

REPORT TO: Environment and Urban Renewal Policy and Performance Board

DATE: 26th March 2014

REPORTING OFFICER: Strategic Director – Policy and Resources

PORTFOLIO: Physical Environment

SUBJECT: Affordable Housing Update

WARDS: Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 This report provides an update on affordable housing development across the Borough and current Council policy concerning the delivery of affordable housing.

2.0 RECOMMENDATION: That the content of the report is noted.

3.0 SUPPORTING INFORMATION

Affordable Housing

- 3.1 In planning terms 'Affordable Housing' refers to a particular type of housing tenure, which is delivered by a Registered Provider and secured in perpetuity. Registered Providers are providers of social housing, and can be private, public or not for profit organisations. Affordable housing includes social rented, affordable rented and intermediate housing, provided to eligible households who cannot afford to access suitable market housing.
- 3.2 Social rented housing is rented housing owned and managed by local authorities and Registered Providers of social housing, for which guideline target rents are determined through the national rent regime. Affordable rented housing is let by local authorities or private registered providers to households eligible for social rented housing.
- 3.3 Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).
- 3.4 Intermediate affordable housing is housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above, including shared equity products. It also includes other low cost homes for sale and intermediate rent.
- 3.5 There are two main methods of providing affordable housing; firstly through Registered Provider's developing 100% affordable housing

schemes funded through their own resources or more usually utilising Homes and Communities Agency Grants; or secondly through the planning system using Section 106 Agreements. The latter would require affordable housing to be delivered on market housing sites (those built by a private developer on the open market).

Halton's Affordable Housing Needs

- 3.6 Housing need is defined as the quantity of housing required by households who are unable to access suitable housing without financial assistance.
- 3.7 The National Planning Policy Framework requires Councils to plan to meet the full objectively assessed need for market and affordable housing in their areas. Strategic Housing Market Assessments (SHMA) are used to assess the housing needs arising in an area and inform the development of housing and planning policy for affordable housing which consider the balance between supply and demand for affordable housing. They provide evidence to inform policies about the level of affordable housing required. The Halton SHMA (2011) has been undertaken in conjunction with neighbouring authorities in the Mid-Mersey Housing Market Area.
- 3.8 Overall, the SHMA identified that (in 2010) 2,053 households were falling into housing need per annum. The study forecast an annual supply of 1,162 units (relets / committed new build) to meet these needs, leaving a predicted 'unmet need' across the Borough for an additional 891 affordable dwellings per annum for the following five years 2010-15 (estimated at the time of the Halton SHMA Household Survey in 2010).
- 3.9 This is made up of a requirement for 78 units per annum to meet the backlog of existing households in need and a further 813 units per annum to meet projected future needs. The SHMA notes that the high level of housing need identified reflects a combination of factors including the difference between the costs of market housing and local incomes (particularly of younger households), and the decline by 15% in the stock of affordable housing within the Borough over the last decade which could have been used to meet need.
- 3.10 A sub regional SHMA (including Halton) is proposed to be undertaken in 2015-16. This would reassess the level of affordable housing need in Halton. It should be acknowledged that the SHMA should be seen as an on-going process with key data monitored into the future to see the 'direction' in which the housing market is moving.
- 3.11 Annual unmet need for affordable housing is far in excess of the proposed total housing delivery targets as set out in the Halton Core Strategy Local Plan (2013) which is 552 dwellings per annum. Although the predicted unmet affordable need is in excess of the total housing policy figure for the Borough, this is increasingly not unusual. In Halton

the unmet affordable need is 891 per annum (from 2010) with the Core Strategy seeking to provide for 552 net dwelling gain (61%). In St.Helens the corresponding figures were 1,225 unmet need and 570 net dwelling gain figure (47%).

- 3.12 It should be acknowledged that the SHMA is an evidence base document that is used to inform policy. The affordable housing needs that are identified by the SHMA are not a defined target that must be met. There is no policy consequence of not meeting the 891 affordable dwellings per annum (2010-2015). The SHMA recognises that it is unlikely that this requirement would be met especially when viability is taken into consideration. It is therefore essential to seek to maximise the contribution of new affordable units from new housing developments although the viability of the impact of such a requirement on the overall development must be considered.

Halton Affordable Housing policy

- 3.13 In addition to the SHMA, the Council commissioned an Economic Viability Assessment (DTZ, 2010) to consider the realistic contribution that can be secured from new housing development across different housing areas under different market conditions. By doing so the Economic Viability Assessment was able to determine the appropriate level for an affordable housing requirement. The assessment showed that under a Mid-Market Position¹, 25% affordable housing is deliverable at a 50% social rented and 50% intermediate housing tenure split. Although a higher percentage of affordable housing could be delivered in an Improved Market Position (40% with a 34% social rented and 64% intermediate tenure split) it is acknowledged through the assessment that it is difficult to predict whether the improved market scenario will ever be met.
- 3.14 Taking into account the need for affordable housing and the viability of residential development, the Halton Core Strategy Local Plan set a policy requirement for affordable housing to be sought at 25% of the total residential units proposed on all schemes including 10 or more dwellings (net gain) or 0.33 hectares or greater for residential purposes. The policy also seeks to secure 50% of new affordable housing provision as social and affordable rented tenures and 50% intermediate housing tenures across the Borough.
- 3.15 The provision of affordable housing on open market residential development sites will be secured by means of a legal agreement (planning obligation) with the landowner under the provision of Section 106 of the Town and Country Planning Act 1990.
- 3.16 The Affordable Housing SPD which was adopted in January 2014 was produced to expand upon policy CS13: Affordable Housing and to

¹ The Economic Viability Assessment used a Baseline Position of revenues at May 2010. The Mid Market Position used a 10% increase on revenues over and above the Baseline Position whilst the Improved Market Position assumed a 20% increase.

provide greater certainty and clarity for all parties involved in the delivery of affordable housing in Halton through the planning system. Specifically the Affordable Housing SPD aims to:

- a) Maximise the opportunities available and ensure the smooth delivery of affordable housing to meet Halton's housing needs; and
- b) Reduce uncertainty, ensure a consistent approach and provide clear guidance for all stakeholders to follow.

Delivery of Affordable Housing

- 3.17 Following the adoption of the Core Strategy Local Plan and the introduction of the Affordable Housing policy, applications for housing in qualifying sites are subject to the policy requirement. To date, 5 applications have been assessed, but unfortunately, the viability of each development would have been compromised by the inclusion of an affordable requirement and as such no units have yet been secured through this route.
- 3.18 With regards to 100% affordable housing schemes there have been 18 affordable housing schemes completed since 2010 to date with a total of 510 dwellings. There are also currently 9 affordable housing schemes with 222 dwellings under construction. An additional 6 affordable housing schemes with an estimated 169 dwellings have secured funding and there are 8 schemes consisting of 110 dwellings in the pipeline. Appendix A details these affordable housing schemes across the Borough and Appendix B / C shows the locations of these schemes in Widnes and Runcorn respectively.
- 3.19 Since 2010, in total, there have been 1,011 affordable housing dwellings completed or in the pipeline which goes some way to meeting Halton's affordable housing need. However, this figure is greatly under the 891 dwellings per annum unmet affordable need (2010-15) identified in the SHMA.
- 3.20 The vast majority of the 100% affordable housing schemes have been supported by the Homes and Communities Agency (HCA) Affordable Housing Programme which is aimed at increasing the supply of affordable housing in England. Delivery of affordable housing through the HCA accounts for the majority of affordable housing supply across England.
- 3.21 The Department for Communities and Local Government released figures in November 2013 which show that in 2012-13, 86% of total affordable home delivery across England was reported by the HCA (or the Greater London Authority (GLA)), a reduction from 89% in 2011-12. Over this time period (2011-13), the total number of affordable homes reported by the HCA (or the GLA) has decreased by around 30%. The remainder of affordable housing has been delivered predominately through Section 106 Agreements. The number of affordable homes completed through Section 106 Agreements in England without grant rose by 19% to 4,920 in the period 2012-13.

- 3.22 It should be acknowledged that the investment in affordable housing through the Affordable Homes Programme has been reduced. The investment for the period 2011 – 2015 is expected to be £4.5bn (over four years) whilst the investment for the period 2015 – 2018 is expected to be only £2.9bn (over three years) with 1.2bn for the GLA and £1.7bn for the rest of England. This is compared to investment in the 2008/11 period of £8.4bn (over three years).
- 3.23 The reduction in affordable housing funded through the HCA highlights the importance of the introduction of affordable housing policies aimed at market housing schemes.

Affordable Housing Need Vs Supply

- 3.24 A significant proportion of the affordable housing required to meet Halton's housing needs during the Core Strategy plan period (to 2028) will need to be delivered through Section 106 Agreements. As a result the Council must ensure that the Core Strategy policy CS13: Affordable Housing, actually delivers on the ground. This will require partnership working with developers, landowners, housing associations, the HCA and across Council departments particularly Planning and Transport Strategy, Development Control, Housing Strategy, Property Services and Legal Services.
- 3.25 However, there is a need to recognise that Halton (like other Local Authorities across the country), particularly when consideration is given to the viability of development, will be unlikely to meet fully its affordable housing needs.
- 3.26 It must therefore also be recognised that the private rented sector (through Housing Benefit) does make a significant contribution to filling this gap between need and supply. The Halton SHMA states that in relation to meeting housing need and given the levels of affordable housing need shown in the study, the private rented sector is likely to continue to be used to some degree to make up for the shortfall of genuine affordable housing for the foreseeable future. The 2010 Halton Household Survey showed that 57% of private rented sector tenancies (at that time) were supported by Housing Benefit.
- 3.27 Although the private rented sector has a role to play in meeting housing needs, it is not appropriate to treat this sector as a form of affordable housing and it should be recognised that the private rented sector does not provide secure tenancies. It is through Council policy interventions, such as the Affordable Housing policy, that reliance on the private rented sector to 'bridge the gap' is reduced.

4.0 POLICY IMPLICATIONS

- 4.1 Up until 2013, Halton Borough Council did not have the policy framework in place to require affordable housing to be delivered on

market housing sites. The Halton Core Strategy Local Plan introduced this requirement for the first time and the Affordable Housing SPD seeks to provide additional guidance on this requirement. It is hoped that through the provision of this policy requirement the delivery of affordable housing in the Borough will be supported through the planning system using Section 106 Agreements.

5.0 OTHER IMPLICATIONS

- 5.1 Introducing an affordable housing requirement for the Borough through the Core Strategy requires Planning Officers to highlight the new policy to applicants and ensure compliance with the policy prior to the validation of any applicable planning application. In addition, officers in Property Services are required to consider the robustness of any Financial Viability Assessments submitted to the Council regarding the provision of affordable housing (further detail is included within the Affordable Housing SPD).

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

Delivering affordable housing will help to ensure that children and young people across the Borough grow up in, and thrive in, safe residential environments and communities.

6.2 Employment, Learning and Skills in Halton

Although the priority of employment, learning and skills in Halton is not specifically connected to the delivery of affordable housing, there is a close relationship between the economy and the housing market, with housing a driver of, but also responsive to, local economic growth and performance.

6.3 A Healthy Halton

Delivering affordable housing across the Borough supports the development of well-designed residential communities that are sustainable and accessible to all.

6.4 A Safer Halton

Delivering affordable housing will contribute to ensuring high standards of residential design for affordable units; this will include creating places that feel safe, secure and welcoming for everyone.

6.5 Halton's Urban Renewal

The delivery of affordable housing will support the creation of good quality residential environments that will assist in the urban regeneration of the Borough.

7.0 RISK ANALYSIS

- 7.1 No legal or financial risks to the Council have been identified. However, the evidence base used to inform the Halton Core Strategy Local Plan demonstrates that there is a large affordable housing need across the Borough which the Council must acknowledge and seek to reduce. Policy CS13 Affordable Housing aims to maximise the opportunities available for the provision of affordable housing to meet Halton's housing needs. Failing to adhere to this policy, particularly in viable development areas, will mean that the shortfall in affordable housing provision will widen. This will increase the dependence on Halton's private rented sector to make up for shortages in affordable housing.
- 7.2 The supply of good quality affordable housing is a pre-requisite for a strong and vibrant economy, for the health and well-being of individuals and for the stability of communities. It follows that an undersupply of affordable housing will have adverse consequences in these areas and a detrimental impact on people and communities across the Borough.

8.0 EQUALITY AND DIVERSITY ISSUES

- 8.1 Current council planning policy regarding Affordable Housing and in particular policy CS13: Affordable Housing of the Halton Core Strategy Local Plan and the Affordable Housing SPD will contribute to meeting the housing needs of Halton's communities. The SPD also encourages developers to meet high access standards in the design of affordable housing provision such as those for wheelchair accessible housing.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Consultation Draft Affordable Housing SPD (Oct 2013)	Planning & Transport Strategy, Municipal Building	Rachel Wright
Halton Core Strategy Local Plan (April 2013)	Planning & Transport Strategy, Municipal Building	Rachel Wright
Halton Housing Strategy 2013 - 2018 (2013)	Housing Strategy	Steve Williams
Draft Affordable Housing SPD (May 2012)	Planning & Transport Strategy, Municipal Building	Rachel Wright
Mid-Mersey Strategic Housing Market Assessment (May 2011)	Planning & Transport Strategy, Municipal Building	Rachel Wright
Economic Viability Assessment (November 2010)	Planning & Transport Strategy, Municipal Building	Rachel Wright