
Report to: Transport and Infrastructure Scrutiny Committee

Date: 9 March 2023

Subject: **Affordable Housing**

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1. Purpose of this Report

- 1.1. The purpose of this report is to update the Committee on progress towards the Mayoral pledge to deliver 5000 sustainable and affordable homes.

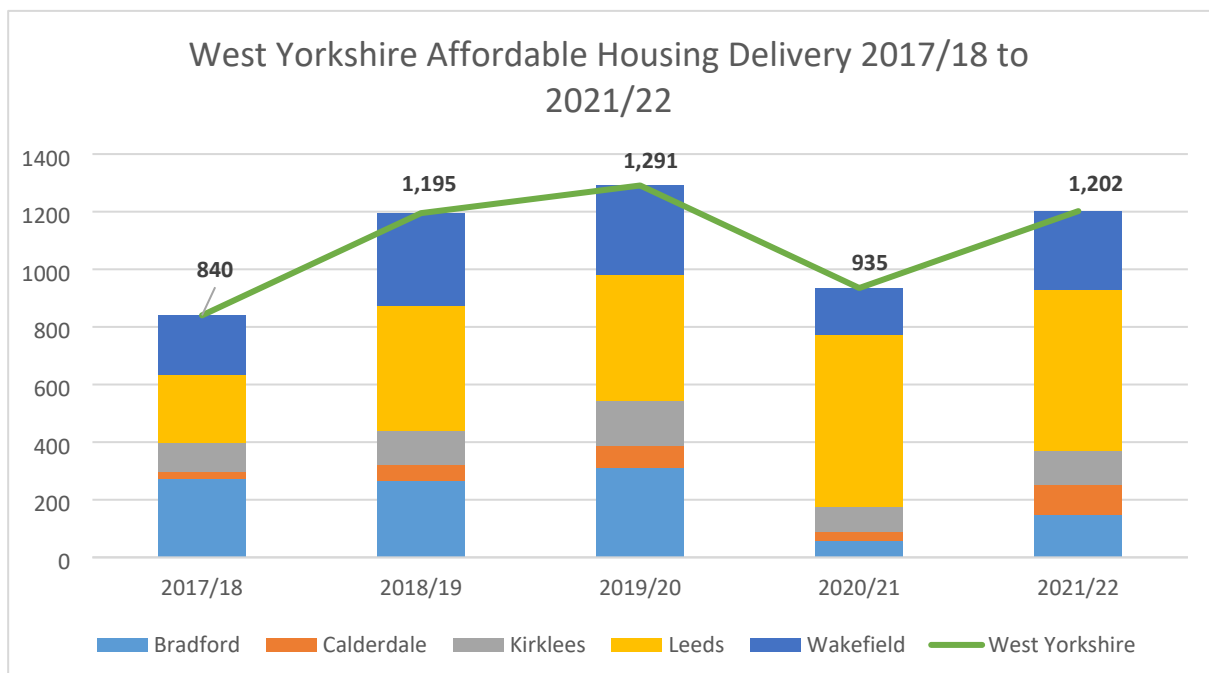
2. Information

Background

- 2.1 The Mayor has set a headline pledge to deliver 5000 affordable and sustainable homes. The pledge is delivered across several workstreams led by the Combined Authority, Local Authorities and our partners. It is important to note that the statutory duties regarding housing provision are the responsibility of Local Planning Authorities. Therefore the Combined Authority's role is to support our Local Authority partners in delivering housing that meets the needs of people and communities in the region.
- 2.2 The Combined Authority monitors the delivery of affordable housing on a biannual basis. As well as monitoring past delivery, this includes projecting the affordable housing supply pipeline where possible, however it is noted that pipeline supply is challenging to forecast, particularly in terms of S106 affordable housing delivery that is subject to planning conditions.

Past delivery trends

- 2.3 The Combined Authority has published the Leeds City Region Housing Annual Monitoring report in December each year which includes collecting data from each of the Local Authorities on the gross number of affordable homes delivered. The most recent report was published in December 2022. The chart below shows the delivery of affordable housing in West Yorkshire over the last five years.



- 2.4 West Yorkshire has experienced a gradual increase in the delivery of affordable homes in the region, with the exception of 2020/21 as a direct result of the Covid-19 pandemic and subsequent lockdown periods leading to significant construction delays. Whilst delivery in 2021/22 shows affordable housing completions returning towards pre-pandemic levels, it also highlights that further work is required to increase affordable housing supply.

Affordable housing pipeline

- 2.5 The West Yorkshire Housing Partnership (WYHP) was established in October 2020. It was created to provide a single point of access for all social housing related policy and delivery in the devolved West Yorkshire region. WYHP has 14 members – 12 housing associations and two stock holding Local Authorities – Leeds and Kirklees. It is important to note that WYHP does not represent all Housing Associations that are active across the region. As an independent body, it is at the discretion of WYHP and individual organisations if they wish to join the partnership.
- 2.6 The WYHP provide biannual updates on affordable housing supply and delivery. In addition, Homes England supply the Combined Authority with a biannual update on the number of affordable homes they expect to be delivered through their Strategic Partnership (SP) and Affordable Homes Programme (AHP) funds.
- 2.7 As WYHP do not represent all developing Housing Associations in the region, it is not possible to provide the pipeline for organisations that are not members. In addition, Homes England only monitor the pipeline for homes that will be delivered using SP or AHP funding. This means that it is particularly challenging to predict Section 106 affordable housing delivery as this is negotiated through the planning process based on viability. Therefore, the forecast could increase or decrease over the period.
- 2.8 The figures are complex to monitor and partners are highlighting the current economic pressures they experiencing are a serious risk to delivery which have recently intensified in the context of inflation, supply chain and economic uncertainty.

2.9 The next round of monitoring will be taking place in March giving an up-to-date projection for delivery against the Mayoral target.

Risks to delivery

2.10 The pipeline highlights the challenges associated with delivering the Mayoral housing pledge and the difficulty in providing accurate pipeline forecasts. This is perpetuated by significant delivery risks, particularly in the current economic climate and market volatility. The key risks for the Committee to take note of include;

- Construction costs are rising both due to continuing supply issues and inflation leading some schemes, where viability was already a concern becoming increasingly challenging and unviable for developers to take forward.
- Construction companies are unable to hold tender prices due to volatility in prices impacting on tendering processes and certainty of costs.
- Rising interest rates impacting the cost of development borrowing.
- Appetite and ability of public to purchase/secure mortgages.
- Some evidence is beginning to show some developers/landowners are marketing sites for sale rather than developing.
- Planning authorities are under-resourced which leads to some delays in decision making delaying decision making subsequently having an impact upon starts on site.
- The 7% cap on social housing annual rent increases, which is significantly below current levels of inflation, mean that some providers may need to review their growth plans and this may impact their ability to raise finance to deliver the current projected funds.

2.11 Whilst the risks highlighted are out of the Combined Authorities direct control, work is ongoing to mitigate risks where possible through continuous engagement with Local Authority partners and Homes England as well as with private partners such as the WYHP. In addition, Combined Authority programmes as described below are seeking to maximise affordable housing outputs where possible and provide technical advice across a range of pipeline sites to estimate costs and viability. Whilst this is ever changing in a turbulent market, this is helping to provide up to date figures where possible.

Combined Authority Workstreams

2.12 There are several Combined Authority workstreams seeking to assist partners in maintaining their affordable housing delivery pipelines and working with Local Authorities to maximise S106 contributions where it is viable to do so. An overview of these workstreams is provided below;

Housing Pipeline Revenue Fund (HPRF)

Overview

- 2.13 The Combined Authority secured £3.2m of revenue funding through the West Yorkshire Devolution Deal. The funding is to develop projects within the housing pipeline from concept to feasibility, preparing projects for investment and delivery. The programme was endorsed by the Investment Committee on 8th June 2021 and approved by the Combined Authority on 29th July 2022.
- 2.14 There are four broad areas of work that are supported by the funding as follows; regional resource and capacity, technical advice and support, local resource building and programme management. A prioritisation exercise was carried out at the outset of the programme, although pipeline sites are subject to planning approvals, sites with a higher potential or commitment from partners to deliver affordable homes were given higher priority.

Progress to date

- 2.15 The HPRF programme has provided direct support to Local Authorities to add much needed resource and capacity to develop pipeline sites. The programme has supported over 64 projects helping to progress sites that will deliver over 20,000 homes of which at least 3,000 are expected to be affordable (however it is expected this will increase as sites move closer to delivery and planning conditions are agreed).
- 2.16 The HPRF programme entered the final delivery quarter from January 2023 to March 2023 when the programme will close. The programme spend to date is £2.2million with a further £1million allocated and committed through to March 2023. The programme is fully committed.
- 2.17 When the programme comes to an end, an impact assessment and evaluation of the current programme will be carried out. This will inform the development of a future business case to build on the programme and continue to support and de-risk key pipeline sites, subject to the Combined Authority's assurance process.

Brownfield Housing Fund

Overview

- 2.18 The Brownfield Housing Fund (BHF) is a £89m capital fund to support the development of new homes on Brownfield sites in West Yorkshire that have market failure, with homes to be started on site by March 2025. The aim of the BHF programme is to boost the delivery of homes by bringing more brownfield land into development through easing the viability issues that many brownfield land projects face often due to high remediation and abnormal costs.
- 2.19 The Department for Levelling Up, Housing and Communities (DLUHC) set the high level objectives of the fund including ensuring that all projects represent good value for money, are Green Book compliant with a benefit cost ratio of 1. Schemes also need to demonstrate market failure (i.e. they could not deliver without public sector intervention). Assessment of any viability gaps, security and overage relating to each scheme are developed as part of the potential agreements with private sector developers delivering the schemes. Due diligence is also being carried out on each potential recipient of Combined Authority funding, as well as establishing the schemes' sustainable, inclusive and/or affordable housing credentials.

Progress to date

- 2.20 An initial sift of the strategic housing pipeline was undertaken to identify projects that could demonstrate the ability to meet the criteria set by the Government and that were in investment ready position. There were no projects that could meet the criteria from the strategic pipeline, therefore projects were identified through two calls for projects which stimulated the market and developers to bring forward project proposals. Alongside meeting the requirements set by Government, the BHF programme seeks to maximise affordable housing contributions and project contributions to the regions net zero carbon ambitions wherever possible.
- 2.21 The BHF programme is a live pipeline where project priority and ability to deliver is continuously reviewed. Current economic pressures and rising inflation costs are leading to some project delays and delivery uncertainty as promoters are revisiting cost estimates to revise business cases. The risks outlined in section 2.10 of this report are also relevant to delivery of the BHF programme.
- 2.22 Given the time-limited nature of the fund, priority is given to those projects that can demonstrate delivery of homes promptly and can successfully navigate the assurance process. Additional priority is given to those projects that are able to deliver affordable homes and several projects within the pipeline are being delivered by our Registered Provider partners.

Homes England Strategic Place Partnership

- 2.23 In recognition of the shared ambition to drive forward good quality housing growth, the West Yorkshire Devolution Deal set out a commitment to develop a Strategic Place Partnership (SPP) between the Combined Authority and Homes England to build and strengthen collaborative working across the region. Collectively, West Yorkshire Combined Authority and the Local Authority partners have demonstrated that West Yorkshire meets the criteria for establishing a Strategic Place Partnership with Homes England. This has been strengthened through our joint working including the development of the joint Strategic Housing Pipeline, driven by the application of the Housing Revenue Fund demonstrating the scale of opportunity for housing growth and regeneration across the region.
- 2.24 Homes England, the Combined Authority and Local Authority partners have a shared ambitions to boost the delivery of affordable homes and this is recognised in strategic objective three of the SPP *'Improve the supply of good quality and affordable homes providing greater choice and opportunity for people to access a home in West Yorkshire that meets their housing need.'* A delivery plan is being developed to underpin the SPP which will set out collective actions towards the objective.
- 2.25 The SPP is proposed for approval at the Combined Authority meeting on 16th March 2023 where the final version of the Partnership Business Plan will be shared. The SPP is then expected to be formally launched in May 2023.

3. Tackling the Climate Emergency Implications

- 3.1. The activity to support the housing pledge seeks to maximise opportunities to deliver net zero carbon housing wherever possible. In some circumstances that is directly through exploring retrofit solutions to existing stock and in other circumstances that is through our revenue and capital programmes which prioritise projects that will have a low carbon impact.

4. Inclusive Growth Implications

- 4.1. The focus on affordable housing will support inclusive growth across the region. Supporting pipeline development and delivery through capital programmes will enable faster delivery of much needed new homes including a proportion of affordable and higher quality, better insulated homes with subsequently lower running costs for residents. Particularly in the context of the current cost of living crisis, ensuring housing is affordable is a key priority across the region and for our Local Authority partners.

5. Equality and Diversity Implications

- 5.1. Many of the most challenging housing market areas in the region are within the most deprived locations. A focus on delivering affordable and sustainable homes in the right places means that our investment and strategies are focussed on delivering outcomes to ensure good quality housing is available for all. To that extent, equality and diversity implications are embedded within the pledge delivery and integrated across the items outlined in this report to ensure fairer access to housing across the region.

6. Financial Implications

- 6.1. There are no financial implications directly arising from this report.

7. Legal Implications

- 7.1. There are no legal implications directly arising from this report.

8. Staffing Implications

- 8.1. The housing workstreams are led collectively between the Combined Authority, Homes England and the Strategic Place Officer Group. Local Authorities have each contributed officer time and commitment to developing the workstreams alongside the CA and Homes England which is key to ensuring the strategic outcomes and actions are embedded and supported across the region. Officer time and support is gratefully received.

9. External Consultees

- 9.1. No external consultations have been undertaken.

10. Recommendations

- 10.1 That the committee notes the report and provides any feedback and comments.

11. Background Documents

None.

12. Appendices

None