



National
Housing
Federation

BARKER REVIEW OF HOUSING SUPPLY

Submission by the National Housing Federation

Introduction and summary of key points

The National Housing Federation represents nearly 1,400 not for profit independent social housing providers in England. The Federation's members include housing associations, co-operatives, trusts and stock transfer organisations who manage more than 1.8 million homes provided for supported rent, supported housing and low cost home ownership, and an increasingly diverse range of community and regeneration services.

We welcome the opportunity to contribute to this review. Besides representing the independent social businesses responsible for providing the bulk of new affordable rented and low cost home ownership products, the Federation's role is to promote sustainable, mixed tenure neighbourhoods and communities that meet the needs and aspirations of people across the income and economic spectrum. The right level of supply of decent, affordable, high quality homes is the base upon which such communities can develop.

SUMMARY OF KEY POINTS

- Housing sub markets are not only geographical, but also income related. These sub markets offer varying returns to investors and influence the ability of differing housing products to compete for land. **Policy intervention is essential to support provision of housing in sub markets that are not favoured by commercial producers** and that continue to be substantially undersupplied. This may take the form of **land, financial resources** or **planning policy constraints**, or a combination of all three.
- Traditionally, public subsidy has been provided to enable homes to be created that are affordable to people on lower incomes. At current levels of investment there is still a dramatic shortfall of 42,500 affordable dwellings compared to a shortfall of 26,000 market units per annum forecast. A **cost effective alternative to substantially increasing the levels of cash subsidy would be to prioritise surplus public sector land or selective greenfield land release for affordable homes** within mixed income communities.
- **Planning policy and process** have a critical role to play in increasing and accelerating the development pipeline for housing, and affordable housing in particular. **Improved certainty and transparency**, together with a presumption in policy that land use must respond adequately to the full range of needs for housing, would deliver a **more efficient balance between land prices and public subsidy**.

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Background

We agree with the premise of the review that housing markets do not function efficiently and effectively. We would note – though this is outside the scope of the review – that this statement is equally true for the areas where over-supply is undermining the competitiveness of markets, as it is for areas where under-supply is having knock on social and economic effects.

But when examining the causes and impact of under-supply, we suggest that there are three fundamental questions the Review ought also to address:

- If more supply is required – and we clearly believe it is – what is the purpose of providing it, who is the additional supply for, where should it be provided, and of what should it comprise? Are the policy instruments needed to encourage greater supply of *market housing* different from those needed to encourage more *affordable housing*?
- Will additional supply *per se* have the effect of making the housing market function efficiently? Or are there underlying structural factors that will prevent even a greater volume of a particular type of supply adequately meet outstanding demand, and thus fail to lead to reductions in direct and indirect costs of housing that should be expected to result?
- How will the recommendations of the Review relate to the framework set out in the Sustainable Communities Plan, to build successful, diverse communities, in neighbourhoods with a high ‘liveability’ quotient?

Our response is made in the context of answering these questions, as well as covering the specific areas and issues raised by the Review.

The nature and extent of housing shortage in the UK

Housing demand

Work undertaken by Alan Holmans of Cambridge University and published by the Federation and the Town and Country Planning Association¹ shows that overall need for supply of new homes is in the region of 222,500 units per annum. Holmans’ work has divided this on a regional basis, and furthermore has split it into required supply of affordable housing (including Housing Benefit – funded private renting) and market housing. Nationally, this breaks down as 82,500 affordable homes and 140,000 market homes – a ratio of around 1:1.7. Regional Planning Guidance targets are currently set at a level somewhat below this, amounting to 153,715 units per annum - there

¹ Alan Holmans: Housing Demand and Need in England 1996 – 2016, NHF and TCPA, 2001



is therefore a shortfall of nearly 70,000 units even in the national planning target, let alone in considering what is actually being delivered.

It might also be argued that these figures understate the effective deficit of homes as the model assesses demand for homes required for occupation. A factor that further distorts the UK market by comparison with other European housing markets is the effect of housing as an investment good and which, in an imperfect market, could be expected to increase net demand over and above the Holman's projections.

Current supply

In terms of delivery, if one takes completions, for 2000/1, 134,739 units were completed in England. This breaks down at around 18,000 housing association (and other minor public sector) homes and 117,000 private sector units. Completions do not necessarily represent the best measure of public sector response, and (including S. 106 agreements) estimates of social sector pipeline supply based on resources earmarked in the Sustainable Communities Plan range up to around 40,000 at the most optimistic. Even accepting this, there is still a dramatic shortfall of 42,500 affordable dwellings and 26,000 market units per annum forecast (see **Appendix 1** for details).

Changing patterns of supply and demand

This snapshot of the current position needs putting into a historical context if the implications for public and economic policy are to be appreciated. As shown in the attached graph (see **Appendix 2**), in 1950 England was producing nearly 30,000 more homes than it was in 2000/1. But of these 163,341 homes, only 25,000 were delivered through private enterprise. The high point of private sector development was reached in the mid 1960s, and since then completions have been gradually reducing. However, the most dramatic decrease has been in social housing completions. At its high point in the late 1960s, nearly 160,000 homes were being built. Today, as noted, the figure is 18,000.

We would therefore argue that when considering appropriate forms of supply, there is clear evidence that the crisis is most acute in the provision of affordable housing, where the gap between supply and demand is increasing at a far greater rate than that within the private sector.

The consequences of housing market behaviour on price levels

Pricing and the private sector

One could argue that the affordable housing gap could be alleviated by the private sector, if it could generate enough new units for owner-occupation so that prices were lowered. This would then enable some of those (perhaps



moderate income key workers) currently renting in the affordable housing market to afford owner-occupation. This in turn would reduce demand for affordable housing. However, though the argument that increased supply can reduce demand and flatten price may generally hold true, there seems little doubt that the UK private sector housing market does not readily conform to the theory. House prices do not necessarily follow the normal trends in inflation. This has important consequences on the demand for (and hence potential pricing structures for) social, affordable housing.

In their UK Economic Outlook (February 2003), PricewaterhouseCoopers confirm the results of previous years' studies by pointing out that the dominant driver of house prices in the medium to long term is in fact the level of personal disposable income. The results of their work show that:

- The ratio of house prices to incomes is once again at the levels reached cyclically in 1973 and 1988
- Those levels equate to a deviation of around 30% from an 'equilibrium' relationship i.e. the point at which in 1973 and 1988 there was a significant downward correction in prices
- The secondary determinants of price are short term views on interest rates and inflation, and
- Whilst supply side considerations could be important, particularly in certain regions, they would have little more than a dampening effect on the downturn caused by the 'correction' via the primary determinants

We do not dispute that private sector supply side action, properly targeted, could maintain a role in sustaining affordable housing; however, the level of investment required to make even the slightest dent in prices would be totally unrealistic. We would therefore argue that economic and public policy needs to be focussed on increasing the supply of affordable and sub-market housing, including housing targeted at key and ancillary workers, rather than an over-concern with the private sector.

Regional dimension to prices

There is another aspect of the supply / price relationship which needs highlighting – this concerns the regional dimension. If one examines the ratio of mortgages required as a multiple of average earnings on a geographical basis, it is immediately apparent that the least affordable areas are those primarily in London, to the immediate south of London, extending west and south west, as well as to the north east of London (see map at **Appendix 3**). These are the areas where the pressure on affordable rented housing and low cost home ownership are most acute, making recruitment and retention of the public sector staff – both the key and ancillary workers needed to support booming economies well nigh impossible.



The Sustainable Communities Plan, however, encourages increased supply to the east and south east of London (Thames Gateway and Ashford), and parts to the north west of London (Milton Keynes). These are not the areas of highest demand or of highest prices. This raises the question of how current government policy is seeking to shape the economic and housing market framework. Is there an assumption that building more homes in relatively low cost areas will cause business and commercial concerns to flock to these areas? If so, it would make more sense to invest in really low-cost areas in the North and Midlands. Alternatively, if this thesis does not apply, the question has to be asked how building in Thames Gateway will solve teacher recruitment problems in Kingston on Thames

Over-supply and failing markets

As touched on earlier, there is another aspect of regional housing markets that must be highlighted: the danger of over-supply of inappropriate accommodation in areas where housing markets are failing. Some elements of this oversupply are caused by historical and economic factors – changing demographics and unsuitably sized accommodation, changing patterns and availability of employment. But some have been the result of poor planning and funding decisions that have continued to stimulate new building in areas of failing demand. Policy makers have become more aware of these pitfalls: the North West Regional Planning Guidance was recently referred back, for example, because of concerns about over-optimistic supply targets in low demand areas.

In the context of the Barker Review, we would argue that any measures recommended to stimulate supply are focussed so they do not result in perverse development opportunities, and do not reinforce the cycle of both social and private sector decline in some parts of the country.

Land constraints

To redress the undersupply of homes – and especially affordable homes - all analysis has to start with the supply and cost of land. Land costs have increased by 12% per annum since 1979, compared to a 7% per annum growth in house prices. Although construction costs have also increased, this has occurred at a slower pace than land price inflation². There is clearly disequilibrium here. Land costs commonly account for half of overall development costs in high demand areas³

² James Barlow et al: Land for Housing, JRF, 2002

³ NHF: Disposal of local authority land at below best consideration – consultation response, 2003



The private sector and land supply

We will come on to our critique of the planning system later, but it is interesting to note that analysis by RICS⁴ shows that while the number of planning permissions granted in London has nearly doubled over the last seven years, the number of building starts has reduced. The implication here is that in an areas of high demand and short supply, the private sector imperative in order to optimise their return on capital, will be to ration development, stockpile housing land, and encourage prices to rise. As RICS has noted, housebuilders' profits and share prices have doubled over the last five years. To add to this we should note that around 75% of land held by developers does not currently have planning permission⁵. It is unclear whether this is land where planning permission has been declined, or where it has never been sought, but given that 90% of applications for planning permission are eventually granted, the possibility is that developers are deliberately holding back, to increase land value.

The independent social housing sector and land supply

In some ways, the independent social housing sector needs to enable itself to capture land value in as efficient a manner as achieved by the private sector – but of course, for the benefit of the communities in which associations work rather than for shareholders. However, the political, regulatory and financial constraints on associations purchasing options, land banking and phasing land release are considerable.

In this over-heated environment, affordable housing providers find it impossible to compete with the private sector in acquiring land on the open market. They are required to use the planning system – notably S. 106 arrangements – to slice off sites to develop rented and low cost home ownership provision. However, there is a body of evidence – notably stemming from Professor Christine Whitehead – concerning the limitations of the current system. Her estimate is that S. 106 could at a maximum deliver 15,000 homes per annum – and not all of which comprise additional homes. Moreover, by its nature, S. 106 outputs tend to be 'responsive' rather than as part of planned mixed community development.

The Federation argues that there are two primary routes that need to be followed to boost land supply to fill the affordable homes void:

⁴ RICS: draft submission to Kate Barker Review of Housing Supply, 2003

⁵ Tom Startup: A Social Market in Housing, SMF, 2003



1 Measures to increase access to surplus public sector-owned land

The enhanced role of English Partnerships in assembling public sector owned land and making it available for affordable and sub-market development is to be welcomed. In particular, their partnership with the Housing Corporation, and the register of publicly owned land they are building could lead to a more efficient supply stream. The recent announcement of the reintroduction of gap funding – available to social housing providers as well as private developers – is also helpful.

However, it still remains the case that public sector bodies are constrained by the Treasury Green Book principle of ‘best consideration’ when contemplating land disposal. This overwhelmingly means that housing associations (and other social enterprises) are outbid by commercial developers or, if occasionally successful, increases the capital costs of development, necessitating more subsidy and / or a lower level of unit production.

We would argue that ‘best consideration’ should only be one of a number of criteria that public bodies should consider. The policy framework should require them, instead of solely asking ‘what is the highest cash receipt we can get for this site now’ to ask ‘how can this site be optimised for public benefit’.

We would also add that there are considerable volumes of public sector land - notably within the defence and health sectors – that lie outside the scope of the limited disposal powers within the Local Government Act 1972. We would urge government to extend the provisions of the Act, encourage other ministeries to bring land forward, and expand the remit of English Partnerships to encompass these resources. The success of the system operated in the Netherlands, where housing associations have first refusal to develop on surplus public sector land, adds weight to the case for English Partnerships as an intermediary channel for affordable housing land.

2 Reassessment of the greenfield / brownfield debate

Although the sequential test has been criticised by private developers for increasing costs and constraining growth, the fact that developers continue to land bank even where planning permission has been granted somewhat undermines the case for its revision. However, we would argue that the debate needs to be widened beyond an either / or’ approach.

There is a range of models for land supply that straddle both worlds. These include:



- ‘Urban extensions’, where new development builds on a core around an existing town or city;
- In rural areas, the freeing-up of land around village peripheries, for small-scale development, possibly in conjunction with economic initiatives;
- In appropriate areas, higher levels of density, where they are sustainable and of high quality construction and management.

More radically, measures to address the economic and population concentration into ‘popular’ areas, at the expense of those less desirable need a serious policy debate. Linked to discussions on the Four Growth Areas, master-planning that envisages creating self-sufficient residential / economic communities that are neither dormitory suburbs nor isolated and unsupported housing belts needs encouragement. In the north, the Housing Market Renewal concept represents positive moves in this direction.

Industry constraints

The housing association financial position

In its role as a housing developer, the housing association sector does not suffer the constraints on accessing funding from financial institutions suffered by private sector developers. Since associations first began to access private finance in the late 1980s they have successfully developed a mature and sustainable market, holding over £26 billion over the last fifteen years. This reflects the confidence of a broad range of UK and international financial institutions, derived from lenders’ perception that there is a relatively low level of risk in the sector.⁶

This gives a competitive advantage to the sector, and enables it to deliver greater cost effectiveness and value. In spite of the constraints accessing land already noted, new housing association homes have been delivered more cost-effectively than the open market comparator in four of the last five years (see **Appendix 4**). Loan conditions have become more competitive, particularly when compared to private sector house building and commercial property. The extent to which the sector has maximised cost effectiveness through private finance is demonstrated by the fact that lender margins have fallen from 1.5% in the early days by some 40 to 100⁷ basis points, with the downward trend apparent in both variable and fixed rate lending⁸. Finance from the capital markets currently comprises 15% of total private finance, and this is likely to increase, with new and innovative private financing products coming on stream in future years.

⁶ Standard and Poors: Opening doors – credit ratings for social housing, 2002

⁷ Rachel Terry: Raising the sector profile in financial markets, NHF, 2003

⁸ Private Finance Monitoring Bulletin, NHF / HC, 2003



Thus, following the argument in the note on the scope of the Barker Review, we would suggest that reducing the constraints around land and the policy environment would enable the housing association sector to expand its financial capacity even further, and maximise its contribution to housing supply.

Making housing associations more effective in delivering supply

There is also an opportunity in the current policy debate to empower the housing association sector to be even more effective. As part of the sector's 'In Business for Neighbourhoods' campaign, we are proposing a range of measures to encourage more effective use of existing resources. These involve:

- Changes to the Social Housing Grant (SHG) regime,
- Measures to allow more flexibility in recycling and cross-subsidising the value in existing assets,
- Measures to capture, enhance and reinvest land value,
- Measures to enable creation of new types of product, including building for market sale,
- Partnership arrangements to capitalise on under-utilised balance sheet capacity.

Some of these measures require regulatory change, and we would encourage the Barker Review to promote them.

We would be concerned at future regulatory or policy initiatives that limited the potential of all members of the sector to maximise their contribution to increasing, high quality, housing supply. Among these is the proposal in the current Housing Bill to enable private sector housebuilders to receive SHG directly. This would see public resources leaking out of social provision, and the reinvestment opportunity that housing associations can use to increase supply being lost.

We are not arguing against involvement by the private sector. There are plenty of examples of fruitful partnerships between associations, private sector developers and housebuilders, and local authorities. But we are arguing against speculative development purely for the sake of greater supply, outside a framework that included infrastructure, sustainability and long-term commitment. Large-scale development led by associations, bringing together partnerships incorporating the in the skills of developers (private or social), bodies with available financial capacity, and housing management skills is the model for the future.



Skills shortage and Modern Methods of Construction

Where the housing association sector has similar concerns to those of the private sector is in the area of skill shortages, especially where building trades are needed to renovate and modernise existing, aging stock to meet the Decent Homes Standard, as well as build new homes. Many housing associations have been proactive in providing construction training and employment opportunities. However there is a need for the whole industry to improve its reputation and employment conditions, and to tackle the causes of under-representation of women and individuals from black and minority ethnic communities - both within the trades and the construction professions.

The Federation has also strongly promoted the *Rethinking Construction* approach to procurement and partnership and are delighted that housing association schemes represent a large proportion of housing schemes endorsed as Housing Forum demonstration projects. If this is to be extended into partnerships to procure Modern Methods of Construction, then longer-term funding commitments are required. The two or three years programmes stemming from Spending Review 2002 are welcome; but a five to seven year approach is necessary to launch major factory processes.

Policy environment

The planning system – both in its functionality and its policy content – is a prime influence on the content of developments, as well as the supply of land.

Planning system: functionality

From many perspectives, the housing association sector considers the current planning system to be severely dysfunctional. In spite of the evidence that private sector developers stock pile sites with planning permission, from associations' point of view obtaining planning permission is a major obstacle to effective supply. Appended to this submission is a portfolio of case studies gathered by Federation members that illustrate the problems that occur (see **Appendix 5**). Major overhaul of the planning process is long overdue, and proposed funding for enhancements to the skills and education of planners will complement this, especially measures to encourage planners to proactively communicate plans and present options. However, underlying improvements to process must also be improvements to policy.

Planning system: policy

We have already commented on some aspects of the Greenfield / brownfield debate, but to reduce the impact of 'nimbyism' – and in particular where it impacts on the provision of affordable and sub-market housing - there are a number of areas in the principle policy instrument - PPG 3 - that the Federation would like to see amended (see **Appendix 6**).



The Federation's view is that planning policy should be focussed on encouraging mixed, diverse communities of multiple tenures. It therefore has a role in moderating land values to encourage the provision of more affordable forms of housing. In summary our proposals are:

- To incorporate an over-riding presumption that that housing developments should be of integrated, mixed tenures
- That exceptions should only apply in certain circumstances to redress existing mono-tenure, and should be on sites of a limited size (perhaps up to 15 units)
- That planning guidance should restrict itself to land viability, and not extend itself to development viability
- That transparent limits should be placed on the ability of authorities to demand resources for non-housing activities (e.g. education and transport) through the S106 system so that this can be reflected in land values
- That the policy should minimise areas requiring subjective interpretation so that the implications for land valuations are clear.

We also consider that the delivery of homes could benefit from greater standardisation and transparency within the S.106 process.

Other aspects of policy environment

There are other aspects of the policy framework that could be adjusted to increase supply. Such measures could include:

- Exploring the potential for other models of land ownership, such as Community Land Trusts or land pooling, especially in the context of the demise of Local Authority Social Housing Grant, and the effective use of capital receipts.
- Investigation of the role of a land development tax as an alternative to the present S 106 system
- Reducing the VAT rate for brownfield redevelopment and works to existing buildings

Social housing and the rental sector

The prime question this section of the Review brief asks is 'why has the house building industry not expanded provision of affordable housing?' We would suggest that there is a range of reasons, but they all come down to the fact that affordable housing provision represents an activity that is not appropriate for their business plans and strategies. Having affordable housing products on their balance sheets, with values substantially lower than vacant possession market sale housing, with perhaps uncertainty about the length of time these low value assets might remain on the books is not a



business decision that is attractive to private sector investors or shareholders. The higher risks associated with private sector housing developers make financial institutions even less keen to invest in sub-market products. Building ‘on spec’ to sell on to housing associations, or directly to the customer in a shared ownership arrangement carries enormous risks to private developers’ balance sheets. And, private developers are rarely interested in directly managing rented schemes, be they affordable or market renting, again because of the risks and the overheads entailed.

We would argue further that direct provision by the private sector would not contribute to the ‘more than housing’ and neighbourhood agenda the Federation and government are promoting, for outputs from the Sustainable Communities Plan. The reluctance of developers to enter into S. 106 agreements is an indicator of the sector’s lack of engagement with the concept of mixed tenure communities, or interest in long-term management of sustainable communities.

Conversely, we have stressed that the reverse is the case for housing associations. The sector is already embedded in long-term engagement with neighbourhoods, with some associations operating in particular neighbourhoods for over a hundred years. As social businesses we recycle and reinvest our surpluses, either to build more homes or to improve stock condition and services, depending on the different housing markets that prevail locally and regionally.

We are conscious that sustainable neighbourhoods need to have a diversity of housing products, at a range of price points and with flexible forms of tenure, to suit different types of household through their ‘housing careers’. Recent work by Professor Richard Scase, commissioned by the Federation⁹, has highlighted associations’ role in building communities that are shaped by a recognition of different lifestyles, social and psychological values, neighbourhood and community affiliation – as well as by ‘bricks and mortar’. We are increasingly successful at providing such mixed supply.

Danny Friedman
July 2003

⁹ Richard Scase and Jonathan Scales: Regional Futures 2010, NHF, 2003 (forthcoming)



Index of appended evidence and supplementary information

Appendices

- Appendix 1** **Housing Demand and Need in England 1996-2016**
Summary
- Appendix 2** **Housing Completions in England 1950-2000**
Private sector and social sector comparison
- Appendix 3** **Map of Mortgage Affordability by English District**
Mortgages as a multiple of average earnings
- Appendix 4** **Cost effectiveness**
A comparator between housing associations and private sector builders
- Appendix 5** **Affordable Housing and Planning Delays**
Case Studies from the housing association sector
- Appendix 6** **NHF pre-consultation submission to ODPM on PPG3:**
(Confidential) **Planning for affordable housing**

Supplementary information

- A** **Housing Demand & Need in England 1996 – 2016**
Full Report
- B** **Changing Housing Markets and Urban Regeneration**
in the M62 Corridor
- C** **NHF Submission to the Housing Corporation**
Sounding Board:
The New Approach to Investment
- D** **NHF Response: Proposals for enabling the Housing**
Corporation to pay Social Housing Grant to
unregistered bodies
- E** **NHF Response: Disposal of local authority land at**
below best consideration



Appendix 1

Housing Demand and Need in England 1996-2016



National
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By Alan Holmans

A BRIEFING NOTE

Jointly published by
the National Housing
Federation and the
Town and Country
Planning Association

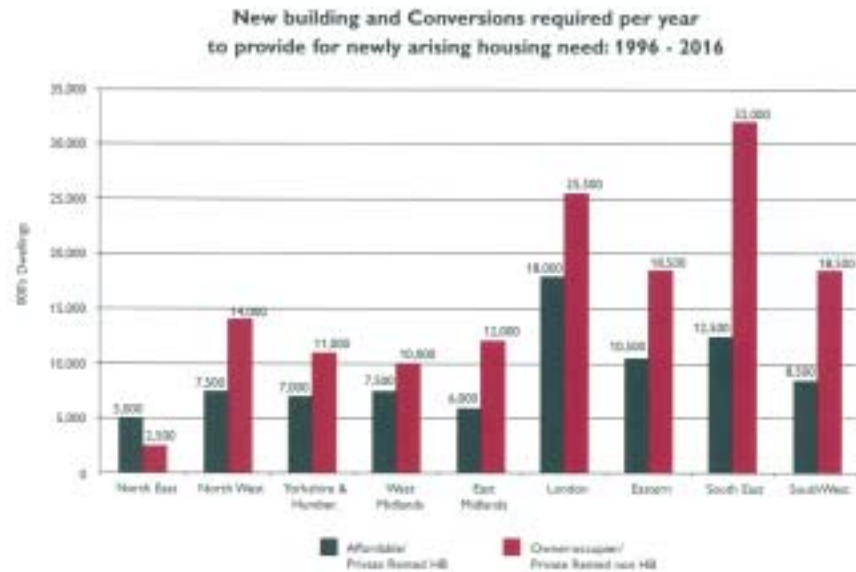
Drawing on the government's revised 1998 based population projections for England, Alan Holmans undertook an analysis of housing demand and need for all housing tenures, over the 20 year period 1996-2016. For the first time the Holmans analysis derives a regional breakdown of the projection for newly arising housing demand and need. The implications of the predicted provision of "affordable" and market housing and the projected demand and need for housing, and the identification of the regions where pressures for demand and need will be greatest, are discussed. The report found:

- Due mostly to higher net inward migration to the UK, and falling male mortality, the 1998 based population projections predict **England's population projections will increase by almost an additional 1 million people** over previous projections.
- The report estimates this will **result in the formation of an additional 413,000 households**, representing a 13% increase on previous projections.
- Projections imply that around **46% of these households will reside in London**. However, it is difficult to see how these households will be accommodated without a **very severe worsening of overcrowding and thereby housing standards in the capital**.
- Before the mid 1990's a relatively healthy and expanding private rental sector combined with comparatively high provisions of new social housing appears to have made some ground towards accommodating newly arising housing need. However, since then with growth of new housing in the private rented sector remaining static or in decline in combination with declines in the provision of new housing in the social housing sector, **clearly provision has been insufficient**.
- It is forecasted that there will be a **need for between 80-85,000 affordable and private rented government assisted dwellings per year to meet housing need. However, it is expected that only around 55,000 affordable homes are likely to be built each year given current government expenditure plans**. Any sustained and substantial contraction in the private sector's provision of housing to those claiming Housing Benefit will have a significant impact on the need for social housing and therefore the public expenditure required to support it. **Furthermore, this excludes making any progress towards providing for existing unmet housing need in England.**

continued over



Appendix 1



The demand for housing to meet newly arising need is varied across the regions. The chart above illustrates the pattern for estimated housing need required annually by region and by tenure for the study period 1996-2016.

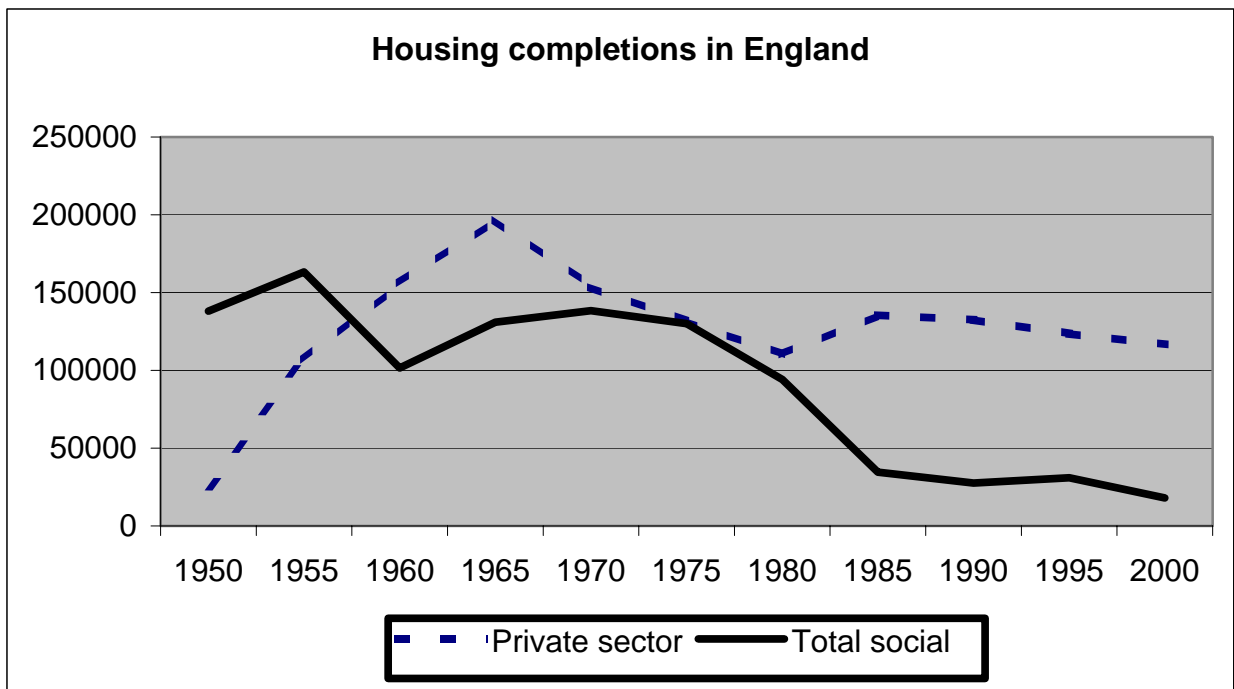
The Research; Alan Holmans is the foremost authority on the estimation of Housing Demand and Need in England. This publication follows on from Holmans' previous publication "Housing demand and need in England 1991-2011" published by the Joseph Rountree Foundation. It is, however, the first time that the Holmans methodology has been applied to produce a regional breakdown of Housing Demand and Need. The National Housing Federation and the Town and Country Planning Association are joint publishers of the report.

ORDERING THE REPORT

To order a copy of the report "**Housing Demand and Need in England 1996-2016**" priced at £20, contact the Town and Country Planning Association, 17 Carlton House Terrace, London SW1Y 5AS, tel 020 7930 8903, fax 020 7930 3280. This summary document was produced by Shane Brownie, National Housing Federation, 175 Gray's Inn Road, London WC1X 8UP, shaneb@housing.org.uk, ph 020 7843 2265



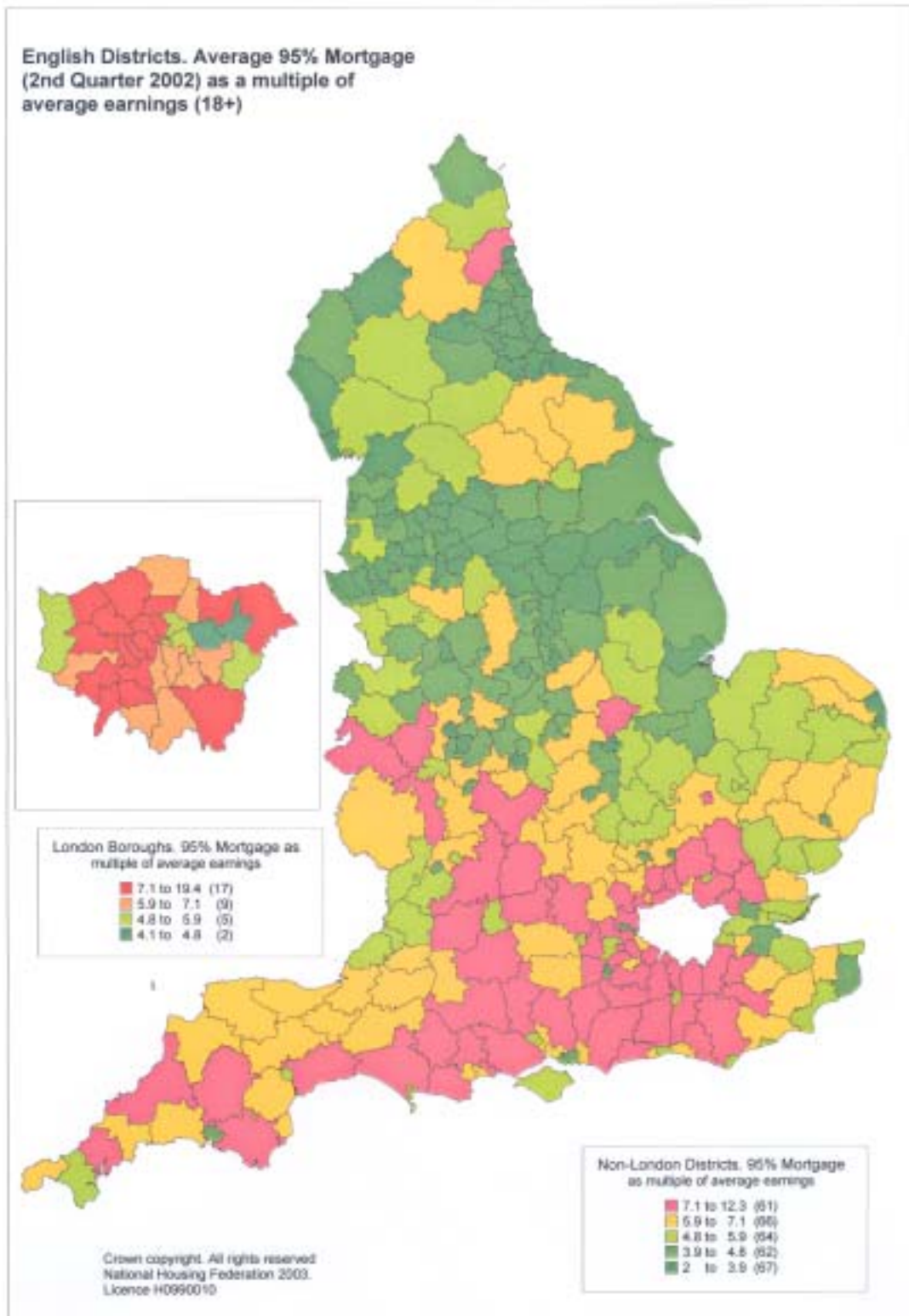
Appendix 2



Source: National Statistics: Housing Statistics 2001



Appendix 3





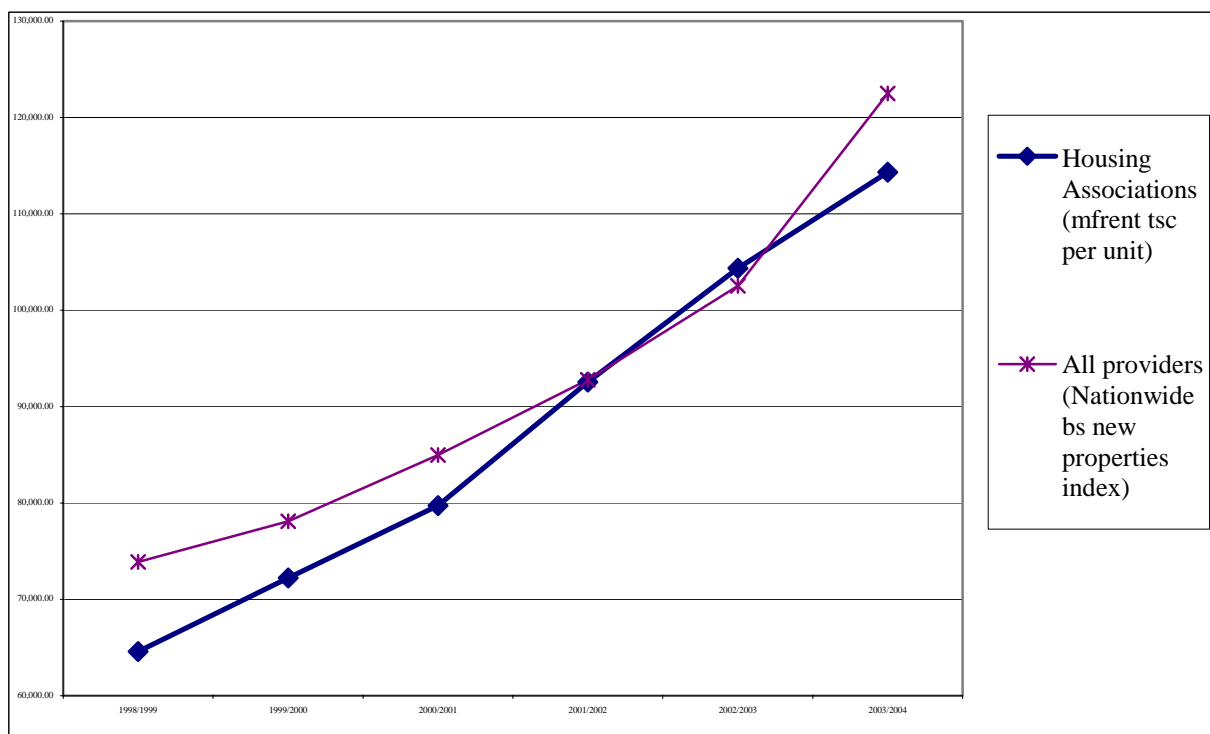
Appendix 4

Cost effectiveness: comparator between housing associations and private sector builders

In modelling our cost comparator we have compared the following:

- The national average Total Scheme Cost (cost to the HA) per unit for rental schemes,
- The Nationwide Building Society's New Properties index.

For each of 4 years (1998/99, 1999/00, 2000/01 and 2003/04) the cost of producing a HA property has been less than the cost recorded by the Nationwide BS. Of the other 2 years, 1 had an almost identical situation and the other HAs were slightly more expensive.



The escalating capital costs of delivering homes through the Housing Corporation's Approved Development Programme (now replaced by the Affordable Homes Programme) reflects the combined effect of a construction skills shortage on labour costs and a buoyant housing market on land price inflation.

Although housing associations are unable to avoid these market forces, many have led the way in innovative and environmentally sound housing and are investing further to improve the quality of the homes they create. In spite of these challenges, the graph above highlights how new housing association homes have been delivered more cost effectively than the open market comparator in 4 of the last 5 years.



Appendix 5

Affordable Housing and Planning Delays

In October 2002 the Federation asked its members to tell us about the difficulties they face in progressing their affordable housing schemes through the planning system. In many cases their schemes, which had the support of the Housing Corporation and the local authority housing department were being substantially delayed, leading to funding difficulties or cost increases that threatened scheme viability.

Delays have also arisen due to planning disputes that have their root in the lack of sensitivity of the planning system to the affordable housing use and the implications of housing particular resident groups. In most cases the outcome of the planning process is **fewer affordable homes, completed later and at a higher cost than necessary.**

Housing associations tell us that there are some commonly reoccurring problems beyond their control that impede them in meeting the Housing Corporation's delivery expectations in terms of both time and cost. These include:

- Housing applications recommended for approval by planning officers being rejected by council members, and some months later being approved on appeal;
- Extensive consultation mechanisms being agreed with planning officers and implemented, with subsequent refusal of permission by council members being on the grounds of insufficient consultation;
- Common reluctance to support emerging good practice or policy guidance in terms of density and design even where there may be no dominant local housing form or design to adhere to;
- A concern that affordable housing applications, which may be perceived as controversial, are being deferred and rejected in order to meet the eight week statutory timeframe, rather than given full consideration.

The reported incidences of schemes being approved on appeal indicate that local planning decisions cannot be assumed to comply with either current legislation or policy. Whether this is due to political expediency or lack of skills to administer this important statutory function is unclear. However, if affordable housing provision is to be increased to address the housing crisis, forthcoming legislative and policy changes will need to dramatically improve the reliability of local determinations for affordable housing applications.



To illustrate these concerns, and the impact on the delivery timetable and costs for affordable housing schemes, a selection of real case studies follow that are typical of housing association experiences of the planning system.

A) Local authority divergence from policy guidance

In November 2001, following two years of discussions with the local authority officers (including housing, planning and highways departments) the housing association submitted an application to develop a mixed tenure scheme of sixty-four flats. The scheme comprised a mixture of one and two bedroom homes accommodated in four blocks that would include **rented, key worker and sheltered housing**. The level of grant funding allocated by the Housing Corporation would determine the exact unit mix. The brownfield site was within a short walk of the town centre and considered highly accessible and well served by amenities.

In February 2002 when the scheme went before committee, planning officers recommended approval. In spite of officer's advice, and following representations from local residents, **members deferred the application on the grounds of insufficient car parking, and higher than desirable density**, plus concern over age restrictions on the sheltered housing. In October 2002 an appeal was lodged highlighting divergence between the local planning policies relied upon by members and current planning policy guidance. The association anticipate a successful outcome, although the first homes are now unlikely to be ready for occupation until 2004 at the earliest.

B) Late and protracted statutory consultation

This case study relates to a partnered, mixed tenure housing development of two hundred homes forming part of the regeneration plans for council stock transferred to a housing association. In June 2000, partnering workshops involving the housing association, construction partners, the local authority housing, highways and planning team took place. **Planning officers involved in this process were uncomfortable with this team working approach and said that they felt this compromised their independence.** As a result detailed design progressed without active involvement of the planning department, in spite of attempts to secure advice on what might be acceptable.

The planning department had originally advised the association that on the matter of parking they would support the view of the highways department. Highways opinion was sought and the scheme was developed based on highways advice that 1.25 parking spaces should be provided per dwelling. However the planning officer was not prepared to support the application unless this was raised to 1.5 parking spaces. In spite of all the time invested



in the partnering process to work up the detailed design, **the scheme had to be reworked to accommodate this extra parking resulting in a loss of more than thirty homes, and a delay of three months.**

In the summer of 2001 the association made an application for detailed consent with the revised scheme with the support of the planning officer. The council was not prepared to determine the application, as it believed that English Nature should be consulted on the impact on a nearby Sites of Special Scientific Interest. **If this had been raised in June 2000 at the partnering workshops, delay could have been avoided.** Following this decision the association lost its grant allocation for 2001/02 and pre allocations for later phases of the development planned for 2002/03 and 2003/04.

After nine months of correspondence with English Nature and the planning department, proposing mitigation measures, **conditional consent was received in June 2002 subject to English Nature giving their approval** to the environmental arrangements. This approval is still awaited and the association is concerned that their 2003/04 bid to have their Housing Corporation funding allocation reinstated may not be successful if this is not resolved urgently. Thirteen months of the delay in delivery and a reduction in the number of homes produced can be directly attributed to the planning process, outweighing the anticipated benefits from partnering.

C) Approval on appeal: overcoming NIMBYism

After eight months pre-planning consultation and three redesigns, reducing the number of properties on the site from sixteen to thirteen, this scheme was eventually presented before the planning committee with an officers recommendation for approval. The officer's report even went so far as to state 'I can see no material grounds why the application can be refused'. However at committee the application was refused on the **grounds that the houses did not offer future residents sufficient amenity.** The properties themselves were designed to exceed Housing Corporation scheme development standards, parking accorded with the local plan requirements and gardens exceeded stated sizes.

On further investigation the real reason for refusal emerged. **Local residents did not want to see the site developed** and the local member, who was seeking re-election galvanised the planning committee on which he sat to refuse the development contrary to the advice of officers. At appeal (incurring additional cost and time) the scheme was upheld and detailed permission granted.



D) Approval on appeal, but costs not recovered

After two years of pre-planning negotiation and one unsuccessful application to build eight homes for rent, in Autumn 2000 the housing association approached the planning department to establish what type of scheme might be considered welcome on this brownfield site. The association was advised to submit a six unit scheme by planning officers who supported the application when it went before members in December 2000. However the officer's recommendation was ignored and in refusing permission members on the **planning committee were openly hostile to the idea of affordable homes for rent on the site.**

The housing association sought legal advice and lodged an appeal on both its original eight unit scheme citing PPG3, and the subsequent six unit scheme. In early 2002 the inspector found in favour of the association on both counts, but did not award costs. Although the Housing Corporation has permitted the association to roll forward its allocation for grant, an **additional £40,000 in costs** have been incurred and the homes will not be ready for occupation until September 2003 – two years later than if the original legitimate application had been approved.

E) Parking requirements hit delivery and feasibility

The housing association submitted an initial application to build four one-bedroom flats close to the town centre as move-on accommodation from supported housing for single homeless people. Floating support would be provided to the residents of these flats.

The planning department insisted that the association provide one parking space for each flat and one for a visitor, a total of five. As there was only sufficient space for four vehicles the association was only permitted to develop three flats, even though the building footprint would have been the same for four flats. This affected the financial feasibility of the scheme due to one less rental income unit, as well as the ability to offer move-on accommodation in a very high value area with short supply of affordable one-bed units.

Now that the scheme is complete the real irony is apparent - only one of the three tenants is able to afford a vehicle and the vacant parking spaces are a reminder of the extra home that could have been built.

F) Conflicts between design good practice and planning briefs

Three housing association partners were selected to deliver eighty affordable homes within a new development of four hundred units. These homes were



one element of a five thousand homes residential expansion to an existing settlement. The development concept was covered by an original master plan and a design brief created five years earlier in line with urban village principles.

One association was concerned that in their designated area some aspects of the design brief, against which the planning application was to be assessed, had been overtaken by more recent guidance and good practice in terms of density and distribution of car parking. In particular they wanted to challenge the design brief requirement for parking to be in bays to the rear of properties, as the creation of hidden, non-defensible space is known to pose management problems.

The association bid for 2002/03 Housing Corporation funding while negotiations progressed and were awarded an allocation on the basis of a September 2002 start on site date. At the time of writing, the association hopes to achieve approval to enable construction to commence in January 2003, however if this slips further the funding allocation may be at risk. The earliest that the homes are likely to be available for occupation is estimated to be April 2004.

G) Moving the goalposts, increasing costs and delaying delivery

The original planning submission was made in September 2001 for eight sheltered housing units and two shops. The Parish Council had expressed concerns over the shops but the planners insisted two shops were required.

In November 2001 the planning officer asked the architect to reduce the width of the front block. He steered the architect towards a different layout that included a comprehensive scheme on an adjacent site. In December it was decided to allow the application to run its course but a second one would be made covering the two sites if the adjacent site could be secured.

The adjacent site was subsequently secured by the association and a comprehensive scheme as requested by the planning officer was produced and submitted at the end of January 2002. This comprised fifteen residential units and two shops with thirteen car parking spaces. The inclusion of sheltered housing units allowed reduced parking provision and the scheme was in line with PPG 13. The original application was withdrawn at the request of the planning dept in March 2002.

Although the changes had been at the request of the planning officer, they then said that they could not support the scheme and insisted on an entirely different architectural approach in conflict with previous correspondence. The highways department also continued to demand eighteen to twenty-four car parking spaces for the new application. The planning officer decided to determine this second application as a refusal but



to allow a third application as a resubmission with the possibility of an appeal against the refusal. Refusal was received in May 2002. The agent acting on behalf of the landowner of the adjacent site then made an appeal.

In a bid to resolve the matter with the planners and Parish Council further meetings took place during the summer. The inclusion of the two shops was again debated, although the planning officer who required them announced their departure to work for a planning consultancy. The association worked up a fourth scheme with its architect to resolve issues raised. **The new planning officer taking over the scheme then insisted on a return to a previous proposal**, but considered that the shops were not necessary after all.

A further scheme was designed and submitted with no shops and thirteen residential units (two homes and two shops fewer than offered by the association). The association believes this is now supported by the planning officer and is likely to get support from the Parish Council and the planning committee. All the extra design work, time and resubmissions are estimated to have cost the association an **additional £25,000 as a result of the inconsistent approach of different planning officers**. A successful outcome is still not guaranteed.

H) Disputes over construction conditions

Planning approval was originally sought for this scheme of eight homes for rent in July 1999. Although approval was granted on appeal in May 2001, fifteen conditions were imposed with some needing to be satisfied prior to commencing on site. The association successfully bid for Housing Corporation funding in the 2001/02 bidding round but was unable to start on site during that year because the council was not satisfied with compliance with the final **condition regarding management of noise and dust during construction**. After the contractors proposals being refused formally in September 2002 a revised proposal was submitted in October 2002 and is awaiting a decision. The association is not optimistic of a successful outcome. The homes are therefore unlikely to be ready for occupation until more than two years after the original grant funding was allocated.

I) Education contributions

This scheme of eight homes for rent has been delayed by three months so far due to the council developing its own **policy on education contributions from housing development**. It is not uncommon for housing associations to be required to contribute to education or play provision by way of a Section106 cash contribution, effectively from the rents paid by residents. The association has not agreed to the condition and hopes that the dispute will



be resolved shortly as the council has received counsel's opinion that its actions are ultra vires.

This association reports six other affected housing schemes within this one local authority. We are not able to quantify the scale of the problem elsewhere, although we know that other councils are seeking education contributions from housing associations, and that this trend is on the increase.

J) Amenity Charges: Leisure

The housing association submitted a planning application for the redevelopment of a sheltered housing scheme into thirty-nine houses and flats for rent in October 2001. The application was not deferred and delegated until April 2002 with the treatment of existing trees being the major substantive reason for refusal. In the summer of 2002 the council introduced a policy of requiring planning contributions towards leisure facilities and in September 2002 sought a **cash contribution of around £80,000** from the association. In addition to this cost, the association faces the risk of further **construction cost increases from the delay** which has been six months to date, together with the possibility of the Housing Corporation withdrawing or deferring grant funding.

At the request of the housing associations involved, these case studies have not been attributed in order that relationships with their local authority partners are not undermined.



Appendix 6 *CONFIDENTIAL*