

# Scrutiny Review of Affordable Housing

How other areas are meeting the challenge

***NHC Briefing***

***14 October 2024***

# ABOUT

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# US

- Voice of housing in the North
- RPs, ALMOs, LAs, CAs
- Over 400 members nationally
- Use our collective voice to influence housing policy for the North



**OUR MEMBERS  
OWN OR MANAGE**

**9** **OUT OF** **10**

***SOCIALLY RENTED HOMES  
IN THE NORTH***

*The North needs 18,815 new affordable homes each year. However, only an average of 10,491 are built each year, a sizeable annual shortfall of 44.2%.*

*Within these figures, there is an annual need for 6,947 new homes for social rent, the most affordable tenure for tenants – with only 1,309 social rent homes built each year, an even larger shortfall of 81.2% (figures: annual average 2015/16 to 2021/22).*

**Northern Housing Monitor**

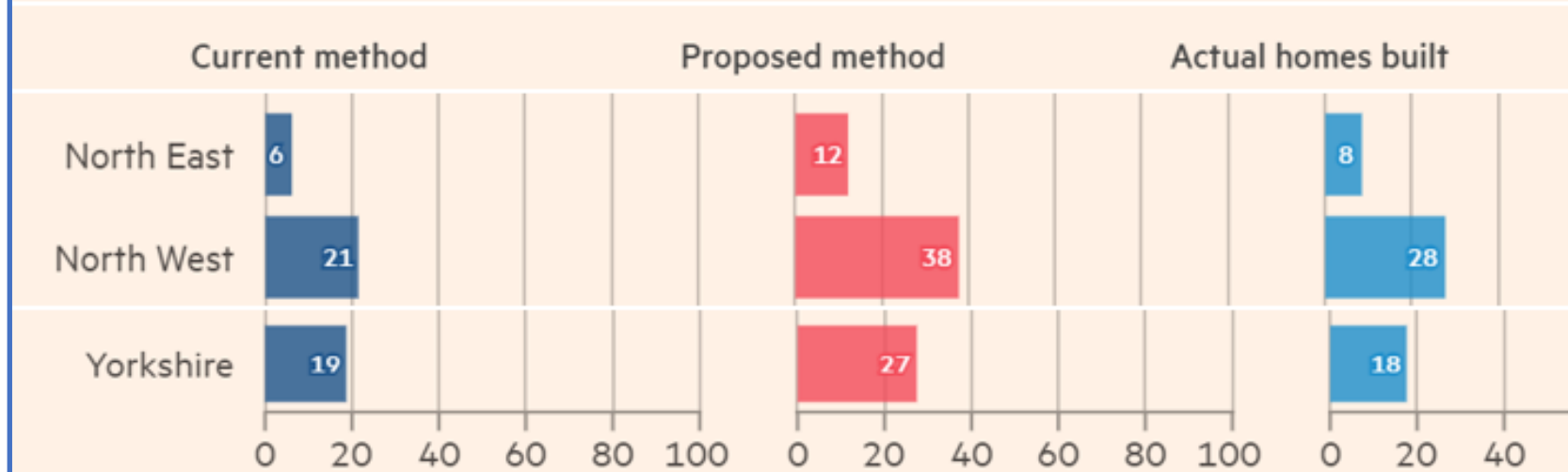
# Affordable Need & housing targets



*“The Government is committed to the biggest growth in social and affordable housebuilding in a generation”*

Angela Raynor, Secretary of State for Housing Communities and Local Government 30 July 2024

Annual new homes, by current and proposed method and average net new additions 2020-23 ('000)



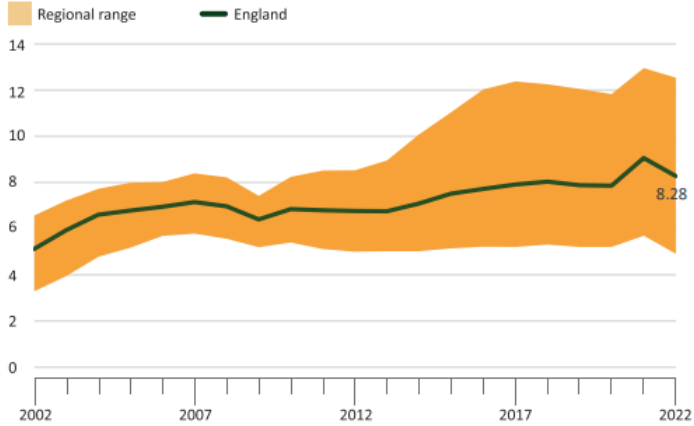
## HOUSING AFFORDABILITY HAS WORSENERD ACROSS ALL REGIONS OVER THE LAST TWO DECADES

In 2023, full-time employees could typically expect to spend around 8.3 times their annual salary on purchasing a home (up from 3.5 times in 1997), putting home ownership out of reach for far too many people.

The most affordable LAs in 2023 were in the North East, North West and Yorkshire and The Humber yet while earnings have nearly doubled since 1997, house prices have increased three-and-a-half times in most areas.

### Affordability ratio

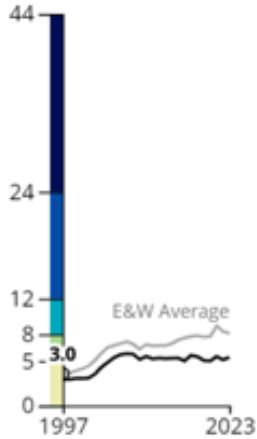
Ratio of median house price to median gross annual workplace-based earnings



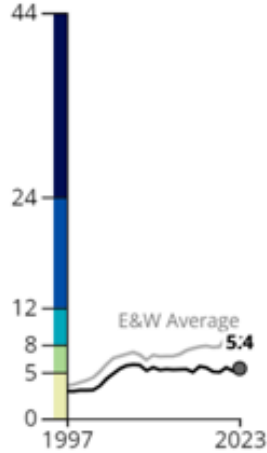
Source: ONS

### Stockton-on-Tees

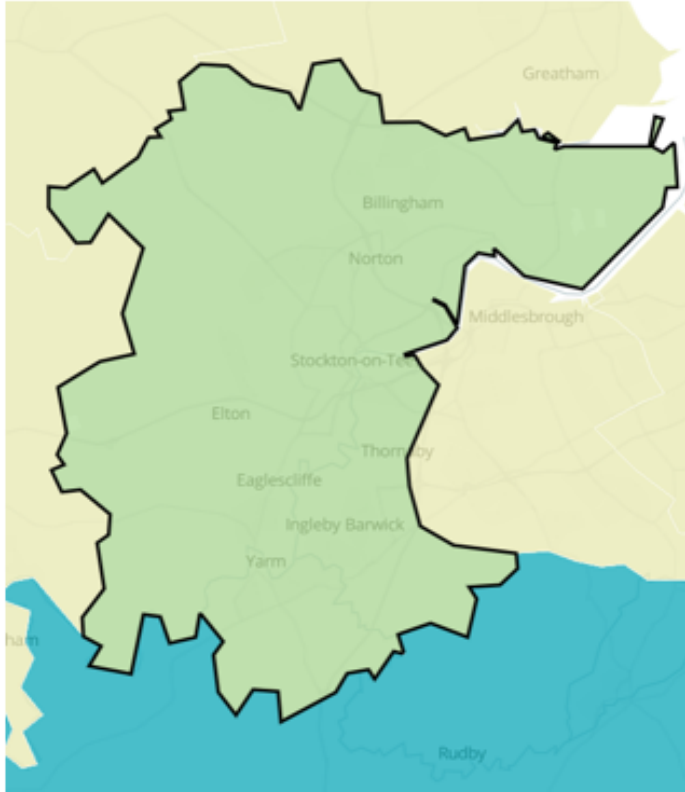
### Affordability ratio



1997

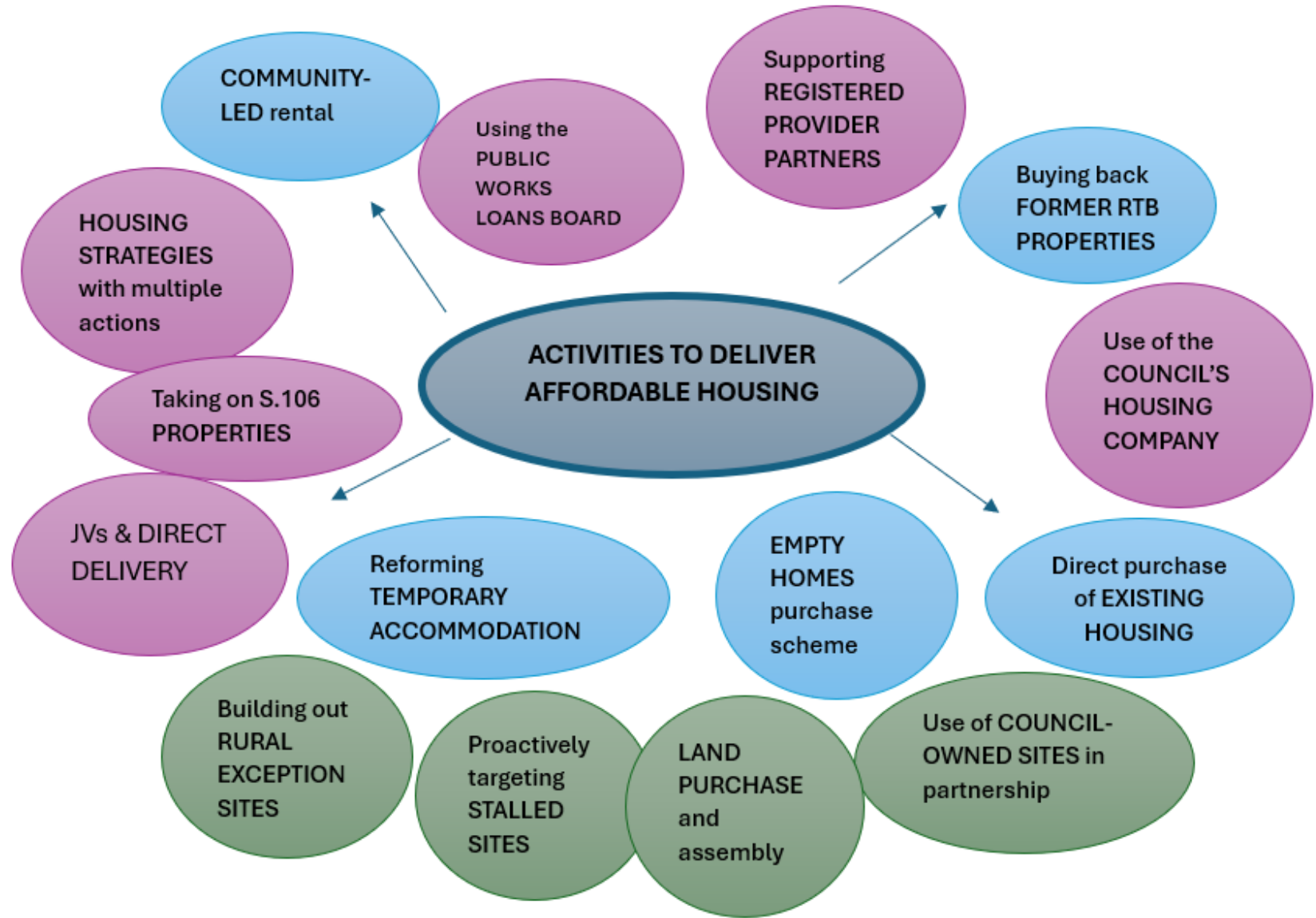


2023



**Affordability Ratio**

# Activities to deliver Affordable Housing



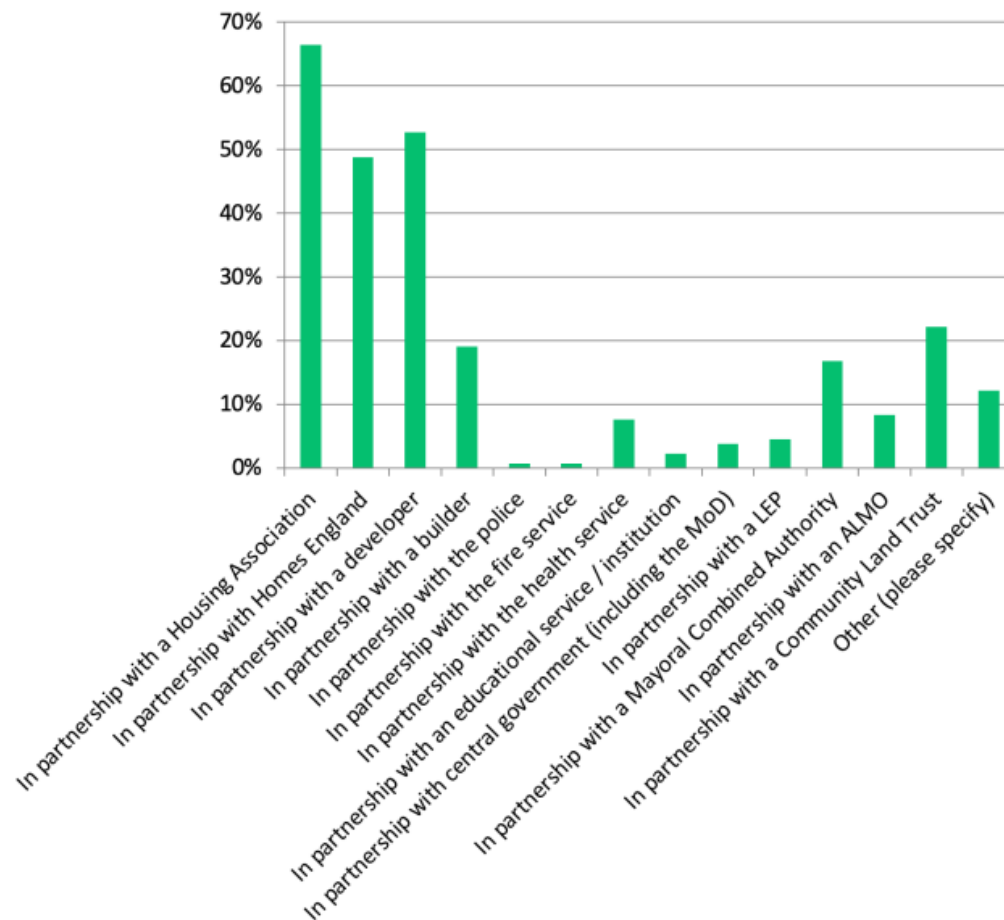
PARTNERSHIP WORKING is increasingly important.

Local authorities are using many different partnership arrangements to deliver affordable housing

- working in partnership with a HOUSING ASSOCIATION or with a developer
- partnership with HOMES ENGLAND
- COMMUNITY-LED housing organisations
- ONE PUBLIC ESTATE and other charities
- Working within a COMBINED AUTHORITY

Homes England now has a wider role – supporting mayors and local government to drive ambitions for new affordable housing as part of a wider social and economic regeneration.

**The importance of  
partnership**



Source UCL research January 2024



## Case Study

### Multi-action strategy



The Greater Manchester Authorities are exploring a growing diversity in the means of housing delivery.

The Manchester Housing Strategy (2022-2032) published in 2022 has four priorities:

- Increase affordable housing supply
- Work to end homelessness
- Address inequalities and create neighbourhoods where people want to live
- Address the sustainability & zero carbon challenges in new and existing housing stock

The headline target is to deliver 36,000 new homes including 10,000 new affordable homes by 2032. Greater Manchester is committed to finding ways through a problematic legislative and financial environment to maximise the delivery of social housing.

Activities include:

- Closer and stronger RELATIONSHIP WITH HOMES ENGLAND as the arm of Government charged with 'making homes happen'
- DRIVING UP RENTAL HOUSING STANDARDS – with a Good Landlord Charter acting against rogue landlords
- DRIVING UP NEW HOMES STANDARDS - Truly Affordable Net Zero Homes (TANZ) Best Practice and Innovation Working Group will seek out national innovation on net zero and MMC scheme targets.

## Case Study

## Multi-action strategy



Up to 2029, the council plans to deliver 3,100 affordable rent homes including 1,600 new builds and 1,500 acquisitions through s106 and the market.

The council has regenerated between 500-600 properties and has a joint venture with The Sheffield Housing Company.

The Housing Growth Service, has merged Housing into Planning, Infrastructure, Property, Regeneration and the Capital Delivery Service. All these services are now located together in the same office.

The new service is looking at using acquisitions strategies, leaseback models, joint ventures, partnerships with housing associations and utilising surplus land that the council owns, or intervening in private sector land assembly.



GREAT PLACES is a housing association primarily operating across the north-west and Yorkshire.

A collaborative effort between Sheffield City Council, Homes England, Great Places, other strategic partners and local housing providers has resulted in an action plan that could significantly increase the number of affordable homes delivered by the providers involved.

This builds on the South Yorkshire Housing Prospectus that local housing providers and South Yorkshire councils have co-developed.

It will have a huge impact on affordable housing provision in Sheffield and the wider South Yorkshire region, helping to ensure that there are enough homes of the right type and tenure to meet local needs



**Added value**

**A Combined  
Authority approach**

## Role of a Combined Authority in Affordable Housing

### UNDERSTANDING NEED AND DEMAND

- Generated by population growth and demographic changes
- Influenced by technology and drive for sustainability
- Shaped by market drivers and the economy

### SETTING STRATEGIC DIRECTION

- Driven by housing policy
- Statutory functions and plans of Local Authorities
- Regional focus across boundaries

### SUPPORTING SUPPLY AND DELIVERY

- Direct delivery of projects and interventions (private sector, registered providers and third sector partners)
- Influenced by planning, policy and standards

### ENABLING AND INVESTING

- Developing delivery models and vehicles
- Site unlocking through investment and acquisition
- Providing and accessing funding
- Convening partnerships

# Case Study

## A Combined Authority approach

### West Yorkshire CA's role in affordable housing delivery

- Delivered over 1,500 affordable homes in 2022/23
- Strategic Place Partnership with Homes England
- Brownfield Housing Fund for 5,400 homes
- Invested in resource and capacity across all five West Yorkshire local authorities to enable the delivery of over 22,000 homes
- Built a strong network of social housing providers through the West Yorkshire Housing Partnership, who collectively provide a fifth of all homes across the region.



### Affordable Homes for West Yorkshire – Points Cross



The scheme will build over 300 new, sustainable homes – 100% of which will be affordable.

The wider scheme will deliver 928 affordable and sustainable homes.

Funded by the government's Brownfield Housing Fund, once completed, the scheme will also deliver a 22% reduction in carbon against the requirements set out in the Building Regulation's.

This will contribute towards the Combined Authority's target for West Yorkshire becoming a net-zero carbon economy by 2038.

## Housing Associations typically use a mixed funding model to finance their operations and development

### Rental Income

The primary source of revenue for housing associations.

### Government Grants (such as AHP)

For new housing and land

### Capital Markets

Funds raised through capital markets by issuing bonds

### Private Finance

Borrowing from banks and other financial institutions

These diverse funding streams enable housing associations to expand their housing stock.

But Housing Associations face a perfect storm of mounting pressures from

- severely constrained financial capacity
- higher costs of finance
- rising building costs and commitments to remediate existing stock to meet building safety and decarbonisation requirements

All of which have reduced sector capacity to finance and develop new affordable homes.

# Housing Finance

## The essential elements

# INCREASING AFFORDABLE HOUSING THROUGH PLANNING

## Planning reform

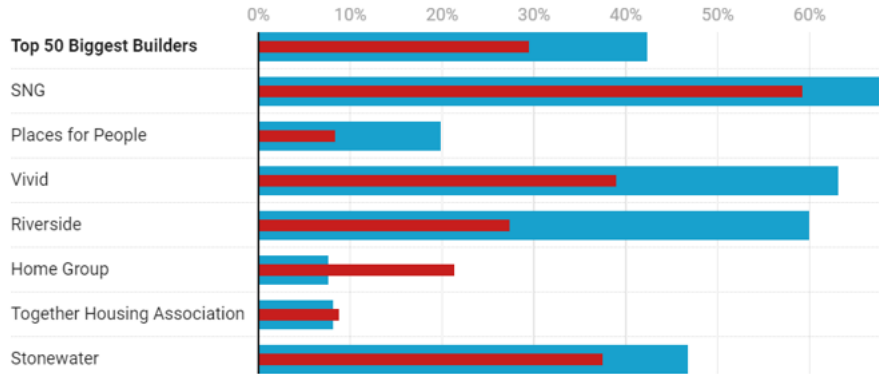
- Universal coverage of local plans
- Strategic planning
- Housing targets
- Green Belt and Grey Belt
- Growth supporting infrastructure
- Planning capacity and fees
- Focus on social and affordable housing
- ✗ Infrastructure Levy (improving s106 instead)
- ✗ First Homes

## The Golden Rules

*“..... at least 50% affordable housing, with an appropriate proportion being Social Rent, subject to viability”*

Other plans by the new Government relate to New Towns Task Force, New Homes Accelerator Task Force and new affordable housing programme.

■ Percentage of completions that were S106 in 2023-24 ■ Percentage of homes in 2024-25 pipeline that are S106



Source Inside Housing

# A declining market for Section 106

## SALFORD CITY COUNCIL – GOING FURTHER WITH S106

Salford City Council has attempted to be creative about the use of Section 106

- Through “CLAWBACK MECHANISM”
- Valuation teams RE-APPRAISE THE VALUE of developments
- STRONG INTERROGATION of the values and costs of development, to ensure any VIABILITY CLAIMS are valid.

*“We strive not just to understand the figures, but the calculations that sit behind them – including assumptions made by developers.”*

### What do Housing Associations say are the solutions to S106 demand?

#### Ranking of developer-led solutions to S106

1. Lower price for homes
2. Higher sustainability and energy efficiency
3. Improved build quality
4. Better design of space
5. Improved payment terms
6. Larger lot sizes (aggregating smaller S106 packages)

#### Ranking of solutions to S106 Demand

1. A fall in the cost of debt
2. A longer term rent settlement
3. Grant funding for S106
4. Tenure flexibility with S106
5. Flexibility in payment terms
6. Improved debt guarantees



# BROWNFIELD FIRST

How devolved brownfield funding can build a new generation of homes in the North

## CASE STUDY RAILWAY STREET, LEEDS

Through the BHF, the West Yorkshire Combined Authority has received a total of £89m to support the development of new homes on brownfield sites.

Railway Street is the first new-build development by 54North Homes, an affordable housing provider which manages over 3,500 homes across Yorkshire.

This will be a 100% affordable housing development, with all 58 homes being made available for social rent, addressing the urgent need for new affordable housing in Leeds.

Scheduled for completion in November 2024, the project also includes significant sustainability ambitions. All new homes will be built to an EPC A rating.

**Making the most of  
Urban Land**

## MEETING HOUSING DELIVERY TARGETS HAS BEEN A DOMINANT FOCUS OF HOMES ENGLAND SUPPORT THROUGH....

- the Land and Infrastructure Funds
- the Affordable Homes Programme (AHP)
- House Building Short Term Fund
- The Brownfield, Infrastructure and Land Fund (BIL) has been set up to support housing-led regeneration.

Planning reform will introduce a 'brownfield passport' to give a straightforward "yes" to development.

## CASE STUDY MOSS NOOK, ST HELENS

Moss Nook is a 95-acre brownfield site in St Helens, less than 2 kilometres from the town centre.

The site had previously been used for heavy industrial uses and extensive remediation was needed before any housebuilding could take place

The Liverpool City Region Combined Authority provided devolved brownfield funding.

It will deliver around 500 new homes.

The new chancellor announced plans to create a taskforce to “accelerate stalled housing sites in our country” in her first speech to the Treasury in July.

Making the most of urban brownfield land through the planning system should mean:

- bringing vacant and under-used brownfield sites into more productive use
- identifying where existing developed land would benefit from redevelopment, intensification or a change of use



Liverpool City Council is set to receive a £55m investment boost from Homes England to accelerate the regeneration of the city’s historic northern docklands

Central Docks is the city’s largest brownfield site.

The funding for this site, which is subject to final approval from HM Treasury, comes just a week after Rachel Reeves, MP, referenced the scheme in her first speech as Chancellor of the Exchequer in which she set out the new Government’s commitment to unlock stalled housing schemes.

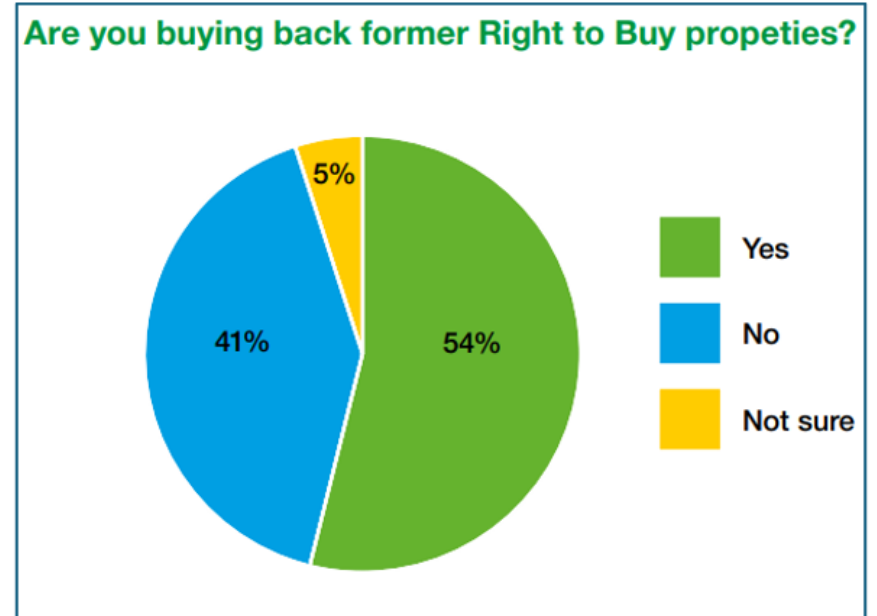
Liverpool City Council’ brownfield site commitment supports the delivery of 2,000 new homes every year to 2030 and to double the number of affordable homes across the city.

**Making the most of  
Stalled Sites**

# Making the most of Existing Housing

## EXISTING STOCK

- Using the existing housing stock more effectively has to be a priority
- It makes up over 99% of the stock of housing and we are unlikely to add more than 1% per annum of new stock.
- For many councils, affordable housing provision includes acquisition as part of an asset management strategy.
- There is an increase in councils buying back former RTB homes. Over half of all authorities are involved in buying back former RTB properties.
- This forms part of a strategy to provide temporary accommodation or for longer term estate management or regeneration objectives.



Source: UCL LA Direct Provision of Housing 2024

## Case study Manchester – allocations



Changes were made to the Allocations Policy in 2023 which now allows households to move into a Private Rented Sector property and keep their banding on the Housing Register.

In 2023-24 (the first full year with the changes to the Allocations Policy), the annual net cost of TA was £22.7m – 5% lower than in 2022-23.

The drop in costs was mainly due to the large reduction in both families and individuals living in B&Bs.

As of March 2024, there were just 4 families in B&Bs (which had historically peaked at 227) and 31 singles (which had peaked at 581). These reductions have been achieved via targeted support assessing each case on an individual basis. This has been directed at people in B&B and those sleeping rough which has been in place from the beginning of 2024.



A National Acquisition Programme – backed by £60m from the Affordable Housing Supply Programme – is one of a number of actions the Scottish Government will prioritise in 2023-24 to help to reduce the number of households in temporary accommodation.

All local authorities will be asked to consider their policy position on acquisitions and develop an acquisition policy.

## LEEDS AFFORDABLE HOUSING - ACQUISITIONS

The Leeds Affordable Housing Growth Partnership Action Plan aims to deliver c750 new affordable homes pa up to 2025.

The delivery programme consists of

- New build developments and
- Acquisitions mainly of ex-Right to Buy (RTB) stock

In total, acquisitions make up roughly one third of the council's housing growth plan

Leeds does not currently use an arms'-length development company or joint venture model but has commissioned work through the West Yorkshire Combined Authority to look at a range of delivery models.

RtB receipts are also used to support RP schemes, and specialist providers e.g. the charity LEEDS ACTION TO CREATE HOMES (LATCH) utilising RtB receipts to acquire vacant properties for use as affordable homes.



**Leeds**  
CITY COUNCIL



## Liverpool City Council – Community-led schemes

LCC supports initiatives brought forward by voluntary and community groups for tackling empty homes. LCC transfers properties it previously acquired to CLH organisations for £1. It also provides advice and support. Partner housing associations provide strategic and management support. North West Housing Services provide management services to over 25 co-operatives in Liverpool.

**Making the most of  
Existing Housing**

### Challenges

- Inflation & construction costs
- Financial viability of schemes
- Homelessness and demand for temporary accommodation
- Right to Buy
- Climate change goals & design quality
- Capacity within planning

### Objective

**INCREASED  
FOCUS ON  
AFFORDABLE  
HOUSING**

### Opportunities

- Partnership driven approaches
- Establishing a development co.
- A direct delivery programme
- Work with Homes England
- MCA Powers
- Link to wide objectives, place making and regeneration
- Collaboration within councils
- Acquisition of housing

**Key issues/trends  
for local authorities**





## **The NHC's plan to 2035**

Our offer to UK Government and Parliamentarians is to work with you and our members to:

1. Build new social homes and transform the North's communities – creating great places where people love to live.
2. Create a new generation of green jobs in housing – getting the North's existing homes to net zero, making them warm, dry, and energy efficient.
3. Make sure everyone across the North has a good quality, safe home – upgrading social and private rented homes to help people create the lives they want in the places they call home.

# THANK YOU FOR LISTENING

 @NHC  Northern Housing Consortium  
[www.northern-consortium.org.uk](http://www.northern-consortium.org.uk)