

East Herts Council Report

Executive

Date of meeting: 5 January 2021

Report by: Councillor Peter Boylan, Executive Member for Neighbourhoods

Report title: Affordable Housing Research and Overview and Scrutiny Review

Ward(s) affected: All

Summary

This report summarises the key conclusions and recommendations made by the Housing Quality Network based on their independent research into the delivery of affordable housing in East Herts. It is proposed the HQN's report is drawn upon as the council reviews its strategies and policies concerned with the delivery of affordable housing.

In addition, the report presents the recommendations stemming from work carried out by the Overview and Scrutiny Committee at around the same time as HQN's study. Approval of the recommendations is sought as the actions identified by the Overview and Scrutiny Committee provide a way to immediately begin to embed the HQN's finding into the council's day-to-day work with developers and registered providers.

RECOMMENDATIONS FOR EXECUTIVE:

- a) that the report into Affordable Housing produced by the Housing Quality Network be used to inform the identification of options for further enhancing the supply of affordable housing informed by local needs**

- b) that the Head of Housing and Health, acting in consultation with the Executive Member for Neighbourhoods, draws on the HQN report's findings when revising the council's Housing and Health Strategy and Tenancy Strategy for consideration by Council in due course in 2021/22**
- c) the Overview and Scrutiny (O&S) Committee's recommendations, presented in section 3, for enhancing the council's working arrangements with registered providers be approved.**

1.0 Proposal(s)

- 1.1 Earlier in 2020, the council selected the Housing Quality Network (HQN) to conduct a major study of options available to the council to enable a continued supply of affordable housing that would address local needs.
- 1.2 The report of this independent research, provided to the council in November 2020, draws a number of conclusions and presents a series of issues for the council when considering how best to deliver affordable housing which addresses the specific local characteristics of housing need.
- 1.3 This report to the Executive proposes that the findings in the Affordable Housing Research be used to inform the identification of options for further enhancing the supply of affordable housing in line with local needs. Furthermore, it is proposed that the Head of Housing and Health, working in consultation with the Executive Member for Neighbourhoods, draws on the report when reviewing and redrafting the council's Housing and Health Strategy and Tenancy Strategy ready to present to Council for approval in due course during 2021/22.

2.0 Background

- 2.1 In early 2020, the council tendered for a suitably qualified, independent and experienced consultancy to conduct a

major piece of work into the future delivery of affordable housing in the district.

- 2.2 The Housing Quality Network (HQN) was selected and conducted their research over the summer months. The research approach included:
- a desktop analysis of local policies
 - a review of national policies and independent research
 - local housing affordability modelling
 - a discussion with the executive member for neighbourhoods
 - a workshop with a small number of cross party group of members
 - a workshop with senior officers from across the council.
- 2.3 The HQN report contributes to the process of starting to review the council's Housing and Health Strategy and Tenancy Strategy in 2021/22, with particular reference to reviewing the council's approach to facilitate the development of affordable housing strategy in the district. It is likely that the report's findings will also inform future review of the council's planning policies.
- 2.4 The three overarching aims of the project were to review the nature of housing need in East Herts, analyse the range and relevance of different affordable housing products and consider the options and delivery mechanisms to boost the scale and range of new affordable housing provision in the district.
- 2.5 HQN's review of local policies and the local housing market highlighted a number of interrelated issues including:
- boosting new supply, including affordable housing
 - balancing new market provision and affordable housing provision

- balancing new affordable rent and low-cost home ownership
- in the case of affordable homes for rent – the balancing of higher numbers with higher rents and lower numbers with lower rents
- balancing quality with quantity of housing provision.

2.6 The research noted the national affordable housing policy increasingly supports low-cost home ownership rather than affordable homes for rent. This is reflected, for example, in the Planning White Paper and the proposals for interim modifications to the planning system (both published in August 2020).

2.7 In line with the council's existing understanding of local need, HQN's local affordability modelling work found a need for a greater amount of affordable homes for rent, while maintaining an appropriate level of provision of low-cost home ownership products. In particular, local need levels indicate it would be beneficial to see more new properties with rents nearer to 50% of local market rents rather than the 80% figure at which new affordable rented housing is typically provided at present.

2.8 Lower rents can take the form of the social rent product which is subject to a specific rent formula or the affordable rent product with rents capped at, for example, 60% of open market rents. For simplicity, HQN have used the shorthand term 'social rent' in their report for both of these routes to lower rents.

2.9 HQN's report also points out that low-cost home ownership products, for example, shared ownership, have a role in East Herts because of the difficulties for some groups of households of accessing the bottom rungs of the local

owner-occupation ladder, notably though not exclusively first-time buyers.

2.10 HQN picked up during their work with the council that there would be support for providing more 'social rent' homes rather than 'affordable rent' properties while also accelerating the rate of delivery. HQN go on to point out that addressing these two drivers is challenging.

2.11 Increasing new 'social rent' units raises the policy dilemma of balancing the delivery of a lower number of homes at lower rents ('social rent') with a higher number of properties with higher rents (affordable rent).

2.12 HQN reflected back to the council that virtually all new affordable housing in East Herts is delivered via planning agreements with private developers. The key elements of this approach are:

- registered providers purchase properties from developers
- registered providers finance these purchases using their own reserves, subsidies where available and loans funded by rental income.

2.13 The relationship between this approach to affordable housing development and rent levels is as follows:

- developers wish to get the highest price possible from registered providers when selling on the affordable homes they have built
- registered providers bid against each other to buy the properties from developers
- higher bids are typically funded from higher borrowing
- higher borrowing incurs higher interest payments
- the higher the interest payments, the higher the rents charged to cover these payments.

2.14 Conversely, for lower rents to be charged for the affordable homes:

- the registered provider would have to lower the price it pays the developer for the homes
- if the developer receives a lower payment from the registered provider, they will report that the viability of the whole development is adversely impacted financially
- the developer will then seek to overcome the financial shortfall in their viability assessment by reducing the number of affordable homes so as to make available more homes to sell on the open market at full value.

2.15 Putting it in simple terms, the overall impact of this developer-led approach to affordable housing provision is that either:

- more affordable homes (typically 40% of the total) can be provided with rents at 80% of market rents or
- fewer affordable homes (below 40%) can be provided with rents well below 80% of market rents.

2.16 With regard to accelerating delivery, this is only likely to be possible on sites that are not well-advanced in the development pipeline. As noted, the current delivery model for affordable housing is through planning agreements. This will continue to be the case for the first half of this decade. Other models, such as direct delivery, for example council house building by reopening the housing revenue account or delivering affordable housing via a local housing company (an option which is inherently difficult) and formal partnerships are problematic for two reasons; (a) the timescale for development and delivery is in excess of five years and (b) the lack of surplus council-owned land

2.17 HQN's report identifies a number of strategic choice areas for the council to consider to facilitate continued, or indeed accelerated, affordable housing delivery:

- improving implementation of current local policies
- developing new local policies and delivery methods
- emerging national policies.

2.18 The HQN report concludes with seven recommendations:

- make clear the council's response to affordable housing issues
- clarify the council's position on the three strategic choice areas (as listed in paragraph 2.17 above)
- agree high priority aims for affordable housing
- enhance the operation of the planning agreement delivery model but investigate other models for post-2025
- progress work on an action programme to improve delivery
- update information and analysis on the local housing market on an annual basis
- regularly review and monitor changing national policies.

2.19 Officers from the Housing team, in consultation with officers from the council and the Executive Member for Neighbourhoods, will address these points when drawing on the research report while redrafting the council's Housing and Health Strategy and Tenancy Strategy during 2021/22 and, in time, reviewing the council's planning policies.

3.0 Outcome of the Overview and Scrutiny Committee's review of social housing

3.1 At broadly the same time as HQN was conducting its research, the Overview and Scrutiny Committee carried out a review to investigate how the council and elected members could enhance the working arrangements

between the council and registered providers (RPs) so as to better support tenants and help improve service standards in the sector.

3.2 A Task and Finish Group consisting of Overview and Scrutiny Committee members came together on 19th December 2019 and agreed the following approach:

- investigate RPs' views of working with East Herts by inviting at least two RPs, most likely the largest in the district, Network and Clarion, to meet members of the Social Housing Task and Finish group to talk through issues
- investigate how the council and elected members could support tenants and prospective tenants and improve service standards
- hear at first hand the views of tenants of the two largest RPs in East Herts, that is, Network and Clarion.

3.3 Following meetings with tenants and senior officers of the two RPs with the largest stock holdings in the district, Network Homes and Clarion Housing, the Task and Finish Group came up with a series of recommended actions that are applicable across the whole sector.

3.4 The Overview and Scrutiny Committee debated the anticipated benefits of the proposed actions and endorsed the recommendations at its meeting of 15th September 2020. The recommended actions, listed below, link closely to enacting the findings of the HQN research. The linkages are highlighted below.

Rec 1 That Housing and Planning Officers review how the Housing service's in-depth knowledge of affordable housing need can be most effectively shared with developers at the pre-application stage to maximise the

delivery of the size, type and tenure of affordable homes that are most needed locally.

Officers feel this would be a key way in which HQN's observations about balancing the option of more homes with higher rents versus fewer homes with lower rents could be addressed. Of note, for some sites at least, a better way to meet local needs may be to agree to the provision of less than 40% of homes if the types, sizes and rent levels of the affordable homes more closely meets local needs.

In addition, in November the government issued a white paper on social housing, titled 'A Charter for Social Housing Residents'. This sets out a number of proposals including those covering safety in the home, landlord and tenant engagement and effective complaints procedures. The Forum will provide an opportunity for dialogue with partners on this.

Rec 2 That dialogue between the council and registered providers is maximised to promote high standards of management and development

- 2.a That East Herts Council reinstates regular Housing Forum meetings to cover both housing management and housing development matters. The Forum would provide an appropriate means of enabling a wider discussion of the HQN's findings.
- 2.b That East Herts Council works with registered providers on maximising the environmental sustainability of registered providers' existing and new homes.

Rec 3 That council officers and registered providers make it easier for elected members to understand key registered provider policies and raise issues directly with the registered providers

- 3.a That each registered provider be asked to provide a dedicated e-mail address for elected members to use to directly raise issues.
- 3.b That East Herts Council officers work with their registered provider counterparts to draw up a short briefing note for members on the options available to registered providers to tackle anti-social behaviour perpetrated by their tenants or tenants' household members or visitors.

4.0 Reason(s)

- 4.1 Both the HQN's work and the recommendations stemming from the Overview and Scrutiny Committee's review underscore that the provision of a continued supply of high quality affordable housing is crucial to the delivery of the council's District Plan and its corporate priorities.
- 4.2 HQN's work provides a valuable source of independent analysis when revising planning policies in the future and, in the more immediate term, the council's Housing and Health Strategy and Tenancy Strategy.
- 4.3 The Overview and Scrutiny Committee's recommendations provide an initial set of ways in which the findings can inform the council's day-to-day work with its registered provider partners.

5.0 Options

- 5.1 Option 1: Note the HQN report's findings and the recommended actions proposed by the Overview and Scrutiny Committee but choose not to act on either. NOT RECOMMENDED as the HQN's work provides a valuable source of independent analysis and the Overview and Scrutiny Committee considers that the actions identified will make a positive difference to tenants' and prospective tenants' experience.

- 5.2 Option 2: Draw on the HQN's and Overview and Scrutiny Committee's findings when working with developers and registered providers and revising key council strategies and policies concerned with the development of affordable housing – RECOMMENDED for the reasons outlined in this report.

6.0 Risks

- 6.1 The council's risks missing opportunities to continue, or indeed accelerate, the delivery of much needed affordable housing in the district if it fails to draw on up-to-date independent research and analysis. By failing to make use of such evidence, the council opens itself to be challenged by developers when seeking to maximise the numbers and types of affordable housing needed through planning agreements.

7.0 Implications/Consultations

Community Safety

A key recommendation endorsed by the Overview and Scrutiny Committee is that East Herts Council officers work with their registered provider counterparts to draw up a short briefing note for members on the options available to registered providers to take to tackle anti-social behaviour perpetrated by their tenants or tenants' household members or visitors. It is believed that attempts to minimise anti-social behaviour will have positive impacts on community safety.

Data Protection

No implications identified.

Equalities

In line with the Public Sector Equality Duty public bodies must in the exercise of its functions give due regards to the need to eliminate discrimination so as to advance opportunity and foster good

relations between those who share protected characteristics and those that do not.

Any actions taken by the council or registered providers will be subject to the relevant organisation's equalities duties and policies. Of note, when East Herts Council works with registered providers operating in the district, the council will emphasise the need to ensure that such information is made available in formats, and visits carried out in ways, that pay due respect to ensuring those with protected characteristics can access the information and support provided.

Environmental Sustainability

The recommendation that East Herts Council works with registered providers on maximising the environmental sustainability of registered providers' existing and new homes will further the council's climate change commitments and sustainability agenda

Financial

Acting on the recommendations in this report can be done within existing council budgets.

Health and Safety

No implications identified.

Human Resources

No implications identified.

Human Rights

No implications identified.

Legal

No implications directly arising from this report although it is noted that the negotiation of planning agreements with developers is governed by the council's District Planning and national guidance and legislation.

Specific Wards

No

8.0 Background papers, appendices and other relevant material

Affordable Housing Provision in East Hertfordshire – Final report: November 2020. Housing Quality Network

Affordable Housing Provision in East Hertfordshire – Supplementary report: December 2020. Housing Quality Network
Overview and Scrutiny Committee , 15th September 2020 Agenda item 5 - Enhancing the Council's Working Arrangements with Registered Providers

Contact Member

Councillor Peter Boylan
Peter.Boylan@eastherts.gov.uk

Contact Officer

Jonathan Geall, Head of Housing and Health
01992 531597
jonathan.geall@eastherts.gov.uk

Report Author

Jonathan Geall, Head of Housing and Health
01992 531597
jonathan.geall@eastherts.gov.uk