

**SOUTH EAST ENGLAND COUNCILS  
EXTRAORDINARY EXECUTIVE MEETING**

Date: 14 July 2010

Subject: **South East England Councils' Approach to SR  
- Housing Affordability (including report back from  
the Housing & Regeneration Board)**

Report of: Elizabeth Cartwright, Chairman of the Housing & Regeneration Board

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**1. Investment in Affordable Housing in South East England is Essential to Meet Government Priorities**

- 1.1 The UK's overall competitiveness is inextricably linked with the South East's continued success. However the success of the South East economy should not and cannot be taken for granted.
- 1.2 Housing is a critical part of the infrastructure needed to support economic growth. The need for affordable housing in the South East is acute: according to Home Truths 2009 produced by the National Housing Federation (NHF):
- Housing waiting lists have risen by 40% in recent years to over 200,000.
  - Supply has been running at 67% of the level the South East Plan indicated is necessary.
  - The cheapest home in the South East is seven times average incomes; an income of nearly double the regional average is required to purchase the cheapest home.
  - House prices in the South East have increased four times faster than incomes in the last 10 years.

**2. Government Support for Affordable Housing is Needed**

- 2.1 Public sector support is required to address a market failure; without an adequate supply of housing, and in particular affordable housing, it is difficult to achieve the balance of homes, skills and jobs at the local level, a balance that is fundamental to realising sustainable economic growth, a balance that is required in order to help reduce the carbon footprint of the South East.

- 2.2 The scale of the support required to address the market failure is of such a scale, and is of such significance to the UK economy, that it requires Government funding, channelled through local authorities.
- 2.3 Experience across the South East shows that delivery of affordable housing within grant is extremely difficult to achieve even when the land comes free, as on S106 sites or when the local authority provides the land. Public sector support therefore remains fundamental to securing an adequate supply of affordable housing.
- 2.4 Government support is also required in order to provide leadership in other areas of housing policy in order to act as a catalyst for realising a step-change in implementation: for example through the Private Sector Renewal partnership where funding from Government has supported local authority lead partnerships that are tackling issues of the quality of existing housing stock.

### **3. Investment in Housing Provides Substantial Economic Value**

- 3.1 Official figures from the Department for Business, Innovation and Skills indicate that in 2008 there were 167,000 businesses in the construction sector in the South East, accounting for 22% of all businesses. While many of these are 1-person operations, the sector collectively employed a total of 345,000 people in 2008, over 10% of all employed people in the South East. In total, turnover for the construction sector in the South East in 2008 was over £40bn.
- 3.2 Recent research by Shelter shows that for each £1 cut from housing investment, the wider economy takes a hit of at least £3.50. They also claim that every £100m not spent on housing would result in 1,650 fewer homes being built and 2,500 construction jobs being lost at a cost of £351m to the economy.

### **4. Public Sector Investment Needs to be Targeted to Those in Most Need**

- 4.1 Local authorities, through their work developing the core strategies for Local Development Frameworks, have access to a robust evidence base; this should form the basis of the allocation of funds for investment. Priority should be given to using public sector investment to support those parts of the country that are in greatest need; in order to maximise the benefit of investment in housing, decisions should be aligned with investment decisions across the public sector (for example with economic development, transport, skills, etc.).
- 4.2 In recent years the quality of monitoring information gathered has increased substantially; greater use needs to be made of this information for shaping investment priorities at the local level and for shaping future policy development (at both local and national levels).

## **5. Reducing the Cost of Housing to the Public Sector**

5.1 There is a need to improve the value for money of public sector investment in (affordable) housing. In particular there is a need to review the regulatory framework and standards that have to be met when using public sector investment to deliver (affordable) housing; issues include:

- i) The amount of physical space required in order to meet the 'needs' of a family is typically greater for homes provided if the home is funded by the public sector compared with one funded by the private sector.
- ii) The standard to which new homes are completed: there is a need to review whether the additional cost required in order to meet 'zero-carbon' standards offers value for money in the short/medium term; this is particularly relevant given that new homes represent a small percentage of the total housing stock and arguably greater impact in terms of carbon reduction might be achieved through comprehensive programmes to retro-fit existing homes.

5.2 However, in seeking to improve the value for money of public sector investment in housing it is important to continue to take account of whole life costs: overemphasis on cost saving in the short term may lead to greater costs being incurred in the longer term.

## **6. Improving the Effectiveness of Public Sector Support**

6.1 In the absence of centrally driven housing targets the need for an organisation on the scale of the Homes and Communities Agency disappears; redefinition of the scope and role of the HCA provides the opportunity to achieve cost savings (through removal of bureaucracy) that will help protect funds for investment in implementation.

6.2 The HCA should be focused on being the Government's regeneration agency; their investment priorities should reflect local investment priorities. A focus on regeneration is appropriate given that experience shows that wholesale regeneration needs a long term commitment by the public sector; a Government backed agency provides the focus necessary to successfully engage the private sector in such a long term commitment.

6.3 Funding previously controlled through the National Affordable Housing Programme should in future be channelled through local authorities giving them the opportunity to use their arrangements with 'preferred partners' to maximise the investment in social and community infrastructure that is delivered alongside investment in (affordable) housing.

- 6.4 The need for local authorities to produce 'infrastructure plans' should be used as the opportunity to simplify the number of 'plans' produced to support implementation - in particular the 'single conversation' process should be subsumed into the work led by local authorities in support of their work on infrastructure planning. Where a local authority produces an 'infrastructure plan' - that covers the full spread of infrastructure required to deliver sustainable economic development - this should be THE mechanism through which the local authority 'joins up' Government activity at the local level. Focusing on the 'infrastructure plan' as the means by which Government departments engage at the local level ensures that investment is targeted towards the delivery of locally derived outcomes/outputs.
- 6.5 Devolving power to local authorities in this way will enable savings to be secured in Government departments by reducing the overall level of central bureaucracy. However there may be a need to provide additional resources within local authorities in order to achieve improved alignment of investment decisions.

## **7. Working in Partnership**

- 7.1 Delivery of (affordable) housing is dependent upon the alignment of investment across a number of policy areas. Achieving this will require local authorities to use their infrastructure plans as the basis for striking new partnerships with delivery agencies (in both the public and private sectors). However, as previously noted, it remains a fact that delivery of affordable housing without some form of public sector grant is extremely difficult.

## **8. The Role of the Private Sector in Providing Affordable Housing**

- 8.1 Where local authorities have entered into preferred partner working arrangements with registered providers of affordable housing it has been possible to secure additional benefits for the wider community.

## **9. The Future Role of South East England Councils**

- 9.1 Local authorities in the South East have an established track record of working together on issues of common interest.
- 9.2 The former Housing and Regeneration Board, for example, provided local authorities with a forum through which they were able to present a coherent and cogent case that set out the benefit to the UK of investment in the South East. It also acted as a champion for issues ranging from the challenge of delivering housing in rural areas, through the need to meet the needs of housing for the more vulnerable in society to the implications of an ageing population on housing and community services.
- 9.3 Housing delivery is a key component of the infrastructure required to support sustainable economic growth; with economic activity focused on functional (as opposed to geographical) boundaries there remains a need to gather data about housing provision on a sub-national level.

- 9.4 In South East England Councils the opportunity exists to establish a forum to which Government could devolve greater accountability for decision making on matters of public sector policy and investment. The benefit of such a forum would be that it is member-led, driven by a deeper understanding of local needs. It could also act as a conduit for the sharing of good practice and the dissemination of ideas that enable local authorities to improve the effectiveness of investment at the local level.
- 9.5 Such a forum would have the added value of providing a forum that could contribute to work designed to 'join up' Government activity at the local level: more specifically it could provide an input into arguing the case for continued investment in the South East to the benefit of the UK.

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