

Affordable Housing Note

Housing and Homes Overview & Scrutiny Committee - 14 November 2017

Birmingham's affordable housing need

The Strategic Housing Market Assessment (2012), which forms part of the evidence for the Birmingham Development Plan (BDP), established that the city's affordable housing requirement would be 38% of the city's overall housing requirement over the plan period. Applying the 38% affordable housing share to the overall BDP housing requirement for 51,100 dwellings gives an affordable housing requirement of 19,400 dwellings.

The strategy for meeting affordable housing need

Direct provision

Over the BDP period, affordable housing providers, including the Birmingham Municipal Housing Trust, registered social landlords and housing associations, are likely to provide about 9,000 new affordable dwellings net (after allowing for the demolition of around 5,000 older or unsuitable dwellings) from their own development programmes. (Source: The Council's Housing Targets 2011-31 Technical Paper, September 2013). The BDP Planning Inspector considered that this was a reasonable estimate, having regard to recent trends.

Affordable housing policy

In addition to this direct provision, the City Council has adopted an affordable housing policy which is consistent with the current National Planning Policy Framework. The Framework requires that policies are sufficiently flexible to take account of changing market conditions over time and that Plans are deliverable.

Policy TP30 of the BDP seeks a 35% affordable housing share from all other developments of 15 or more dwellings, subject to viability. Where the applicant considers that a development proposal cannot provide affordable housing in accordance with the policy, for example due to abnormal costs or changing economic conditions, the viability of the proposal will be assessed using a viability assessment tool as specified by the City Council.

The City Council requires viability assessments to follow RICS guidance using a standard assessment tool so that they are assessed in a transparent and consistent way. The Council undertakes an independent assessment of the developer's financial appraisal, paid for by the applicant. In the last two years, the City has negotiated in excess of £4million of extra s106 contributions from that which was initially offered by applicants.

Evidence submitted at the BDP examination showed that the policy would deliver about 10,500 affordable homes over the Plan period, based on the proportion of sites over the 15-dwelling threshold identified in the then-current 2012 Strategic Housing Land Availability Assessment. In addition, it is reasonable to assume that affordable housing would be provided on most windfall sites above the threshold.

The City Council has a long term planning and regeneration strategy which aims to improve housing environments and neighbourhoods, which will ultimately have a positive impact on local housing markets, making areas more attractive to invest and improve the viability of development.

Current delivery

The current rate of delivery of new homes from 2011-2017 is shown in the Table 1. This shows completions for all homes and for affordable homes against the annual requirement.

Table 1: Completions against requirement

Year	Annual housing requirement	Annual affordable requirement (38%)	All dwellings completed	Affordable dwellings completed	% of requirement met	% of completions affordable
2011/12	1,650	627	1,187	597	95.2	50.3
2012/13	1,650	627	1,372	445	71.0	32.4
2013/14	1,650	627	1,598	346	55.2	21.7
2014/15	1,650	627	1,809	545	86.9	30.1
2015/16	2,500	950	2,977	427	45.0	14.3
2016/17	2,500	950	1,944	397	41.8	20.4
Total	11,600	4,408	10,887	2,757	62.5	25.3

Table 2: Completions by Tenure and Delivery Mechanism

Year	BMHT	Section 106				RSL/Other	Total
		Rent	Discounted Market	Shared	Other		
2011/12	170	70	31	9	0	317	597
2012/13	117	168	25	27	0	108	445
2013/14	207	42	31	60	0	6	346
2014/15	336	94	34	65	0	16	545
2015/16	253	65	0	0	10	99	427
2016/17	202	45	12	37	41	60	397
Total	1,285	484	133	198	51	606	2,757

We have delivered 62.5% of our affordable housing requirement for 2011-2017.

Of the total number of new homes completed in 2011-2017, 25.3% have been affordable.

Key issues

1. **Developer Contributions** - Affordable housing is one of many potential s106 obligations that a developer would have to provide to support new development e.g. open space, education, community facilities. Prioritising affordable housing above all other developer contributions may not be acceptable in all cases and the planning obligations sought will need to be related to the form of development and its potential impact on the site and surrounding area.

2. **Viability Assessments** – A recent Shelter report criticises national planning policy which they say has allowed the widespread use and abuse of viability assessments to slash affordable housing numbers using viability assessments.

Birmingham City Council has adopted an affordable housing policy which is consistent with the current National Planning Policy Framework. This requires that policies are flexible to take account of changing market conditions over time and that Plans are deliverable.

Financial viability assessment plays an important role in housing delivery and the Council has a rigorous and robust process in place. Where a proposal does not provide affordable housing in accordance with our policy, a viability assessment is required to be submitted following RICS guidance and a standard viability assessment tool. The calculations use appropriate land values, not the price paid for the land as stated in the Shelter Report. If it is determined that any other assumptions are not reasonable, this will be challenged with the developer and, increased contributions are subsequently secured.

The Council undertakes an independent assessment of the developer's financial appraisal, paid for by the applicant. In the last two years, the City has negotiated in excess of £4million of extra s106 contributions from what was initially offered by applicants.

Refusing planning applications which do not provide 35% affordable housing would risk the Council losing planning appeals and potentially being charged costs, if decisions made were not consistent with the adopted plan. This approach would also impact on overall housing delivery, putting the Council in a potentially weak position when Government introduces the Housing Delivery Test in 2018, which would see penalties for under-delivery.

3. **Funding** - The undersupply of affordable housing is an issue across the country, not just in Birmingham, which go back decades, due in a large part to the reductions in public grant available and financial restrictions placed on local authorities. The ability of the affordable housing sector to fund development has been further constrained by the introduction of 1% rent reductions for a four year period. This has an impact on the ability of providers to service debts for development investment.
4. **Housing mix** - While it is important to provide sufficient numbers of additional homes it is also important to ensure that the homes provided are of the types, sizes and tenures that are required to meet identified needs. The city's affordable housing policy allows the level of developer subsidy to take account of the types and sizes of dwellings proposed. The City Council may seek to negotiate with the developer in order to revise the mix of affordable dwellings (for instance to secure additional larger dwellings) or to adjust the level of subsidy on individual dwellings (a higher subsidy may be required in high value areas). Where such negotiations impact on the number of affordable dwellings secured the level of developer subsidy should be unchanged.

Increasing affordable housing delivery

1. **Increase City Council house building.** BMHT makes an important contribution to affordable housing delivery building over 2,500 new homes since 2009 and will undertake an ambitious programme to build a further 2,500 over the next 5 years.
2. **Increase housing delivery.** As the required annual rates of provision increase, continuing to meet the BDP delivery trajectory will require all developers, including the City Council and private sector house builders, to increase provision even further. Increasing overall housing provision will help to increase the number of affordable housing delivered. Key to this is maintaining a healthy pipeline of housing supply with a portfolio of sites attractive to a wide range of developers such as the Langley Sustainable Urban Extension, which will include a major injection of affordable homes.
3. **Change market conditions.** The City Council has a long term planning and regeneration strategy which aims to improve housing environments and neighbourhoods, which will ultimately have a positive impact on local housing markets, making areas more attractive to invest and improving the viability of development.

Other Questions from the Committee

QUESTION 1: How are Housing and Planning & Regeneration working together to ensure houses are being built in the right areas – i.e. where people want to live and where communities can be fostered?

Housing and Planning & Regeneration work closely to carry out their functions in relation to planning, housing, development and regeneration. There is a wide range of existing and emerging policies/ strategies and projects/ programmes which demonstrate the effectiveness of this close working relationship. These include, but are not limited to:

Policy/ Strategy

- **The Birmingham Development Plan** is a city wide document that has been prepared over a number of years in collaboration with the whole range of council departments. The provision of a sufficient quality and quantity of housing to meet the City's growing population is a central part of the strategy of the BDP. It sets out a clear spatial strategy for growth which focuses development in sustainable locations supported by infrastructure, re-using existing urban land, and promotes the development of sustainable neighbourhoods characterised by a strong sense of place, high standards of design and environmental sustainability. To put it simply, the Plan provides clear guidance on where new housing should be located and the type of housing and environments that should be created to support sustainable neighbourhoods.
- **Other Development Plan Documents and Supplementary Planning Documents/ Frameworks** have been developed with Housing colleagues where relevant. Notably these includes the Affordable Housing SPG and area-specific frameworks e.g. Greater Icknield Masterplan, Bordesely Area Action Plan, Langley SPD etc.

- **The Housing Strategy** sets out Birmingham’s housing vision, priorities and direction of travel to create great places to live. The document has been led by Housing Strategy with input from Planning and Development.

Housing Regeneration

- The regeneration and renewal of existing housing estates is a good example of how Housing and Planning and Development actively work together to transform environments and improve the housing offer. For example at **Bromford Estate, Newtown, Kings Norton Three Estates and the Meadway**.
- In each of these cases, dedicated project teams including planning and housing officers have worked together to undertake masterplanning, public consultation, and supported each other at Planning or Housing CPO Inquiries to acquire and assemble land to enable comprehensive redevelopment.

Housing Development

- **Birmingham Municipal Housing Trust.** Housing Development sits within the Economy Directorate and new build housing is delivered through a multi-disciplinary team of a planner, urban designer, housing development and transport officers to develop a detailed planning application. By securing planning detailed planning permission upfront, and using an innovative financial model which allows the developer to ‘build now and pay later’, cuts risks and upfront costs of development. The integrated design, planning and delivery process has also ensured that the council can make a robust and timely contribution to provision of new affordable homes. The BMHT Housing Delivery Plan and Programme is developed and approved by the Economy Directorate Management Team.

Self and Custom Build Housing

- **Self and Custom Build Housing.** Housing and Planning have worked together to identify individuals and groups interested in Self and Custom Build (SCB) housing through maintaining and monitoring a SCB Register. We have proactively sought to meet demand on the register, and working with Property, secured Cabinet approval in July 2017 to sell land suitable for SCB developments to applicants who are on the register. A further report is scheduled to be reported to Cabinet in November to approve the marketing and negotiating of terms for the disposal of several sites for SCB.

QUESTION 2: Building standards/procurement – how are decisions made on construction/materials etc. and how are robust safety standards ensured?

Building standards are set out through Government legislation in the form of Building Regulations. New homes built by the Council through BMHT exceed Government requirements in terms of space and quality standards.

QUESTION 3: £2 billion boost for affordable and social housing - members may ask about Theresa May’s announcement promising an extra £2bn a year for social housing.

On 4 October 2017 Government announced that funding for affordable homes will be increased by a further £2 billion to more than £9 billion. With a typical £80,000 subsidy, this £2 billion investment could supply around 25,000 more homes at rents affordable for local people.

We have no further information on this programme, but our ambition would be to draw down as much grant as possible to support the BMHT programme.