

**SOUTH EAST ENGLAND
REGIONAL HOUSING BOARD**

Date: 17 January 2007

Subject: **Barriers to Affordable Housing Delivery**

Report of: Planning Manager
South East England Regional Assembly

Recommendation:

It is recommended that the Regional Housing Board:

- I. Instructs the Board's Project Team to take forward the actions proposed in paragraphs 3.2. and 3.3 of this report and provide an update on progress at the next Board meeting.

Purpose of the Report:

To report to the Board on reasons for the continued under-delivery of affordable housing and the actions that the region needs to take to overcome them.

Key Issues:

Work by the Regional Assembly in 2002 identified a wide range of barriers that were hindering the delivering of affordable housing. Many of these barriers remain relevant today. There are, in addition, a number of other factors that have emerged and which are impacting on the delivery of affordable housing. Some of these, such as the provision of infrastructure and the way in which the planning system operates, form part of a much wider picture and impact on the delivery of housing as a whole. The Board has an important role to play in tackling such issues and will continue to do so. There is also scope for the Board to involve itself in a number of shorter-term initiatives designed to assist local authorities and housing associations deliver affordable housing schemes.

1. Background

- 1.1 In December 2007 the Board considered reports on affordable housing completions 2006/07 and performance against targets in 2007/08 for the National Affordable Housing Programme. The Board agreed to urgently undertake further work to establish the reasons for the continued under-delivery of affordable housing and the actions required to overcome them.
- 1.2 As a first step, we have at the Board's request reviewed the work on affordable housing delivery undertaken by the Regional Assembly in 2002, progress against the actions subsequently agreed by Regional Planning Committee, more recent research¹ and consultation responses to the 2007 review of the Regional Housing Strategy. This report summarises our findings and proposals for action by the Board.

2. Barriers to Delivery

- 2.1 The work carried out in 2002 identified five main sets of factors hindering the delivery of affordable housing. They were:
- Funding
 - Planning obligations
 - Public attitudes
 - Rural issues
 - Working practices.
- 2.2 Although progress has been made on all of the above since 2002, these factors continue to be areas where there is cause for concern, even though the detail of the issues has changed in some cases.
- 2.2.1 Funding: There has been a welcome increase in public investment for affordable housing, reform of Right-to-Buy and changes to capital funding rules. Nevertheless, the Regional Funding Allocation for 2008-2011 falls short of the level required to meet the need for affordable housing in the South East.
- 2.2.2 Planning Obligations: Increased reliance on Section 106 agreements places demands on the skills, knowledge and resources of local authority officers and members. The complexity of negotiations, together with competing demands for Section 106 contributions, continue to be criticised for slowing the pace of affordable housing delivery. In fact, this is one of the main factors highlighted by the Housing Corporation. Greater flexibility for local authorities to set lower site thresholds for negotiating affordable housing was introduced by PPS 3. This will have the welcome effect of increasing the number of sites contributing to the supply of affordable housing, but it will be some time before the new policy is reflected in local development frameworks. It will

¹ Including: 'Additional Advice on Affordable Housing Policy', Three Dragons for the Regional Assembly, 2006; 'How Local Planning Authorities are Delivering Policies for Affordable Housing', Joseph Rowntree Foundation, December 2007; 'Making Places, Working Together for Effective Delivery', SE Excellence, June 2007.

then place additional demands on local authorities who will be dealing with a larger pool of sites for Section 106 negotiations.

- 2.2.3 **Public Attitudes:** Opinion polling carried out by the Regional Assembly indicates very clearly that members of the public recognise the need for affordable housing. However, there is much anecdotal evidence to suggest that this support is not always reflected at the level of individual schemes. And, while there is no doubt that developers accept the need to contribute to the provision of affordable housing, public attitudes (or perceived public attitudes) to affordable housing are reflected in the pricing structure adopted by developers and a preference for shared ownership in mixed tenure developments.
- 2.2.4 **Rural Issues:** The Board has increased its target for the provision of rural affordable housing for 2008-11. However, public opposition to rural affordable housing schemes remains commonplace and industry misconceptions persist about the cost of providing rural affordable housing.
- 2.2.5 **Working Practices:** The range of different organisations and departments involved in delivering affordable housing continues to present a challenge in terms of communicating effectively and disseminating good practice.
- 2.3 We have also identified a number of barriers and uncertainties which have emerged or gained in significance recently. These include:

- Working with the new system of LDFs which is proving complex and time-consuming
- Timely provision of infrastructure
- The impact of the proposed Community Infrastructure Levy and its operation alongside Section 106 obligations
- The scope to make use of public sector land
- Developer behaviour, for example: seeking a revised planning permission which will increase site density or being slow to fulfil planning conditions
- Revenue disincentives to housing associations in providing larger affordable rented homes
- Development of shared ownership products which may only be within reach of people on higher incomes
- Potential risks associated with any downturn in the housing market.

3. Proposals for Action

- 3.1 The barriers that we have identified through this review range from the very broad to the very specific. Some of the issues covered fall outside the direct influence of the Board, while others can be tackled by the Board in a very direct way. A number of the necessary actions are medium or long-term; others offer the opportunity for some quick wins. A number of issues are already being tackled through initiatives such as the updating of the Assembly's Councillors Toolkit and IDeA's Strategic Housing Improvement Programme.

3.2 The Board will, of course, continue to press the case on the 'big picture' issues such as funding and infrastructure provision (including the scope for innovation through the Regional Infrastructure Fund). It also has an important role to play in ensuring that local authorities make the most of the opportunities offered by PPS 3 and the South East Plan in terms of planning for affordable housing. But there is also scope for the Board to involve itself in a number of relatively short-term projects. Some of these are designed to improve our understanding, but others are very practical initiatives designed to assist local authorities and housing associations. It is proposed that the focus should be on:

- helping to tackle difficulties associated with Section 106 agreements through improved negotiation skills and better understanding of development economics
- influencing the operation of the Community Infrastructure Levy
- dispelling misconceptions relating to affordable housing
- addressing the financial disincentives to housing associations in providing larger homes.

3.3 The following specific actions are proposed:

- (i) Work with the Housing Corporation to arrange further seminars on effective use of the EAT model and to identify and disseminate lessons that can be learned from local authorities successful in delivering higher proportions of affordable housing and minimising the need for grant
- (ii) Work with SEEDA to arrange training for local authority officers on negotiation skills and development economics
- (iii) Contribute to developing the regulations governing the operation of the Community Infrastructure Levy
- (iv) Work in partnership with bodies such as the National Housing Federation to dispel misconceptions surrounding the image and management of affordable housing
- (v) Seek further advice on the financial constraints on housing associations in providing larger homes.

Alison Bailey, Planning Manager
South East England Regional Assembly

11 January 2008

Contact: Catherine Stubbings, Housing Policy Advisor
Tel: 01483 555216
Email: catherinestubbings@southeast-ra.gov.uk