

# devo-housing: the emerging agenda

By Paul Hunter

*With introductions from John Healey MP and  
Mayor Joe Anderson OBE*





### **The Smith Institute**

The Smith Institute is an independent think tank which provides a high-level forum for thought leadership and debate on public policy and politics. It seeks to engage politicians, senior decision makers, practitioners, academia, opinion formers and commentators on promoting policies for a fairer society.

The Institute would like to thank everyone who has contributed to this report. In particular, we are grateful to all the officers from the Combined Authorities who were interviewed.

### **John Healey MP**

John has served as the Labour MP for Wentworth & Dearne in South Yorkshire since 1997. He was PPS to the Chancellor of the Exchequer from 1999-2001 and a Minister from 2001-2010, serving successively as Adult Skills Minister, Treasury Minister, Local Government Minister and Housing Minister. Since 2010, he has served as Shadow Secretary of State for Health and, most recently, Shadow Secretary of State for Housing and Planning.

### **Joe Anderson OBE**

Joe Anderson is the Mayor of Liverpool. Joe was born in 1958, one of six children, in a city centre tenement, Kent Gardens, near the Dingle. He left school at 16, spending 12 years at sea, becoming the National Union of Seamen's youngest ever convenor. His subsequent career brought Joe back to Liverpool, where he studied for a degree in social work at Liverpool John Moores University, and went on to become a social worker for Sefton Council in 1992. Joe was elected to Liverpool City Council in 1998 and following the 2010 election, Leader of the Council. In May 2012, Joe became the first ever directly-elected Mayor of Liverpool winning almost 60 per cent of all votes cast. Mayor Anderson has navigated a course for the council through an increasingly difficult time for Liverpool, with the city losing 58% of its central government funding. However, under his leadership in his first term as Mayor, Liverpool has built 14 new schools, built or refurbished 8,000 homes, created over 20,000 jobs, more than 67 acres of new and improved green space, planted over 2,000 new trees and oversaw the creation of the International Festival for Business. Joe became chair of the Liverpool City Region Combined authority in December 2015 to lead on the next phase of devolution and the creation of a new Metro Mayorality in 2017. Joe is hugely ambitious for Liverpool, passionate about the future and devoted to the city's prospects as a thriving, growing and prosperous city. He ardently believes Liverpool's best days lie ahead as a leading world-class city.

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## Preface

When I was elected Mayor of Liverpool in 2012 it was on a pledge to build 5,000 new homes. Over the last 4 years, we have managed to create almost 8,000 new homes contributing an incredible additional £11m in council tax, on top of improvements in housing quality and availability. It was a pledge made out of necessity for the people in my city and with a singular focus and good partnerships we have been able to make great progress, against a backdrop of budget cuts and austerity. It should have been easier.

Other cities like mine have similar ambitions, and face the same difficulties. The Core Cities, where I am lead for Housing, has been doing much work on the ongoing housing crisis in the UK, and how the problem is most acute in our cities. Good quality and affordable housing is as essential for economic growth as it is for community cohesion and resolving issues of deprivation.

Before Brexit it was becoming apparent that government would not reach its target of building a million new homes. Post Brexit, there is an opportunity for some fresh and radical thinking

around housing. Now we need to look ahead and give cities more control over housing policy and funding. We need to reconsider the role of local authorities and ensure that we, as civic leaders, galvanise organisations within our system to deliver the good quality homes that our people desperately need.

Devolution is a powerful force for the transformative change we need for house building, and the city regions being formalised across our country offer a staggering increase in capacity. Innovations such as single pot funding and more integrated working with government departments mean that we have the capability to deliver on national targets, locally. However, our efforts must be informed and evidence-based and that is why I am particularly pleased to see the research in this report. I hope we can see a cross-party consensus, locally and nationally, that devolution is another powerful tool for building the houses we need, support our economies and change lives for the people we represent.

*Joe Anderson*  
*Chair of Liverpool City Region Combined Authority*





## Introduction

I've lost count of the times over recent months when leading councillors, company directors or housing association chiefs have asked me: "How are Manchester bringing in new investment?" "What planning powers will Birmingham's metro-mayor have?" "Has Government really given Cambridge funds and freedoms to build new social housing?"

It was clear to me that no-one had done a stocktake and analysis of what exactly is in each of the 11 English devolution deals agreed to date, what those involved believe they can achieve with the freedoms given by Government and what more is needed in second-stage devo settlements. My main concern was to see this work done on housing, planning and regeneration.

So I was delighted when the Smith Institute agreed to take on this task and pleased the project has been backed by Liverpool City's Mayor, Joe Anderson, who leads for the Core Cities group on housing.

I hope this report will boost both the attention given to housing in devolution plans and the ambition to tackle the housing crisis in all parts of the country. I hope too that it helps shape stronger locally-led demands in future devolution negotiations with central government.

The Smith Institute has a long record of research and reports on English devolution. Indeed, one of the first was an early assessment in 2000 of Labour's plans for Regional Development Agencies 'Towards a New Regional Policy' that Ed Balls and I wrote together. The base case for greater delegation and devolution from the UK's Whitehall-based government remains the same now as then: that national "one-size-fits-all" programmes rarely work well everywhere, that national policies are too heavily skewed by London views and that decisions taken in local areas for those areas are likely to be better suited to their needs.

The report underlines this case in housing, planning and regeneration where housing pressures and market failures are different in different areas of the country. It also confirms the extent to which Conservative ministers have overridden localism on housing and planning by imposing nationally-dictated action, such as forcing councils to sell-off their better council housing or overriding local planning decisions to force the building of starter homes – both new central powers taken by ministers in the Housing & Planning Act this year.

The post-2010 devolution agreements are still at an early stage, in most cases. Heads of terms are agreed but important detail is still to be determined by ministers. The deals to date on housing are patchy and piecemeal, lacking serious new powers or funding.

The cross party leadership of the councils in the 11 devo areas – 43 Labour, 30 Conservative and 14 in no overall control – demands strong national support across the parties for the agreements our local leaders reach with ministers. Labour nationally must drop its half-hearted backing for devo deals, and help lead a new progressive devolution drive on housing. Whether or not they are willing to throw their weight behind this will also be an important cross-party test for Theresa May and Phillip Hammond as the new Prime Minister and Chancellor.

The EU Referendum result reinforces the devolution imperative. The winning 'Leave' vote was as much a revolt against Westminster as Brussels. Both felt distant, out-of-touch and doing little to help. The breeding ground for Brexit was the communities and people that felt left behind.

The 11 devo deals to date cover some of the poorest areas in the country, with wages in nine out of ten council areas below the national average. These areas also voted 'Out' by a big margin – 56% to 44% in total, with areas like Lincolnshire, Doncaster, Sandwell, Fenland and Hartlepool recording 'Leave' votes around 70%.

National GDP growth means little if your area feels like it's stagnating, if the good jobs of the past are being lost or you think new arrivals to your town are making it harder for those already there.

With housing, both market provision and national policies are failing, and widely felt to be failing. Stripping back powers and funding for local authorities to meet housing need in their area has played a significant part in this failing over nearly four decades.

This excellent report shows how limited housing devolution is at present, when there is a strong will in many parts of the country to go much further than ministers have so far allowed, and it sets out some of the scope to do so.

There is a strong progressive case for handing out more power to local communities and regions. It's not just that this is more democratic, it's also that good government action can often fix and shape markets more effectively at a local than a national level. And hope that politics can help with the pressures people are facing is the best antidote to the fear and uncertainty which was both the cause and consequence of the UK's vote to leave the EU.

But the strength of the devolution case isn't just confined to progressive politicians. Those campaigning for Brexit, told us they would help us 'take control'. As this report sets out, on housing we should let communities do just that.



## Executive summary

### Top lines

- Devo-housing has widespread support, but the journey is viewed as slow, piecemeal and undermined by centralising tendencies and inappropriate national programmes and targets.
- The call from combined authorities is for more flexibility and greater powers and resources to meet their particular housing needs and ambitions.
- The specific request was a single funding pot for housing and regeneration for the long-term to deliver scale and certainty.
- There is a clear case when it comes to housing for combined authorities to be on a similar footing as London. A Memorandum of Understanding (similar to London's) would be a suitable vehicle for taking forward devo-housing deals.

### Devo agreements and combined authorities

- Government-led devolution agreements with 11 areas have started the process of devolving powers and resources from central government to city regions and other self-defined sub regions, many of whom have or will create combined authorities.
- The devo-deals replicate many of the features of the former Regional Development Agencies, not least the value of connecting housing with jobs and growth.
- Local authorities have a strong role within the combined authorities, and in some cases their Leaders will form a cabinet that supports a new metro mayor.
- Under the majority of deals elected mayors will be established but they will usually require the support of local authority leaders to make some decisions.
- Further devo-housing deals will vary according to the size and form of the combined authority.

### The devo deals and housing

Not only do the size and make-up of the combined authorities vary but so too does the powers and resources that have been devolved – this includes investment funds under the deals. Furthermore, critics suggest that the devo-housing deals are not particularly radical especially when compared with London's powers. Nevertheless, there are some significant common elements to the deals:

- Creating land commission/joint assets boards to influence decisions about the disposal of public assets. These are due to be chaired by the newly elected mayor and include senior officials from land holding departments. For others the focus is on identifying strategically important public and private land.
- Spatial strategies and frameworks: a common theme of the deals is the provision of a combined authority-wide planning framework or strategy. These will generally need to be agreed by a unanimous vote of the mayor

and constituent authorities. In some cases they will be statutory.

- Mayoral development corporations are agreed in several of the deals and will help with complicated regeneration schemes. Consent is required from not just the mayor but also the cabinet members in which it is to be established.
- Compulsory purchase orders – greater CPO powers are to be conferred. Combined authorities require the consent of the local authority in which the land is held and the approval of the Secretary of State.
- Some combined authorities will also have call-in powers or rights to be consulted on strategically important decisions.
- Funding varies between places: Greater Manchester has been granted a £300m repayable loan fund; the East Anglia deal proposes flexibilities around grant funding; and there are also references to land remediation funding in some deals. Others are pooling existing pots to act strategically.
- There are other elements in the deals, including the creation of portfolios of investment opportunities and reforms to planning services. Deals also cover transport and infrastructure funding which could help unlock housing (and potential for business rate and Community Infrastructure Levy supplements in some of the deals).

### Views from the combined authorities

#### *Views of the deals*

- Whilst viewing the devolution deals in a positive light, those officers spoken to saw it as journey rather than a destination – arguing for further freedoms and powers
- Interviewees felt that government policy was too southern or London focused, most were disappointed with national programmes which were seen as 'top-down' and unsuited to their housing markets or housing needs. This made them not just inappropriate but ineffective.
- Housing was often seen through an economic lens and some officers thought housing could be a driver of growth, something they felt the Treasury didn't get.
- The Local Enterprise Partnerships (LEPs) play an important enabling role in regard to housing and economic development, but there are limits as to what they can achieve given their status and lack of funding.
- There was a genuine sense of a new spirit of cooperation amongst those spoken to. There was a sense that constituent local authorities would compromise to get things done and that people saw that what benefited one authority benefited the wider area. Many made a positive comparison with the London mayoral system.
- There was, however, real concern (from the interviews that took place after 23rd June) that further devolution could be stalled because of the fallout from the EU referendum result.

#### *Views on the devo-housing deals*

- There was a widespread ambition to create housing investment funds. This was progressing well in some areas.

In Greater Manchester the loan fund had already lent £100m to deliver over 1,000 units. The goal for many was being able to pool together different funding pots to act strategically. Under the proposed Cambridge deal there could also be flexibility on government programmes.

- Land commissions and joint asset boards were starting to be established. The first task for many was to identify land (and owners). There was however a note of pessimism around departments needing to maximise receipts to fill holes in their budgets, as opposed to acting more strategically.
- There was disagreement over whether spatial strategies/frameworks needed to be statutory. Regardless of status this was viewed as key to acting strategically across the combined authority to link housing, jobs and transport.
- Mayoral development corporations were not dwelt on by interviewees but were seen as important to have where regeneration schemes spanned more than one local authority.
- Land remediation was viewed as critical to delivering not just more housing but also housing which met strategic planning objectives. However, low land values made it difficult to bring brownfield land to market.
- The freedom to vire resources was briefly touched on in respect of housing delivery. The focus at this stage was on house building and spatial planning rather than, for example, reducing pressures on health and social care budgets.
- Fiscal devolution was not a major talking point. The opportunity for the metro mayors to raise revenue through an area wide Community Infrastructure Levy was seen as offering little because of relatively low land values.
- Partnerships between stock retaining local authorities with combined authorities was seen as unlikely and risky after the government's decision to cut social rents. Partnership working was more likely with housing associations, with some looking to pool funding for housing schemes. The relationship with the HCA was seen as critical to unlocking land and delivering new housing.

#### *What do local leaders want?*

- Interviewees wanted much greater flexibilities. This could come from a deeper partnership with the HCA, but some wanted HCA powers and resources transferred.
- Combined authorities felt they were much better placed to deliver housing that was required in their area. This included flexibilities on tenure to meet local housing needs but also a better understanding of the market and how best to deliver objectives.

- There was a call for greater funding freedoms. Similar to flexibilities, interviewees felt they should be given objectives and have the freedom to meet those objectives in a way that is suited to their housing markets.
- A single pot, with long-term funding, was felt necessary to create scale and enable certainty to act strategically to build more homes than the fragmented, unaligned small individual programmes and funds.

#### **The case for a memorandum of understanding**

- The resources, flexibilities and powers within the devolution deals are too fragmented.
- This lack of consistency is even more apparent compared with London's housing powers and freedoms and those of authorities without devo deals.
- There is no clear national strategy to tie these devolution deals together, while prescriptive national housing policies and programmes have undermined the government's claims of a devolution revolution.
- Against this backdrop there is a case for formal memoranda of understanding between central government (and departments) and combined authorities (and local authorities) that could incorporate existing powers with new ones being called for. These could work in the same way as MoU with the Greater Manchester and NHS England and the GLA-HCA MoU.
- This would provide greater transparency, consistency and clarity on arrangements, but with flexibilities to meet distinct housing markets.
- Some HCA functions, powers and land could be transferred to combined authorities under the MoU.
- The MoU could support the scaling up of local housing companies.
- As part of the MoU objectives, additional funding and powers would be devolved, objectives and principles agreed with combined authorities able to make their own choice about how best to achieve the agreed outcomes.
- This would require combined authorities (and local authorities within them) signing up to objectives and targets which may prove difficult but would give greater flexibility and the single housing fund that has been identified as the critical factor.
- If there was a broad appetite, regional housing forums could also help ensure national policies are designed with flexibilities to suit different housing markets and housing needs to help guard against the imposition of inappropriate national programmes and targets.





## Section 1: The devo (housing) deals

### A brief history of the deals

Over the decades sub-national decision making on economic development has swung back and forth between a regional focus to being locally led. The latest policy swing saw the Coalition government abolishing the Regional Development Agencies, Regional Spatial Strategies and Regional Offices,<sup>1</sup> which were at the heart of the previous Labour government's policies for rebalancing the economy.<sup>2</sup> The emphasis was to be on decentralisation and passing powers down to new established Local Enterprise Partnerships (LEPs) and local authorities. The backdrop to this was austerity and a greater reliance on private finance and local planning.

The government's anti-regions orthodoxy has been matched by sustained calls from cities for greater powers; calls which have gained momentum since the demise of the Metropolitan County Councils in the 1980s. Whilst London received devolved city-wide powers in 1999 it wasn't until the end of the last Labour government that the Local Democracy, Economic Development and Construction Act 2009 made it possible to establish combined authorities. And, it was not until 2011 that the first combined authority, Greater Manchester, was established.

City Deals pushed the agenda further, but the big advance occurred in the last two years. In September 2014, after the Scottish referendum the prime minister made the case for "empowering our great cities" and government policy has evolved from an emphasis on localism to a focus on the creation of combined authorities and mayors.

A major driver of devolution to the sub-regional level has been so-called 'devo-deals'. The first was struck with Greater Manchester Combined Authority in November 2014 followed by Sheffield City Region (December 2014) and West Yorkshire (March 2015). After the 2015 general election the Chancellor announced a Cities and Local Government Devolution Bill and pledged "radical devolution to the great cities of England":

*Here's the deal: We will hand power from the centre to cities to give you greater control over your local transport, housing, skills and healthcare. And we'll give the levers you need to grow your local economy and make sure local people keep the rewards. But it's right people have a single point of accountability: someone they elect, who takes the decisions and carries the can. So with these new powers for cities must come new city-wide elected mayors who work with local councils. I will not impose this model on anyone. But nor will I settle for less. London has a mayor. Greater Manchester has agreed to have a mayor as part of our Northern Powerhouse - and this new law will make that happen. My door now is open to any other major city who wants to take this bold step into the future. This is a revolution in the way we govern England.<sup>3</sup>*

Following the initial three deals, there have been further waves of deals (with more under negotiation). So far 11 areas are covered:

- Greater Manchester
- East Anglia
- West of England
- Greater Lincolnshire
- Sheffield City Region
- Liverpool City Region
- North East
- Tees Valley
- West Midlands
- Cornwall
- Leeds City Region/West Yorkshire

The deals have not all involved an established combined authority. In some cases, such as the West of England, as part of the devo agreements a combined authority would be established. In any case, each council has had to approve its participation in the deal. In the case of Cambridgeshire County Council it chose to vote against accepting the East Anglia deal.<sup>4</sup> In the North East after two postponed attempts to approve the deal by the seven local authorities, the third attempt saw Gateshead walk away but the other six signing.<sup>5</sup>

Once 'ratified' by the individual councils the deals have been implemented via orders – largely under the Cities and Local Government Devolution Act 2016<sup>6</sup> (under the act orders have been made, including for a Greater Manchester elected mayor and the creation of the Tees Valley combined authority).<sup>7</sup> However, many elements of the deals are not statutory so do not require orders. Moreover, care is required when examining the extent to which elements within the deals (including housing) constitute 'devolution'; which parts allow for genuine autonomy over decision making and which are local delivery of national programmes. As the table below by CURDS illustrates, devolution takes different forms:

Increasing decentralisation ↓	ADMINISTRATIVE	Administrative functions and responsibilities undertaken at the sub-national level
	DECONCENTRATION	Dispersion of central government functions and responsibilities to sub-national field offices. Powers transferred to lower-level actors who are accountable to their superiors in a hierarchy
	DELEGATION	Transfer of policy responsibility to local government or semi-autonomous organisations that are not controlled by central government but remain accountable to it
	POLITICAL	Political functions of government and governance undertaken at the sub-national level
	FISCAL	Autonomy over tax, spending and public finances ceded by central government to sub-national levels
	DEVOLUTION	Central government allows quasi-autonomous local units of government to exercise power and control over the transferred policy

Source: Pike, A Decentralisation: Issues, principles and practice (2016)

## Governance structures

The deals are distinct not just in their content but with whom the government has struck the deal. Of the 11 areas there are also a range of different institutional arrangements covering different types of local authorities. For example, the number of signatories for each deal<sup>8</sup> ranged from 1 to 22:

	Number of authorities	Combined authorities	Mayors
Cornwall	1	No	No
West of England	4	Yes (pending order)	Yes
Tees Valley	5	Yes	Yes
Liverpool City Region	6	Yes	Yes
Leeds City Region/ West Yorkshire	6	Yes	No
North East	7	Yes	Yes
West Midlands	7	Yes	Yes
Sheffield City Region	9	Yes	Yes
Greater Lincolnshire	10	Yes (pending order)	Yes
Greater Manchester	10	Yes	Yes
East Anglia	22	Yes (pending order)	Yes

Within these deals there are a mix of county councils, district councils, unitary authorities and metropolitan districts. Signatories to the deals have also included respective LEP chairs (except for the Greater Manchester deal) and in Cornwall the deal included the chair of the Clinical Commissioning groups.

A number of the deals have been made with existing combined authorities whilst others were predicated on the formal establishment of a combined authority. As legally constituted 'accountable bodies' (unlike, for example, LEPs) combined authorities can attract, hold and raise money. Most of the combined authorities have agreed to have elected mayors (except West Yorkshire), with the first round of metro-mayor elections are due to take place in May 2017. In the case of Cornwall, consisting of one local authority, the deal did not include the requirement to create a combined authority or mayor.

### *Governance structures of combined authorities*

The devolution deals also set out the governance arrangements for decision-making. In general, the soon-to-be elected mayor will be the chair and a member of the combined authority. The powers in the deal are devolved from government to the mayoral combined authority. Some of the deals state where the mayor will have certain powers (including over housing and planning) and be personally accountable to the electorate, and which parts of the deal will be handed to the combined authority. In general the rules governing decision making are that members of the combined authority – local authority leaders – will form the cabinet and hold different portfolios. Each cabinet member has one vote and approval of decisions based on a majority (or

two thirds majority) of those present unless set out in legislation (those relating to housing are highlighted in the relevant sections below). The mayor will set out their plans, budget and strategies, which the cabinet can amend/reject by two thirds majority. Overview and scrutiny is conducted via a committee made up of elected councillors from the constituent local authorities.

## Population and size of the areas

The eleven devo deals cover a population of over 18 million people – around a third of the English population. The size of the areas ranges from Cornwall covering 532,000 people to the West Midlands with a population of 2.7 million.

The areas covered in the deals also varies from 72,000 hectares in Liverpool City Region to 1.2m hectares in East Anglia. This difference is evident in the population densities of the devo deal areas. The most urban of the areas have a population density of 20–30 people per hectare (Liverpool City Region and Greater Manchester both 21 and the West Midlands 30), those with average population densities – West Yorkshire (11), Sheffield CR (7), Tees Valley (8) and West of England (8). There are a group of areas with much lower population densities – East Anglia, Greater Lincolnshire, and North East. The latter is skewed by Northumberland and contains urban areas such as Newcastle.

	Population	Area (ha)	Population density
Cornwall	532,273	354,619	2
East Anglia	2,267,025	1,251,966	2
Greater Lincolnshire	1,040,715	695,877	1
Greater Manchester	2,682,528	127,601	21
Liverpool City Region	1,506,935	72,398	21
North East	1,934,095	777,913	2
Sheffield City Region	2,125,915	297,524	7
Tees Valley	662,791	79,404	8
West of England	1,069,583	132,609	8
West Midlands	2,736,460	90,164	30
West Yorkshire	2,424,109	230,121	11

## Housing context

One of the driving principles for devolution is that one size does not fit all; and that an area is best placed to make decisions about their distinct area. This is particularly true when it comes to housing. The housing context in the areas which have struck devolution deals with central government are all distinct and priorities and needs will reflect historical choices on housing as well as future needs driven in part by city or local economies.

Tenure levels also vary, but each area at the last census had homeownership levels between 60%–68% and social housing formed between 14% to 24%. Price variation is more pronounced between the localities, with mean prices ranging from £94,000

in Tees Valley to £230,000 in the West of England, reflecting in part differing earning power with average wages in the West of England totalling £27,500 and £22,000 in the Tess Valley. This also shapes the affordability of housing in each of the areas with ratios of mean prices to mean earnings (not to be confused with median prices to median earnings) most acute in East Anglia and the West of England. All of the areas are forecast to experience household growth over the next ten years, from 5% growth in Tees Valley and Liverpool City Region to 10% in Cornwall, East Anglia and the West of England. These different challenges are likely to be reflected in the different housing priorities for each area. Further details of the housing context for each devo-deal area can be found in the annex.

**Devolved (general) funding**

Before examining the housing component part of the deals, it is first worth giving some context by examining the various funding streams that combined authorities will have.

Under the deals some areas will establish an investment fund, accountable to the combined authority. It will operate as a single programme for resources for economic development, skills, employability, regeneration, transport and housing. Under the deals each authority will be allocated a set amount from government each year over a thirty-year period.

**Investment fund for devo deals**

Combined authority	Per annum funding pot
Greater Manchester	£30m
Sheffield City Region	£30m
North East	£30m
Tees Valley	£15m
Liverpool City Region	£30m
West Midlands	£36.5m
East Anglia	£30m
Greater Lincolnshire	£15m
West of England	£30m

The funding is split between revenue and capital, and will help capitalise a single pot or investment fund. The fund will also be subject to a 5 yearly gateway assessment of the impact it has had. The North East deal, for example, states that the combined authority will have:

*full flexibility, without reference to government departments, to:*

- a. *Make multi-year commitments to projects and programmes;*
- b. *Secure substantial private and public sector leverage*
- c. *Vire resources between projects and programmes, and across financial years*
- d. *Use capital receipts from asset sales as revenue funding for public service transformational initiatives.*

As part of some of the deals, the combined authorities with the assistance of the government will seek or be granted Intermediate Body Status for European funding (ERDF, ESF, EAFRD funding) to deliver these delegated powers. However, in light of the Brexit vote such funding is unlikely to be maintained.

Under the deals some of the areas are to receive 100% of business rate revenues growth and others are to pilot the 100% retention of business rates. In seven of the deals the mayor will also have the power to introduce a business rates supplement (with the agreement of business) to fund infrastructure - this mirrors powers London used to help pay for Crossrail and discussed at the end of this section. In addition, for some areas government agreed to considering a single allocation of the Local Growth Fund.

**Housing in the devolution deals**

The devolution of housing to combined authority or city region areas is less advanced as other policy areas, notably transport. Nevertheless, housing features to a varying extent in all 11 of the devolution deals.

Despite the differences there are similarities between many of the deals, emerging themes and lack of detail from government in what remains a moveable feast. This section attempts to shed light on this rapidly changing landscape.

**Powers to be devolved in devolution deals**

	Greater Manchester	Sheffield CR	North East	Tees Valley	Liverpool CR	West Midlands	Cornwall	West Yorks	East Anglia	Greater Lincolnshire	West of England
Public land commission / joint assets board	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Housing Loan Fund	Green	Yellow	Green	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green
Compulsory purchase orders	Green	Green	Green	Green	Green	Green	Light Green	Green	Green	Green	Green
Mayoral Development Corporations	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
Planning call-in powers and/or consultation on strategic planning applications	Green	Green	Green	Green	Green	Green	Light Green	Green	Green	Green	Green
Housing grant fund	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Spatial strategy	Green	Green	Green	Green	Green	Green	Light Green	Green	Green	Green	Green

To be devolved
  Under discussion
  Cornwall CC

Source: Developed from Sandford, M *Devolution to local government in England* (House of Commons Library, 2016)

### Land commission / joint assets boards

All of the deals state the creation of a land commission, joint investment and asset board or a joint assessment board, although Greater Manchester is the only to have a fully fledged land commission. This is the only element covered in all the devolution deals. These deals will, therefore, see a board made up local partners to give advice or influence decisions about the disposal of public assets. The aim, as the Sheffield City Region deal states, is to: "achieve a more integrated approach to how the public sector uses its assets in the Sheffield City Region, to support growth and deliver better for public money".

As some of the deals mention, this builds on the Government's One Public Estate programme. As a Greater Manchester document notes a land commission would "unify our strategic approach and enhance our delivery capability".

#### One Public Estate programme

The local property boards were established in 2013 to adopt new approaches to managing assets by developing partnership arrangements with public bodies through council-led local property boards. They have been used as a forum to share information on assets and identify where collaboration can bring additional benefits. This is intended to reduce public sector costs (e.g. reduce office space), improve integration of services, and to dispose of land. These were usually at local authority level, although the Government Property Unit has played a key role in the board. However the third phase has gone beyond local authorities to city regions. As Chief Executive of Liverpool City Council, Ged Fitzgerald said:

*"The One Public Estate programme has helped Liverpool to bring central government and public bodies to the table so that together we can collectively look at how we manage public land and property in the best interests of the city. With the phase 3 funding we will be able to expand our approach to the whole Liverpool City Region which is fantastic news. By working across sectors and the region, it will allow us to deliver the big growth and service integration schemes that will have the biggest impact for the people of the city region"*

Under the devolution plans, the commission or board would include local authorities alongside senior officials from departments and non-departmental bodies. Under the Greater Manchester proposal, for example, the deal stated that: "The land commission will be jointly chaired by the Mayor and Housing Minister, and will include Ministers from key land-owning departments". The first meeting was held in January 2016 jointly chaired by Tony Lloyd, the interim Mayor, and Brandon Lewis, the Minister of State for Housing.<sup>9</sup> Others like the East Anglia Deal refer to "senior representatives from government" being on the board rather than jointly chairing it.

In Greater Manchester, the Land Commission is starting to take form. Underneath the commission there will be a Greater Manchester Land and Property Board and delivery unit, supported by a Greater Manchester Director of Land and Property. A recent document has stated that "the approach taken by GMCA will allow for better coordination in the delivery of GM and Departmental initiatives in support of local public service reform, housing, and regeneration objectives."<sup>10</sup> The board look set to be charged with the integration of department disposals the Greater

Manchester plans could go further than joint assets boards.

In the Leeds City Region (LCR) and West Yorkshire agreement, the Joint Asset Board would evolve out of the existing LCR-HCA Board (established in 2010), which oversees the delivery of strategic projects and programmes.<sup>11</sup> It would therefore be a joint board with the HCA. This would also build on collaboration between Leeds and HCA through its Housing and Regeneration Investment Plan, which seeks to describe "the city's priorities for housing investment and for housing-led regeneration within the spatial priority areas of Leeds"<sup>12</sup>

Similarly the Sheffield Joint Asset Board would be with the HCA and follows on from previous collaboration between the two, although not explicitly on public land disposal.<sup>13</sup> For Cornwall, there appears to be a greater focus on how public land can "transform public services" as well as "deliver efficiencies in use of the public estate (including local authority land) and maximise opportunities to drive growth and regeneration". The board is described as a collaboration between the HCA and Government Property Unit and Cornwall and other Government Departments.

The Liverpool City Region deal with government, meanwhile, states that it would develop a land commission, comprising a Joint Assets Board to hold economic assets formerly held by the RDA.

Whilst these boards would give advice and recommendations they would not make the final decisions. This would rest with those who own the land.

Under the proposals there are various specific rights. For instance in the Sheffield City Region deal it would explore whether "a right to first refusal for 28 days on all central government land and assets due for disposal can be developed that accelerates the pace of disposal". Others refer to a database of public land. In the West Midlands deal there is reference to a proposed Land Remediation Fund (£200m) to support bringing brownfield sites back into use. Some of the deals also make reference to the commissions or boards highlighting areas where barriers to identifying the disposal of land and developing solutions to overcoming those barriers. The boards are therefore a way of identifying land and strategically important sites.

#### Spatial strategies and frameworks

A common theme of the devo-housing deals is the creation of spatial frameworks or plans. After the abolition of the Regional Spatial Strategies, there was, as the CLG Select Committee noted, "a vacuum at the heart of the English planning system which could have profound social, economic and environmental consequences set to last for many years"<sup>14</sup> However, for others the strategies were seen as top down and undemocratic – indeed in the North East deal the section on the spatial framework explicitly emphasises that it is *not* a regional spatial strategy.

There are spatial frameworks or plans mentioned in seven of the deals:

- Greater Manchester
- Sheffield City Region
- North-East
- Liverpool City Region
- East Anglia
- Greater Lincolnshire
- West of England

These aim to develop higher-level strategic planning frameworks for each area, with the emphasis in some on jobs as much as housing. Liverpool Single Statutory City Region Framework, for example, supporting the delivery of strategic employment and housing sites through the city region. For Cornwall, as a unitary authority with no other local (planning) authorities in its area, there would be little sense in creating one. Strategic plans fall within its own single local plan making.

As mentioned above, in general the decision making process is by majority (or two thirds majority). In the case of the spatial frameworks or strategies, all bar the North East deal explicitly state it has to be agreed by unanimous vote of the members appointed by the constituent councils of the Mayoral Combined Authority. In the West of England this would require the agreement of four local authorities, in the case of East Anglia over 20 local authorities would need to be in agreement.

Finding agreement across different areas may prove easier because of the status of the framework. In this regard there are differences between the agreements. In the Greater Manchester, West of England and Liverpool City Region deals, the spatial framework is statutory; in East Anglia the deal states it would be non-statutory. The others are not explicit either way. If the statutory agreements are like the capital's so-called London Plan then local authority development plans are obliged to be "in general conformity". Statutory or not, as the North East deal makes clear, there is a duty to cooperate. Their deal stated that the framework would aim to deliver "the National Planning Policy Framework according to the specific needs of communities in the North East, supporting local development frameworks and incorporating the duty to cooperate between the constituent local authorities"

### The duty to cooperate

*The duty to cooperate was created in the Localism Act 2011, and amends the Planning and Compulsory Purchase Act 2004. It places a legal duty on local planning authorities, county councils in England and public bodies to engage constructively, actively and on an ongoing basis to maximise the effectiveness of Local and Marine Plan preparation in the context of strategic cross boundary matters.*

*The duty to cooperate is not a duty to agree. But local planning authorities should make every effort to secure the necessary cooperation on strategic cross boundary matters before they submit their Local Plans for examination.*

*Local planning authorities must demonstrate how they have complied with the duty at the independent examination of their Local Plans. If a local planning authority cannot demonstrate that it has complied with the duty then the Local Plan will not be able to proceed further in examination.*

*Local planning authorities will need to satisfy themselves about whether they have complied with the duty. As part of their consideration, local planning authorities will need to bear in mind that the cooperation should produce effective and deliverable policies on strategic cross boundary matters.*

From Planning Practice Guidance: <http://planningguidance.communities.gov.uk/blog/guidance/duty-to-cooperate/what-is-the-duty-to-cooperate-and-what-does-it-require/>

Within the deals there is also reference to local plans. Four of the deals state that local plans should reflect the higher level spatial framework. In the Liverpool City Region it states that resources should be pooled if needed to meet the stated 2017 deadline (a date also appearing in the Greater Lincolnshire deal). In Sheffield City Region, the deal states that the spatial strategy should build on existing local plans. And most state that the spatial frameworks should not delay the production of local plans or developments. There is also mention made of schemes (Local Development Schemes) needing to set out a clear timetable for delivery.

### Supplementary Planning documents

Under four of the deals, combined authorities will be able to produce supplementary planning documents. These are:

- East Anglia
- West of England
- Greater Lincolnshire
- Sheffield City Region

In the case of East Anglia it states that these documents would be non-statutory. The status of the documents in the other areas is not clear (but presumably they are likely to reflect the status of the spatial plans/frameworks). For all the areas the documents will need to be approved unanimously. Such documents will provide additional guidance contained in the spatial framework or strategy with an additional level of detail. And for the West of England specific mention is also made to the area having a "single viability appraisal process." In the London context, such supplementary guidance is used to support rather than provide additional frameworks for local authorities and the GLA. It is not apparent in the deals whether the other areas with statutory planning frameworks will also be able to have supplementary guidance – something which in theory could be added to spatial frameworks, but usually isn't due to the detailed nature of the guidance.<sup>15</sup>

### Mayoral development corporations

A critical component of building new homes and regenerating areas is having the powers not only to have a strategic plan, but also to act strategically. Mayoral development corporations are one means of delivering, amongst other things, large and complicated regeneration schemes. MDCs can be the planning authority for the area, provide infrastructure and acquire land, including via compulsory purchase powers (with the consent of the Secretary of State).

Under the deals there are seven areas which have been devolved the powers to establish mayoral development corporations:

- Greater Manchester
- Sheffield City Region
- Tees Valley
- Liverpool City Region
- East Anglia
- Greater Lincolnshire
- West of England

The West Midlands is also in negotiations about gaining these powers.<sup>16</sup>

In the West of England and East Anglia the MDC would have 'planning and land assembly powers', while in Liverpool City Region it would support key sites through 'Mayoral Development Zones' which would include the ability to undertake Compulsory Purchase Orders. In all the deals consent is needed not just from the mayor but also the cabinet member(s) in which the corporation is to be used.

The sub-national power to establish a MDC in England is currently confined to London (as part of 2011 Localism Act). However, in Section 7 of the Cities and Local Government Devolution Act, the Secretary of State can transfer functions from a public authority (including the powers of ministers and Government departments) to the local level. More importantly it also allows the secretary of state to transfer or "copy and paste powers from one area to another."<sup>17</sup>

#### **Cities and Local Government Devolution Bill – Section 7**

*"Section 7 enables the Secretary of State to make provision for a public authority function in a combined authority's area to be undertaken by the combined authority. Such an order can only be made if the Secretary of State considers that it is likely to improve the exercise of statutory functions. A report to this effect must be placed before Parliament.*

*The order can be made if the appropriate authorities put forward a proposal or where an existing combined authority and each constituent council consents. Where an order is made for the first time, it may be made with the consent of at least two constituent councils, together with the combined authority. Where this is the case, the Secretary of State must make an order to remove any non-consenting councils from the area of the combined authority. The power may be exercised by the combined authority instead of, concurrently with, or jointly with the public authority. Conditions can be specified on the transfer of powers. For example, health powers may be conferred on a combined authority but limited in that they cannot change the NHS Constitution. National regulatory functions cannot be conferred if the area would itself carry out the relevant functions."*

*Get in on the Act, Cities and Local Government Devolution Act 2016, LGA*

Perhaps more importantly in relation to Mayoral Development Corporations the Act also states it will: "make provision for conferring on a combined authority in relation to its area a function corresponding to a function that a public authority has in relation to another area."<sup>18</sup>

This in theory means those areas can be granted by order the powers available in London rather than either going through the lengthy and messy process of creating a development corporation through statute (see problems with establishing West Northamptonshire Development Corporation) or putting through legislation for each area wanting to establish a development corporation. Instead this will enable the powers devolved to London under the 2011 Localism Act (involving 15 pages of legislation) to be transferred.<sup>19</sup> In February 2016 following the closure of the SSI steelworks in the Teesside the government did indicate that it would fast track the

establishment of the mayoral development corporation, but there has, outside of London, yet to be one established. In the Tees Valley deal there is also reference that the increases in the value of the land as a result of the development corporation will be retained and used by the corporation to invest in new schemes.

#### **London Development Corporations**

There are currently two Mayoral Development Corporations:

- London Legacy Development Corporation
- Old Oak and Park Royal Development Corporation

The website for the Old Oak and Park Royal Development Corporation states:

#### **Planning powers**

*The 2011 Localism Act provided the Mayor with powers to set up Mayoral Development Corporations; the OPDC is the second of its kind in London. OPDC was established by a statutory instrument - an order passed by parliament - in January 2015, and was granted planning powers through a further statutory instrument in March 2015. The OPDC also takes some of its powers from the GLA Act 2005 and the 2015 Housing and Planning Bill.*

*The corporation is also a local planning authority, and as such [is] responsible for preparing and maintaining a Local Plan or Development Plan. The policies in the Local Plan are the basis for making decisions on planning applications in the area. Other documents and plans at a local level such as Supplementary Planning Documents are also important documents which can be relevant in decision making. We also are responsible for giving guidance to developers, setting the Community Infrastructure Levy and Neighbourhood planning.*

#### **Governance and responsibilities**

*The OPDC is a functional body of the Greater London Authority, however as a Mayoral Development Corporation we are directly accountable to Londoners through an independent board... A management team reporting to a chief executive officer is responsible for day to day management of the organisation.*

*The OPDC Planning Committee ensures decisions are made in an open, transparent and impartial manner.*

The government is also considering an extension of MDC powers under a review of the compulsory purchase system.

#### **Putting mayoral development corporations on same footing as new town and urban development corporations**

*19. For new town and urban development corporations, the whole of the designated new town or urban development area and all the development in those areas is disregarded for the purposes of assessing compensation for compulsory purchase orders. This means that the compensation for later compulsory purchase orders in those areas is assessed on the same basis as the first order: ie it is not influenced by the development undertaken in earlier phases.*

*Proposals for change*

20. We propose to put mayoral development corporations (both in London and where a combined authority has a mayor) on the same footing as new town and urban development corporations. To achieve this we propose to add mayoral development corporations to the table in schedule 1 to the Land Compensation Act 1961 such that the scheme to be disregarded is the whole designated mayoral development corporation area and all development within it.

21. The intended effect of these changes is to make compensation negotiations clearer and faster and therefore, administratively cheaper. We also want to ensure that the public benefits from increases in land values arising from public investment rather than private interests.

Source: DCLG/HMT *Consultation on further reform of the compulsory purchase system* (2016)

**Compulsory purchase orders**

An important power to get regeneration projects started is the ability to compulsorily purchase land. In five of the areas increased powers over compulsory purchase orders (CPO) have been granted:

- Greater Manchester
- North East
- Liverpool City Region
- West Midlands
- West of England

These areas are home to England's largest cities, including places where HS2 is likely to alight. It is therefore unsurprising that additional powers to increase the ability to deliver regeneration programmes have been focused on these places.

The wording of the deals is slightly different in the five areas, which may affect the decision making process rather than powers themselves. For example, in the West of England they will have power to "undertake land assembly and compulsory purchase". In the West Midlands, existing local authority functions, "which include compulsory purchase powers, will be conferred concurrently on the Combined Authority to be exercised by the Mayor". In short, these powers will enable the combined authority to have similar competencies as the HCA.

Meanwhile, in the North East combined authority will have statutory planning powers, including CPO powers. It states that these can only be exercised with the consent of the local authority area in which the powers will be used. In Liverpool City Region CPO powers form part of the creation of mayoral development corporations, but again powers would need to have the consent of the authority in which they are used. Likewise in Greater Manchester the mayor would have CPO powers but would need the consent of the borough in which it is used.

In effect, it is likely that the mayors (with the consent of the local authorities) in all these places will have the same control as

the HCA currently holds. A draft governance review in the West Midlands suggests ultimately it means having the powers set out in section 9 of the Housing and Regeneration Act (see below). This gives the HCA power to compulsorily purchase land if the Secretary of State agrees to it. Equally the 2011 Localism Act makes further provision for London to have similar powers over the acquisition of land (Section 187, 333ZA made to part 7a of the Greater London Authority Act 1999) but also as part of the powers of Mayoral Development Corporations (Section 207). In both cases the secretary of state needs to sign-off the compulsory purchase order. The difference between the GLA and the combined authorities is the need for the consent of local authorities, and in the case of MDCs, legislation stipulates that only the London mayor has to give consent (although the two in London have local authority leaders sitting on the board) before it is submitted to the Secretary of State for confirmation. It is worth noting too that individual authorities already have CPO powers.

**Section 9 of the Housing and Regeneration Act**

9 Acquisition of land (1) The HCA may acquire land by agreement. (2) The HCA may acquire land compulsorily if the Secretary of State authorises it to do so. (3) The power of acquiring land compulsorily under subsection (2) includes power to acquire new rights over land. (4) Subsection (5) applies where— (a) land or new rights over land are being acquired compulsorily under subsection (2), and (b) the land which is being acquired, or over which new rights are being acquired, forms part of a common, open space or allotment. (5) The power under subsection (2) to acquire land compulsorily includes the power to acquire land compulsorily for giving in exchange for the land or (as the case may be) new rights mentioned in subsection (4)(a). (6) Schedule 2 (which makes further provision in relation to the acquisition of land by the HCA) has effect. (7) In this Part— "allotment" means a fuel or field garden allotment, "common" has the meaning given by section 19(4) of the Acquisition of Land Act 1981 (c. 67), "open space" means any land which is— (a) laid out as a public garden, (b) used for the purposes of public recreation, or (c) a disused burial ground.

**Consultation on strategic planning applications and planning call-in powers**

Part of the devolution of planning powers is consultation on strategic planning applications and planning call-in powers. There are five areas which are to be granted such powers. These are:

- East Anglia (only consultation on strategic planning applications)
- Sheffield City Region (consultation and/or call-in powers)
- West of England (consultation and/or call-in powers)
- Liverpool City Region (consultation and/or call-in powers)
- Greater Lincolnshire (consultation and/or call-in powers)

For the four with call-in powers and/or consultation rights, there is almost identical wording: "Be consulted on and/or call-in planning applications of strategic importance to the City Region." In the Liverpool City Region agreement it states that such powers are subject to the consent of the relevant combined authority member for the individual authority area.

The detail on what the 'consultation on strategic planning applications' means in practice is not publically available. The London example implies a government order concerning what plans need to be referred to the mayor, such as on developments over a certain height. Once referred the mayor has to decide (alongside taking into consideration to a range of other issues) whether:

*"to direct refusal of a PSI application 6.—(1) If the Mayor considers that to grant permission on a PSI application would be— (a) contrary to the spatial development strategy or prejudicial to its implementation; or (b) otherwise contrary to good strategic planning in Greater London, he may, within the period specified in article 5(1) (b)(i), direct the local planning authority to refuse the application."*

In the case of London and some of the local authorities there is a statutory spatial plan in place. However, in some areas there will not be a *statutory* spatial framework.

#### **What makes an application referable in London?**

An application is referable to the Mayor if it meets the criteria set out in the Mayor of London Order (2008). The criteria includes:

- development of 150 residential units or more
- development over 30 metres in height (outside the City of London)
- development on Green Belt or Metropolitan Open Land

In addition, the Secretary of State has separately required that the Mayor is consulted by local planning authorities on two types of development. More details on these can be found in the safeguarded wharves directions page.

The Mayor does not have any powers to comment or intervene on any proposal that does not meet the criteria set out within the order, including household applications. These proposals are the responsibility of the local planning authority.

#### *What is the process for a referable application?*

All planning applications are submitted to the relevant local planning authorities within London – these are:

- 32 borough councils
- City Corporation
- London Legacy Development Corporation
- Old Oak & Park Royal Development Corporation

Once an application has been submitted, and if it meets the Mayor of London Order, the local planning authority is required to refer it to the Mayor. The Mayor has six weeks to provide comments on the application, assessing whether it complies with the London Plan policies. This is a consultation response known as stage one.

The application is then considered by the local planning authority at its planning committee, where it decides whether to grant or refuse permission.

Following its consideration, the local planning authority is then

required to refer the application to the Mayor for his final decision, known as a Stage 2 referral. The Mayor has 14 days to make a decision to allow the local planning authority decision to stand, to direct refusal, or to take over the application, thus becoming the local planning authority.<sup>20</sup>

As with the consultation on strategic planning powers the detail in the deals is vague on what call-in powers mayors will have. Nationally, call-in powers are wider than consultation on planning of strategic importance. Currently the Secretary of State can 'call-in' decisions on any application, up to the point at which the decision is made by the local planning authority. When an application is called-in a public inquiry is held, chaired by a planning inspector (or lawyer). The inspector will make a recommendation to the Secretary of State, who can ignore the advice if they wish. However, very few applications are called in, and most relate to issues of national significance.<sup>21</sup>

In terms of the devolution deals, it is not currently clear whether the Secretary of State will also reserve the right to call in planning applications. Furthermore, it is unclear who will have the ultimate decision making power. In London, for example, the mayor can call-in decisions (with power to become the local planning authority) when three policy tests are met: it will impact the London plan, significantly affect more than one borough, and there are sound planning reasons.

#### **Housing funding and financing**

Whilst in several of the deals there is reference to continued discussion or dialogue over the devolution of housing funds, loan funds or "co-investing"<sup>22</sup> the actual plans for devolution of housing funding or financing has proven underwhelming. To date only Greater Manchester and East Anglia have had plans agreed with the Treasury (HMT).

The Greater Manchester deal offered the greatest level of autonomy in terms of housing finance. Under the deal, Greater Manchester receives a Housing Investment Fund (something which is now up and running –see the following section), which would amount to £300m over 10 years. This money is not grant funding but provided as recoverable loans, established as a 'financial transaction' and funded from within the budgets of existing programmes.

The financial transactions are for loans or equity investment into the private sector and must be repaid to the HMT. An example is Help to Buy which provides a loan to reduce the deposit a first time buyer needs. Such loans have been increasingly popular with the government as they do not feature on the PSBR (they are 'off balance sheet' loans so involve expenditure but also the holding of an asset). Many of these schemes have already been devolved to London and Scotland.<sup>23</sup>

Whilst this allows for autonomy over how the money is used, it is within stated parameters. The rules state that loans are for the private sector – this means loans cannot be lent to local authorities – i.e. stock retaining councils. Such constraints, and the fact that it is a loan rather than grant funding, will inevitably shape what types of investment areas can make, including decisions about the types of housing, where they are located and who they will be for.

The fund can be recovered and recycled before returning it to the Treasury. Greater Manchester would have to guarantee 80% of the principal plus interest earned. There is also to be an agreement over the profile of the repayments and an assurance agreement between Greater Manchester, HMT and DCLG on repayments and the recovery rate. Ultimately, the decision on repayments rests with HMT.

It is only in the Greater Manchester deal that such an arrangement is set out. However, according to a House of Commons Library briefing there are also plans for similar deals on a Housing Investment/Loan Fund for Sheffield City Region, Tees Valley, Liverpool City Region and the West Midlands.<sup>24</sup>

### Grant funding

The East Anglia deal is the only agreement which includes devolved grant funding. A ring fenced capital grant of £175m to 2020/21 will be devolved to deliver new homes. East Anglia will not be fully free in how the money is invested. It will primarily be for shared ownership. Nevertheless it will have control over 15% of the funding to "achieve the right tenure mix for the area". This could include rental properties as well as support for home ownership. The extent of the control is limited by East Anglia having to "agree specific proposals for all of these funds with the Government to ensure value for money and sufficient housing outputs." They will also be able to keep receipts resulting from any sales to reinvest in new housing.

### Sheffield City Region Investment Fund(s)

In the Sheffield City Region deal, the Sheffield City Region Investment Fund is referred to as a way of prioritising investment. This is not new funding but a "virtual fund" of different pots of money from local authorities, Europe, the LEP, HCA and transport funding.<sup>25</sup> The aim of the fund is to coordinate these different funding streams to best serve local priorities and city growth. Coordination is sought by having a single assessment framework for investment decisions. This is predicated on a clear framework and processes for prioritising investment (including for housing) across the city region.

In the second deal (October 2015) the idea of an investment fund is taken further to the potential devolution of housing loan funding and the city region's intention to further develop a proposition for a Housing Investment Fund. According to the Sheffield City Region's website it would be: "a single fund so that we can work with house builders to build thousands more homes across the Sheffield City Region. By supporting big and small developers, this means we will be able to tackle some of the problems in Sheffield City Region which limit the amount of new housing that is built, including affordable housing."

### Unlocking development

One of the recurring themes is how joint working can help to unlock potential sites for development. This comes in different forms, and includes:

- Land programme to unlock (due to the cost of remediation and/or infrastructure) currently unviable sites in Greater Manchester. The scale and scope of the programme is yet to be determined. Similarly the West Midland's deal states it was seeking a £200m land remediation fund.

- Portfolio of investment opportunities is proposed in three of the deals: East Anglia, Sheffield City Region and Leeds City Region/West Yorkshire. This of course is not a devolved function with any of the combined authorities having the freedom to produce what is in effect housing versions of the Northern and West Midlands pitch books. Nevertheless it highlights the possibilities open to city regions to sell their area to investors – both public and private. In East Anglia the work is said to be undertaken in partnership with government, the combined authority and the LEP with a focus on regeneration. In Leeds City Region/West Yorkshire and Sheffield City Region, the deals refer to working with the HCA to identify housing investment priorities and timeframes and "publish a pipeline of potential priority schemes."<sup>26</sup> The aim being to attract and give confidence to public and private investors. This builds on work that local authorities have already undertaken with the HCA.<sup>27</sup>
- A strategic infrastructure delivery plan is due to be produced by September 2016 by Greater Lincolnshire. This will set out the infrastructure needed to support the increased funding of new homes, and "proposals to fund this through devolved infrastructure funds, through national programmes and through local funding". Part of the deal is for greater Lincolnshire to commit at least £100m over ten years in addition to funding from the Local Growth Fund and devolved infrastructure spending and contributions from developers. Much like the land remediation funds this money would be ring fenced, and whilst the combined authority would shape the plan it would not be fully autonomous. East Anglia is also to have a "non-statutory strategic infrastructure plan"<sup>28</sup> with similar purposes as Greater Lincolnshire without the levels of funding mentioned. West of England, under the deal, is also due to produce an infrastructure plan following the publication of a joint spatial plan and joint transport plan.
- Unlocking large developments/action on starter homes is part of the deals in Greater Lincolnshire and the West of England. This explicitly aims to deliver a national programme locally. This agreement, like investment in brownfield land, states that government would provide support to "bring forward sites where housing delivery would have happened." The deals state government and HCA will support and provide "brokerage at the local and central government level" to "resolve barriers" from utility companies and government departments holding up developments. The deals do not state exactly how this will take place. In East Anglia similar reference to unlocking large development is made but without specific mention of starter homes.
- Support of specific developments are mentioned in the East Anglia and Greater Lincolnshire deals. In East Anglia these include: Ipswich Vision, Greater Cambridge City Deal, and developments in Peterborough and Greater Norwich. It is unclear as to the extent to which this can be called devolution or just support for existing or proposed developments. The Greater Lincolnshire deal mentions support for new housing settlements (based on "garden town principles") and supported by a mayoral development corporation.

### Individual plans and initiatives

Within the different agreements are a range of different initiatives and plans. These include:

- Reform of planning services is stated in the East Anglia, West of England and Greater Lincolnshire deals. All three deals make reference to support for: "proposals for ambitious reforms in the way that planning services are delivered, and which can enable greater flexibility in the way fees are set, with a particular focus on proposals which can streamline the process for applicants and accelerate decision making." Whilst under the agreements there is room for flexibility as they refer to "proposals", government would be the ultimate arbiter of the deviation of national policy (e.g. on fees) in these devolved areas.
- Retention of a proportion of high value assets is mentioned in the East Anglia deal. This phrase presumably refers to receipts from sales of council homes following the extension of Right to Buy. The proportion is not set out and seems likely to cause some discontent if this dispensation is just made for one area.

### Transport and infrastructure funding

Developing new homes requires enabling infrastructure, not least transport. Indeed, transport funding can be enough in itself to unlock potential developments. And transport has been a prominent feature of the devolution agenda. The newly established Transport for the North (representing 11 LEPs, and all combined authorities and local transport authorities in the North), for example, stresses how transport investment can "transform economic growth".

The deals include unified transport investment budgets. In some of the deals there is mention of collaboration with key agencies (e.g. Network Rail, Highways Agency) and also passing down a key network of local roads to combined authorities – powers that are currently exercised by local authorities.<sup>29</sup> Such powers may prove to be vital in unlocking land for housing. However, there will be constraints on what can be achieved outside of existing funding commitments and the ability not just to finance new transport infrastructure, but also to fund it with the farebox unlikely to cover the cost of the investment, and with transport revenue subsidy having been cut substantially.<sup>30</sup>

#### *Business rate supplement*

Under the following agreements the mayors will be able to raise business rates to fund infrastructure:

- West of England
- Liverpool City Region
- North East
- West Midlands
- Greater Lincolnshire
- Greater Manchester
- East Anglia

In general the deals state the money that could be raised would be capped and require the consent of the business community (through consent of the LEP). The level of the cap is not stated in most deals, but in the North East capped at £30m and in Greater Lincolnshire the upper limit is 2p per pound of rateable value. This could provide enabling infrastructure, and depending on how infrastructure is defined, direct support for new housing supply. However, the critical factor remains the financial viability of proposed developments.

#### *Community Infrastructure Levy*

One area where there is potential for much greater autonomy over how funds are spent is the proposed Community Infrastructure Levy (CIL) for Greater Manchester. The CIL is a planning charge introduced to help fund infrastructure to support the development locally. At present it can be charged by local authorities and the GLA. In this sense it is not a devolved function as the local authorities can already apply a charge. However, it could help fund projects across the area and involves burden sharing to fund projects that potentially benefit the wider area.

To introduce a CIL the Greater Manchester mayor would need the unanimous approval of all the councils. In theory the CIL could mean the money raised is free for mayors to spend on development and regeneration projects as they wish. More probable perhaps, as has happened in London, it will be hypothecated to one project (Crossrail in London's case). Regulation of the Mayoral CIL for London restrict spending to funding roads or other transport facilities, including Crossrail, and to ensure a balance between the spending priorities of the boroughs and the mayor.<sup>31</sup> If these rules are replicated for combined authorities it will mean that revenue raised could not be spent on housing, but could unlock housing development via investment in new roads or other modes of transport.

The level of funding may not prove transformative (especially now starter homes are exempt from CIL), but nevertheless alongside other income streams could add to a growing infrastructure funding pot. As a way of comparison, London's Mayoral Community Infrastructure Levy raised an estimated £80 million in 2015/16<sup>32</sup> but in an area with a population over three times the size of Greater Manchester and where land values average £29m per hectare compared with £1.6m per hectare in Manchester City Council.<sup>33</sup> This said, because land values outside the capital are less extreme, money that is raised is likely to go further.

#### **Community Infrastructure Levy**

The Community Infrastructure Levy introduced by the Planning Act 2008 came into force in 2010. The money raised would be based on a charges on the floor space created, the location and the purpose of the development (with some developments eligible for relief or exemptions). They are calculated once a planning application is submitted to the local authority. The figure is based on the amount of floorspace created, the location and how the development is to be used.





## Section 2: Views from the combined authorities

The devolution deals are moving at different speeds in different places; many of the initiatives are just starting to take form with others only in the pipeline for the coming year. To better understand how the deals were progressing and get a sense of the emerging agenda from the combined authorities, anonymous interviews were conducted with senior officers in the devo deal areas.

### General views on the devolution deals

The devolution deals were generally seen in a good light. The sentiment of the officers spoken to was that whilst not perfect, the deals were a step in the right direction. One interviewee noted that it had been a "positive process" and "opened doors with government" to speak about their priorities. It had also given their city region "visibility in Whitehall" which had previously been lacking. Another was more positive and was "delighted" with the deals, describing progress as "dynamic" and the combined authority as having a "good relationship with government".

*"It was a landmark deal"*

None of those we spoke to believed that their deals were the final destination, but rather staging posts. Whilst the focus was on delivering the initial rounds of devolution deals and proving that they were more than capable, one eye remained on demanding more. One person noted that the deals were part of an ongoing process, advancing at different speeds in different places and was best described "as an incremental journey". Another started that they would be "pushing the envelope" and wanted to keep "the forward momentum going" on additional freedoms, flexibilities and powers.

One person also noted that it is the "only game in town" and that there was little alternative but to strike a deal. This was a view shared by another interviewee who thought that they had to get on with the deals that have been struck, including around the amount of funding and the need for a mayor (which some in their city region were sceptical about). Another suggested it was too early to tell how effective the powers within the deals are, with the "proof in delivery".

Whilst the views were positive, with stakeholders relishing the opportunity to be able to shape their own agendas, reference was made to local authorities powers being sucked up to central government. One interviewee was sceptical about the extent to which some of the elements within the deals could be classed as "real devolution" as opposed to city delivery of national objectives and programmes. Another was frustrated that while they had met their end of the deal, government "hasn't moved as quickly." Another wondered: "is it piloting rather than devolving?" and suggested that if it worked it could be both a "devolution success and policy evolution."

One of the interviews took place after the referendum on Britain's membership of the EU. The senior officer noted that whilst great strides had been made they thought further "devo will now grind into the sand," with Whitehall consumed with negotiations and

unpicking our relationship with Europe. They thought they might get what was "on the stocks" but little beyond what had been negotiated and believed the "great journey" to be "forestalled".

In terms of housing, interviewees were positive, seeing the deals as a way to break away from a "one-size fits all" approach. But there was also mention of what powers have been sucked up by government. For example, mention was made of the recent Housing and Planning Act which forces councils to sell off high value properties and gives ministerial power to override any pre-existing planning obligations (such as an existing affordable housing target) that obstruct delivering starter homes.<sup>34</sup>

One interviewee thought housing did not feature prominently enough in their deal – something which they hoped to address in another round of devolution. Another suggested that government had adopted a "speak to the hand approach", with housing not seen as an important issue for their city region. Another suggested that initial discussions were "just about powers and not about resources," but that this was starting to change.

### Distinct housing needs and aspirations

Those spoken to highlighted different housing needs and objectives in their respective areas. Overall interviewees focused on the supply pressures they faced with delivery falling short of household growth figures. One person commented that to meet their supply aspirations required building at a rate not seen since the 1980s, when the development model was very different with councils making a significant contribution to build out rates. Other areas also highlighted housing aspirations around quality, location and tenure and questioned Whitehall's "pure supply view".

This misunderstanding of sub-national housing needs and markets was a common theme in the interviews. Some authorities would clearly struggle to meet their housing requirements because of national programmes ill suited to their particular housing market. One person thought that because their region had a large supply of housing for its population it did not have housing problems. So whilst positive generally about the forward march of devolution there was a deep frustration borne out in almost all the interviews that the national government didn't understand their needs. A view which encapsulates for many why there is a need for housing functions and powers to be devolved.

To illustrate this point, one senior officer even gave an anecdote of a Whitehall official remarking that he lived in London where terrace houses were "being snapped up", so there must be high demand for housing. He felt that Treasury officials "didn't get it" and were in a "bubble" when private landlords in depressed parts of their sub-region were "flogging off homes for £20k".

Some interviewees commented that "a lot of national housing programmes wouldn't work in the North and Midlands"; they were too "southern centric". They were "disappointed with the national programmes", especially those who had been promised a greater say about the shape of future housing programmes.

*"Co-design was promised but it has not transpired as we would have wanted"*

*"Government has an extremely southern view"*

This disappointment was particularly felt when it came to starter homes. Interviewees questioned who the new houses were for. The cap for starter homes is up to £250,000 outside London. However, in many places average prices are considerably below the cap. This meant that those purchasing at a level towards the cap and receiving a hefty discount would be those already able to buy.

This also reflected a misunderstanding of average wages, with lower incomes in many cities making it hard to save for a deposit. If the objective was to increase homeownership then it is those on lower incomes who would need to be priced in. However, the development economics made this hard with lower quartile and average house prices in some areas below the build cost. It was suggested that a more suitable alternative would be to extend shared ownership schemes which are often more financially viable for both developer and prospective buyer.<sup>35</sup>

The government's strong national policy emphasis on homeownership was a widespread concern. A few interviewees in metropolitan areas thought the sole focus on homeownership was not appropriate for their cities, and evidence didn't support a top-down, blanket target under starter homes. Others proposed a greater stress on regeneration and placemaking and supporting people out of sub-standard private rented properties.

There was also frustration over a lack of understanding or policy nuance with regard to funding models needed to deliver new homes where land values were low (compared with the London and the south east) and not rising at the same rates. This was particularly the case when it came to upfront costs and the rate of return on land remediation (discussed below).

Several interviewees said that whilst Treasury viewed planning as the major problem, it was felt not to be the case in areas outside London and the South East. Instead, planning was seen as enabling combined authorities to meet strategic objectives with the main concerns being low (or negative) land values and unsuitable funding models.

*"I don't see planning as the biggest problem, there's lots of unbuilt sites"*

### **Housing and the economy**

One of the key documents mentioned by the combined authorities was LEPs' Strategic Economic Plans (SEPs). These were seen as helpful in outlining housing need and in connecting housing with transport, employment and economic growth. Failure to build enough houses and "housing of the right type", as one person stated, would place an "artificial cap" on economic growth. Another noted the benefits of joining up the housing and growth agendas on a combined authority basis. However, the SEPs were also understood more as 'bidding documents' which feed into local plans, and detached from the politically sensitive issue of setting housing targets. As one interviewee observed, to meet the targets in their economic plan would

require building at a faster rate than in local plans combined.

*"We're pro growth and pro housing"*

The general impression was that LEPs are important players in combined authority areas in respect of promoting private-sector growth. According to the RTPI "whether by default or by design, LEPs are perceived by both internal and external stakeholders as performing an important role in the shaping of places."<sup>36</sup> Nevertheless, the housing remit of the various LEPs is viewed by many as opaque. The Smith Institute's report on housing associations and LEPs, for example, concluded that:

*"Many of the LEPs' housing aims are on a large scale and often across local authority boundaries, although funding to LEPs for housing is small compared with transport. Moreover, it is difficult to discern from the LEP economic strategies whether the LEP itself is the delivery agent or enabler."<sup>37</sup>*

This remoteness from the housing delivery agenda is in part explained by the fact that LEPs only have an informal (non-statutory) planning role. As the RTPI comments: "A directly elected metro mayor will be responsible for "new powers" in relation to planning and other functions, such as transport and housing. However, in terms of planning, it is unclear at this stage how "the power to create a Statutory Spatial Framework for the City Region" is radically distinct from existing statutory mechanisms available to all local planning authorities, such as a Joint Core Strategy, other than it will create a bespoke layer between the NPPF and each council's local plans."<sup>38</sup>

Setting out housing requirements can, of course, be a highly controversial political issue. One officer explained that they were looking at housing through an "economic lens not a planning one." This meant recognising how housing can support economic growth (with the additional demands for new housing that come with economic expansion) but also the role house building plays in strengthening the sub-regional economy. This approach fostered greater support for the strategy across the local authorities, as opposed to an approach which looked at the issue simply as planning for household growth (which some construed as a return to regional spatial strategies).

Another interviewee felt the government has a narrow view of the relationship between housing and growth. They suggested that the Whitehall view was that "jobs drive housing", ignoring the role housing can play in driving growth – both by attracting skilled workers but also directly through jobs in house building. Another thought that this blinkered approach to housing being purely about growth was starting to change, and Whitehall was increasingly open to seeing housing about place as well.

### **Governance arrangements – a (new) spirit of cooperation**

One of the potential stumbling blocks for the success of the devolution deals and the combined authorities is whether the constituent local authorities, of different political persuasions, population sizes and differing economic as well as housing needs, can work together and make meaningful decisions. The universal sentiment was that there was a new or strengthened spirit of cooperation.

In one of the areas, a senior officer noted that they were: "fractured

in the past. But we have gone beyond the underlying reasons for those differences." They also said of another authority that they had shown "incredible generosity". It was thought that there had been a step change in the relationship in some areas making it hard to reverse what had been achieved by bringing together local authorities through (mayoral) combined authorities.

*"The spirit of cooperation has not been lost – it's more than personal commitment"*

In other areas, cooperation and joint working was well established. In some areas after the scrapping of the metropolitan county councils informal partnerships had continued. One person thought that their "combined authority was the formalisation of [an existing] voluntary agreement." They did not say there was no "tension" but that the local authorities were "pragmatic" and they "work together effectively". Another noted, however, that he did not envy those authorities who had just started working closely together. An optimistic but cautious note was struck by another stating that the: "devil will be in the detail." This was particularly true if there was to be housing targets.

Questions of capacity and capability were also touched on by some. The ability to use expertise in one local authority was thought to be an additional benefit of joint working through the combined authority, something one person pointed towards when discussing their strategic plan. Another highlighted the duty to cooperate and the role combined authorities play in meeting that obligation.

When interviewees were asked about the London approach, with executive powers concentrated in the mayor and boroughs not sitting in his or her cabinet, the response was unanimous. Their approach was one of collaboration. No one suggested that a London-style executive mayor and GLA was desirable in their area.

*"It's unlike London; not top-down but bottom-up"*

This may, of course, also reflect the reluctance in some areas to move to a mayoral system. Nevertheless, one interviewee also suggested that they expected housing to rise up the political agenda as a result of having a mayor, expecting housing in the 2017 mayoral elections to be a "top three [issue] in mayoral manifestos." They also thought this would give the mayor a mandate with which to speak to and lobby central government, including over whether the current strong emphasis on homeownership was appropriate for their locality.

### Devolved funding

Funding was a reoccurring theme in the interviews. One interviewee, for example, discussed progress in devolving transactional funds, which "were advancing well", including on the detail. They were looking at an investment vehicle – "something holding equity" which would include a fund manager. The benefit was said to be the ability to pool funding to create scale. This included private funding via housing associations and possibly pension funds. This approach could deliver a "pipeline of certainty", with the funding placed on a long-term footing. It also implies those involved in development could plan and take strategic decisions, including around skills and jobs and supporting SME builders (who often struggle to access funding through national programmes). Long-term funding would

make a difference to bringing a pipeline of sites through quickly. It would also mean that investment and recovery rates could be longer-term, making some activity more viable.

Another combined authority was working with the HCA. Through the Local Growth Fund (housing infrastructure) they had received funding for brownfield remediation, this could unlock one or two strategic sites but was very small compared with previous funding they had received through past government programmes. The year-on-year £30m revenue funding the combined authority was to receive was thought to be more significant. And with funding for starter homes, estate regeneration and planning gain (S106) the interviewee believed that the combined authority could make "a pot out of that". Pooling that funding was believed to be key: "that must be the trick."

Several officers said their combined authority was trying to fit local growth funding and transport funding into one pot. This, they said, would enable them to align long-term planning and investment across various sectors and be more effective at delivering development. It was remarked that this joined-up focus on infrastructure was unlocking several thousand homes. Furthermore, by showing what could be done they were proving that they had "a track record of delivery."

In other areas combined authorities were starting to put together plans for greater control over existing funding pots. The example below from Tees Valley highlights their ambitious plans for their combined authority to create "a game changing... investment platform"

### Tees Valley Combined Authority

Tees Valley Combined Authority are working with DCLG, HM Treasury, BIS, HCA, Registered Providers and the private sector on preparing the detailed investment proposal. The key aspects of the outline concept are:

- *Aim to use existing national and local funding in a more flexible way that is tailored to local circumstances and does not seek additional funding from central Government...*
- *Operate as a socio economic investment vehicle with a long-term investment / equity interest in Tees Valley...*
- *Probably established as a 10 year investment fund in first instance (needs to give long term commitment / confidence / certainty), it will aim to support the building of over 20,000 new homes to 2026...*
- *Not just providing development finance but also risk sharing investment and equity holding e.g. in new build property assets...*
- *It will invest on a recoverable basis, recoverable via sales receipts (including shared ownership), rental income, capital on balance sheet (% equity in property), asset value uplift (house prices) i.e. not just a sales reliant model...*
- *Aim to maximise home ownership through investment in a mix of products on tenure-blind development (enable a range of financing options to suit individual)...*
- *Aim to bring forward brownfield sites and revitalise the urban core, investing in areas of low return / higher risk...*
- *Adopt a risk sharing model – with range of scheme specific levels of risk – could even take 100% of risk (build out on spec)...*
- *Scheme specific JV/investment approach which is tailored to*

*specific site circumstances / pre-agreed profit share where appropriate / enabling short term interest of development partners...*

- *Other available funding sources secured at scheme/investment JV level e.g. HCA grant funding / developer borrowing...*
- *Aim to support delivery of key opportunities identified through the Land Commission...*
- *Aim to support investment in key strategic sites being delivered through a new MDC...*
- *Longer term aim to attract private sector investment into vehicle with exit strategy aim of making investment vehicle stand on its own without public sector support...*
- *Partner with RPs to provide landlord service where needed e.g. part ownership, rent to buy, etc...*
- *Aim to develop and nurture the market (support self-build / SME builders / alternative social enterprise type development models, etc) and support their business growth...*
- *Potential to support off-site manufacture both in terms of delivery of housing and also Tees Valley manufacture base...*
- *Support a local skills programme to increase capacity e.g. construction academy...Provide a positive impact on 5 year supply and where development takes place...*
- *Balanced investment portfolio approach to facilitate cross subsidy (marginal return/good yield/loss)...*
- *Provide local solution / positive offer to government on delivering current policy objectives (in part by tailoring existing national funding programmes to local circumstances).*

Source: Tees Valley Combined Authority "Transforming place through devolution" 7th June 2016

Greater Manchester's third devolution deal caught the headlines because of a promise of a separate £300m revolving housing loan fund (established July 2015). Greater Manchester hope to revolve the fund two and a half times and they are under pressure to get the funding out quickly. The fund is viewed as critical to helping drag pipeline sites and plans into developments. According to its annual review, there has been a strong appetite for the funding with 8 projects agreed and 1,000 units in the pipeline from £100m of lending. The schemes have been a mix of housing and apartments, with the focus (but not exclusively) on city development. With the 10 authorities standing behind the fund there is pressure for a return on the investment. In relation to the two drawing funds, for example: "There have been no defaults, there are no indications that either project is distressed and in line with policies in place there is no requirement to impair or write off the loans provided to date."<sup>39</sup>

An interviewee not from Greater Manchester was less certain about whether this approach would be something for them. Whilst there was some excitement about the possibility in their area, there was also nervousness about local authorities standing behind any loan fund because of the serious funding strains they were under as a result of the swingeing cuts in local government grant funding.

It is hard to say whether or not that view is common place. However, there was consensus over greater freedoms and

flexibilities from national policy. In that regard, reference was made to the new deal (separate to the East Anglia deal) that looks set to be agreed for a 'Cambridge Housing Fund' within the Cambridgeshire and Peterborough Devolution Plan (subject to agreement on the devolution deal) could perhaps be a template.

### Cambridge Housing Fund

- £70m grant to be made available to Cambridge City Council, for it to use to build new council housing.
- At least £60m of the grant to deliver the 500 new council homes in Cambridge by the City Council will spend the grant over a five year period on social rented homes (defined as rents at Local Housing Allowance levels).
- £10m of the grant will be available to the City Council to replace any of the 500 subsequently sold through the RTB.
- The City Council will combine the funding with Right to Buy (RTB) receipts in its control.
- The City Council has already identified potential sites and will develop a detailed delivery plan.
- The new housing will be owned and managed through the Council's Housing Revenue Account (HRA) and will be let as secure local authority tenancies.
- Delivery of the new homes will be undertaken in close liaison with South Cambridgeshire District Council in relation to their complementary affordable housing programme and through the Greater Cambridge Housing Development Agency, the shared housing delivery vehicle operated by the two Councils.
- The City Council will have the freedom to choose the extent that it provides the new homes on land that it owns or land owned by others (including through section 106 planning agreements).
- The grant will be made available to the City Council through the new Combined Authority.
- The grant is separate and in addition to a £100m affordable housing grant in the Devolution Agreement for non-council Cambridgeshire and Peterborough housing for affordable rent and shared ownership housing to be provided via housing associations, including a particular focus on delivering this in South Cambridgeshire and Greater Cambridge.
- Issues relating to Government plans for 'higher value sales', affecting Cambridge council housing, were not addressed in the Devolution discussions and will be the subject of further discussion between the Government and councils, including with Cambridge City Council.

Source: Cambridge City Council "Cambridge and other councils to decide on devolution deal" (17th June 2016)

There are, of course, difficult choices to make as central government's approach to funding moved from grant giving to recoverable loans. One interviewee noted the tension between investing in a site where there was "an immediate win" with money returning to be reinvested or using the funds in a deprived area which may have a greater social and economic impact, but a slower and possible lower rate of return.

### Land Commission and joint asset boards

Another of the themes of the interviews was the issue of land. Land commissions and joint asset boards are aimed at identifying public (and private) land that could deliver new homes.

The land commission in one area was designed to bring the main players together, not just major land holders but also infrastructure and developer experts. It was said that the first task was to create a database of what land there was and who owns it for deliberations to draw on. However, how effective the commission would be was an unknown, with the terms of reference yet to be published and the efficacy to be tested. Another also felt that there was at present not enough engagement with the board with attention still focused on individual local authorities. One interviewee also looked on enviously at Greater Manchester's Land Commission, with the ambition for their combined authority to have a similar set up.

An asset board in one area intended to make their combined authority disposal plan transparent to potential developers. For another, starter homes was said to potentially offer the opportunity (through unlocking the land fund) to acquire brownfield sites. The joint asset board could then provide analysis and offer a strategic approach to delivery within the region. Another interviewee highlighted the very localised land market, with prices varying dramatically over a short distance, and land commissions could provide much needed information to support decision making about disposal and acquisition.

Another was more mooted in the way that their asset board would operate. Whilst potentially important, they believed that they were being established to "maximise receipts to go back into the department." Therefore they were important for government departments to fill holes in their budgets but would not contribute to the planning of the area and questioned "what's in it for us?" For another it was seen as an important way to "bring forward land" to deliver new housing.

In some areas the public estate was not significant. In others ownership was fragmented - "single large sites can have 12 different owners". One interviewee stated that whilst there was a focus on absentee landlords there was also an issue with absentee land owners. The role of the land commission would be to look at land assembly using CPO powers alongside land remediation – discussed below.

### Spatial frameworks

Spatial frameworks and plans are an important way of tying together decisions about land use and public investment. Like housing targets, spatial plans and frameworks (which because they often include targets) can be politically contentious. In one area, the officer stated their spatial framework builds on the National Planning Policy Framework. It is therefore for material consideration and not a statutory regional spatial strategy which the combined authority has to agree.

The general view was that the economy is a major driver, and places can't grow without thinking about the "strategic locations for growth". When asked about why it was non-statutory, one interviewee said a legal duty would make it "a free for all" and would be "clunky" as it would create more regulation.

One interviewee thought as the local authorities were the ones at the heart of the combined authority (including decision making) they did not need to be statutory. Another, where their

framework is to be statutory, stated that the legal advice was that their framework "will end up" being statutory in any case. They said that they did not see any other way because:

*"If it comes up with numbers, it will become statutory"*

This, of course, may depend on the scope of the framework. Regardless of its legal status, one officer thought that the spatial framework would be an important opportunity to undertake research and have policies for more difficult issues with a view to a cross city plan. Another stated that the "spatial framework is going to be critical to us", suggesting that planning was not a significant problem, "with lots of unbuilt sites." But it would enable the area to act strategically to link housing to transport to jobs.

The new spirit of cooperation was also evident when discussing spatial plans or frameworks. One interviewee noted, that in the past when investment was in a neighbouring council the attitude was "what is the local authority getting out of it?" This was said to have now changed, authorities see that what benefits one part is going to be the advantage of the whole city region. This, they noted, was the "benefit of a city region approach".

There was little mention of call-in powers or consultation rights. The one reference to it was the decision of one combined authority to seek consultation for plans of strategic importance if it was a national decision imposed on them.

### Housing strategy for Liverpool City Region

Liverpool City Region Combined Authority Housing and Spatial Planning Board is in the process of developing a housing strategy. The new strategy will seek to "improve and increase the supply of good quality homes of the right tenure and type in appropriate locations in order to support the city region's economic growth aspirations; to regenerate vulnerable neighbourhoods; and to support wider public sector reform." The aim is to:

- Increase supply of housing by 25,000 units over the next five years in a sustainable manner
- Reform the funding and financing of housing in the region, with due regard to the government's national housing objectives
- Assess where people want to live and consider how the implications of this can be reconciled
- Identify the best tenure mix of housing to meet housing needs across the region
- Meet the housing needs of the most vulnerable groups, particularly where this links with health and social care needs
- Respond to long-term demographic changes (i.e. a significant increase in older populations often with more complex needs)
- Improve existing neighbourhoods, including improving the quality of the private rented sector
- Regenerating the city region's vulnerable neighbourhoods in order to ensure they make a full contribution to, and benefit from, economic growth
- Address the issue of the city region's ageing and poor quality housing stock which will improve socio-economic conditions in the city region (for example health, fuel poverty)
- Support wider public sector reform, for example, around health

- and welfare reform and more effective housing related support and advice services
- Provide improved access to affordable housing, e.g. through improvements to Choice Based Letting services/schemes
- Tackle all forms of homelessness including: statutory homelessness, street homelessness and hidden homelessness

### Mayoral development corporations

Interviewees did not dwell too much on mayoral development corporations, similar in form to the London Legacy Development Corporation. They were nevertheless seen by some as useful for developments which bridged boundaries. The feeling from one combined authority was that MDCs were important, giving developers and others a single point of contact, "especially if it spans local authority boundaries". They had a couple of sites where this was the case and a MDC may prove very helpful. For another by having greater control through an MDC could make sites more viable where land remediation is a problem. The additional CPO powers were seen by another as the key ingredient with "local flex to do things quicker", and thought that MDC aligned with fiscal incentives could help make a success of regeneration projects. However, one interviewee said there were no sites which spanned local authorities, therefore, resultant control would not justify the effort to establish one. Instead the focus would be on individual local authorities pursuing joint ventures.

### Land remediation

One of the repeated themes from the interviews was the issue of land remediation. For most of those spoken to supporting brownfield development was important to meeting housing needs and targets. These objectives included ensuring that housing was located close to transport and jobs, delaying having to look at greenbelt development and to safeguard against homes being overwhelming built on greenfield on the edge of town which would hinder the economic and physical regeneration of cities.

*"It's a big issue"*

*"If we don't unlock brownfield sites, the focus will be on greenfield – not something we want strategically"*

Part of the remit of land commissions and asset boards is not just identifying public land but also brownfield sites. However, once identified the issue is that brownfield land requires upfront investment to bring it to the market. In practice this means that brownfield land can often have negative values. Unlike in places in the south, land values are lower, which further makes it difficult to get a quick return on investment from making the land fit for housing. Those spoken to thought that getting land to market would require a significant push on brownfield remediation.

*"the cost upfront is considerable"*

*"Land is not development ready"*

Some of the combined authorities are talking to government about a remediation fund to bridge the upfront costs. From those spoken to, with many in former industrial heartlands, securing brownfield-funding would be critical to meeting their strategic

spatial ambitions. However, there were mixed views of what is needed. One person thought that government should "throw some grant at it". Whilst grant was preferable, there was a feeling amongst others that it would not be forthcoming in the short-term and other avenues should be pursued: "I'm not suggesting grant... but loan payments over a longer time." Another suggested that there would be "pay back over time" and this could help deliver other objectives such as improved transport schemes. Whilst another stated that rather than waiting for central government funding they would be using newly devolved 'gainshare funding' to support land remediation. Another wanted to discuss how the starter home land fund could be shaped to support brownfield site development.

### Cross policy approach

There was little mention of the ability to use funding for different purposes. This is not to say it isn't being planned or discussed, but that it wasn't an emerging theme from the interviews. Whilst land commissions had other government departments round the table, one interviewee said the focus was on land rather than any collaboration around innovative use of surplus public land to meet housing and health objectives. Nevertheless, although the Greater Manchester Memorandum of Understanding on health and social care doesn't mention housing the memorandum of understanding between Greater Manchester and housing providers has a section on health. It makes reference to a fund (from housing associations, local authorities and CCGs) to deliver energy efficiency improvements and piloting a scheme to help with discharges. And it is also developing a locality plan, which includes the role of housing in reducing the need for care.

Another combined authority mentioned that a major barrier to realising the ambitious house building targets was the lack of skills. They stated that their intention was to use the skills elements in their devolution deal to plan and deliver a workforce for the building industry.

A degree of collaboration between housing and health providers has been underway in some areas. However, it does not appear to be a central part of the first wave of the combined authority devolution process – something not made easy by different incentive structures. It was said that devolution offers significant scope for joint working and not just between housing and care but also between housing and transport, criminal justice and skills. Breaking down long-established policy silos is hard, but as one interviewee noted: "Control does enable us to stitch things together more effectively."

### Fiscal devolution

Part of the devolution deals include the possibility for combined authorities to levy supplementary business rates and CIL. However, it was seen as adding little in the case of CIL, with local housing markets unlikely to support raising significant funds. It was said that the development economics meant that it was hard to put additional planning gain charges on developers and keep projects viable – especially where land values were low.

*"It's not going to do much for us"*

One interviewee, was more positive, seeing it as "good to have" but there was little sense that it would be a game changer. Instead, the

emphasis amongst those interviewed was noticeably on greater control and coordination of funding rather than fiscal devolution.

### Fiscal devolution

According to the Centre for Cities: "on average, for every £1 generated locally in taxes, local authorities kept only 9p – meaning places have little direct incentives to grow their economies". However, there are wide geographical differences in the levels of taxes raised. Greater London, for example, contributes disproportionately more tax than other major city regions (generating nearly twice as much as all the combined authorities that make up the Northern Powerhouse). The Centre for Cities' analysis shows that the city-regions are generating taxes at around the national average, although comparatively less per capita than smaller cities like Reading and Milton Keynes.<sup>40</sup>

The London Finance Commission (2012) recommended that the GLA and London boroughs should have greater tax raising powers, including setting property taxes. Whilst there is support among the combined authorities for similar fiscal devolution in their areas (for capital, rather than revenue raising), there is also a recognition that retention of taxes would produce winners and losers and therefore demand a degree of national and city-wide equalisation. Residential stamp duty figures illustrate the point with the London boroughs of Kensington & Chelsea, Westminster and Camden (population of around 600,000), raising more from property sales than the North East, North West, Yorkshire & the Humber, East Midlands and West Midlands combined (population of 25 million).<sup>41</sup>

### Housing delivery and partnership working

One of the emerging themes from some local authorities is the desire to start building again directly through their Housing Revenue Account (HRA) and via delivery vehicles (including local housing companies which sit outside the HRA) and joint ventures. There could be considerable scope for pooling to maximise any headroom, create economies of scale and focus investment in strategic sites. Despite the potential advantages, one respondent suggested that there was "no desire" largely because of the uncertainty over social rents following the government's decision to cut the rent formula. The mood among officers was top-down national decisions over rents, extension of Right to Buy and high-value asset sales were having a direct affect on the ability of devolution to be effective. An alternative model could be to scale up local housing companies to cover a combined authority areas. This could provide scale to deliver key sites and overcome some of the issues relating to slow build out rates.

### Local Housing Companies

Proposals for Local Housing Companies (LHCs) date back to the Housing Green Paper in 2007. They received a new lease of life under the Coalition government, with the Elphicke-House Report (2015) recommending that local authorities set up housing companies to build new homes for rent and sale. Reform of the HRA has also encouraged local authorities to consider the benefits of a LHC to intervene in local housing markets. As joint ventures between a local authority and a private sector partner they enable risk sharing and shared revenue raising, with councils typically providing the land/property in the new company and the private sector providing house building expertise and private finance. LHCs also give councils greater borrowing powers and allow them to sidestep the new extended Right to Buy scheme. The LHCs operate commercially and can act as private

landlords. According to a survey last year by regeneration firm 3Fox International more than 50 councils are considering setting up LHCs.

Although joint ventures were mentioned, it is perhaps too early to know whether there is an appetite for establishing autonomous combined authority-wide housing delivery vehicles. Combined authorities were, however, establishing forums to work with housing associations and others. Such forums would mirror those at local authority level to inform and consult on plans but also to try to mitigate the effects of national policy decisions, not least over high value void sales. They can also act as a framework and 'ask and offer' documents for collaboration. More ambitious plans are attempting to formalise such arrangements or seeking to pool some housing association assets to deliver new housing. An alternative approach has been to create a dedicated housing delivery team, working across the combined authority. The intention is for the team to engage with developers, housing associations and investors to build confidence, increase overall intelligence and work alongside the HCA and local authorities. This approach is also evident in the way local authorities have worked together, sharing expertise, to develop combined authority strategic plans.

There also appears to be potential scope for greater collaboration on local authority functions. Licensing of the private rented sector at a local authority level can prove expensive. However, at a combined authority level employing specialist teams to tackle poor quality private rented homes and landlords could potentially become more realisable. The view from one combined authority was that there was little appetite for this with local authorities having different views on how to tackle the problem (some concentrating on selective licensing in known areas with problems whilst others were interested in attracting institutional investment to raise the quality bar and others concerted efforts on landlord forums). Local authorities in some areas were also sceptical about the effectiveness of the licensing regime with landlords paying the fine but doing little to improve standards.

### Single housing pot

When asked about what would make the biggest difference there were two main answers: more flexibility around existing funding and the creation of a single housing pot.

*"The position has got to be more local funding and more local delivery"*

The combined authority-HCA relationship was key to this. As one officer noted, they are: "pursuing HCA for a deeper and more significant partnership". Another wanted to work more closely with HCA, recognising the skills that the HCA had. But when pushed about an ideal scenario, the interviewee stated that they: "wouldn't say no to having [HCA's] powers."

Greater control was a central ask of most officers. This included shaping housing programmes for local need, not least around tenure. The general impression from officers was that those in city regions were much better placed to deliver because combined authorities better understood the local housing markets, what was needed (spatially and in terms of supply) and what was holding up new supply of housing. This also extended. It was also said that combined authorities would make money go further if there was greater flexibility and an appeal to the principle of subsidiarity.

*"We can make a lesser budget work harder for our communities than is possible or feasible from Westminster or Whitehall"*

*"Flexibility rather than bureaucracy"*

One person also suggested having a "a version of what London has", with HCA devolving powers, decision-making, and funding to the GLA.<sup>42</sup> When asked about whether they wanted what London has on housing, another stated: "absolutely, we want the best bits."

*"London has control over HCA programmes that is an advantage to them"*

For another interviewee, greater flexibility extended to HCA's regulatory functions. They saw the one size fits all regulatory framework as constraining the ability of housing associations to develop in a very different market than London and the South East.

One senior officer noted that devo-housing would only prove to be a success if there was both "power and resources." Several interviews talked about creating a single housing fund or pooling of existing resources. One interviewee thought that pooling was about aggregating to create scale, and if it came alongside additional borrowing powers could do much more to meet housing demand. This in some respects is linked to the ambition of having greater control, with interviewees asking for funding to be devolved but with set objectives. As one interviewee remarked:

*"we want the funding, and then just to get on with it"*

The feeling from another senior officer was that they should be given a housing delivery target, a percentage of which could be at a certain tenure. And for the combined authority to examine what households in their area can afford, to

look at the cost and value and what model can deliver the housing. Again they noted that the housing market was "hugely different in the South East and the North". And the call to government was to "let us play with the toolkit" and for government just to be "clear about the objectives".

*"We want a pot of cash... not a blank cheque"*

It was thought a single pot could enable combined authorities to provide certainty to potential development partners. It would also enable them to direct investment into the places which would have the biggest impact and meet the needs of their community. It could also enable combined authorities to act strategically, stitching and pooling funding to potentially have a much greater impact. As one person remarked a single pot would be "nirvana". They also noted that combined authorities would have greater control of housing funding if they "genuinely wanted to do devolution."

### **Housing for the North**

One interviewee argued that to ensure national programmes were designed and shaped appropriately for different places a forum for housing in the north should be established. Whilst combined authorities would have flexibilities the initial shape of the national programmes could take greater account in variation. This, they thought, could operate in a similar way as Transport for the North does which enables local authorities, combined authorities and LEPs to speak with one voice to central government. Housing for the North (and other regions) could potentially have a strong voice to ensure the effectiveness of national programmes – i.e. starter homes. Remoulding of national policies has already occurred in London, including the affordable rent programme (with rents dropped from up to 80% to up to 65% of market levels). Another interviewee was less enthusiastic about the idea. They thought there was no northern housing market, and whilst it made sense for transport which was pan-regional, such an approach confuse future moves for more devolution to their city region.





### Section 3: The case for a Memorandum of Understanding

This report has given a stock take of the deals and the progress to date and provided a snapshot of views of senior officers in combined authority areas. There is still some way to go and many combined authorities are continuing to implement their initial deal(s). But, clearly housing has not had the focus it should have, especially given its importance to jobs and growth.

With so much time, effort and compromise going into getting the deals done, it would be foolhardy at best to suggest a completely new approach. But the evidence from those spoken to suggests that the devo-housing deals fall short both in the principle of devolution but also not enabling places to unlock housing development and plan and deliver sustainable growth.

There is also a broader debate about whether these deals add up to a national housing and growth strategy. Many areas with housing challenges have yet to be included, and combined authorities could easily continue to be forced to fit local and sub-regional plans into inflexible national programmes. Like the government's approach to LEPs and economic development there is no strategy to glue the combined authority housing deals together to create something greater than the sum of their parts. And neither is there a national approach to fair allocation of housing subsidy and gap funding.

Whilst the government's style is piecemeal, the shared views of officers suggest that there is nevertheless an emerging devo-housing agenda for combined authorities. The concern is that national government continues to impose national policies. Furthermore, there is a lack of consistency in how Whitehall has approached devolution in different areas. For example, East Anglia has a degree of flexibility over national programmes which has been woefully lacking in other areas. Government's national programmes on starter homes (but also more broadly in its approach to council housing and welfare reform) have shown not just how prescriptive but also how out of touch they are with many parts of the country. This despite many promises to codesign national programmes and hand power down.

A memorandum of understanding (and delivery plan) could be a way to address the shortcomings of the deals and tidy up what from the outside can appear like a messy (and at times uneven and unfair) process. Existing powers and funds could be incorporated into a MoU on housing and planning between the combined authorities and central government. This is an established and familiar protocol for devolution. Precedents have been established not just by devolved nations, but through the health and social care deal between the Greater Manchester and NHS England and, in housing, between the HCA and the GLA and between government departments, NHS England, Public Health England, HCA and housing and health providers. In fact it could operate in much the same way as these MoU, with the funding devolved, objectives and principles agreed and with the combined authority able to make their own choices locally about how to achieve the agreed outcomes.

#### Memorandum of Understanding between GLA and HCA

The MoU between the GLA and HCA is a non-statutory statement of intent and common purpose. It forms an agreement on areas of joint interest and cooperation, notably around HCA's responsibilities in relation to regulation in London, areas of common interest in investment issues, and delegated powers and protocols. Under the MoU the GLA, through its elected Mayor, has the power to undertake any activity which it considers will further one or more of its principal purposes (i.e. promotion of economic development and wealth creation; social development; and improvement of the environment. Both parties agree to: open exchange of information, consultation on matters of common interest; and jointly responding to imminent threats and breaking crises. Either organisation can ask for a review of its contents at any time.

The Localism Act 2011 gave the Mayor responsibility for investing London's share of national resources for investment in housing and regeneration. Outside of London the HCA retains its investment powers. It also has responsibility for the regulation of all Registered Providers of social housing in England including those that operate in London.

Given the distinctly different housing markets and housing needs, the exact principles and objectives and freedoms and funding should be different, whilst powers and flexibilities should have consistency between places. Such an approach could be brokered between: HM Treasury, DCLG and HCA and the combined authority and constituent local authorities.

This could seek to transfer funding, land and powers from the HCA. As RTPI have noted: "The emphasis being placed on city regions to take their economic destiny into their own hands must call into question the purpose and priorities of the HCA. The HCA has become a catch all space for the Government's land and development initiatives. It would be better to give the responsibility for the Government's land assets to city regions that would have responsibility for their development, and place the funds available through the HCA with directly elected mayors."<sup>43</sup> This could be applied more broadly to combined authorities.

The MoU would set out why devolution and the principle of subsidiarity matters for housing and outline in general the layers at which decisions, funding and objectives should be taken. The objectives could include a mix of housing delivery targets, but also a focus on tenure, build quality and space standards. Signing up to housing targets might not always be popular, but could be part of a quid pro quo arrangement. Moreover, if the targets are evidence-based (borne out in part through local plans, spatial plans, housing need assessments as well as strategic economic plans) then they are also likely to reflect sub-regional expectations rather than simply be foisted, top-down, on combined authorities - something which the current policy on starter homes is guilty of.

The objectives could also include meeting national policy aims - such as building for homeownership, but would have flexibility about how they achieve it. Moreover, the MoU could state

the flexibilities on the strategic objective, if there is justifiable evidence of different needs in an area – not least cities with generally younger and, often poorer, populations. This could be reinforced (whilst also safeguarding the rights of residents) by combined authorities having a duty through their plans, programmes and targets to support local authorities meet their own housing duties.

It could also set out broader housing objectives, including the role it plays in the local economy and potential importance to other priorities – such as transport and health and social care. If there was appetite amongst like minded combined authorities, there could also be scope for regional forums to meet with government to ensure the right freedoms and flexibilities when designing national programmes so that they can suit different markets.

The scope of the MoU could include which pots of funding may be included and be able to access any new funding streams that government may introduce. It could also include freedoms for combined authorities to vire a proportion of resources for other purposes to support house building.

It could also provide greater freedoms and flexibilities than currently agreed for combined authorities, with local authorities

standing behind the arrangements, to prudentially borrow to invest in housing or to help bring land to market. This could include flexibility to borrow longer term to support land remediation where the payback period is lengthy. The funding could also include flexibilities around any regeneration funding that a future government may wish to support along with parts of existing Local Growth Funds and other funding streams.

Clear lines of accountability would need to be established to ensure funding is spent for the purposes it was intended and scrutiny of whether housing objectives are being met. The MoU could also state which HCA functions the combined authority would have. In addition it could also include the transfer of staff from the HCA to combined authorities, as was the case with the GLA.

The MoU could also set out the roadmap to devolution and greater control. And would outline the time frames not just for devolving but also funding horizons to ensure the stability required. Such an arrangement would therefore seek to give the combined authorities and their partner organisations the certainty and confidence which is often lacking when attempting to plan strategically.





## End notes

- 1 Pike, A et al *Decentralisation: issues, principles and practice* (CURDS, 2016)
- 2 Gray, B, Balls, E, Smith, J and Healey, J *Progress in the Regions: Five Years of Leading the RDAs* (Smith Institute, 2015)
- 3 Osborne, G "Chancellor on building a Northern Powerhouse", HM Treasury, 14th May 2015
- 4 Sandford, M *Devolution to local government in England* (House of Commons Library, 2016)
- 5 BBC "£30m devolution deal with North East mayor gets backing" 17th May 2016
- 6 Orders must be approved by both House of Parliament (the 'affirmative procedure')
- 7 Sandford, M *Devolution to local government in England* (House of Commons Library, 2016)
- 8 As opposed to those authorities which in the end approved the deal
- 9 GMCA "GM Land and Property Update" 29th April 2016. The document also provides further detail on the make-up of the board and draft terms of reference
- 10 Ibid
- 11 This agreement covers areas not included in the devolution deal. For further information of the original deal see: <http://udc.homesandcommunities.co.uk/news/leeds-city-region-agrees-%C2%A3110m-funding-deal>
- 12 Leeds City Council *Leeds local housing investment plan, 2011-2015* (2011)
- 13 See draft terms of reference: <http://web.bolsover.gov.uk/reportsagendas/Reports%5Creport10361.pdf>
- 14 [http://www.rtpi.org.uk/knowledge/networks/politicians-in-planning-\(pipa\)/resources/abolition-of-regional-spatial-strategies-\(rss\)](http://www.rtpi.org.uk/knowledge/networks/politicians-in-planning-(pipa)/resources/abolition-of-regional-spatial-strategies-(rss))
- 15 For example, just one of the GLA's supplementary planning guidance ("London View Management Framework") runs to 286 pages. Bristol City Council's supplementary planning document for the University of Bristol runs to 428 pages including the appendices
- 16 Sandford, M *Devolution to local government in England* (House of Commons Library, 2016)
- 17 Sandford, M "The Cities and Local Government Devolution Bill: a staging-post on a lengthy journey" Centre on Constitutional Change, 21st October 2015
- 18 Cities and Local Government Devolution Act 2016 (TSO, 2016)
- 19 Localism Act 2011 (TSO, 2011)
- 20 <https://www.london.gov.uk/what-we-do/planning/planning-applications-and-decisions/what-powers-does-mayor-have-planning>
- 21 Smith, L *Calling-in planning applications* (House of Commons Library, 2016)
- 22 Mentioned in the West of England and East Anglia deals
- 23 For example, see: <https://www.london.gov.uk/moderngov/documents/s38958/05%20Financial%20Transactions.pdf> ; <http://www.gov.scot/Topics/Built-Environment/Housing/Financial-Transactions-budget-for-2015-16>
- 24 Sandford, M *Devolution to local government in England* (House of Commons Library, 2016)
- 25 Sheffield City Region "Introduction to the Sheffield City Region Investment Fund (SCRIF)"
- 26 Used in both LCR and SCR deals
- 27 Leeds City Council Leeds local housing investment plan, 2011-2015 (2011)
- 28 Greater Lincolnshire deal doesn't say whether the infrastructure plan will be statutory, but from the wording ("where there is local agreement") presumably not.
- 29 Sandford, M *Devolution to local government in England* (House of Commons Library, 2016)
- 30 See Smith Institute/PwC Full speed ahead: Connecting our cities and regions (2015)
- 31 Planning practice Guidance "Community Infrastructure Levy" <http://planningguidance.communities.gov.uk/blog/guidance/community-infrastructure-levy/spending-the-levy/>
- 32 GLA *London plan annual monitoring report 12, 2014-15* (2016)
- 33 DCLG *Land value estimates for policy appraisal* (2015) – prices refer to post permission residential land value estimates, per hectare
- 34 Indeed, one in five homes in every local authority is to be a starter home regardless of demand, need or market – a decision which not only runs counter to devolution but also policy decisions made on the basis of a solid evidence base
- 35 See also Heywood, A *From the margins to the mainstream: a study of the prospects for shared ownership in the North West* (Smith Institute, 2016)
- 36 RTPI *Planning for growth the role of LEPs in England* (2015)
- 37 Smith Institute *Working together – thinking alike: what do councils and Local Enterprise Partnerships expect from housing associations?* (2015)
- 38 RTPI *Planning for growth the role of LEPs in England* (2015)
- 39 GMCA "GM Housing Fund Annual Report 2015/16" 27th May 2016
- 40 Centre for Cities *Mapping Britain's Public Finances* (2015)
- 41 Hunter, P "The Englishman's castle and the impact of foreign investment in residential property" in Raco, M *Britain for sale? perspectives on the costs and benefits of foreign ownership* (Smith Institute, 2016)
- 42 The HCA nevertheless retains its regulatory function and delivers some programmes within London. See HCA, homes and communities agency corporate plan 2012-15 (2012)
- 43 RTPI *National Infrastructure Commission Response* (2016)



## Annex 1: Housing market data

### Earnings

The average (mean) earnings in the areas also vary from £27,500 in the West of England to £21,000 in Cornwall. A London comparison is also provided to show the spatial differences in housing and labour markets.

Cornwall	£21,235
East Anglia	£26,501
Greater Lincolnshire CA	£23,799
GMCA	£24,878
Liverpool City Region	£24,531
North East CA	£24,951
Sheffield City Region	£23,170
Tees Valley	£22,905
West of England	£27,474
West Midlands	£23,549
West Yorkshire Combined Authority	£24,650
London	£36,258

Source: Author's calculations based on ONS, ASHE Provisional 2015 data

### Tenure and house prices

At the last census all areas had homeownership levels above 60%. This ranges from West Midlands and Greater Manchester with 60% to the less urban areas such as Cornwall with 69%. There are also variations in social housing levels from 12% in Cornwall to 24% in the North East. While PRS is fairly similar in all areas ranging from 13% to 19%.

	Home ownership	Social housing	Private rented sector
Cornwall	69%	12%	17%
East Anglia	67%	15%	15%
Greater Lincolnshire CA	68%	14%	16%
GMCA	60%	22%	16%
Liverpool City Region	61%	22%	16%
North East CA	61%	24%	13%
Sheffield City Region	65%	19%	15%
Tees Valley	64%	20%	15%
West of England	65%	15%	19%
West Midlands	60%	23%	15%
West Yorkshire Combine Authority	63%	18%	17%
London	48%	24%	25%

House prices in the areas also vary. In the West of England average prices are around £230,000. In the Tees valley they are £94,000.

Cornwall	£192,035
East Anglia	£188,493
Greater Lincolnshire CA	£125,870
GMCA	£118,376
Liverpool City Region	£107,845
North East CA	£102,355
Sheffield City Region	£112,356
Tees Valley	£94,424
West of England	£229,827
West Midlands	£130,207
West Yorkshire CA	£125,811
London	£534,785

Source: Author's calculations based on DCLG/Land Registry data for 2015

### Affordability

Comparing mean prices to mean earnings (not to be confused with median prices to median earnings) there is a noticeable difference between the areas. Affordability becomes more of an acute problem in Cornwall, East Anglia and the West of England. In other areas prices to earnings suggest high house prices may be less of an issue – although they may still be out of reach for some with low-middle incomes and may mask particular issues within each locality.

	Price to earnings
Cornwall	9 to 1
East Anglia	7 to 1
Greater Lincolnshire CA	5 to 1
GMCA	5 to 1
Liverpool City Region	4 to 1
North East CA	4 to 1
Sheffield City Region	5 to 1
Tees Valley	4 to 1
West of England	8 to 1
West Midlands	6 to 1
West Yorkshire Combined Authority	5 to 1
London	15 to 1

Source: Author's calculations based on ASHE, DCLG/Land Registry data

### Household growth

Household growth in the areas is also set to increase at different rates. ONS predictions suggest Cornwall, East Anglia and the West of England will see household growth of 10% over the next decade. While in Liverpool City Region, Tees Valley and North East are thought to have rates of growth at around 5%. The English average is 9%.

	2016	2026	% Change
Cornwall	242	265	10%
East Anglia	1,016	1,113	10%
Greater Lincolnshire	465	499	7%
Greater Manchester	1,178	1,273	8%
Liverpool City Region	675	711	5%
North East	871	920	6%
Sheffield City Region	792	844	6%
Tees Valley	290	304	5%
West of England	475	520	10%
West Midlands	1,135	1,237	9%
West Yorkshire	1,048	1,135	8%
London	3,549	4,103	15%

Source: ONS, Household projections





## Annex 2: Links to the devolution deals

Cornwall <https://www.gov.uk/government/publications/cornwall-devolution-deal>

East Anglia <https://www.gov.uk/government/publications/east-anglia-devolution-deal>

Greater Lincolnshire <https://www.gov.uk/government/publications/greater-lincolnshire-devolution-deal>

Greater Manchester <https://www.gov.uk/government/publications/devolution-to-the-greater-manchester-combined-authority-and-transition-to-a-directly-elected-mayor>

Liverpool City Region <https://www.gov.uk/government/publications/liverpool-devolution-deal>

North East <https://www.gov.uk/government/publications/north-east-devolution-deal>

Sheffield City Region <https://www.gov.uk/government/publications/sheffield-devolution-deal>; <https://www.gov.uk/government/publications/sheffield-devolution-agreement>

Tees Valley <https://www.gov.uk/government/publications/tees-valley-devolution-deal>

West of England <https://www.gov.uk/government/publications/west-of-england-devolution-deal>

West Midlands <https://www.gov.uk/government/publications/west-midlands-devolution-deal>

West Yorkshire CA <http://www.westyorks-ca.gov.uk/>

