

THEME BASED ISSUES

In order to make progress on developing a workable affordable housing framework, linked to THCR, then consideration needs to be given to the various approaches that can be adopted for:-

- Definition of Affordable Housing
- Evidence Base - Housing Needs and Housing Market Assessment
- Commissioning Framework
- Land Assembly and Site Assessment
- Financial Packages to Support Affordable Housing Products
- Delivery Mechanisms
- Interim Measures

A steer from elected members would be welcome on the above and associated issues.

- **Definition of Affordable Housing – affordability model**

At the present time the Council has a definition of what constitutes affordable housing in tenure terms but not in financial terms. While tenure definition is helpful, further work on what elected members find acceptable in financial terms against different affordable housing product types needs to be considered.

This would assist Council Officers, in that they can try to develop affordable housing products that meet with Elected Members expectations while also meeting housing need. This would also be of benefit to Planning Committee Members as planning applications supported by the Housing Strategy and Development Team, will in the main, meet Elected Members, previously agreed requirements, thus removing the need of discussion at Planning Committee about the “affordability” aspect of a planning application. Potential affordable housing developers will also benefit, as they will have a greater understanding our requirements from the outset.

Please be aware that within this context, our preferred requirements may actually result in developments not being viable. For example on a simple shared ownership development, the Council may prefer to see the properties sold at a substantial discount below open market value, as the true open market value of the properties may be considered too high. If the development is funded by the Housing Corporation, then the Housing Association is governed by Housing Corporation Capital Funding rules, which generally constrains such practice. This could kill the project. Clearly, a balance would have to be reached between what is regarded as an affordable product, compared to what is actually achievable.

Specific consideration would have to be given to the different delivery products. Members may have a specific view as to what they regard affordable housing to be in relation to different type of affordable housing product such as:

- Rent
- Open Market Housing for Sale but at a discount
- Shared Ownership / intermediate products
- Intermediate Rent.

Alternatively, Members may support a simple expression of 2/3 times household income for accessing affordable housing to buy and a statement that relates to renting, over and above more complex methods to support shared equity models etc.

There are cost implications as to how complex a model is and how costly it is to maintain and how it could be applied to any Commissioning Framework, including THCR spend.

- **Evidence base**

The Affordable Housing Strategy 2008 – 2013 identified a clear need for better justification of developments.

Under Section 8 of the Housing Act 1985, every local housing authority has a statutory duty to consider the accommodation needs in its district and to undertake a periodic review of accommodation needs in its area. In practice this has normally meant that local authorities undertake housing needs surveys every three to five years. Since 1999 we have undertaken Surveys in 1999, 2003 and 2005.

In terms of meeting the duty and commissioning such work at the current time, the study would cost approximately £60,000. This cost would deliver a product that does not meet the expectations of robust data evidence at a local level, such as Parish. To do so would increase the cost of the study significantly. This is principally because, generic housing needs surveys provide an indication of District housing need, broken down into broad sub areas. The sub areas are generally larger than our recognised settlements, and as such, do not help provide confidence in supporting a specific development in a specific settlement.

Officers undertook a pilot study based on the Parish of Scarisbrick, which delivered a more detailed picture of housing need and was also sponsored and supported by the local Parish Council. This local ownership and acceptance of survey findings is an important factor in delivering affordable housing in village/rural areas.

A programme of detailed locally focussed need assessments will commence in 2008, financed through THCR – Revenue allowance and will link to the Commissioning Framework, determined as part of Phase II activity. This may also need to link to any Private Sector Stock Condition Survey.

Officers have recently commissioned Philip Leather of Nevin Leather Associates to undertake a broad assessment of existing housing market reports across the Liverpool and Lancashire City regions also taking into account North West Regional Assembly and Government Office assessments. This work aimed to determine whether the Council needed to simply concentrate on undertaking detailed local housing needs assessment or whether we also need to commission a Strategic Housing Market Assessment

A draft report was issued on 7 August 2008 and we now know that we need to undertake a detailed local housing needs survey supplemented with a West Lancashire sub market housing assessment.

- **Commissioning Framework**

Following completion of Phase I and II, referred to in section 3 of the main report, a Commissioning Framework will need to be developed which produces a rank order of sites in relation to housing need and in terms of the sites potential to be developed.

Any such assessment process would need to determine economic viability of developing sites, as well as being mindful of any other funding streams that could contribute, such a Registered Social Landlord reserves and/ or Housing Corporation funding.

The Commissioning Framework will aim to deliver specific numbers of units at specific locations and over an agreed timeframe. This will form the basis of any negotiation with developers as to the Councils expected development priorities and drive our own affordable housing interventions.

This turns our current reactive approach to one that states clearly where the Council will actively support development in favour of other sites. Members will note that within the Councils Affordable Housing Strategy 2008 – 2013 such targets were not introduced. This was to allow appropriate research to take place in relation to housing need and land site availability to influence the development of a Commissioning Framework and spend profile for THCR.

- **Land assembly and site assessment**

As mentioned in main report, the LDF process will identify a range of sites across the district that may be suitable for housing purposes. This does not mean “affordable” housing, but housing development in its broadest sense.

Consultants commissioned by our planning colleagues, White Young Green are aiming to produce a draft Strategic Housing Land Availability Assessment (SHLAA) report by the end of August, which they intend to consult on during September. This will identify sites.

To date approximately 270 sites have been submitted by the public, and planning policy colleagues have identified another 370. They have carried out initial assessment of all these sites, taking into account factors such as whether sites have access, and how far they are from local services. It is important to note that not every site will be considered suitable for development.

The Housing Strategy and Development Section may need to commission further work to tease out which sites from the larger list could be appropriate for affordable housing purposes. In that regard we would look to ensure, if not already undertaken by the SHLAA exercise, an additional assessment by development control consultants, as to the likely development control type issues, that may adversely constrain delivery.

We would also need to consider how sites could be best used in relation to their capacity (number of dwellings able to fit on to the site). In that regard we would be considering whether to split sites and partially land bank them or others, in order to develop sites in such a way that it matches any financial packages used to bring the sites to fruition and help maximise delivery. Some of this hinges on the land price, space standards and location of the development and existing planning policy.

- **Financial Packages to Support Affordable Housing Products**

Whilst there are related costs to the activities outlined above, the bulk of the capital expenditure will be on financial support to facilitate the delivery of affordable housing products, such as the building of new housing or financial products that help households purchase property on the open market, or indeed avoid repossession.

Within this context we need to consider:

- Do we wish to stretch the THCR receipt by adopting a range of approaches that perhaps lever in match funding or do we want to simply spend the THCR as quickly as we can.
- Is there a preferred approach on how to use the THCR - for example, to support new build housing or renovate former empty properties or land banking or create financial equity products to help people buy or indeed a range of approaches.
- Are we concerned about the level of deferment. For example if we were to land bank or part equity stake this capital could be released at a later date to support requirements at that time. This contrasts with models that are expenditure hungry and will show no return for example subsidising market price access housing.

In addition to the above considerations we would need to understand the level of risk for each approach and if there is a low or high risk to the expenditure? This may relate to issues such as land values and likelihood of receiving planning permission at a later date or on equity based products the risk of default by the homeowner or period of time before we realise a return on the equity stake.

If we use the THCR to purchase land then we need to ensure that we understand the whole site economics and deliverability issues and not simply focus on the land purchase cost. This is more important now as the market is adjusting than it may have been perceived a number of years ago when property and land was king.

- **Delivery mechanisms**

Delivery methods need to be considered, to ensure that the best approach is adopted to meet our Corporate and Housing affordable housing priorities.

There are many options for delivery and each has its attractions.

Special Purpose Vehicle (SPV) Independent

- The local authority could establish a SPV or Local Housing Company to build affordable homes outside of the Housing Revenue Account constraints. Such a new Body would have sole ownership by the Council to provide additional homes, including affordable homes in the District and to link to wider regeneration proposals.

Special Purpose Vehicle (SPV) with Partner

- The local authority could establish, along with a RSL partner a SPV or Local Housing Company to build affordable homes in the District. In this instance the partner RSL would be expected to bring capital funding and expertise to the table in order to significantly stretch the initial value of the THCR pot and to link to wider regeneration proposals.

Partnership Framework

- At present the Council has six non-contractual RSL development partners. The Council could undertake a formal partnership exercise that seeks to identify RSL partners who along with relevant affordable housing development expertise will bring capital sums to the table.

Normal Housing Association Development

- The Council could simply provide grant funding towards new affordable housing developments in such a way that the level of grant requested from the Housing Corporation is reduced, thus making a scheme more appealing to the Housing Corporation.

Special Scheme Commissioning

- The Council is aware of the needs of special needs groups, such as Learning Disability, Older people, Physical disability etc. The Council may wish to contribute towards capital cost of particular schemes.

Private Sector Sponsorship

- The Council may wish to use some of the THCR to help bring empty dwellings back to use, accommodation over shops and RSL underused accommodation

Local Authority Build

- This is an alternative delivery mechanism.

Elected Members may wish to explore the above options and any other options that may help facilitate the provision of affordable housing products.

- **Interim Arrangements**

As work progresses on shaping our Commissioning Framework, the Housing Strategy and Development Section will still be required to consider sites that are brought to their attention. In view of that an interim core value statement could be issued, so that private developers and RSL's understand our broad affordable housing requirements, both from an affordable definition in financial terms perspective and in relation to build standard requirements.