



Solace Housing Survey 2016 OUTCOME REPORT

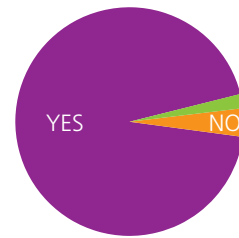
in association with **INSIDE HOUSING**

SENTIMENTS, ATTITUDES, CONFIDENCE

High confidence in management having necessary leadership skills, but low confidence in own authority's ability to deliver housing.

In the past two years, Solace members have identified housing as one of their top priorities, and addressing the national housing challenge has also risen to the top of Central Government's agenda. This inspired Solace to produce a policy paper - *Addressing the national housing challenge* (December 2015) - which set out the context of the housing crisis, and outlined Solace's offer and recommendations to Government.

LOCAL AUTHORITIES SHOULD PLAY A LEADING ROLE IN SOLVING THE HOUSING CRISIS:



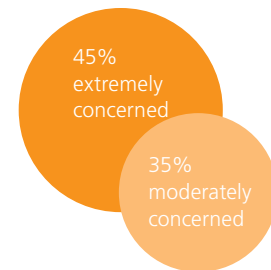
I AM CONFIDENT THAT POLITICIANS ARE PREPARED TO MAKE THE CASE FOR HOUSING DELIVERY LOCALLY:



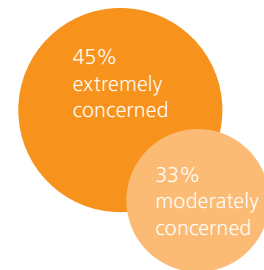
Local Authorities face many challenges including housing supply and growing demand, a lack of affordable housing and very long social housing waiting lists, combined with rapidly rising house prices and increasing levels of homelessness. Considering the scale of the housing challenge nationally, Solace asked its members for their thoughts on, and attitudes towards, the housing crisis and their concerns around addressing the problem.

Of all our respondents, 70% felt there was an extremely acute need to deliver new homes in their areas. When asked about their concerns about availability of affordable rented housing in their local areas, 61% expressed that they were extremely concerned about this issue. 90% of respondents indicated that housing development was a high priority for their Authority.

I AM CONCERNED ABOUT HOMELESSNESS IN MY AREA:



I AM CONCERNED ABOUT TEMPORARY ACCOMMODATION IN MY AREA:

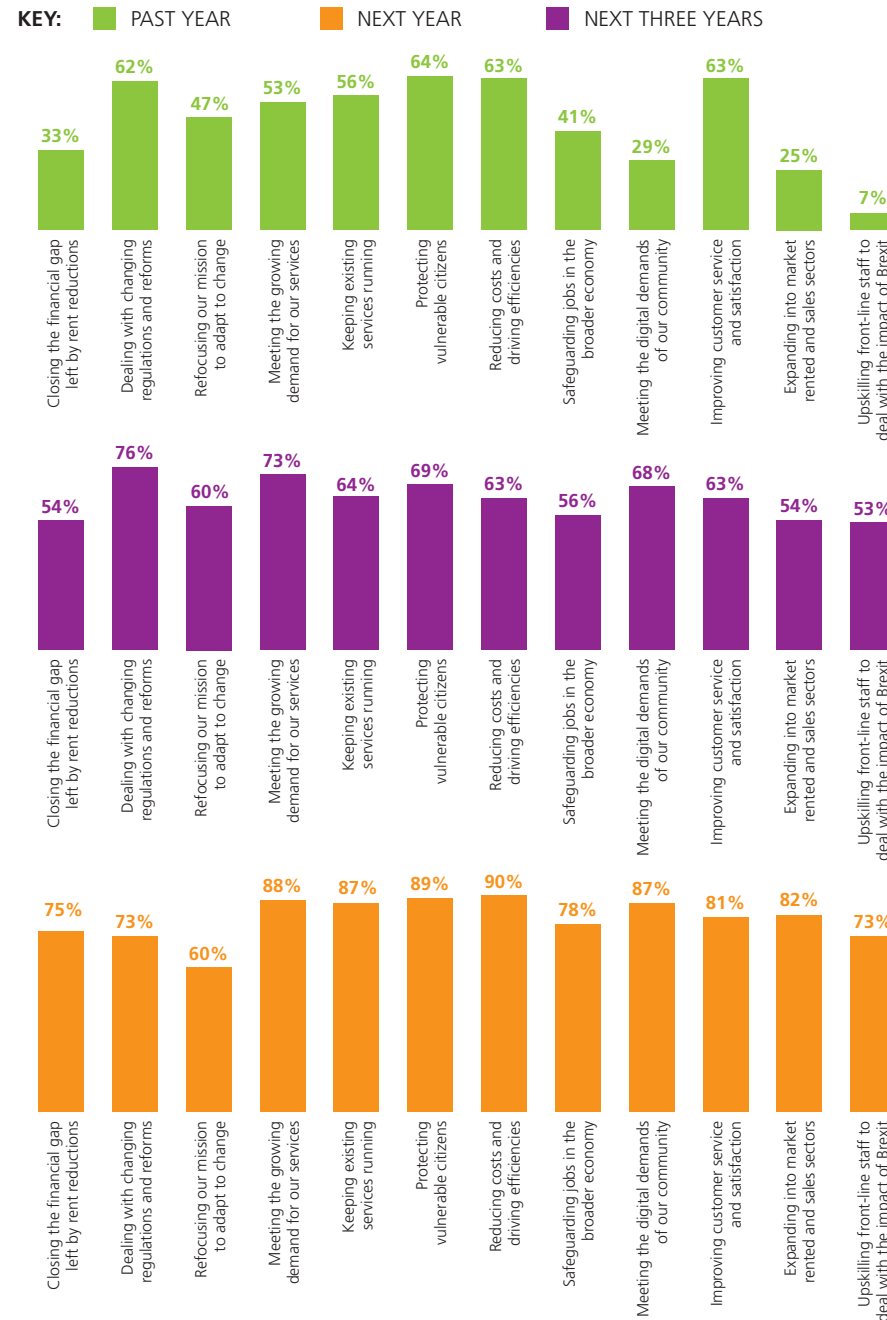


The results indicated an **overall low confidence** in the ability of Local Authorities to meet social housing need in future (27% somewhat confident, 26% slightly, 29% not at all); an **overall low confidence** to attract people with new skills to increase housing delivery in their respective areas (41% only somewhat confident), and an **overall low confidence** that vulnerable people would be able to access suitable housing (25% somewhat confident, 43% slightly, 20% not at all confident).



PRIORITIES

Significant shift in priorities and the sector's views on the future of housing delivery, stressing the increasing importance of meeting the digital demands of local communities.



Expanding into market rented and sale sectors was not seen by many respondents as a priority in the last year (25%), though significantly more respondents noted it was going to be a priority in the next year (54%) and a majority (82%) noted that it was going to be their strategic priority in the next three years. Similarly, when asked about closing the financial gap left by rent reductions, 33% of respondents noted that it was a priority in the last year, 54% in the next year, but 75% noted it would become one of their key priorities in the next three years.



Some Local Authorities are now undertaking fundamental reviews of their future as housing authorities and some are developing better planning initiatives focused on affordable homes. Others are creating local housing companies to build for sale, market rent and affordable housing. Some also stressed the importance of improving the quality and sustainability of the private rented sector.

Considering how Local Authorities are planning to achieve their strategic housing priorities in the next three years, 86% of respondents noted they were planning on collaboration with private developers and landlords, 77% will be focusing on commercialisation and development of new income streams, and 73% will address their priorities through digital transformation, i.e. using digital technologies to transform and modernise the delivery of service to customers and unlock significant savings.

Overall, **collaboration** seemed to be at the centre of our respondents' strategies in addressing these priorities: 66% of our respondents noted they were planning on collaborating with Central Government organisations, such as the Department for Communities and Local Government and the Homes and Communities Agency; 64% noted they were planning to collaborate with other social housing providers; 64% noted they were planning to do this by participating in devolution; 59% were planning on working with other local public sector organisations such as schools, NHS trusts and GP surgeries and 45% were planning to work with private funders such as banks, bond investors, etc.

52% of respondents noted that their strategies to deliver their housing priorities included offering more private rental properties and 43% were going to address them by investing more in technology, both in terms of people and physical resources.

CHALLENGES

80% of our respondents noted they have encountered barriers in the process of delivering housing. The most prevalent barriers to housing delivery were identified as high land values and build costs (63%), the number of approved sites owned by firms that do not actually build houses (61%), and difficulty replacing homes sold under the Right to Buy (53%). These were followed by difficulty acquiring land from other parts of the public sector and lack of available finance for the authority to develop housing (both at 50%).

Community opposition was seen as a barrier by 47% of our members. Other barriers included a decline in SME builders and political pressures (both at 34%), Housing Revenue Account Borrowing Cap (26%), lack of construction skills in local areas (24%) and lack of resources in the planning department (21%).

Some specific barriers that were shared in the survey include limited appetite from developers to accelerate new provision of housing driven by their desire to maintain margins and high demand. Some respondents noted that higher costs of remediating sites and lower values were discouraging developers in their local areas whilst others noted developers' unwillingness to pay up-front their contributions towards necessary infrastructure as one of the barriers.



HIGH LAND VALUES AND BUILD COSTS: 63%

Respondents noted that the recent Housing and Planning Act 2016 has created huge uncertainty about what Local Authorities will be able to afford to do in the future.

Respondents also noted that some barriers were caused by Registered Providers becoming more risk-averse. Amongst the respondents, there were some Authorities with no actual housing stock who noted they faced constant viability challenges from developers and Registered Providers, following rent reductions and Right to Buy discounts.

Some also stressed the need to better understand the supply market and skills to develop companies. One of the specific barriers faced was a set of competing priorities within the Local Authority and a lack of funding from the Homes and Communities Agency.

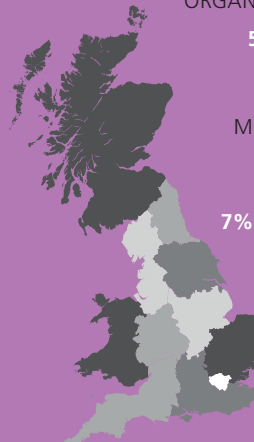


COMMUNITY OPPOSITION: 47%

September-October 2016 saw Solace conduct a survey of its members on housing, jointly designed with *Inside Housing*. Its aims were to measure Local Authorities' attitudes towards housing; to understand what they are doing to address the national housing challenge; to examine their current priorities and future plans as they relate to housing; and to understand the challenges they are facing in delivering the homes needed by their local areas. This Outcome Report presents the topline results of the survey.

TO OBTAIN THE BEST POSSIBLE PICTURE, WE ENCOURAGED ALL TYPES OF ORGANISATIONS TO TAKE PART:

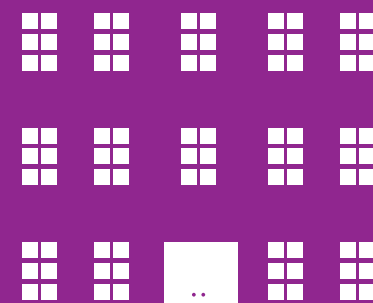
- 50% DISTRICT COUNCILS
- 34% UNITARY / LONDON BOROUGH / METROPOLITAN COUNCILS
- 7% NON-UNITARY COUNTY COUNCILS
- 7% OTHER ORGANISATIONS



The geographical spread of the respondents was well balanced, with similar numbers of responses from English regions and the devolved nations.

KEY MESSAGES FROM THE SURVEY:

- Local Authorities' strategic housing priorities are changing significantly.
- There is uncertainty about Local Authorities' ability to deliver the housing local areas need.
- Solace calls for a more flexible government funding model for the building of new affordable homes.
- Collaboration with private developers, commercialisation and digital transformation are vital in addressing future housing priorities.



HOUSING DELIVERY

When asked what individual Local Authorities have done in the past five years to deliver housing, the top four responses that were selected include **new affordable rented homes (66%)**, **making sites available for housing (63%)**, and **new social homes (56%)**, followed by **Right to Buy replacements (32%)**.

Members also noted that **delivering homes for market sale (29%)** and **new private rented sector homes (27%)** were also amongst prevalent ways of addressing the housing challenge across the country.

A number of members noted that they were delivering homes for market sale delivered through a **Local Authority housing company (12%)** or a **joint venture (10%)**, and new private rented sector homes through a **Local Authority company (15%)** or a **joint venture (2%)**.

OTHER WAYS OF ADDRESSING HOUSING SHORTAGE SPECIFICALLY NOTED BY RESPONDENTS:

- Revising the planning system and engaging better with the construction community to deliver better sites much quicker, and releasing land for housing in the Local Plan ahead of its adoption.
- Setting up joint ventures with Registered Providers using Local Authority-owned land, New Homes Bonus Scheme funding, etc. to deliver a range of affordable housing.
- Some county councils noted that they started setting up joint ventures with district councils to build houses on county-owned land.
- Strategic enabling and strengthening authorities' facilitation role to unlock strategic sites in private ownership.
- Building and purchasing new council houses, and investing in council houses to meet new Quality Home Standard.
- Acquisitions - mortgage-to-rent (for families struggling to pay mortgage) and buyback of previously-sold council houses.
- Enabled new affordable rented homes, made sites available, use of S106 contributions.
- Delivering more temporary accommodation and traveller sites.
- Bringing empty homes back into use through interventions such as CPO.
- Releasing land that has crucial infrastructure through the One Public Estate programme.



As expected, it was apparent from the responses that the number of housing completions by individual Local Authorities in the last five years has varied significantly. When asked about what tenures were being prioritised by Local Authorities of the homes they had completed in the past 5 years, **54% gave number one priority to social housing** and **27% had given top priority to affordable rented housing**. 38% of all respondents marked the latter as their second most prioritised option overall.

The third most prioritised type of tenure overall was given to shared ownership tenures (35%) followed by private rented sector homes (21%), and fourth most prioritised were other low cost homes for sale (24%). **Much lower priority was given to rent to buy homes and starter homes.**

However, whilst 17% respondents have given top priority to delivering homes for market sale, the same number marked the same answer as the least important, and a similar number of other responses gave it 'medium-range' priority, highlighting the diversity between different local priorities and approaches Local Authorities are taking.

According to the results, only 32% of Local Authorities are using solely Local Authority-owned land to deliver new homes, compared to 62% who are using other types of land.

Due to the increasing pressures on services, and recognising the severity of the housing crisis in the country, Local Authorities are constantly finding creative solutions to develop housing and deliver the homes their local areas need. Of all our respondents, 24% have set up a wholly-owned company and 17% have set up other types of joint venture, such as Community Benefit Society or a joint venture with a Housing Association in the past year. A number of members noted that they were currently in the process of setting up a housing company or a joint venture, or that they were considering their options.

The main reasons behind setting up Local Authority housing companies and housing delivery vehicles were to increase supply of affordable housing and address lack of housing development in the area, as well as to promote home ownership and bridge the gaps in the housing market not filled by developers.

Amidst shrinking Council budgets, a number of respondents noted that their reasons for setting up a company were to generate additional income and maximize return to the Local Authority. Respondents noted they had set up companies to build private rented sector housing and deliver market housing, as well as to assist the Authority to deliver commercial services, give them flexibility to build more homes alongside their Council houses, and deliver mixed tenure housing with the SME sector.

63% of respondents to our survey have not set up a housing company/housing delivery venture in the past year, and none of our respondents noted that they have set up a 51%+ owned company or a minority-owned company, although these avenues are being pursued in some parts of the country.



ACHIEVEMENTS TO DATE: HOUSING COMPANY / HOUSING DELIVERY VENTURE

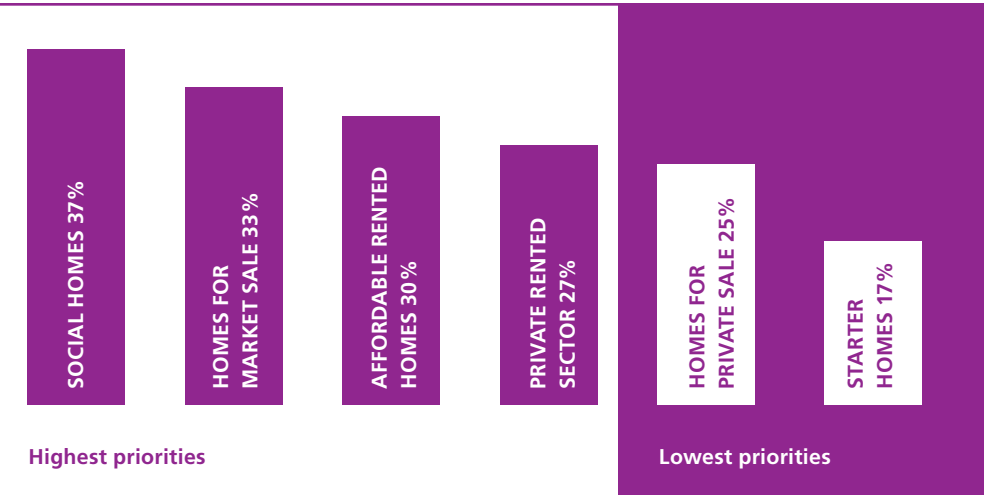
The survey asked some specific questions of those respondents who had set up a housing company or a housing delivery venture in the past year. When looking at the importance of Local Authorities' objectives in setting up a housing company/housing delivery venture, 93% indicated it was extremely important for them to address the unmet housing need. Supporting economic development was seen as extremely important by 40% respondents and as moderately important by another 40%. Revenue generation was also seen as extremely important by 40% of respondents, and moderately important by 27%.

Some additional objectives were noted as the development of new family housing to rent (as opposed to market housing currently available) and the development of SME market and unlocking public land sites.

As part of the survey, we wanted to find out about the progress made by those who have already set up housing companies or housing delivery ventures. 36% of our respondents indicated that their housing companies have not yet actively started, whilst 43% had already acquired land and allocated sites. Some members noted that they had a range of sites at various stages in the pipeline, and others had acquired properties including new build.

Looking at what tenures Local Authority housing companies and housing delivery ventures were prioritising, social homes (37%), homes for market sale (33%) and affordable rented homes (30%) came out on the top, followed by private rented sector homes (27%). However, 25% of respondents noted that homes for market sale were their lowest priority, demonstrating the variability across the country.

Shared ownership came out as a priority of medium importance, followed by Rent to Buy tenures. Starter homes were given lowest priority by our respondents.



86% of respondents noted that their housing company or delivery venture has derived its funding from the Local Authority, 21% from joint investment vehicle, 14% private sector investment. Some members noted their funding was derived from Government. 63% of respondents said revenue generated would be reinvested into their housing company, 55% noted it will go into Local Authority revenue spending, 18% selected Local Authority capital projects and 18% of respondents said that revenue generated would be spent on social housing.

PARTNERSHIP WORKING WITH OTHER ORGANISATIONS

- 49% of our respondents noted they were actively working with their Local Enterprise Partnership (LEP) on enabling housing delivery;
- 3% were working with their combined authority;
- 5% with both their LEP and combined authority;
- 26% were not working with their LEP or combined authority.



Of those authorities that had established joint ventures, a majority indicated they were working with a housing association. The next most popular partners were private developers, and some were working with other Local Authority, or a funder/investor.

42% of respondents noted that housing associations were helpful in meeting local housing need to a great extent, overall seen as the most helpful partner. They were followed by private developers who were seen as helpful to a great/moderate extent;

- 33% of respondents saw other Local Authorities and 29% saw funders/investors as helpful to a moderate extent;
- 27% noted that construction firms were helpful to a small extent.

LOOKING AHEAD:

- 8% respondents noted their authority was planning to set up a joint venture in the next year;
- 9% were planning to set up a housing company;
- 15% were planning to set up both;
- 18% noted they were not planning to do either.

GOVERNMENT POLICY

62% of respondents found the Government's policy not effective at all, leaving social housing organisations and the communities they serve at risk and needs significant improvements, and not fit for purpose. 32% thought it was moderately effective. When asked about how they would like to see the Government improve its current housing policy to better support social housing organisations and the communities they serve,

- 81% said the Government should adopt a more flexible funding model for the building of new affordable homes;
- 75% noted the Government should reduce or scrap the annual 1% social housing rent cut entirely;
- 75% also noted the Government should focus on a broader range of tenures beyond home ownership, including building new homes for social rent;
- 69% called for freeing Local Authorities to invest in new affordable housing, e.g. by reviewing Local Authority borrowing caps, high value asset sales requirements, etc.;
- 69% also said the Government should retain support for social and affordable housing delivery through the planning system, e.g. through Section 106;
- 67% called for improved support for building new supported housing and 61% felt the Government should return to rent increases at least at the rate of inflation.

Around half of our respondents also selected the following solutions:

- Revisit welfare cuts decisions;
- Review the introduction of Local Housing Allowance to social rented sector and finalise plans to permanently exempt supported housing from the Local Housing Allowance;
- Provide greater incentives for communities to support housing development in their area.

LEADERSHIP AND CULTURE



When asked what skills respondents thought their senior management team must have to achieve their organisation's housing objectives, top three came out as innovation and creativity (57%), commercial understanding (54%) and in-depth understanding of the social housing market & legislation (30%).

These were followed by strategy development and cross-agency and sector working (both at 27%) and risk management at 24%.

Whilst 49% of respondents noted that their Housing departments were leading on this work within their organisations, the economic development and Chief Executive's Office were both also selected by 27% of respondents as those leading on this.

Respondents also seemed relatively confident that they have the necessary leadership/development skills to deliver the housing their areas need, with 22% extremely confident and 41% very confident. However, there was a low level of confidence that local residents understand local housing need, with 51% of respondents only somewhat confident that their local residents understood their specific local housing needs, 14% slightly, 10% not at all confident that this was the case.