

Meeting:	Overview and Scrutiny Committee	Date:	28 November 2022
Subject:	Affordable Homes Delivery – Update on performance		
Report Of:	Stephanie Chambers, Cabinet Member for Housing and Planning		
Wards Affected:	ALL		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	1. None		

FOR GENERAL RELEASE/ EXEMPTIONS

1.0 Purpose of Report

- 1.1 To update Overview and Scrutiny Committee on the Council's role in the delivery of affordable homes.

2.0 Recommendations

- 2.1 Overview and Scrutiny Committee is asked to note the information contained in the report.

3.0 Background and Key Issues

Affordable Homes definition

- 3.1 Affordable homes are defined within Annex 2 to the National Planning Policy Framework NPPF as housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers).
- 3.2 Affordable homes are required to meet one or more of the following definitions:
- 3.2.1 Affordable housing for rent:
- (i) the rent is set in accordance with the Government's rent policy for Social Rent¹ or Affordable Rent², or is at least 20% below local market rents (including service charges where applicable);

¹ Social Rent is the lowest rent level and is set by registered providers in accordance with a rent 'formula' set by Government annually. Social Rents are often set at around 50% of market rents but this does vary depending on the property. Service charges may be applied in addition to Social Rent.

² Affordable Rent is a rent that is capped at 80% of the market rent for the particular property based on a rent valuation. Affordable Rent includes all service charges.

- (ii) the landlord is a registered provider, except where it is included as part of a Build to Rent ³scheme (in which case the landlord need not be a registered provider); and
- (iii) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision.

3.2.2 Discounted market sales housing:

- (i) is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.

3.2.3 Other affordable routes to home ownership:

- (i) is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low-cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent).

Affordable Homes delivery

3.3 Affordable Homes are delivered through two main approaches – the planning requirement to deliver affordable housing as a planning obligation, and the direct delivery or purchase of new homes by registered providers.

3.4 As Gloucester City Council does not manage its own housing stock direct delivery is currently not possible outside of the acquisition of units of temporary accommodation for occupation by homeless households as short-term accommodation.

Delivery through planning obligations

3.5 Current planning policy requires that developers are required to provide a minimum of 20% affordable homes when seeking planning consent for all large housing developments subject to the scheme viability.

3.6 In some cases, developers may provide evidence that the scheme would not be viable if they were to deliver the full affordable housing requirement, and a lower number of affordable homes are sought. In some cases, the affordable homes planning obligation will be met through the developer providing a commuted sum in lieu of providing homes.

3.7 Where the council receives commuted sums these are redirected to support additional delivery of affordable homes or associate with affordable homes, for

³ Build to Rent schemes are new-build schemes designed specifically for rent within which an element of affordable housing is often provided.

example the provision of larger homes to meet resident's needs, and to increase the number of accessible affordable homes.

- 3.8 Scheme viability is often influenced by the land value, remediation costs for contamination, construction costs, the sale value of affordable homes, and the value of homes intended to be sold on the open market.
- 3.9 Scheme viability can result in significant reductions on the expected level of affordable homes that are delivered, and this will impact negatively on the future number of affordable homes that are built.
- 3.10 Where scheme viability suggests a reduction in the delivery of affordable homes, the council completes a thorough review of the evidence provided.
- 3.11 On larger schemes the council is able to implement review clauses that provide further points of review for viability and may result in changes in the number of affordable homes that are delivered if the viability arguments no longer apply to the scheme – for example where house prices have increased since the date of the planning consent.
- 3.12 Where developers do deliver affordable homes through planning obligations, the homes will be offered to registered providers and housing associations and disposed of to the organisation that offers the best value.

Delivery through direct delivery

- 3.13 Registered providers (i.e. housing associations and stock-holding Councils) are also able to develop homes themselves utilising borrowing (including Homes England funding) to secure development sites.
- 3.14 Where housing associations develop their own sites, they will often deliver all the homes on the development as affordable homes.
- 3.15 Registered providers also enter into purchase agreements with developers to secure additional affordable housing numbers on schemes. This approach can be attractive to the developer as it can assist the developer's borrowing needs across the whole development period.

The Council's role in influencing affordable homes' delivery

- 3.16 The Council has limited land ownership and consequently has very limited ability to influence the delivery of affordable homes outside of the planning process.
- 3.17 Where Council-owned sites have the potential to deliver housing the Council works with Registered Providers to deliver affordable housing that meets the needs of the City. Land at St Oswald's is an on-going example of this approach, with 300 homes expected to be built with two thirds as affordable housing.
- 3.18 During the planning process, alongside ensuring that planning applications meet relevant planning policies – including the requirement to provide affordable housing – officers aim to ensure that developments deliver sustainable neighbourhoods for

example through ensuring that the housing mix is appropriate and affordable homes are distributed throughout the scheme.

- 3.19 Planning officers work to allocate housing sites within the Local Plan, and housing officers then work to promote sites to Register Providers. These sites are often the more difficult to develop and constrained sites that the open market is not delivering.
- 3.20 A key aim when consenting development is to ensure that the right affordable homes are delivered in the right place. In other words, the delivery of affordable homes is not merely concerned with the number of homes delivered but the quality of those homes.
- 3.21 To support the delivery of high-quality affordable homes officers engage with developers and registered providers to influence the scheme design, the delivery of accessible homes (including those that are accessible to wheelchair users), and the provision of double bedrooms in affordable homes.
- 3.22 The Joint Core Strategy adopted in 2015 - now known as the Joint Strategic Plan - has allocated 4,895 new homes to be built on the boundary of Gloucester and Tewkesbury to meet Gloucester's housing need. There is a requirement that 35% of these homes are to be affordable homes, and initial analysis of lettings outcomes has identified that 80% of lets on the Tewkesbury strategic allocations have been made to Gloucester housing register applicants.
- 3.23 Delivery on the strategic allocation started in earnest in 2021 with the expected number of completions due to exceed 400 by the end of 2022/23. While the changing market conditions may impact on delivery and result in an overall slowing of development, the market conditions may provide an opportunity for Registered Providers to purchase market housing as we have seen elsewhere.
- 3.24 Officers have also been working to encourage public sector partners to consider social value when disposing of land and recently supported the Gloucestershire Health and Care NHS Foundation Trust in their disposal of the Holly House and Hatherley Road sites. This process prioritised social value and sustainability and resulted in the two developments being sold to housing associations for the delivery of 100% affordable housing schemes

Affordable homes delivery in Gloucester

3.25 Over the last 10 years 1,347 affordable homes have been delivered in Gloucester:

	Affordable homes delivered
2012/13	25
2013/14	107
2014/15	171
2015/16	62
2016/17	96
2017/18	63
2018/19	181
2019/20	180
2020/21	275
2021/22	231 ⁴
Total	1,391

3.26 During Q1 and Q2 in 2022/23, 75 affordable homes have been brought forward.

3.27 The Council measures delivery of affordable homes through quarterly performance monitoring and we have a current performance target to support/enable the delivery of 234 affordable homes every year.

3.28 The delivery of affordable homes is not linear and the build programmes for individual developments will determine the hand-over dates for the affordable homes. This can result in our performance target suggesting that a lower number of affordable homes is likely to be delivered during the year than is the case.

3.29 There are a range of factors that influence the delivery of affordable homes once developments are onsite, and recently the speed of housing delivery has been negatively impacted by the negative impact on the building construction supply chain that has resulted from the country leaving the EU, allied with inflationary price increases that can result in changes to specifications, and the challenges in securing contractors to undertake work.

Conclusions

3.30 The Council has limited influence on the delivery of affordable homes within Gloucester, and the conditions within the housing market both when developers seek planning consent and at the point of construction can negatively impact delivery.

3.31 The increased proportion of brownfield development that occurs in Gloucester can result in a greater proportion of schemes where viability considerations reduce the number of affordable homes provided.

⁴ As a result of the cyber incident officers need to carry out an audit of the above figures to confirm correct and liaise with DLUHC on delivery figures show in the published live tables

- 3.32 Officers proactively liaise with both developers and registered providers to influence the delivery of affordable homes with the aim of securing affordable homes that best meet the needs of residents.
- 3.33 The focus on delivering a specific number of affordable homes creates friction with our ambition to influence the delivery of high-quality affordable homes that provide an appropriate mix of bedroom sizes and accessibility. In short, larger homes and accessible homes are more costly to build and therefore can result in fewer affordable homes being delivered on a given scheme.
- 3.34 The completion of affordable homes is not linear throughout each financial year and consequently the performance target may better be considered as an annual only measure that provides data at the end of each year only.

4.0 Social Value Considerations

- 4.1 Officers seek to ensure that where possible housing development delivers social value – for example through the provision of accessible homes to enable wheelchair-using families to secure appropriate accommodation for their needs.

5.0 Environmental Implications

- 5.1 There are no environmental implications in respect of this report.

6.0 Financial Implications

- 6.1 There are no environmental implications in respect of this report.

(Financial Services have been consulted in the preparation this report.)

7.0 Legal Implications

- 7.1 There are no legal implications in respect of this report.

(One Legal have been consulted in the preparation this report.)

Background Documents:

National Planning Policy Framework -

<https://www.gov.uk/government/publications/national-planning-policy-framework--2>