Appendix 2

Affordable Housing by Private Developers

Report published May 2012 **Last update November 2013**

	Recommendation	Stage	Complete
1	**That as the Executive Board sets the policy in relation to the number of affordable homes required by the housing area we believe any variations from that policy should be referred back to the Executive Board for approval. However, this should only take place after the relevant Plans Panels has reviewed the financial viability assessment submitted by developers. The Executive Board is asked to approve this approach.**		
	September 2014 update Monitoring of the effectiveness of affordable housing policy is best aligned with the Authority Monitoring Report (AMR), which used to be called the Annual Monitoring Report, and which monitors the number of affordable housing completions on an annual basis and provides a wider housing context of the housing market. The last report was for 2013 (monitors previous 12 months, 1st April '11 to 31st March'12) , which was approved by Development Plans Panel on 24 February 2014. The 2014 AMR is anticipated in Dec'14 and will go to Development Plans Panel also. *Formal Response (received November 2012)* *To help keep Executive Board informed of the effectiveness of affordable housing policy annual reports will be provided to Executive Board. Executive Board's overview will be welcome on the effectiveness of the policy.* *Decisions on the appropriateness of individual S.106 Agreements are taken by the Plans Panel as they are integral to the process of determining planning applications and as to whether or not planning permission should be granted in the light of all material circumstances. S.106 Agreements cannot therefore be separated from the planning consent as suggested. In addition, affordable housing is usually only one of a number of obligations and these need to be judged in the round, rather than in isolation as the recommendation suggests.* *Plans Panels are constituted for the purpose of taking decisions on planning applications, including S.106 Agreements. Therefore Executive Board is requested to support the proposal for annual review but recognise the role of Plans Panel in determining individual planning applications and associated s.106 Agreements.* *November 2013 update* *Monitoring of the effectiveness of affordable housing policy is best aligned with the Authority Monitoring Report (AMR) which monitors the number of affordable housing completions on an annual basis in March and provides a wider housing context of the housing market.*	**2 (achieved)**	

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	Recommendation	Stage	Complete
2	**That the Executive Board withdraws the 2011 interim housing policy as a matter of urgency and reinstate the 2008 affordable housing targets in relation to green field sites.**		
	<u>September 2014 update</u> The interim affordable housing targets will be superseded by the modifications set out in the Core Strategy once adopted, based on up to date viability evidence. Moving forward the Core Strategy will implement affordable housing targets. Future updates of affordable housing targets will require selective review of the Core Strategy based on new evidence of need and viability. *<u>Formal Response (received November 2012)</u>* *The Directorate recognises the concern raised by Scrutiny about the delivery of affordable housing on greenfield sites and in the case of the applications which were the subject of Public Inquiries, that developers are required to prove why they cannot meet agreed obligations. However, rather than reinstate the original policy targets now it is suggested that we assess the effectiveness of the interim policy. The reasons for this are set out below:* *The National Planning Policy Framework (NPPF) establishes the approach for local authorities to assess the viability of policies for schemes that provide affordable housing. Para 173 states, "…to ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing landowner and willing developer to enable the development to be deliverable."* *In relation to the housebuilder evidence quoted in the Scrutiny report, whilst it is accepted in theory that landowners would be the prime beneficiary of reductions in affordable housing requirements, land will only come forward for development if a landowner gets a reasonable price for his land. Therefore, in practice, a reduction in the affordable housing requirement is likely to stimulate the availability of land for the delivery of new homes.* *The evidence which led to the introduction of the interim policy – the Economic Viability Assessment (EVA) by DTZ 2010 was prepared using a methodology which is consistent with NPPF guidance. Economic conditions do not appear to have improved. The EVA was based on hypothetical sites with no abnormal development costs; effectively, the EVA assumed that all sites were green field.*	**1 (Stop monitoring)**	

All the evidence, including any changes in market conditions, and monitoring of actual numbers will be reported to the Executive Board when it reconsiders the interim policy.

As lead-in times for housing development are long, sufficient time needs to be taken for the new policy to be monitored. Dwelling completions are only likely to be affected by the interim policy over the next 12-18 months, so it would be more useful for any evaluation to look at permissions as well as completions.

In terms of schemes permitted, indications are that the policy so far has had marginal success in stimulating housing development overall and increasing numbers of affordable dwellings secured. An exercise has been carried out to compare the total amount of housing permitted and the total number of affordable dwellings agreed in the two financial years of 2010/11, which came before adoption of the interim policy, and 2011/12, which came largely after the adoption. The exercise excluded housing proposals that would not generate affordable housing, such as small schemes of less than 15 units, student schemes and 100% affordable housing schemes.

Dwellings permitted		
Year	*Total Housing*	*Affordable Housing*
2010/11	*419*	*118*
2011/12	*761*	*148*

We will also examine the impact of the economic situation since the EVA 2010 was undertaken on housing policies.

Executive Board concluded in January 2012 that a report on the effectiveness of the interim policy should be taken back to Executive Board in the summer of 2012. However, as indicated above it will be some time before a meaningful number of schemes based on the new targets have received planning permission with a reasonable lead in time for development. A monitoring report will therefore be prepared for Executive Board in due course.

In addition it should be recognised that the work being undertaken by GVA on viability in association with the CIL proposals will need to factor in affordable housing requirements. This will provide the most up to date information on viability that we have and any change in the position on affordable housing should await this study and emerging views on CIL charging rates.

<u>November 2013 update</u>
Response as November 2012. Affordable housing targets are based on viability evidence in the Economic Viability Assessment (EVA) (June 2010), and Community Infrastructure Levy -CIL (EVA) (Jan 2013).

An exercise has been carried out to compare the total amount of housing permitted and the total number of affordable dwellings agreed in the three financial years of 2010/11, which came before adoption of the interim policy, and 2011 till 2013 which came largely after the adoption. In terms of schemes permitted, indications are that the policy so far has had some success in stimulating housing development overall and increasing numbers of affordable dwellings permitted. The exercise excluded housing proposals that would not generate affordable housing, such as small schemes of less than 15 units, student schemes and 100% affordable housing schemes.

Dwellings permitted

Year	*Total Housing*	*Affordable Housing*
2010/11	*419*	*118*
2011/12	*761*	*148*
2012/13	*1589*	*276*

The Core Strategy has recently (Oct 13) been the subject of Examination and it is necessary to await the Planning Inspector's recommendations on whether a Supplementary Planning Document (SPD) can be legitimately used to set out Leeds' affordable housing targets.

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	Recommendation	Stage	Complete
3 (ii)	**That the Executive Board request the Directors of City Development and Environment and Neighbourhoods as appropriate to include in that review whether there are any benefits to Leeds adding affordable rents in the tenure split of intermediate and social housing, to determine whether there would be any benefit from the variation of transfer values in the calculations for the provision of affordable homes.**		
	<u>September 2014 update</u> The modifications in the Core Strategy accommodate affordable rent in line with the National Planning Policy Framework NPPF (March 2012). The Core Strategy is set out to allow affordability of affordable housing to be designed to meet identified need of households to ensure that 40% of affordable housing is for households on lower quartile earnings and 60% of affordable housing is for households on lower decile earnings. Transfer values will need to be recalculated to accord with these benchmarks. *<u>Formal Response (received November 2012)</u>* *Affordable rent is a delivery model that is already possible using current affordable housing policy and practice. The City Council would need to be satisfied that rents charged (up-to-80% of local market rents) would be genuinely affordable to households in need. The review will examine how best to use "affordable rent" as a form of affordable housing and set out the circumstances where it would be best employed.* *The methodology for establishing "transfer values" used in Leeds was established around 10 years ago through consultation with Registered Providers and housebuilders. Although annual updates have taken place there has not been a full review. As Scrutiny Board has recommended, a review would be worthwhile now. It would need to consider best practice in other local authorities, local evidence of housing need and earnings and the HCA's rent/affordability models and policies. It would also consider the relationship between rents and transfer rates. This would need to evaluate whether any gains in the number of affordable dwellings delivered are not outweighed by reductions in their affordability to households in need. Consultation with registered providers and housebuilders would take place through preparation of the Supplementary Planning Document on affordable housing.* *<u>November 2013 update</u>* *Affordable Rent (defined as up to 80% market rent) is commonly used by Registered Providers (housing associations) and properties let at affordable rent are viewed by the Homes and Communities Agency as social housing. Planning policy currently differentiates between social and affordable rent and the latter is seen as an intermediate product with the policy. The benchmark prices or transfer values set within the policy enable RPs to acquire properties and service the borrowing associated with the acquisition, for affordable rents this is set at the higher intermediate product rate. As the Nov 12 update suggests, this could be usefully reviewed as part of the Supplementary Planning Document.*	**2 (achieved) Or 4 Not achieved (Progress made acceptable. Continue monitoring.)**	

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Report published May 2012 **Last update November 2013**

	Recommendation	Stage	Complete
6	**That the Director of Environment and Neighbourhoods and the Director of City Development, as appropriate, work with the Homes and Community Agency to assist local authorities to meet their housing targets and work with financial institutions to purchase suitable repossessed properties at discounted prices as a way of meeting the housing needs of people in this city particularly those in the most deprived areas.**		
	<u>September 2014 update</u> The Council secured £440k of funding from the HCA to support £1.8m of HRA funding to purchase 20 long term empty properties and return them as council housing and to convert two Community Centres into council housing. To date 8 purchases have been completed and 9 further properties have offers accepted and are with Legal Services for conveyancing. Planning permission has been granted to return Wyther Park Community Centre and Alston Lane Community Centre into two three bed council homes and four three bed council homes respectively. The Council has been successful in securing £2m of HCA grant under the Affordable Housing Programme for 2015/18 to supplement £7m of HRA funding to purchase a further 100 long term empty properties and to convert a further Community Centre into council housing. As part of the council housing growth programme a work stream for acquisitions is being developed alongside the new build work stream. Initially this is being focussed on sites in development but could be developed to look at repossessed properties. *<u>Formal Response (received November 2012)</u>* *Agreed, this could be a useful tool where repossessed properties are of an appropriate type to meet housing need and the purchase price is affordable to the local authority. However the authority will also need to take into account the management costs of dispersed properties and repair and maintenance costs for non standard property types. The financial implications of ensuring individual properties meet public sector decency energy efficiency standards will need to be borne in mind.* *<u>November 2013 update</u>* *Through the Empty Homes Programme, the council is utilising HCA grant funding to acquire and refurbish properties to bring them into use as council houses. Some of these could be repossessed properties and this can be considered more generally in the context of the Council Housing Growth Programme where properties meet strategic requirements in terms of demand and stock management.*	**2 (achieved)**	

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Report published May 2012 **Last update November 2013**

	Recommendation	Stage	Complete
9 (i)	**That the Director of City Development and Director of Environment and Neighbourhoods press for a reduction in the Council's housing target as a consequence of the revised population projection by the Office for National Statistics and report back to the appropriate Scrutiny Board on the outcome.**		
	<u>September 2014 response</u> In May 2014 the latest population projections were released and these pointed to projected lower and slower growth in Leeds. This is partly because the latest projections assume recessionary trends will continue and do not take into account local evidence. The Inspector has considered calls from a number of parties to re-open the Core Strategy Examination to discuss the May projections. The Inspector has declined to do so and states that he will deal with the population projections in his Report. The Council will need to examine the implications of the latest population projections and any subsequent household projections alongside other drivers such as the need for affordable housing and job growth. Within this context it is particularly important that the Inspector maintains his proposed modification to the Core Strategy, which sets the housing target at a rate of at least 3,660 homes per annum for the early years of the plan in recognition of a number of delivery factors. *<u>Formal Response (received November 2012)</u>* *In tandem with Scrutiny Board's concern about the realism of population forecasts, Leeds has already set a reduced housing requirement which was lower than the 2008 ONS Population Forecasts. This was based on the Strategic Housing Market Assessment (SHMA) which identified a number of weaknesses in the ONS methodology. The recent ONS forecasts addressed these weaknesses. Leeds' population forecasts which underpin its housing requirement are still lower than the recent ONS forecasts. ONS figures released in March 2012 using the revised methods suggest a 2026 population for Leeds of 885,000 people and we will have the benefit of census data later this year. It would perhaps be most useful therefore to consider this recommendation at this time.* *<u>November 2013 update</u>* *ONS recently published 2011 based Interim Household Projections which provide lower growth forecasts than the previous 2008 based Projections. Council officers presented this new evidence (as well as the 2013 update of the Regional Econometric Model forecasts for employment growth in Leeds) at the Core Strategy Examination in October 2013. The new evidence shows a range of trajectories of need for housing in Leeds. It illustrates that the Core Strategy housing requirement of 74,000 (gross) new dwellings 2012 – 2028 sits at the upper end of the range of trajectories. The Planning Inspector also heard evidence from resident groups that the housing needs are exaggerated and the Core Strategy requirement should be reduced to around 50,000 dwellings. He also heard evidence from house builders that the Core Strategy requirement failed to account for undersupply pre-2012 and should be increased to 90,000+. The Inspector's conclusions and recommendations are awaited.*	**1 (Stop monitoring)**	

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Report published May 2012 **Last update February 2014**

	Recommendation	Stage	Complete
3 (i)	**That the Executive Board request the Directors of City Development and Environment and Neighbourhoods as appropriate to undertake further work and review the opportunities and potential for a visionary new housing management role for the Council or external provider to remove the barriers around investment in residential properties and affordable homes in the city.**		
	<u>September 2014 update</u> The potential for the Council to undertake housing management services on behalf of property companies / investors will need to be considered in the light of individual propositions presented by them and a view taken on the ability to guarantee the rental stream and the risks associated with it. The identification of a managing agent in itself has not been identified as a barrier to delivery as such whether the council, a registered provider or a commercial lettings agency, however each would take a view on the risk associated with guaranteeing the revenue stream associated with individual proposals. *<u>Formal Response (received November 2012)</u>* *The potential for institutional investment to support housing growth in Leeds through the expansion of the private rented sector needs further exploration and the proposed review is supported.* *There are several elements which need to be considered as part of the approach – the numbers of units required to make the investment attractive to the institutions, the type of delivery vehicle adopted and timescale, property types, tenure and location, demand and revenue risk in addition to the housing management arrangements. Management of an expanded private rented sector will need to reflect the requirements of this new housing product and meet the needs of the investors in terms of the revenue stream.* *<u>November 2013 update</u>* *Work to explore how investment, particularly institutional investment, into housing can be increased has been undertaken and includes the development of a project which could potentially access the HCA's Build to Rent funding (in conjunction with Leeds City Region) in addition to approaches from individual investment companies. The viability of such models is being carefully considered and factors such as market rent levels across the city's housing markets often play a key part in the extent to which the financing of such models works.* *In terms of the council providing housing management services for such schemes, each proposition can be looked at individually and a view taken on the extent to which the council might wish to undertake the revenue risk (i.e. the management of lettings, void periods and turnover) evaluated. Partnerships with other organisations such as housing associations may provide an alternative to the operation of potential schemes.* *<u>February 2014 update</u>* *Following the Board's decision in November 2013 that the progress made was not acceptable, a detailed report was presented to the Board in February 2014 covering work relating to recommendations 3(i), 4 and 5. The Board welcomed this report and the evidence of progress being made, but resolved to continue monitoring progress.*	**2 (achieved) Or 4 Not achieved (Progress made acceptable. Continue monitoring.)**	

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Report published May 2012 **Last update February 2014**

	Recommendation	Stage	Complete
4	**That the Directors of City Development and Environment and Neighbourhoods, as appropriate, work closely with all relevant financial institutions to identify and report back to the appropriate Scrutiny Board on ways to deliver the affordable homes needed in the city.**		
	<u>September 2014 update</u> Over the last year, there have been discussions with a number of developers backed by institutional funds and with funders themselves to discuss models for Leeds in the context of investor requirements and prevailing rent levels. There are several strands of activity which are being pursued which include: a joint project with Bradford to attract funding from the Local Growth Fund for a joint PRS pilot utilising land belonging to each authority and preparation of an exercise using a sample council owned site(s) to allow for a like for like comparison of models within a selected housing market area. From this the extent to which schemes will need specific resources to deliver affordable housing can be quantified. *<u>Formal Response (received November 2012)</u>* *Agreed, the potential role for institutional investors is being explored both locally and at City Region level.* *<u>November 2013 update</u>* *A number of approaches have been made by institutional investors with propositions for the delivery of market and affordable housing. As indicated previously these are being examined in detail and the extent to which rent levels in the different housing markets across the city could support the cost of long term leases which are required by the institutions is being explored.* *<u>February 2014 update</u>* *Following the Board's decision in November 2013 that the progress made was not acceptable, a detailed report was presented to the Board in February 2014 covering work relating to recommendations 3(i), 4 and 5. The Board welcomed this report and the evidence of progress being made, but resolved to continue monitoring progress.*	**2 (achieved) Or 4 Not achieved (Progress made acceptable. Continue monitoring.)**	

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	Recommendation	Stage	Complete
5	**That the Directors of City Development and Environment and Neighbourhoods, as appropriate, work closely with all our partners including financial institutions to develop an investor model for large scale institutional investment in the rented sector and report on progress to the relevant Scrutiny Board by the Autumn of 2012.**		
	<u>September 2014 update</u> The Council continues to work with funders and investors to understand how and where large scale investment would work in Leeds - there are also a number of commercial schemes now coming forward (not requiring public sector intervention) which suggests that there is confidence in the delivery of Private Rented Sector housing and that schemes are viable without support. The exercise referred to above will continue to move this forward, particularly in the context of a changing market. *<u>Formal Response (received November 2012)</u>* *Agreed, the potential role for institutional investors is being considered both locally and at City Region level. This is a complex exercise which needs to consider the numbers of units required to make the investment attractive to the institutions, the delivery vehicle and timescale, property type, tenure and location, demand and revenue risk as noted above. Also, in order for the institutions to be able to spread their expose to risk beyond a single housing market area, the potential for developing the model in conjunction with other authorities within the city region may need to be considered.* *<u>November 2013 update</u>* *This work is on-going although no one model or investor has yet emerged as a viable or value for money proposition to deliver large scale investment through the institutions. The HCA's 'Build to Rent' programme which offers loan finance to support the delivery of market rented housing, may offer an opportunity although this is an early stage and it is understood that take up has been low in the region and in the north of England generally.* *<u>February 2014 update</u>* *Following the Board's decision in November 2013 that the progress made was not acceptable, a detailed report was presented to the Board in February 2014 covering work relating to recommendations 3(i), 4 and 5. The Board welcomed this report and the evidence of progress being made, but resolved to continue monitoring progress.*	**2 (achieved) Or 4 Not achieved (Progress made acceptable. Continue monitoring.)**	