



Tackling poverty through housing and planning policy in city regions

by Richard Crisp, Ian Cole, Will Eadson, Ed Ferrari, Ryan Powell and Aidan White

This report examines what can be done to tackle poverty through housing and planning policy in city regions

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Final report

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What can be done to tackle poverty through housing and planning policy in city regions?

Housing and planning policy can play a key role in reducing the risk of poverty or mitigating the experiences of households in poverty. But city-regional institutions are not prioritising this agenda as much as they could.

This report shows:

- City-regional institutions – local enterprise partnerships and combined authorities – are increasingly engaging with housing and planning issues and looking at how housing and planning can support broader ambitions for economic growth.
- However, there has been limited appetite to date to pursue policies that specifically address housing-related poverty, such as increasing the supply of genuinely affordable housing or improving housing quality in the private rented sector.
- There is more that city-regional institutions can do to bring about poverty reduction through housing and planning policy, particularly in terms of the delivery of affordable housing.

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Executive summary

Introduction

This report explores the potential for devolved institutions – local enterprise partnerships (LEPs) and combined authorities as well as constituent local authorities – to reduce poverty through housing and planning policy at the city-regional level in England. It aims to:

- conceptualise the links between housing and poverty;
- assess the extent to which devolved institutions are using additional funding and powers (so-called ‘freedoms and flexibilities’) around housing and planning to reduce poverty;
- highlight opportunities for the better use of existing and future powers to deliver housing and planning activities that support poverty reduction.

The report is based on a review of documentary evidence and widespread consultation with stakeholders involved in housing and planning across city regions in England. It has been funded by the Joseph Rowntree Foundation (www.jrf.org.uk). Key findings are outlined below.

Headline messages

City-regional institutions are increasingly engaging with housing and planning issues and looking at how housing and planning can support broader ambitions for growth. However, nascent interest in more ‘inclusive’ growth has largely yet to translate into strategies and policies for housing and planning that are designed explicitly to support poverty reduction. This is a **missed opportunity** given evidence that city regions could pursue more ambitious agendas to tackle poverty.

Promisingly, however, there are signs of a growing appetite to intervene directly to make sure that development provides genuinely affordable housing in a way that supports ambitions to reduce poverty. Securing funding for local authority housebuilding through the Cambridgeshire and Peterborough devolution deal is one example of this. Although few in number at the moment, there are also interventions to support wider objectives to reduce or mitigate poverty in terms of improving the quality and, potentially, security of tenure in the private rented sector. The scale of these interventions could be stepped up.

This report clearly indicates that there is value in working at the city-regional level. This is already well understood in terms of, for example, the advantages of strategic planning across district boundaries to support housing delivery. However, there are a number of further advantages. City-regional working can serve to:

- share ‘good practice’ and learning across districts;
- provide a collective voice to negotiate more flexible forms of funding and, potentially, local discretion over national policy;
- offer a framework for developing partnerships and agreements across sectors.

Housing is becoming an increasingly important part of the city-regional agenda of new combined authority structures. This is perhaps inevitable given how housing delivery is prioritised within the national policy agenda and the acute pressures on housing supply in some areas. Combined authorities are certainly regarded as a more natural ‘home’ for housing and planning policy than LEPs.

This report outlines a number of specific options for enhancing the role of city regions in this agenda through making sure that development is linked to poverty reduction, improving the quality and security of tenure in the private rented sector and raising household incomes to address affordability issues.

The housing context

Understanding the link between housing and poverty is crucial at a time of ‘housing crisis’. A number of housing trends and policy drivers have combined to reduce the extent to which housing is likely to buffer households against poverty, including:

- a failure of housing supply to meet demand;
- reductions in the supply of social housing;
- increasing reliance on a private rented sector that is poorly regulated and increasingly unaffordable;
- reforms to housing-related benefits that have reduced incomes and increased housing costs for low-income households.

Empirical studies show that poverty levels are higher once housing costs are taken into account, with strong regional variations in the difference between levels before and after housing costs. There are also significant tenure differences in the risk of poverty, with tenants in the social and private rented sectors most vulnerable to poverty. Private rented sector tenants are also more likely to experience fuel poverty. This data highlights the need to target anti-poverty interventions carefully.

The link between housing and poverty

There are five key housing variables that can generate, or exacerbate, housing-related forms of poverty: availability, cost, quality, location and security. Conversely, the development and maintenance of housing can reduce poverty where it supports job creation; similarly, the ‘housing plus’ activities of social housing providers can enhance incomes by supporting tenants to access jobs and training.

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

Devolution in England provides scope for new institutional arrangements – LEPs and combined authorities – to pursue housing and planning policies that support the reduction of poverty.

However, an analysis of Strategic Economic Plans and Growth Deals shows that LEPs largely adhere to national policy, with a narrow focus on increasing housing supply to support ambitions for growth in local areas.

There is far less appetite to pursue policies that directly address key factors that link housing and poverty, such as measures to:

- increase the supply of genuinely affordable housing;
- improve housing quality;
- regulate the private rented sector where it is failing;
- raise energy efficiency levels to tackle fuel poverty;
- provide direct employment opportunities.

That said, there are some limited examples of innovative ways of reducing poverty.

Analysis of devolution deals indicates that these deals are even less focused on tackling poverty than Strategic Economic Plans, although this may be due to a lack of detail rather than a lack of intention to reduce poverty. What is being asked for in terms of housing and planning is limited and tentative, with little sense that these ‘asks’ are being designed to support objectives around reducing poverty. This may reflect the deal-based nature of devolution to date, which encourages city regions to make requests that are in line with national policy priorities around economic growth and accelerating housing supply. Requests that run counter to the prevailing policy agenda are less likely to be met.

Consultation with stakeholders also shows that while housing is a growing priority for newly formed combined authorities, the focus remains on making sure that housing delivery can support wider ambitions around economic growth. This is a **missed opportunity** given the broad range of things that city-regional institutions can do to support goals around poverty reduction and mitigation.

Linking housing development to poverty in city regions

New city-regional tools and powers such as spatial frameworks, mayoral development corporations and joint assets boards may help to bring about additional development but the likely extent of affordable housing within this is unclear. These tools have yet to be proven.

City regions face challenges in linking housing development to poverty reduction because of issues around:

- land availability and price;
- constraints in the planning system;
- policies that undermine the development of new social housing;
- a lack of remediation funding for housing-led regeneration;
- practices among housebuilders.

There are a number of examples of good practice by local authorities, housing associations and other stakeholders to increase the supply of affordable homes, including:

- enhancing the role of local authorities in the delivery of affordable housing;
- developing collaborative partnerships to drive increases in supply and promote wider objectives to reduce poverty;
- bringing empty homes back into use.

Further options for linking housing development to poverty reduction include:

- releasing public sector land at below market value to support affordable housing development;
- encouraging the use of planning permissions by levying a charge on undeveloped units;
- securing devolved funding for local authority housebuilding;
- securing increases or 'pooling' in Housing Revenue Account borrowing;
- flexing the rules around the 1% rent reduction policy to increase investment in affordable housing development;
- determining Right to Buy policy locally;
- developing vehicles and products to support low-income households to meet the costs of housing;
- securing devolved funding for land remediation to support housing-led regeneration.

Improving the quality and security of tenure of private rented sector housing in city regions

City regions experience challenges in ensuring the quality and security of tenure in the private rented sector because of:

- the practices of some landlords, such as poor maintenance and use of no-fault evictions;
- the impact of policy reforms to the buy-to-let sector on investment;
- a lack of revenues to fund inspection and enforcement by local authorities.

Examples of good practice to improve standards in the private rented sector include:

- initiatives to raise energy efficiency and reduce fuel poverty;
- initiatives to enhance conditions in neighbourhoods with concentrations of low-quality private rented sector stock;
- direct management of private rented sector properties through local authority-led housing companies.

Some stakeholders felt that neighbourhood-level issues in the private rented sector are best dealt with by individual local authorities with the knowledge and experience of the challenges facing particular areas. However, others thought that devolution provides opportunities to negotiate new powers at the city-regional level to support intervention in the private rented sector, even if activities are delivered locally to reflect particular housing market contexts.

Further options for improving the quality and security of tenure of private rented sector housing in city regions include:

- keeping revenue collected from enforcement to boost local inspection and enforcement capacity;
- using Housing Benefit as a lever to improve standards;
- keeping additional revenues from buy-to-let reforms locally to invest in improving standards;
- establishing non-profit letting agencies;
- introducing rent stabilisation to regulate rents in the private rented sector.

Final reflections

This report shows that stakeholders in city regions could play a key role in tackling housing-related poverty. Combined authorities are particularly well placed to drive this agenda forward, given:

- their central role in the devolution process;
- their growing focus on issues of poverty and inequality;
- their ability to co-ordinate policy across multiple policy areas;
- the existing housing and planning expertise of constituent local authorities.

At the same time, there remains a tendency to focus on broad ambitions to increase general housing supply to support economic growth. This may be an important prerequisite for creating the economic conditions in which city regions can generate jobs and raise household incomes. However, the benefits of growth will not necessarily trickle down to those in most need.

Against this backdrop, there is still much that city regions can do to support objectives to reduce poverty through housing and planning policy. This will become all the more important as urgent questions are asked about what city-regional institutions can do to support those 'left behind'.

1 Introduction

Poverty is enduring and widespread in the United Kingdom (UK), with 13.5 million people (21% of the UK population) living in households experiencing poverty (Tinson *et al.*, 2016). Housing is intimately related to the risks and experiences of poverty. Housing costs can tip households into poverty while broader housing circumstances shape daily experiences in terms of the quality and stability of accommodation, as well as conditions in wider neighbourhoods. In addition, the location of housing determines whether people can access transport and jobs. These are not just issues for households in poverty. High housing costs affect government and taxpayers through expenditure on Housing Benefit, as well as employers through wage pressures (Tinson *et al.*, 2016). Poor-quality housing also increases demand for local services such as health and social care, while rising homelessness presents serious challenges to stretched local authorities.

In this context, city regions in England have a potentially significant role to play in tackling poverty. Devolution provides new opportunities to develop strategies and policies to support the housing needs of those 'left behind', whose circumstances have been brought into sharp relief in the wake of the vote to leave the European Union. Against a backdrop of ongoing austerity, there are important questions about the scope for city regions to reduce or mitigate housing-related poverty.

These are also critical issues at a time of growing concern that the UK housing system is in crisis for failing to meet demand for housing for rent and sale. House prices continue to rise, forcing growing numbers of households to rely on provision in a private rented sector that is not always well regulated and, in places, is increasingly unaffordable. Social housing supply is being undermined by a range of government reforms that are reducing the stock of genuinely affordable housing. Homelessness has risen dramatically in the past five years and welfare reforms continue to have an impact on the incomes and housing security of those in most need.

This constellation of trends and policies heightens the risk that the housing system fails households in poverty. The extent to which city regions can counter some of these pressures has yet to be explored systematically. This report is the first of its kind to reflect directly on how city-regional institutions can tackle poverty through housing and planning policy.

The report uses documentary evidence and extensive consultation with stakeholders across city regions in England to explore the potential for devolved institutions – LEPs and combined authorities as well as constituent local authorities – to embed poverty reduction and affordable housing delivery in housing and planning policy at the city-regional level in England. It has been funded by the Joseph Rowntree Foundation (www.jrf.org.uk) as part of its wider programmes on Housing and Poverty, and Cities, Growth and Poverty.

The report has three related objectives:

- to conceptualise the links between housing and poverty as the basis for understanding how city-regional policy might begin to address housing-related forms of poverty (Chapter 2);
- to analyse the strategic approaches and proposed interventions of key city-regional organisations in order to assess the extent to which devolved institutions are currently using housing and planning interventions to reduce poverty (Chapter 3);
- to reflect on the challenges facing city regions, explore existing good practice and highlight opportunities for a more effective use of existing and future powers to deliver housing and planning activities that support poverty reduction (Chapters 4 and 5).

The report is based on analysis of key documents on housing and poverty as well as detailed assessment of the housing and planning components of Strategic Economic Plans, Growth Deals and devolution deals (see Chapter 3). The research team also undertook:

- ten telephone interviews with stakeholders involved in housing and planning policy in national government departments and other national institutions;
- 43 interviews with stakeholders in local authorities, combined authorities, LEPs and housing associations;
- seven workshops with 56 stakeholders to explore housing and poverty issues in more depth and to test potential policy solutions.

Interviews covered eight city regions to reflect different contexts in terms of governance structures, housing markets and the nature and distribution of poverty: Greater Manchester, the Leeds City Region, London, the Sheffield City Region, the South East, Lancashire, the West Midlands and the West of England. The workshops took place in the first five of these city regions. A second round of interviews, along with correspondence, helped to fine-tune policy recommendations. To respect anonymity, all direct quotations in this report are presented simply in terms of the city region where the stakeholder concerned is based.

The remainder of this chapter presents headline trends around housing and poverty. This is followed by a discussion of the 'housing crisis' and an overview of how the previous Coalition, and current Conservative, Governments have addressed housing issues since 2010.

Housing and poverty: headline trends

Headline figures tell us something about the nature of the relationship between housing and poverty as well as the scale of the challenge facing policy-makers and practitioners in tackling housing-related poverty. A more in-depth conceptual analysis of this relationship is presented in Chapter 2. The figures in the sub-sections that follow show the direct role of housing costs in driving poverty as well as the importance of

other factors – including housing quality and security – in experiences of poverty. Tenure differences are apparent, with the private rented sector marked in particular by:

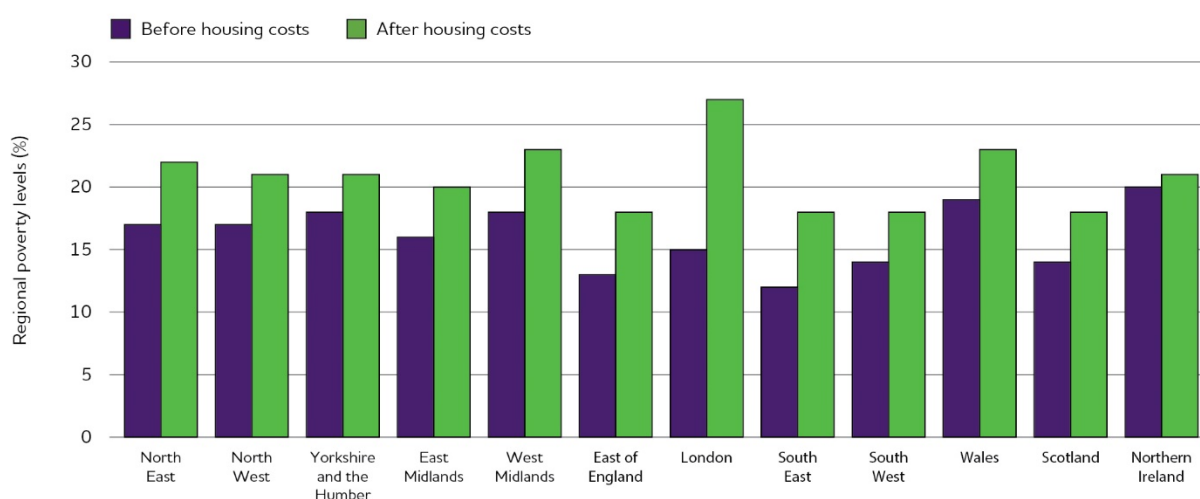
- significant levels of poverty related to housing costs;
- lower standards;
- higher levels of fuel poverty;
- enduring concerns about stability of tenure compared with other tenures.

As one recent analysis concluded: ‘The private rented sector is now a major driver of poverty and action is needed to make it both more stable and more affordable’ (Tinson *et al.*, 2016, p. 60).

Direct housing costs as a driver of poverty

Housing costs are often the largest item of expenditure for low-income households, with significant differences by tenure. More than 70% of private renters in the poorest fifth of the population spend at least a third of their income on housing, compared with under 50% of those in the social rented sector and 28% of those who own their own home (Tinson *et al.*, 2016). Taking housing costs into account significantly increases levels of poverty. The Department for Work and Pensions estimates that 15% of people in the UK live in relative poverty before housing costs are taken into account and this figure rises to 21% – or more than 13 million people – after housing costs are taken into account (DWP, 2015). This difference varies significantly across the UK. Levels of relative poverty in London rise from 15 to 27% once housing costs are taken into account; this compares with Northern Ireland where housing costs cause poverty levels to increase by just 1% (see Figure 1).

Figure 1: Regional poverty levels before and after housing costs are taken into account (as a percentage of the population)



Source: DWP (2015)

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

Fuel poverty

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

In terms of tackling fuel poverty, improving the energy efficiency of housing provides the most reliable basis for reducing fuel poverty levels, especially in the long run when energy prices are likely to rise (DECC, 2014). Support may need to be targeted given that the prevalence of fuel poverty varies by tenure. In 2014, 20% of households in the private rented sector in England were in fuel poverty compared with 12% in social rented accommodation and 7% of owner-occupiers (Tinson *et al.*, 2016). Among social renters, cost was the main reason for not heating their home adequately; for private renters, it was the condition of their home that made it not possible to heat it to a comfortable standard (Tinson *et al.*, 2016).

Homes in multiple occupation (HMOs) are also of significant concern in relation to fuel poverty. This is a poorly regulated sector, which is not accounted for in government measures of fuel poverty. Such accommodation is often in poor condition and does not feature in UK energy efficiency policy (Cauvain and Bouzarovski, 2016).

As Chapter 3 shows, there is significant variation in the degree to which LEPs and combined authorities have prioritised energy efficiency in housing strategies and interventions.

Housing quality and security of tenure

Housing quality can have a significant bearing on the experience of poverty. There is substantial evidence to show that poor-quality housing affects some aspects of child development and adult health. Marsh *et al.*'s (2000) review lists the following links:

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

However, it is not easy to assess the extent of these issues. Proxies might include indicators relating to the quality of housing, including fuel poverty (see above).

The English Housing Survey 2014–15 (DCLG, 2016a) contains different housing quality indicators that are linked to non-material forms of poverty. It reports that a fifth (20%) of all homes are ‘non-decent’ in that they do not meet minimum standards set by the Government for liveable housing. Again, there are significant tenure differences. Only 3% of social rented housing is considered ‘non-decent’ (landlord figures; DCLG, 2016a) but this rises to 29% for housing in the private rented sector (CIH, 2014).¹ Across all tenures, however, households in poverty are more likely to be in low-quality housing (Tinson *et al.*, 2016). The relatively high level of ‘non-decent’ homes in the private rented sector suggests that measures to improve housing quality could play an important part in tackling non-material forms of poverty.

Tenure security is a further issue in the private rented sector. Research shows that 40% of households in this sector have lived at their current address for less than 12 months (Barnes *et al.*, 2013). There are also links between housing costs, insecurity of tenure and homelessness. The number of households for whom the end of a shorthold tenancy or the household being in rent arrears was the cause of homelessness more than tripled from 2010/11 to 13,000 households in 2015/16 (Tinson *et al.*, 2016).

Housing market trends and national policy

Current national housing and planning policies have a range of implications for households in poverty. These were discussed in depth in an earlier evidence review, published in May 2016, undertaken as part of this study (Crisp *et al.*, 2016). What follows is a brief summary plus an update on developments since the publication of the review. A timeline of key policy developments is also provided in Appendix 1. Broadly, this section shows that tackling housing need among low-income households has been deprioritised since 2010, with the removal of subsidies for housing at social rents and reforms that have both reduced security of tenure and decreased entitlements to housing-related benefits. Priority has been given instead to increasing the supply of new housing for sale, facilitating home-ownership and reducing the welfare costs associated with housing. This shift has also been marked by a decline in the provision of all forms of affordable housing as well as the termination of traditional housing-led regeneration to tackle low housing demand and revitalise low-income neighbourhoods. Recent policy announcements in the 2016 Autumn Statement, however, suggest a softening of the Government’s position to date on promoting home-ownership at the expense of more affordable tenures (Barnes, 2016a).

Specifically, policy from 2010 has been dominated by efforts to increase the supply of housing to address concerns about the failure of housing development to match growth in the number of households. In the period 2008 to 2015, for example, over half a million more households were formed than houses built (DCLG, 2015, 2016b). Key policy developments include:

- 'pro-housing' requirements on local authorities to ensure a five-year supply of developable sites to meet 'objectively assessed need' for housing;
- incentives for planning authorities and local communities to support new housing development (such as the New Homes Bonus);
- funding for a series of tenures, including 'affordable rent', 'shared ownership' and, most recently, discounted 'starter homes'.

It is difficult to separate out the impacts of policy from a general upturn in housing market conditions but it is clear that levels of housebuilding are increasing. Numbers of housing starts increased from 111,000 in 2010/11 to just under 142,000 in 2015/16 (DCLG, 2016b). In total in the 2015/16 financial year, 84% of the national figure was private sector building (DCLG, 2016b). Many local authorities have increased housing targets in local plans produced after publication of the National Planning Policy Framework (DCLG, 2012) as a result of new forecasts and the framework's requirement for planning authorities to identify the objectively assessed need for housing in their area (Carpenter, 2015a, 2016).

However, this increase in housebuilding does not extend to the development of genuinely affordable homes. The number of new homes for 'social rent' completed fell by 75% from 39,560 in 2010/11 to 9,570 in 2014/15 (DCLG, 2016c) following government guidance that some housing association homes should be let at higher rates as 'affordable rent' (up to 80% of private market rents on a fixed-term tenancy). By 2014/15, the vast majority of affordable housing completions (40,730) were for affordable rent (DCLG, 2016c). Developments in planning policy have also affected the delivery of affordable homes. Opportunities for developers to reduce affordable housing contributions through planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended) on grounds of financial viability have further limited new development (Brownill *et al.*, 2015).

These trends are likely to continue. The Office for Budget Responsibility (2015) estimates that 34,000 fewer homes will be built by registered providers by 2020 as a result of the 1% a year reduction in social housing rents between 2016 and 2020. Plans to extend the Right to Buy scheme from council tenants to housing association tenants – known as Voluntary Right to Buy – although recently downgraded to a regional pilot, could see the loss of further affordable housing if eventually rolled out on a wider scale. This would happen through both direct loss of housing association stock and enforced levies on high-value council housing to fund discounts.

Alongside concerns about a decline in genuinely affordable housing supply, there have been growing fears about the impact of housing policy reforms on the affordability of homes for low-income households. Promotion of discounted home-ownership through

the Starter Homes programme has been criticised for failing to help people on low or even average wages (Shelter, 2015). Lower-income groups will not be able to afford starter homes sold at 80% of market value up to a maximum of £450,000 in London and £250,000 in the rest of England. At the same time, a series of reforms to Housing Benefit has cut entitlements for many households, potentially exposing them to new or increased shortfalls between Housing Benefit and often rising rents. These reforms include:

- the Housing Benefit size criteria policy for people renting in the social rented sector;²
- a reduction in the overall household benefit cap;
- delinking the Local Housing Allowance system from market rents in calculating Housing Benefit entitlement in the private rented sector;
- the removal of the Housing Benefit element of Universal Credit for 18–21 year olds.

In combination, the housing-related welfare reforms introduced between 2010 and 2013 alone accounted for an annual reduction in income equivalent to £70 per working-age adult in the UK (Beatty and Fothergill, 2013).

Changes to government policy may also have an impact on both the quality and security of tenure of housing for households in poverty. Automatic security of tenure in the social rented sector has been removed while reforms to Housing Benefit have increased the vulnerability of households to rent arrears and potential eviction. Substantial efforts have been made to improve quality in the social rented sector through the Decent Homes programme initiated by the last Labour administration. This explains the low levels of 'non-decent' housing in this sector compared with the private rented sector (see the sub-section 'Housing quality and security of tenure' above), with the private rented sector receiving less investment and eventually having subsidy removed altogether.

The Coalition Government did take some other steps towards improving quality in new private rented sector stock through, for example, encouraging institutional investment via the Build to Rent programme. However, local authority powers to introduce borough-wide, selective, private rented sector licensing are constrained, and there are widespread concerns that cuts to funding are making it increasingly difficult for local authorities to enforce housing standards regulation (LGA, 2014). Overall, despite the rhetoric for a 'bigger and better private rented sector' (Prisk, 2013), the Government has done little to improve standards in the lower end of the private rented sector, as highlighted by stakeholder accounts in Chapter 2.

There has, however, been a softening of the Government's position, which until now prioritised general supply and promoted home-ownership at the expense of affordable housing. Shifts in policy following the change of Prime Minister in 2016 and the subsequent Housing White Paper (DCLG, 2017) include:

- the cancellation of the 'Pay to Stay' policy, which would have seen social housing tenants paying higher rents if they had an income above a set threshold;
- a weakening of the previous commitment to build 200,000 starter homes by 2020 and a dropping of the requirement that 20% of homes on developments over a certain size had to be starter homes;
- greater support for new building in the private rented sector (Horti, 2016; DCLG, 2017).

Plans for a full national extension of Voluntary Right to Buy to housing associations have been delayed pending a regional pilot. Also, the Government has committed to providing additional investment in housing, including affordable tenures. The 2016 Autumn Statement contained announcements including:

- a £3 billion Home Building Fund (already trailed);
- an extra £1.4 billion for 40,000 affordable homes;
- £3.15 billion for 90,000 affordable homes in London;
- a £2.3 billion Housing Infrastructure Fund to get sites ready for development;
- a £1.7 billion accelerated construction fund for public–private partnerships on public sector land;
- flexibility around the use of existing Homes and Communities Agency grant funding, which can now be used again to finance affordable rented housing.

Finally, the election of the new London Mayor in 2016 has also changed the tenor of the housing debate. In 2016, Sadiq Khan's electoral campaign for the London Mayor included plans to ensure 50% affordable housing from new-build schemes. Although subsequently reduced to 35%, the London policy is an attempt to increase sub-market affordable housing contributions. The Mayor has also announced plans for 'London Living Rent' housing, with below-market rents set at a third of average household incomes in each London borough. The Mayor also plans to put an end to rent conversions in London's new Affordable Homes programme to prevent social rented properties being converted to more expensive 'affordable rent' provision when re-let.³

2 The link between housing and poverty

This chapter looks at the link between housing and poverty. It underpins discussion in subsequent chapters about how housing and planning policy can mediate that relationship and contribute to poverty reduction or mitigation. The chapter begins by defining poverty before moving on to look conceptually at how housing can contribute to poverty. It then presents findings on the relationship between housing and poverty across five case study areas before summarising the key considerations for stakeholders looking to reduce housing-related poverty in city regions. It concludes by reflecting on the potential range of policy mechanisms available to city-regional organisations to tackle poverty.

Defining poverty

Poverty is understood and measured most frequently in ‘material’ terms. This is usually either by reference to household incomes below a given threshold (normally 60% of the median) or through identifying material deprivation in terms of households’ inability to afford essential goods and services (Spicker, 2007). Material measures usually include housing-related costs. For example, the European Union Statistics on Income and Living Conditions (EU-SILC) indicator of material deprivation for adults is based on the ability to afford at least five of nine items, of which two are the ability to: pay rent, mortgage, utility bills or loan repayments; and keep the home adequately warm. The Joseph Rowntree Foundation captures these different elements in its definition of poverty: ‘when a person’s resources (mainly their material resources) are not sufficient to meet their minimum needs (including social participation)’ (Goulden and D’Arcy, 2014, p. 3).

Poverty is about more than income or deprivation, however. It also encompasses a range of ‘non-material’ factors, including:

- poor health or disability;
- low educational attainment;
- poor-quality housing;
- higher rates of offending;
- higher experiences of crime (Lister, 2004).

These non-material forms of poverty can also have a spatial dimension, relating to the subjective experience of living in the social and physical space of ‘poor places’. Features include:

- poor-quality housing;
- a run-down physical environment;
- neglected public spaces;
- inadequate services and facilities;
- high levels of crime or antisocial behaviour (Lupton, 2003; Lister, 2004; Spicker, 2007; Batty *et al.*, 2011).

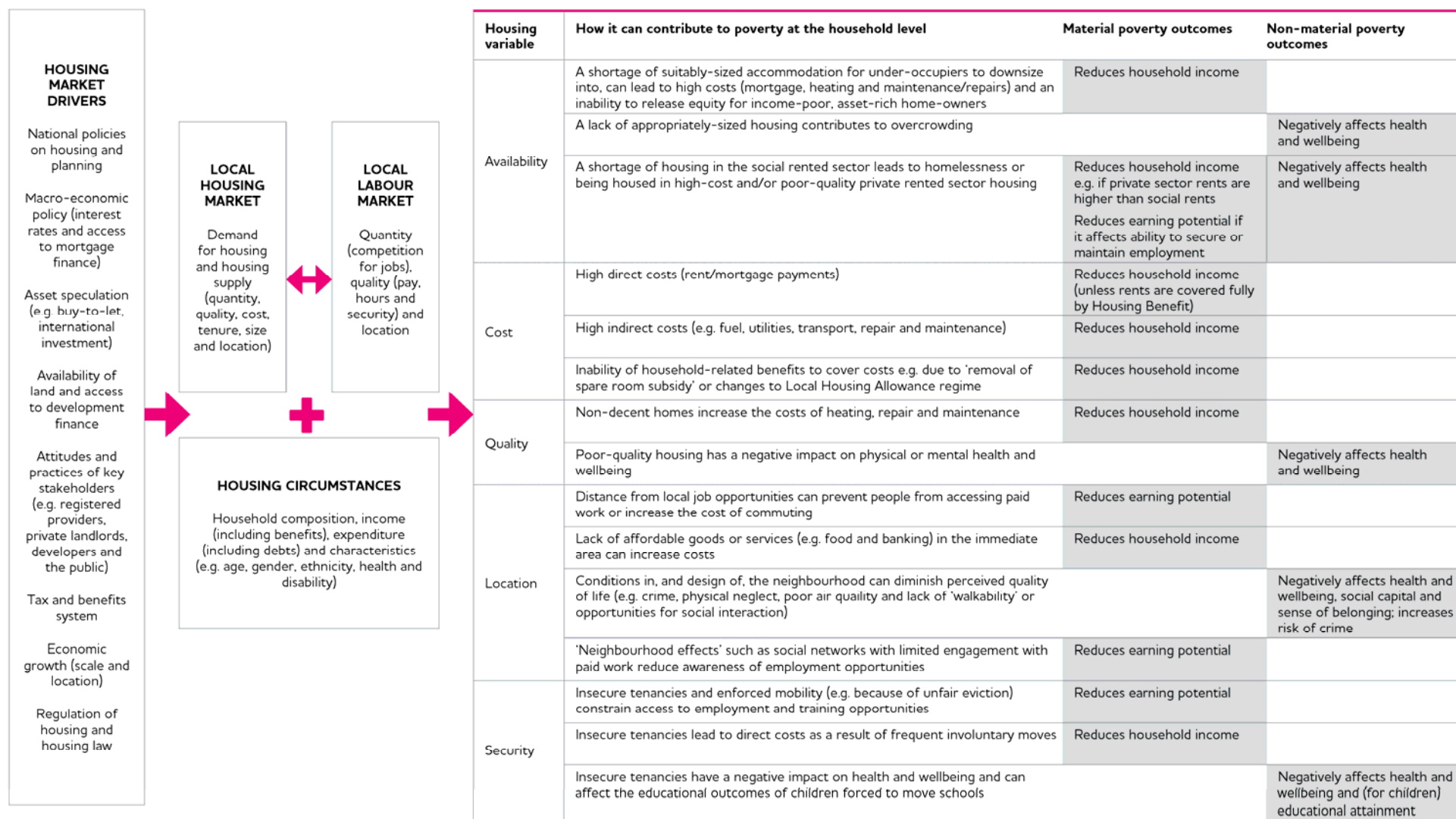
This conceptual distinction between material and non-material forms of poverty provides a useful framework for understanding the relationship between housing and poverty. Housing can have an impact on material forms of poverty where costs drive household incomes below poverty thresholds. An example of the impact of housing on non-material forms of poverty is the negative effects of poor-quality housing on health and wellbeing. This is outlined further below.

The relationship between housing and poverty

The relationship between housing and poverty is complex as there are a number of ways in which housing circumstances interact with external factors to inform the risks and experiences of poverty at the household level. Figure 2 shows this in diagram form, drawing on work carried out by Tunstall *et al.* (2013). It shows how a number of housing market drivers at both national and local levels shape local housing conditions. These conditions combine with both labour market conditions and household circumstances to have a bearing on a range of housing variables – availability, cost, quality, location and security – that can potentially lead to or exacerbate both material and non-material forms of poverty.

For simplicity, the figure shows the potential negative impacts that housing can have. Evidently, housing may also have a preventative or ameliorative impact on poverty where, for example, high-quality affordable housing reduces living costs and contributes to positive health and wellbeing. There are also potential interrelationships between the variables. For instance, a lack of social rented housing (availability) may force a household to take up expensive but poor-standard private rented sector accommodation (cost and quality) some distance from local job opportunities (location). These variables may have an impact simultaneously or sequentially, with a cumulative effect on household experiences of poverty. The figure allows for the possibility that housing circumstances will both drive and reflect poverty, leading to the clustering of low-income households in lower-value housing areas.

Figure 2: The links between housing and poverty



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

How does the link between housing and poverty play out in city regions?

Shared features

Discussions with national and city-regional stakeholders in England showed that the relationship between housing and poverty across areas shares a number of features. Declining or static levels of social housing alongside rising overall demand for housing mean that low-income households – for whom home-ownership is largely unaffordable – increasingly live in private rented sector housing. Specifically, low-income households can be squeezed out by allocations policies that ration social housing to people experiencing deep poverty or, at the other end, favour working households to minimise the growing risk of rent arrears. Cuts in government funding for specialist housing have also constrained housing options for particularly marginalised groups such as homeless people, substance misusers and prison leavers.

At the same time, new forms of vulnerability are emerging, particularly in terms of the growing reliance on Housing Benefit by working households on poverty-level pay to meet high housing costs. This is reflected in national-level data, which shows that Housing Benefit claims among working families rose by 110,000 between 2013 and 2016, despite an overall fall in claims over that period (Tinson *et al.*, 2016). Poverty can also affect home-owners if, for example, there are limited downsizing options or personal preference means that owners under-occupy property that is expensive to heat or maintain. It is also important to remember that while only 11% of home-owners live in poverty (DWP, 2015), the size of the sector means that this accounts for a large proportion of the population living in poverty. A recent review shows that exactly half of all people in poverty are owner-occupiers before housing costs (this falls to a third after housing costs), and that this figure has been fairly consistent for the past 15 years (Wallace, 2016). In other words, poverty is not just an issue for tenants in the social or private rented sectors.

High rents in the private rented sector can contribute to material poverty, particularly in high-value housing markets where they exceed equivalents in the social rented sector. Affordability issues in all tenures are also exacerbated by non-housing factors, primarily through low pay or welfare reforms that have reduced household incomes. On the other hand, stakeholders noted that some households living in the cheapest private

rented sector properties in lower-value markets may avoid material poverty associated with housing costs at the expense of other negative outcomes. Poor-quality private rented sector accommodation is associated with a range of issues, including:

- overcrowding;
- low environmental or space standards;
- poor energy efficiency;
- high heating costs;
- insecure tenancies.

All of these may contribute to non-material forms of poverty.

Finally, there are issues around location where housing is poorly served by transport to key centres of employment. At the same time, there are areas of concentrated poverty next to job opportunities, which suggests that location is not always a determining factor in housing-related poverty.

Local variations

Alongside the common features highlighted above, there are also distinct geographical differences between city regions in terms of the distribution of poverty. Box 1 gives a summary of differences between five case study areas. The South East, for example, is largely affluent, with residualised concentrations of poverty in some coastal communities. This compares with the Sheffield City Region, which has a relatively prosperous urban core in Sheffield itself, with widespread disadvantage in many of its other older industrial districts.

The nature of housing and labour market pressures also varies across city regions. As a monocentric city region, Greater Manchester does not face the same challenges of transport links to job opportunities as the extended polycentric Sheffield City Region, nor the acute demands on limited social housing experienced in more affluent rural hinterlands in the Leeds City Region. Finally, the degree of containment of housing issues within spatial boundaries also shows distinct local features. The three northern city regions among the five case study areas tend to be defined by housing-related issues within their boundaries. By contrast, the South East is affected by the 'export' of poverty and marginal groups who are priced out of, displaced or rehoused from London.

There are also differences in the way housing-related poverty plays out among different groups and tenures across city regions. In all areas, housing-related poverty affects a diverse group, from those with chronic needs through to working families. However, the South East and particularly London are notable for how far up the income scale poverty goes. Similar tenures may also house different groups in distinct circumstances according to local context. Migrant workers in London are highlighted as making 'choices', albeit constrained and often exploited, to live in poor-quality or overcrowded private rented sector accommodation to meet aspirations to work and save. In other parts of England, such as the South East, homes in multiple occupation accommodate far more vulnerable populations who are reliant on Housing Benefit.

Similarly, under-occupation of private housing at the cost of immediate material poverty in order to realise longer-term equity seems more of a strategic calculation in London than other city regions where it is driven more by lack of alternatives for downsizing. Overall, availability and affordability pressures are more acute in London and the South East while quality issues with older and increasingly obsolescent pre-war terraced housing are sharpest in older industrial areas in the North of England and the Midlands. As the next section goes on to discuss, this has implications for city-regional strategies for tackling poverty through housing and planning policy.

Box 1: The relationship between housing and poverty across city regions

There are distinct local contexts in city regions, including governance arrangements, as the following summary of five case study areas shows.

- **The Leeds City Region.** The Leeds City Region has both a LEP (the Leeds City Region Enterprise Partnership) and a combined authority (the West Yorkshire Combined Authority). Broad changes in the Leeds City Region housing market over recent years include declining home-ownership, a growing private rented sector and rising homelessness. Affordability pressures created by a combination of high house prices, a shortage of social rented housing, low wages and welfare reforms have led to these shifts. Affordability issues play out differently by group and area: people under the age of 35 in the urban core have been hit by Local Housing Allowance reforms while high-value rural areas such as Harrogate cannot meet acute demand for affordable social housing among some working households. Housing-related poverty mostly affects families and single households, but older people sometimes under-occupy at high financial cost for lack of suitable extra care housing. Poor-quality private rented sector stock, including growing numbers of homes in multiple occupation, and fuel poverty in older private rented sector and owner-occupied properties are key concerns, particularly in parts of central and eastern Leeds.
- **London.** London has its own LEP (the London Enterprise Panel), which is chaired by the Mayor of London and closely aligned with the work of the London Assembly. High levels of population growth (currently 120,000 new residents a year) combined with inadequate housing supply have contributed to acute issues of availability and affordability, with housing-related poverty having an impact higher up the household income scale than elsewhere. The geography of poverty in the city is shifting to outer London and beyond through factors including high house prices, Right to Buy sales reducing access to social housing, and welfare reforms that have decreased household incomes. Quality in the private rented sector is a less acute issue than supply and availability, although clearly linked as high prices have contributed to rogue landlordism (e.g. 'beds in sheds') as well as homelessness. This sometimes reflects active choices among international migrant workers to sacrifice quality of housing to work and save. Insecurity in the private rented sector is also affecting families where children are forced to move schools. London experiences issues with 'income-poor, asset-millionaire' owner-occupiers who sacrifice short-term financial wellbeing for long-term equity gains.

- **Greater Manchester.** The Greater Manchester LEP operates alongside the Greater Manchester Combined Authority, with a long tradition of collaboration across the ten local authorities through the previous Association of Greater Manchester Authorities (AGMA), which became the combined authority. Home-ownership has declined due to affordability pressures while the private rented sector has grown and the social rented sector plateaued. Inward migration from both overseas and other parts of the UK has seen a dramatic decline in empty homes. Private housing for sale and rent in Greater Manchester remains relatively affordable compared with some city regions, although welfare reforms are reducing 'social mix' in some areas as households in receipt of Housing Benefit are priced out. There are concerns around quality and insecurity in the lower end of the private rented sector, particularly for the growing numbers of working families on 'partial' Housing Benefit entering the sector as in-work poverty limits housing choices. The obsolescence of some older private rented sector stock, as well as cheaper owner-occupied housing, urgently needs addressing but there is little government funding to support this activity.
- **The South East LEP area.** The South East Local Enterprise Partnership covers East Sussex, Essex, Kent, Medway, Southend and Thurrock. At the moment there are no combined authority arrangements in these areas. Housing demand is strong, with high prices driving development, although lack of supply remains an issue. The lack of appropriate extra care housing for older people contributes to the under-occupation of existing homes. There are acute affordability issues in areas closer to London due to high house prices and rents, limited social housing, allocations policies that sometimes favour working households, and welfare reforms. This affects higher-income households too as even 'affordable' accommodation is expensive. Travel costs are a barrier to accessing work in London. These pressures, along with outward migration or displacement from London, have seen vulnerable groups with often complex needs, such as homeless people or prison leavers, concentrate in poor-quality but cheap homes in multiple occupation in coastal communities in Hastings, Tendring and Thanet.
- **Sheffield City Region.** The Sheffield City Region has its own LEP (Sheffield City Region LEP) and combined authority (the Sheffield City Region Combined Authority). Low household incomes shaped by low wages and welfare reforms preclude home-ownership and, in combination with limited social housing, have led to a growing involuntary reliance on often poor-quality private rented sector housing. There is a shortage of general needs social housing as well as specialist housing for vulnerable groups, including people with substance misuse problems and homeless people, leading to growing use of temporary accommodation. Affordability issues affect higher-value rural areas in the Derbyshire Dales, while housing costs remain low in some parts of Sheffield and other districts (Bassetlaw, Bolsover, Doncaster and Rotherham) where social rents and 'affordable' rents are broadly comparable. Insecure tenancies in the private rented sector affect learning for children forced to move schools. Fuel poverty is an issue across tenures as well as a lack of access to amenities such as play areas and shops selling healthy food. The location of housing is also a concern where former mining towns and villages are poorly served by transport to job opportunities.

Implications for housing and planning strategies in city regions

The above analysis highlights the complex nature of the relationship between housing and poverty and how it varies both across and within city regions. In thinking about how city-regional stakeholders might address the relationship, it is useful to draw the range of concerns into clusters of related issues. Broadly, there appear to be three key issues:

- **Shortfalls in supply.** Low levels of housing development are constraining the supply of housing, especially affordable tenures, which can force low-income households into less desirable housing, particularly higher-cost or poor-quality private rented sector properties. Under-occupiers can also struggle to downsize into appropriate accommodation, leaving them exposed to high heating or maintenance costs.
- **Lack of affordability.** Under-supply relative to demand increases the costs of buying or renting housing where social rented accommodation is not available. Affordability issues are clearly related to supply, therefore, but they are also affected by non-housing factors that limit household incomes. These include low or insecure wages and welfare reforms that cap Housing Benefit and other entitlements.
- **Quality and security of tenure.** Some low-income households live in poor-quality housing in the private rented sector (i.e. below Decent Homes standard) or, in some cases, older owner-occupied properties that they struggle to afford to heat and maintain. Security of tenure can be an issue in the private rented sector due both to landlord practices (e.g. eviction or not renewing tenancies) as well as enforced moves caused by affordability issues. Broader conditions in low-income neighbourhoods are also a concern.

The precise ways in which these issues play out will vary by city region, depending on local context. This means that there is no 'silver bullet' that will work for all city regions. In some ways, this is an obvious point – devolution is, after all, about acquiring funding and freedoms and flexibilities to develop locally sensitive solutions. However, there is a common set of strategic choices that city regions face in thinking about how to address issues around housing-related poverty, in terms of the following:

- **How to combine the need to support growth and development with tackling poverty and disadvantage.** New housing development in strategic locations can support ambitions for growth by attracting skilled workers. This may have wider benefits for low-income households by creating jobs in the broader city region as well as increasing incomes generally in local economies. However, evidence shows that the benefits of growth can often bypass households and communities that are most in need (Crisp *et al.*, 2014, 2016). Conversely, a more explicit strategy of targeting housing need could see city regions focus on increasing the supply of genuinely affordable housing through, for example, taking a more active role in the direct delivery of social housing.
- **The role of interventions and investment in shaping the places that are created.** City regions have choices about the kind(s) of places they want to create. For example, should they prioritise new housing development in strategic locations near

a motorway junction, town centre mixed-use regeneration, or traditional housing-led regeneration where disadvantage is concentrated? Each will have different implications for the nature and timing of benefits (see below) as well as the groups likely to benefit from the intervention. A key issue is whether and how to ensure a mixed economy of investment in housing development so that growth is combined with social and economic regeneration.

- **The balance between increasing the affordable housing supply and raising incomes to make housing more affordable.** Housing costs clearly have an effect on affordability issues but ability to pay is also determined by income through wages, benefits and other sources. Increasing the stock of affordable housing improves housing options for those on low incomes but so too can raising household incomes through interventions to tackle worklessness or addressing low pay, for example by working with employers to support workforce development. As one London stakeholder reflected, affordable housing may not be enough: “We’ve driven poverty by building estates with no economic activity and then put the least economically active people in them ... but it ain’t helping.” The answer is perhaps not to reduce affordable housing investment but to make sure that new affordable housing is embedded in a broader ‘inclusive’ framework for growth.
- **The targeting of interventions.** A number of different groups are affected by housing-related forms of poverty, including migrant workers, low-paid families, older ‘under-occupiers’ and more marginalised groups such as homeless people. City regions will need to distinguish between the different needs of these groups and how best to target finite resources.
- **Addressing material and non-material poverty.** Whether poverty can be reduced may vary depending on the intervention. For instance, housing improvement programmes can deliver important gains around housing conditions but not necessarily improve material circumstances. Tackling affordability issues, for example through increasing supply or raising household incomes, can directly reduce housing costs and, by extension, material forms of poverty, although may take longer to achieve (see below).
- **Managing poverty-related issues across housing sub-markets.** City regions comprise a number of housing sub-markets and stakeholders need to decide on the appropriate balance of priorities. For example, should the provision of more affordable housing in a high-value housing sub-market take precedence over tackling acute issues with poor quality in the low end of the private rented sector that is soaking up demand?
- **The timing and sequencing of approaches.** The timing of approaches and the impacts they have may affect strategic decisions. Increasing housing supply can take years and, in the case of private housing for sale or rent, may have uncertain effects on housing costs and whether these can be reduced. For example, the Redfern Review (2016) shows that increasing supply has a modest impact on price.⁴ Quicker results may be achieved through interventions to improve the quality of existing stock (e.g. bringing the private rented sector up to Decent Homes standard) or seeking to lessen the local impacts of national policies (e.g. negotiating direct payment of Universal Credit to landlords to reduce rent arrears).

There are difficult choices to make in achieving the best balance of housing-related interventions to support ambitions around both growth and poverty reduction. The optimum combination of interventions and potential trade-offs needs to be weighed up carefully. One stakeholder observed, for example, that the challenges faced in trying to design interventions that meet the needs of different places across city regions will require “a real mixed toolkit” (Leeds City Region). Chapter 3 begins to address this by looking at existing strategies and interventions around housing and planning in city regions.

What policy mechanisms are available to city regions for tackling poverty?

Before the analysis of housing and planning policy in city regions in later chapters, it is useful to reflect on the **potential** policy mechanisms that local authorities, combined authorities and LEPs might use to tackle poverty. One way of doing this is to draw on the conceptualisation of poverty presented in the section ‘The relationship between housing and poverty’ above and ask how each of the five housing variables – availability, cost, quality, location and security – might be addressed with a set of policy mechanisms that are, at least in theory, available to city regions (see Table 1). In Table 1 an additional ‘employment’ category has been added to the conceptualisation to reflect how housing can be connected to job opportunities.

Nearly all of the policy mechanisms set out in Table 1 – planning policy, the provision of social housing, regeneration and housing modernisation and, to a lesser extent, housing regulation – already exist to some degree at the city-regional level or, at least, within constituent local authorities. Table 1 also refers to financial support – the possibility that city-regional institutions might directly finance or work with financial institutions to develop lending products to support people’s access to housing such as low-cost home-ownership. The table also reflects on the role of Housing Benefit in supporting low-income households. While currently determined by central government, there may be scope for city regions to negotiate local flexibility, as Chapter 5 discusses, and so it is included here.

The chapters that follow reflect on the actual use of these policy mechanisms by city regions and the potential for increased use.

Table 1: Policy mechanisms for tackling poverty at the city-regional level

Policy mechanism	How the policy mechanism mitigates or reduces housing-related poverty					
	Availability	Cost	Quality	Location	Security	Employment
Planning policy*	Can lever affordable housing and related infrastructure contributions through Section 106 planning obligations Facilitates housing delivery across all tenures	Eases affordability pressures by facilitating land supply for new housebuilding	Influences the type of new housing that is built through planning policy and enforcing design standards and environmental quality Regulates changes to existing housing stock and the built environment (e.g. homes in multiple occupation, retail uses, environmental quality and residential amenities)	Makes sure that households in poverty are connected to opportunities and services Makes sure that new market housing is not physically segregated from social housing Links housing delivery to infrastructure investment		Secures employment and training and infrastructure contributions as part of Section 106 agreements
Provision of social housing*	Access to social housing reduces reliance on other less secure and more expensive tenures	Below-market rents reduce housing costs	Social housing is maintained to a 'decent' standard	Affordable housing in 'prime' locations can provide access to job opportunities in local labour markets	Security of tenure prevents the instability of frequent moves or homelessness and can support movement into training or employment	'Housing plus' services can facilitate access to training and employment Can also provide jobs in the construction, maintenance and management of social housing
Regeneration and housing modernisation*	Increases the stock of good-quality and affordable housing available to residents in low-income neighbourhoods	Redevelopment of new or existing stock may provide additional low-cost housing Energy efficiency initiatives can reduce fuel costs	Demolition and development or renovation can raise housing standards	Wider regeneration activities improve residential amenities and quality of life Creates mixed communities and avoids social segregation		Development and refurbishment activities provide direct job opportunities 'Housing plus' employment support activities increase access to jobs and training

Policy mechanism	How the policy mechanism mitigates or reduces housing-related poverty					
	Availability	Cost	Quality	Location	Security	Employment
Housing regulation*		Regulated rents can make sure that costs are not prohibitive and do not rise significantly for tenants	Regulation of housing can be critical to ensuring minimum quality standards	Regulation to improve standards can enhance wider neighbourhood conditions e.g. by addressing issues with concentrations of poor-quality private rented sector stock	Tenancy regulation ensures security of tenure, in turn preventing the instability of frequent moves or homelessness	Security of tenure can provide the stability needed to secure and maintain employment
Providing financial support**	Financial vehicles can increase options for purchasing private housing for low-income households (e.g. shared ownership)	Financial vehicles reduce borrowing costs for home-owners or may protect tenants from rent increases if landlord mortgage costs remain low (some protection from volatile interest rates)			Financial vehicles may have a positive impact on the security of tenancies if they reduce the repossession of landlords' properties	
Housing Benefit**		Acts as a subsidy to reduce the costs of housing for low-income families	Supports households to afford better-quality accommodation	Provides a subsidy to help low-income households to live in areas that are otherwise unaffordable, providing access to jobs and services	Enables households to maintain tenancies by bridging fluctuations in earned income	Enables households to take up low-paid work by reducing housing costs

* Mechanisms that are already available (to some degree) at the city-regional level.

** Mechanisms that are not yet available or widely used at the city-regional level.

3 The scope for current housing and planning policy in city regions to tackle poverty

This chapter looks at how devolved structures – LEPs and combined authorities – have incorporated housing and planning in their strategies and implementation plans. It reflects specifically on the extent to which both the ‘offers’ to, and ‘asks’ of, government made around housing and planning have the potential to support poverty reduction or mitigation. It begins with a discussion of devolution policy in England before analysing the content of the LEPs’ Strategic Economic Plans and Growth Deals and the devolution deals engineered by combined authorities. It concludes by reporting the views of stakeholders in city regions on the direction of housing and planning policy and the appropriateness of addressing poverty-related issues at that spatial scale.

Devolution in England

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

A second wave of devolution has been marked by ongoing negotiations between central government and city regions to agree devolution deals on an asynchronous basis, with Greater Manchester announcing the first deal in November 2014. Framing these negotiations, the *Cities and Local Government Devolution Bill*, introduced in 2015, paves the way for the creation of ‘metro-mayors’ to head combined authorities and for the transfer of statutory powers. Agreement to elect a metro-mayor has been the condition for securing deals in some areas. So far, devolution deals have been signed with Cambridgeshire and Peterborough, Cornwall, Greater Manchester, Liverpool City Region, the Sheffield City Region, Tees Valley, the West Midlands and West of England, although the progress of the Sheffield City Region deal has been delayed by a recent High Court review of the consultation process. A number of further applications are pending approval by government.

The nature of these bilaterally negotiated deals varies by area, with no consistent menu of devolved powers and responsibilities. Agreements range from full devolution of powers and funding over specific policy areas or programmes through to a government

commitment to ‘work with’ the area to explore opportunities for closer partnership in the future (Sandford, 2015).

Alongside these locally negotiated powers there has also been some fiscal devolution with the-then Chancellor, George Osborne, proposing to allow local authorities to keep 100% of business rate revenue. The *Cities and Local Government Devolution Bill* also allows mayoral combined authorities to introduce a precept on the Council Tax bills of residents in the combined authority area.

These wide-ranging institutional changes provide new opportunities for sub-regional bodies to acquire new funding and powers to shape housing and planning policy in their area. The Greater London Authority has been at the forefront of change through the acquisition of powers over land management, housing investment and development formerly exercised by the Homes and Communities Agency as part of the Localism Act 2011 (see Box 2). Combined with new powers over regeneration, these functions enable the Mayor of London to bring together strategic direction and investment with decision-making on housing and key infrastructure. The devolution deals currently being agreed in other areas provide opportunities for combined authorities to begin to gain similar flexibilities. In theory, these new freedoms and flexibilities provide some scope for city-regional institutions to pursue housing and planning policies that diverge from national policy priorities. There is potential, therefore, for LEPs and combined authorities to use housing and planning interventions as a way of meeting the housing needs of low-income groups and supporting the reduction of poverty. The extent to which they are beginning to do so can be gauged by reviewing key strategic documents, as outlined in the sections that follow.

Box 2: Planning and housing powers in London

Since its creation, the Greater London Authority has acquired a number of powers around housing and planning, including the following:

- The Greater London Authority Act 2007 ‘introduced a discretionary power for the Mayor to assume jurisdiction over small numbers of planning applications that are of strategic importance to London and determine them in place of the borough’ (Barclay, 2012, p. 2).
- The Mayor has the power to make sure that local development plans are in compliance with the London Plan. Boroughs are expected to meet targets for affordable homes and land supply set out in the Mayor’s London Housing Strategy.
- The Localism Act 2011 transferred Homes and Communities Agency funding and responsibilities around housing and regeneration strategy, investment in social housing and management of land to the Greater London Authority (GLA and HCA, undated). In 2012, the Greater London Authority also took control of all London assets and staff from the Homes and Communities Agency, creating a new Housing and Land Directorate. It is suggested that this ‘consolidation of public assets [is] a key means through which additional affordable homes can be delivered over the coming years’ (Harrison *et al.*, 2013, p. 19).

- The Coalition Government also announced a decision to devolve additional powers to the Mayor in March 2015, which included establishing a London Land Commission, to handle the release of public sector land (Sandford, 2015).
- Alongside these powers, in 2014 the Mayor launched a voluntary accreditation scheme for letting agents and landlords – the London Rental Standard – to improve standards in the private rented sector, although this has been criticised for low take-up (Osborne, 2015).

There is a strong focus on increasing housing supply as part of London’s strategic approach to housing and planning. As Mayor, Boris Johnson (Conservative) took forward plans for the development of 31 Housing Zones in partnership with London boroughs and their development partners as part of his Housing Strategy. The 2015 London Plan also identified 38 Opportunity Areas and seven Intensification Areas for development. In 2016, his successor, Sadiq Khan (Labour), positioned the election as a ‘referendum on housing’ and proposed to:

- set up a team to fast-track the building of genuinely affordable homes to rent and buy;
- set a target for 50% of all new homes in London to be genuinely affordable;
- use £400 million of the affordable homes budget to support building by housing associations;
- create a new form of affordable housing, with rent based on a third of average local income, not market rates;
- work to set up landlord licensing schemes.

What are LEPs doing on housing and planning?

Housing and planning interventions

All LEPs were required to produce a Strategic Economic Plan in 2014 that outlined strategic priorities, laid out claims for funding from the £2 billion a year Local Growth Fund and made specific ‘asks’ in terms of freedoms and flexibilities around:

- governance;
- regulatory powers;
- access to (additional) funding and resources;
- control over the design, delivery and funding of national government programmes.

These plans were reviewed by central government and formed the basis of subsequent Growth Deals, which outlined agreed ‘asks’ and ‘offers’ alongside precise allocations of funding from the Local Growth Fund. Strategic Economic Plans were, therefore, partly bidding documents and should be read as statements of what LEPs aspired to achieve as much as finalised plans. The ‘asks’ set out may also reflect expectations about what government was **likely** to agree to, as was the case with devolution deals (see the next section: ‘Devolution deals’). Not all ‘asks’ for funding and powers materialised. Nevertheless, the Strategic Economic Plans provide an important insight into the scale of ambition of LEPs. As such, they serve to map out the extent to which LEPs are

deploying housing and planning powers to support measures to reduce poverty and what more could be done to drive this agenda.

Table 2 provides an analysis of all 39 original Strategic Economic Plans⁵ and the first two rounds of Growth Deals as of July 2016. It summarises the principal housing-related interventions proposed by each LEP, grouped according to the potential mechanism through which they can address poverty. These groupings are based on three of the housing variables outlined in Chapter 2 (availability, cost and quality) as well as an additional variable to reflect interventions aimed at supporting employment. The two remaining variables – location and security – feature less prominently in documents and so are not listed in the table. In practice, there is clearly some overlap. Initiatives to increase housing availability may have an impact on cost and quality, but in the table, interventions have been allocated to one variable only for the sake of simplicity. It should be emphasised that the table only shows LEP activities and does not include interventions through City Deals or through any subsequent devolution deals (the latter are discussed separately in the next section). The absence of any particular activity in the table only implies that it is not being undertaken directly by the LEP. It may be addressed through other city-regional initiatives or by the relevant combined authority.

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

Housing shortages are attributed largely to bottlenecks in assembling and building out allocated land rather than the planning system squeezing supply. A lack of 'shovel-ready' land and enabling infrastructure (e.g. access roads, utilities and broadband) are often presented as stymieing development by limiting the viability of sites. Accordingly, there was a strong emphasis on unlocking housing development through assembling land, providing infrastructure and, in fewer cases, streamlining the planning process. A number of LEPs also proposed using some form of 'revolving' infrastructure fund that combines different funding streams to support the provision of enabling infrastructure and site development. Subsequent proceeds such as land receipts and Section 106 or Community Infrastructure Levy contributions could be recycled back into the fund to support further development.

Table 2: Housing and planning proposals in 2014 Strategic Economic Plans and Growth Deals (rounds 1 and 2)

	Increasing availability					Improving quality			Reducing costs		Supporting employment through housing activities	
	Accelerating housing delivery/ increasing supply	Increasing the supply of housing in the private rented sector	Increasing the supply of affordable housing	Increasing the supply of local authority housing through additional Housing Revenue Account borrowing	Re-using empty housing	Improving housing quality	Delivering housing-led regeneration	Regulating the private rented sector	Reducing direct housing costs	Energy efficiency	Linking housing development to job creation	Providing employment support
	(n=38)	(n=14)	(n=35)	(n=21)	(n=5)	(n=4)	(n=18)	(n=2)	(n=1)	(n=11)	(n=14)	(n=1)
Black Country	•	•	•	•			•			•	•	
Buckinghamshire Thames Valley	•	•	•									
Cheshire and Warrington	•	•	•	•								
Coast to Capital	•	•	•	•			•				•	
Cornwall and Isles of Scilly	•		•	•								
Coventry and Warwickshire	•	•	•	•								
Cumbria	•		•									
D2N2	•	•	•	•			•					
Dorset	•		•				•					
Enterprise M3	•		•	•			•				•	
Gloucestershire	•		•				•					
Greater Birmingham and Solihull	•		•	•						•		
Greater Cambridge and Greater Peterborough	•		•	•								

	Increasing availability					Improving quality			Reducing costs		Supporting employment through housing activities	
	Accelerating housing delivery/ increasing supply	Increasing the supply of housing in the private rented sector	Increasing the supply of affordable housing	Increasing the supply of local authority housing through additional Housing Revenue Account borrowing	Re-using empty housing	Improving housing quality	Delivering housing-led regeneration	Regulating the private rented sector	Reducing direct housing costs	Energy efficiency	Linking housing development to job creation	Providing employment support
Greater Lincolnshire	•		•									
Greater Manchester	•											
Heart of the South West	•										•	
Hertfordshire	•		•				•					
Humber	•		•	•		•	•			•	•	
Lancashire	•	•	•	•		•		•				
Leeds City Region	•		•		•		•		•	•	•	
Leicester and Leicestershire	•		•	•			•					
Liverpool City Region	•	•			•		•			•	•	
London	•	•	•	•			•			•		
New Anglia	•	•	•	•			•				•	
North Eastern	•		•				•					
Northamptonshire	•	•	•				•				•	
Oxfordshire	•	•	•	•			•				•	
Sheffield City Region	•										•	
Solent	•		•	•								
South East	•	•	•	•	•	•	•	•			•	

	Increasing availability					Improving quality			Reducing costs		Supporting employment through housing activities	
	Accelerating housing delivery/ increasing supply	Increasing the supply of housing in the private rented sector	Increasing the supply of affordable housing	Increasing the supply of local authority housing through additional Housing Revenue Account borrowing	Re-using empty housing	Improving housing quality	Delivering housing-led regeneration	Regulating the private rented sector	Reducing direct housing costs	Energy efficiency	Linking housing development to job creation	Providing employment support
South East Midlands	•		•							•	•	•
Stoke-on-Trent and Staffordshire			•	•	•	•				•		
Swindon and Wiltshire	•		•	•								
Tees Valley	•		•	•						•		
Thames Valley Berkshire	•		•									
The Marches	•		•				•					
West of England	•		•							•	•	
Worcestershire	•	•	•	•	•					•		
York, North Yorkshire and East Riding	•		•									

A small number of LEPs also proposed innovations around financing housing development such as:

- an enhanced 'earn-back' mechanism for pro-active stewardship of Homes and Communities Agency land (The Marches);
- tax increment financing where future revenue from increased business rates could support upfront financing (Enterprise M3);
- full devolution of property taxes, that is, business rates, Council Tax, Stamp Duty Land Tax, Annual Tax on Enveloped Dwellings and Capital Gains Tax on property disposal (London).

To date, only the 'ask' by The Marches has been granted, with councils there enabled to keep receipts from the sale of Homes and Communities Agency land to invest in the delivery of up to 2,800 homes.

New joint ways of managing the identification and disposal of public land and assets were proposed in some cases, while many LEPs made 'asks' around greater flexibility in terms of access to, and use of, Homes and Communities Agency funding, which was seen as unresponsive to local need. The D2N2 deal saw agreement, for example, that the Homes and Communities Agency will work with the LEP, local authorities and other partners on an 'Accelerated Development' programme of strategic site development. This partnership aims to align or integrate land and funding initiatives, including the Growing Places Fund, the Local Growth Fund, the Local Infrastructure Fund and rural initiatives to support housing and commercial development.

The consensual focus on increasing supply may eventually support poverty reduction through the increased availability, better quality and lower costs of housing. It may also support the economic growth needed to generate additional or enhanced job opportunities in the city region by accommodating a growing or more highly skilled workforce. But these potential 'trickle-down benefits' are far from certain. Benefits to households in poverty are perhaps more likely to accrue through some of the other types of interventions listed in Table 2. In terms of initiatives that relate to availability, almost every LEP has committed in their Strategic Economic Plan to increasing the supply of affordable housing. However, the definition of 'affordability' or scale of delivery is often not clearly defined. One exception is Humber's plan, which suggests that of the 60,000 new dwellings planned for 2026 to 2030, 15 to 20% should be affordable housing. However, it is unclear how that requirement is to be delivered or enforced.

More concretely, a number of LEPs requested an increase in, or to lift entirely, the Housing Revenue Account borrowing cap, which could support the development of new local authority housing. Given that Housing Revenue Account borrowing can be used to build properties at social rather than affordable rents, this may have greater potential to support poverty reduction by keeping rents low than a general commitment to affordable housing.

The remaining types of intervention around cost, quality and employment have, arguably, a greater likelihood of having an impact on poverty but all command less widespread support. In terms of quality, there were some proposals for housing-led regeneration (18 LEPs), although this was framed mainly in terms of delivering new housing within wider mixed-use developments. These may have a limited likelihood of reducing poverty if new-build homes are provided at, or close to, market sale or rents. There was little commitment to more traditional forms of housing-led regeneration based around improving existing housing stock or wider activities to improve public spaces in low-income neighbourhoods. Improving housing quality directly through refurbishment of existing stock only featured intermittently in plans. Among these, Lancashire and particularly the Humber LEPs had detailed plans to improve existing stock as part of wider regeneration efforts, with the Humber building on an existing programme. Meanwhile, Lancashire and the South East LEPs were distinguished by their stated intent to tackle unacceptable housing conditions in a private rented sector deemed to be failing their respective coastal communities. These are discussed in more detail in Chapter 5.

Interventions that have the potential to reduce direct or indirect housing costs are relatively scarce. Despite widespread concerns over the concept of affordability, Leeds City Region was the only LEP to propose intervening to reduce housing costs. Its Strategic Economic Plan proposed to provide an additional 'top-up' capital grant using Local Growth Fund monies to bring down the costs of affordable housing development, subsidised through a Homes and Communities Agency grant, thereby allowing providers to charge lower rents. To date, however, this particular proposal has not been put into action.

A larger number of LEPs (11) promoted energy efficiency initiatives, regarding either the design of new properties or retrofitting existing stock. They rarely discussed this explicitly in terms of reducing fuel poverty, however. Instead, they tended to focus on the wider benefits of a low carbon economy in relation to emissions or jobs.

Finally, a minority of LEPs referred to the potential for housing construction activities to provide employment. Few of these, though, explicitly identified the potential to target disadvantaged groups through the use of 'local labour' clauses in planning or procurement agreements. Certainly, there was very limited provision in plans for combined approaches to leveraging developer contributions such as social housing or targeted employment and training.

The South East Midlands LEP was the only LEP to propose a comprehensive employment support initiative that is, at least indirectly, linked to housing by building on the existing work of the Neighbourhood Employment Programme in Milton Keynes. To residents of neighbourhoods where employment and poverty are highest, the initiative provides family support, mental health therapies, work experience and help with gaining skills that will make people more likely to get work. While not strictly a 'housing plus' programme, it does include people presenting in 'housing need' among its target groups. Other LEPs may provide forms of employment support but these are not

shown here as they are not part of housing-related activities or do not target particular groups by virtue of housing circumstances.

‘Growth Deal 3’

The 2016 Autumn Statement confirmed that the Government would award a third round of Growth Deal funding worth £1.8 billion, with £556 million to be awarded to LEPs in the North of England, £392 million to the Midlands, £151 million to the East of England, £492 million to London and the South East and £191 million to the South West. The timing of ‘Growth Deal 3’ proposals means that they have not been examined systematically for this report. However, broad analysis undertaken suggests that there has been little change in approach from earlier rounds of Growth Deals in terms of very limited use of housing and planning interventions to tackle poverty and disadvantage. Housing delivery remains a key theme, with priority given to infrastructure investment to help unlock sites and increase new housebuilding. However, in many cases this does not extend to securing additional affordable housing.

There are some references to tackling disadvantage. The London Enterprise Growth Deal includes proposals for infrastructure investment to support an area-based regeneration programme and housing in Housing Zones. The South West Growth Deal 3 proposal highlights the importance of addressing barriers to employment in the region’s major pockets of deprivation and of closing the ‘inequality gap’ in deprived communities. It also highlights ‘the real and growing need for new, and in particular affordable, homes to be built’. However, those issues are not explicitly addressed in the ‘ask’ to government, which focuses on innovation schemes (£54.6 million), transport investment (£15 million) and skills development (£11 million).

Overall, Growth Deal 3 proposals tend to be characterised by targeted investments in infrastructure and support for inward investment, innovation and employment opportunities through focused capital grants for business and skills development. A number of the plans talk about working with the Homes and Communities Agency to support this. For example, the York, North Yorkshire and East Riding bid sets out plans for a bespoke housing investment programme, with local authorities, the Homes and Communities Agency and housing developers working together to encourage housebuilding.

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

Devolution deals

Devolution deals provide a further indication of how new freedoms and flexibilities around housing and planning are being acquired and applied at the city-regional level. Devolution documents are relatively thin documents with comparatively little detail on strategic priorities and planned interventions. This makes it difficult to identify precisely which mechanisms may (or may not) contribute to the reduction of poverty. Moreover, many proposals are simply a commitment to enter into dialogue with government about acquiring powers, accessing funding or delivery mechanisms. This section summarises key elements of the agreements. A more detailed overview is provided in Appendix 2.

With the above caveats in mind, the main proposals in the devolution documents around housing relate to the creation of some form of Housing Investment Fund to support development. Only Greater Manchester has actually established such a fund so far. The separate prospectus for this £300 million fund indicates that it is mainly a way of providing loans to private developers with the expectation that the Treasury will recover 80% of the initial investment in the Housing Investment Fund. It makes no mention of affordable housing. This suggests that the fund is designed to support the development of private housing for sale, which will generate sufficient margins for developers to repay loans. It is difficult, therefore, to see whether and how it might support forms of low-cost housing that could address issues around housing availability and cost.

More significantly for poverty reduction, the recently concluded deal with Cambridgeshire and Peterborough has allocated funding of £170 million for affordable housing. A total of £70 million within this allocation is ring-fenced to Cambridge City Council to build 550 new council homes, including £10 million to replace any that are sold through Right to Buy. The remaining £100 million will be used to deliver a range of tenures across the Cambridgeshire and Peterborough Combined Authority area, including affordable rent and low-cost home-ownership developed by housing associations. While the overall number of local authority houses to be delivered is relatively small over a five-year period, it marks a new willingness within the devolution process to finance the delivery of housing for social rent for which there is currently no dedicated national funding programme.

Other housing measures that have the potential to reduce poverty include the North East's aspiration to review regulatory powers with government to enable improvements in the quality of private rented sector housing and challenge landlords who offer poor-quality housing. This desire to regulate the private rented sector was not identified in any other devolution deal agreement. However, in September 2016 the North East devolution deal was withdrawn when four of the seven North East Combined Authority councils voted against the deal because of concerns about funding.

The Cornwall devolution deal mentions the potential for energy efficiency programmes with potential synergies around regeneration although these are not spelt out. Evidently, energy efficiency programmes may offer the potential to reduce fuel costs and related forms of poverty, especially if they are targeted at social housing as

suggested. They may also generate employment opportunities, although this is not explicitly mentioned in the Cornwall deal.

Seven combined authorities in England are committed to preparing spatial planning frameworks as part of the initial devolution deals. Furthest advanced are the Greater Manchester authorities, which produced a draft Spatial Framework⁶ in autumn 2016 to manage the supply of land for jobs and new homes across Greater Manchester. The Spatial Framework will provide the overarching development plan for Greater Manchester's ten local planning authorities and is intended to be adopted in 2018. The draft Spatial Framework, which was out for consultation until mid-January 2017, includes plans to remove 4,900 hectares of land from the conurbation's greenbelt.

In some cases (e.g. the Liverpool City Region), there are proposals for the Mayor to be consulted on planning applications of strategic importance and empowered to call them in with the relevant council's consent. There are also plans in some deals for mayoral development corporations, as envisaged by the *Cities and Local Government Devolution Bill*. These corporations, already in use in London, establish a single body with comprehensive planning and land acquisition powers, with the aim of driving forward significant regeneration projects in a specified area. A number of devolution deals include proposals to develop a land commission or joint assets board to manage the release of public sector assets. However, there are likely to be considerable political and technical challenges in developing a meaningful joint commitment on housing land allocation and planning contributions in some city regions.

There is very limited provision in devolution deals for combined approaches to leveraging developer contributions such as social housing or targeted employment and training. The Greater Manchester deal is unusual in including plans to use a Community Infrastructure Levy to support development and regeneration, but this is subject to the unanimous approval of the Mayor's Cabinet, which will be made up of the ten leaders of the constituent local authorities. It remains to be seen whether, and how, the Greater Manchester Community Infrastructure Levy will be rolled out. It may be difficult to apply because of viability constraints and different approaches to the Community Infrastructure Levy within member authorities (Carpenter, 2015b).

In general, the devolution deals, as with Strategic Economic Plans, are mainly concerned with helping developers to overcome potential barriers to housing development. The North Midlands devolution agreement does include a commitment to explore 'how best to tackle the non-take-up of planning permissions, including fiscal and regulatory measures', but there are no firm proposals in the document. A city-regional planning framework will only help to address poverty if it includes relevant policies such as increased delivery of affordable housing and leveraging employment and training obligations from development. There is very little sign of this, with the exception of the Cambridgeshire and Peterborough agreement. Much of what is proposed is already in place in London and would fall short of the powers of the London Mayor such as those transferred from the Homes and Communities Agency.

Both devolution deals and Strategic Economic Plans tend to set ambitious targets for new housebuilding. Notably, devolution deals are even less orientated to achieving other objectives that might support poverty reduction than some of the Strategic Economic Plans and Growth Deals. But it remains important to emphasise that devolution deals are short on detail and further innovation around housing and policy may emerge in subsequent developments.

The view from stakeholders

Consultation with stakeholders involved in housing and planning policy in city regions supports much of the documentary analysis highlighted in this chapter. Discussions showed that housing was not always seen as a priority for LEPs. Where it was prioritised by LEPs, this tended to reflect the perceived need to make sure that appropriate housing was in place to support economic growth. This narrow focus on the role of housing as a driver of growth, as well as limited emphasis on poverty and disadvantage in LEP agendas, means that there have been few attempts to explicitly link housing policy with tackling poverty. Also, there is sometimes little explicit focus on delivering affordable housing because of the assumption that increasing supply will, by default, ease affordability pressures (South East). Overall, there was a sense that city-regional strategies around housing and planning tended to align with, rather than supplement or bend, the national emphasis on removing constraints to market housebuilding. Some stakeholders noted that ‘asks’ made through the Growth Deal or devolution deal processes had been framed within the prevailing national policy agenda to increase the likelihood of central government agreement.

There is a clear sense, however, that housing is becoming an important part of the city-regional agenda of new combined authority structures. This is perhaps inevitable given the prioritisation of housing delivery within the national policy agenda and the acute pressures on housing supply in some areas. Combined authorities are also likely to give more weight to housing given the direct role of constituent local authorities in planning and housing provision. They are certainly regarded as a more natural ‘home’ for housing and planning policy than LEPs.

The experience of London also suggests that mayoralty priorities can have a significant influence over the tenor of housing and planning policy. The recent election of Sadiq Khan has, by common consent, led to a stronger focus on affordable housing in new supply compared with his predecessor Boris Johnson. This may have implications for the way that forthcoming mayoral elections under devolution influence housing and planning policy in other city regions.

There is some evidence that city regions are increasingly engaging with the idea of ‘inclusive’ growth. The refreshed 2016 Strategic Economic Plan for the Leeds City Region, for example, has an overarching agenda of ‘good growth’ that cuts across policy agendas. Housing priorities include:

- addressing conditions in the private rented sector;
- influencing the direct delivery of local authority housing;
- supporting small- and medium-sized enterprise housebuilders;
- improving the energy efficiency of homes to tackle fuel poverty.

Issues of affordability and availability (Bristol) and ‘fairness’ (London) are evident in other city-regional strategies. However, the influence of an ‘inclusive’ growth agenda, particularly on housing and planning strategies, remains limited so far and is not evident at all in some Strategic Economic Plans and devolution deals.

In Greater Manchester, tackling poverty is regarded largely as a separate agenda from housing and planning policy, which focuses on making sure that housing is delivered that supports economic growth, through diversity of provision for skilled workers. The challenges facing low-income households are addressed instead through the ‘reform’ pillar of the twin priorities of ‘growth and reform’. Within this reform agenda, Greater Manchester seeks to reduce dependency and increase household incomes through co-ordinating interventions across a range of policy areas, including employment, health and social care. The intention is to raise household incomes and reduce reliance on social housing, which is in line with national policy priorities of tackling dependency and using limited social housing stock more effectively.

Some interviewees felt that developing housing and planning policy at the city-regional scale could be valuable in achieving wider strategic goals around making sure that there is an adequate supply of housing across a range of tenures. Specifically, the city-regional scale provides a strategic framework for:

- agreeing housing land allocations;
- planning infrastructure more effectively to facilitate development;
- influencing strategic engagement with large housebuilders;
- making the case to influence national policy such as raising the Housing Revenue Account debt cap;
- achieving economies of scale in areas such as the offsite manufacture of housing.

At the same time, there was a majority view that issues of housing need often show themselves at a lower neighbourhood scale. This means that they were best addressed locally, either because they required local co-ordination or simply because local intervention would be efficient and more effective than delivery through city-regional structures.

Finally, there was a view in some areas that the geographies of new structures of governance were too broad or politically complex to support effective city-regional working. Interviewees in the South East noted that the LEP area, which covers East Sussex, Essex, Kent, Medway, Southend and Thurrock, is too large and diverse to co-ordinate housing and planning policy: “I don’t think the LEP is a natural administrative area for bringing something to the housing agenda. It is a very large and very diverse

area” (South East). On the other hand, partners in the West of England felt that the combined authority boundaries were a natural fit for the extended Bristol City Region, but joint working was complicated because it would create additional pressures for housebuilding in rural areas to accommodate demand generated through the Bristol economy.

In summary, there is a clear view from stakeholders that wider agendas around ‘inclusive’ growth and poverty reduction have yet to become embedded in city-regional agendas. This could be viewed as a **missed opportunity** as the analysis in this chapter shows that there is a potentially wide range of interventions that could support objectives to reduce poverty, even if not currently widely embraced. The two chapters that follow explore the challenges facing city regions in terms of tackling housing-related poverty, examples of good practice and what more could be done to link housing and planning policy to poverty reduction goals.

4 What more can city regions do to link housing development to poverty reduction?

City-regional institutions are increasingly engaging with housing and planning issues and looking at how housing and planning can support broader ambitions around growth. The analysis in Chapter 3 shows, however, that interest in more ‘inclusive’ growth has yet to translate into policies around housing and planning explicitly designed to support poverty reduction. This is perhaps a missed opportunity given evidence that city regions could pursue more ambitious agendas in support of wider goals around inclusive growth and poverty reduction.

Accordingly, this is the first of two chapters that asks what more can be done to reduce poverty in terms of the provision of good-quality, secure and affordable accommodation for low-income households. It begins by reflecting on the scale of housing delivery and what city regions can do to increase supply. It then moves on to focus on one of three broad themes around which city regions could do more to support low-income households:

- linking housing development to poverty reduction.

Chapter 5 focuses on the other two themes:

- improving quality and security of tenure in the private rented sector;
- enhancing the affordability of housing by raising incomes.

We look at each of these three themes in turn by analysing the nature of challenges based on stakeholder feedback, before highlighting good practice and proposing future options. The nature of challenges facing each city region varies considerably, which precludes a single set of recommendations that are equally applicable or deliverable in all areas. The proposals here are best thought of as policy **options** that city regions might wish to draw on and adapt to their own context.

These options also vary in nature. Some can be delivered by deploying existing funds and powers; others would need additional funding or ‘asks’ from central government and even new legislation. In short, some are easier than others to put in place. But all warrant consideration and the aim here is to initiate rather than conclude the debate on how city regions can tackle housing-related forms of poverty.

To reflect these different factors, this and the next chapter both conclude with a summary appraisal of options that, for each approach, outlines the value of the approach, whether it is appropriate for all city regions, requirements from central government, lead actors, feasibility and risks.

Improving the scale of housing delivery

The scale of housing delivery is rising, with more land being made available and housing starts increasing, as highlighted in the section ‘Housing market trends and policy’ in Chapter 1. A combination of factors is driving this, including improving market conditions and the impact of government policy. Since 2012, the National Planning Policy Framework has been revised, with the intention of bringing forward more sites for development in response to market demand and housing need. The National Planning Policy Framework (DCLG, 2012) required local authorities to demonstrate a five-year land supply for housing based on objectively assessed need, in local plans. Local authorities without an up-to-date plan or a robust five-year land supply effectively have weakened power to refuse a development. The Coalition Government also introduced neighbourhood planning and the New Homes Bonus to give communities and local planning authorities an incentive to support new housebuilding.

Before 2010, regional planning targets restricted growth in some high-demand areas to encourage development in low-demand areas, supported by measures to prioritise housing on previously developed land rather than greenfield sites (Haughton and Counsell, 2004; Haughton *et al.*, 2010). However, measures to boost new housing supply introduced since 2010 tend to be targeted at areas of market demand. One implication is that the location of this land can create challenges in providing and sustaining the right sorts of infrastructure (transport, schools, access to food) in areas that might be disproportionately favoured in a more permissive development environment.

The increase in housebuilding is being outpaced by new household formation, however (see the section ‘Housing market trends and policy’ in Chapter 1), with an estimated shortfall of 85,000 homes a year (IPPR North, 2016). In this context, there are important debates to be had about the role that devolved institutions can play in meeting governmental ambitions to deliver one million homes by the end of the current parliament (IPPR North, 2016). Key issues in the delivery of housing supply include:

- the availability, cost and use of land;
- pinch points in the planning system;
- securing finance for investment;
- increasing the capacity of housebuilders by, for example, addressing skills shortages (London Housing Commission, 2016).

City regions clearly have a role to play in increasing general housing supply, as discussions about the potential role of new housing and planning powers with stakeholders showed (see Box 3). However, general supply is not the focus of this report. Instead, it looks specifically at how city regions can maximise the extent to which housing and planning policy can support low-income households in terms of:

- supporting development that delivers affordable housing;
- improving quality and security of tenure in the private rented sector;
- raising household incomes to make housing more affordable through addressing issues with worklessness, low pay and welfare reform.

Box 3: Exercising new city-regional powers to increase supply

Many stakeholders reflected that new funds, freedoms and flexibilities acquired through devolution are more likely to be used to accelerate or increase the **supply** of housing, including affordable tenures, rather than address broader issues of **affordability** (e.g. low household incomes from wages or benefits) or tackle **quality** issues in the private rented sector or wider neighbourhoods. This may reflect the fact that these freedoms and flexibilities centre on planning powers and are therefore best suited to addressing barriers around development.

Specifically, new strategic spatial frameworks at city-regional level could help to accelerate or increase the supply of housing. They can also resolve cross-boundary issues more effectively than the current duty to co-operate. In Lancashire, for example, the framework could help to address challenges where Blackpool's urban boundaries spill into adjacent boroughs that are reluctant to accept development in those areas. The Sheffield City Region also sees the current development of its spatial plan as a way of bringing land forward by packaging sites and working across district boundaries to attract investment to unlock development. Spatial frameworks also provide for more strategic and co-ordinated planning by drawing together different strands of policy, including housing, employment and transport.

Mechanisms such as land commissions and joint assets boards provide a way of identifying and releasing public sector land for development. This can help to regenerate town centres where public sector land is often located, as well as release funds that can be re-invested in housing development. However, it remains to be seen whether commissions and boards can release land at a price that supports affordable housing development. Pressures to achieve best value against a backdrop of declining spending allocations mean that most agencies will seek to achieve the highest sale price possible rather than release land at a discount.

Stakeholders in Greater Manchester observed that new planning tools provide some scope to shape land values in a way that could support affordable housing development. The Greater Manchester Spatial Framework offers opportunities to make strong statements about the major investments expected by developers to bring sites forward, discouraging land purchases at high prices. Mayoral Compulsory Purchase Orders and development corporation powers could also potentially be exercised to acquire land with planning permissions – including greenbelt land – that landowners or developers are not building on. This may discourage 'land banking' and dampen the 'hope' value of land if owners know that lack of use for speculative gain might result in a Compulsory Purchase Order.

Overall, the suite of planning powers acquired through devolution may enable city regions to play a stronger 'market-maker' role by reducing the costs of land where it affects viability, increasing the supply of land, and discouraging land banking to bring forward development. In theory, this could support the delivery of additional affordable housing. However, it is important to remember that these powers have yet to be exercised and, as one stakeholder noted, "there's no model at this stage" (Greater Manchester). New planning powers have the potential to speed up or increase the supply of new housing, including affordable housing, but have yet to be proven.

Linking housing development to poverty reduction

Housing development can be linked to poverty reduction through delivering affordable homes, addressing both issues of availability and cost in our conceptual model of the relationship between housing and poverty (see Chapter 2). Affordable housing has a key role to play in supporting poverty reduction by determining whether, or by how much, housing costs contribute to poverty. Social housing in particular can have an important role in alleviating poverty through good-quality, low-cost housing for sub-market rent with secure tenancies (Bradshaw *et al.*, 2008; Stephens, 2008). Conversely, a lack of affordable housing can be one factor that forces low-income households into higher-cost, poorer-quality or less secure housing in the private rented sector. More broadly, housing development provides an opportunity to regenerate areas such as former industrial sites, which not only delivers additional affordable housing but can also support wider goals through revitalising low-income neighbourhoods and providing supporting infrastructure and amenities as well as potential jobs. This helps to address quality issues linked to housing and neighbourhoods in experiences of poverty. There are a number of barriers to linking housing development to poverty reduction, as the next sub-section shows.

What is stopping housing development from supporting poverty reduction?

Stakeholders identified a number of factors that were constraining the delivery of affordable homes, many of which were related directly to current government policy or housing. Broadly, these consisted of concerns about:

- levering affordable housing from development;
- supporting social housing providers;
- delivering housing-led regeneration;
- practices in the housebuilding industry.

Levering affordable housing from development

Housing associations highlighted issues around the availability and cost of land as a key barrier, which limited their scope to develop affordable housing. Partly, this is related to the uneven availability of public sector-owned land, which varies significantly across and within city regions, the predominance of small and infill sites in some areas, and difficulties in building on greenbelt land. Housing associations find it challenging to compete in the land market for the larger sites without significant 'abnormal' conditions

that would otherwise help to keep scheme development costs down. They also highlighted how pressures on public sector agencies to maximise values from the sale of public land in the context of declining funding constrain the supply of cheaper land to support affordable housing development. Land shortages are also sometimes shaped by the practices of landowners, developers and housebuilders in holding on to sites to increase profits and developing in small batches, especially in higher-value markets. Stakeholders also expressed frustration that the UK lacks mechanisms for capturing increases in land value when planning permission is granted, unlike other housing and planning systems in Northern Europe (see Box 4). There are signs of a softening of the Government's approach to this. The recent Housing White Paper outlines an intention to consult on options around additional powers or capacity to enable local authorities to play a more active role in assembling land for development (DCLG, 2017).

Box 4: Capturing land values: learning from overseas

A number of commentators have called for England to learn from the approach of other countries in Europe – including France, Germany and the Netherlands – where sub-regional and local stakeholders are far more pro-active in acquiring and assembling land, putting infrastructure in place and selling the serviced land to developers (Oxley *et al.*, 2009; Monk *et al.*, 2013; Lyons, 2014; RTPi, 2015). This is often coupled with compulsory purchase powers, which are widely used in some countries such as France and Germany (Monk *et al.*, 2013). The advantage of such an approach is that:

- it enables land to be acquired at lower costs;
- the uplift in land value can be captured to recover the costs of land assembly and infrastructure development;
- it provides greater control over the delivery and quality of the project through masterplanning and packaging sites;
- it avoids complex, ex-post negotiation of development levies, as is common in England through the Section 106 process (Lyons, 2014; RTPi, 2015).

Source: Crisp *et al.* (2016)

Stakeholders see the perceived constraints on the supply of sites for development within the planning system as generally secondary to concerns about viability, but some planning issues remain. Local planning authorities in areas with high concentrations of poverty are generally supportive of new housebuilding and the National Planning Policy Framework has made it more difficult for local authorities and communities to opt out of meeting objectively assessed housing need. The problem remains, though, that local planning authorities are in a weaker position to secure affordable housing through Section 106 planning contributions. The recent change to planning guidance exempting smaller sites from Section 106 affordable housing requirements has the potential to limit the development of affordable housing in higher-value areas with smaller sites such as rural parts of Harrogate. In addition, opportunities to deliver affordable housing through Section 106 planning obligations have been diminished by successful renegotiations by developers on viability grounds.

Consequently, some local authorities with lower-value housing markets choose to forego or substantially lower their Section 106 requirements in order to stimulate development. As one strategic housing officer noted, “it’s better to have 8% of something than 25% of nothing” (Sheffield City Region). By contrast, stakeholders in London suggested that rising land values and strong housing markets meant that downward negotiations of affordable housing requirements should no longer be possible. However, there was also a feeling that some areas with smaller local authorities may lack the planning resources and expertise to wield power in negotiations with developers.

Supporting social housing providers

Stakeholders are concerned that recent changes in government support for financing housing delivery or stimulating demand have reduced the scope to deliver genuinely affordable, good-quality housing. Programmes such as Shared Ownership and, especially, Help to Buy and Starter Homes are felt to divert resources away from the delivery of affordable housing by supporting homebuyers who would have bought homes anyway (e.g. Archer and Cole, 2016). The consequential impact on overall supply has been muted. Meanwhile, the Right to Buy scheme has seen the loss of considerable amounts of local authority stock in some areas, of which a large proportion has subsequently been converted into private rented property.

There is considerable interest in local authority housebuilding across England but Housing Revenue Account borrowing caps and an inability to borrow on prudential terms constrain delivery. Perhaps more problematically, the policy of reducing social housing rents by 1% every year between 2016 and 2020 has undermined investment plans for many social housing providers, including extra care housing for older people. Local authorities also face a levy on higher-value council housing designed to fund the one-for-one replacements of stock lost through Voluntary Right to Buy (now scaled back to a regional pilot). There is currently considerable uncertainty over the precise mechanisms and funding arrangements for this.

Some local authorities report using complex financial mechanisms such as ‘special purpose vehicles’ (legal entities created to serve a specific purpose) to invest in new affordable housing stock without the risk of losses through the Right to Buy scheme or any future policy development. This adds both complexity and additional costs, such as extra legal expenses, to the development process. All this said, the 2016 Autumn Statement, recent announcements following the change of Prime Minister in 2016 and the Housing White Paper (DCLG, 2017) signal a change in the policy landscape, with the pausing, downgrading or termination of the Voluntary Right to Buy, Starter Homes and Pay to Stay initiatives. This may affect the ways in which these initiatives can undermine development by social housing providers and improve the landscape for the delivery of additional affordable housing.

Delivering housing-led regeneration

Housing development provides an opportunity to regenerate former industrial areas by remediating contaminated land and using housing development to stimulate broader area-based regeneration. However, stakeholders report that this ambition is often stymied by a failure to develop and build out sites with planning permissions due to viability issues in lower-value areas. This is particularly the case in northern city regions. In the Leeds City Region, for example, there are over 60,000 units with permissions, over 38,000 of which are on brownfield land;⁷ the equivalent figure for Greater Manchester is 46,000 units with permissions. In the Sheffield City Region, Doncaster alone has unimplemented permissions for close to 10,000 units. This failure to bring development forward on permissioned sites is attributed largely to a lack of gap funding to remediate brownfield land: “I can’t think of one fund to help in any remediation, whereas in the past there was a policy of helping to clean up industrial legacy” (Sheffield City Region).

This is a frustration when there are large sites in accessible locations close to key centres of job opportunities. Revolving loan funds have so far failed to provide the finance needed to stimulate development on these sites. Instead, as loan-based finance mechanisms that need to be underwritten by local authorities, they focus on less risky propositions and those that deliver the most units. They often favour new development in more peripheral locations, which places demands from the increased population on a range of infrastructure, including transportation networks and local services. The capacity of planning obligations or, where implemented, the Community Infrastructure Levy to mitigate these impacts is limited, especially in low-value areas and once any affordable housing contribution may have been taken. This diminishes the sustainability of schemes.

The recent announcement of the £2.3 billion Housing Infrastructure Fund may help to address some of these pressures. City-regional investment in infrastructure can reduce development costs, overcome local objections and free up Section 106 ‘headroom’ to pay for affordable housing development. Nevertheless, the funding may have less impact in city regions with brownfield sites where infrastructure already exists but sites remain unviable because of a lack of funding for land remediation. The fund still does not address the lack of large-scale funding for physical and housing-led forms of regeneration that have been de-prioritised in favour of loan finance. Changes in urban and housing policy since 2010 have virtually eliminated grant-based funding for renovation of existing stock and more traditional forms of housing-led regeneration. This is currently more of a problem in the private rented sector where far fewer homes achieve Decent Homes standard (see the section ‘Housing and poverty: headline trends’ in Chapter 1). This lack of government finance for holistic forms of neighbourhood renewal and wider place-based regeneration also reduces opportunities to tackle the multiple dimensions of poverty and related forms of disadvantage. The Government’s Estate Renewal programme is seen as largely irrelevant outside of high-value housing markets in the South East and London, given its reliance on recoverable loan finance that will not be attractive to developers where remediation costs are high. There are also wider concerns that the type of remodelling it supports can actually diminish levels of social housing (JRF, 2016a).

Practices in the housebuilding industry

A key challenge for increasing affordable housing supply is the capacity of the housebuilding sector, which diminished after the economic downturn of 2008. There is a need to get larger housing developers to ‘gear up’ to meet tough targets for increasing volumes of housebuilding. This is a challenge given that profitability is often maintained through restricting supply to keep prices high. For example, Archer and Cole (2016) show that the largest nine housebuilders in the period from 2012 to 2015 only raised output by 33% but saw revenues increase by 76% and profit before tax by 200%.

Supporting the small- and medium-sized enterprise sector is seen as one way of addressing shortfalls in delivery: “you need every tool in the box” (Leeds City Region). There has been a dramatic decrease in small- and medium-sized enterprise housebuilders in some city regions and boosting the supply of land and funding to this sector may have an additional positive impact on local jobs and local supply chains.

Good practice in linking housing development to poverty reduction

There are a number of examples of good practice by local authorities, housing associations and other stakeholders to increase the supply of affordable homes, including:

- enhancing the role of local authorities in affordable housing delivery;
- developing collaborative partnerships to drive increases in supply and promote wider objectives to reduce poverty;
- bringing empty homes back into use.

All of these interventions have the potential to be delivered through, or supported by, city-regional institutions.

Enhancing the role of local authorities in affordable housing delivery

Local authorities are demonstrating a growing interest in building affordable housing directly or through joint ventures with housing associations and developers. It is a way of delivering affordable homes as well as a wider range of tenures, including market and intermediate rent and housing for sale, which can, in turn, cross-subsidise housing for social rent. Councils such as Oxfordshire are also working with developers to build extra care housing to realise savings in adult social care budgets. Currently, individual councils are leading the way through establishing housing companies but there is discussion about how these could be scaled up to a city-regional level. In the West Midlands City Region, for example, some stakeholders highlighted the Birmingham Municipal Housing Trust (see Box 5) as good practice and suggested that it could be scaled up. Others noted, though, that there is no clear consensus across all local authorities in the West Midlands City Region about the desirability of local authority housebuilding. There may be more promise in developing city-regional frameworks and more selective partnerships between local authorities and wider stakeholders to support local authority housebuilding, as the next sub-section on collaborative working shows.

Box 5: The Birmingham Municipal Housing Trust

Birmingham City Council has a well-established local authority housebuilding programme, delivered through the Birmingham Municipal Housing Trust. Launched in January 2009, the trust is now the largest provider of affordable housing across the city using a range of funding sources (Homes and Communities Agency grant, one-for-one Right to Buy receipts, Section 106 contributions, borrowing, Housing Revenue Account resources, and cross-subsidy from market-sale new-build). The Growth Deal signed in 2014 boosted financing for council house building by increasing the Housing Revenue Account borrowing limit for Birmingham City Council by £10.6 million. Between 2009 and 2015, the trust completed 1,000 new rented homes and 700 homes for sale on City Council-owned sites.

Local authorities have shown innovation in securing finance. The Matrix Homes development, for example, brought together Manchester City Council, the Homes and Communities Agency and the Greater Manchester Pension Fund to finance and deliver affordable houses for sale and rent. This idea has gained traction elsewhere, with the London Housing Commission (2016) advocating that the Mayor of London and boroughs work with pooled public sector pension funds to identify opportunities in building new homes.

Local authority housebuilding is not, though, a simple panacea. Challenges include:

- raising finance (as noted above);
- developing the institutional capacity to manage housebuilding programmes;
- the availability or cost of suitable sites through councils' landholdings.

City regions are seeking to speed up the identification and release of land through joint assets boards while there is broader commitment from central government and agencies to dispose of surplus land for housebuilding through the One Public Estate programme. But local government and other agencies will not always release land at a rate and price that meets the needs of affordable housing developers. This means that local authority delivery or support for other social housing providers is unlikely to reach sufficient scale to address under-supply fully. This is particularly the case where local authorities no longer build or manage housing directly, with implications for their capacity to secure the land and finance as well as the development expertise to begin building houses again. However, where appetite remains, local authority housebuilding can nurture "green shoots" (London) that contribute towards increased levels of affordable housing.

Developing collaborative partnerships to drive increases in supply and promote wider objectives to reduce poverty

There are a number of ways in which the public sector and partners are working through city-regional structures to improve the strategic planning and delivery of affordable housing. This ranges from sharing information and expertise through to a formal Memorandum of Understanding or Compact. Three recent examples are outlined in Box 6. The Greater Manchester Memorandum of Understanding is seen as

offering the potential for “radical thinking” (Greater Manchester) in terms of co-ordinating and accelerating the delivery of affordable housing, and also addressing a broader range of poverty-related issues experienced by low-income tenants in social housing. A key part of both the Memorandum of Understanding in Greater Manchester and the Compact in the Sheffield City Region is to engage signatories in wider agendas around co-ordinating services across commissioning areas, including housing, health and social care. The Hospital Discharge initiative in Greater Manchester, for example, seeks to align housing and health and social care interventions to reduce the use of expensive acute care. The Sheffield City Region Compact is also explicitly framed as a mechanism for using housing to support objectives to reduce poverty, as well as to share expertise and procurement processes to secure programme funding for a range of tenures, including social rented housing.

Box 6: Examples of collaborative working across city regions

Example 1: Building expertise in local authority housebuilding (South East)

The South East LEP is playing a key role in building expertise among constituent local authorities by partnering six pilot areas with the Housing and Finance Institute to explore barriers to increasing housing supply, including through direct local authority provision. This brokering role is intended to share learning around barriers and solutions to housebuilding, for example by connecting local authorities with other districts that have successfully delivered housing using Housing Revenue Account funding or through local authority housing companies. It encourages creativity by drawing on experience and expertise across the city region and beyond: “It’s [not] about LEPs being a conduit for public funds but it’s very much about using the business voice to encourage innovation and positive action from the public sector” (South East).

Example 2: Memorandum of Understanding between the Greater Manchester Housing Providers group and the Greater Manchester Combined Authority⁸

The Memorandum of Understanding has been drawn up between 21 housing providers in the city region and the Greater Manchester Combined Authority to achieve economies of scale, involve housing providers in shaping the strategic role of social housing in Greater Manchester, and encourage the roll-out of good practice across districts. It aims to co-ordinate and accelerate the delivery of general needs and specialist affordable housing to realise ambitious targets across districts, for instance through encouraging joint bids for general and specialist needs housing between providers and, at some point in the future, creating shared development teams.

Crucially, it goes beyond issues of affordable housing supply to outline a joint commitment to ‘work towards reducing poverty, improving health outcomes, and increasing the numbers of our tenants and residents who are in employment and training’. Priorities around tackling poverty include projects to promote financial inclusion and address food and fuel poverty. Rolling out current locality-specific examples of good practice among housing providers will further support low-income families. Two notable examples that will be extended across Greater Manchester are:

- the Housing Options for Older People service in Manchester, which provides both social housing tenants and owner-occupiers with housing advice, such as downsizing options – this could help to maximise the use of stock, minimise the costs to residents associated with under-occupancy and reduce local authority spending on social care;
- the Hospital Discharge Pilot, which is currently operating in two districts and has seen housing providers' staff work with tenants during hospital stays to make necessary adaptations to homes or put care provision in place – this can reduce the use of expensive acute care through early discharge and preventing re-admissions.

Example 3: The Sheffield City Region's Social and Affordable Housing Compact⁹

This Compact has been signed by nine local authorities, four arm's-length management organisations and 29 housing associations, all working closely with the Sheffield City Region Combined Authority to solve the 'housing crisis' in the city region. Key objectives include:

- expanding the supply of new housing across all tenures;
- creating sustainable and thriving communities;
- supporting and investing in existing housing stock;
- making sure that vulnerable people can continue to access good-quality, affordable housing;
- engaging with the wider public sector reform agenda, including employment and skills, crime and policing, health and social care, and poverty.

Key commitments include:

- making the economic case for new social rented housing;
- maintaining or increasing overall levels of social rented stock within two years;
- tackling fuel poverty;
- eradicating homelessness and rough sleeping.

The signatories have already submitted a bid for grant under the Homes and Communities Agency's Shared Ownership and Affordable Grant programme that, if accepted, will enable them to flex rules to include social rented housing among tenures delivered. One housing association described how the Compact aims to position objectives to reduce poverty at the top of the housing agenda to supplement the city region's existing focus on housing supply and growth.

Bringing empty homes back into use

Bringing empty homes back into use is a direct way of increasing affordable housing supply that otherwise would have stood vacant and is incentivised by payment through the New Homes Bonus to local authorities. It can also support wider regeneration goals by reducing issues around environmental neglect associated with void properties. While empty homes strategies have long been good practice among individual local authorities, all ten authorities in the Greater Manchester Combined Authority worked collaboratively with housing providers to secure approximately £9 million in Homes and Communities Agency funding in 2012–13 for tackling empty homes.¹⁰ By contributing a further £21 million, they made a total investment of £30 million to bring 1,500

homes back into use as properties for affordable rent or low-cost home-ownership. The initiative pre-dates Greater Manchester's first devolution deal but highlights the benefits of joint working across city regions to increase the scale and efficiency of interventions. As one Greater Manchester local authority housing officer reflected: "Doing a GM [Greater Manchester] programme we probably increased the amount that was done substantially. That practical stuff about just working collaboratively together can drive some real successes."

What more could be done to link housing development to poverty reduction?

There is a clear need to increase levels of genuinely affordable housing. Some city regions are already working towards this through securing additional funding or through flexibilities as a result of the devolution process, while individual local authorities are also seeking to increase housebuilding activities. Achieving the significant increase in affordable housing supply that is necessary to meet need will require:

- changes in land and planning practice;
- additional and more flexible sources of funding to deliver a wider range of tenures;
- local flexibility over the Right to Buy policy;
- developing affordable products;
- delivering housing-led regeneration.

It will also require de-risking speculative market developments to create the Section 106 'headroom' to provide affordable housing; as well as encouraging a broader mix of housebuilders, including small- and medium-sized enterprises, to become active at developing on a broader mix of sites. Options for achieving aspects of this agenda are presented in the sub-sections that follow.

Levering affordable housing from development

There are opportunities for city regions to identify, assemble and release land to support affordable housing development. Some stakeholders highlighted the potential to parcel up sites of different levels of attractiveness to developers to encourage the use, and cross-subsidy, of more difficult sites. This could see, for example, a less attractive, inner-urban site offered as part of a portfolio of 'shovel-ready' sites in one or more neighbouring local authorities. While this has been achieved successfully within local authorities, it has yet to figure in city-regional strategies and presents complexities in terms of how cross-subsidy operates and is agreed, as well as the length of due diligence processes. Nonetheless, it remains an option that could be explored.

Another option for increasing the supply of land is to use joint assets boards and land commissions to release some public sector land below market value to encourage the development of affordable housing (Option 1).

Option 1: Releasing public sector land at below market value to support affordable housing development

City regions are seeking to accelerate the identification and release of land through joint assets boards and land commissions set up through devolution deals. While there are pressures to maximise the value of land sales to compensate for declining public sector funding (see above), opportunities remain to explore the possibility of releasing a proportion of land to support affordable housing development. This could be linked to agreement with housing associations to accelerate housebuilding, as advocated by the London Housing Commission (2016).

There are also opportunities for city regions to prevent land banking and encourage developers to build out land with planning permissions. Public sector stakeholders often raised 'use it or lose it' Compulsory Purchase Order powers as one potential mechanism for realising this. Birmingham City Council has recently implemented a 'use it or lose it' policy that could see undeveloped land seized and used for building homes by the Birmingham Municipal Housing Trust, but that mechanism has yet to be tested (for more details, see Barnes, 2016b). Indeed, the recent publication of the Housing White Paper (DCLG, 2017) takes one step towards this at a national level with the Government committing to preparing new guidance to local planning authorities to encourage the use of their Compulsory Purchase Order powers to support the build-out of stalled sites. Such measures would need to be implemented carefully to prevent penalising developers holding off on building out because of market conditions.

Compulsory Purchase Order powers could be expanded to enable city regions and constituent local authorities to acquire land at 'existing' rather than 'hope' value as a way of discouraging land banking and acquiring land at lower cost that could be used for affordable housing development. This would require legislative change, however, and would be a difficult 'ask' to secure. An alternative, and perhaps less difficult, approach would be to levy a charge on developers for unused planning permissions (Option 2).

Option 2: Encouraging the use of planning permissions by levying a charge on undeveloped units

Developers sometimes fail to build out land in order to benefit from rising land values. Levying a charge on unactioned planning permissions could encourage developers to commence delivery or, alternatively, to sell the land. Either option could help to bring forward affordable housing through, for example, Section 106 planning obligations. This power would need to be discretionary to avoid imposing charges on land in lower-value areas where there is little appetite for development. This idea has support elsewhere. The London Housing Commission (2016) also proposes, for example, enabling boroughs to charge Council Tax on units with permissions that the developer has not built out.

In high-value housing markets such as London, stronger enforcement of affordable housing requirements through Section 106 agreements is also considered a way of bringing down land values to support affordable housing development. Currently,

developers often overpay for land on the expectation that they can negotiate down affordable housing on viability grounds, despite a return to strong housing market conditions. This is less feasible outside London where house prices are lower and opportunities to use Section 106 as well as the Community Infrastructure Levy are far more limited.

The UK government has consulted on plans to allow for some local variation in planning fees. The recent Housing White Paper (DCLG, 2017) outlined a commitment to enable local authorities to increase fees by 20% from July 2017 if they commit to invest the additional fee income in their planning department. The paper also stated that the Government is minded to allow an increase of a further 20% for those authorities that are 'delivering the homes their communities need' (DCLG, 2017, p. 37). A wider range of local flexibilities would offer scope for councils to raise fees and achieve full cost recovery, increase capacity to support pre-application discussions and speed up the processing of applications. This will be more appropriate in contexts where developers are prepared to pay for fast tracking.

Investing in affordable housing development

Accelerating local authority housebuilding could play a key role in the delivery of a range of affordable tenures. Evidently, local authorities are at the heart of this process but city regions have an important role to play by helping to share learning and good practice around direct delivery (see Example 1 in Box 6 above) and securing funding to invest in enabling infrastructure, land assembly and housing development. Investment may be secured through a number of routes, including Homes and Communities Agency grant, Right to Buy receipts, Section 106 contributions, borrowing, Housing Revenue Account resources as well as innovative new forms of funding such as Tax Increment Financing. The diversity and complexity of funding is one reason to seek to secure this at the city-regional scale as it may provide sources of, and opportunities to pool, investment finance that are more difficult for individual local authorities to access.

Moreover, the recent agreement to provide direct funding for local authority housebuilding through the Cambridgeshire and Peterborough devolution deal highlights the potential for city-regional 'asks' to encompass investment in direct delivery (Option 3).

Option 3: Securing devolved funding for local authority housebuilding

The devolution deal secured by Cambridgeshire and Peterborough includes £170 million for housing investment by 2020/21. It is notable for providing grant funding rather than recoverable loans, which has been the approach negotiated elsewhere (such as in Greater Manchester), and also the explicit designation that some of the funding will be used for affordable tenures. Cambridge City Council has indicated that £70 million of its allocation will be used to develop local authority housing as part of ambitions to develop over 2,000 affordable homes in the Cambridgeshire and Peterborough area.

These sums remain relatively small and housing proposals have to be agreed with central government. This led some stakeholders to question whether this is genuine devolution, especially when compared with the statutory powers in London, and whether it is likely to achieve the scale needed to address acute issues of affordability in parts of East Anglia effectively. However, one stakeholder in the South East welcomed the Government's (albeit limited) flexibility around tenure and suggested that the approach could work well in their area. Grant funding is also seen as more likely to deliver affordable housing than recoverable loans such as the Greater Manchester Housing Investment Fund, which, to date, has largely provided "shiny new apartments" (Greater Manchester) in Manchester city centre.

Future devolution agreements provide opportunities for city regions to request additional funding to support local authority housebuilding. It is important that city regions are free to spend this as they choose. Tying funding into commitments to meet targets around other tenures, as happened in the Cambridgeshire and Peterborough agreement, goes against the spirit of devolution and risks compromising the eventual numbers of affordable units of local authority housing that are delivered.

City-regional institutions are also in a position to secure, or lobby for, new funding through the Housing Revenue Account system (Option 4).

Option 4: Securing increases or 'pooling'/trading in Housing Revenue Account borrowing

City regions can continue to seek to secure additional funding for affordable housing through existing routes such as requesting increases in Housing Revenue Account borrowing, or even lobbying for the Housing Revenue Account cap to be lifted altogether. Both requests have been a feature of previous rounds of bidding for Growth Deal monies, although only the first has been agreed to date. One further option is to allow pooling or 'headroom trading' of Housing Revenue Account debt at city-regional level. This would enable local authorities that had 'maxed out' their limits to draw on unused elements of Housing Revenue Account limits of other local authorities, perhaps in return for ring-fencing some new housing development for residents in the 'loaning' authority. Alternatively, local authorities with limited or expensive land could give their Housing Revenue Account funding to other local authorities to build in return for control of some of the new stock. This trading could increase overall levels of building, especially if strategically planned across city regions.

There are alternative routes to securing additional financing. Some city regions may draw on single pot funding, although this may be limited by the cost-benefit analysis appraisals that govern assurance frameworks and which do not tend to favour housing development. Others have suggested more radical alternatives. There is enthusiasm for the devolution of land and property taxes in London and the South East to enhance local tax-raising powers. It is not universally popular elsewhere, however, with some stakeholders observing that it will be spatially regressive by raising the highest revenues in areas with the strongest housing markets. Another source of investment that could

be used to support investment in affordable housing is social impact funds such as the Cheyne Social Property Impact Fund.¹¹ This is seen to have “promise” (South East), although yet to prove attractive to developers who want higher prices for their land.

A further option for increasing revenues for affordable housing development is to request greater flexibility over national policies that currently constrain investment models for affordable housing. In the current policy context, there is particular interest in negotiating the 1% a year reduction in social housing rents, which applies over the four-year period from 2016 to 2020, alongside other elements of welfare reform (Option 5). Negotiating this kind of flexibility is clearly a difficult ‘ask’ but may be given added weight if advocated through coalitions of key city-regional stakeholders.

Option 5: Flexing the rules around the 1% rent reduction policy

There is scope for city regions to try to negotiate a waiver or, at least, a softening of the 1% rent reduction policy alongside other reforms that reduce the income of, and undermine the investment plans of, social housing providers. A group of councils and housing associations in Kent are currently exploring options with central government to waive the 1% rent reduction policy as well as to return to direct payment of Universal Credit to landlords to reduce the risk of rent arrears that threatens to undermine investment models. In return they will commit to accelerate the delivery of new homes. This ‘offer’ itself would provide an incentive to build.

The London Housing Commission (2016) suggests an alternative approach based on an independent evaluation of the impact of the 1% rent reduction policy and greater flexibility on rent setting when the four-year period ends or, at the very least, a ten-year settlement to ensure stability of income.

There is a consensual view of the need for greater flexibility in the use of Homes and Communities Agency funding to secure a wider range of tenures that match the needs and income of residents. This could involve full devolution of Homes and Communities Agency funding in line with the London model or, as some city regions prefer, a co-design arrangement. This latter approach features in the Leeds City Region Growth Deal 3, which makes the case for funding that is more flexible and more attentive to local need in terms of delivering genuinely affordable homes for sale or rent. This could include adopting a co-investment approach with the Homes and Communities Agency to increase flexibility in the way the Starter Homes programme is delivered, while developing new products to make development of low-cost home-ownership or rent (private or social) more attractive, especially on lower-value brownfield sites.

Devolution may provide opportunities for city regions to secure further flexibility around funding, as the recent joint bid by Sheffield City Region housing providers for Homes and Communities Agency funding for social rented housing among other tenures highlights (see Example 3 in Box 6 above).

One important element of linking development to poverty reduction is to make sure that affordable housing is maintained on a permanent basis or replaced on a

one-for-one basis if eventually sold. This concern underpins support for the local determination of the Right to Buy policy (Option 6).

Option 6: Local determination of the Right to Buy policy

Concerns about loss of local authority housing stock through Right to Buy and, until recently, the levy on high-value council housing to fund Voluntary Right to Buy, have led local authorities to seek alternative ways of delivering affordable housing such as through ‘special purpose vehicles’ that avoid these losses. This can be costly and complex, as noted above. One alternative that is strongly supported in a number of city regions is to devolve determination of Right to Buy policy, bringing England closer into line with the devolved administrations where Right to Buy has already ended (Scotland) or will be ended shortly following legislation (Wales). Local determination would mean that there could be an element of local democratic accountability, for example through mayoral elections, as well as scope to retain Right to Buy in areas that wanted to continue promoting opportunities for low-cost home-ownership. This may be a particularly challenging ‘ask’ to negotiate, given its centrality in housing policy since the 1980s, but there is also scope for more limited local discretion over eligibility, the size of discounts, and the retention and pooling of receipts at city-regional level as a source of funding for affordable housing development (JRF, 2016b).

Developing affordable products

There are widespread concerns that recent government funding regimes for housing, such as the Shared Ownership and Affordable Homes programmes, as well as the Starter Homes programme, deliver intermediate products for rent or sale that remain unaffordable to low-income households: “They drive a coach and horses through affordability policy” (Leeds City Region). This renders them largely irrelevant in some parts of city regions with high levels of poverty. These concerns have prompted stakeholders to think about developing vehicles and products to support particular low-income groups to access affordable rented housing or low-cost home-ownership (Option 7). These may not be large-scale solutions to poverty, but highlight ways in which social housing providers can respond to affordability concerns. Currently, they are largely being developed by individual local authorities or housing associations. However, they could be supported within broader city-regional frameworks and partnerships through Memoranda of Understanding and Compacts (see Box 6 above).

Option 7: Developing vehicles and products to support low-income groups to access affordable housing

Stakeholders highlighted a number of current products under development as having the potential to increase access to affordable housing among low-income groups:

- **Local authority-led private renting services.** Slough Borough Council is setting up a subsidiary housing company – Slough Homes – to buy up new and existing low-value properties to rent out at sub-market rates (see Slough Borough Council, 2016). These will be affordable to low-income households, including those who are currently homeless or on a waiting list for social housing. The aim is to meet acute

housing needs while raising standards in the private rented sector and make savings for the council by reducing the use of temporary accommodation.

- **Affordable rent-to-buy housing.** Local authorities are showing increasing interest in delivering affordable rent-to-buy products. Liverpool City Council, for example, is setting up a housing company that will deliver a range of tenures, including rent to buy. It will support affordable home-ownership by helping tenants who cannot afford a deposit for a mortgage to buy the property at a discount after a period of renting. This discount will be funded by the increase in property value and an equity contribution built up through rent. Additional benefits could include higher-quality rented accommodation, construction employment opportunities for local firms and apprentices, and profits that can be recycled back into supporting wider council services (Murphy, 2016). A further option for providing low-income households the opportunity to acquire equity in assets is a 'Buy as You Go' product, as advocated by the National Housing Federation (2016).
- **Shared accommodation for people under the age of 35.** One housing association in the West Midlands is looking to develop a product to mitigate the impact of the forthcoming introduction of the shared accommodation rate in the social housing sector in line with the private rented sector. The current shared accommodation rate is £40 a week less than the cheapest rent for its existing properties, so it plans to develop shared accommodation that will remain affordable to this group.
- **Linking housing to local incomes.** Kirklees Council is currently exploring options to link starter homes to local incomes and offer homes in perpetuity. There is some interest among developers in doing this to avoid building stock they cannot sell given low incomes – 60% of residents earn less than £25,000 a year – and the lack of affordability of starter homes for many households. This reflects broader proposals to link rented products to local incomes through Living Rents (JRF, 2016a).

Affordability is also determined by rent-setting policies in the social rented sector. Greater freedom for housing associations and councils to set rents would help to provide lower rents for those who need them, cross-subsidised by higher rents charged to other customers. This would enable landlords to match rents to local markets and customer needs.

Delivering housing-led regeneration

Securing additional gap funding for land remediation is also essential for unlocking the delivery of less viable sites with permissions, particularly in city regions in the North of England and the Midlands where a number of developments have stalled. Recent announcements on funding for housing through the National Productivity Infrastructure Fund in the 2016 Autumn Statement are potentially promising in this respect. It is essential, however, that any new funding is offered as grant funding or, at the very least, 'patient capital' (or long-term capital) rather than repayable loan finance to work in lower growth areas.

Grant funding can support development in areas with some degree of market failure, encourage use of brownfield land and reduce pressures on greenfield land. The success of the West Midlands Combined Authority in securing a land remediation fund highlights the potential to use the devolution process to secure funding to unlock brownfield sites and support wider housing-led regeneration (Option 8).

Option 8: Securing devolved funding for land remediation to support housing-led regeneration

Access to devolved funding could help to unlock brownfield sites where viability is a key barrier to development. The West Midlands Combined Authority has successfully negotiated a £200 million Land Remediation Fund to support bringing brownfield sites back into use for employment and housing provision. This indicates some flexibility on the part of government to provide gap funding to enable development to become commercially viable. It could be used, in part, to support affordable housing development on urban sites that are often already well served by infrastructure and services as well as located close to areas with job opportunities. More broadly, it shows how city regions can use the devolution process to secure funding for interventions that are not currently supported through national funding regimes.

Summary appraisal of options for linking housing development to poverty reduction

Table 3 provides a summary appraisal of options for linking housing development to the reduction of poverty in terms of the value of each approach, whether it is appropriate for all city regions, requirements from central government, lead actors, feasibility (high, medium or low) and risks.

Table 3: Summary appraisal of options for linking housing development to poverty reduction

Option	Added value of city-regional intervention	Appropriate for all city regions?	What does it need from central government?	Lead actors	Feasibility and risks
Option 1: Releasing public sector land at below market value to support affordable housing development	Strategic and co-ordinated approach	Yes	Continued commitment to release land in the control of central government and its agencies (e.g. the NHS, Network Rail, Ministry of Defence)	City-regional joint assets boards, land commissions	High feasibility as joint assets boards/land commissions are already being established Some risks as local authority best-value considerations or asset management strategies are not supportive of sales to residential developers
Option 2: Encouraging the use of planning permissions by levying a charge on undeveloped units	Co-ordinated approach gives greater leverage across the city region	Yes but would have more leverage in areas with strong development pressure Needs to be discretionary to avoid imposing charges on land in lower-value areas	May require legislation e.g. if enacted by levying Council Tax on undeveloped units	Local planning authorities	Medium feasibility depending on willingness to challenge landowners/developers Risks of displacing development to other local authorities if there is no co-ordinated approach across city regions
Option 3: Securing devolved funding for local authority housebuilding	Co-ordinated approach can scale up initiatives and mean that the costs of managing projects are shared	Dependent on housing market context and degree of affordable housing development activity by local authorities	Grant funding through devolution negotiations	LEPs, combined authorities	High feasibility as funding is already secured through the Cambridgeshire and Peterborough devolution deal The deal also highlights the risk, however, that conditions attached to grant funding remain highly prescribed and limit the scope for local authority housebuilding
Option 4: Securing increases or 'pooling'/trading in Housing Revenue Account borrowing	Trading Housing Revenue Account headroom increases efficient use across city-regional housing markets	Dependent on housing market context, land values and local authority capacity/willingness to undertake housebuilding	Specific agreements in devolution negotiations (as per earlier rounds of Growth Deals)	LEPs, combined authorities	Housing Revenue Account increases have high feasibility as they have already been secured through previous Growth Deals Pooling/trading has medium feasibility as it is already proposed in some areas e.g. London Risks around the need to secure political support within local authorities

Option	Added value of city-regional intervention	Appropriate for all city regions?	What does it need from central government?	Lead actors	Feasibility and risks
Option 5: Flexing the rules around the 1% rent reduction policy	Co-ordinated approach avoids displacing housing association development activity from neighbouring areas	Yes	Willingness to negotiate exemptions from national policy and consider reductions in potential savings on Housing Benefit expenditure	Central government, combined authorities, registered housing providers	Low feasibility as government may be reluctant to waive high-profile policy to reduce Housing Benefit expenditure, especially as financial implications increase if adopted in several areas More likely to respond positively to offers to increase housebuilding as part of any deal
Option 6: Local determination of the Right to Buy policy	Enhances lobbying power of individual local authorities to gain local discretion over Right to Buy	Not necessarily Some areas may wish to continue supporting the aspiration of home-ownership through Right to Buy (and may be made democratically accountable for either choice through mayoral platforms)	Willingness to renegotiate the cornerstone of housing policy and forgo Right to Buy receipts Would need to be legislated	Combined authorities, local authorities	Low feasibility given the current government prioritisation of home-ownership May change if city regions can demonstrate commitment to other low-cost routes to home-ownership e.g. shared ownership/rent to buy More likely to be granted if partial exemptions are requested e.g. discretion over eligibility criteria and size of discounts, or option to convert discount to equity stake for the local authority
Option 7: Developing vehicles and products to support low-income groups to access affordable housing	Enhances expertise and efficiencies in applying for funding, which may increase scale of award Opens up possibilities for joint development teams	Yes	Grant funding to make some products work e.g. rent to buy, as not affordable to lower-income groups without subsidy	Combined authorities, local authorities, housing associations	Low to medium feasibility Some initiatives are already being undertaken at the local authority level While yet to be scaled up, some city regions are exploring options e.g. Liverpool City Region is looking into setting up a city-regional housing company
Option 8: Securing devolved funding for land remediation to support housing-led regeneration	Strategic and co-ordinated approach	Yes Most appropriate for city regions with significant volumes of unused brownfield land that may become viable with gap funding	Grant funding through devolution agreements	Combined authorities	Feasibility is high as demonstrated through the West Midlands Land Remediation Fund

5 What more can city regions do to improve the quality and security of housing in the private rented sector and raise household incomes?

This is the second of two chapters that look at what more city regions can do to support poverty reduction goals through housing and planning policy. It considers in detail what different stakeholders can do to improve quality and security in the private rented sector and, more briefly, to raise incomes to make housing more affordable.

Improving quality and security in the private rented sector

Good-quality housing can mitigate the non-material experiences of poverty by reducing the risks to health and wellbeing associated with factors such as:

- overcrowding or lack of space;
- damp and mould;
- indoor pollutants and infestations;
- low temperatures in poorly insulated or heated properties.

High standards can also feed through into material poverty benefits where they reduce heating bills and, by extension, the likelihood of experiencing fuel poverty. As noted in Chapter 1, failure to achieve the Decent Homes standard is particularly prevalent in the private rented sector (although it may also affect owner-occupiers who lack the resources to maintain, repair or adequately heat their homes). For this reason, this section focuses largely on conditions in the private rented sector.

Security of tenure can also be important in non-material terms in helping households to develop and maintain social networks in neighbourhoods, ensure consistency of schooling and avoid the stress of repeated moves. It may also have implications for material poverty by providing the stability needed to look for, and maintain, employment, as well as reducing the costs associated with moving house. More broadly, well-maintained properties by responsible landlords in the private rented sector and other tenures can help to contribute to sustainable communities through well-maintained streets and neighbourhoods. Meanwhile, greater security of tenure can limit turnover and reduce the negative impact on community stability associated with high levels of 'churn' in neighbourhoods.

What is driving the issues with quality and security in the private rented sector and wider neighbourhoods?

Stakeholders reported that some low-income households are living in private rented sector stock that is poorly maintained by landlords (i.e. below Decent Homes standard). Meanwhile, security of tenure can be an issue in the private rented sector due both to landlord practices, such as 'no fault' evictions under Section 21 of the Housing Act 1988 (Notice of Possession), and to enforced moves driven by growing affordability issues as landlords raise rents. Wider neighbourhood conditions in terms of access to amenities, perceived levels of crime and anti-social behaviour, and physical neglect are all issues that affect areas where low-income households are concentrated, particularly in areas with significant volumes of private rented sector stock in the lower end of the market. Stakeholders particularly noted the prevalence of homes in multiple occupation and its impact on the quality of life in neighbourhoods in coastal communities in Lancashire and the South East.

In the Leeds City Region, there are also concerns that changes to the Stamp Duty and mortgage tax relief regimes that apply to buy-to-let properties might deter smaller landlords from investing in stock and improving quality. Combined with ongoing reductions to Local Housing Allowance entitlements, this could see landlords disinvest in the Local Housing Allowance market, which would create space for less scrupulous investors to enter the lower end of the market and reduce quality to achieve yields. Greater Manchester stakeholders also reported growing signs of 'rogue' landlordism, with cash buyers purchasing significant numbers of low-value and poor-quality houses in some parts of the conurbation to let to more vulnerable, low-income tenants.

Stakeholders saw tackling issues in the private rented sector as more challenging than tackling those in the social rented sector as city-regional and local stakeholders have fewer means for stopping bad practice. In particular, a lack of revenue to fund inspection and enforcement teams shaped, in part, by an inability to keep fines collected locally, hinders efforts to tackle 'rogue' landlords.

Good practice in improving quality in the private rented sector and wider neighbourhoods

There are a number of different ways in which city regions and local authorities are working to improve housing quality, particularly in the lower end of the private rented sector. Examples of good practice include:

- initiatives to raise energy efficiency and reduce fuel poverty;
- interventions to improve conditions in neighbourhoods with concentrations of low-quality private rented sector stock;
- direct management of private rented sector properties through local authority-led housing companies (see the example of Slough in Option 7 in the previous chapter).

The examples of good practice highlighted below are significant as they show that city-regional approaches can extend 'beyond supply' to address quality issues with

existing stock and wider neighbourhoods with poorly performing private rented sector housing markets.

Improving existing private rented sector stock

City-regional institutions have already sought to intervene directly to improve the quality of existing private rented sector stock. The Leeds City Region has been particularly active in terms of improving energy efficiency and reducing the negative impact that poor-quality housing has on health. The Better Homes initiative will provide a total of £20 million¹² to improve energy efficiency in private rented sector stock and private housing across the city region to tackle fuel poverty and provide affordable warmth. The partnership is managed jointly by the Leeds City Region LEP, the West Yorkshire Combined Authority and nine local authorities. The Leeds City Region LEP is also currently undertaking a health impact assessment looking at poor housing conditions in the private rented sector. This will form the basis of discussions with the clinical commissioning groups and health authorities in the city region to explore opportunities to co-invest in, and deliver, combined programmes around health and housing.

Improving conditions in low-value private rented sector markets

A small number of city regions are also taking steps to transform conditions in neighbourhoods dominated by poor-quality private rented sector stock. The South East LEP is using £2 million of Local Growth Fund monies to improve coastal communities with large concentrations of homes in multiple occupation (see Box 7). The Humber LEP also secured £10 million of funding from the Local Growth Fund to deliver new homes, bring empty properties back into use and refurbish existing homes through its Delivering Housing Growth programme. As of September 2016, 67 new-build houses had been completed, 143 empty properties had been brought back into use and 1,418 had been refurbished.

One further option is for local authorities or housing associations to improve the quality of the private rented sector 'offer' by providing private rented sector accommodation on a commercial basis through leasing arrangements with individual landlords or directly using their own portfolios. One key advantage is that it can help to promote good standards and responsible practices in the lower end of the private rented sector (see the example of a housing company in Liverpool in Option 7 in the previous chapter), while providing opportunities to develop rent-to-buy stock to support low-cost home-ownership. While currently driven by local authorities, this approach could be further supported at a city-regional level. Stakeholders highlighted, for example, how the Greater Manchester Memorandum of Understanding provides a framework for housing associations to develop joint commercial private rented sector investment and delivery vehicles, with attendant benefits such as sharing risk across portfolios.

Box 7: Improving neighbourhoods in coastal communities

The approach of the South East LEP

The South East LEP is using £2 million of Local Growth Fund monies to invest in coastal areas dominated by poor-quality private rented sector stock. The three local authorities involved (Hastings, Tendring and Thanet) set up a Coastal Communities group under the auspices of the LEP. The funding supports each local authority to enhance existing approaches to tackling conditions in streets with high proportions of low-standard private rented sector accommodation. The interventions to date have focused on improving small areas of 'problem' private rented sector properties and homes in multiple occupation by encouraging better-quality housing and a broader mix of tenures. One project in Margate, for example, bought up and converted buildings with 40 homes in multiple occupation 'spaces' into seven family houses. Stakeholders recognised that converting homes in multiple occupation into larger properties reduces the total quantity of low-cost rental accommodation. However, they felt that this is warranted by the benefits of creating more mixed communities with less transience and acute demand on services by individuals with complex needs. The initiative is considered a pilot for future potential work across the LEP region on similar issues in other areas where the private rented sector is seen to be performing poorly.

What more could be done to improve conditions in the private rented sector and wider neighbourhoods?

Stakeholders acknowledge that it is challenging to tackle issues in the private rented sector as local authorities often do not have a direct relationship with landlords and sometimes lack the scale of enforcement capacity needed to identify and tackle issues around standards. Some also felt that these are neighbourhood-level issues best dealt with by local authorities with the knowledge and experience of the challenges facing particular areas. However, there was also a view that devolution provides opportunities to negotiate new powers at city-regional level, even if interventions are delivered locally to reflect particular housing market contexts. At the moment there is interest in a number of approaches to improving standards, including:

- increasing enforcement capacity;
- using Housing Benefit as a lever to improve standards;
- using government savings from buy-to-let reforms to improve standards;
- establishing non-profit letting agencies.

There is also some interest in introducing rent stabilisation to provide greater certainty over both rents and tenures, and improving standards through public service innovation.

Increasing enforcement capacity

Local authorities already have powers to enforce standards through, for example, selective licensing and powers to tackle rogue landlords introduced in the Housing and Planning Act 2016. However, many city-regional stakeholders emphasised that it is not

powers of enforcement they lack but the revenue to fund inspection and enforcement teams. This prompted calls for the ability to keep fines locally (Option 9).

Option 9: Keeping revenue collected from enforcement activities to boost inspection and enforcement capacity

Currently, fines collected through enforcement activities are paid to the Treasury, which denies local authorities the revenue stream needed to develop and maintain their enforcement capacity. In many areas, this capacity has been significantly reduced as local authority budgets have been cut. City regions could therefore seek to negotiate with central government the right to keep any fines collected. This would provide a direct financial incentive for local authorities to tackle issues with housing standards in the lower end of the private rented sector, with fines collected ring-fenced to improve standards in the sector. In this way, the retention of fines could drive systematic efforts to bring about area-wide improvements through tackling poor practice among landlords in particular housing markets.

Using Housing Benefit as a lever to improve standards

At the moment there is no strong desire across city regions for full devolution of Housing Benefit, not least because of the experience of Council Tax being devolved and central government funding for discounts being cut at the same time. However, there is some interest in acquiring local discretion over Local Housing Allowance rates to use Housing Benefit payments to improve standards. Blackpool is currently working through the Lancashire devolution deal discussion to gain local flexibility over Housing Benefit to improve standards (Option 10).

Option 10: Using Housing Benefit as a lever to improve standards

Blackpool is seeking to negotiate flexibility over Local Housing Allowance rates to adjust Housing Benefit payments according to standards, to tackle poor practice by landlords in areas with high levels of homes in multiple occupation. It has had initial discussions with the Treasury to negotiate setting lower Local Housing Allowance rates than currently determined by the Valuation Office Agency for its Broad Rental Market Area. The intention is that savings made in Housing Benefit payments are kept locally and used selectively to increase payments for landlords offering higher-quality accommodation based on local space standards criteria. Any remaining surplus after compensating landlords with higher-quality properties could be re-invested in improving or converting low-quality properties, particularly homes in multiple occupation. This approach has yet to be agreed but, at the very least, suggests possibilities for city regions to use the devolution process to negotiate local discretion over benefit rates as a way of increasing quality.

There are challenges in securing and applying local discretion in the setting of Local Housing Allowance rates. These include the need to:

- negotiate across central government departments;
- determine the appropriate metric for quality criteria;
- develop the capacity to enforce the regime.

There may also be unintended consequences such as landlords accepting lower payments without adjusting standards or choosing to no longer rent to tenants who receive Housing Benefit. However, past research on Local Housing Allowance reforms shows that landlords are less likely to seek out alternative tenants when Local Housing Allowance rates are cut where the rental market is dominated by tenants who receive Housing Benefit (Beatty *et al.*, 2014). It remains to be seen whether this particular ‘ask’ will be granted but it does highlight the potential for city regions to support their constituent local authorities to negotiate solutions to deal with specific and highly localised housing challenges affecting households in poverty.

Using government savings from buy-to-let reforms to improve standards

Stakeholders raised concerns that the recent reduction in mortgage tax relief and increase in Stamp Duty for buy-to-let properties could act as a disincentive for landlords to invest in, and improve, private rented sector accommodation or, alternatively, encourage them to raise rents. One suggestion put forward by the Leeds City Region is to invest savings made and additional revenues raised by central government to improve standards (Option 11). This may help to offset some of these unintended consequences.

Option 11: Using government savings from buy-to-let reforms to invest in improving standards

Stamp Duty on buy-to-let properties increased by 3% over standard rates in April 2016. The Government has also committed to reducing mortgage interest tax relief to 20% by 2020. There are already signs that this is dampening activity in the buy-to-let market (Collinson, 2016). One option that the Leeds City Region is pursuing in its negotiations with central government is to keep the additional revenue raised by these tax and relief changes in order to improve conditions in the private rented sector. It proposes to use the funds to renovate older private rented sector stock to improve quality and sustainability.

Establishing non-profit letting agencies

Stakeholders raised the practices of letting agencies as a concern, although the ban on lettings fees for tenants outlined in the Autumn Statement will help to eliminate excessive and unfair charges. Some city regions suggested that letting agencies do not do enough to ensure that landlords they represent maintain high-enough standards. One option being considered in certain areas, including Greater Manchester, is to establish non-profit letting agencies (Option 12).

Option 12: Establishing non-profit letting agencies

Establishing non-profit letting agencies run, for example, by social landlords could help to support private landlords to improve standards of property management. As managing agents, social landlords have the experience and skills to support private landlords to maintain good-quality accommodation, as well as the reputational interest in making sure that landlords deliver good service. City regions may be too broad a scale for establishing non-profit letting agencies, given the need to have intimate knowledge of local housing markets. However, it could be an appropriate level to develop partnerships among housing associations to set up non-profit letting agencies, as well as a source of funding for covering start-up costs. Ongoing revenue funding may not be needed as some non-profit agencies, such as Crucible Sales & Lettings run by the South Yorkshire Housing Association,¹³ have shown themselves capable of running on a commercial basis while also re-investing surpluses in community projects.

There may also be scope to use non-profit letting agencies to secure longer and more stable tenancies. The London Housing Commission (2016), for example, advocates for a London-wide non-profit letting agency that provides discounted fees to landlords offering longer tenancies.

A recent study suggested that more could be done by local government to support the creation of social letting agencies in England and Scotland to address the needs of low-income tenants in the private rented sector (Shelter Scotland, 2015). It also suggested that housing associations may be in a good position to do this as they have experience of supporting the housing needs of low-income tenants although, at the same time, they lack experience of running a commercial, customer-focused private rented sector agency business. It concluded that more work needs to be done to understand what might attract them as new entrants to the private rented sector lettings market.

Stabilising rents

Rising rents in the private rented sector have increased the overall Housing Benefit bill and created affordability difficulties for tenants whose rents are not fully covered by Housing Benefit under Local Housing Allowance entitlements. There is growing interest in some city regions in rent stabilisation, where rents are controlled during tenancies and only allowed to rise between tenancies (Option 13).

Option 13: Introducing rent stabilisation

The evidence on the impact of rent stabilisation regimes is mixed (see Crisp *et al.*, 2016), with some concerns that it can discourage investment in the private rented sector. The poverty-related benefits are also uncertain because rent-stabilised properties are not always targeted towards, or taken up by, the lowest-income households (Crisp *et al.*, 2016). One advantage of rent stabilisation, though, is the possibility of linking it to longer tenancies to reduce the risk of landlords using frequent tenancy changes to maximise opportunities to raise rents. This would provide tenants with greater security of tenure as well as certainty over rents for longer periods of time. There is marked variation in current enthusiasm for rent stabilisation. Some London boroughs are already exploring models while other city regions with lower-value housing markets see little purpose in trying to stabilise already low rents. But devolution provides opportunities for those city regions interested in negotiating powers to pilot rent stabilisation regimes to assess the consequences in a limited area.

Improving standards through public service innovation

Discussion with stakeholders reveals a clear interest in intensifying work to support tenants across tenures using innovative models to deal with a range of housing-related issues. There may be scope, for example, to develop family support models so that keyworkers are equipped to deal with housing issues such as problems with landlords and housing standards. Further integration could be achieved through locating housing support in the same place as healthcare services (e.g. GP surgeries) and other support services (e.g. debt advice and employment).

Summary appraisal of options for improving quality and security in the private rented sector

Table 4 provides a summary appraisal of options for improving quality and security in the private rented sector in terms of the value of each approach, whether it is appropriate for all city regions, requirements from central government, lead actors, feasibility (high, medium or low) and risks.

Table 4: Summary appraisal of options for improving quality and security in the private rented sector

Option	Added value of city-regional intervention	Appropriate for all city regions?	What does it need from central government?	Lead actors	Feasibility and risks
Option 9: Retaining revenue collected from enforcement activities to boost inspection and enforcement capacity	Additional lobbying capacity to negotiate the right to keep fines	Yes	Requires legislation to devolve the power to keep revenue plus the willingness of the Treasury to forego revenue from enforcement	Combined authorities, local authorities	Medium feasibility Unlikely to lead to significant revenue loss for central government and could be devolved as part of the 'offer' e.g. local authorities ring-fence funding to increase the number of private rented sector properties that meet the Decent Homes standard
Option 10: Using Housing Benefit as a lever to improve standards	Lobbying capacity to negotiate flexibility e.g. as Lancashire is doing for Blackpool	Depends on the extent of poor-quality private rented sector stock and the capacity to inspect properties and enforce standards	Agreement from the Department for Work and Pensions and the Treasury for local discretion over setting Local Housing Allowance rates	Combined authorities, local authorities	Low feasibility There are a number of risks/challenges e.g. the capacity to inspect and enforce regime, determining quality criteria, and disinvestment in the Local Housing Allowance sub-market by landlords, especially where landlords can rent to alternative groups
Option 11: Using savings from buy-to-let reforms to invest in improving standards	Enhances lobbying capacity	Yes, although the scale of revenue raised will depend on the scale and value of the local private rented sector housing market	Commitment from the Treasury to allow areas to keep additional proceeds from buy-to-let reforms	Combined authorities, local authorities	Medium feasibility Will see a loss of funding to the Treasury but could be devolved as part of the offer to bring private rented sector stock up to Decent Homes standard
Option 12: Establishing non-profit letting agencies	Reflects city-regional housing market areas Increased efficiencies of working at scale, especially if a revenue subsidy is required	Most appropriate for areas where private rented sector standards are low or in high-value housing markets where households are forced to accept lower standards	No intervention is required	Housing associations and charities/social enterprises are most likely to lead initiatives	Medium feasibility as small-scale social lettings agencies already exist in some areas Commercial risks mean that they may need a revenue subsidy to compete with private firms One option is to subsidise through savings made in reduced use of temporary accommodation, as currently being explored by Greater Manchester

Option	Added value of city-regional intervention	Appropriate for all city regions?	What does it need from central government?	Lead actors	Feasibility and risks
Option 13: Introducing rent stabilisation	City-regional lobbying power necessary to negotiate significant change to policy Minimises the displacement of private rented sector investment to areas where rent controls do not apply	Most appropriate where rents consume high proportions of low incomes	Legislation to enable city regions to regulate rents	Combined authorities, local authorities	Low feasibility Little willingness among central government to regulate rents More likely to be granted on a pilot basis Risk of landlords lowering standards to maintain yields or disinvesting in the private rented sector entirely
Option 14: Delivering large-scale employment programmes*	Efficiencies and effectiveness in bidding for, and delivering, large-scale employment programmes in competition with established providers	Yes	No intervention is required	Registered providers	High feasibility There is a proven model in Greater Manchester (Athena)

Note: Option 14 relates to the final section on raising incomes but is included here for convenience.

Raising incomes to tackle affordability issues

This final section of the chapter looks at affordability issues through the lens of non-housing interventions. Clearly, affordability issues are related to the supply of housing, particularly in terms of the availability of genuinely affordable housing. Low-income households unable to access housing for social rent will also struggle to obtain or afford mortgage financing for private housing. This can leave them reliant on more expensive private rented sector accommodation. However, supply is not the only factor that determines the affordability of housing. Household incomes from wages, benefits and other sources also have an effect on people's ability to meet housing costs. In some case study areas, such as parts of Lancashire, the barriers to home-ownership relate more to low earnings and a lack of employment in the local economy, as house prices are very low by national standards.

The ability of low-income households to afford rents or to buy a house has been undermined further by welfare reforms that have reduced incomes. Stakeholders cited various examples, including the following:

- The Housing Benefit size criteria policy for people renting in the social rented sector hits the finances of households deemed to be under-occupying larger housing who either choose not to move or face few options in areas where smaller stock is extremely limited.
- Reductions in Local Housing Allowance entitlements in the private rented sector have increased the financial exposure of households who need to make new or increased 'top-ups' to cover rent.
- The roll-out of Universal Credit is seeing increasing rent arrears as Housing Benefit payments are made direct to tenants rather than to landlords, with payments diverted to meet other essential needs such as food and bills.

A change in national policy may be needed to address these issues, such as relinking Local Housing Allowance rates to rents in local housing markets (JRF, 2016b). There may also be some scope through devolution discussions to negotiate local waivers to policy, such as discretion or exemptions over the Housing Benefit size criteria policy for people renting in the social sector. However, devolution has yet to see any flexibility granted over policies on benefits and so this remains a distant prospect.

More immediately, city regions looking to reduce the affordability pressures that households in poverty experience can seek to fund and support interventions to raise household incomes to better meet housing and other costs. Housing associations have long delivered 'housing plus' activities to give employment support to tenants in an effort to tackle worklessness, but wider city-regional partnerships offer scope to increase such ambitions through bidding for, and delivering, large-scale employment programmes for vulnerable groups. This is illustrated by the example of the Manchester Athena Group (Option 14).

Option 14: Delivering large-scale employment programmes

Housing associations have long delivered interventions to improve the skills of their tenants and connect them to job opportunities, but partnerships at the city-regional level provide new opportunities to achieve a significant increase in the scale of interventions. A joint company, Manchester Athena, founded by 15 housing associations across Greater Manchester, recently secured £9.7 million in funding from the Big Lottery Fund and European Social Fund to deliver employment support to hard-to-reach groups. This will fund a new programme known as Motiv8 to help people over the age of 25 who are homeless, long-term unemployed, living with disabilities and health conditions or drug and alcohol dependent. This bidding partnership is unique in size in the housing association sector. It showcases the potential for city-regional partnerships to compete with larger private employment service providers for funding for the benefit of groups likely to be experiencing poverty.

Housing construction also provides opportunities for targeting apprenticeship and employment opportunities at low-income households. As separate research shows, a number of city regions have taken an active approach to maximising training and employment opportunities through housing development (While *et al.*, 2016). Skilling people is also seen as a direct way of addressing skills shortages in the construction sector without having to “import labour” (Greater Manchester) from other parts of the country. There are also practical examples of how jobs can be generated through interventions to renovate existing stock. The Better Homes partnership in the Leeds City Region to improve energy efficiency and fuel poverty (see the sub-section ‘Improving existing private rented sector stock’ above) has been working with Construction & Housing Yorkshire to make sure that the contracted works create local employment, generate skills and provide local businesses with supply chain opportunities.

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

6 Final reflections

This final chapter reflects on key findings from the report and the ongoing potential for city regions to develop housing and planning strategies that support goals to reduce poverty.

The role of city regions in tackling poverty through housing and planning policy

This report has shown that stakeholders in city regions – local authorities, combined authorities, LEPs and housing associations – can potentially play a key role in tackling housing-related poverty. They are already using new funds and freedoms and flexibilities to develop a range of strategies and interventions that have the potential to benefit low-income families. This ranges from the delivery of affordable housing through to addressing poor conditions in the lower end of the private rented sector housing market. Combined authorities are particularly well placed to drive this agenda forward given:

- their central role in the devolution process;
- their growing focus on issues of poverty and inequality;
- their ability to co-ordinate policy across multiple policy areas;
- the existing housing and planning expertise of constituent local authorities.

At the same time, it is clear that there is a tendency to focus on broad ambitions to increase general housing supply to support growth. This focus on growth may be an important prerequisite for creating the economic conditions in which city regions can generate jobs and raise household incomes. However, the benefits of growth will not necessarily trickle down to those most in need and there is little evidence to suggest that city-regional stakeholders have fully embraced an ‘inclusive’ growth agenda, at least in terms of housing and planning.

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

The emphasis placed on investing in growth resonates with national policy priorities. It may also reflect the evolution of city-regional institutions, funding and powers. The planning policy mechanisms devolved to date – spatial frameworks, mayoral development corporations, land commissions and so on – are largely orientated towards achieving broad objectives around increasing housing supply.

Yet the analysis undertaken for this study shows that there is far more that city regions can do beyond increasing housing supply. Increasing housing supply may benefit low-income households by leading to lower housing costs but the relationship is far from linear. As it stands, there is a clear risk that the narrow focus on housing numbers within city-regional strategies misses opportunities to address the housing needs of low-income households.

Promisingly, there appears to be a growing appetite to intervene directly to make sure that development provides genuinely affordable housing in a way that can support ambitions to reduce poverty. Securing funding for local authority housebuilding through the Cambridgeshire and Peterborough devolution deal is one example of this. The West Midlands' Land Remediation Fund also shows how devolution can support wider goals around housing-led regeneration through accessing gap funding to support the development of brownfield sites. These examples may encourage other city regions to ask for similar funding during future rounds of devolution, which could be used to support additional affordable housing delivery.

Although currently few in number, there are also interventions to support wider objectives to reduce poverty in terms of improving the quality and, potentially, security of tenure in the private rented sector. It remains to be seen whether Lancashire will be successful with its ambitious 'ask' for flexibility over Housing Benefit. Interventions in the South East to address failing private rented sector housing markets in coastal communities show, however, that direct intervention using capital funding is certainly possible. The potential for future city-regional interventions around, say, improving enforcement capacity or establishing non-profit letting agencies, might further support poverty reduction goals for households in the private rented sector.

There is also additional scope to develop interventions that cut across agencies and commissioning areas by aligning housing interventions with other activities around employment, skills, health, social care and transport. The emergence of combined authorities as an increasingly important city-regional institution will undoubtedly support this, particularly given the involvement of local authorities in the integration of policies through the public service reform agenda.

There are of course limits to devolution. The deal-based nature of devolution in England encourages 'asks' that are broadly in line with government policy. This discourages innovation and perhaps explains why, to date, city-regional work on housing and planning has largely focused on issues of supply. There are also serious questions about what happens where political differences complicate city-regional working. The withdrawal of devolution deals in the North East, Greater Lincolnshire and Norfolk and Suffolk shows that the devolution process is fragile.

The potential for city regions to support objectives to reduce poverty is undermined further by national policies on housing, planning and welfare that increase, rather than reduce, the risk of poverty for low-income households. Flexibility around national policy is an important 'ask' in this context but with uncertain prospects of success.

Against this backdrop, however, there is still much that city regions can do to support poverty reduction through housing and planning policy. This will become all the more important as urgent questions are asked about what city-regional institutions can do to support those ‘left behind’. A focus on wider economic growth on the assumption that benefits will trickle down to those most in need is not enough.

The election of city-regional mayors in 2017 may sharpen the focus on making sure that growth is ‘inclusive’ and that disadvantaged groups benefit from interventions by institutions that may currently seem remote and unaccountable from the vantage point of low-income neighbourhoods. In this context, it is imperative that city regions speed up efforts to develop policies and strategies that explicitly support poverty reduction. The emergence of new frameworks such as Memoranda of Understanding and Compacts across city regions between statutory agencies and housing associations may provide opportunities to lay out such an agenda.

This report has shown that, potentially, devolution has a lot to offer city regions. It provides opportunities for areas to develop strategies and policies that suit their local context and priorities. More prosperous city regions such as London and the South East can capitalise on investment and growth opportunities to bring about affordable housing through development in buoyant housing markets. By contrast, less prosperous city regions in the North of England and the Midlands may seek to use devolution to support ambitions around brownfield development and wider housing-led regeneration.

There is a risk here, however, that the investment options and tools currently being devolved tend to favour more prosperous areas that are already well placed to secure and fund development without grant support. One challenge for less buoyant city regions is to develop a narrative for how regeneration can support growth by enabling households to better access opportunities around skills and employment from a foundation of affordable, good-quality housing close to areas with jobs.

This report clearly indicates that there is value in working at city-regional scale. This is well understood already in terms of, for example, the advantages of strategic planning across district boundaries to support housing delivery. However, there are a number of further advantages. City-regional working can serve to:

- share good practice and learning across districts;
- provide a collective voice to negotiate more flexible forms of funding and, potentially, local discretion over national policy;
- offer a framework for developing partnerships and agreements across sectors.

All of these advantages present opportunities for city regions – and perhaps combined authorities in particular – to play an active role in addressing the issues facing households in poverty through housing and planning policy.

Appendix 1: Timeline of key housing and planning policy developments

Year	Policy	Notes
Coalition Government		
2011	Changes to Local Housing Allowance and Housing Benefit (following 2010 Spending Review)	Overall Local Housing Allowance rates available to most households are reduced through changes to calculations and a cap on the number of bedrooms
	Localism Act 2011	Devolves some planning powers to local authorities and communities
	Introduction of 'affordable rents' for housing associations	Allows housing associations to rent properties at 80% of market value as opposed to social rent, which is set at a lower level
2012	National Planning Policy Framework introduced	Introduces 'assumption in favour of development' Words 'poverty', 'equity' and 'social justice' do not appear in the document
2012	Welfare Reform Act 2012	Introduces a range of measures, including the under-occupation penalty, often referred to as the 'bedroom tax' or spare room subsidy, and overall benefit caps
	Build to Rent Fund introduced	Government loans to developers of up to 50% of housing development costs
2013	Help to Buy introduced	Equity loans and mortgage guarantees for first-time buyers, backed by the Government (closure of equity scheme announced in December 2016)
	Guidance on equity and inclusion in planning removed	
2014	Starter Homes initiative announced	20% discount on new-build housing for first-time buyers, up to the value of £250,000 outside London and £450,00 inside London
Conservative Government		
2015	Welfare Reform Act	Includes an annual reduction of social housing rents by 1% a year up to 2020, resulting in a 12% real-terms fall
	Voluntary Right to Buy	Announcement of the introduction of the Right to Buy (previously only for local authority housing) to housing associations (since scaled down to a regional pilot)
	Announcement of new exemptions to Section 106 agreements	Developments of ten homes or fewer to be exempt from planning obligations; Starter Homes developments also exempt
2016	Housing and Planning Act 2016	Includes a levy on 'higher-value' empty council housing to pay for Right to Buy discounts; and market rents for 'high-income' tenants (£40,000 in London and £31,000 elsewhere) in local authority housing ('Pay to Stay'), although policy later made voluntary
Theresa May becomes Prime Minister (July 2016)		
2016	Autumn Statement announces a number of changes softening previous stance on home-ownership	Statement includes: a £3 billion Home Building Fund, an extra £1.4 billion for 40,000 affordable homes, £3.15 billion for 90,000 affordable homes in London, a £2.3 billion Housing Infrastructure Fund to get sites ready for development, a £1.7 billion accelerated construction fund for public-private partnerships on public sector land, and flexibility around the use of existing Homes and Communities Agency grant funding, which can now be used to finance affordable rented housing
2017	Housing White Paper <i>Fixing our broken market</i>	Key proposals include: supporting housing associations and local authorities to build more homes, allowing planning authorities to charge higher fees, incentivising older people to downsize to smaller properties, introducing powers to force developers to build out land with planning permission, and taking steps to promote longer tenancies on new-build rental homes.

Appendix 2: Summary of devolution agreements (being progressed in December 2016)

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

	New housing freedoms and flexibilities				New planning freedoms and flexibilities				
	Housing Investment Fund	Regulatory powers	Energy efficiency	Affordable/low-cost housing	Development of a strategic spatial framework	Community Infrastructure Levy	Use of public sector estate	Compulsory purchase/call-in powers	Mayoral development corporations
Cambridgeshire and Peterborough	Control over a £100 million infrastructure and housing investment fund to help deliver infrastructure for housing and growth and at least 2,000 affordable homes £170 million affordable housing fund	The Combined Authority will have flexibility over the tenure mix of new development, which could include affordable rental homes as well as affordable home-ownership		The £170 million affordable housing fund will include: £70 million over five years, ring-fenced to Cambridge City Council to build 550 new council homes (£10 million to replace any that are sold through the Right to Buy scheme) £100 million affordable housing fund for the Combined Authority area over five years to deliver affordable homes – these will be a mix of tenures, including affordable rented and low-cost home-ownership delivered by housing associations	Yes, a non-statutory spatial framework Power to create supplementary planning documents		Develop with government a land commission to chair a joint assets board for economic assets		Power to create mayoral development corporations or similar rural vehicles, with planning and land assembly powers to support the delivery of strategic sites in the Combined Authority area

	New housing freedoms and flexibilities				New planning freedoms and flexibilities				
	Housing Investment Fund	Regulatory powers	Energy efficiency	Affordable/ low-cost housing	Development of a strategic spatial framework	Community Infrastructure Levy	Use of public sector estate	Compulsory purchase/call-in powers	Mayoral development corporations
Cornwall			Government will commit to working with Cornwall Council to develop proposals for energy efficiency improvements in homes, with potential synergies around regeneration and health Cornwall and government to work together to develop project calls under the European Regional Development Fund for innovative energy efficiency projects, including measures installed in social housing properties	Government to discuss 'ambitions' around low-cost housing		Government to discuss 'ambitions' around planning	General agreement to work with the Government Property Unit and Homes and Communities Agency to identify assets that can be used to support priorities including housing development and regeneration		

	New housing freedoms and flexibilities				New planning freedoms and flexibilities				
	Housing Investment Fund	Regulatory powers	Energy efficiency	Affordable/low-cost housing	Development of a strategic spatial framework	Community Infrastructure Levy	Use of public sector estate	Compulsory purchase/call-in powers	Mayoral development corporations
Tees Valley	Government will continue to explore the devolution of housing financial transaction funding with Tees Valley						Government and Tees Valley will establish a land commission to examine what publicly owned land and other key strategic sites could be vested in the development corporation		Mayoral development corporations will be created that will prioritise economic development and housing on under-developed land Increases in the value of the land as a result of the work of the development corporations will be reinvested in the corporations to deliver new schemes
West of England					Yes		Government commits to work with the West of England to support the operation of the joint assets board, and support better co-ordination on asset sales		

Notes

1. It should be noted that the two are not directly comparable as the Chartered Institute of Housing figures are based on tenants self-ascribing their home as 'non-decent'. However, the contrast is sufficiently great to provide a point of comparison.
2. The Housing Benefit size criteria policy for people renting in the social rented sector is referred to by government as the 'removal of the spare room subsidy'.
3. For details of the London Living Rent and conversion policies, see: GLA (2016).
4. The Redfern Review (2016) reports that a 1% increase in the number of houses over households would reduce house prices by just 1.8%. The review also suggests that supply shortages have contributed far less to house price rises in recent years than earnings growth and falling interest rates, which have led to cheaper mortgages.
5. Table 2 focuses on the original 2014 Strategic Economic Plan documents to maintain consistency across all 39 areas. Some plans have since been refreshed.
6. Available at: https://www.greatermanchester-ca.gov.uk/info/20081/draft_plan (accessed 26 January 2016).
7. Leeds City Region response to a technical consultation on planning changes.
8. The draft Memorandum of Understanding can be found at: https://www.greatermanchester-ca.gov.uk/download/meetings/id/913/11_gm_housing_providers_annex (accessed 26 January 2017).
9. The Compact can be found at: [http://s3-eu-west-1.amazonaws.com/pub.housing.org.uk/Sheffield_City_Region_\(SCR\)_Social_and_Affordable_Housing_Compact.pdf](http://s3-eu-west-1.amazonaws.com/pub.housing.org.uk/Sheffield_City_Region_(SCR)_Social_and_Affordable_Housing_Compact.pdf) (accessed 26 January 2017).
10. For more details, see: <http://archive.agma.gov.uk/latest-news/-30m-for-empty-homes-in-greater-manchester/index.html> (accessed 26 January 2017).
11. For more details, see: <https://www.bigsocietycapital.com/what-we-do/investor/investments/cheyne-social-property-impact-fund> (accessed 26 January 2017).
12. For more details, see: www.betterhomesyorkshire.co.uk/9-news-leeds-city-region-goes-green-with-better-homes-yorkshire.html (accessed 26 January 2017).
13. For more details, see: www.cruciblesalesandlettings.co.uk/aboutsales-lettings-sheffield-rotherham/crucible-in-the-community/ (accessed 26 January 2017).

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