

PRINCIPAL SCRUTINY COMMITTEE

23 March 2009

SCRUTINY REVIEW – AFFORDABLE HOUSING

REPORT OF AFFORDABLE HOUSING INFORMAL SCRUTINY GROUP

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RECENT REFERENCES:

PS343: Informal Scrutiny Groups - Principal Scrutiny Committee 14 July 2008

EXECUTIVE SUMMARY:

The final report of the Informal Scrutiny Group is attached as an Appendix to this report. Principal Scrutiny Committee agreed on 14 July 2008 to establish an Informal Scrutiny Group to carry out a policy review of provision of affordable and social housing. The Group identified the following key topic areas were identified as themes for consideration:

- Supply of Land
- Developer and RSL Views on Council's policies and whether they could be improved to facilitate greater supply of affordable housing
- Funding of affordable housing

The Group took both written and verbal evidence on these issues, including hearing evidence from several expert witnesses. In reaching its conclusions it also took account of recent experiences, emerging issues, the current economic conditions and debates relating to the production of the Local Development Framework Core Strategy. The Group has identified a number of proposals to help improve affordable housing supply, which are set out in the recommendations below.

## RECOMMENDATIONS

That Cabinet be asked to consider the following recommendations of the Informal Scrutiny Group on Affordable Housing:

- 1 That officers should work positively, and Members should provide support and political leadership, to ensure that land with planning permission is available for affordable housing development. It is recognised that currently funding is generally not an obstacle to new affordable housing development. Availability of land with suitable planning permissions will ensure that finance is brought in to enable new affordable housing schemes, provided they represent good value for money.
- 2 Development is often restricted by the Council's own policies. Therefore new policies coming through the LDF process should ideally be less restrictive and more flexible. Furthermore, within the current policy context, a positive approach should be adopted by officers and Members to help support the objective of delivering more affordable housing.
- 3 That the Council should be more pro-active in promoting schemes that do not need to rely on developers, for instance rural exception sites, and those on public land. This approach has the potential to compensate for the slowdown in development from more traditional developer-led routes.
- 4 That there should be refinement of the internal processes for the delivery of affordable housing to support this key corporate objective. This should include ensuring delivery is a shared objective across Divisions with an emphasis on being proactive, positive and flexible. On individual schemes, consideration should be given to prioritising affordable housing provision over other S106 or planning requirements. This is especially important during the economic downturn.
- 5 That the process of Parish Councils being approached with evidence of their particular housing need, and with potential development sites that have already been identified, be accelerated. Furthermore, there should be an expectation that affordable housing will be provided where it is needed. Housing needs surveys of individual parishes should not be necessary if there is sufficient evidence of need from other sources. It is acknowledged that there would be a likely resource issue within the enablement team to carry out the likely additional work.
- 6 That, in addition to rural exception policies, the Council should agree an urban exception policy as a part of the LDF process and an approach to facilitating such development ahead of adoption. This would further increase flexibility in implementing new schemes and overall supply.
- 7 That the Council should continue its proactive approach to identifying opportunities for development, including negotiation with developers and RSLs with regard to prioritising affordable provision throughout the District. This

includes using Council property and land holdings (both General Fund and Housing Revenue Account). The current Asset Sales Programme, with receipts being used to increase new affordable housing provision, and the provision of Council owned land at significant discounts to RSLs, should continue. Officers should also have regard to the current economic climate that would encourage private developers to build at a lower cost and with less return. This situation should be exploited.

- 8 That developers and RSLs should be invited to attend regular informal forums with housing and planning officers and member representatives of each political group.

### RELEVANCE TO THE CORPORATE STRATEGY

The provision of new affordable housing is relevant to all strands of the Corporate Strategy, in particular to the Safe and Strong Communities strand that aims to promote an inclusive society by enabling, and improving access to, affordable housing.

### RESOURCE IMPLICATIONS

There are no direct resource requirements identified in this report. However the report notes the need to ensure that teams are adequately resourced to deliver the recommendations. This will need to be kept under review.

### BACKGROUND DOCUMENTS

Minutes of meetings of the Informal Scrutiny Group and papers circulated to the Group as held by the Democratic Services Division.

### APPENDIX:

Affordable Housing Informal Scrutiny Group – Final Report

## **SCRUTINY REVIEW 2008/9 – AFFORDABLE HOUSING**

### **REPORT OF THE AFFORDABLE HOUSING INFORMAL SCRUTINY GROUP**

#### **1. Terms of Reference and Scope of the Review**

- 1.1 Principal Scrutiny Committee agreed on 14 July 2008 to establish an Informal Scrutiny Group to carry out a policy review of provision of affordable and social housing.
- 1.2 At the first meeting of the Group on the 9 September the following were agreed as terms of reference for the Group and the scope of the review:
  - To make recommendations to Cabinet on any improvements to the following areas so to maintain and exceed new affordable housing and social housing completion targets district wide, having regard to the current economic climate:
    - Supply of land in both rural and urban areas with regard to existing policies
    - Increasing the supply of affordable housing in rural areas
    - Potential ‘vehicles’ for delivery of affordable housing – investigate our existing policies and those of other Local Authorities
- 1.3 The following key topic areas were identified as themes for future meetings:
  - Supply of Land
  - Developer and RSL Views on Council's policies and whether they could be improved to facilitate greater supply of affordable housing
  - Funding of affordable housing

#### **2. Work Schedule**

- 2.1 Councillors Chamberlain, Learney, Mitchell, Tait and Wright were appointed to the scrutiny group who agreed that Councillor Wright would lead the process.
- 2.2 Meetings of the group were held on:
  - 9 September 2008
  - 6 November 2008
  - 2 December 2008
  - 27 January 2009
  - 23 February 2009

### 3. Evidence Collected

#### 3.1 Evidence was provided in the form of the following written documents and from expert witnesses:

- Specific background papers prepared for the Group, namely Increasing the Supply of Land for Affordable Housing; Update on the Current Economic Situation; Funding of Affordable Homes
- Housing Strategy 2008/9- 2012/13 (and associated Cabinet Paper of the 9 July 2008 (CAB1686))
- Cabinet (Local Development Framework) Committee papers (CAB1696(LDF)) – Core Strategies Issues and Options; Housing Mix, Redundant Rural Buildings (CAB1728(LDF)); Rural Affordable Housing, Rural Exception Housing, Affordable Housing (CAB1743(LDF)).
- Press Release, CLG 23 July 2008: The Taylor Review on the Rural Economy
- Changes to the Revenue and Capital Rules for New Council Housing (CLG January 2009)
- 2 December 2009: Expert Witness James Dunne, Barratt David Wilson Homes (& supplementary written submission)
- 2 December 2009: Expert Witness Margaret Newbigin, A2 Dominion Housing Association
- 2 December 2009: Expert Witness Geoff Adams, Mapledean

### 4. Findings

#### 4.1 Supply of Land

- 4.1.1 The key of delivering more affordable housing is ensuring there is a supply of land with planning permission available for RSLs to develop. However, development is often restricted by the Council's own policies. New policies coming through the Local Development Framework (LDF) should be less restrictive and more flexible, though it is appreciated the impact of these policies will not be felt for some time. Within the current policy context, a positive approach should be adopted by officers and members to help support the delivery of more affordable housing.
- 4.1.2 Local opposition to housing schemes is clearly a common and significant obstacle and councillors often find themselves in difficult positions. However, as noted above a positive approach is required to improve delivery.
- 4.1.3 The Council are able to collate information about local housing needs and give parishes and communities regular updates on the scale of that need. Where a rural housing need is identified affordable housing *should* be provided in that settlement or parish. Undue weight should not be given to transport and environmental issues compared to social

and economic benefits. As well as rural exception housing being permitted the Council should agree to an urban exception policy.

- 4.1.4 The majority of developable surplus Council owned sites have been developed, although less straightforward sites do continue to be identified. The Group considers that the Council should continue to work proactively with developers to bring forward land, including land in its ownership, and to work with them to maximise affordable housing provision. Member support and political leadership is necessary to promote sites coming forward where this would achieve affordable housing, including rural exception sites and land in the Council's ownership. It is important members are made aware of such proposals at pre-planning application stage (though this happens on RSL led schemes, it does not on market led sites).
- 4.2 Developer and RSL Views on Council's policies and whether they could be improved to facilitate greater supply of affordable housing
  - 4.2.1 Witnesses suggested that while advice from planning officers was generally good there was some inconsistency in the application of planning policies and occasionally of planning decisions. Sometimes pressure to hit determination targets for planning applications means little scope for negotiation. While planning policies may be constraining development the Group acknowledges that too much flexibility will lead to inconsistencies.
  - 4.2.2 Witnesses agreed that the planning process was, in many cases too drawn out and while there was some criticism of policy it was processes rather than policies that were the root of the problem and the main hindrance to delivering new housing. Continuity has been a problem when planning officers are changed during the course of determination of an application and problems are caused if new issues are raised at a late stage. These problems must be addressed now that advice is being charged for.
  - 4.2.3 One witness reported that strategic housing officers gave consistent and useful advice and best results were achieved where there was a collaborative approach adopted with Council departments having shared objectives. However, at times different divisions did not seem to share common objectives. It is proposed that there should be closer partnership working between developers and the Council to achieve the collective aim of delivering more housing.
  - 4.2.4 The "burdens" placed on development particularly given current economic conditions were identified as problematic by some witnesses, with transport tariffs being singled out. There is a need to be sensitive to the economics of development when discussing planning requirements with developers. There was some confusion about the size of affordable homes required; however the Housing Strategy and

Affordable Housing Supplementary Planning Document do give guidance.

- 4.2.5 The off-site provision of affordable housing by way of commuted sum payments was debated by the Group and expert witnesses. An example was quoted where this had been agreed by Planning Development Control Committee as a better way of meeting needs in a particular case and this approach is supported. Such an approach can provide the opportunity to develop more affordable housing off-site than could have been provided on-site. However, while there are circumstances where this approach may be appropriate, land remains the most important commodity and on-site provision is normally preferred.
- 4.2.6 Developers and RSLs clearly valued the opportunity to discuss issues relating to policy, processes and particular developments with each other and the Council. The discussion with expert witnesses was a valuable part of the Group's work and there should be the opportunity for regular informal discussions involving members, housing and planning officers in the future.

#### 4.3 Funding of affordable housing

- 4.3.1 As noted above, the key of delivering more affordable housing is ensuring there is a supply of land with planning permission available for RSLs to develop. Funding is not generally an obstacle to new affordable housing development. The availability of land will ensure that funding is available from the Homes and Communities Agency (HCA) provided the development represents good value for money. However, it is evident that RSLs are finding it increasingly difficult to borrow capital to fund development and witnesses asked for Council's to lobby Government to reduce the cost of funding.
- 4.3.2 Falling right to buy sales and changing Government rules have limited locally available public finance for new build affordable housing, however the Council's asset sales programme, and disposals of land at a discount to RSLs, are valuable sources of subsidy. S106 contributions can also be used for new affordable housing, but generally the preference is for on-site provision of homes (see 4.2.5 above).
- 4.3.3 The recent CLG publication, Changes to the Revenue and Capital Rules for New Council Housing, provides some prospect of Council's being able to build new affordable housing themselves. The proposals under consultation provide for Council's to retain all income for rents. At present negative subsidy arrangements mean this is not the case something which leaves a significant gap in development finances. Council borrowing would be necessary to fund new housing provided under the arrangements being consulted on.

#### 4.4 Other Issues

- 4.4.1 Despite falling interest rates the availability of mortgages and the large deposits that are often required mean that shared ownership properties are becoming a less attractive option for households.

#### 5. Conclusions

- 5.1 It is clear that land supply, that is land with planning permission for housing, is the most important factor influencing the supply of affordable housing. Although, in the current economic climate, some landowners may decide not to sell land, or developers not to build without suitable land with planning permission being available the opportunity for others to develop will not exist at all. Furthermore, although to attract public investment schemes will always need to demonstrate value for money, recent experiences with the HCA suggest that where good schemes can be produced they will invariably be funded.
- 5.2 There is already evidence of the Council, developers and RSLs working together constructively to explore new ways of delivery and this needs to be encouraged. To do this the Council needs to ensure that developing new affordable housing is a shared priority across Divisions, that a proactive and positive approach is taken to discussing proposals and that members provide political leadership in support of those objectives.
- 5.3 While issues with existing policies were debated by the Group it is clear that by improving processes much could be done to improve delivery. Positive lessons can be learnt from the approaches that have already been taken on successful schemes. The LDF offers the opportunities to create a set of policies that support the delivery of affordable housing.
- 5.4 It is important this approach is backed up by resources and it will be important to ensure teams that are required to become increasingly proactive are adequately resourced.
- 5.5 In the current economic climate it is important that the Council utilises its ability as a landowner to maintain supply and that opportunities on exception sites are pursued.

#### 6. Recommendations

- 6.1 That officers should work positively, and members should provide support and political leadership, to ensure that land with planning permission is available for affordable housing development. It is



recognised that currently funding is generally not an obstacle to new affordable housing development. Availability of land with suitable planning permissions will ensure that finance is brought in to enable new affordable housing schemes, provided they represent good value for money.

- 6.2 Development is often restricted by the Council's own policies. Therefore new policies coming through the LDF process should ideally be less restrictive and more flexible. Furthermore, within the current policy context, a positive approach should be adopted by officers and members to help support the objective of delivering more affordable housing.
- 6.3 That the Council should be more pro-active in promoting schemes that do not need to rely on developers, for instance rural exception sites and those on public land. This approach has the potential to compensate for the slow down in development from more traditional developer led routes.
- 6.4 That there should be refinement of the internal processes for the delivery of affordable housing to support this key corporate objective. This should include ensuring delivery is a shared objective across Divisions with an emphasis on being proactive, positive and flexible. On individual schemes consideration should be given to prioritising affordable housing provision over other S106 or planning requirements. This is especially important during the economic downturn.
- 6.5 That the process of Parish Councils being approached with evidence of their particular housing need, and with potential development sites that have already been identified, be accelerated. Furthermore there should be an expectation that affordable housing will be provided where it is needed. Housing needs surveys of individual parishes should not be necessary if there is sufficient evidence of need from other sources. It is acknowledged that there would be a likely resource issue within the enablement team to carry out the likely additional work.
- 6.6 That, in addition to rural exception policies, the Council should agree an urban exception policy as a part of the LDF process and an approach to facilitating such development ahead of adoption. This would further increase flexibility in implementing new schemes and overall supply.
- 6.7 That the Council should continue its proactive approach to identifying opportunities for development, including negotiation with developers and RSLs with regard to prioritising affordable provision throughout the district. This includes using Council property and land holdings (both General Fund and Housing Revenue Account). The current Asset Sales Programme, with receipts being used to increase new affordable housing provision, and the provision of Council owned land at

significant discounts to RSLs should continue. Officers should also have regard to the current economic climate that would encourage private developers to build at a lower cost and with less return. This situation should be exploited.

- 6.8 That developers and RSLs should be invited to attend regular informal forums with housing and planning officers and member representatives of each political group.