

## **HOUSING TOPIC SCRUTINY REVIEW**

### **Executive Summary**

The Overview and Scrutiny Committee (O&S) were asked to undertake a review of Housing as a topic by the Housing Task Group. Following consultation with all members of the Council on the agenda for the work programme for 2020/21 it was decided to make this the major topic for Review and Scrutiny over this municipal year for this Committee.

This review has been undertaken over three consecutive months in three sessions. This paper is a summing up of the findings from O&S and incorporates work conducted since on developer viability arguments for affordable housing. This paper is to be viewed in conjunction with the framework commenced by Housing Officers and is designed to support the new housing strategy.

The Committee are cognisant that they only covered a small section of this topic, what became evident was the issue of the lack of affordable housing was fundamental to the discussion. Next steps are for the recommendations which have come from this scrutiny topic to be considered by the Council for inclusion into the new Housing Strategy due to be published and adopted in June 2021 following public consultation.

### **Recommendations**

#### **RECOMMENDED to Council That;**

- (i) the locally set commuted sum formula be reviewed when the Affordable Housing SPD is next updated;**
- (ii) the Borough should set the example and seek to bring forward more of its own sites for affordable housing developments;**
- (iii) where a viability case results in fewer affordable homes being proposed, a S106 agreement in order to provide the option for the actual costs and values to be completed;**
- (iv) a town centre strategy be brought forward in consultation with residents on the nature of new build housing in this area to inform future policy;**
- (v) increased vigour and support be given to the return of empty homes into occupation; and**
- (vi) the Planning Committee has a session on the viability assessment process in their regular update training.**

**Background Papers:** Viability case study group notes and report.

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## Housing Topic Scrutiny Review

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### 1. Introduction

- 1.1 The Overview and Scrutiny Committee were asked to undertake a review of Housing as a topic by the Housing Task Group. Following this request, the topic was added to the 2020/2021 Work Programme and approved following consultation with all members of the Council. It was then decided to make this the major topic for Review and Scrutiny over this municipal year for the O&S Committee.
- 1.2. The O&S Committee has been assisted by the Housing department, in particular Mrs Louise Strongitharm (Director of Housing), Mr Jonathon Herbert (Strategic Housing and Development Manager), Mr Ernest Amoako (Planning Policy Manager) and Mr Thomas James (Planning Manager). In collaboration the topics for three sessions of the Committee over three consecutive months were determined.
- These were;
- Session 1. Affordable Housing Need
- Session 2. Challenges to addressing the affordable housing need.
- Session 3. Future Housing Strategy
- 1.2 Following robust discussions on the reasons why we are not meeting our basic targets for the provision of affordable homes in the Borough, the O&S Committee set up a small case study group to review several different real examples of use of the viability argument/ assessment which permits developers to adjust or remove the requirement for affordable homes. This sat over three sessions and produced a report which was used in the compilation of this report. Lead member was Cllr Whitehand, supported by Cllr Chrystie, Cllr Sanderson, Cllr Hussein and Cllr Bond.
- 1.3 A further member briefing on the viability argument was arranged particularly for members of the Planning Committee, but was open to all Council members.
- 1.4 It was originally hoped for this report to be presented to O&S in December, but was delayed due to the availability of the viability assessment surveyors to meet with the case study group.
- 1.6 The recommendations from the Overview and Scrutiny Committees review is intended to support and inform an updated Housing Strategy, to supersede the last one adopted in 2011.

### 2. Links to Health and Well Being

- 2.1 The clearly identified link of the provision of safe, suitable homes for all residents to the Wider Determinants of Health is well documented.
- 2.2 The wider determinants of health are those aspects which impact on a person's health and well-being which are not necessarily healthcare related. This is well documented by Sir Michael Marmot in his two major publications on this topic, the first in 2010 'Health in All Policies' and the second a follow up in 2020 which showed a widening gap in health inequalities. The impact of housing is included in this.
- 2.3 The Health and Well Being task group, which sits under the Woking Joint Committee, has been working this year on engagement of all aspects of Council business in the integration of H&WB into wider policy.
- 2.4 The new Housing Strategy and the new Health and Well Being Strategy are being produced so that these complement each other in their delivery.

### **3. Changes in Government legislation and impact on WBC**

- 3.1 Government White Paper; Planning for the Future (Aug.'20). Here the calculation of housing need for Woking is thought to be 348 dwelling per annum. The Government has decided not to use the approach promoted in the. 'Planning for the future consultation document' as a means to calculate housing need. At present under the 2014 household projections, which the Government requires Councils to use in calculating housing need, the housing need for the borough is 431 dwellings per year. The Core Strategy sets a housing requirement of 292 dwellings per year. This is what the Council is presently seeking to provide.
- 3.2 Government consultation paper - 'Changes to the current planning system' (released in August 2020) - indicated the Government's intention to increase the affordable housing threshold from 10 dwellings to 40 - 50 dwellings in order to stimulate the economy as a response to the impact of the Covid-19 pandemic. An update on this implementation is awaited.
- 3.3 The Social Housing White Paper was published by the Ministry of Housing Communities and Local Government on 17 November 2020. The white paper presents a charter setting out seven commitments that social housing residents should be able to expect from their landlord. The overarching themes are building and resident safety, and resident voice. It also aims to deliver the improvements in transparency and accountability promised in the 2018 green paper.

### **4. Empty Homes;**

- 4.1 As at January 2021 there were 540 long term empty properties of which 107 have been empty for more than 24 months. Work to promote these being returned to occupied homes has been delayed by two factors. Initially the officers involved were diverted to deliver on the Councils new licensing scheme in Canalside and just as this was up and running, they were then diverted by the pandemic to other essential duties.
- 4.2 O&S has had a couple of presentations on empty homes in recent years and appreciates that this is a long term and time-consuming process. However, it must be considered that the impact of just a proportion of these being returned into the housing stock could make a significant impact to those searching, in particular for a family home.
- 4.3 Empty homes are often a target for anti-social behaviour and are a frequent cause for resident complaints.
- 4.4 A suggestion was made that Ward members be approached for any information on empty properties in their Wards in order to speed up the process of identification and thereby action can be taken to expedite work needed to address the issue.

### **5. Affordable Homes;**

- 5.1 The primary area of concern which became increasingly apparent from all the sessions was the lack of provision of affordable homes. The WBC Core Strategy sets an overall target of 35% of all new homes to be affordable, this is not being met. The definition of affordable housing is defined by Annex 2 of the NPPF, and it includes affordable housing for rent, starter homes, discounted market sales housing and other affordable routes to home ownership. The Core Strategy provides guidance on the tenure split of

affordable housing needed in the borough. The SHMA (2009) identifies that there is a need for 70% of new affordable dwellings to be in the rented tenure (social and affordable) and 30% at intermediate level (including shared ownership). It was noted that the price of land in the Borough often precludes these being included in a development. Socially rented housing which comes under this definition has also been challenged by the government's Right to Buy scheme, and the numbers of Social Housing in the Borough has fallen from 3410 in 2013 to 3361. In addition, 'Buy To Rent' schemes are not required to deliver as high a percentage of affordable housing.

- 5.2 The Council has used innovative methods to create additional homes via such schemes as Let's Rent, offering incentives to landlords to let their properties through the Council. The 'Earn your Deposit' scheme, which encourages tenants to become homeowners, is just having its first takers.
- 5.3 The Committee was informed that there is an acute need in the Borough for more affordable homes of all types, sizes and tenures. Specifically it was informed that the greatest need is for 1 bed units at 41%; then for 2 bed units at 31% and for 3 bed units at 22%. It was noted that this proportion was not the same in the private market where more family homes were needed (80% 2 bed and above). Also concern was raised that the developments coming through planning in recent months seemed to be predominantly for one bed and studio accommodation.
- 5.4 Concern was raised by the Committee at the number of successful challenges made by developers to the Borough's requirements for 40% affordable housing on developments of more than 10 units.
- 5.5 Questions were raised that as the viability arguments/ assessments were largely agreed, how would the Borough provide affordable homes in future? It was considered that the Borough should set the example and that in all Council led/ Council owned/ or where land is owned by WBC, but is to be developed by a third party and own developments that Core Strategy 12 should be fully adhered to.
- 5.6 102 dwellings per annum are required under our Affordable Housing Core Strategy Policy CS12 to provide 1737 by 2026. To date we have provided 581, so we are short by 1,156. The Committee was informed that there are a further 436 affordable homes planned to be delivered by 2023/24, still leaving us with a deficit on our needs.
- 5.7 The projected number in the pipeline to be provided is 436 units, which still leaves us short of our target by 720. There is also the issue of the mismatch of numbers of families and individuals who are on the housing register, as at January 2021 this stood at 1,108.
- 5.8 The challenge to many seeking to purchase or rent at affordable rates is that due to the high price of land, fewer affordable homes are viable. Even WBC new developments have not provided the 40% affordable in the past. The members briefing on this topic indicated that we are unlikely to get any affordable homes built within our town centre as it will not be viable to do so.
- 5.9 The commuted sums provided in lieu of affordable delivery have not always been forthcoming and the numbers of properties provided in this way falls short of what could normally be expected on site. Overage agreements also do not provide the percentage of affordable as per our policy. However, it is noted that there is an argument that any affordable is better than none.

- 5.9 Social housing; continued loss of this via the Right to Buy programme with 13 a year lost in 2012 compared to 6 a year to date in 2020-2021.
- 5.10 Questions were raised by the Committee and case Study Group on the Borough's acceptance of the viability self-assessments. One of the major companies who is employed by the Council to advise us on this was interviewed by the case study group in order to understand various real examples of this.

### **6.0 The Viability Argument**

- 6.1 The Committee found it challenging to understand how so few developments in recent times were providing the 40% affordable provision and felt that the process behind this needed to be understood and possibly challenged. Questions such as whether we need a stronger mechanism to encourage developers to provide affordable homes or do we as a Council need to review of the realistic number of affordables expected within a development?
- 6.2. A small original group of the O&S committee were given three planning application examples to test the system. Each real example had been selected as the viability assessment was different on each application.
- 6.3. Woking has a Core Strategy Policy which it adopted in 2012 which sets out its housing requirements. And within that the basis is set for percentage requirement of affordable housing, all of which is subject to viability.
- 6.4. Certain sites are deemed as high value, Town centres for example, but the higher the existing use value the less surplus so the incentive to reach maximum affordable units in this type of development will be reduced. Building costs rise as you go higher and individual buildings in town centres have high infrastructure costs. Therefore, the high rise developments within the town centre are unlikely to yield affordable homes.
- 6.5. The case study group learnt that the Viability assessment has been a feature of planning for the last 10 years, but as the land values have risen increasingly the viability argument for no affordable homes is successful.
- 6.7. The Case Study Group and the Members in the briefing challenged the surveyors who undertake the viability reviews as to whether the developers' self-assessments are inflated and what actions they can take on this. The presentation and the responses to searching questions indicated that the companies that WBC employs to undertake a review of these viability self-assessments is robust and that they do indeed challenge developers for more affordable housing units. It is the high land value and the calculations which are prescribed which preclude these from being included in many developments.
- 6.9. There remains the dilemma that if the Council does not permit high rise in the town centre then the green belt would be more challenged. Green Belt capacity and the Town Centre capacity were inexorably interlocked and WBC had a High Rise Strategy agreed for Town Centre. HIF conditions applied to the Town Centre and committed more High Rise.
- 6.10. Woking was amongst many LPA'S having difficulty in achieving its Core Strategy requirements for affordable housing and the trend did not show signs of improving.

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- 6.11. Use of the green belt; Green Belt offered more prospect of achieving a higher number of affordables but public opinion was a significant factor against usage plus the balance with the health and well-being that the green belt affords.
- 6.12. The case study group and members were informed that developers frequently tried to overstate costs and all agreed that it seemed the balance had turned too far in favour of developers. Members were informed that the use of S106 was useful in this regard as a review of the actual costs and values could be utilised during and after the actual build. A reconsideration of the viability could then be done. This was being increasingly used, but was a useful adjunct and perhaps could be usefully employed here to protect against developers inflating their initial costs.
- 6.13 The Case Study Group and the Members in the briefing challenged the surveying company who undertake viability reviews on behalf of WBC as to whether the developer's self-assessments are inflated and what actions are taken on these calculations. Following the presentation, the responses to searching questions indicated that the companies that WBC employ to undertake reviews of these viability self-assessments is robust and that challenges to developers for more affordables are made and are sometimes successful.
- 6.14. The specific concerns and recommendations from that study group are;
- A) It was suggested that Planning Committee members receive training in understanding the viability argument process. (This has been conducted).
  - B) The three case studies all showed how difficult it is to demonstrate the viability of providing affordable housing on brownfield sites.
  - C) With brownfield sites especially in an area like Woking with higher land values it is very difficult to prove the viability of affordable housing especially with the provision of developer profit of up to 20%.
  - D) Clear that the higher storey buildings are proportionately more expensive to build and this is likely to offset the higher value for higher storey apartments.
  - E) Use of overage clauses which come in once 75% of units sold. But this is too late to extract an on-site contribution.
  - F) If the Council were to itself build on the brownfield sites potentially affordable could be realised as the 20% developers profit would not be relevant.
  - G) A balance between the numbers of affordables and the overall housing stock may not be feasible but needs addressing in the next Local Plan.

### **7.0 Future Housing Strategy**

- 7.1 This has been worked on by the Housing team over the same period as the O&S review was conducted. The team were able to present the emerging priorities in their last presentation to O&S for the next 3-5 years.

### **8. Conclusion.**

- 8.1 Please note that the Committee considered many other facets of housing need, but this paper has focussed on areas where recommendations were made.

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