

Boosting affordable housing supply: the challenges ahead

JUNE 2017

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Introduction

As part of a project for a housing association in the South of England, HQN recently carried out a small survey of councils and registered providers. Although the response rate was limited, the findings highlight some major challenges ahead for the delivery of new affordable housing. Nevertheless, the outcome of the general election may provide a window of opportunity for councils and housing associations to work together constructively, as national government's attention is fixed on other issues.

National perspective: from dreams into reality?

There is a consensus that we must boost affordable housing supply. The government's housing white paper in February, together with the election manifestos of the main political parties, reflected this implicit agreement. But there was little new said on turning these wishes into reality. This is especially worrying as there are potentially disturbing trends with existing mechanisms.

What future for planning agreements?

Despite growing concerns this decade over the use of planning agreements for delivering affordable housing, our survey demonstrated that this approach has so far been holding up well:

- For the majority of housing associations, between 50-70% of affordable housing is provided through planning agreements
- Generally, from a council perspective, planning agreements have been successful in providing between 20-40% of affordable housing, and there are examples where over 60% was achieved
- However, virtually all respondents expressed disquiet over future prospects. Interrelated factors included:
 - Reduced proportions of affordable housing provision on planning agreement sites because of viability issues raised by housebuilders
 - Growing interest in alternative and new types of housing provision through planning agreements such as 'rent to buy', rather than affordable rented housing
 - Willingness on the part of some developers to opt for commuted sums in planning agreements that, consequently, are not necessarily used for direct affordable housing provision.

Furthermore, some respondents expressed concern that the government's review of the Community Infrastructure Levy and planning agreements might further reduce the role of affordable housing in favour of other infrastructure facilities.

Finally, there is some evidence from the survey and follow-up interviews that medium-sized housing associations are being squeezed in planning agreement negotiations as there is increasing competition from large players (ie, national housing associations and housebuilders with their own affordable housing subsidiaries).

Local housing companies

All of the councils that responded to the survey either have put in place or are considering setting up a local housing company or a local development vehicle. But housing associations have hardly been involved in any of the discussions.

As with other research on this topic, each is different (but all are small scale at this stage). Examples include:

- New market rent and owner-occupied properties that will generate a surplus that can be used to support council services (eg, social care) and in some cases affordable housing provision
- Purchasing existing property for affordable housing
- Intermediate housing at a local living wage rent.

One respondent summarised this approach as filling a gap in the market but not making significant inroads into the shortage of affordable housing.

Who will be housed?

It was implicit in the survey response that the majority of affordable housing provided through planning agreements and local housing companies will be affordable rent (80% of market rent) and shared ownership products. In addition, there was a growing interest in providing rented property at a living wage rent. In basic terms, this would be at a third of average gross household incomes and at two-thirds to three-quarters of market rents. The stark conclusion is that there is unlikely to be much provision of new social rented properties.

Impact of welfare changes

This raises challenging issues as the survey also highlighted the impact of welfare changes. A key message was the difficulty of modelling the cumulative effects of past, current and future changes on household incomes. Nevertheless, three changes were frequently emphasised:

- Roll-out of Universal Credit and its impact on tenants and on housing organisations' rent arrears
- Local Housing Allowance (LHA) rate on the social housing sector, with a number of respondents pointing out that in some areas rents drastically exceed the LHA

■ Overall benefit cap.

One respondent argued that low income households will increasingly find affordable rent and social rent properties 'out of their grasp' and, furthermore, 'the development culture is focused on intermediate market products'. Clearly, the prospects for these households is potentially dire.

What should we do?

It would be easy to adopt an agenda of doom and despair. There is, however, a window of opportunity as national government, following the general election, is unlikely to prioritise taking forward various measures in the housing white paper. Councils and housing associations have the opportunity to take leadership of the local housing agenda and work collaboratively. This ought to include:

- Setting a framework for the future of planning agreements and their delivery, including clarity on the types of affordable housing provision
- Broadening discussions on local housing companies and local delivery vehicles to explore how the expertise of housing associations could be utilised to scale up output
- Reinvigorating joint working between housing associations so as to avoid unnecessary competition.

About the author

Tim Brown BSc(Hons), Dip TP, PhD, MCIH, MeRSA, FRSA, is a qualified town planner and a corporate member of the Chartered Institute of Housing. He is an independent consultant and a Senior Research Associate in Housing and Local Government at De Montfort University. He was previously Director of the Centre for Comparative Housing Research. He is a board member of a major East Midlands housing association and previously was chair of a number of housing associations, a director of two social enterprises and a member of Coventry Partnership. His main areas of expertise are boosting housing supply, health and social care, estate regeneration, devolution and housing policy and social housing allocations systems. Current projects include work on housing and safeguarding and the private rented sector.