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Tackling poverty through housing and planning policy in city regions

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Executive Summary

Introduction

This report explores the potential for devolved institutions - LEPs and combined authorities - **to embed 'poverty reduction, affordable housing and inclusive growth' in housing and planning policy** at the city-regional level in England. It aims to:

- conceptualise the links between housing and poverty
- explore how national policies on housing and planning can impact on poverty
- assess the extent to which devolved institutions are using freedoms and flexibilities around housing and planning to achieve anti-poverty objectives, and suggest what more could be done.

The report is based on a review of documentary evidence and is the first part of a wider study on tackling poverty through housing and planning policy in city region funded by the Joseph Rowntree Foundation (www.jrf.org.uk). Key findings from this review of evidence are outlined below.

The housing context

- Understanding the link between housing and poverty is crucial at a time of '**housing crisis'**. A number of **housing trends and policy drivers** have combined to reduce the extent to which housing is likely to buffer households against poverty including:
  - a failure of housing supply to meet demand
  - reductions in the supply of social housing and the growth of the 'affordable rent' model
  - increasing reliance on a private rented sector that is poorly regulated and increasingly unaffordable
  - reforms to housing-related benefits that have reduced incomes and increased housing costs for low income households.

The link between housing and poverty

- There are five **key housing variables** that can generate, or exacerbate, housing-related forms of poverty: availability, cost, quality, location and security. Conversely, housing development and maintenance can **reduce poverty** where it supports job creation; similarly the 'housing plus' activities of social housing providers can enhance incomes by supporting tenants to access jobs and training.
- Empirical studies show poverty levels are higher once **housing costs** are taken into account, with strong regional variations in the difference between levels before and after housing costs. There are also significant **tenure differences** in the risk of poverty, with tenants in the social and private rented sector (PRS) most vulnerable to poverty. PRS tenants are also more likely to experience **fuel poverty.** These data highlight the need to carefully target anti-poverty interventions.

Housing and planning levers at the national level for tackling poverty

- There are a wide **range of levers** available to government to address poverty through the housing and planning system; historically, these levers have been used to varying extents, but there is currently **a move away from interventions likely to support poverty reduction**.
- Housing **regulation and law** frames conditions and household circumstances in the private rented sector and the UK has not used these levers for anti-poverty goals to the extent that some other countries have.
- There is good evidence to show that physical improvements through **housing-led regeneration can improve 'non-material' forms of poverty** e.g. improvements in housing conditions and quality of life.
- There is a strong logic for providing social housing at social rents with support through housing benefit to reduce housing costs, which is also borne out by evidence regarding long-term housing trends (see Stephens *et al.*, 2014); although evidence on impacts is more limited owing to the lack of counterfactual data.
- Action on housing supply can **make a difference if targeted at social and/or affordable housing**, but in the UK governments have tended to promote owner-occupied housing which makes little difference to those in poverty.
- Understanding national levers, and possibilities for action, provides a good context for working out what is possible at the city-regional level, including where devolved powers might be used to take up some of the levers currently eschewed by national government.

Housing and planning levers at the city-regional level for tackling poverty

- Devolution in England provides scope for new forms of governance - LEPs and combined authorities - to pursue housing and planning policies that support anti-poverty objectives.
- However, an analysis of Strategic Economic Plans shows that **LEPs largely adhere to the pro-growth logic of national policy** with a focus on unlocking developments where there are currently viability issues (principally around access and infrastructure).
- There is far **less appetite to pursue policies that directly address key factors that link housing and poverty** such as measures to increase the supply of genuinely affordable housing, improve housing quality, regulate the PRS where it is failing, raise energy efficiency levels to tackle fuel poverty, and provide direct employment opportunities. That said, there are some limited **examples of innovations** around interventions that could generate positive outcomes around poverty.
- Analysis of **devolution agreements** indicates these are **even less oriented to tackling poverty** than Strategic Economic Plans, although this may be due to a lack of detail rather than statement of strategic intent. Housing and planning 'asks' are **limited and tentative,** with little sense that these can be used as levers to meet housing need and increase opportunities for households experiencing poverty.

Final reflections

- The pro-growth focus of planning and housing policy among LEPs and combined authorities aligns with national policy. This focus may be important in supporting wider economic development, but it should not be assumed that benefits will 'trickle down'. There are arguably **missed opportunities to ensure growth is more inclusive** as LEPs already have some underused powers to shape housing and planning activities to the benefit of low income households.
- Current examples of individual innovation among LEPs such as topping up rents, targeted energy efficiency programmes and levering employment contributions through 'local labour'

clauses highlight the **importance of sharing learning** across the network of devolved institutions to encourage wider take up.

- There is more scope for LEPs and combined authorities to reconfigure strategies and policies to achieve anti-poverty outcomes. **Future freedoms and flexibilities** to support this might include devolution of property taxes or housing benefit; new models for financing genuinely affordable housing; a new land value tax; localised control of right-to-buy policy; the introduction of some form of rent regulation; and a stronger 'market maker' (RTPI, 2015) role for city regions to drive land assembly and development in order to increase housing supply.

Introduction

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This report draws on documentary evidence to explore the potential for devolved institutions - LEPs and combined authorities - **to embed 'poverty reduction, affordable housing and inclusive growth' in housing and planning policy** at the city-regional level in England. It is the first stage of a wider study funded by the Joseph Rowntree Foundation (www.jrf.org.uk).

Economic growth in cities and wider city regions has the potential to reduce poverty where it increases access to jobs and raises household incomes. However, it can also contribute to **housing-related poverty** where it drives up housing costs, reduces access to affordable housing and forces households to live in cheaper locations more distanced from key centres of employment. At the other end of the scale, areas with **less buoyant local economies may experience concentrations of poverty** and other forms of disadvantage such as environmental neglect and poor quality housing in neighbourhoods dominated by cheaper housing. This relationship between growth, housing and poverty means that housing and planning strategies and interventions can play a key role in shaping poverty outcomes.

These are critical issues at a time of growing concern that the UK **housing system is in crisis for failing to meet demand for housing for rent and owner occupation**. House prices continue to rise, forcing growing numbers of households to rely on provision in a private rented sector that is poorly regulated and in places increasingly unaffordable. Social housing supply is being threatened by a range of government reforms that are reducing the stock of genuinely affordable housing. Homelessness has risen dramatically in the last five years. And welfare reforms continue to impact on the incomes and housing security of those in most need. Meanwhile, demand-side initiatives that subsidise the purchase of private housing ensure prices remain high.

This constellation of trends heightens the risk that the housing system fails households in poverty. The links between housing and poverty are complex but there seems little doubt that current **national policies undermine the extent to which housing policy can reduce or mitigate poverty** through access to low cost, secure or good quality housing in the right location. In this context, the increasing devolution of responsibilities and funding to new forms of city-regional governance such as combined authorities and Local Enterprise Partnerships (LEPs) offers the *potential* to counter some of these pressures. It provides new opportunities to pursue strategies, policies and programmes within housing and planning that more explicitly support anti-poverty objectives. The extent to which this is happening, however, and the capacity for existing powers to be stretched or new powers to be acquired in pursuit of these goals, is not well understood.

To address this directly, the report sets out to achieve four related objectives:

- **To conceptualise the links between housing and poverty** as the basis for understanding how policy might begin to address housing-related forms of poverty (Section 2).
- To explore **how national policies on housing and planning can mediate poverty** and review the empirical evidence on policy impacts (Section 3).
- To analyse the strategic approaches, and proposed interventions of key city-regional organisations - principally LEPs and combined authorities - to assess **the extent to which devolved institutions are using freedoms and flexibilities around housing and planning to achieve anti-poverty objectives** (Section 4).
- To suggest scope for **better use of existing powers or the potential for new 'asks'** to enhance the capacity of LEPs and combined authorities to deliver housing and planning activities that support poverty reduction (Section 5).

In combination, these sections provide rich material to inform subsequent phases of the research based on interviews and workshops with key stakeholders at national and city-regional level.

The review is based upon analysis of key documents identified by the research team as well as targeted searches using key academic databases and Google Scholar. Searches were also undertaken of the websites of key government departments and national stakeholders involved in the housing and planning agenda. This review is the first part of a wider study that will also undertake interviews and workshops with key stakeholders to explore this agenda further. This additional material will be presented in a final report due in Autumn 2016.

In the remainder of this section, we provide some context on the 'housing crisis' and an overview of how the previous Coalition, and current Conservative, governments have addressed systemic housing issues since 2010.

1.1. Housing market trends and policy

Overarching aims of national policy

Since 2010 the government has implemented a range of measures that impact on the housing system, with significant implications for households' risk or experiences of poverty. These are summarised in Box 1 below. Policy has been marked by a growing focus on increasing the supply of, and promoting access to, owner occupied or private rented housing. This has occurred at the expense of support for the retention or development of social housing that is accessible and affordable to low income households. Tackling **housing need has been deprioritised** with the removal of subsidies for housing at social rents, combined with reforms that have reduced security of tenure and decreased entitlements to housing-related benefits. This is underpinned by a belief that social housing promotes dependency and stymies aspiration.

Policy can be characterised as pursuing **a 'pro-growth' logic** that promotes housing development to support economic growth and increase access to home ownership (HM Government, 2011). Meanwhile, the termination of area-based approaches to tackling low housing demand and revitalising neglected neighbourhoods favoured by previous Labour governments signalled the end of large scale, housing-led regeneration programmes (Crisp *et al*., 2015). Instead, there is an assumption that low income households will benefit from 'trickle down' effects as higher value housing frees up cheaper properties. Overall, current housing policy is somewhat **aspatial** in that it fails to recognise and address the distinctive housing market contexts across regions, sub-regions and cities with widely varying levels of economic performance.

At the same time incentive based funding such as the New Homes Bonus tends to support areas with stronger market demand.

Box 1: Overview of government policy 2010-2015

The Coalition government's (2010-15) main policies include:

- **Promoting housing supply:** a range of measures to reinvigorate housing development including government-backed finance schemes, loan guarantees and the New Homes Bonus, aimed at incentivising local authorities to promote housing development. There was also some devolution of planning powers through the Localism Act 2011.
- **Reforming housing benefit:** reductions in housing benefit payments through the Local Housing Allowance (LHA) system for tenants in the private rented sector, plus penalties for living in social housing deemed to be larger than needed in the social rented sector (to mirror conditions for LHA in the private rented sector (PRS)). These were introduced alongside an overall benefits cap for households which limited the total amount that a household could receive in state benefits.
- **Reforming social housing**: security of tenancy was removed from social housing. 'Affordable rents' for housing associations were introduced, which allowed rents to be set at 80 per cent of the market value, above that of other social housing rent levels. This was implemented alongside the cutting of subsidy for social housing development.

Since the formation of the Conservative government in May 2015, a further set of policies have been introduced:

- **Increasing private housing supply:** broadening the definition of affordability to allow Starter Homes to replace rented homes on sites as part of section106 agreements.
- **Reforming housing benefit:** a range of reforms that reduce the level of benefit available to different types of household, including removal of the housing benefit element of Universal Credit for 18-21 year-olds.
- **Reforming social housing:** a right to buy (RTB) for housing association tenants and levies on higher value empty council stock to pay for RTB discounts; 'pay to stay' for 'high income' social tenants; and reduction of social housing rents by 1 per cent each year up to 2020.

Housing supply and planning

There is a widespread political consensus that too few houses are being built in the UK. Government estimates have suggested that 221,000 new households are now forming each year, in England alone (HM Government, 2013). By contrast, only 124,000 houses were completed in 2015, and this represented a six-year high following the recession. The last time more than 200,000 houses were built was 1988, itself an anomaly in a longer-term decline beginning in the early 1980s. **In the period 2008-2015, over half a million more households were formed than houses built** (DCLG 2015a; DCLG, 2015b). In other words, the shortfall in supply is acute and increasing in severity. The issue is not just about overall numbers however. An overall mismatch in supply and demand contributes to rising costs, particularly in areas where demand is highest such as London and the South East.

The Coalition government sought to **accommodate high demand for housing** in growth areas by providing financial support to prospective homeowners (for instance, Help to Buy), while increasing supply through a combination of planning reforms (e.g. New Homes Bonus), new housing delivery vehicles (e.g. Housing Zones) and new forms of finance for development (e.g. Build to Rent). The numbers of housing starts has increased from 111,000 in 2010-11 to 137,000 in 2014-15 (DCLG, 2015c), but still lags a long way behind growth in demand, and housing costs have continued to rise. The current Conservative government have gone further in their aims to support prospective homeowners through the introduction of a scheme to offer discounted ‘starter homes’ as an alternative to developer obligations around affordable housing.

Pro-housing planning reforms, including the requirement for local planning authorities to demonstrate a five year housing land supply based on Objectively Assessed Need introduced in the 2012 National Planning Policy Framework (NPPF) (2012), have sought to increase the number of sites being made available for housing through the planning system. The planning system has often been blamed for constraining housing supply but evidence suggests it is helping to bring forward significant land for housing development (LGA, 2016).

Bringing forward additional sites for development through the planning system does not always translate into new housebuilding. There are longstanding concerns about limited competition in the housebuilding sector and the need to help support smaller builders by releasing smaller sites (Lyons, 2014). Following the 2008 economic downturn housebuilders were more cautious in the identification and purchase of land (Payne, 2016). Although market conditions have improved, housebuilders have found it difficult to build out because of shortages in labour and materials. Since 2010 central government policies have been introduced to support first time buyers and small and medium-sized housebuilders. Proposed changes to the NPPF are intended to help smaller housebuilders by bringing more small sites forward. The UK government is also experimenting with directly commissioning small builders for stalled brownfield sites and it is seeking Section 106 affordable housing exemptions for sites with fewer than ten homes.

Planning reforms have operated to create greater flexibility for developers and **weaken levers to ensure delivery of affordable housing**, as summarised in Box 2 below. By 2012/13 the number of affordable housing units secured through Section 106 agreements had fallen by 42 per cent compared to pre-2010 (Brownill *et al.*, 2015). The Prime Minister has promised that 200,000 Starter Homes will be built by 2020, a substantial proportion of total housing supply over that period. These homes will be built by private builders and will be sold at 80 per cent of market prices - a maximum of £450,000 in London and £250,000 in the rest of England. According to a study by Shelter (2015a) "analysis shows that the Starter Homes programme will not help the majority of people on the new National Living Wage or average wages into home-ownership in England by 2020. It won't even help many people on higher than average wages in many areas of England. The only group it appears to help on a significant scale will be those already earning high salaries who should be able to afford on the open market without Government assistance".

Importantly, under the Housing and Planning Act 2016, Starter Homes can be included as part of affordable housing requirements at the expense of other forms of affordable housing. The impact assessment published alongside the bill suggests that the government is aware of this potential implication. "On some sites, developers may choose to adjust the level of affordable housing in relation to the number of Starter Homes they will be developing…This may reduce or alter the mix of affordable housing provided which could impact on those individuals seeking affordable housing." (DCLG, 2016a)

Box 2: Weakening the supply of affordable housing through planning

Policy changes have reduced the ability of local authorities to lever social and affordable housing through new developments. These include:

- The production of a National Planning Policy Framework (NPPF) in 2010 that focused on a general principle of a 'presumption in favour of development'.
- Emphasis in the NPPF on financial viability over social goals, with increased flexibility for developers to renegotiate planning obligations.
- An announcement in 2015 that:
  - developments of 10 homes or fewer will be exempt from s106 planning obligations
  - the Starter Homes initiative will allow the development of market housing sold at a 20 per cent discount to forego affordable housing obligations for rent via s106
- Guidance on equity and inclusion in planning was removed in July 2013; and the words 'poverty', 'equity' and 'social justice' do not appear in the NPPF (TCPA, 2013).

Reform of housing-related benefits

'Welfare reform' has been a key tenet of the Coalition and Conservative governments' programmes. This has had the effect of reducing incomes for most people in receipt of benefits, meaning an increase in the relative cost of housing. Many of these reforms have been targeted specifically at those in receipt of housing-related benefits, as summarised in Box 3, below. As Cole and Powell (2015) note, a focus on housing benefit in the context of a drive to reduce overall government expenditure is not particularly surprising: other than state pension, housing benefit is the largest item of expenditure for DWP at £24.3 billion in 2014/15 (DWP, 2015a).

Box 3: Reforms of housing related benefits

Housing-related welfare reforms since 2010 include:

- **Housing Benefit – Local Housing Allowance (LHA):** Changes to the rules governing assistance with the cost of housing for low-income households in the private rented sector. New rules apply to rent levels, 'excess' payments, property size, age limits for sole occupancy, and indexation for inflation.
- **Housing Benefit – under-occupation***:* New rules governing the size of properties for which payments are made to working-age claimants in the social rented sector with deductions for 'spare' rooms ('Removal of the Spare Room Subsidy').
- **Non-dependant deductions:** Increases in the deductions from Housing Benefit, Council Tax Benefit and other income-based benefits to reflect the contribution that non-dependant household members are expected to make towards the household's housing costs.
- **Household benefit cap:** New ceiling on total payments per household, applying to the sum of a wide range of benefits for working-age claimants (set to be reduced further from 2015/16).
- **Council Tax benefit:** Reductions in entitlement of working-age claimants arising from 10 per cent reduction in total payments to local authorities.
- **One per cent annual up-rating:** Reduction in annual up-rating of value of most working-age benefits.
- **Removal of automatic security of tenure** for social housing tenants.
- **Housing benefit freeze**: Local Housing Allowance rates for tenants in the PRS have been frozen from 2016/17 to 2019/20.

In combination, the housing-related welfare reforms introduced between 2010 and 2013 account for an annual **reduction in income equivalent to £70 per working-age adult in the UK** (Beatty and Fothergill, 2013). For individual households, these reductions can reach into thousands of pounds, as shown in Table 1, below. The Institute for Fiscal Studies (IFS, 2015) calculate that benefit freezes from 2015-2020 will result in 13 million families losing an average of £260 per year. These reforms have also resulted in reduced security of tenure for many social tenants. At the same time the overall housing benefit bill has continued to rise as a result of increased demand.

Table 1: Overall impact of housing-related welfare reforms by 2014/15

Policy	Number of affected households	Average annual loss per affected household
Housing benefit: LHA	1,350,000	£1,220
Housing benefit: Removal of Spare Room Subsidy	660,000	£740
Non-dependent deductions	300,000	£1,130
Council tax benefit	2,450,000	£140
Household benefit cap (up to 2015/16)	56,000	£4,820

Source: Beatty and Fothergill, 2013

Social housing

Social housing has historically been an important means of providing secure and affordable housing. However, the **proportion of social housing in overall stock has fallen** from a third in 1980, to 18 per cent in 2015. Social housing has become increasingly residualised (Burrows, 1999), particularly that owned by local authorities, which now accounts for just eight per cent of UK housing stock.

Since 2010 the government has taken steps that potentially **weaken the link between social housing provision and poverty alleviation** as well as **reduce the scope for future growth** in social housing numbers (Box 4).

Box 4: Changes to social housing regulation

Changes to the regulation of social housing have included:

- **Affordable rents:** Allowing social landlords to charge rents at 80 per cent of market rents as opposed to social rents.
- **Housing association right to buy (RTB)**: In 2015 the government announced a Voluntary Right to Buy deal with a number of housing associations and the Housing and Planning Act 2016 introduces a levy on 'higher value' empty council housing to pay for RTB discounts.
- **Pay-to-stay:** The Housing and Planning Act also introduces market rents for 'high income' (£40,000 in London and £31,000 elsewhere) tenants in local authority housing.
- **Social housing rent reductions**: the 2015 Welfare Reform and Work Act included an annual reduction of social housing rents by one per cent each year up to 2020, resulting in a 12 per cent real-terms fall.

The number of new homes for 'social rent' completed fell by 75 per cent between 2010 and 2015 (39,000 in 2010-11 to 10,000 in 2014/15; DCLG, 2015b). Over the same period, new 'affordable rent' completions rose to 40,000 in 2015 following its introduction in 2011. In addition, the Office for Budget Responsibility (2015) estimate that 34,000 fewer homes will be built by registered providers between 2015 and 2020 as a result of the planned reductions to social housing rents.

Housing affordability

The cost of housing is of continuing concern across all tenures. Since falling eight per cent in 2009, house prices have recovered, growing 18 per cent during 2009-2014 (ONS, 2016). Meanwhile in high growth areas, households in the private rented sector struggle to find adequate and affordable accommodation. And, as highlighted above, **affordability has become an increasingly acute problem** for those in receipt of benefits.

As in other areas, the focus of **government policy since 2010 has been on helping households unlikely to be experiencing poverty, in particular prospective homeowners**. The Help to Buy scheme, introduced in 2013, is one example of this. Through Help to Buy, the government either guarantees a mortgage loan or takes an equity stake of up to 20 per cent in a new house (to be paid back over time by the homeowner). Help to Buy is available on purchases of houses for up to £600,000. This scheme had helped around 120,000 people to purchase a home by June 2015. This accounted for nine per cent of total mortgages agreed over the period April 2013 to June 2015. The overall effect of this was to contribute to further house price rises, making housing potentially more unaffordable overall. Shelter (2015b) estimate the scheme had increased house prices by three per cent over this period or around £8,250 per house based on the current UK average house price of £274,000. Those living in poverty are rarely in a position to consider buying a property – so they are unlikely to benefit from Help to Buy - but increases in housing value to potentially lead to higher housing costs in rented markets.

For those with existing mortgages, the macroeconomic context of low interest rates and a slight improvement in competition in the lending market has meant that **housing costs for those with mortgages fell** a little between 2009 and 2015. In 2009 the proportion of people spending over a third of their income on housing costs was 18 per cent: this had fallen to 14 per cent by 2015 (Tunstall, 2015). With lending ratios still high in historic terms, especially for those with mortgages on lower incomes, there remains a threat of affordability problems should income rates begin to rise again.

Housing condition

Housing conditions in social and private rented sectors have been a long-held concern of successive governments. The previous Labour administration invested heavily in a **Decent Homes programme** to improve quality in these sectors, although this was skewed towards the social rented sector (see Section 3, below). The Coalition government continued to subsidise the Decent Homes programme in the social rented sector – albeit at a substantially reduced level – and by 2015, only three per cent of social rented housing was considered 'non-decent' (landlord figures, DCLG, 2016b). However, subsidy was removed from the private rented sector and, by contrast, figures from 2013 suggested that up to **one third of PRS stock was non-decent** (CIH, 2014).[1]

[1] It should be noted that the two are not directly comparable as the CIH figures are based on tenants self-ascribing their home as non-decent. However, the contrast is sufficiently great to provide a point of comparison

The Coalition government did take some steps towards **improving quality in the PRS** as part of an overall ambition to expand and improve quality in the private rented sector. In line with this, the government introduced **'Build to Rent'** which provided loans to developers who provided housing for institutional investors. Stamp duty was also reduced on large-scale purchase of homes and tax breaks were introduced for institutional investment in housing, with a particular focus on the PRS (Tunstall, 2015). The focus on institutional investors was in part designed to ensure higher quality housing. However, the government **watered-down local authority powers to introduce borough-wide selective PRS licensing,** and there were widespread concerns that cuts to local authority funding were making it increasingly difficult for local authorities to enforce housing standards regulation (LGA, 2014). Overall, despite the rhetoric for a "bigger and better private rented sector" (Prisk, 2013), the government has done little to make the levels of changes required to make a difference.

The link between housing and poverty

2

This section looks at the link between housing and poverty. It underpins discussion in subsequent sections about how housing and planning policy can mediate that relationship and contribute to poverty reduction or mitigation. The section begins by defining poverty (2.1) before moving on to look conceptually at how housing can contribute to poverty (2.2). It concludes by presenting some empirical evidence on the relationship between housing and poverty (2.3).

2.1. Defining poverty

Poverty is most frequently understood and measured in **'material'** terms. This is usually operationalised either by reference to household incomes below a given threshold (normally 60 per cent of the median) or through identifying material deprivation in terms of households' inability to afford essential goods and services (Spicker, 2007). Material measures usually include housing-related costs. For example, the European Union Statistics on Income and Living Conditions (EU-SILC) indicator of material deprivation for adults is based on the ability to afford at least five of nine items, of which two are the ability to pay rent, mortgage, utility bills or loan repayments; and to keep the home adequately warm.

Poverty is about more than income or deprivation, however, and also encompasses a range of 'non-material' factors including poor health or disability, low educational attainment, poor quality housing, higher rates of offending and higher experiences of crime (Lister, 2004). These non-material forms of poverty can also have a spatial dimension relating to the subjective experience of living in the social and physical space of 'poor places'. Features include poor housing, a run-down physical environment, neglected public space, inadequate services and facilities, and high levels of crime or anti-social behaviour (Lupton, 2003; Lister, 2004; Spicker, 2007; Batty *et al*., 2010).

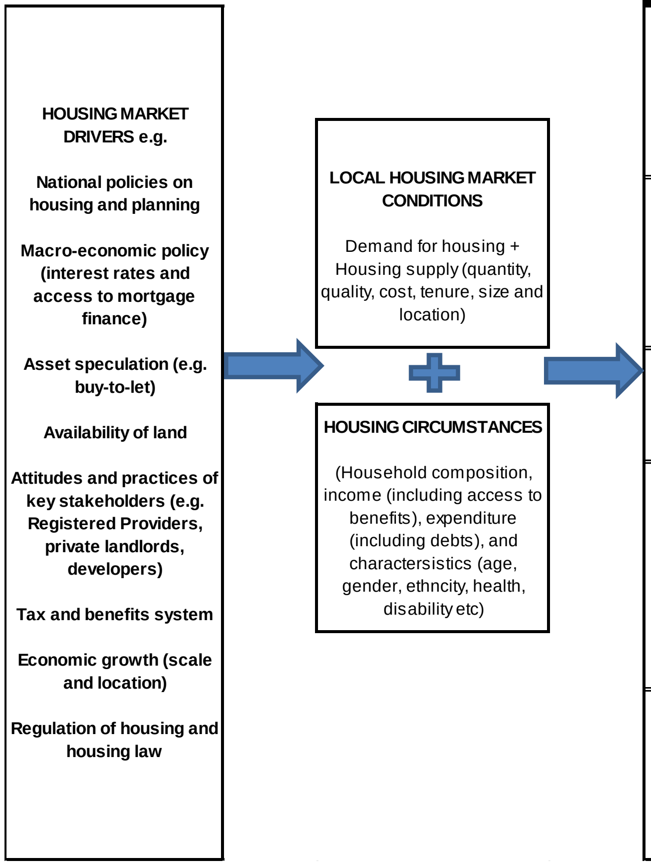
This conceptual distinction between 'material' and 'non-material' forms of poverty provides a useful framework for understanding the relationship between housing and poverty. Housing can impact on material forms of poverty e.g. where housing costs drive household incomes below poverty thresholds. It can also impact on non-material forms of poverty e.g. where poor quality housing has a negative effect on health and wellbeing. This is outlined further below.

2.2. The relationship between housing and poverty

The relationship between housing and poverty is complex as there are a number of ways in which housing circumstances inform the risks and experiences of poverty at the household level. Figure 1 below shows this schematically, drawing substantially on work undertaken by Tunstall *et al*. (2013). It illustrates how a number of housing market drivers at both national and local level shape local housing market conditions. These conditions combine with household circumstances to have a bearing on a range of housing variables - availability, cost, quality, location and security - that can potentially create or exacerbate both material and non-material forms of poverty. For simplicity, the figure illustrates the potential negative impacts of housing. Evidently, housing may also have **a preventative or ameliorative impact** on poverty where, for example, high quality social housing reduces living costs and contributes to positive health and well-being. There are also clearly potential interrelationships between the variables. For instance, a lack of social rented housing (availability) may force a household to take up expensive but poor standard PRS accommodation (cost and quality) some distance from local job opportunities (location). These variables may impact simultaneously or sequentially, with a cumulative effect on household experiences of poverty. The figure does not reflect these interactions to avoid complexity but it is important to bear such possibilities in mind.

Finally, there are some more indirect relationships where housing can provide **training and employment opportunities** as routes out of poverty. These are not represented in the figure above as they do not directly relate to housing circumstances. For example, housing development can act as a direct source of jobs that benefit households in poverty, particularly if targeted at disadvantaged groups through 'local labour' clauses in planning and procurement agreements (While *et al*., 2016). Housing providers might also create jobs in on-going services and maintenance of accommodation. Some housing providers deliver 'housing plus' employment support programmes for residents to support tenants to access training and jobs.

Figure 1: The links between housing and poverty



Housing variable	How it can contribute to poverty at household level	Material poverty outcomes	Non-material poverty outcomes
Availability	Lack of appropriately sized housing contributes to overcrowding		Impacts negatively on health and well-being
	Shortage of housing in social rented sector leads to homelessness or being housed in high cost and/or poor quality PRS housing	Reduces household income e.g. if PRS rents higher than social rents	Impacts negatively on health and well-being
		Reduces earning potential if it impacts on ability to secure or maintain employment	
Cost	High direct costs (rent/mortgage payments)	Reduces household income	
	High indirect costs (e.g. fuel, utilities, transport, repair and maintenance)	Reduces household income	
	Inability of housing-related benefits to cover costs e.g. due to 'Spare Room Subsidy' or changes to Local Housing Allowance regime	Reduces household income	
Quality	'Non-decent' homes drive up costs of repair and maintenance	Reduces household income	
	Poor quality housing has negative impacts on physical or mental health and well-being		Impacts negatively on health and well-being
Location	Distance from local job opportunities can prevent individuals from accessing paid work or increases cost of commuting	Reduces earning potential	
	Lack of affordable goods or services (e.g. food, banking) in immediate area	Reduces household income	
	Conditions in wider neighbourhood (e.g. crime, physical neglect)		Impacts negatively on health and well-being; increases risk of crime
	Neighbourhood effects' such as social networks with limited engagement with paid work limit awareness of employment opportunities	Reduces earning potential	
Security	Insecure tenancies and enforced mobility e.g. because of unfair eviction constrain access to employment and training opportunities	Reduces earning potential	
	Direct cost of frequent involuntary moves	Reduces household income	
	Insecurity of has negative impact on health and well-being		Impacts negatively on health and well-being

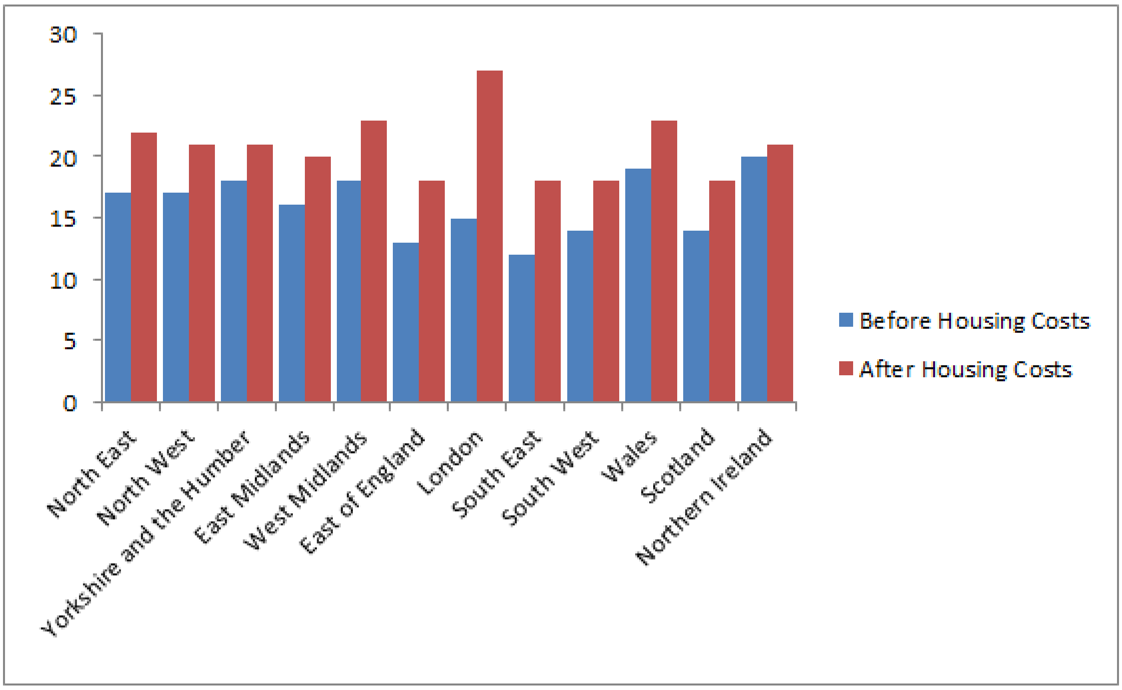
2.3. Evidence on the link between housing and poverty

Empirical research helps to further illustrate the scale and the nature of the relationship between housing and poverty. Research presented below reflects in particular on how housing costs (direct and indirect) and quality can impact on poverty. The implications for targeting interventions are also discussed.

Direct housing costs

Poverty is enduring and widespread in the UK, especially when measured in relative terms. It is estimated that 15 per cent of people in the UK live in relative poverty before housing costs. **Housing costs can directly exacerbate the prevalence of poverty**: this figure rises to 21 per cent or over 13 million people after housing costs are taken into account (DWP, 2015b). This difference varies significantly across the UK. Levels of relative poverty in London rise from 15 to 27 per cent once housing costs are taken into account; this compares to Northern Ireland where housing costs cause poverty levels to increase by just one per cent (see Figure 2 below). This **regional variation** illustrates how the relationship between housing costs and poverty is geographically uneven. Stakeholders at the local and sub-regional level may, therefore, need to prioritise different strategies and interventions according to the relative contribution of different housing variables to poverty. In some areas, affordability may be a key priority; in others, factors such as housing quality may be more pressing.

Figure 2: Regional poverty levels before and after housing costs (as % of population)



Source: DWP, 2015b

There are also **variations in relative poverty by housing tenure**. While 11 per cent of owner-occupiers live in poverty after housing costs, over two in five (42 per cent) of all social rented sector tenants and over a third of private rented sector tenants (36 per cent) live in poverty (DWP, 2015b). The extent to which housing costs contribute to poverty levels is particularly **acute in the private rented sector** with poverty levels in this tenure doubling from 18 to 36 per cent when housing costs are taken into account. Again, this has implications for targeting resources for tackling poverty through housing-related measures, with households renting in either the private or social rented sector clearly most in need of support.

Indirect housing costs: Fuel poverty

Energy costs can have **a direct impact on material (income) and non-material (health and well-being) forms of poverty**. Measures of fuel poverty act, therefore, as good indicators of a range of poverty-related experiences. The UK government use a 'low income, high cost' definition of fuel poverty where households are considered fuel poor if they have required fuel costs above the median level *and* would be left with a residual income below the official poverty line (less than 60 per cent of median household incomes) were they to spend that amount. Using this definition, 10 per cent of households are identified as being in fuel poverty (ONS, 2015). On average (median) these households would require energy costs to fall or incomes to increase by £238 per year in order to exit fuel poverty.

In terms of tackling fuel poverty, improving the **energy efficiency** of housing provides the most reliable basis for reducing fuel poverty levels, especially in the long-run when energy prices are likely to rise (DECC, 2014). Support may need to be targeted given that the **prevalence of fuel poverty varies by tenure**. Nineteen per cent of PRS tenants live in fuel poverty compared to 11 per cent in social rented accommodation and eight per cent of owner occupiers. **Homes in Multiple Occupation (HMOs)** are also of **significant concern** in relation to fuel poverty. This is a poorly regulated sector, which is not accounted for in governmental measures of fuel poverty. Accommodation is often in poor condition and does not feature in UK energy efficiency policy (Cauvain and Bouzarovski, 2016). As Section 3, shows, there is a significant divergence to the degree to which LEPs and combined authorities have prioritised energy efficiency in housing strategies and interventions.

Housing conditions and non-material forms of poverty

There is substantial evidence to show that **poor quality housing** affects some aspects of child development and adult health. Tunstall *et al*'.s (2013) review lists the following links:

- overcrowding: infectious and respiratory diseases
- damp and mould: respiratory disease, eczema, asthma and rhinitis
- indoor pollutants and infestation: asthma
- low temperature: respiratory disease, circulatory conditions, hypothermia and bronchospasm
- homelessness: a wide range of conditions.

However, the extent of these issues is less easily assessed. Proxies might include indicators relating to quality of housing, including fuel poverty (see above). The English Housing Survey 2014-15 (DCLG, 2016b) contains different housing quality indicators that are linked to non-material forms of poverty as outlined above. It reports that a fifth (20 per cent) of all homes are 'non-decent' in that they do not meet minimum standards set by the government for liveable housing. This figure rises to 29 per cent for the PRS. The relatively high level of 'non-decent' homes suggests that measures to improve housing quality could play an important part in tackling non-material forms of poverty.

The earlier English Housing Survey 2013-14 (DCLG, 2014) also asked respondents about satisfaction with local area, which provides some indication of the locational impacts of housing relating to factors such as crime or access to local amenities. In total seven per cent of respondents were dissatisfied with their neighbourhood, which rose to 11 per cent for households with incomes below £10,000. This suggests scope for interventions to support neighbourhood level regeneration, especially given the strong evidence of the effectiveness of past area-based interventions in improving satisfaction with area (Crisp *et al*., 2014).

3

National policy on housing and planning: levers for tackling poverty

3.1. Introduction

This section seeks to understand how **housing and planning policy can mediate the relationship between housing and poverty**. Looking at the national policy drivers provides a foundation for understanding what 'freedoms and flexibilities' are being, or should be, devolved, to city regional level to support anti-poverty outcomes, as discussed in Section 4.

The extent to which housing and planning policy has been intentionally designed and delivered to achieve anti-poverty objectives poverty varies across time and by intervention. However, it is possible to identify a number of national housing **policy levers** that, at least in theory, have the potential to support poverty reduction or mitigation. Six key policy levers are discussed in the following sub-sections in terms of the mechanisms by which they can achieve poverty reduction and reported impacts in studies:

- social housing provision
- planning policy
- physical regeneration and housing modernisation programmes
- housing-related benefits
- housing regulation/law
- monetary policy.

Table 2 below briefly summarises how each lever has the potential to shape poverty outcomes against each of the five housing variables plus the 'employment' variable identified in Section 2. These are effectively 'ideal' outcomes. Actual impacts may be less positive, as evident in the some of the empirical data presented below.

Table 2: How national housing and planning policy can reduce or mitigate poverty

Policy mechanism	How it mitigates or reduces housing-related poverty					
	Availability	**Cost**	**Quality**	**Location**	**Security**	**Employment**
Provision of social housing	Access to social housing reduces reliance on other less secure and more expensive tenures.	Below market rents reduce housing costs.	Social housing maintained to 'decent standard'.	Affordable housing in 'prime' locations can provide access to job opportunities in local labour markets.	Security of tenure prevents homelessness and can support movement intro training or employment.	'Housing plus 'services can facilitate access to training and employment. Can also provide jobs in construction, maintenance and management of social housing.
Planning policy	Can lever affordable housing and related infrastructure contributions through Section 106 planning obligations.	Eases pressures on affordability by facilitating land supply for new housebuilding.	Influences the type of new housing that is built through planning policy and enforcing design standards and environmental quality. Regulates changes to existing housing stock (e.g. houses into multiple occupation).	Ensures households in poverty are connected to opportunities and services. Protects/improves residential amenity and environmental quality Ensures new market housing is not physically segregated from social housing.		Secures employment and training and infrastructure contributions as part of Section 106 agreements.

Housing-related benefits		Acts as a subsidy to reduce the costs of housing for low income families.		Provides a subsidy to enable low income households to live in areas that otherwise unaffordable, providing access to jobs and services.	Enables households to maintain tenancies by bridging fluctuations in earned income.	Enables households to take up low paid work by reducing housing costs.
Regeneration and housing modernisation	Increases stock of good quality and affordable housing available to residents in low income neighbourhoods.	Redevelopment of new or existing stock may provide additional low cost housing. Energy efficiency initiatives e.g. can reduce fuel costs.	Demolition and development or refurbishment can raise housing standards.	Wider regeneration activities improve residential amenities and quality of life. Creates mixed communities and avoids social segregation.		Development and refurbishment activities provide direct job opportunities. 'Housing plus' employment support activities increase access to jobs and training.
Housing regulation/law		Regulated rents can ensure that costs are not prohibitive and do not rise significantly for tenants.	Regulation of housing standards can be critical to ensuring minimum housing standards.		Tenancy laws can ensure security of tenure, in turn preventing homelessness.	Security of tenure can provide stability needed to secure and maintain employment.
Macroeconomic policy	Favourable monetary policy (low interest/ mortgage rates) increases options for purchasing private housing for low income households.	Low interest rates reduce borrowing costs for homeowners or may protect tenants from rent increases if landlord mortgage costs remain low (some protection from volatile interest rates).			Borrowing costs may impact positively on the security of tenancies if it reduces repossession of landlords' properties.	

3.2. Affordable social housing provision

How it supports poverty reduction

National governments can play a role in social housing provision through supporting local authorities to provide council housing or by indirectly supporting other types of social housing providers. They can do this through direct subsidy, providing low-cost finance and through the planning system. As Mullins *et al.* (2006: 1) note, 'housing remains an important contributor to social welfare' and social provision of affordable housing has historically been an important part of the welfare state, although it has significant reduced in size in the last thirty years (see Section 1). Bradshaw *et al.* (2008) highlight the importance of social housing in providing low rent housing at a good standard in alleviating the experience of poverty: 42 per cent of households living in social housing are classed as being in poverty after housing costs. Other ways in which social housing can act as a 'safety net' to households in poverty include:

- lower-than-market rents
- homelessness prevention
- minimum quality standards (see below)
- stability of tenancy
- provision of broader services to tenants, such as money advice or employment support.

(Stephens, 2008)

Governments can also work to improve the affordability of housing through measures in the private sector, such as regulating rents. Some form of rent control was in place in the UK from 1915 to 1989, but since then rents have been deregulated. Affordable ownership models, such as shared ownership, can also be used.

Impact on poverty

Evidence on the poverty impacts of social housing provision is hard to find, particularly if looking for studies with a robust counter-factual. One OECD (2011) study found that social housing had **less impact on national levels of income inequality** than other benefits, but this was explained by the fact that social housing usually only houses a relatively small percentage of the overall population. Certainly, there is evidence that offering sub-market rents in the social sector can reduce poverty levels more than other tenures simply by reducing household expenditure. The number of social rented households in poverty rises by six percentage points when housing costs are taken into account, compared to 12 percentage points for those in the private rented sector (DWP, 2015b). Stephens *et al.* (2014), forecasting housing markets in 2040, suggest that maintaining relatively high levels of social rented housing will be central to ensuring that housing-related poverty is mitigated in future. They estimate that setting social rents closer to market rents could put an extra 1.3 million people in poverty by 2040.

Some studies have looked at the employment effects of living in social housing. Settled housing is a necessary condition for finding sustainable paid employment (Tunstall *et al.*, 2013). In a longitudinal qualitative study of 128 social housing tenants Fletcher *et al.* (2008) found that social housing made employment more feasible by providing tenants with a position of stability and confidence, whilst comparatively low rents increased the financial viability of work. This was reinforced by work conducted by Gibb *et al.* (2016), which found housing can play a significant role in helping people into the labour market unless it was insecure or poor quality.

Social housing provision can also **create jobs.** Monk *et al*. (2010) found evidence of direct construction and indirect employment through housing-related services and residential services once the houses have been built. DCLG in HM Government (2011) estimate that two new jobs are created for each home built. There is no necessary link between job creation and poverty, but there is some evidence to suggest that the construction industry does employ people who are vulnerable to unemployment (Tunstall *et al*., 2013).

3.3. Planning policy

How it supports poverty reduction

Historically planning has 'made a dramatic contribution to **improving the quality of life** of ordinary people' through the provision of mass council housing, land use zoning to separate housing from sources of pollution and improvements in residential amenity and environmental quality (TCPA, 2013). It has been argued that the social aims of planning have been reduced over the last three decades to the extent that 'the planning system too often fails to consider the distributional outcomes of decisions for people most in need' (TCPA, 2013).

However since 1990 the planning system has been an important mechanism for generating affordable housing through s106 planning obligations agreed when planning permission is granted. Brownill *et al.* (2015) report that by 2007–08, s106 agreements were securing £2.6 billion in cross-subsidy for affordable housing and were responsible for over half of the affordable housing delivered in England. As they point out, 'a degree of consensus, familiarity and certainty therefore emerged around the role of s106 as a major provider of affordable housing even though it was arguably never intended for this purpose and there has not always been agreement that planning obligations formed the most effective or appropriate way of delivering affordable housing' (Brownill *et al.*, p.14).

Planning obligations are linked to local planning policies that specify the proportion of housing that should be affordable. Affordable housing generated through planning obligations can be on-site (i.e. within the development), or through provision on a different site or a payment to the local authority to provide affordable housing. As Brownill *et al.* (2015) point out, there have been concerns about the type of housing provided through s106, for example the balance between low-cost homeownership and social rented housing, the size of units, and the bunching of s106 housing on some developments. Moreover, 'not all housing provided through s106 is accessible to those on the lowest incomes' (Brownill *et al*., 2015, 5). In some years, 40 per cent of housing provided through s106 has been for low-cost home-ownership, although data has not been collected in recent years. Brownill *et al*. (2015: 5) found that 'while s106 is delivering significantly in some areas with high concentrations of poverty (notably London), the ability of the housing provided through s106 to meet the needs of those on the lowest incomes is affected by local allocation policies and recently in some areas by the introduction of the Affordable Rent Model (in 2011), which sets rents in the social sector at up to 80 per cent of market rents'. Meanwhile cuts to the government's Affordable Homes Programme have reduced the resources to deliver affordable homes.

Impact on poverty

There is **limited information** on whether the planning system has helped to alleviate poverty through policies to improve residential amenity, regulate changes in housing stock (e.g. controls on the subdivision of housing units) or ensure that people are connected to opportunities. However, it is possible to make observations about the role of planning in housing supply and levering obligations around affordable housing.

Planning and housing supply

Over the last two decades UK governments have introduced a range of policies to remove planning constraints on housing supply (Inch, 2012). Following the mixed experience with regional planning targets under the Labour government, since 2010 the national planning framework has been revised with the intention of bringing forward more sites for development in response to market demand and housing need. The Coalition government introduced neighbourhood planning and the New Homes Bonus to incentivise communities and local planning authorities to support new housebuilding.

Neighbourhood planning allows communities to request an increase in affordable housing supply and the New Homes Bonus includes an extra payment for affordable housing and also for bringing empty homes back into use. The NPPF (DCLG, 2012) has given greater weight to financial viability in planning decisions and required local authorities to demonstrate a five year land supply for housing based on Objectively Assessed Need in local plans. Local authorities without an up-to-date plan or a robust five year land supply effectively have weakened power to refuse a development. In June 2015 it was reported that over 60 per cent of local authorities could not show a deliverable five year land supply. If local authorities do not have an up-to-date policy framework then decisions are liable to challenge and the NPPF "presumption in favour of sustainable development" is used to determine applications at appeal. There has been a significant increase in new housebuilding since the NPPF was introduced but that will also reflect changing market conditions.

Measures to boost new housing supply tend to be targeted at areas of market demand. Indeed, the New Homes Bonus has led to the transfer of part of the revenue support grant to areas of high market demand at the expense of local authorities which have weaker market conditions. Prior to 2010 regional planning targets restricted growth in some high demand areas to encourage development in low-demand areas supported by measures to prioritise housing on previously developed land rather than greenfield sites (Haughton and Counsell, 2004; Haughton *et al.*, 2010). Current rates of housebuilding in England are below half the level needed to meet existing and anticipated demand for new homes (JRF, 2015). This **shortfall in supply is one factor in rising house prices and increased rents**. In turn, this is likely to impact on the extent of material poverty where housing costs is a contributing factor.

Planning obligations viability assessment, CIL and poverty

As indicated above, since 1990 **planning obligations (s106 agreements) have been a vital delivery mechanism for new affordable homes** (Crook and Monk, 2011; Brownill *et al.*, 2015). Planning obligations are agreements with developers to secure financial and in-kind contributions to provide essential infrastructure such as affordable housing and transport and local employment and training opportunities for people in poverty. Supplementary planning documents and s106 agreements could also set conditions and specify rent levels that are affordable to those on the lowest incomes (Brownill *et al.*, 2015). However, the role of planning obligations in delivering affordable housing reduced because of the strengthened emphasis on viability assessment in the NPPF (DCLG, 2012). Although it has always been a consideration in the development process, financial viability has become an increasingly important requirement in setting planning obligations. Planning obligations could be scaled back further because of viability assessment and the introduction of the Community

Infrastructure Levy (CIL). The CIL was introduced as a flat-rate charge for non-site-specific infrastructure but cannot be used for affordable housing or employment and training obligations. As Brownill *et al.* (2015) point out, 'this makes s106 the only negotiable element of planning obligations and could increase its vulnerability to viability assessments depending on how CIL levels are set'.

3.4. Housing benefit

How it supports poverty reduction

Housing benefit is a subsidy provided by the government to low-income tenants in the social and private rented sector to help with the costs of paying rent. Its potential contribution to the reduction of poverty is therefore clear: **housing benefit directly reduces housing costs.**

In August 2015 4.8 million people in the UK were in receipt of housing benefit, around a quarter of all those living in rented accommodation (DWP, 2015c; ONS, 2014). Eligibility for housing benefit is based on receipt of other means-tested benefits and/or overall household income falling below a minimum threshold. For single people aged over 25 this is currently £73 per week, which compares to average UK net earnings of around £360 per week (DWP, 2015d and own calculations). As such, **those in receipt of housing benefit are very likely to be living in poverty** before housing costs.

Impact on poverty

However, **evidence on the direct impact of housing benefit on poverty is limited**. Tunstall *et al* (2013) point to OECD (2011) research which found that cash benefits in general had a positive impact on national income inequalities, which they argue would in turn impact on relative poverty levels, but there was no evidence relating to individual impacts. Whilst housing benefit may buffer some households from poverty, it is important to remember that **some groups in poverty are unable or unwilling to claim**. Homeowners are excluded and many of those who are eligible do not claim, particularly among working tenants (Tunstall *et al*., 2013). One additional complication is that housing benefit, in tandem with other benefits, may create a 'poverty trap' where the financial gains of paid employment are offset by reductions in benefits and the costs of returning to work (travel-to-work, childcare, clothing and so on). For instance, in 2012 a couple with two children and £80 per week rent to pay would need to be earning over £380 per week for their overall income to begin noticeably increasing (Pawson and Wilcox in Tunstall *et al*., 2013).

There is a more significant body of evidence around welfare reforms that have reduced entitlements to housing benefit to those in social housing (through the social sector housing benefit size criteria) and private rented accommodation (through changes to Local Housing Allowance (LHA) entitlements). Each of these changes has impacted on the ability of those already close to or living in poverty.

For instance, the evaluation of the **LHA reforms** (Beatty *et al*., 2014) found that nearly half of claimants cut down on essential items in an attempt to mitigate the shortfall they faced, and nearly a third had to borrow from family or friends due to the changes. **Geography is important** to understanding the impacts of these changes, however. Impacts are greater in areas where shortfalls between market rents and LHA entitlements are higher: recipients of LHA in central London were particularly hard hit, especially larger households who required more than four bedrooms and were also more likely to be subject to the overall benefits cap. LHA rates can also be distorted by LHA areas (Broad Market Rental Areas) covering too large an area and therefore covering both low and high rent areas.

Though smaller than LHA reforms in terms of financial savings to government, the **introduction of social sector housing benefit size criteria** has received significant attention for its iniquitous outcomes. In particular, the DWP's impact assessment estimated that over 60 per cent of affected households would contain people who were registered disabled (although some exemptions have since been made for those needing overnight carers). In many cases it was not feasible for renters to move to a smaller property, because they required the room for equipment or carers – in the case of disabled tenants – or because - in many areas – there was no suitably sized accommodation available.

The impacts of the **social sector housing benefit size criteria** on income levels for those affected are clear. Households deemed to hold a spare room were penalised by losing 14 per cent of their housing benefit (25 per cent for two or more spare rooms). Eighty per cent of the 574,000 households affected in April 2013 remained subject to the penalty over a year and a half later in November 2014. As such, for most households this was **not a short-term shock** that they had been able to adjust to by finding alternative, smaller accommodation. Some indications of impacts on households can be found in a DWP (2015e) commissioned evaluation. This found that 55 per cent of those affected by the bedroom tax were in arrears. Moreover, 57 per cent had cut down on their overall expenditure; of which 76 per cent had cut back on food expenditure and 46 per cent on energy. These findings suggest impacts on material forms of poverty.

Qualitative research by others has suggested further **non-material poverty impacts**. Moffatt *et al*. (2015) found that the reduction in income and stigmatisation caused by being labelled as someone living 'unfairly' in a home with a spare bedroom led to worsening mental health. Bragg *et al*. (2015) also reported that that the effects of reduced income and, in some case, children having to share rooms was impacting on children's education and exacerbating experiences of material deprivation.

The way in which Housing Benefit is paid is changing under the introduction of **Universal Credit** intended to simplify the benefits system through a single payment to replace Housing Benefit, Job Seekers' Allowance, Employment Support Allowance and some tax credits. Housing benefit (as part of the universal credit payment) is paid directly to social housing tenants rather than to landlords in order to increase financial 'responsibility'. In trials of direct payments to landlords through the Direct Payment Demonstration Project, **arrears increased slightly for tenants**, especially during the early stages of implementation, but after 18 months 87 per cent of tenants reported that they were 'coping well' with the system (DWP, 2014) The increase in arrears brought additional financial risk for landlords, but had not tended to lead to evictions because landlords had a 'switch-back' system in place. This meant that tenants were taken off the scheme if they moved into significant levels of arrears, and any losses during the trial were guaranteed by DWP.

3.5. Physical regeneration

How it supports poverty reduction

Housing-led regeneration

Physical regeneration has been used both to **deliver new housing and improve the conditions of existing stock**. Initiatives in the immediate post-war era sought to address poor quality housing and reduce reliance on 'slum landlords' in the inner cities. Large-scale housing regeneration first took place through the Comprehensive Development Areas initiated in the 1950s and 1960s, with General Improvement Areas and Housing Action Areas implemented in the late 1960s and early 1970s. These programmes focused largely on replacing poor-quality pre-First World War housing as part of 'slum clearance' in inner cities. In the 1980s housing regeneration focused more on the quality of social housing and concentrations of social problems within social housing estates, with a raft of area-based regeneration initiatives being implemented. These included: Estate Action; Priority Estates Programme; Housing Action Trusts; and Estates Renewal Challenge Fund (ERCF). There was a wider emphasis on improving broader conditions beyond housing in low income neighbourhoods through enhancements to the physical environment. Some programmes also sought to help residents access training and employment opportunities provided by housing development and refurbishment.

Mixed communities initiatives

Alongside physical regeneration programmes there has been a focus on creating ‘mixed communities’. This overall approach can be defined as attempts to create communities with a diverse range of tenures and housing type alongside improved facilities, services and opportunities. This, it is argued, will improve the lives of disadvantaged residents while also attracting wealthier residents (Tunstall and Lupton, 2010). The rationale is that interaction between wealthier and less affluent residents might bring increased economic opportunities for the latter through attendant effects on aspiration, motivation and the opportunities afforded by broader social networks.

Impact on poverty

An evidence review undertaken by Crisp *et al*. (2014) looked at the impacts of housing-led regeneration programmes on poverty, using the 'material' and 'non-material' distinctions outlined in Section 2. It concluded that there is widespread evidence to suggest **housing-led regeneration could generate improvements around non-material aspects of poverty, but had less impact on material forms of poverty.** Specifically, it cited studies that reported positive outcomes around non-material forms of poverty including improved satisfaction with home and neighbourhood and increased optimism about the future (DETR, 2000; Atkinson and Kintrea, 2000; Evans and Long, 2000; Hull, 2000; Critchley *et al*., 2004; Bond *et al*., 2013). A ‘housing plus’ approach that addresses wider environmental conditions has also been found to enhance outcomes around material and non-material forms of poverty. Reported impacts include reduced crime levels, improved community spirit and commitment to the area, with some potential impacts on income through greater levels of employment (Fordham *et al*., 1997; Evans, 1998; DETR, 2000).

Physical interventions to improve the quality of housing and surrounding areas can, however, result in **disruption for residents**, which can last for relatively long periods of time. This is often unsettling for tenants, although successive studies have found that such disruptions had no significant impacts on the physical and mental health of residents (Thomson *et al*., 2001; Egan *et al*., 2013).

In the 2000s, the Housing Market Renewal Pathfinders (HMRPs) undertook larger-scale regeneration programmes with three overarching aims: to reduce vacancy rates, improve the quality of the housing stock and address deprivation. The programme broadened focus beyond social housing to include all tenures. Because of this, housing and neighbourhood improvement leading to increased demand could in turn lead to **increased housing costs** (for rental and owner-occupier tenures), resulting in the possible exclusion of poorer households (Pemberton, 2009; Leather and Nevin, 2013; Crisp *et al.*, 2014). This is a general issue relating to housing improvement and not just limited to HMRPs. The early curtailment of the programme in 2010 by the Coalition government then left many residents living in areas characterised by boarded-up houses, barren demolition sites and a reduction in local amenities. However, HMRPs did achieve high numbers of outputs: In total 108,000 dwellings were refurbished, 15,000 new properties built and 31,000 'obsolete dwellings' cleared (Leather *et al*., 2012) through the HMRPs. This led to improved health, residents feeling safer and reduced crime (NAO, 2007; DCLG, 2009; Leather and Nevin, 2013).

The Decent Homes programme, introduced in 2000 and focusing almost solely on social rented accommodation, operated on an even larger scale. By 2009 it had led to improved conditions for 1.4 million households (NAO, 2010), with likely – although not systematically evaluated – benefits including physical and mental health improvements as a result of better housing conditions, including as a result of living in warmer homes (Gilbertson *et al*., 2008; Jones, 2012), and increased satisfaction with home and neighbourhood leading to improved well-being (Bennington *et al*., 2010; Hickman *et al*., 2011).

Evaluations have also been undertaken of a number of initiatives aimed specifically towards the creation of mixed communities, including the Mixed Communities Initiative (2006-9) in the UK. Although the evaluation took place at a point when it was too early to understand the overall outcomes (projects were designed to last 10-20 years), existing residents tended to be **doubtful about the benefits of increased social mixing**, although the allied physical environmental and housing improvements were valued (DCLG, 2010). Findings from a more extensive evaluation of the HOPE VI mixed communities programme in the United States found **little impact on the economic circumstances and employment of residents**. Instead individual characteristics (health, educational achievement and so on) were deemed to be the key determinants of employment outcomes (Levy and Wooley, 2007). These findings from both the UK and United States suggest that mixed communities initiatives have little direct impacts on poverty, at least not in material terms.

3.6. Monetary policy

How it supports poverty reduction

Monetary policy is not an explicit anti-poverty lever but can have **far-reaching impacts on underlying housing supply, demand and affordability**. The aim of monetary policy is generally to maintain stability of prices by increasing or decreasing the supply of money, principally through the manipulation of interest rates and regulation of credit. It can also be used to stimulate growth through lowering the cost of borrowing, usually by reducing interest rates, or sometimes through increasing the money supply directly; for instance through quantitative easing.

Monetary policy can impact directly on households living in poverty. For example an increase in the Bank of England base rate can lead directly to **increased borrowing costs,** with impacts on individual mortgage-holders as well as potentially those living in rented accommodation through increased rents.

Impact on poverty

There is **little evidence** focusing specifically on poverty and housing in relation to monetary policy. What little evidence there is suggests that changes in macroeconomic conditions such as inflation and credit supply will have the greatest impact on those with lower incomes, and that monetary policy to stabilise conditions can prevent the worst effects of these variations being experienced (Romer and Romer, 1998). In terms of housing, borrowing costs have the most direct impacts, as evidenced by the 'credit crunch' experienced in 2008.

Williams (2011) reports on a number of the effects of these changes, as follows. Owing to high and rising housing prices in the UK, many households had a high debt to income ratio, sustained by the availability of relatively cheap credit. Rapid changes in 2008 led to a reduction in the availability of high loan-to-value loans, reduction in the overall number of products on offer and increased borrowing costs. This was accompanied by a fall in house prices by an average of 15-20 per cent, leading to negative equity rising from one per cent of homes in 2007 to between seven and eleven per cent in spring 2009 (Hellebrandt *et al*., 2009). A large number of households became 'trapped' on standard variable rate (SVR) mortgages because they could not access alternative mortgages. SVR mortgages often carry higher interest charges and also leave households vulnerable to rate increases. In addition, those with imperfect credit histories or unconventional incomes were already paying a mortgage premium owing to the higher risk of lending to these households. These 'sub-prime' borrowers had become an increasing market for lenders in the 2000s, accounting for around 10 per cent of all mortgages by the late 2000s.

These changes were partly responsible - alongside wider economic problems such as increasing unemployment and stagnant wages - for an **increase in the number of borrowers in arrears** from 25,900 in 2007 to 65,300 in 2009; a 250 per cent increase. Over the same period the number of **repossessions** rose from 25,900 in 2007 to 46,000 in 2009. Importantly, however, Williams (2011) argues that Bank of England (BoE) intervention prevented possessions levels reaching the levels seen in the 1991 recession. The BoE reduced the base rate from 5.75 per cent in July 2007 to 0.5 per cent in March 2009, embarked on a large-scale programme of quantitative easing, and later launched a Funding for Lending Scheme which provided low-cost loans to banks for lending to house buyers (Kemp, 2015). This also protected PRS tenants from some of the effects of the financial crisis (Kemp, 2015) as the impacts on buy-to-let landlords were dampened, in turn reducing the risk of tenants' homes being repossessed.

3.7. Housing law and regulation

How it supports poverty reduction

Housing law frames many of the issues on housing and policy. It shapes, for example, decisions on rent- levels, quality standards and security of tenure. A range of policy options is available to governments, including:

- regulation of social and private rented housing rents
- regulation and enforcement of housing standards
- laws on the form and duration of tenancies.

In order to consider the role of housing law and regulation it is useful to consider the UK in comparison to other nations. For instance, in the UK intervention in private sector housing has tended to be lower than in some other countries such as Germany, where rent regulation and long-term tenancies have been in place for over 40 years (Kemp and Kofner, 2010). As Kemp and Kofner (*ibid*.: 380) state:

> *It is taken for granted by private landlords and policymakers in England that free market rents and limited security of tenure are essential preconditions for a financially viable and vibrant private rental housing market to exist. And yet in Germany – which has a very large private rented sector – 'soft' rent regulation has been in place since 1971 and tenants have very strong security of tenure, conditions that in England would be seen as inimical to investment in the sector.*

Since 1996 the default tenancy in the PRS in England is an ***assured shorthold tenancy*****,** which is a fixed-term tenancy of at least six months, at the end of which landlords can regain possession unless they renew the tenancy. Since 1989 landlords have been free to set rents in line with the market and alter rents during tenancies if the contract allows for it. By 2008 three-quarters of all lettings were deregulated, of which 85 per cent were assured shortholds (ibid.: 387). By contrast there are restrictions on rent-setting and the form of tenancy in Germany. Rents are set in relation to a local reference rent, which relates to the average market price in the area and landlords are not permitted to raise rents by more than 20 per cent over three years. Tenancy contracts tend to be open-ended and landlords have no right to arbitrarily cancel the contract.

Impacts on poverty

It is difficult to pinpoint the specific impacts of regulation on poverty. Instead, the impacts feed through the housing system and are picked out in part through each of the areas outlined above. It is clear, however, that the UK model of regulation creates additional poverty risks in relation to both security and cost.

4

City-regional policy on housing and planning: levers for tackling poverty

This section looks at how new devolved structures - Local Enterprise Partnerships (LEPs) and combined authorities - have incorporated housing and planning in their strategies and implementation plans. It reflects specifically on the extent to which both the 'offers' and 'asks' made around housing and planning have the potential to support anti-poverty objectives. It begins with a discussion of devolution policy in England (6.1) before analysing the content of the LEPs' Strategic Economic Plans and Growth Deals (6.2) and the devolution deals engineered by combined and local authorities (6.3).

4.1. Devolution in England

The English **devolution 'revolution'** since 2010 has seen the creation, or acceleration, of new forms of sub-regional governance (LEPs and combined authorities) that have received additional funding and powers ('freedoms and flexibilities') from central government. The first significant wave of devolution saw the Coalition replace Regional Development Agencies (RDAs) with non-statutory **Local Enterprise Partnerships (LEPs)** in 2011 that were tasked with stimulating private sector-led economic development at the sub-regional level. LEPs have been able to access funding through a number of initiatives including the Regional Growth Fund, Growing Places Fund, City Deals and Growth Deals to support a range of interventions around housing and planning, skills, transport and economic development.

A second wave of devolution has been marked by on-going agreement between central government and city regions of '**devolution deals'**, with Greater Manchester announcing the first deal in November 2014. As part of this, the Cities and Local Government Devolution Bill introduced in 2015 paves the way for the creation of 'metro-mayors' to head combined authorities and for the transfer of statutory powers. So far **devolution deals** have been signed with Greater Manchester, the Liverpool City Region, the North East, Tees Valley, and Cornwall. A number of further applications are pending approval by government.

The nature of these **bi-literally negotiated deals** varies by area with no consistent menu of devolved powers and responsibilities. Agreements range from full devolution of powers and funding over specific policy areas or programmes through to a Government commitment to 'work with' the area to explore opportunities for closer partnership in the future (Sandford, 2015a). Alongside these locally negotiated powers there has also been some **fiscal devolution** with the Chancellor proposing to allow local authorities to retain 100 per cent of business rate revenue. The Cities and Local Government Devolution Bill also allows mayoral combined authorities to introduce a precept on the council tax bills of residents in the combined authority area.

These wide-ranging institutional changes provide new opportunities for sub-regional bodies to acquire new funding and powers to shape housing and planning policy in their area. The Greater London Authority (GLA) has been at the **forefront of change** through the acquisition of powers over land allocation, housing investment and development formerly exercised by the Homes and Community Agency (HCA) as part of the Localism Act 2011 (see Box 5 below). Combined with new powers over regeneration, these functions enable the Mayor to bring together strategic direction and investment with decision-making on housing and key infrastructure. The devolution deals currently being agreed provide opportunities for combined authorities to begin to gain similar flexibilities.

Box 5: Planning and housing powers in London

Since its creation the Greater London Authority (GLA) has acquired a number of powers around housing and planning including:

- The 2007 Greater London Authority (GLA) Act introduced a discretionary power for the Mayor to assume jurisdiction over small numbers of planning applications that are of strategic importance to London and determine them in place of the borough (Barclay, 2012).
- The Mayor has power to ensure that local development plans are in compliance with London Plan. Boroughs are expected to meet targets for affordable homes and land supply set out in the Mayor’s London Housing Strategy.
- The 2011 Localism Act transferred HCA funding and responsibilities around housing and regeneration strategy, investment in social housing and management of land to the GLA (GLA and HCA, undated). In 2012 the GLA also took control of all London assets and staff from the Homes and Communities Agency, creating a new Housing and Land directorate. It is suggested that this ‘consolidation of public assets [is] a key means through which additional affordable homes can be delivered over the coming years’ (Harrison *et al.*, 2013).
- The coalition Government also announced a decision to devolve additional powers to the Mayor in March 2015 that included establishing a London Land Commission, to handle the release of public sector land (Sandford, 2015).
- Alongside these powers, the Mayor launched a voluntary accreditation scheme for letting agents and landlords, the London Rental Standard, in 2014 to improve standards in the PRS although this has been criticised for low take up[2].

There is a strong focus on increasing supply as part of London's strategic approach to housing and planning. The London Mayor has taken forward plans for the development of 31 Housing Zones in partnership with London boroughs and their development partners as part of his Housing Strategy. The London Plan (2015) also identified 38 Opportunity Areas and 7 Intensification Areas for development[3].

[2] http://www.theguardian.com/money/2015/jul/20/boris-johnson-good-landlord-scheme-flop
[3] For more information see http://www.futureoflondon.org.uk/2015/02/13/londons-opportunity-areas/

In theory, these new freedoms and flexibilities provide some scope for city-regional institutions to pursue housing and planning policies that diverge from national policy priorities. There is potential, therefore, for LEPs and combined authorities to use housing and planning interventions as a lever to meet the housing needs of low income groups and support anti-poverty objectives. The extent to which they are beginning to do so can be gauged by reviewing key strategic documents, as outlined in the subsections which follow.

4.2. What are LEPs doing on housing and planning?

Housing and planning interventions

All LEPs were required to produce a **Strategic Economic Plan** in 2014 that outlined strategic priorities, laid out claims for funding from the £2 billion a year Local Growth Fund (LGF) and made specific 'asks' in terms of freedoms and flexibility around governance; regulatory powers; access to (additional) funding and resources; and control over the design, delivery and funding of national government programmes. These plans were reviewed by central government and formed the basis of subsequent **Growth Deals** that outlined agreed 'asks' and 'offers' alongside precise allocations of LGF funding. Strategic Economic Plans were, therefore, partly bidding documents and should be read as aspirational statements of intent as much as finalised plans. Not all asks for funding and powers materialised. Nevertheless, they provide an important insight into the scale of ambition of LEPs. As such, they serve to map out the extent to which LEPs are beginning to deploy housing and planning powers to support poverty reduction outcomes, and what more could be done to drive this agenda.

Table 3 below provides a**n analysis of all 39 Strategic Economic Plans and Growth Deal**s. It summarises the principle housing related interventions proposed by each LEP, grouped according to the potential mechanism through which they can address poverty. These groupings are based on three of the housing variables outlined in the earlier conceptual framework (availability, cost, quality) as well as an additional variable to reflect interventions aimed at supporting employment. The two remaining variables - location and security - feature less prominently in documents so are not listed in the table below. In practice, there is clearly some overlap. Initiatives to increase housing availability may impact on cost and quality but interventions have been allocated to one variable only for the sake of simplicity. More detail on particularly innovative or distinctive proposals is provided in Table 4 below. It should be emphasised that this table only shows LEP activities and does not include planned interventions through City Deals or through devolution deals (the latter is discussed separately in Section 4.3). The absence of any particular activity in the table only implies that it is not being undertaken by the LEP. It may be addressed through other city-regional initiatives or by the relevant combined authority.

Reading across the table, the **dominant intervention is accelerating and/or increasing housing supply** under the broader theme of **availability**. This features in the plans and deals of every LEP except Stoke-on Trent and Staffordshire where there are concerns about oversupply in a low demand housing context. In this respect, LEP plans clearly align with the **'pro-growth' logic** of national housing and planning policy focussed on increasing supply in order to house the labour force and provide a direct benefit to growth and jobs as new homes are built (HM Government, 2011). This logic is clearly reflected in the detail of challenges and priorities outlined in plans. Provision of appropriate levels of housing is seen as an essential pre-requisite to enable economic growth by attracting and retaining a skilled workforce and, in some cases, accommodating current or projected population increases. Housebuilding also creates jobs which, at least in theory, could provide work and additional income to households in poverty. This job creation potential is highlighted in many of the documents.

Housing shortages are attributed largely to **bottlenecks in assembling and building out allocated land** rather than the planning system squeezing supply. A lack of 'shovel-ready' land and enabling infrastructure (e.g. access roads, utilities and broadband) are often presented as stymieing development by limiting the viability of sites. Accordingly, there is a strong **emphasis on unlocking housing development** through assembling land, providing infrastructure and, in fewer cases, streamlining the planning process. A number of LEPs also propose using some form of **'revolving' infrastructure fund** that combines different funding streams to support the provision of enabling infrastructure and site development. Subsequent proceeds such as land receipts and s106 or CIL contributions are recycled back into the fund to support further development.

A small number of LEPs also propose **innovations around financing housing development** including an enhanced 'earn-back' mechanism for proactive stewardship of HCA land (The Marches); Tax Increment Financing where future revenue from increased business rates could support upfront financing (Enterprise M3); and full devolution of property taxes i.e. council tax, business rates, stamp duty land tax, annual tax on enveloped dwellings and capital gains property disposal tax (London). New **joint vehicles to manage the identification and disposable of public land and assets** are proposed in some cases, whilst many LEPs make asks around greater flexibility in terms of access to, and use of, **HCA funding** that is currently seen as unresponsive to local need. In some cases this extends to co-design of HCA programmes with other core cities (D2N2); reconfiguring the relationship so the LEP commissions the HCA to deliver locally tailored activities (Leeds City Region); and even full devolution of HCA powers (West of England).

The consensual 'pro-growth' focus on increasing supply may eventually support poverty reduction through the increased availability, better quality and lower costs of housing. It may also support the economic growth needed to generate additional or enhanced job opportunities in the city region by accommodating a growing or more highly skilled workforce. But these potential **trickle down benefits** are far from certain. Benefits to households in poverty are perhaps more likely to accrue through some of the other types of interventions listed in the table. In terms of initiatives that relate to availability, almost every LEP commits to increasing the supply of **affordable housing**, although the notion of 'affordability' remains problematic, as outlined in Section 1. More concretely, a number of LEPs request an increase in, or to lift entirely, the **Housing Revenue Account (HRA) borrowing cap** that could support development of new local authority housing. Given that HRA borrowing can be used to build properties at social rather than affordable rents, this may have greater potential to support poverty reduction by keeping rents low than a general commitment to affordable housing.

The remaining types of intervention around cost, quality and employment have, arguably, a greater likelihood of impacting on poverty but all command less widespread support. In terms of **quality**, there are some proposals for **housing-led regeneration** (18 LEPs) although this is often framed in terms of delivering new housing with wider mixed use developments. These may have limited poverty-related outcomes if new build homes are provided at, or close to, market sale or rents. There is **little commitment to more traditional forms of housing-led regeneration** based around improving existing stock or wider place-shaping activities to improve public realm in low income neighbourhoods. Improving housing quality directly through **refurbishment of existing stock** only features intermittently in plans. Among these, the Humber and Lancashire LEPs stand out by virtue of their detailed plans to improve existing stock as part of wider regeneration efforts. Meanwhile, Lancashire and the South East LEPs are distinguished by their stated intent to tackle **unacceptable housing conditions in a PRS sector** deemed to be failing their respective coastal communities.

Interventions that have the potential to impact on direct or indirect **housing costs** are relatively scarce. Despite widespread concerns over the concept of affordability, Leeds City Region is the only LEP to propose intervening to reduce housing costs by subsidising top up payments to bring down affordable housing rents. A larger number of LEPs (11) promote **energy efficiency initiatives**, either in terms of the design of new properties or retrofitting existing stock. This is rarely framed explicitly in terms of reducing fuel poverty, however, with a tendency to focus on the wider benefits of a low carbon economy around emissions or jobs. Finally, a minority of LEPs make reference to the potential for housing construction activities to **provide employment.** Few of these, though, explicitly identify the potential to target disadvantaged groups through the use of 'local labour' clauses in planning or procurement agreements. Certainly, there is very limited provision in plans for combined approaches to levering developer contributions such as social housing or targeted employment and training. The Humber SEP suggests that of the 60,000 new dwellings planned for 2026/2030, 15 to 20 per cent should be affordable housing. However, it is unclear how that requirement is to be delivered or enforced.

The South East Midlands LEP is the sole LEP to propose a **comprehensive employment support initiative** that is, at least indirectly, linked to housing by building on the existing work of the Neighbourhood Employment Programme in Milton Keynes. This provides family support, mental health therapies, work experience and employability to residents of neighbourhoods where employment and poverty is highest. Whilst not strictly a 'housing plus' programme, it does include individuals presenting in 'housing need' amongst target groups. Other LEPs may provide forms of employment support but these are not shown here as they are not part of housing-related activities or do not target particular groups by virtue of housing circumstances.

In summary, LEPs have a clear pro-growth focus and only a minority combine this with an explicit emphasis on tackling poverty or related forms of disadvantage through housing and planning interventions. This is perhaps not surprising given the strategic remit of LEPs which is focussed on delivering growth, as well as the skillset of staff which is often based around delivery of large-scale infrastructure projects.

Table 3: Housing and planning proposals in Strategic Economic Plans and Growth Deals

	Increase availability					Improving quality			Reducing costs		Supporting employment through housing activities	
	Accelerating housing delivery/ increasing supply	*Increasing the supply of housing in the PRS*	*Increase the supply of affordable housing*	*Increasing the supply of local authority housing through increased HRA borrowing*	*Reusing empty homes*	*Improving housing quality*	*Delivering housing-led regeneration*	*Regulate the PRS*	*Reducing direct housing costs*	*Energy efficiency*	*Linking housing development to job creation*	*Providing employment support*
Black Country	●	●	●	●			●			●	●	
Buckinghamshire Thames Valley	●	●	●									
Cheshire and Warrington	●	●	●	●								
Coast to Capital	●	●	●	●			●				●	
Cornwall and Isles of Scilly	●		●	●								
Coventry and Warwickshire	●	●	●	●								
Cumbria	●		●									
D2N2	●	●	●	●			●					
Dorset	●		●				●					
Enterprise M3	●		●	●			●				●	
Gloucestershire	●		●				●					
Greater Birmingham and Solihull	●		●	●						●		
Greater Cambridge & Greater Peterborough	●		●	●								
Greater Lincolnshire	●		●									
Greater Manchester	●											
Heart of the South West	●										●	
Hertfordshire	●		●				●					
Humber	●		●	●		●	●			●	●	
Lancashire	●	●	●	●		●		●				
Leeds City Region	●		●		●		●		●	●	●	
Leicester and Leicestershire	●		●	●			●					
Liverpool City Region	●	●			●		●			●	●	
London	●	●	●	●			●			●		
New Anglia	●	●	●	●			●				●	
North Eastern	●		●				●					
Northamptonshire	●	●	●				●				●	
Oxfordshire	●	●	●	●			●				●	
Sheffield City Region	●										●	
Solent	●		●	●								
South East	●	●	●	●	●	●	●	●			●	
South East Midlands	●		●							●	●	●
Stoke-on-Trent and Staffordshire			●	●	●	●				●		
Swindon and Wiltshire	●		●	●								
Tees Valley	●		●	●						●		
Thames Valley Berkshire	●		●									
The Marches	●		●				●					
West of England	●		●							●	●	
Worcestershire	●	●	●	●	●					●		
York, North Yorkshire and East Riding	●		●									

Innovations

Alongside the dominant pro-growth logic of LEPs highlighted above, there are some individual examples of innovation in terms of the nature of the intervention, funding mechanism or governance structures which - at least on paper - have the potential to support anti-poverty work. The significance of these are discussed in Table 4 below.

Table 4: Innovations in Strategic Economic Plans and Growth Deals

Intervention type	LEP	Proposal	Why significant
Innovations around increasing housing availability			
Increase supply of housing in the PRS	Lancashire	Blackpool plans to take a stake in the failing PRS sector by establishing a new commercial vehicle to directly acquire and manage a significant stake in the private rental market.	The only LEP to focus on failings on the PRS and propose direct local authority control to mitigate this. Could provide a model of tackling quality and cost issues in the PRS without reliance on regulating private landlords.
Increase supply of affordable housing	Buckinghamshire Thames Valley	Plans to launch a Real Estate Investment Trust (REIT) pilot to encourage businesses and other local partners to invest in affordable housing in through an investment vehicle which can deliver a 3-8% return on investment.	Only LEP to propose using investment trust to fund affordable housing. Offers alternative mechanism for raising funds for affordable housing.
	Dorset	Proposes a partnership with Charity Bank to generate funding to support development of additional affordable housing that could include Community Land Trusts.	Innovative partnership with third sector funding vehicle to raise funds for affordable housing including community-based forms (e.g. CLTs) that could support poverty reduction.
Increasing the supply of local authority housing through increased HRA borrowing	London Coventry and Warwick-shire D2N2	Suggest lifting HRA cap entirely to allow borrowing against assets on a more commercial (prudential) basis. London also raise possibility of 'headroom trading' i.e. boroughs giving away their headroom in return for priority places for residents in new developments.	Lifting the HRA cap entirely will provide greater scope for local authorities to borrow to support the development of social housing. Headroom trading may enable areas less well positioned to undertake development to meet housing needs of residents.
Bring empty properties back into use	Leeds City Region	Aims to establish a 'Recycling Empties' Fund within the wider City Region Investment Fund which will bring empty buildings back into use as commercial properties or dwellings.	Only LEP to propose dedicated fund for bringing empty properties back into use. May help to increase stock of genuinely affordable housing.
Innovations around improving housing quality			
Improving housing quality	Humber	Growth Deal outlines plans to refurbish 4,500 homes (building on existing Regional Growth Fund initiative).	Only LEP to suggest more traditional forms of housing-led regeneration through refurbishment on this scale.

Regulating the PRS	Lancashire	Blackpool identified a series of potential interventions to regulate and manage a local PRS deemed to be failing: i) Reduce housing benefit payment levels by 25 per cent for accommodation developed without the benefit of Planning Permission, with savings reinvested in the South Beach Transience Pilot to address welfare and employment needs. ii) Explore scope for using Housing Act powers to control space and amenity standards within HMOs and similar properties. iii) Take a stake in the failing PRS sector by establishing a new commercial vehicle to buy and manage PRS properties.	Unique in its emphasis in tackling the failings of the PRS and only LEP apart from South East to propose flexibility around Housing Benefit as well as PRS regulation, and directly taking over management of PRS stock.
	South East	Provide a wide ranging package of proposals to tackle 'dysfunctional' PRS in coastal communities. Centres on increasing stock that is owner occupied or rented privately to non-Housing Benefit recipients. An additional ask is that landlords that do not meet Health and Safety regulations would be unable to receive benefit payments directly on lettings of that property.	Whilst some of the suggested measures seek to decrease the proportion of PRS and potentially reduce the stock of affordable housing, the ask is significant for proposing to use payment of Housing Benefit as a lever to improve conditions in the PRS.
Innovations around reducing housing costs			
Reducing direct housing costs	Leeds City Region	Identifies need to need to add value to existing HCA Affordable Housing Programme investments through LGF funding by providing a marginal ‘top up’ to affordable housing payments with the effect of reducing rent levels.	Sole LEP to suggest that costs of 'affordable' housing should be reduced through direct top up payments. Has potential to reduce housing-cost related poverty.
Energy efficiency	Greater Birmingham and Solihull	Looking to expand energy efficiency programme initiated through City Deal funding that targets fuel poor, vulnerable groups whilst providing high value opportunities in customer service, construction, manufacturing and business support.	Unique in emphasis on using energy efficiency project to tackle fuel poverty whilst creating employment.

	West of England	Planning £9.1m investment in retrofitting that is linked to broader strategic ambitions around local energy control.	Highlights the potentially significant scale of a retrofitting programme and how this can be embedded in broader strategic ambitions (around low carbon industries and local energy control) in a way that connects poverty and growth agendas. It also links this to the potential to create jobs and reduce unemployment.
Innovations in supporting employment			
Linking housing development to job creation	Heart of the South West	Suggests linking ex-offenders to construction opportunities through skills development activities.	Only LEP that explicitly identifies the potential for targeting marginalised groups to take up construction opportunities.
	Leeds City Region	Outlines a commitment to develop the local supply chain and workforce (via training and job opportunities) through procurement frameworks (e.g. procurement enorth and yorbuild and HCA DPP2).	One of two LEPs (alongside the Humber) to explicitly identify housing activities as an opportunity to promote the use of local labour through existing procurement frameworks. This could have poverty reduction impacts if carefully targeted.
Providing employment support	South East Midlands	Proposes a comprehensive employment support initiative by building on the existing work of the Neighbourhood Employment Programme in Milton Keynes. This provided family support, mental health therapies, work experience and employability to areas residents of neighbourhoods where employment and poverty is highest.	Unique in proposing a comprehensive employment support programme that could engage those in 'housing need' among other disadvantaged groups in areas of high poverty and unemployment.

4.3. Devolution agreements

Devolution agreements provide a further indication of how new freedoms and flexibilities around housing and planning are being acquired and exercised at the city-regional level. Devolution documents are relatively thin documents with comparatively little detail on strategic priorities and planned interventions. This makes it difficult to identify precisely which mechanisms may (or may not) contribute to outcomes around poverty reduction. Moreover, many proposals are simply a *commitment* to enter into dialogue with government about acquiring powers, accessing funding or delivery mechanisms. The following sub-section summarises key elements of the agreements - a more detailed overview is provided in Appendix A.

With these caveats in mind, the main proposals around housing relate to the creation of some form of **Housing Investment Fund (HIF)** to support development. Only Greater Manchester has actually established a HIF so far. The separate prospectus for this £300m fund indicates that is principally a vehicle to provide loans to private developers with the expectation that the Treasury will recover 80 per cent of the initial investment in the HIF. It makes no mention of affordable housing. This suggests the Fund is designed to support the development of private housing for sale that will generate sufficient margins for developers to repay loans. It is difficult, therefore, to see if and how it might support forms of low cost housing that could address issues around housing availability and cost. Elsewhere, the only devolution agreement to directly address the **supply of affordable housing** is Cornwall's vague commitment to discuss 'ambitions' around low cost housing with the government. Otherwise there appears to be little interest in using devolution deals to boost the supply of affordable housing.

Other housing measures that have the potential to reduce poverty include the North East's aspiration to review regulatory powers with government to enable improvements in the **quality of PRS housing** and challenge poor quality landlords. This concern to regulate the PRS is not identified, however, in any other agreement. Cornwall also highlights the potential for **energy efficiency** programmes with potential synergies around regeneration although these are not spelled out. Evidently, energy efficiency programmes may offer potential to reduce fuel costs and related forms of poverty, especially if targeted at social housing as suggested. They may also generate employment opportunities, although this is not explicitly mentioned.

In terms of **planning**, the proposals in the devolution deals are **limited and tentative**. Enthusiasm for combined city regional planning clearly varies in devolution agreements (as well as Strategic Economic Plans) and this is reflected in the scope of city-regional planning proposals. The Greater Manchester authorities are producing a statutory spatial framework to manage the supply of land for jobs and new homes across Greater Manchester. The Spatial Framework will provide the overarching development plan for Greater Manchester's ten local planning authorities.

A single statutory plan could ensure consistency of purpose across the range of local and neighbourhood plans currently being produced. For example, the Greater Manchester deal includes proposals for a city-wide CIL contribution. In some cases (e.g. Merseyside) there are proposals for the mayor to be consulted on planning applications of strategic importance and empowered to call them in with the relevant council's consent. A number of devolution deals include proposals to develop a **land commission or joint asset board** to manage the release of public sector assets and there are also plans for mayoral development corporations and mayoral development zones as envisaged by the Cities and Local Government Devolution Bill.

However there are likely to be considerable political and technical challenges in developing a meaningful joint commitment on housing land allocation and planning contributions given the diversity of local circumstances. The need for **local authority consent is expected to be a significant constraint** on mayoral powers over planning in Greater Manchester and the statutory framework will not replace local plans. Moreover, a city regional planning framework will only help to address poverty if it includes relevant policies (e.g. increased delivery of affordable housing, employment and training obligations). Much of what is proposed is already in place in London and would fall short of the powers of the London Mayor such as those transferred from the HCA, as outlined in Section 4.1

There is very **limited provision in devolution deals for combined approaches to levering developer contributions** such as social housing or targeted employment and training. The Greater Manchester deal is unusual in including plans to implement a **Community Infrastructure Levy (CIL)** to support development and regeneration, but this is subject to the unanimous approval of the Mayor's Cabinet. The document is not clear on how the city-regional CIL would relate to local authority CIL charges (in London, a mayoral CIL to fund Crossrail is charged separately). The Greater Manchester CIL may be difficult to implement because of viability constraints and different approaches to CIL within member authorities (Carpenter, 2015).

In general the devolution deals, as well as SEPs, are **mainly concerned with helping developers to overcome potential barriers to housing development**. The North Midlands devolution agreement would explore 'how best to tackle the nontake-up of planning permissions, including fiscal and regulatory measures', but there are no firm proposals in the document. Both devolution deals and SEPs tend to set ambitious targets for new housebuilding. Notably, devolution deals are even less orientated to achieving other objectives that might support poverty reduction than the Strategic Economic Plans and Growth Deals. But it remains important to emphasise that devolution deals are short on detail and further innovation around housing and policy may emerge in subsequent developments.

Final reflections: what more could be done?

5

This final section reflects on the limits of the current devolution agenda and, partly drawing on examples outside of England, reflects on what more could be done to support anti-poverty work through devolved freedoms and flexibilities around housing and planning.

5.1. Scope for enhanced freedoms and flexibilities

The analysis of Strategic Economic Plans, Growth Deals and devolution agreements highlights a common **pro-growth logic** focussed on accelerating or increasing the supply of housing through unblocking the obstacles to building out allocated land. This focus on growth may be an important pre-requisite for creating the economic conditions in which city regions can generate jobs and raise household incomes. However, the benefits of growth will not necessarily trickle down and there is little evidence to suggest that city-regional stakeholders have embraced an 'inclusive' growth agenda, at least in terms of housing and planning. LEPs, combined authorities and other bodies negotiating devolved powers and funding have shown far **less inclination to acquire and deploy new freedoms and flexibilities around housing and planning that that might enable them to pursue anti-poverty objectives**.

To some extent, this may reflect the traditional role that local authorities continue to play in addressing housing need and exercising related statutory responsibilities. The focus of city-regional institutions on stimulating economic growth through, among other things, ensuring necessary housing development, could be seen as a logical, complementary role. In other words, housing supply is tackled more strategically at the level at the sub-regional level whilst the housing needs of lower income households remain a local concern. The emphasis placed on investing in growth also resonates with national policy priorities.

However, the clear risk is that the pro-growth approach of sub-regional strategies **misses opportunities to address the housing needs of low income households**. As the analysis above shows, there are few direct interventions planned to address key housing variables - availability, cost, quality, location and security - in a way that supports anti-poverty goals. Whilst the nature of powers that have been devolved will invariably limit the scope to intervene, there is arguably more that can be done under existing powers and as part of future 'asks'. Although recent devolution initiatives have undoubtedly been oriented towards delivery of large-scale capital projects to support growth, there are opportunities to steer these to achieve social and economic objectives. The current round of devolution agreements are beginning to devolve greater powers and funding over **revenue-based social programme areas**, as exemplified by Greater Manchester taking control of the sub-regional budget for health. Any future wave of devolution could be used to promote a more poverty-focused agenda around housing, planning and other policy areas.

Rowing back to the present, there certainly remains **more scope for city-regional institutions to better use existing powers or make additional asks** around housing and planning to tackle housing-related poverty and disadvantage. This would seem essential to counter the direction of national policy. As Section 1 showed, current housing and planning policy is inimical to supporting low income households to secure low cost, high quality and secure accommodation that provides a stable basis for accessing other opportunities such as employment and training. This has not always been the case and Section 3 highlights the way in which national policy levers can, albeit in sometimes limited ways, support poverty reduction outcomes. Many of these levers such as regeneration that improves housing quality, providing genuinely affordable social housing, and levering obligations through planning and procurement are already - to varying degrees - in the gift of LEPs and combined authorities.

The innovation shown by individual LEPs (see Section 4.2) provides valuable learning about potential interventions and asks in some areas that could be shared more widely. Examples include topping up rents (Leeds City Region), tackling conditions in the PRS (Lancashire), large scale energy efficiency programmes (Greater Birmingham and Solihull) and levering 'local labour' clauses into contracts for development (Leeds City Region). London's call for full devolution of property taxes, though currently unheeded, also suggests the potential for **fiscal devolution** to provide more local funding and control over housing that could support interventions with poverty reduction outcomes. At the same time, the highly uneven level of tax receipts this would generate if rolled out across England suggests this is a policy likely to benefit those areas with strongest growth and most buoyant housing markets.

This is also more that LEPs and combined authorities could do to **extract 'social value'** via the various land commissions and mayoral development corporations created through devolved agreements. These offer significant potential to lever commitments from developers as part of the disposal of public assets and this may partially compensate for the weakening of existing planning obligations. Certainly, there is a wide body of evidence on good practice in securing social value through the development of physical assets (While *et al.*, 2016). Yet discussion is almost entirely absent in the devolution documents reviewed despite its potential to generate affordable housing or provide direct training and employment opportunities. Evidently, much of this activity is currently driven by individual local authorities but the growing scope of city regions to direct planning and procurement activity means that LEPs and combined authorities can support this agenda too.

There is still more, though, that can be done beyond the existing asks and offers already outlined. One way of exploring the scope for further devolved powers is to look at other policy proposals that housing policy commentators have called for and, where possible, to identify evidence outside of England where this has been put into practice. The remainder of this section looks, therefore, at how of the key housing issues might be addressed at the city-regional level through **new approaches**. Some of the examples given are policies and proposals at national level but which could translate into devolved powers. Evidently, many run against the grain of current national policy in England or would require new legislation so would not be easy asks to secure. Capacity to secure and operate these levers will also vary across LEPs and combined authorities that have very different levels of both staffing and institutional expertise around housing and planning. At this stage, the aim is simply to review some of the additional freedoms and flexibilities city-regional bodies might request.

Housing availability

The active promotion of home ownership and the PRS in England at the expense of the social rented sector has contributed to the decline in affordable, 'decent' and secure forms of housing for low income households in recent years. However, this is far from inevitable and housing policy in Scotland highlights possibilities for taking a **more proactive approach to supporting social housing**. The Scottish Government have committed to deliver at least 30,000 affordable homes, of which at least two-thirds will be for social rent, including 5,000 council houses, during the lifetime of the current Parliament by 2016 (Powell *et al*., 2015). They will also **end the right-to-buy** in 2016 to stem the permanent loss of social rented stock that becomes private housing. One option, therefore, is for devolved powers over the exercise of right-to-buy to enable city-regions to control the decline of social housing.

In England, the recent report published by the London Housing Commission (see IPPR, 2016) proposed a number of housing and planning reforms alongside current powers to increase the stock of housing, including affordable homes, whilst improving housing quality:

- Exempting London from the National Planning Policy Framework (NPPF) and giving the mayor's London Plan the same status as the NPPF as well the power to force boroughs to change their plans if they are not identifying enough land for housing.
- Allowing the London Housing Committee to set planning fees for London.
- Permitting both the GLA and the boroughs to borrow more for housebuilding and infrastructure.
- Devolving stamp duty [4] on the same model as the government's recent devolution of business rates to local authorities
- Allowing boroughs to levy council tax on developments that fail to meet agreed building targets and also to create their own landlord licensing schemes.

The Commission advocates that, in return, the Mayor and boroughs commit to doubling the supply of new homes in London to 50,000 per year by 2020; ensuring that London has sufficient housing at submarket rents; and eliminating non-decent housing in the private rented sector by 2025. If realised, this could have significant poverty mitigation and reduction outcomes.

Increasing the stock of genuinely affordable social housing through new development may help to address a number of housing-related pressures that impact on material and non-material forms of poverty. Development is currently constrained, however, by the decline in grant funding for affordable housing as well as the HRA borrowing caps for local authorities. **Raising or even lifting the HRA cap** may provide some scope for further borrowing but this is unlikely to be sufficient to fund the development of significant new levels of housing. Devolved institutions wishing to increase levels of affordable housing may, therefore, need to consider **alternative options for raising funds** for development.

Possible sources of additional funding could include devolved property taxes as requested by the London LEP; devolved housing benefit revenues to shift the

[4] This is already policy in Scotland where the Scottish Government have replaced Stamp Duty Land Tax with the Land and Buildings Transaction Tax under powers received through the Scotland Act 2012.

balance from 'benefits to bricks' and support capital investment in affordable housing (GLA, 2014); or some form of **land and property value tax**. Dorling (2015) suggests the latter could be achieved incrementally by extending council tax bands. The introduction of a new Band I for Council Tax in Wales in 2005 for properties worth £424,001 and above highlights how incremental extensions could be achieved. Land value taxes have been used overseas although use appears to be diminishing. Monk *et al*. (2013) report that land value taxes levied on the unimproved value of land have been used in Denmark and New Zealand although both countries are moving away from this approach. At the same time, some parts of Pennsylvania in the United States use land value taxation at a municipal level which illustrates the potential for such a tax to be introduced in a devolved context. Advocates suggest land value taxes act as an incentive to dampen speculation and put dormant land to use (e.g. Dorling, 2015), although one criticism is that does not take into account the ability of landowners to pay given that they may receive no income on vacant land (Monk *et al*., 2013).

Gibb *et al*.'s (2013) review of **innovative financing models** for affordable housing across all tenures highlights a range of existing practices within the UK including revolving infrastructure funds, social bonds, partnership models and Real Estate Investment Trusts (REITs) that could be rolled out more widely. The authors also point to investment models from overseas such as Spain's Vivienda de Proteccion Oficial (VPO) programme which provides a novel combination of supply-side subsidy to private developers, usually in the form of land, and a means-tested demand-side subsidy to purchasers to support mortgage or rent costs. It thus serves to address both housing availability and cost simultaneously. Though just one example, it illustrates the potential - alongside UK practices - for exploring innovative mechanisms for finance that may play some role in the mix of housing policies at city-regional level.

There may also be further scope for city regions in England **a more active and strategic role in development** as 'market makers' (RTPI, 2015) in order to increase the supply of housing. A number of commentators have called for England to learn from the approach of other countries in Europe including France, Germany and the Netherlands where sub-regional and local stakeholders are far more proactive in acquiring and assembling land, putting infrastructure in place and selling the serviced land to developers (Oxley *et al*. 2009, Monk *et al*., 2013; Lyons, 2014; RTPI, 2015). Some of these approaches are detailed in Box 6 below. This is often coupled with compulsory purchase powers, which are widely used in some countries such as Germany and France (Monk *et al.*, 2013). The advantage of such approaches is that they enable land to be acquired at lower costs; the uplift in land value can be captured to recover costs of land assembly and infrastructure development; it provides greater control over the delivery and quality of the project through masterplanning and packaging sites; and avoids complex, ex-post negotiation of development levies as is common in England through the s106 process (Lyons, 2014; RTPI, 2015).

However, the potential for such approaches to be used to undertake development that supports anti-poverty objectives such as providing affordable housing on lower value sites may be limited. In the Netherlands, for example, land re-adjustment tends to be undertaken in the most viable locations and has less scope for cross-subsidising less profitable sites than previous land development practices when municipalities controlled the entire process through to sale (RTPI, 2015). It is less clear, therefore, that this market-orientated approach works well in more disadvantaged areas. Evidently, there are other means of raising funds to cover upfront infrastructure costs. Other mechanisms that have been used to fund infrastructure costs upfront include a hypothecated payroll tax in France (the ‘versement transport’ (VT)) as well as tax increment financing in the United States where infrastructure is funded against future revenues (Monk *et al*., 2013).

Box 6: Proactive development: lessons from overseas

The Netherlands

In the Netherlands municipalities traditionally played a lead role in acquiring land, putting the necessary infrastructure in place and, finally, selling the serviced land to developers. The uplift in the value of land through development was captured at the point of sale and used to recover costs of infrastructure works, whilst any surplus could be used for other municipal purposes. Cross-subsidisation also meant that more profitable developments could be used to fund infrastructure costs of less financially viable developments. However, this model was called into question by the 2008 financial crisis when some municipalities were brought to the point of bankruptcy when they were left holding land developers did not want to purchase.

Since then, some municipalities have started using 'land readjustment' under which a number of landowners voluntarily assign property rights temporarily to a public development agency. The agency re-parcels sites - often into a greater number of smaller units - and adds infrastructure before property rights return to landowners. These landowners receive smaller plots than originally provided as some of the land is kept back by the public development agency for sale. However, the landowner benefits from the uplift in value of their now smaller plot of land. Under this model, the risk to the public sector is reduced as it is now borne by all parties and it also obviates the need to engage in resource intensive compulsory-purchase procedures.

Germany

Similarly, local authorities (known as Gemeinde) in Germany play an active role in land assembly, often through compulsory purchase at low prices, to prepare land for development. Landowners who guarantee to implement development may retain their land but can be required to pay betterment charges.

Oxley *et al*., 2009; RTPI, 2015

Some observers have also advocated the use of city-regional or local **development agencies** as a way of integrating public and private interests, especially in the case of large-scale or stalled developments (Monk *et al*., 2013; RTPI, 2015; Shelter 2015c). These are seen as a way of negotiating land at a lower cost than developers can using the credible threat of compulsory acquisition at existing value as a last resort; and also as a means supporting strategically important developments (RTPI, 2015; Shelter, 2015c). Again, there is interest in the scope to learn from practice overseas. Germany has been identified as an exemplar of this approach with state development corporations (Landesentwicklungsgesellschaft) playing a key role acquiring land, planning and providing infrastructure, developing schemes for housing, managing the completed developments, and selling the developed land or completed buildings to investors (Oxley *et al*., 2009).

This kind of proactive approach is typified by Hamburg's Hafencity development which has invested around €5bn of private funding and around €1.2bn of public funding in a former dockland site (Bruns-Berentelg, 2013 cf. RTPI, 2015). The 'city state' of Hamburg set up a specific vehicle - HafenCity Hamburg GmbH - which acts as the partner for private sector investors and developers as well as state and third sector agencies, while being the trustee of development funds. Finance and revenue raising powers at the city region scale allows the City State of Hamburg to make a large-scale investment while promoting social aims (RTPI, 2015). Plots are acquired and infrastructure installed prior to sale through tenders that are not just based on price competitiveness but specifications including affordable housing provision as well as energy efficiency and architectural quality.

Whilst there may be challenges in replicating practice from abroad, devolution of greater powers over planning to city regions in England at least offers the potential to draw on experience from elsewhere in thinking about how these flexibilities might be used creatively and strategically to support anti-poverty objectives. There is certainly scope to think about how city-regional institutions and local authorities can pool resources, expertise and 'muscle' whilst working in partnership with landowners and developers to increase levels of development, particularly in terms of the supply of affordable homes. These are not entirely new approaches for the UK - special delivery vehicles have also been used, for example, to support (re)development in England in the past (Monk *et al*., 2013). It may be as much a case as drawing lessons from the past as from overseas.

Housing costs and subsidies

Alongside general measures to increase the supply of affordable housing to reduce costs, there may be room to further reduce housing costs from the reintroduction of **rent regulation**. Rent controls were effectively in place in England from the First World War until the repeal of the Fair Rent Act in the 1980s (Dorling, 2015). They remain in place, however, in a number of countries including the United States, Switzerland, Denmark, Austria, Finland and Belgium. Indeed, it is an idea that continues to gain traction with Germany recently introducing the **Mietpreisbremse (Rental price brake)** in larger cities which limits rents on new properties to 10 per cent above existing rental benchmarks (Eley, 2015). Evidence from the US, though, suggests that rent regulation does not always achieve anti-poverty objectives as it tends to be well off households who benefit from the system, while those trying to enter the market do less well (Scanlon and Whitehead, 2014).

However, concerns that imposition of rent regulations would prompt a large-scale sell off of PRS stock seem unfounded. Modelling of different rent control models in the UK suggests that impacts on rents and, subsequently, the size of the PRS would likely be modest (Clarke *et al*., 2015). Moreover, it also identified some willingness on the part of landlords to accept **longer tenancy lengths** with appropriate safeguards. This highlights potential to explore options for combining rent regulation with longer tenancies which could tackle both issues around housing costs cost *and* security at the city-regional and local level.

In the UK, greater local flexibility over housing subsidies through **devolving housing benefit** has been advocated as a way of both increasing supply and reducing housing costs (IPPR North, 2015). It could enable a shift from subsidising 'bricks' rather than 'benefits' by using a proportion of housing benefit monies to build new social housing, and in turn, reduce reliance among lower income households on the more expensive private rented sector. Whilst this has largely been discussed in the context of devolution at a national level across the UK, it could be implemented in a way that allows for sub-national control over Housing Benefit.

In the meantime, the benefits system remains highly centralised in the UK but there are currently some flexibilities at national level that, at the very least, highlight possibilities for reconfiguring the administration of benefits to support households in poverty. Northern Ireland has secured changes to the way Universal Credit will be paid to the most vulnerable including:

- paying the housing cost element of Universal Credit directly to landlords rather than tenants
- splitting Universal Credit between two parties in the household
- making Universal Credit payable twice each month.

These changes reflect concerns that the UK government's aim of increasing the financial responsibility of tenants will, in practice, increase the likelihood of arrears for households unused to managing a single monthly lump sum. A similar reconfiguration of the payment of Universal Credit at sub-national level in England would perhaps introduce too much complexity to be feasible. But it does illustrate the potential benefits to households in poverty that could accompany how a more far-reaching devolution of housing benefit to sub-regional level.

Appendix 1: Summary of devolution agreements

A1

	New housing freedoms and flexibilities				New planning freedoms and flexibilities				
	Housing Investment Fund	**Regulatory powers**	**Energy efficiency**	**Affordable/ low cost housing**	**Develop strategy spatial framework**	**Community Infrastructure levy**	**Use of public sector estate**	**Compulsory purchase/call-in powers**	**Mayoral Development Corporation**
Greater Manchester	Establishes £300m **Housing Investment Fund** which transfers control of HCA recoverable investment funds directly to the combined authority .Will provide loan development finance for private sector partners on a fully recoverable basis to unlock unviable sites.	Greater Manchester Combined Authority is interested in options for **regulatory change** to enable better utilisation of the social housing asset base in order to increase the diversity of social housing provision, and to increase investment in home ownership.			Yes	Government will give the Greater Manchester Mayor the power to implement a **Community Infrastructure Levy** to support development and regeneration in Greater Manchester, subject to the unanimous approval of the Mayor's Cabinet.	Government will work with the Greater Manchester Combined Authority to create a **Greater Manchester Land Commission**.	The mayor will acquire Compulsory Purchase Powers subject to the consent of Cabinet member(s) from the borough(s) in which the Compulsory Purchase Order will be used.	Yes
West Midlands	Combined Authority to develop proposal for a **Housing Investment Fund.** The Combined Authority will also be able to use their proposed **Land Remediation Fund** to support bringing brownfield sites back into use for employment and housing provision**.**						Government will work with the Combined Authority to support the **West Midlands Land Commission** to ensure there is a sufficient, balanced supply of readily available sites for commercial and residential development.	Existing Local Authority functions, which include **compulsory purchase powers**, will be conferred concurrently on the Combined Authority to be exercised by the Mayor.	

	New housing freedoms and flexibilities				New planning freedoms and flexibilities				
	Housing Investment Fund	**Regulatory powers**	**Energy efficiency**	**Affordable/ low cost housing**	**Develop strategy spatial framework**	**Community Infrastructure levy**	**Use of public sector estate**	**Compulsory purchase/call-in powers**	**Mayoral Development Corporation**
Cornwall			Government will commit to working with Cornwall Council to develop proposals for **energy efficiency improvements** in homes with potential synergies around regeneration and health. Cornwall and government to work together to develop project calls under ERDF for innovative energy efficiency projects including measures installed on social housing properties.	Government to discuss 'ambitions' around **low cost housing**		Government to discuss 'ambitions' around **planning**	General agreement to work with Government Property Unit and Homes and Communities Agency to **identify assets** that can be used to support priorities including housing development and regeneration.		
Liverpool	Liverpool City Region and the government will continue to discuss the **devolution of housing loan funds**.				Yes		Government and the City Region will develop a **Land Commission** (including a Joint Assets Board) for economic assets formerly held by the Regional Development Agency.	Mayoral Development Corporation will have power to undertake **Compulsory Purchase Orders** with agreement of relevant LA.	Yes

	New housing freedoms and flexibilities				New planning freedoms and flexibilities				
	Housing Investment Fund	**Regulatory powers**	**Energy efficiency**	**Affordable/ low cost housing**	**Develop strategy spatial framework**	**Community Infrastructure levy**	**Use of public sector estate**	**Compulsory purchase/call-in powers**	**Mayoral Development Corporation**
North East		Will **review regulatory powers** with government around supporting improvements in the quality of housing and challenge poor quality landlords.			Creation of a **North East Planning Development Framework** (not a regional spatial strategy) led by the Mayor, to enable the constituent authorities to deliver on housing growth.		Establish a **North East Land Board** to review all land and property held by the public sector, and all suitable brownfield land, to identify surplus land in suitable locations for housing or economic development use	Devolve statutory planning powers, including **Compulsory Purchase Order powers** and those powers available to the Homes and Communities Agency. Powers would be exercised by the Mayor with the consent of the Combined Authority and relevant local authority .	
Sheffield City Region	Intends to develop further **a proposition on a Housing Investment Fund**, for discussion and development with HM Government.				Yes		Government will work with Sheffield City Region to support the operation of the **Joint Assets Board,** and support better coordination on asset sales.		Create **Mayoral Development Corporations,** which will support delivery on strategic sites in the Sheffield City Region. Be **consulted on and/or call-in planning applications** of strategic importance to the City Region.

	New housing freedoms and flexibilities				New planning freedoms and flexibilities				
	Housing Investment Fund	**Regulatory powers**	**Energy efficiency**	**Affordable/ low cost housing**	**Develop strategy spatial framework**	**Community Infrastructure levy**	**Use of public sector estate**	**Compulsory purchase/call-in powers**	**Mayoral Development Corporation**
Tees Valley	Government will continue to explore the **devolution of housing financial transaction funding** with Tees Valley.						Government and Tees Valley will establish a **land commission** to examine what publicly owned land and other key strategic sites could be vested in the development corporation.		Government gives Tees Valley the power to create democratically controlled **Mayoral Development Corporations** as envisaged by the Cities and Local Government Devolution Bill. Increases in the value of the land as a result of the work of the Development Corporations will be reinvested in the corporation to deliver new schemes.

Appendix 2: References

A2

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