects to tackle local skills needs, address worklessness and provide opportunities for young people. One is a Young Apprenticeship programme, but others are also aimed at those of school age and young adults currently not engaged in work.

In areas of high cost housing, employers have particular difficulty recruiting to lower paid posts and this can restrict economic growth. There are many reports<sup>24</sup> that demonstrate that house price increases have excluded those with lower incomes from accessing permanent housing at prices affordable to their household. There have been significant problems in London, the South East and South West regions where average house price to average income ratios have reached 19:1. The consequences have been huge in terms of personal and environmental cost, with reports of low paid workers being transported from areas – which may be many miles away – where the housing is less expensive.

The NHPAU has recently published *Affordability Matters*<sup>25</sup> which includes an affordability model capturing the relationship between housing supply and affordability. This is mainly through the interplay between demographic trends, incomes, the labour market and the housing market. The model is aimed primarily at improving understanding of the impact of house prices on affordability and consequent supply needs.

At the regional level, the South West Housing Initiative<sup>26</sup> commissioned research with members of the CBI and other South West businesses in 2003 and 2005 to establish the extent to which a lack of housing, in particular affordable housing, was impacting or was expected to impact on recruiting and retaining local workers and sustaining the prosperous regional economy (at that time the fastest growing region). A quarter of those sampled believed it already had a negative impact, and over 50% believed it would so impact over the next five years.

Parts of the region also experience housing pressure from London weekend commuters, second home and retired owners which has distorted the housing market. The situation is particularly exacerbated in villages and small market towns where resistance to further development can be very strong resulting in overcrowding, living longer with parents etc., limiting their ability to contribute to the local economy and to community life. The other side of this is that local businesses are less able to recruit and retain workers, limiting the ability of the communities to function well.

<sup>24</sup> E.G. Steve Wilcox, *The geography of affordable and unaffordable housing: the ability of younger working households to become home owners*, JRF, December 2006

<sup>25</sup> NHPAU, *Affordability Matters*, June 2007

<sup>26</sup> SWHI CBI *Survey of business needs and housing affordability*, 2003 and 2006

Perhaps the most obvious solution to this issue is to increase levels of new affordable housing, something that is recognised and is being addressed by the government. In rural areas, the Affordable Rural Housing Commission illustrated the stark issues for rural housing in terms of affordability and the subsequent review by Mathew Taylor<sup>27</sup> looked closely at ways to address the primary issues surrounding a lack of affordable homes and the relationship between affordable homes and local economies.

Widening the net by improving transport links to provide better access to new labour markets provides a partial solution, although it can bring its own problems. Long commuting distances does not support a low carbon economy, and can directly impact house price inflation.

A proposal to open a station in Corby, and a branch onto the main Eastern line providing access to London in 1 hour, and a heavy marketing campaign in London, has been a factor in house price increases in the area.

One very direct way of approaching the issue is to look towards employers providing land or investment in order to provide affordable housing with the specific purpose of supporting particular jobs, as historically occurred with industrialists such as Lever, or public sector employers.

Better engagement of housing organisations in wider economic partnerships can improve the alignment and delivery of housing alongside economic opportunities.

Eden HA's involvement in the Cumbria Economic Development Partnership resulted in an affordable housing scheme and an estate of small business units primarily providing services and products for the local tourism industry through a rural exceptions policy in the national park.

In Cumbria, there are initiatives to link new housing to specific local employer needs. As a specific example, a bakery in a village outside Keswick consulted with a local registered social landlord on affordable housing to retain workers and then provided a sponsored site that was developed for that purpose.

In other areas, the key concern is to alter the existing mix in order to balance up the overall residential 'offer' rather than to increase the supply of affordable housing – this provides more of the right kind of accommodation whether through new build or refurbishment, to attract and retain different professions, age-groups and levels of seniority within the workforce. Areas with an attractive range of housing of various design, size and tenure mix can better support growing economies in this way.

Attracting inward investment depends on the extent to which a location provides access to relevant markets and to a skilled workforce. And individuals make choices about where they want to live based on the quality of the housing and the environment. So in many ways, decisions around business location, investment and expansion are influenced by the availability of good housing and high quality environments.

Hewlett Packard has decided to locate their European Research Establishment in Bristol; a decision that was strongly influenced by the quality of life for workers including the housing environment.<sup>28</sup>

<sup>27</sup> Affordable Rural Housing Commission final report December 2006, Mathew Taylor Review on rural economy and affordable housing reported, July 2008

<sup>28</sup> Bristol City Council/ Western Development Partnership, *Review of inward investment practices*, 1995

### *Impacts of migration*

There is limited data available regarding short term migration patterns within the UK or between the UK and other countries. A recent report to the House of Lord's Select Committee on Economic Affairs<sup>29</sup> assessed immigrants as being 12% of the total workforce, with some regional variations – more in London for example. Immigrants tended to find work in both high and low ends of the skills spectrum. The report concluded that, in the long term, the economic impacts of immigration have been fairly small, mainly enlarging the economy. Conversely the evidence in the report suggests that there is little impact on social housing, but more on the private rented sector, where occupation levels tend to be high and often conditions poor, due to several factors, including minimal housing standards being provided by some landlords and the interference in housing provision taking place by some gangmasters.

A key question is how quickly the economy adjusts to immigration. More empirical work might usefully be done on the labour market and macroeconomic impacts of immigration in the UK. A recent East Midlands Development Agency study on City Flight Patterns<sup>30</sup> established evidence migration patterns out of the core parts of the three cities of the higher professional and managerial groupings (exacerbated by the low level of retention of graduates). At the same time increased international in-migration, has changed local ethnicity and the skills available, with a corresponding increased pressure on occupation and housing requirements. Migration into some areas has led to increased use of housing in multiple occupation and, in some cases, severe overcrowding.

One way in which the government is acting to allow a better match between skills and employment opportunities, is through sub-regional lettings schemes which offer residents living in affordable rented housing more opportunities to move across different local authorities. The extension of schemes to include private rented accommodation and low cost home ownership widens the opportunities for increased mobility further. In total nearly £4 million will be invested over the next two years to enable all councils to be part of a new sub-regional Choice Based Lettings scheme by 2010.

### **Housing within areas of 'growth' and regeneration**

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Designating areas for growth or for regeneration can allow an active coordination and focus of change in an area. Both can reflect market imbalances and the need for interventions. Choosing which areas to focus on and how the growth or regeneration will support the regional, sub-regional or local economies is only an initial step – designing and implementing a programme that supports complimentary change and builds sustainable confidence in the area is more difficult to achieve.

Recently chosen 'growth' areas include the four south east growth areas, the eco-towns, and the newly designated 'growth points' across the English regions. Many of these areas share some key aims across economic and environment benefits, including:

- boosting local economies
- creating low carbon developments (eco towns will develop low and zero carbon technologies; Thames Gateway will be the first Low Carbon Region<sup>31</sup>)
- deliver mixed tenure (and in some parts, mixed use) developments to support diverse communities.

In areas covered by growth plans, increased supply of housing is pivotal in leading development, to support the economic growth taking place, and to ensure greater sustainability of development overall in the area. A network of new 'Local Delivery Vehicles' (LDVs) have been established in many areas to help focus and coordinate public and private sector housing engagements that can underpin local development.

<sup>29</sup> House of Lords Select Committee on Economic Affairs, first report of Session 2007-08, *The Economic Impact of Immigration*, April 2008.

<sup>30</sup> EMDA, *City Flight Migration Patterns in the East Midlands*, March 2007

<sup>31</sup> Housing Green Paper, *Homes for the future: more affordable, more sustainable*, CLG, July 2007

The government's targets for housing growth and development in the Milton Keynes South Midlands (MKSM) area are being progressed through a number of key LDVs, namely:

Milton Keynes Partnership

Renaissance Bedford

Aylesbury Vale

North Northamptonshire Development Corporation

West Northamptonshire Development Company

The IRS encompassing growth areas will need to respond to the conditions already in place and ensure that there is an increasing integration of planning and investment across economic and housing development in future years.

The converse of this problem is being handled by the Housing Market Renewal Pathfinders (HMRPs) and other neighbourhood renewal initiatives which are largely dealing with the housing consequences (including widespread abandonment) of depressed economies over many years, as economic failure had direct impacts on demand and capacity to purchase.

Programmes to improve and modernise the housing 'offer' can lead to very tangible increases in economic performance in economic centres close to the renewal areas (even though economic development was not a key objective of the renewal programmes).

### Urban Splash

The redevelopment of Victorian terrace houses in an area of Salford have been transformed internally with a new 'upside down' design of refurbishment, designed to provide modern living space that younger professionals will find attractive.

At other levels as well, there is increasing recognition of the dependency of economic growth on the type, quantity and quality of housing on offer.

The Northern Way is a partnership of the three northern RDAs and organisations across public and private sectors, to address the development of the cities and regions of Northern England. It has undertaken a programme of work looking at the residential offer of the region and its impacts for economic development published in a suite of documents – the *Quality of Place: Residential Futures* reports. These consider the quality of 'Place' and the residential offer as part of that, and its attraction for residents, in particular key economic groups, in terms of range, quality and cost.

The reports research the relationship of residential offer with economic competitiveness, how the residential offer measures up and what changes are needed over the next decade to support economic growth, recognising the role of housing and place as an important enabler for that growth<sup>32</sup>.

Concentrating on a single area for growth or regeneration makes it possible to actively plan for social infrastructure as the housing is being planned, and to make sure that the two are well integrated, and supporting economic plans. It is also important that the development takes into account and seeks to

<sup>32</sup> More can be found at <http://www.thenorthernway.co.uk/downloaddoc.asp?id=388>

incorporate the views of the existing community alongside new development for new residents moving into the area. Methodologies exist for social infrastructure planning and should be employed wherever significant change is planned. They will need to be combined with emerging proposals for a Community Infrastructure Levy that secures contributions over and above section 106 contributions to be directly invested in social and physical infrastructure. It will be necessary to balance the need for infrastructure with the need for affordable housing when considering how to spend money gained from capturing the value of land. The extent to which this can deliver in lower value/ low demand areas or in times of economic constraint needs to be realistically reflected in strategic plans for improvement that cross local authority boundaries.

An example of efforts to integrate wider policies, the Thames Gateway Social Infrastructure Framework (TGSIF)<sup>33</sup> was designed to integrate policies and programmes for housing, education, social services, health, leisure and emergency services and jointly projecting existing and emerging population needs leading to the integrated or co-located provision of facilities and services. The framework addresses existing housing issues and future growth proposals together and links together public service provision for householders within a locality including vulnerable groups and those requiring support or care. Public service provision is planned in accessible, cost effective and customer relevant locations, linked to housing provision and improvement. Integration of these agendas is intended to support the creation and maintenance of sustainable communities attractive to existing and incoming residents and employers.

The two different housing markets in Liverpool and Manchester demonstrate a strong relationship with the local economy, and the capacity to draw in private investment. In Liverpool, city centre regeneration was driven initially by housing, over 50% of which tended to be buy-to-let i.e. the private investment market. Building up confidence, including through substantial local housing renewal and refurbishment, has supported significant changes in retail and commercial development with major schemes by Grosvenor, the English Cities Fund and local developers underway.

In Manchester, there was already a thriving city centre office market which has provided the foundation for growth in the number of flats built for young professionals and office workers. However, there is now an oversupply of flats and a shortage of family houses. Nonetheless the flats provide accommodation that enables retention of graduates and other young professionals in the area.

When undertaking housing and environmental improvements to improve an area and support a better skills base it is important that disadvantaged and unskilled people are included in those plans. They must be able – and helped where necessary – to participate in the rising prosperity of their area.

Meden Valley Making Places<sup>34</sup> is a market renewal initiative addressing the particular housing and environmental problems surrounding the closure of collieries, with unemployment and the poor condition, sale and abandonment of British Coal Houses associated with this. The programme has been primarily concerned with creating improved living conditions for existing residents and creating market conditions that will attract new residents with more spending power. The process has involved community engagement in master planning, acquisition of houses in poor condition and derelict land, and a programme of new development, housing improvement and environmental enhancement.

<sup>33</sup> HUDU, *Thames Gateway Social Infrastructure Framework*, EDAW/AECOM, Bevan Brittan, YTP, July 2006

<sup>34</sup> Meden Valley Making Places, [www.mvmp.co.uk](http://www.mvmp.co.uk)

## Housing and the construction and design sectors

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Wider economic uncertainty has affected the impact of the sector very recently, but the construction industry has contributed significantly to national and local economies. Nationally at its peak, it employed up to 2.3 million, and has added value to the economy in the region of £116 billion nationally (8.7% of gross added value in 2006)<sup>35</sup>. Housing development and refurbishment programmes provide a major contribution to economic activity, creating a range of employment opportunities including, for example, construction workers, project and site managers, designers, architects, surveyors, engineers etc. The decent homes programme – to bring all social housing to a decent standard – is an example of this kind of major programme that needs to feature in long term economic development strategies and programmes.

Providers of affordable housing are often very aware of the opportunities here for linking their development and regeneration to programmes to offer training and employment in the development industry. Sometimes they do this directly, through particular schemes they run, and sometimes through partnership with their contractors – encouraging the use of local employees for example.

A recent entry to the ASC/ CLG Sustainable Communities Awards 2007 from Swan Housing described an initiative with Bellway Homes as part of the Five Ways regeneration scheme in Basildon. Bellway worked alongside Swan Housing to attract unemployed people who were identified as part of the transfer arrangements from existing to new or improved homes. Bellway introduced on site training using their own young people acting as peer mentors to up skill the unemployed to levels where Bellway could offer them a job, a scheme with considerable success.

Local employer conditions are applied to many housing schemes and if aligned with training can bring about changes in behaviour and earning that reduce bad debts and sustain employment increasing overall levels of prosperity in an area of disadvantage.

Most neighbourhood renewal has been targeted at increasing prosperity and employability often alongside environmental and housing improvement. The drive to increase housing supply and the large scale regeneration projects both offer direct opportunities in local areas to increase training and employment opportunities. Housebuilders, mixed use developers and registered social landlords should be engaged in this kind of economic development programme and encouraged to adopt local labour, local procurement and job creation schemes.

The impact of developments in the construction industry for the economy – for example off-site manufacture and the requirement to build to Sustainable Homes Code standards – need also to be considered for the opportunity to increase standards and long term sustainability. The increasing focus on housing's contribution to a low carbon economy, both in terms of new housing, and the potential for activity to address existing housing is both a challenge and an opportunity for the industry to contribute to economic activity whilst addressing environmental sustainability. This may be particularly pertinent in relation to tackling existing housing at a time when the economic downturn is affecting the new build side of the industry, enabling the continuing employment and development of skills ready for more favourable conditions in the future.

<sup>35</sup> emda Sustainable Development <http://www.emda.org.uk/innovation/ConstructionSectorRESImplementationPlan.pdf>

## Housing as a service provider within local economies

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As a business, the affordable housing sector contributes to local, sub-regional and regional economies. Across the UK, more than 150,000 people work for local authorities, ALMOs and registered social landlords providing housing and neighbourhood management services including private sector housing, support and care services, whilst many more are engaged in affiliated professions and other contract services, from gardening and estate maintenance to consultancy.

Some registered social landlords class themselves essentially as social enterprises, supporting business development and reinvesting surpluses back into community programmes. A number provide financial and other support to city academies sited in relatively deprived areas, aiming to provide high quality education and challenge low aspiration. And many organisations now provide quite sophisticated help to their residents to gain access to financial services, affordable credit and advice that help them to make appropriate use of financial services and to manage their money well.

Some private sector developers are also looking to extend their engagement into a longer term involvement in areas, by retaining management functions in shared ownership developments delivered under section 106, for example. This may generate increased economic investment and activity in local areas.

In this sense, housing steps well beyond its boundaries and has a wide engagement in communities in a way that directly and indirectly supports economic activities and growth in an inclusive way.

Research recently published by the Housing Corporation<sup>36</sup> has shown that registered social landlords have invested over £209m on almost 900 projects between 2003 and 2008. The projects support a range of education and training opportunities, as well as jobs and enterprise, including non-construction jobs. Many are also delivered in partnership with businesses, or schools and colleges.

The overall winner of 2007's Academy for Sustainable Communities Award scheme involved Accent Housing in Bradford where the organisation supported 'mentors' from a number of different groups in the community to introduce and encourage take up of a range of jobs. This initially began with construction, to skill local people to engage with the opportunities from local large scale regeneration projects, but the range of schemes has diversified to support people from traditionally excluded groups to access training in industries where they are traditionally under represented, including one for a woman football trainer. Several of the schemes are run in partnership with other housing organisations working in the same local communities.

## Housing as a medium for capital investment

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The relationship between the housing market and the economy is a close and complex one. Cycles in the housing market are driven by home purchaser confidence and ability to finance purchases. These can be driven by the wider economic cycle – with downturn in the housing market often coinciding with recession, for example – but it can also be driven by other 'events'. The current crisis in the banking sector seems in part a result of over-borrowing by banks, so the current downturn in confidence in the housing market is partly a result of certain behaviours in the banking sector. It is also an illustration of the complex interplay between lending habits, household exposure to debt and the impact of other rising costs within the wider economy on people's housing expectations.

<sup>36</sup> Housing Corporation, In Brief: Housing Associations tackling Worklessness, March 2007

Housing has provided an attractive form of capital investment until very recently due to the growth in house prices. It brought in a lot of additional capital that drove the development of particular forms of housing that seemed to be attractive and successful in increasing quickly in value, such as city centre executive apartments. At its most extreme this led to the emergence of the 'buy to leave empty' phenomena in some areas, where the increase in capital value alone made the investment worthwhile, without the need for a rental income.

The buy to let market has attracted a certain level of new investment into housing; in 2007, it accounted for 12% of all new lending<sup>37</sup>. Its legacy so far has been mixed. Whilst its strength has raised questions about the impact on affordability and the knock-on problems for first time buyers, it has also been significant in contributing to some key government aims, including flexibility and mobility in labour markets, particularly in areas of high demand. Buy to let investors, purchasing often off-plan, provide early investment that contributes to ongoing development of projects. In some lower demand areas, however, the sector has been associated with lower management standards and some neighbourhood problems which act against vibrant and sustainable communities.

The more harsh economic and investment conditions have led to some downturn in investment, particularly of 'buy to leave' type. However, regional bodies, local authorities and partners need to be aware of and anticipate the impact of such shorter term cycles within the long term vision developed through the IRS and local strategies, alongside the more long term issues of second homes, holiday lets, homes for students, with their differing economic effects.

The current independent review of the private rented sector<sup>38</sup> offers an opportunity to review the potential for positive outcomes to be achieved through attracting large-scale institutional investment into the sector, and to establish a workable vehicle for attracting that type of investment into rented housing.

## Making it work

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Understanding the interplay between housing and the economy is just the first step towards better coordination of outcomes. A number of major policy developments are pointing to the need for better alignment in strategic direction, spatial plans and delivery activities— across government, between spatial levels and of funding streams – to deliver in a joined up way for communities and support streamlined delivery. These include the ongoing *Review of Sub National Economic Development and Regeneration* and the developing Comprehensive Area Assessment.

### **Actions for delivery**

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Delivering properly coordinated outcomes will require a number of activities. These include:

- aligning existing strategies
- improving and sharing evidence and intelligence
- adopting a common vision and strategic objectives
- aligning funding priorities
- building capability.

<sup>37</sup> Inside Housing 9 May 2008

<sup>38</sup> <http://www.communities.gov.uk/news/corporate/670940>

## **Aligning existing strategies**

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Under the proposals in the SNR, the RDAs will be expected to prepare an Integrated Regional Strategy. Whilst the details of the structure and content of these strategies are not currently explicit, the expectation is that at least they will set out the strategic framework for economic development and spatial planning. The strategies are intended to assist in the leverage and alignment of public and private investment; to increase confidence in long term commitment to local areas and the availability of skills and training opportunities; and help in the creation of a mixed range of high quality housing to attract and retain a flexible and skilled workforce.

Frameworks that aim to bring together policies and programmes in a 'community planning' approach could usefully be adapted and employed in many other locations – not only in growth and regeneration areas. At a local and sub-regional level, the Sustainable Community Strategy, LAAs and MAAs are vehicles for bringing together and coordinating disparate programmes. Housing strategists, economic development professionals and planners need to participate in the LSP and be closely involved in LAA and MAA development in order to make sure that investment and activities relating to housing are delivered alongside the necessary social infrastructure.

Delivering strategies are generally much harder than generating them. In this instance the challenge is even greater because:

- coordination across agendas presents a bigger challenge than delivery within established agendas and programmes
- there are many organisations involved, over which the RDA has no formal control, and coordinating their activities requires significant influence and cooperation
- strategies need to be coordinated at different levels – so that delivering the IRS and delivering sub regional and local strategies are one and the same thing.

There are a number of actions that can be taken to promote success of delivery. These include:

- good, credible, high level communication of strategic priorities and intentions as a means of getting buy-in from delivery partners, including business partners. Senior figures, including politicians and executives, need to be delivering a clear and consistent message and to continue the dialogue with those who have a role in delivering the strategies
- developing effective relationships between professionals in order to smooth the way for effective coordination of activities
- clear action plans/ delivery frameworks with responsibilities and timescales that partners agree to deliver
- good coordination with other strategies, so that delivering IRS and delivering locally are one and the same thing.

## **Improving and sharing evidence and intelligence**

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New types of evidence and intelligence will be needed that facilitate a better understanding of (i) how housing and the economy, and other strategic areas, relate to each other and (ii) how different programmes – including housing and economic development programmes – impact on each other and could potentially reinforce one another. Ideally this information should be shared across councils, between councils, with partners and between local authorities and regions along with a shared understanding of the analysis and the potential impacts arising from the evidence. It will require the development of a new shared language between professionals to ensure that there is a clear and shared understanding, and vision for delivery.

There is a case for councils undertaking the proposed new duty of economic assessments<sup>39</sup> at the same spatial level as housing market assessments so that they can take account of the housing situation and be aware of the impacts of each on the other. Housing organisations do collect certain types of economic data and business leaders also have valuable information that can be brought to bear. Agreeing a framework between the range of partners, for example through the relevant LSPs, would allow this information to be identified and shared to build up a greater understanding of relevant information, for example on local skills, educational characteristics, needs and work patterns.

The South West Regional Development Agency commissioned consultants<sup>40</sup> to undertake a cross boundary housing market assessment. It suggested that a sub-regional housing market should typically cover an area within which some 70% of all household moves are contained. It would be the area within which most people who are looking to move home will search for a new property in which to live. This area could be expected to correspond closely to Travel to Work areas and would generally cover an area that falls within the administrative area of a number of local authorities.

Sharing models across the region to test scenarios for manipulating data can support increasing a shared understanding and agreement on action to be pursued.

Renew North Staffs (the Housing Market Renewal Pathfinder) commissioned consultants Experian to look forward and to forecast population growth arising from proposed projects to develop the economy. It will also be running the model 'in reverse', working back from the information on numbers from Area Regeneration Frameworks to provide a robust check against its economic assumptions.

As part of the research programme supporting the Housing Market Renewal Pathfinder for Kingston-upon-Hull and the East Riding, Experian<sup>41</sup> were asked to assess the impact of the 'aspirational' economic scenario for the area and address the likely housing market implications of this economic future.

Two options were considered, one 'do nothing' and the other with substantial public support for economic development. The housing demand model used Experian's 'Mosaic' system to relate economic development to housing and then applying a mosaic of other social and environmental influences against different housing strategies.

There was a concern that new economic development would lead to the displacement of housing demand from low employment areas in the city to new employment areas elsewhere within the Travel to Work Area. In the event, the model predicted that the net effect would be beneficial and the profile of Hull Unitary Authority would undergo significant change in economic structure.

Conversely, the housing demand model indicated that the level of housing demand in Hull Unitary Authority would fall sharply if the economic development option was selected in a 'do-nothing' strategy, with a high anticipated fall in demand for homes.

<sup>39</sup> *Prosperous places* proposes to introduce a duty on local authorities to carry out a assessment of the economic conditions in their area

<sup>40</sup> DTZ Pbeda, *Analysis of sub regional housing markets in the South West of England*, July 2004 (a report for the South West Housing body)

<sup>41</sup> Hull and East Riding Housing Market Renewal Pathfinder, *Economic Impact Assessment*, Experian, October 2004

The process of predicting the effects of an economic future on the housing market is difficult given the fact that each is capable of influencing the other. The results may therefore be influenced by the actions and successes of the approach, and the action plans encapsulating this needs to be flexible to be informed by careful monitoring of actions, and adjustments where there might be unintended consequences arising. In the practice example given above, for example, if the economic development option comes to fruition but population continues to fall unabated, the negative effects on housing demand are likely to be substantial. If, however, the economic scenario can be coupled with a favourable demographic outcome (by retaining the population by an improved housing offer) the population stability will encourage economic and area improvement.

### **Adopting common vision and strategic objectives**

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The shared evidence base, analysis and understanding will be pivotal in enabling local authorities and organisations to adopt common vision and strategic objectives for future actions. This should already be happening to some degree at the local level through the vehicle of the Sustainable Communities Strategy. The framework for understanding the relationships between housing and the economy presented in this briefing paper should help those involved to think through the ways in which actions relating to housing, communities, supporting vulnerable people and economic growth might be mutually reinforcing.

### **Aligning funding with strategic priorities**

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Regional bodies are already able to steer how funding from national sources is allocated across the strategic priorities in the region by giving advice to government on how money in their region is to be spent in support of the regions strategic priorities. Government is committed to taking this forward and will launch a second Regional Funding Allocations (RFA) round in the summer of 2008, asking the regions to advise on how funding streams should be aligned and prioritised – supporting the development of the regional strategy and ensuring it translates into regional investment priorities.

At the sub regional and local levels it is important that investment is aligned to meet strategic priorities as well.

The North Solihull Partnership<sup>42</sup> is between Bellway Homes, Whitefriars HA and Solihull Council which seeks to link private investment in retail, housing, education and community facilities, to public investment and public asset release into the partnership at agreed values. This holistic approach to sustainable communities makes commercial sense and allows public returns on investment to be re-invested in facilities or small business units or other job generating development. So far, a fully integrated model across all public sector investment streams has proved too difficult – the education authority chose to remove a school from the scheme because PFI/ BSF showed better value for money under current finance rules.

Alignment of funding and strategic priorities extends to all sources of funding including those that are locally derived, such as the Community Infrastructure Levy and planning contributions.

<sup>42</sup> Regenerating North Solihull Partnership, [www.northsolihull.co.uk](http://www.northsolihull.co.uk)

## **Building capability**

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Working in a joined up way to deliver coordinated outcomes requires a high degree of professionalism and well-developed skills.

In relation to housing, the IDeA has been running a programme to raise the leadership and skills levels for delivering the strategic housing role within local authorities. The recent CIH report for IDeA, *Skills for Success*<sup>43</sup>, demonstrated the difficulties in many areas, in accessing the number of skilled professionals necessary to achieve the step up required in the new strategic role, and in being able to resource the increased emphasis in partnership working. It also pointed to a deficit in political leadership to 'tell the story' locally.

Inter-professional cooperation within the public sector, in order to share information and influence each others' agendas could be improved. Housing professionals need to be able to influence decisions by spatial and transport planners, economic development practitioners and social infrastructure providers – and to have their own strategies influenced by the other professions. As the IRS develops, this should go further in terms of developing and sharing information, research and analysis in a shared language or conceptual framework that can ensure growing understanding and deliver shared outcomes.

### *Political leadership*

The importance of strong and informed political leadership in the disciplines of strategic housing, economic development and planning are crucial in maximising benefits for local communities. The new proposed role for local authorities in developing, agreeing and scrutinizing the IRS and its delivery means an enhanced significance to the role. The proposed duty for local authorities to undertake economic assessments will require leadership that can bring together the different elements, and make the connections which will lead to beneficial outcomes for local communities, including action on sub regional housing/ labour market basis.

## **Starting the regional debate**

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There are still ongoing debates to be had in the regions between the RDAs, key housing bodies nationally and regionally such as the Homes and Communities Agency, and local authorities and their partners on how some of the broad proposals of the SNR can and should be worked out in each region, reflecting the strengths of partnerships and processes that may have already been established. Some of the examples in this briefing give ideas of the nature of relationships and how these work, to support those discussions.

There are some useful questions to consider, to set out the agreed ways to go forward in developing the framework, gathering the evidence, sharing understanding and vision, and setting out and delivering the outcomes.

### *Integrated Regional Strategies*

- how can these make the best connections between the current housing elements in the Regional Spatial Strategy, Regional Economic Strategy and Regional Housing Strategies?
- what should the targets/ actions look like if shaped by the framework suggested in this briefing paper (see developing a framework pp11-20)
- what specifically should be expected from RDAs in developing the IRS and in working effectively with all the various partnerships and groupings across the region?
- how will the Homes and Community Agency operate and relate to the RDA, local authorities' forum and other regional partnerships in delivering the IRS?

<sup>43</sup> *Skills for success: delivering proficiency in strategic housing* CIH/IDeA 2007 <http://www.cih.org/policy/SkillsForSuccess.pdf>

### *Sub-regional strategies*

- how will MAAs (whether newly created or existing) take into account the wide range of housing issues and services as proposed in the framework?
- if other sub regional partnerships develop (like Housing Market Area groupings), how will these link into wider economic focused activities, and tackle issues of geographical coverage?
- how will local/ sub regional level strategies be incentivised to support and deliver the IRS?
- how can increasing attention to housing and economic linkages be encouraged in LSPs, and reflected in the priorities of LAAs?

### *Sustainable Community Strategies*

- how can the wider understanding of links between housing and economic development be reflected and prioritized in these strategies?
- how will the links and priorities be reflected in sub regional and local Development Frameworks?
- how can future Strategic Housing Market Area reviews, and strategic housing land availability assessments encompass the wider economic references?
- will the proposed framework enable and incentivise the embedding of strategic linkages between housing and economic development at all levels, and in all contributing strategies and tools?

### *Comprehensive Area Assessments*

- will the proposed framework help national understanding of assessing the impact of the range of strategies and objectives which together will deliver greater economic, environmental and social well being?

Government, regional bodies, local authorities, housing organisations and other stakeholders all have a part to play in addressing the shortfalls in the understanding of/ evidence for the linking of housing and economic strategy.

This briefing paper is intended to support housing professionals and elected members to find ways of understanding and exploring the links between housing and economic development and regeneration, and to contribute fully to the regional debate and the development of the IRS. The briefing paper has put forward a framework which will help to make the connections. It is a starting point and further detailed research that can more fully quantify the impacts will enable an increasing sophisticated understanding and more refined and effective interventions. The briefing paper also aimed to articulate the steps to delivering shared outcomes and making the process work. It has aimed to enable housing professionals to take a pro-active role in collecting data and presenting the case for housing in delivering a prosperous economy through the various policy and delivery opportunities.

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<sup>44</sup> The views expressed in this briefing paper do not necessarily reflect the formal views of emda as an independent organisation.