

From Mike Whiting, Cabinet Member for Economic Development
David Smith, Director of Economic Development

To Scrutiny Committee – 27th November, 2020

Subject Response to Affordable Housing Select Committee

Classification: Unrestricted

Summary:

This paper responds to the recommendations of the Affordable Housing Select Committee.

Recommendation:

The Committee is asked to note this report.

1. Introduction

Following the publication of the Affordable Housing Select Committee report in July this paper responds to Select Committee's recommendations in accordance with the process for monitoring, with an action plan from the Cabinet Member/Corporate Director to be submitted to the Scrutiny Committee 3 months after endorsement by County Council.

Background

As a strategic infrastructure authority, Kent County Council recognises that the demand for affordable homes is increasing and the importance of providing housing that is of high quality, in the right location and with the infrastructure to support residents to have a good quality of life.

As we re-build our local economy after Covid-19 emergency, the construction and housing industry also has a vital role to play. In particular, investment in affordable and social housing can help provide the stimulus our local economy needs.

Our role in enabling housing delivery

Kent County Council is not a local planning or housing authority – but we do play a major role in enabling new housing. What we do by planning and attracting infrastructure investment into the county; by agreeing developer contributions to support our essential services; and by delivering homes for older people and bringing empty homes back into use all contribute to housing supply. In our own right, we are a property developer, landholder and investor. We are a consultee on all major planning applications as the highways, education and social care authority.

Our response to the Committee

While the landscape has changed dramatically since the Select Committee began its inquiry due to the COVID-19 pandemic, KCC recognises the need to respond positively to the Committee. All recommendations are accepted in principle.

Greater provision of affordable housing will support KCC's public health, education and social care outcomes. Enabling housing development planned by District colleagues will support economic recovery and will increase developer and council tax income which will offset the increased costs of service provision for a larger population. It will support KCC's role in infrastructure planning.

In particular, the Select Committee highlights work to develop an "infrastructure first" Infrastructure Proposition to Government for greater investment and planning flexibility, aligned to the need for more affordable homes. This work continues to progress.

However, within the current financial and resource constraints, we must also be pragmatic. In responding to the recommendations, our aim has been to look at how best existing KCC functions can be aligned internally - and without additional cost - to enable new affordable housing and to better support Kent Districts in delivering planned housing growth.

We must also be mindful of the proposed changes to the planning requirements which could impact on the scale of developer contributions to support infrastructure, placing an even greater pressure on the Council's capital programme.

Our response to the individual recommendations of the Affordable Housing Select Committee's recommendations is detailed below.

2. Response to Recommendations

The Select Committee Report makes 8 recommendations, 7 to the County Council and 1 to Government. Each is listed below together our proposed response.

Recommendations to KCC, and to promote joint working with its partner organisations

Recommendation 1

KCC should encourage the inclusion, in the Growth and Infrastructure Framework, of information about the provision of affordable housing in each Kent district. This would help to highlight infrastructure requirements to support genuinely affordable housing at a more local level.

Accepted

- Recognising the increasing focus on affordability within the county as demonstrated by the work of the Select Committee, it is agreed that future revisions of the Growth & Infrastructure Framework (GIF) will include information about the provision of affordable housing.

To note:

- While some basic analysis of affordable housing provision was included in the most recent GIF update – on numbers built vs. policy requirements – a picture of the spread and potential demand will not in itself highlight infrastructure requirements.
- More complex analysis around the proportion of developer contributions directed to Affordable Housing, and a full breakdown of numbers, would be dependent upon the Districts having that information and being prepared to share it.

Recommendation 2

KCC should invite all Kent district councils to put in place more formal, joint housing planning arrangements. It is hoped that this will promote joint working and communication and enhance and accelerate the delivery of infrastructure and housing in Kent.

Accepted

- KCC will continue to work with all Kent district councils to enhance and accelerate the delivery of infrastructure and affordable housing in Kent.

To note:

- As far as possible, this should be achieved through existing bilateral relationships and the very successful and well-established groups and structures already in place including the Kent Planning Officers Group, Kent Housing Group, Kent Developers Group and Kent Finance Officers Group.
- It is important that relationships are at both Member and officer level.
- If additional arrangements are required, these should then be established through a Housing Growth Unit, as recommended below.

Recommendation 3

KCC should explore ways of releasing more of its land for building genuinely affordable housing.

Accepted

- KCC will take steps to explore this recommendation as part of its existing arrangements for releasing surplus land.

To note:

- KCC has a robust process in place for identifying surplus land that can come forward sale for and/or redevelopment.

- KCC still has a requirement to maximise the value the council derives from disposal of surplus assets and needs to minimise additional borrowing to fund new capital infrastructure projects.
- Local authorities will require that developments of housing over their own defined threshold would be required to comprise a minimum percentage of affordable housing and can negotiate with the developer as to the form these can take.
- KCC already allocates land that is not required for an operational use for disposal. KCC will continue to review its asset base in line with service need and release surplus land for disposal on the market.
- The current asset management plan runs to 2023, however it is currently being updated and as part of this will consider the opportunity to accelerate the release of assets as part of its asset review process. It is anticipated that this review will conclude in 2021.
- We will keep a record of the number of affordable housing units that are created as a result of KCC releasing land this will be put in place from 1st April 2021.

Recommendation 4

KCC, in consultation with Kent district councils, should develop a proposal for establishing a Housing Growth Unit to accelerate the delivery of housing, and genuinely affordable housing in particular, in the county. Objectives of the Unit would include:

- *Supporting the housebuilding industry.*
- *Promoting collaboration and a joined-up approach within KCC, and streamlining joint working between KCC and external organisations, in order to address housing-related issues efficiently and effectively.*
- *Bidding for Government funds.*
- *Supporting Kent's local planning authorities when requested by offering timely and consistent responses.*
- *Conducting research on the effectiveness of particular housing initiatives, interventions and government policies with the objective of best meeting the housing needs of Kent's communities.*
- *Researching and spreading best practice from around the country.*

Accepted

- KCC will develop a proposal to establish a "virtual" Housing Growth Unit to provide a single point of access on housing related issues.

To note:

- A proposal to develop a Housing Growth Unit must recognise current financial constraints and - in the first instance – it is likely that any Unit would be a network of existing officers whose work relates to housing.
- KCC is unlikely to be able to invest in additional officer capacity for the foreseeable future.

- In developing the Unit's objectives, feedback would be sought on priorities and objectives from within KCC and from Kent's District Councils, at both Member and officer levels, in agreeing clear performance indicators.
- Wider consultation would also take place with the Kent Developers Group, Kent Housing Group and Kent Planning Officers Group and Essex County Council which has developed a similar capacity.
- The Unit would also be intended to work closely with Homes England, drawing on the experience of their previous ATLAS team which had similar objectives and recognising Homes England's role and resource to accelerate planned growth within the county.
- To establish the virtual Unit, it is likely that a single officer would be nominated as lead officer to the network. They would provide an initial point-of-contact for all housing related issues where they are not dealt with through existing direct contacts.
- With a focus on enabling housing delivery – particularly affordable housing - the lead officer would route issues to specialists within KCC and retain an oversight of all housing related matters, providing a regular update from the network to relevant Directors and the Cabinet Member for Economic Development.
- The lead officer position would sit in the Growth, Environment and Transport Directorate, but the virtual network would encompass officers in Planning, Highways, Infrastructure (Property), Economic Development (including Developer Contributions, Design, No Use Empty initiative) and Finance.
- The lead officer would also attend meetings of the Kent Developers Group and Kent Housing Group and, with agreement, present to the Kent Planning Officers Group. They would be closely involved with the development of the Infrastructure Proposition to Government for new infrastructure investment and planning flexibilities linked to new and affordable housing.
- The housing officer network would meet formally quarterly chaired by the Cabinet Member for Economic Development.
- The officer network's operation would be mirrored by Member arrangements led by the Cabinet Member for Economic Development, working with Members within KCC to provide input and oversight and establishing new working arrangements with District Council Housing Chairs/Cabinet Members.
- The unit would be evaluated against agreed indicators after 6 and 12 months of operation.
- Depending on the performance and perceived value of the virtual Unit's work, a decision will be taken at an agreed future date on whether to formalise it further.

Recommendation 5

KCC should assess the feasibility of establishing a joint venture scheme between KCC and a partner organisation, such as a housing association or housing development company, to maximise the delivery of new housing and genuinely affordable housing in the county.

Accepted

- KCC will continue to explore the joint venture models, recognising the growing market in patient capital investment.

To note:

- KCC has previously explored joint venture models and continues to be mindful of joint venture options when marketing property, although the original report concluded that KCC did not have land of sufficient size and scale which would be attractive to the market and warrant the costs.
- We will however market properties with the potential for joint ventures and assess the feasibility of holding assets on until later in the development cycle.
- The ability and the extent to which the Council is able to participate is also linked to the available funding streams and the best value judgements as to the impact of any reduced capital receipts to the Council. The current financial position of the council is such that all capital receipts are required to reduce the Council's borrowing requirements and to support the priorities identified in the capital programme.
- The current capital programme and drivers for the use of receipts ends financial year 2022/2023, the new capital programme will be approved by Council in February 2021 and will cover a 10-year period.
- Alongside this the property team will review the initial joint venture business case with a particular focus on affordable housing which will conclude in the second quarter of 2021.
- The property team will however work with the team developing the infrastructure proposition to identify areas and opportunity to consider the business case further particularly in light of any funding streams that may be available.

Recommendation 6

KCC should investigate the feasibility of different ways of funding the delivery of housing and genuinely affordable housing schemes in Kent. This should include exploring investment in social housing by the Council's Treasury Management and Investment Strategies, and its Capital Programme Strategy, and invite the Superannuation Fund to consider doing so where it would not compromise their duty to achieve reasonable returns.

Accepted

- KCC will consider the potential of different forms of funding to support affordable housing.

To note:

- As a pure investment "affordable" housing is very unlikely to meet our investment criteria with regard to anticipated loans or liquidity.
- KCC will only be able to assess investment potential once outline business cases for individual projects/programmes have been developed.
- For the pension fund, its fiduciary duty is the primary objective, so again affordable housing may not align with the fund's investment strategy.

- As the county council is not a housing authority, there are likely to be additional complexities in developing an affordable housing programme.

Recommendation 7

The Committee commends KCC's No Use Empty initiative and urges the use of the recently approved Treasury Management Fund to expand the provision of genuinely affordable housing in Kent through this initiative as a policy priority.

Accepted

- The No Use Empty Programme will seek to provide affordable housing where possible and encourage this through future marketing.

To note:

- The primary aim of No Use Empty (NUE) Initiative is to improve the physical urban environment in Kent, by bringing long term empty properties back into use as quality housing accommodation for sale or rent. Interest free loans to refurbish derelict empty properties are now offered across all 12 Kent districts.
- Finance secured from the Treasury Management Fund was based on the production of a return on investment. As such, the additional £12m is not exclusively for affordable housing projects and a mix of projects will achieve several outcomes.

Recommendations to Central Government

Recommendation 8

KCC's Cabinet Member for Economic Development should write to the Secretary of State for Housing, Communities and Local Government to make him aware of the following interventions recommended by the Committee for action at the national level:

- *Adopt a definition of affordable housing which links affordability to income rather than to an arbitrary percentage of local market prices (genuinely affordable housing).*
- *Do more to ensure that Local Housing Allowance rates cover the cost of renting and mitigate any unintended consequences from the abolition of Section 21 of the Housing Act 1998.*
- *Enable Homes England to provide more support in facilitating the delivery of affordable and social housing.*
- *Amend elements of the current Right to Buy system to promote the replacement and provision of genuinely affordable housing.*
- *Ensure that Starter Homes are delivered in addition to, and not instead of, other forms of affordable housing.*
- *Remove the 'hope value' clause from the 1961 Land Compensation Act, and reform methods of land value capture so that the community benefits from a higher proportion of land value increases.*
- *Require planning permissions for changes of use from commercial-to-residential.*

- *Review the financial and housing support offenders receive upon release to prevent homelessness.*
- *Actively support an 'infrastructure first' approach to development with Government investment to support ongoing work in Kent to release new homes.*

Accepted

Draft letter to the Secretary of State.

*Rt Hon Robert Jenrick MP
Secretary of State
Ministry for Housing, Communities & Local Government
2 Marsham Street
London
SW1 4DF*

By email:

Dear Secretary of State,

Affordable Housing Select Committee

Earlier this year, Kent County Council's Select Committee on Affordable Housing made a series of recommendations to the County Council on how greater affordable housing could be delivered within Kent.

I believe the Committee has produced a timely and highly constructive report, a full copy of which can be found at:

https://www.kent.gov.uk/data/assets/pdf_file/0017/110339/Affordable-Housing-Select-Committee-report.pdf.

As Cabinet Member for Economic Development, I was requested within the report, to write to make you aware of the following recommendations by the Committee for action at the national level.

In support of new affordable housing, the Select Committee ask that the Government:

- *Adopts a definition of affordable housing which links affordability to income rather than to an arbitrary percentage of local market prices (genuinely affordable housing).*
- *Does more to ensure that Local Housing Allowance rates cover the cost of renting and mitigate any unintended consequences from the abolition of Section 21 of the Housing Act 1998.*
- *Enables Homes England to provide more support in facilitating the delivery of affordable and social housing.*

- *Amends elements of the current Right to Buy system to promote the replacement and provision of genuinely affordable housing.*
- *Ensures that First Homes (nb the Starter Homes scheme has ended) are delivered in addition to, and not instead of, other forms of affordable housing.*
- *Removes the 'hope value' clause from the 1961 Land Compensation Act, and reform methods of land value capture so that the community benefits from a higher proportion of land value increases.*
- *Requires planning permissions for changes of use from commercial-to-residential.*
- *Reviews the financial and housing support offenders receive upon release to prevent homelessness.*
- *Actively supports an 'infrastructure first' approach to development with Government investment to support ongoing work in Kent to release new homes.*

I am very happy to support consideration of all of these recommendations which are based on specialist evidence including from witnesses appearing before the Committee and would be extremely grateful for your views on them.

I look forward to your response which I will be very pleased to share in full with the Affordable Housing Select Committee members at Kent County Council.

With best wishes.

Yours faithfully,

Mike Whiting
Cabinet Member for Economic Development

Recommendation:

The Committee is asked to note this report.

3. Background Documents:

The Affordable Housing Select Committee Report, July 2020 can be found at:
https://www.kent.gov.uk/_data/assets/pdf_file/0017/110339/Affordable-Housing-Select-Committee-report.pdf

4. Contact details

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