

# Affordable Housing Select Committee Report

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# Foreword

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Shelter is one of the most basic needs in society, yet all too often for many they find it to be in short supply, and what is available is poor quality, unaffordable, or both.

It quickly became clear to the Select Committee, as it heard the evidence presented to it, that addressing this problem was not simply a matter of building more housing. The right infrastructure needs to be in place – roads, utilities, health services, open spaces and so on – and it needs to be the right kind of housing to meet the needs of the specific area. The appropriate funding mechanisms need to also exist to allow people to buy, rent, or a mixture of both.

We heard about much good practice and positive policies that are in place, but Kent has a particularly large affordability gap with an increasing proportion of people's income being taken up with the cost of housing. More still needs to be done to provide genuinely affordable housing which, despite not being the local planning authority, Kent County Council has the potential to support the delivery. There is also good practice elsewhere in the country and the Committee heard about some of this. We could have gone further, but we felt it important to draw a conclusion and put forward our recommendations to deliver a timely review. Much of this best practice could be captured by a Housing Growth Unit if this recommendation is implemented.

The benefits of getting it right will be repaid in better public health, improved mental health and more stable family life. These benefits are vital for Kent's residents and are at the heart of the council's services.

This has been given sharper focus in recent months, as we have all dealt with the COVID-19 lockdown. While this was brought in after the Committee ceased hearing evidence, we believe that the recommendations and findings of this report provide a firm foundation upon which to construct a more streamlined system to deliver the genuinely affordable housing we would all wish to see addressing the concerns and delivering long-term benefits to Kent's residents.

**Robert Thomas**

**Chairman of the Affordable Housing Select Committee**

# 1.Executive Summary

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## 1.1. Committee Membership

- 1.1.1. The Committee consisted of nine elected Members of Kent County Council (KCC): seven members of the Conservative Party, one member of the Labour Party and one member of the Liberal Democrat Party.

Mrs P. Beresford (Conservative)

Mr D. Brazier (Conservative)

Mr P. Cooper (Conservative)

Mrs T. Dean (Liberal Democrat)

Mr D. Farrell (Labour)

Ms S. Hamilton (Conservative)

Mr T. Bond (Conservative)

Mr D. Murphy (Conservative)

Mr R. Thomas (Chairman - Conservative)

## 1.2. Terms of reference

- 1.2.1. The terms of reference of the review were the following:
- a. To define and put into context affordable housing.
  - b. To explore KCC's current role in supporting the development of new affordable housing in Kent.
  - c. To consider additional ways in which KCC can support the development of affordable housing in Kent.

### 1.3. Scene setting

- 1.3.1. This Select Committee began with one simple belief, that everyone should have an opportunity to live in good quality and affordable housing. When this is achieved, there is a broader positive impact on society. Addressing the quality of housing in this country has had one of the greatest impacts on improving public health and there is overwhelming evidence of the improvements to mental health and employment where there is good quality and affordable housing.
- 1.3.2. However, commentators are increasingly making the point that, in addition to a crisis in housing supply, England is in the grip of a crisis of affordability. As Sir Michael Lyons put it: “we would stress that it is not just the number built but also the balance of tenures and affordability which need to be thought through for an effective housing strategy.”
- 1.3.3. Yet while there is widespread recognition of the importance of the issue, there is disagreement about the most effective way to respond. As explained in Section 2 of this report, there is no single straightforward definition of affordable housing. This is important because the policies adopted flow from the definitions used and determine which groups of people benefit and which are excluded.
- 1.3.4. This challenge is there at the national level. Government defines an affordable rent as one that is at least 20% below local market rent.
- 1.3.5. In Kent, where housing is less affordable than the national average, this definition can easily mislead and mask the problem. The Government discount is effectively a discount on market rent and so is an arbitrary baseline – the local market in Thanet is very different from that in Tunbridge Wells. The Committee found that modelling policies on this definition does not do enough to help identify affected groups and protect people from a broken housing market.
- 1.3.6. In turn this has the practical impact of putting additional demands on housing benefit costs and impacts the ability of the social housing sector to provide affordable social housing. There is more broadly a negative impact on the health of individuals and families and a knock-on impact to employment.
- 1.3.7. The fundamental problem with the Government definition is that it does not take into account the ability of those on low incomes to pay and is therefore not fit for purpose.
- 1.3.8. Having considered the evidence, the Committee believes that the Government should adopt a definition of genuinely affordable housing which links affordability to income rather than to an arbitrary percentage of market prices. This would enable councils to adopt policies that better reflect local need and ultimately deliver, through the planning system, homes that are most appropriate locally.

1.3.9. This forms part of our recommendations and, if adopted, would begin to work through the housing system and unblock many of the barriers to delivering genuinely affordable housing.

1.3.10. While the shortage of genuinely affordable housing is a national issue, it is particularly acute in Kent and the South East. Household income has not kept pace with the increase in house prices, and this affects both choice and affordability for those who are in housing need.

1.3.11. Kent County Council (KCC) is not a planning authority for housing, with the Borough/District Councils having the key role here. However, KCC has a wide range of responsibilities and works closely with other authorities. Taking this into account, the aim of this Committee is to determine whether KCC can play a greater role in maximising the development of affordable housing in Kent. Most of the recommendations of this Select Committee are for KCC and adopting them would go some way to delivering genuinely affordable housing for the people of Kent and can be done ahead of, or alongside of, the change to the Government definition being sought.

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## 1.4. Key Messages

- 1.4.1. In addition to a crisis in housing supply, England is in the grip of a crisis of affordability. Although the shortage of genuinely affordable housing is a national issue, it is particularly acute in Kent and the South East.
- 1.4.2. The consequences of unaffordable housing are considerable. It affects the educational outcomes of children, limits employment and social opportunities, and has a detrimental impact on the health and wellbeing of people who are unable to settle in a home that they can afford.
- 1.4.3. Some of the issues identified by the Committee are best addressed through Government intervention. The adoption of a definition of affordable housing which links affordability to income, rather than to an arbitrary percentage of market prices, would enable councils to adopt policies that reflect local need more accurately, and ultimately deliver, through the planning system, homes that are most appropriate locally.
- 1.4.4. Local Housing Allowance rates should be set so that they reflect the cost of renting more accurately, enabling Homes England to provide more support in facilitating the delivery of affordable and social housing, and reforming methods of land value capture to claim a greater proportion of land value increases for the public, are also necessary interventions.
- 1.4.5. In order to deliver new homes and communities for people to live in, infrastructure such as public and private transport, healthcare, schools and utilities must be in place. Also, stronger communication and more formal planning arrangements between KCC and local planning authorities could help streamline the planning process and promote the provision of genuinely affordable homes.
- 1.4.6. Access to land is a key factor for new housing supply. As a landowner, KCC can play a major supporting role, for example by exploring ways to release more of its land for genuinely affordable housebuilding.
- 1.4.7. KCC is not a local planning authority but it could play a supporting and enabling role to promote and maximise the delivery of housing in the county by considering the establishment of a dedicated housing unit. Following the good practice example of Essex County Council, responsibilities of the unit could include supporting the housebuilding industry, promoting collaboration, bidding for funds, carrying out research, and supporting Kent's local planning authorities by offering advice and guidance.
- 1.4.8. The recent emergence of successful housing joint ventures involving local authorities, and of diverse and creative ways of funding the delivery of housing and affordable housing schemes, are also avenues whose feasibility is worth exploring.

## 1.5. Recommendations

### 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.

#### 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.

#### Recommendation 3

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

#### 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.

### 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.

### 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.

### 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.

## 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 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.

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## 1.6. Methodology

- 1.6.1. The Affordable Housing Select Committee held 16 formal hearing sessions with a wide range of witnesses, including representatives of Essex County Council, Homes England and Kent district councils, as well as academics, local organisations, the KCC Cabinet Member for Economic Development and senior officers. The full oral evidence list is set out in Appendix 1.
- 1.6.2. The Committee also received written evidence from a number of sources, including seven Kent district councils, several Kent parish councils, the Chartered Institute of Housing, Porchlight, RentPlus and Action with Communities in Rural Kent. The full written evidence can be accessed via a link in Appendix 1.
- 1.6.3. It is important to note that the Select Committee completed its evidence gathering prior to the start of the COVID-19 lockdown. This is impacting on many aspects of life including housing. The full impact will take time to become clear.
- 1.6.4. This report considers longer-term system issues and the recommendations address these but the implementation of one or more of them may be affected by the impact of COVID-19. This will be examined when the Select Committee reconvenes after a year to consider the progress which has been made.

## 2. Background

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### 2.1. Definitions

2.1.1. There is no statutory definition of “**affordable housing**” in England. Indeed, the way the term ‘affordable’ is used in relation to housing is ambiguous. Apart from covering housing provided with public subsidy, it is used in a general way to describe housing of any tenure that is judged to be affordable to a particular household or group. Because of the lack of consensus over the meaning of “affordability” in terms of housing, it has been suggested that the concept should be abandoned because it has become unhelpful when considering the difficulties faced by households in meeting their housing needs.<sup>1</sup>

2.1.2. For planning purposes, the most commonly referred to definition of affordable housing is set out in Annex 2 to the National Planning Policy Framework (NPPF). This is the definition that local planning authorities (LPAs) use when making provision to meet the local demand for affordable housing. The definition includes social rented housing, housing let at affordable rents, and low-cost home ownership.

2.1.3. **“Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:**

1) **Affordable housing for rent:** meets all of the following conditions: (a) the rent is set in accordance with the Government’s rent policy for Social Rent or Affordable Rent, or is **at least 20% below local market rents** (including service charges where applicable); (b) **the landlord is a registered provider**, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to **remain at an affordable price** for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).

2) **Starter homes:** is as specified in Sections 2 and 3 of the Housing and Planning Act 2016<sup>2</sup> and any secondary legislation made under these sections. The definition of a starter home should reflect the

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<sup>1</sup> House of Commons Library (2019) What Is Affordable Housing? London

<sup>2</sup> Section 2 of the Housing and Planning Act 2016 defines a ‘starter home’ as: “a building or part of a building that— (a) is a new dwelling, (b) is available for purchase by qualifying first-time buyers only, (c) is to be sold at a discount of at least 20% of the market value, (d) is to be sold for less than the price cap, and (e) is subject to any restrictions on sale or letting specified in regulations made by the Secretary of State.”

meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.

3) **Discounted market sales housing**: is that **sold at a discount of at least 20% below local market value**. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.

4) **Other affordable routes to home ownership**: is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low-cost homes for sale (**at a price equivalent to at least 20% below local market value**) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.”<sup>3</sup>

2.1.4. During the consultation process on the draft NPPF (in March 2018) the removal of any explicit reference to social rented housing in the definition of affordable housing attracted criticism. **The final version (July 2018) does include reference to social rented housing.**

2.1.5. The Housing and Regeneration Act 2008 defines social housing, for the purposes of regulating social landlords as low-cost rental and low-cost homeownership accommodation, as “**accommodation let or made available to people whose needs are not adequately served by the commercial housing market**”.<sup>4</sup>

2.1.6. The Social Housing Green Paper, “A New Deal for Social Housing” (2018) provides more clarity on the definition of “social housing”, as “housing to rent below market level rents or to buy through schemes such as shared ownership”. It defines “social rent”, as typically set “at around 50-60% of market rents”.<sup>5</sup>

2.1.7. The revised NPPF states that, where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and require it to be met on-site unless:

a) off-site provision, or an appropriate financial contribution in lieu, can be robustly justified; and

<sup>3</sup> House of Commons Library (2019) What Is Affordable Housing? London. extracting from Annex 2 to the National Planning Policy Framework (NPPF, July 2018). Bold added.

<sup>4</sup> House of Commons Library (2019) What Is Affordable Housing? London

<sup>5</sup> MHCLG (2018) A New Deal for Social Housing, London

b) the agreed approach contributes to the objective of creating mixed and balanced communities.

2.1.8. The revised NPPF states that, where major development includes the provision of housing, **at least 10% of that housing should be for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or would significantly prejudice the ability to meet the identified affordable housing needs of specific groups.**<sup>6</sup>

2.1.9. **Housing need** can be defined as “the amount of housing required for all households to live in accommodation that meets a certain normative standard”.<sup>7</sup> Housing need is different from **housing demand**, that is “the amount of housing space that households will choose to buy, given their preferences and ability to pay”. Many households take up more housing space than they ‘need’, if they can afford to. For example, they may live in a house with a spare bedroom or buy a second home.<sup>8</sup>

2.1.10. In terms of housing supply, a **dwelling** is a self-contained unit of accommodation, where all the rooms (including kitchen, bathroom and toilet) are behind a single door which only that household can use.<sup>9</sup>

2.1.11. The **tenure** defines the conditions under which the home is occupied, whether it is owned or rented and, if rented, who the landlord is and on what financial and legal terms the letting is agreed.<sup>10</sup>

2.1.12. Section 4.2 of this report sets out the Committee’s conclusions as to the best approach to the challenge of definitions and the very real practical implications of adopted one that isn’t fit for purpose.

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<sup>6</sup> MHCLG (2019) National Planning Policy Framework? London. The NPPF defines ‘specific groups’ as “including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes.” (para. 61).

<sup>7</sup> House of Commons Library (2018) Tackling the Under-Supply of Housing in England, London

<sup>8</sup> Ibid

<sup>9</sup> Gov.UK (2019) Housing Statistics and English Housing Survey Glossary, online,

<https://www.gov.uk/guidance/housing-statistics-and-england-housing-survey-glossary/a-to-z>

<sup>10</sup> Ibid

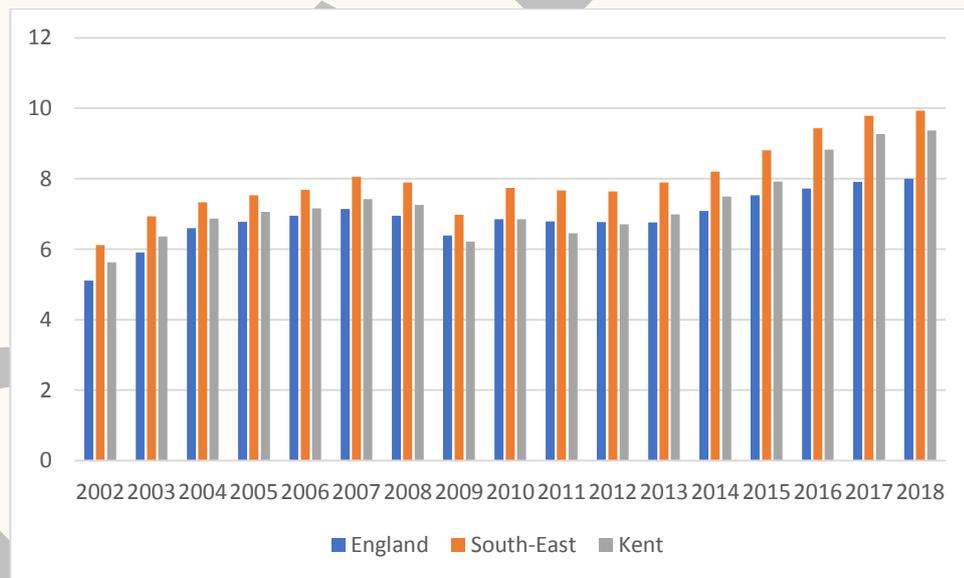
## 2.2. National trends

2.2.1. A growing number of commentators argue that England has both a crisis of affordability and a crisis of housing supply. As Sir Michael Lyons put it: “***we would stress that it is not just the number built but also the balance of tenures and affordability which need to be thought through for an effective housing strategy.***”<sup>11 12</sup>

### Housing affordability

2.2.2. One way of assessing affordability is to compare individual earnings with house prices. The Office for National Statistics (ONS) tracks affordability in England over time by comparing median house prices with median earnings. As Figure 1 shows, the ratio has increased since 2002 and is now at its highest recorded level: **median house prices are about eight times median earnings**. Data from the MHLC corroborates this finding by showing an affordability ratio for England in 2018 of 7.29.<sup>13</sup>

**Figure 1:** House Price to Residence-Based Earnings 2002-18



**Source:** ONS, Housing Affordability in England and Wales: 2018, House Price to Residence-Based Earnings Ratio Dataset

2.2.3. There are some limitations to the earnings measure used in this ratio as this is an average of the pre-tax salary of a full-time employee in

<sup>11</sup> House of Commons Library (2019) What Is Affordable Housing? London

<sup>12</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? The Lyons Edited Collection, London

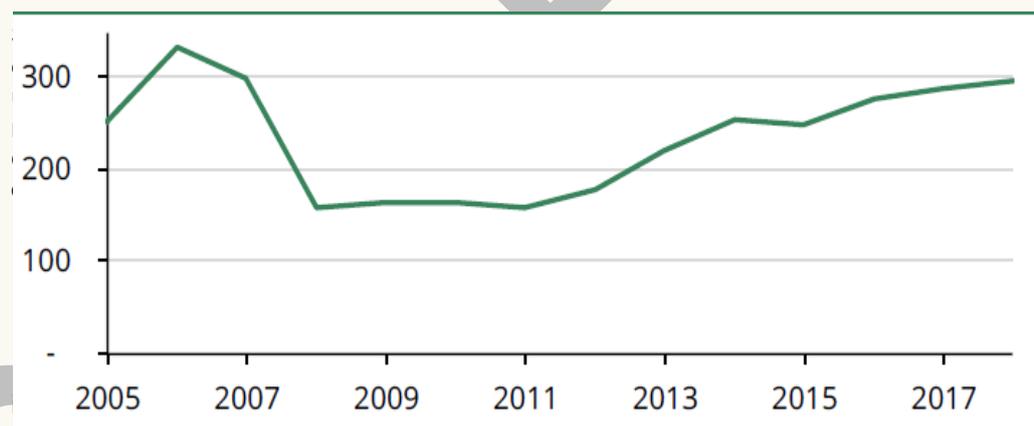
<sup>13</sup> Kent County Council (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

England; part-time and self-employed workers are not included. Also, the measure does not take account of other income sources (e.g. benefits) or deductions (e.g. tax and National Insurance). Finally, the measure refers to individuals, but many households have multiple earners which affects the accommodation they can afford. This ratio is therefore best understood as an indicator of how house prices have grown relative to wages, rather than a descriptor of real households' experience with housing costs.<sup>14</sup>

### Affordability for first-time buyers

2.2.4. UK Finance (previously the Council of Mortgage Lenders) publishes data on the number of new first-time buyer mortgages made by mortgage lenders. Figure 2 below shows that first-time buyer mortgages reached a low point of around 158,000 in 2008 but gradually increased from 2012 onwards. In 2018 there were around 297,000 new first-time buyer mortgages.<sup>15</sup>

**Figure 2:** Mortgages made to first-time buyers, England, 2005-2018 (thousands)



UK Finance, Industry Data Table RL1R

### Affordability of Starter Homes

2.2.5. “Starter Homes” are new-build homes for first-time buyers sold at a minimum of 20% less than the market price. Sale prices are capped at £250,000 (£450,000 in London).<sup>16</sup>

2.2.6. Research by Shelter (2015) concluded that:

- Starter Homes for families earning average wages will be unaffordable in over half (58%) of local authorities across the country in 2020.

<sup>14</sup> House of Commons Library (2019) What Is Affordable Housing? London

<sup>15</sup> Ibid

<sup>16</sup> Ibid

- Families on the National Living Wage will only be able to afford a Starter Home in 2% of local authorities.
- Single people on low or average wages will struggle to afford a Starter Home in 2020 in the majority of local authorities. Even those on a higher than average salary would find it difficult to buy in three quarters of local authorities.<sup>17</sup>

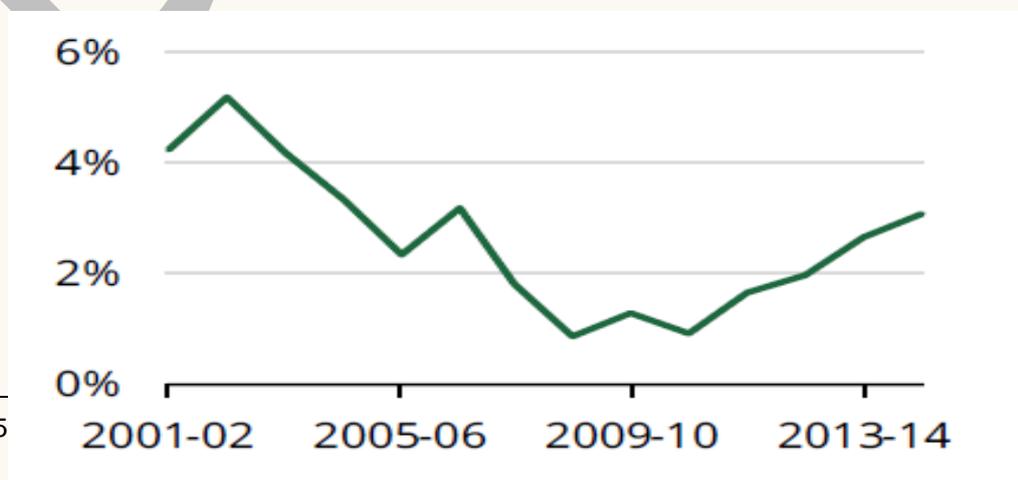
2.2.7. According to Shelter, Starter Homes would be unaffordable for average working families across all of London and **most of the South of England, the areas where housing is most unaffordable**. Those on very high salaries, or couples without children, would benefit from the policy, but Starter Homes would not help most people on average wages and would not be affordable to most families on low and middle incomes. Shelter concluded that Starter Homes should be built in addition to, and not in place of, existing affordable housing.<sup>18</sup>

### Affordability of shared ownership

2.2.8. Shared ownership allows buyers to purchase a share of a property (25% to 75%) and pay rent on the remaining share. It is intended as an **intermediate tenancy** for households that would not otherwise be able to afford home ownership. The supply of new shared ownership homes has increased in recent years; an increasing proportion of new homes for affordable home ownership consists of shared ownership.<sup>19</sup>

Shared ownership buyers can progressively buy more of their property until they 'staircase' to owning 100% of the equity. Every year a small proportion of shared owners will staircase to 100%. As illustrated by Figure 3, the number who staircased in 2014-15 represented 3.1% of all shared owners, showing an upward trend from a low point of 0.9% in 2008-09, though still lower than 2001-02.

**Figure 3:** Number of shared ownership household staircasing to 100% every year, as a percentage of all shared owners



<sup>17</sup> Shelter (2015)

<sup>18</sup> Ibid

<sup>19</sup> House of Commons Library (2019) What is Affordable Housing: London

## The private rented sector

2.2.9. The decline in the affordability of home ownership, combined with pressure on the social rented sector, has triggered a growth in the private rented sector. In 2017-18, about 19% of English households (4.5 million) were private renters. This represents a slight decrease on the year before but a general increase on the previous ten years. In 2008 around 14% of households rented privately (3 million).<sup>20</sup>

2.2.10. Private rental prices have grown in recent years, although the rate of growth has slowed. According to the ONS Index of Private Housing Rental Prices, in England rental prices grew by 1.3% in the year to October 2019, compared with a 9% growth in the previous five years.<sup>21</sup>

## Income to rent ratios

2.2.11. The rise in rents has been similar to the rise in individual earnings at national level; both rents and earnings in Great Britain rose by around 17% between 2011 and 2019. However, in some regions, rents have outpaced earnings. In London, rents grew by 22% between 2011 and 2018 compared with a 15% growth in earnings. **In the South East, rents grew by 19% while earnings grew by only 15%.**<sup>22</sup>

## Affordability in the social rented sector

2.2.12. When considering affordability in the social rented sector, it is more useful to look at household incomes after taxes and benefits, even though less geographical detail is available.<sup>23</sup>

2.2.13. Figure 4 compares the median income of social rented sector tenants with mean social and affordable rents in each region (housing association and local authority rents are combined to get an overall mean). **Affordable rents represent a higher proportion of median incomes, particularly in London, the South East and East of England.**<sup>24</sup>

**Figure 4:** Mean social and affordable weekly rents (2017-18) as a % of median weekly income for social tenants (2016-18)

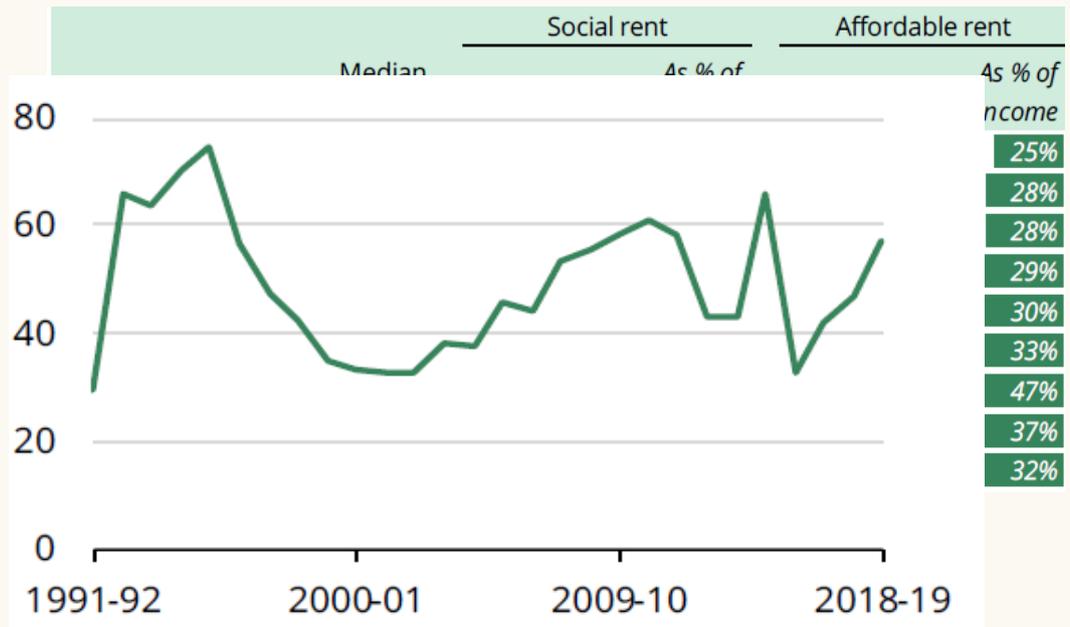
<sup>20</sup> MHCLG (2019) English Housing Survey Headline Report, 2017-18, 31 January 2019

<sup>21</sup> Office for National Statistics (2019) Index of Private Housing Rental Prices, UK: March 2019, 17 April 2019

<sup>22</sup> House of Commons Library (2019) What Is Affordable Housing? London

<sup>23</sup> Ibid

<sup>24</sup> Ibid



Source: House of Commons (2019) What is Affordable Housing?

### The supply of affordable housing

2.2.14. The supply of new affordable homes peaked in 1995-96 at 74,500, before declining to a low of 32,900 in 2002-03. It peaked again in 2014-15 at almost 66,000 homes, as the 2011-15 Affordable Homes Programme ended, before falling to 32,600 the following year. It then grew steadily, with about 57,500 homes in 2018-19 (see Figure 5 below).<sup>25</sup>

**Figure 5:** Additional affordable homes provided, (thousands of dwellings), England, 1991-92 to 2018-19

<sup>25</sup> MHCLG (2019) Live Table 1000, 3 December 2019

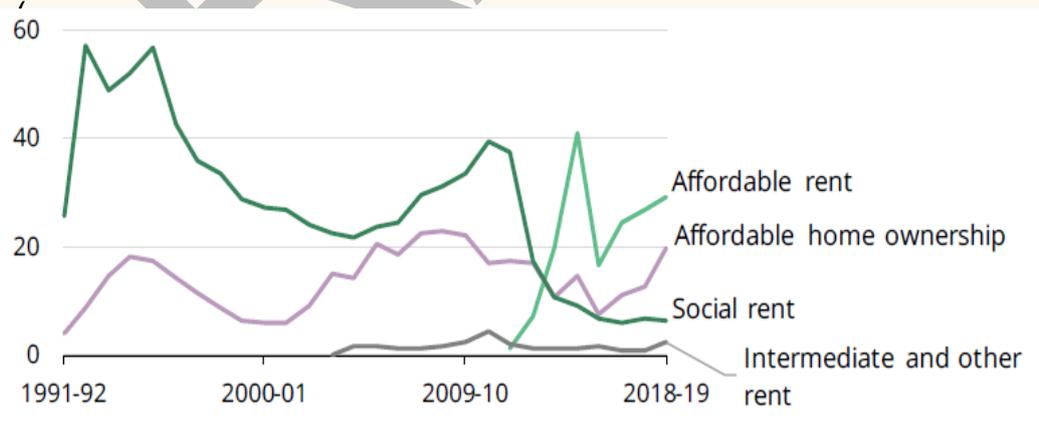
Source: MHCLG, Live Table 1000

2.2.15. Figure 6 below shows trends in the provision of new affordable homes of each type. Homes for Affordable Rent were the most common type of affordable housing in 2018-19, making up 51% of the total. The proportion of affordable home ownership was 34%, while that of homes for social rent was 11%.<sup>26 27</sup>

**Figure 6:** Additional affordable homes provided by type, (thousands of dwellings), England, 1991-92 to 2018-19

Source: MHCLG, Live Table 1000

2.2.16. The introduction of affordable rents coincided with a decline in the building of new homes for social rent. About 6,300 new homes for social rent were built in 2018-19, that is, 11% of all new affordable homes. By contrast, in 2011-12 there were about 37,700 new social housing units



new affordable housing). In the early 1990s social rent made up over 75% of new affordable housing supply.<sup>28</sup>

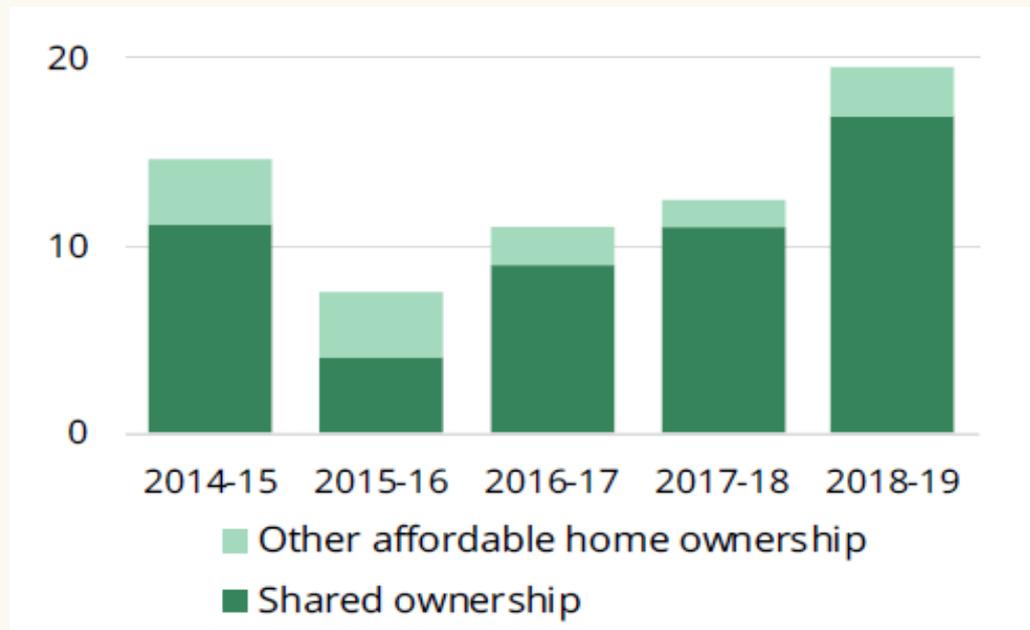
<sup>26</sup> Ibid

<sup>27</sup> House of Commons Library (2019) What Is Affordable Housing? London

<sup>28</sup> Ibid

2.2.17. Shared ownership homes were more common than other forms of affordable home ownership, making up 30% of overall affordable housing. Other affordable home ownership made up only 5%. As Figure 7 shows, shared ownership supply has been growing faster than other forms of affordable home ownership in recent years.<sup>29</sup>

**Figure 7:** Shared ownership and other affordable home ownership supply, England, 2014-15 to 2018-19



Source: MHCLG, Live Table 1000

<sup>29</sup> MHCLG (2019) Live Table 1000, 3 December 2019

## 2.3. Local trends

2.3.1. Kent is a two-tier county with 12 district and borough councils and a county council. There is also a unitary authority. It is estimated that the population of Kent and Medway in 2018 was about 1,8 million - the largest population of all the English counties. Projections suggest that, by 2031, Kent's population will grow by about 400,000.<sup>30</sup>

2.3.2. Kent has an ageing population which is forecast to increase significantly over the next 25 years. Between 2016 and 2026, the number of those aged 65 and over is expected to grow well over 50%.<sup>31</sup>

### Price to income affordability ratio

2.3.3. As already indicated, according to the latest figures published by the MHCLG (2018), the affordability ratio for England is 7.29. The ratio for Kent is 10.93. This is higher than the average ratio in England and in the South East (10.81). **Housing is therefore less affordable in Kent than the national average and the South East as a whole.**<sup>32</sup>



**“Housing is less affordable in Kent than the national average and the South East as a whole”**

### Pro vision of additional affordable dwellings

2.3.4. In the last financial year (1 April 2018 to 31 March 2019), the number of affordable homes built in Kent was 1,576. This accounts for 22.9% of the total number of dwelling completions in that period (6,851). This is **lower than the average percentage in England** (35.2% in England).<sup>33</sup>

<sup>30</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>31</sup> Kent County Council (2018) Housing Led Forecasts October, Maidstone

<sup>32</sup> Kent County Council (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

<sup>33</sup> Kent County Council (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

2.3.5. The Kent district that delivered both the highest number and proportion of additional, affordable dwellings in this period was Dartford, with 304 additional affordable dwellings, accounting for 50.3% of all additional dwellings in the District.<sup>34</sup>

2.3.6. Maidstone delivered the highest number of additional dwellings overall in 2018/19 (1,146), with 33.9% of them being affordable (289).<sup>35</sup>

**Figure 8:** Additional affordable dwellings, Kent, 2018-19

2018 to 2019 (provisional)	Net additional dwellings	Total additional affordable dwellings (p)	
		Number	%
England	241,335	57,485	35.2%
<b>Kent</b>	<b>6,851</b>	<b>1,576</b>	<b>22.9%</b>
Ashford	878	157	22.3%
Canterbury	430	83	11.1%
Dartford	1,013	304	50.3%
Dover	446	73	19.2%
Folkestone & Hythe	446	53	11.0%
Gravesham	292	89	25.8%
Maidstone	1,146	289	33.9%
Sevenoaks	255	122	37.2%
Swale	674	70	8.3%
Thanet	296	11	1.5%
Tonbridge & Malling	422	256	48.0%
Tunbridge Wells	553	69	21.9%
Medway UA	649	167	16.8%

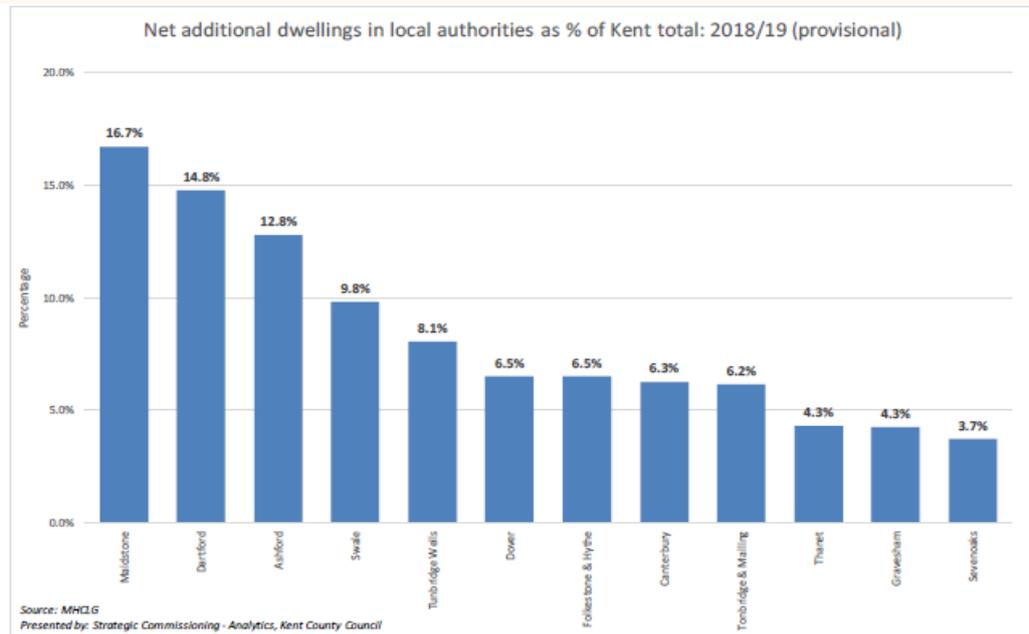
**Source:** Kent County Council (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

2.3.7. Figures 9 and 10 below show total additional dwellings, and additional affordable dwellings, in each Kent district as a *proportion* of the overall Kent total (see also Appendix 3).

<sup>34</sup> Ibid

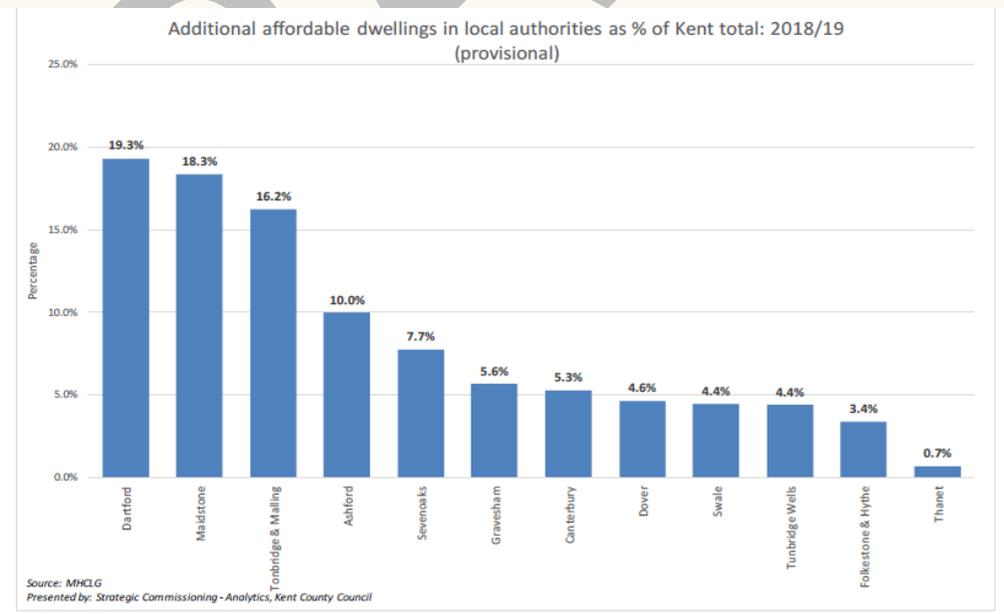
<sup>35</sup> Ibid

**Figure 9:** Net additional dwellings in local authorities as % of Kent total, 2018/19



City Council (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

**Figure 10:** Additional affordable dwellings in local authorities as percentage of Kent total, 2018/19



City Council (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

### Additional affordable dwellings by category

2.3.8. In England and in Kent, during 2018/2019, half of all additional affordable housing consisted of affordable rent dwellings (51%).

Intermediate affordable housing – that is, homes for sale and rent provided at a cost above social rent, but below market levels<sup>36</sup> - was the largest category and social rent dwellings was the smallest category.<sup>37</sup>

2.3.9. In Kent, all the additional affordable housing in Thanet, and 80% of the additional affordable housing in Ashford, were affordable rent dwellings. All of Swale’s additional affordable housing was intermediate affordable housing (70 dwellings). Dover (36%), Folkestone & Hythe (17%) and Tunbridge Wells (9%) were the only authorities to provide additional social rented dwellings.<sup>38</sup>

**Figure 11:** Additional affordable dwellings by type, 2018/19

	Total additional affordable dwellings	Affordable rent dwellings provided	Intermediate affordable housing provided (part-buy/part-rent)	Social rent dwellings provided
<b>England</b>	<b>57,485</b>	51%	37%	11%
<b>Kent</b>	<b>1,576</b>	51%	47%	3%
Ashford	157	80%	20%	0%
Canterbury	83	23%	77%	0%
Dartford	304	39%	61%	0%
Dover	73	38%	26%	36%
Folkestone & Hythe	53	45%	38%	17%
Gravesham	89	42%	58%	0%
Maidstone	289	54%	46%	0%
Sevenoaks	122	48%	52%	0%
Swale	70	-	100%	0%
Thanet	11	100%	0%	0%
Tonbridge & Malling	256	79%	21%	0%
Tunbridge Wells	69	26%	65%	9%
Medway U.A.	167	38%	39%	23%

<sup>C</sup>il (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

### Additional affordable dwellings by category and type of scheme

2.3.10. There are several organisations and schemes involved in the provision of affordable housing, including:

- Homes England
- Housing Associations
- Right to Buy additions
- Affordable Housing Guarantees

<sup>36</sup> MHCLG (2019) National Planning Policy Framework, London

<sup>37</sup> Ibid

<sup>38</sup> Ibid

- Local Authorities
- Section 106\*
- Shared ownership
- Private Finance Initiative<sup>39 40 41</sup>

2.3.11. In 2018/19 all additional affordable dwellings in Kent were delivered via local authorities, housing associations, Section 106 schemes and affordable housing guarantees. Figures 12 and 13 below show the total number and proportions of additional affordable housing delivered in Kent during that period by category and type of scheme.

**Figure 12:** Additional affordable dwellings by scheme & category, Kent, 2018/19

Kent		Category		
Scheme	All affordable	Affordable rent dwellings	Intermediate affordable housing	Social rent dwellings
<b>Total additional affordable dwellings</b>	<b>1,576</b>	<b>797</b>	<b>738</b>	<b>41</b>
Local Authorities	154	126	2	26
Housing Associations	388	235	147	6
Section 106 (nil grant): total	851	346	496	9
Affordable Housing Guarantees	181	90	91	0
Other	2	0	2	0

t County Council (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

**Figure 13:** Additional dwellings by type as a proportion of category, Kent, 2018/19

Kent		Category		
Scheme	All affordable	Affordable rent dwellings	Intermediate affordable housing	Social rent dwellings
<b>Total additional affordable dwellings</b>	<b>1,576</b>	<b>797</b>	<b>738</b>	<b>41</b>
Local Authorities	10%	16%	0%	63%
Housing Associations	25%	29%	20%	15%
Section 106 (nil grant): total	54%	43%	67%	22%
Affordable Housing Guarantees	11%	11%	12%	0%
Other	0%	0%	0%	0%

t County Council (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

<sup>39</sup> Ibid

<sup>40</sup> Homes England (2018) Strategic Plan 2018/19-2022/23

\* **A Section 106 agreement** is an agreement between a developer and a local planning authority (LPA) about measures that the developer must take to mitigate the impact of a new development on the community. Agreements commonly require the provision of affordable housing in kind, or as a commuted payment along with other infrastructure requirements (such as schools, open space and wider community benefits), in order to secure the grant of planning permission. Section 106 is part of the Town and Country Planning Act 1990.

<sup>41</sup> DCLG (2013) Section 106 Affordable Housing Requirements: Review and Appeal, London

## 2.4. National policies and interventions

2.4.1. This section includes some of the key national housing policies and initiatives. The legislative context around housing is dynamic and therefore requires a flexible approach at local level to meet the housing needs of Kent residents.

### Housing White Paper (2017)

2.4.2. In 2015 Government's ambition was to secure 1 million net additions to the housing stock by the end of 2020. The Housing White Paper, "Fixing Our Broken Housing Market" (February 2017), described a number of initiatives which are aimed at reforming the housing market and securing a step-change in housing supply. Measures in the White Paper included: using the planning process to deliver the right homes in the right places, building homes faster, diversifying the housing market and providing support to those who require urgent housing assistance.<sup>42</sup>

### Social Housing Green Paper (2018)

2.4.3. The Social Housing Green Paper "A New Deal for Social Housing" (2018) aimed to 'kick-start a national conversation' about the future of social housing. It clarified the definition of "social housing", as "housing to rent below market level rents or to buy through schemes such as shared ownership", and of "social rent", as typically set 'at around 50-60% of market rents'. The Green Paper covers a wide spectrum of policy areas, including:

- Ensuring homes are safe and decent
- Effective resolution of complaints
- Empowering residents and strengthening the Regulator
- Tackling stigma and celebrating thriving communities, and
- Expanding supply and supporting home ownership<sup>43</sup>

### Housing and Planning Act (2016)

2.4.4. This Act is designed to support the Government's aim of delivering one million new homes by 2020. The main measures to achieve this include:

- An extension of the Right to Buy scheme
- The sale of higher value vacant local authority homes
- A general duty on all local authority planning departments to promote the supply of starter homes

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<sup>42</sup> DCLG (2017) Fixing Our Broken Housing Market, London

<sup>43</sup> MHCLG (2018) A New Deal for Social Housing, London

- The mandatory use of fixed term tenancies for most local authority tenancies (between two and 10 years)
- Measures to tackle rogue landlords
- The removal (with limited exceptions) of the requirement for affordable housing/contributions from small sites (of 10 units or less, or less than 1,000 square metres)<sup>44</sup>

#### National Planning Policy Framework (NPPF) (2012)

2.4.5. The NPPF was introduced in 2012. It sets out the Government's planning policies for England and how they are expected to be applied. It sets the framework for how councils must prepare their Local Plans and is a 'material consideration' (a matter that must be taken into account) when determining a planning application. A range of policies, including those on affordable housing and infrastructure provision, are set out in the NPPF, which is accompanied by the Planning Practice Guidance (PPG) and National Policy Statements for major national infrastructure.<sup>45 46</sup>

2.4.6. The revised NPPF and associated PPG make significant changes to the "viability test", including the principle that land value should be based upon existing value 'plus' a premium which "should provide a reasonable incentive for a landowner to bring forward land for development". It also includes a revised definition of affordable housing (see Section 2.1).<sup>47</sup>

#### The Establishment of Homes England (2018)

2.4.7. In January 2018 the Government established Homes England. This is a non-departmental public body, sponsored by the MHCLG, tasked with speeding up the delivery of housing across England, except in London where much of this role is devolved. The agency works in collaboration with a range of partner organisations, including local authorities, private developers, housing associations, lenders and infrastructure providers.<sup>48</sup>

2.4.8. Homes England offers a number of funding streams to encourage and maximise housing delivery. These include: the Land Assembly Fund; Small Sites Fund; Shared Ownership Affordable Homes Programme; Care and Support Specialist Housing and Housing Revenue Account Borrowing.<sup>49</sup>

#### Health and Social Care Act (2012)

<sup>44</sup> Housing and Planning Act (2016) London. The Stationery Office

<sup>45</sup> MHCLG (2019) National Planning Policy Framework, London

<sup>46</sup> Town and Country Planning Association (2018) Planning for Affordable Housing, London

<sup>47</sup> MHCLG (2019) National Planning Policy Framework, London

<sup>48</sup> Homes England (2018) Strategic Plan 2018/19-2022/23

<sup>49</sup> Ibid

2.4.9. This Act introduced major structural changes to the NHS, including the establishment of clinical commissioning groups which replaced the previous primary care trusts, putting clinicians at the centre of commissioning, empowering patients through informed choice and providing a new focus on public health. Amongst other things, the Act recognised the importance of housing associations as commissioners, and as providers of more integrated housing and health services.<sup>50</sup>

#### Care Act (2014)

2.4.10. The emphasis in the Care Act is on meeting needs to improve the well-being of adults who need care and support because of physical or mental impairment or illness, and on providing people and their carers with control over their care and support. With regard to housing, the Act makes it easier to establish a priority need, assess whether accommodation is reasonable to continue to occupy, prevent homelessness through services or care that enables an adult to remain in accommodation, and offer supported housing or a place in a care home.<sup>51</sup>

#### Homelessness Reduction Act (2017)

2.4.11. The Homelessness Reduction Act 2017 introduced significant changes to the housing rights of homeless people in England by putting duties on local authorities to prevent and relieve homelessness.<sup>52</sup>

#### Welfare Reform

2.4.12. The Government has been undertaking a wide-ranging programme of welfare reform as part of its austerity agenda. The reforms have affected areas such as housing management, delivery of homes and access to affordable housing in the public and private sectors, especially for those who are dependent on benefits. The center-piece of these welfare reforms has been the introduction of Universal Credit to replace a range of benefits.<sup>53</sup>

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<sup>50</sup> Health and Social Care Act (2012) London. The Stationery Office

<sup>51</sup> Care Act (2014) London. The Stationery Office

<sup>52</sup> Homelessness Reduction Act (2017) London. The Stationery Office

<sup>53</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

## 2.5. Local policies and interventions

2.5.1. In addition to these Government initiatives, there are a number of local policies that are aimed at promoting the supply, affordability and quality of housing in Kent. They include the following.

### Kent and Medway Housing Strategy (2019-2023)

2.5.2. This was commissioned by the Kent Housing Group (KHG) – a forum for social housing organisations including all twelve Kent district councils, Medway Council, thirteen housing associations and KCC. KHG also has representatives from a number of organisations that work in partnership with social housing landlords, including Homes England, the National Housing Federation, the National Landlords Association and the South East Local Enterprise Partnership (SELEP).<sup>54 55</sup>

2.5.3. The Strategy identifies the major strategic challenges facing the county and outlines ways to tackle them. These are organised into four themes:

- Theme 1 – Accelerating Housing Delivery
- Theme 2 – Infrastructure and Investment
- Theme 3 – Affordability
- Theme 4 – Health & Wellbeing.<sup>56</sup>

### Growth and Infrastructure Framework (GIF) (2018)

2.5.4. The GIF provides a strategic framework across Kent for identifying and prioritising investment in infrastructure projects, and for planned growth up to 2031. It draws together information and data from a range of sources, including district Local Plans, Infrastructure Delivery Plans and infrastructure and service providers. The Framework provides robust evidence to attract investment and engagement, and supports the case for public funding bids.<sup>57</sup>

2.5.5. By planning strategically, the GIF enables Kent and Medway to respond to the growth pressures on the county's housing and infrastructure needs, while accommodating growth pressures from London.<sup>58</sup>

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<sup>54</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>55</sup> Kent Housing Group (2020) About Us, online, <https://www.kenthousinggroup.org.uk/about-us/>

<sup>56</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>57</sup> Kent County Council (2018) Kent and Medway Growth Infrastructure Framework, 2018 Update

<sup>58</sup> Ibid

## Increasing Opportunities, Improving Outcomes (2015-2020)

2.5.6. Increasing Opportunities, Improving Outcomes is KCC's strategic statement for 2015 - 2020. It sets out KCC's vision for improving lives by ensuring that every pound spent in Kent delivers better outcomes for Kent's residents, communities and businesses. A key strategic aim is to support well-planned housing growth so that Kent residents can live in the homes of their choice. The document is currently being revised to set out KCC's priorities and objectives for the next five years.<sup>59</sup>

## Kent Environment Strategy (2016)

2.5.7. The Kent Environment Strategy recognises and addresses the challenges and opportunities that unprecedented growth and change will bring in the coming decades. Working together across sectors, a key objective of the Strategy is to continue to support economic growth whilst protecting and enhancing our natural and historic environment and creating and sustaining communities that are vibrant, healthy and resilient.<sup>60</sup>

## Better Homes (2011)

2.5.8. Better Homes: Localism, Aspiration and Choice sets out a strategic direction for housing across Kent, based on the local ambitions and aims of KCC, Kent districts and Medway Council. It clarifies the major strategic housing challenges facing Kent and Medway. It also offers a range of collective interventions to tackle specific housing challenges.<sup>61</sup>

## Better Homes Active Lives (2008<sup>62</sup>)

2.5.9. The Better Homes Active Lives housing project was established to build and manage modern apartments for older and disabled people in Kent, using funding from central government. In this initiative KCC works in partnership with ten Kent district councils and with Housing and Care 21. The project has led to the provision of 340 apartments in total, including 275 "extra care" apartments for older people, 58 supported flats for people with a learning disability, and 7 for people with mental health problems.<sup>63</sup>

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<sup>59</sup> Kent County Council (2015) Increasing Opportunities, Improving Outcomes, Kent County Council's Strategic Statement 2015 – 2020, Maidstone

<sup>60</sup> Kent County Council (2016) Kent Environment Strategy: A Strategy for Environment, Health and Economy - March 2016, Maidstone

<sup>61</sup> Kent Housing Group (2011) Better Homes: Localism, Aspiration and Choice

<sup>62</sup> Date of initial PFI approval.

<sup>63</sup> Kent County Council (2020) Better Homes, Active Lives, online, <https://www.kent.gov.uk/about-the-council/strategies-and-policies/adult-social-care-policies/better-homes,-active-lives>

## Local Transport Plan (2016-2031)

2.5.10. The Local Transport Plan 4, Delivering Growth without Gridlock (2016-2031) brings together KCC's transport policies, identifies key transport and infrastructure issues, and provides a critical tool in helping KCC to attract investment for transport schemes from central government and other organisations.<sup>64</sup>

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<sup>64</sup> Kent County Council (2016) Local Transport Plan 4, Delivering Growth without Gridlock (2016-2031), Maidstone

## 3. Key Issues and Recommendations to Kent County Council

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### 3.1. Introduction

- 3.1.1. The housing market is broken. This was the conclusion of Theresa May, in introducing the Government's White Paper on housing in February 2017. Rents are rising faster than earnings, house prices are at a record level when compared with wages, and home ownership is increasingly beyond the reach of the young.<sup>65</sup>
- 3.1.2. Estimates indicate that the number of new homes needed in England is between 240,000 and 340,000 per year. In 2017/18, the housing stock in England increased by around 222,000. Although this was 2% higher than the year before – and the annual number of new homes has been growing for several years – it is still lower than estimated need.<sup>66</sup>
- 3.1.3. It is becoming increasingly accepted that, in addition to a crisis in housing supply, England is in the grip of a crisis of affordability. As Sir Michael Lyons put it: “we would stress that it is not just the number built but also the balance of tenures and affordability which need to be thought through for an effective housing strategy”.<sup>67</sup> However, increasing the overall housing supply will not by itself cause the challenge of ensuring sufficient genuinely affordable housing to be met.
- 3.1.4. Many people on low incomes are struggling with housing costs and, in some cases, are unable to find a home that they can afford. This can have a significant negative impact on their lives. It can affect the educational outcomes of their children, restrict their employment and social interaction opportunities, and have a detrimental impact on their physical and mental health.<sup>68</sup>
- 3.1.5. Aside from London, the housing crisis is particularly acute in the South East. In Kent housing is less affordable than the national average and the South East as a whole.<sup>69</sup>

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<sup>65</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

<sup>66</sup> House of Commons (2018) Tackling the Under-Supply of Housing in England, London

<sup>67</sup> House of Commons (2019) What Is Affordable Housing? London

<sup>68</sup> Town and Country Planning Association (2018) Planning for Affordable Housing, London

<sup>69</sup> Kent County Council (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

- 3.1.6. Both the Government and Kent are responding to these housing challenges. For instance, the Ministry of Housing, Communities and Local Government (MHCLG) committed to supporting the delivery of a million homes by the end of 2020 and half a million more by the end of 2022, and to ensuring the average delivery of 300,000 additional homes a year.<sup>70</sup> In October 2018 the Prime Minister announced the abolition of the HRA Borrowing Cap, enabling councils to put significant, additional investment into the supply of housing.<sup>71 72</sup> The new Kent and Medway Housing Strategy recognises that building homes and delivering affordable housing are key priorities for the county, and responds through a variety of measures aimed at accelerating housing growth and promoting partnership working.<sup>73</sup>
- 3.1.7. However, housing affordability remains a complex and challenging issue. Much more could be done to make sure that homes are available, affordable and appropriate for Kent residents.
- 3.1.8. The Committee identified a wide range of issues concerning housing and affordability. Some of them can be best addressed at county-wide level, while others are best dealt with through Government intervention.
- 3.1.9. This is reflected in the organisation of the report. This chapter discusses key issues and recommendations for KCC, and how collaboration between KCC and partner local organisations, such as Kent district councils, could be promoted. Although Kent district councils are the local planning authorities and are therefore responsible for the planning and the delivery of local housing, KCC can still play an important role in enabling, supporting and maximising the delivery of affordable homes in the county. The following chapter makes recommendations for action at national level.

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<sup>70</sup> National Audit Office (2019) Planning for New Homes, London

<sup>71</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>72</sup> Gov.UK (2019) Information and advice on the Housing Revenue Account (HRA) and consents for disposal of land from the Housing Revenue Account, online, <https://www.gov.uk/guidance/housing-revenue-account>

<sup>73</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

## 3.2. Infrastructure and planning

### Infrastructure

- 3.2.1. In order to deliver new homes and places for people to live in, infrastructure such as public and private transport, healthcare, schools and utilities must be in place. A range of organisations are involved in providing this infrastructure, including local authorities, Government departments, arm's-length bodies and private sector developers.<sup>74</sup>
- 3.2.2. Kent has delivered amongst the highest rates of new homes in the country, but this housing and population growth has far outstripped the delivery of the infrastructure that is needed to sustain it. Growing congestion on roads and in towns, overcrowded trains and long waiting times to access health facilities are an ongoing challenge to the quality of life for residents and businesses.<sup>75</sup>
- 3.2.3. Many commentators suggest that infrastructure should take precedence and that it should be provided before house building takes place. There are several reasons for this.
- 3.2.4. By providing infrastructure first, house building is supported and promoted because it reduces the level of risk and uncertainty for housing developers. This can also encourage and enable housebuilders to deliver more affordable housing units; sometimes building these homes is not financially viable for them, even if planning permissions are granted, and only infrastructure funding – such as that provided by MHCLG and Homes England - can unblock a stalled development.<sup>76 77 78</sup>
- 3.2.5. Also, the provision of infrastructure and facilities first, such as health and wellbeing facilities that can improve the quality of life of residents, can persuade a community to accept a proposed development that would otherwise encounter local opposition.<sup>79</sup>
- 3.2.6. The supply of an infrastructure that can promote flourishing and sustainable communities is dependent on the commitment and joint working of a number of organisations. In Kent there are examples of collaborative initiatives that are aimed, amongst other things, at ensuring the concerted delivery of effective infrastructure.

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<sup>74</sup> National Audit Office (2019) Planning for New Homes, London

<sup>75</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>76</sup> Kent County Council (2020) Affordable Housing Select Committee, 12 February 2020

<sup>77</sup> Kent County Council (2020) Affordable Housing Select Committee, 12 February 2020

<sup>78</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>79</sup> Kent County Council (2020) Affordable Housing Select Committee, 19 February 2020

3.2.7. The Kent Housing Group (KHG) is “the voice of housing in Kent” and a forum for collaboration to tackle local housing issues which involves all 12 Kent districts, Medway Council, KCC, 14 housing associations, as well as Homes England, the National Landlord Association, Kent Developers Group, Kent Planning Officers Group and the South East Local Enterprise Partnership.<sup>80</sup>

3.2.8. One of the main objectives of KHG has been to bring together these partners to develop a Kent-wide Housing Strategy. In addition to working towards the common aim of reducing the infrastructure funding gap identified at £16.4 billion, the strategy aims to address practical infrastructure issues associated with housing delivery, such as ensuring the involvement of utility companies on new and existing sites.<sup>81 82</sup>

3.2.9. The South East Local Enterprise Partnership (SELEP) is the largest LEP outside London in terms of population and economic output. In 2019 SELEP published its economic strategy statement “Smarter, Faster, Together” which, using a strong evidence base, aims to attract timely investment and infrastructure, tackle housing shortages and improve workforce skills.<sup>83</sup>

3.2.10. An important initiative is the recent work by organisations including KCC, Kent district councils and Medway Council on an “Infrastructure Proposition” to Government to obtain more infrastructure funding and planning flexibility.<sup>84</sup>

3.2.11. In 2018 the Government committed to working with local authorities that pursued a collective and comprehensive approach to growth. This Kent and Medway ‘deal’ with the Government and Homes England aims to secure a range of public services, transport infrastructure, jobs and homes to fill the gaps identified by Kent residents.<sup>85</sup>

3.2.12. Objectives of the Proposition include:

- Attracting new infrastructure investment, with a focus on infrastructure first, to address viability issues.
- Having greater flexibility to manage growth.
- Focusing on unlocking stalled building sites.
- Bringing empty homes into use.
- Building new, high quality homes for older people.<sup>86</sup>

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<sup>80</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>81</sup> Kent County Council (2020) Affordable Housing Select Committee, 18 February 2020

<sup>82</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>83</sup> Ibid

<sup>84</sup> Kent County Council (2020) Affordable Housing Select Committee, 12 February 2020

<sup>85</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>86</sup> Kent County Council (2020) Affordable Housing Select Committee, 12 February 2020

- 3.2.13. The Committee agrees that the infrastructure challenges that we face in Kent require a collective response that should involve local authorities, the Government, the housing sector and local communities.
- 3.2.14. **The Committee endorses and commends the Kent and Medway Infrastructure Proposition. This ambitious, innovative initiative has the potential to deliver well-planned residential and commercial growth, bringing new connectivity and opportunities for local people, including the most vulnerable Kent residents.**
- 3.2.15. The Growth and Infrastructure Framework (GIF) – which has been prepared through close collaboration between KCC, Kent district councils, Medway Council and other partner organisations - complements, and is aligned with, the Kent and Medway Housing Strategy. The GIF provides a strategic framework across the county for identifying and prioritising infrastructure investment for planned growth. It draws together information and data from a range of sources, including district Local Plans, Infrastructure Delivery Plans and infrastructure and service providers. The Framework also provides robust evidence to attract investment by supporting the case for public funding bids and projects for major private sector investment.<sup>87</sup>
- 3.2.16. The GIF is regarded by bodies such as the Kent Developers Group as an exceptional document that is key to the promotion of infrastructure in Kent. An online GIF platform is currently being developed to offer an improved, more dynamic and interactive experience to its users.<sup>88 89</sup>
- 3.2.17. The Committee welcomes the GIF and the development of a more interactive online version. The Committee believes that it would be helpful if the GIF included data on the provision of affordable housing in each Kent District; this evidence would increase the understanding of the specific infrastructure requirements to support affordable housing and genuinely affordable housing at more local level.

### **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.**

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<sup>87</sup> Kent County Council (2018) Kent and Medway Growth Infrastructure Framework, 2018 Update

<sup>88</sup> Kent County Council (2020) Affordable Housing Select Committee, 19 February 2020

<sup>89</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

- 3.2.18. While it is crucial to improve local infrastructure, it is also important to consider whether the local planning system can further encourage and maximise the delivery of housing and affordable housing.
- 3.2.19. The planning system in England plays a vital role in delivering, not just the quantity of housing, but also the quality of our communities. While it seeks to make sure that enough homes are built, it also determines where housing developments take place, their density levels, the necessary supporting infrastructure, and the obligation to include affordable housing.<sup>90 91</sup>
- 3.2.20. However, the planning system is also frequently cited as a 'blockage' to achieving the necessary rates of new housing.<sup>92</sup> Difficulties in obtaining planning permission, and negotiating the planning process to the point at which construction can start, are often identified by housebuilders, ranging from very small companies to those delivering hundreds of homes per year.<sup>93</sup>
- 3.2.21. Although the Local Government Association (LGA) points out that there has been an increase in unimplemented planning permissions in England and Wales from 365,146 in 2015/16 to 423,544 in 2016/17, and suggests that the planning system is not a barrier to building as councils approve nine in every ten planning applications,<sup>94</sup> the Home Builders Federation (HBF) argues that the planning system is still "a constraint".<sup>95</sup>
- 3.2.22. The HBF claims that, while the figures are encouraging, few of the permitted sites are yet buildable. Many developments have several "pre-commencement" conditions which have to be met before building can start - a process which can take some months and is dependent on the ability of the authority to provide this service. Many conditions – such as the final approval of the design of a children's play area – could be agreed once work is underway rather than holding up the development.<sup>96</sup>
- 3.2.23. Stronger communication - both within KCC and between KCC and local planning authorities – could help streamline the planning process and promote the delivery of affordable housing in Kent.
- 3.2.24. A more joined-up approach by different KCC departments could help to give developers greater certainty about the infrastructure and affordable housing they are required to provide.<sup>97</sup>

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<sup>90</sup> Town and Country Planning Association (2018) Planning for Affordable Housing, London

<sup>91</sup> House of Commons (2018) Tackling the Under-Supply of Housing in England, London

<sup>92</sup> Ibid

<sup>93</sup> Home Builders Federation (2020) Reversing the Decline of Small Housebuilders: Reinvigorating Entrepreneurialism and Building More Homes, London

<sup>94</sup> House of Commons (2018) Tackling the Under-Supply of Housing in England, London

<sup>95</sup> Home Builders Federation (2020) Reversing the Decline of Small Housebuilders: Reinvigorating Entrepreneurialism and Building More Homes, London

<sup>96</sup> Ibid

<sup>97</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

- 3.2.25. Some sources also report that there needs to be better joint working between the County Council and district councils in order to promote strategic planning and more co-ordinated infrastructure provision in the county.<sup>98 99</sup>
- 3.2.26. With particular reference to affordable housing in Kent, some suggest that a more uniform, county-wide model for assessing developments' viability would be helpful.<sup>100 101</sup> While timely decision making is a key factor in accelerating the delivery of affordable housing, the processing of an application by a local planning committee is often hindered by delays in feedback from KCC departments – irrespective of the scale of the development.<sup>102 103</sup>
- 3.2.27. While delays in the planning process can be a source of frustration for most housebuilders, they can be particularly damaging to small developers, as these considerations can be critical to their growth, or even their survival.<sup>104</sup>
- 3.2.28. Over the years the number of SMEs in the housing market has declined, limiting housing diversity and competition, and the rate of house building. In 1988 more than 12,000 SMEs were responsible for nearly 40% of all new homes. In 2017, there were only around 2,500 SMEs active in the sector, responsible for just 12% of new homes.<sup>105</sup>
- 3.2.29. There are initiatives at both national and local level that acknowledge the needs of SMEs and seek to support them. For instance, the Homes England Strategic Plan (2018/19 – 2022/23) has committed to helping smaller house builders through upfront financial support to unlock their access to land.<sup>106</sup> Nonetheless, the Lyons Review made it clear that, without a reversal in the decline of smaller builders, it would be difficult to deliver the scale of new housing that the country needs.<sup>107</sup>
- 3.2.30. The Committee believes that KCC should work with all Kent district councils to agree more formal planning arrangements between them. Bodies such as the Kent Planning Officers Group, which includes senior planning officers from all the Kent districts, KCC and Medway Council, would be ideally placed to provide a forum for discussion and to lead on this task. It is hoped that this would promote joint working and

<sup>98</sup> County Council Network (2018) Building for the Future: The Role of County Councils in Meeting Housing Need, London

<sup>99</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>100</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>101</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>102</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>103</sup> Kent County Council (2020) Affordable Housing Select Committee, visit, 24 February 2020

<sup>104</sup> Ibid

<sup>105</sup> Kent County Council (2020) Affordable Housing Select Committee, 18 February 2020

<sup>106</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>107</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

communication and enhance and accelerate the delivery of infrastructure and housing in Kent.

**Recommendation 2**

**KCC should invite all Kent district councils to put in place more formal, joint house 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.**

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### 3.3. KCC land and assets

- 3.3.1. The availability of land is a key factor in the development of new housing supply. While there is sufficient land to build on, land is scarce in economic terms and its supply is fundamentally limited and fixed; the shortage of land made available to build on is the biggest constraint to supplying new housing in England.<sup>108 109</sup>
- 3.3.2. Local authorities are well placed to shape the use of land across their areas, and the release of surplus public land provides a significant opportunity to boost housebuilding. This has been demonstrated by the One Public Estate programme, which now works with 188 councils and has helped facilitate the delivery of 37,000 additional homes on surplus public land between 2016 and 2021.<sup>110</sup>
- 3.3.3. The LGA reports that county councils recognise that more can be done with their assets, particularly public sector land, by taking a direct stake in the development process and a more holistic approach to land value. It also argues that, whether the land is owned by the council or a public sector partner, realising its value is about more than just maximising sales receipts: it is about understanding the potential for long-term income streams, having a stake in the quality of development, and securing wider social and environmental benefits.<sup>111</sup>
- 3.3.4. This view is widely echoed. The 2016-17 Lords Select Committee on Economic Affairs, “Building More Homes”, supported the relaxation of the requirement to achieve best market value when releasing public land.<sup>112</sup> The Housing Communities and Local Government Select Committee (2017) concluded that public land should not always be sold to the highest bidder but instead on the basis of the proposed levels of affordable housing or commitment to providing the necessary infrastructure.<sup>113</sup> The Government also recognises that, in some instances, it may be appropriate to dispose of land at less than best consideration (undervalue) where this is justified in the wider public interest, for example, to enable the regeneration of land to deliver new housing.<sup>114</sup>
- 3.3.5. When disposing of its own land, KCC’s primary responsibility is to achieve maximum value, in accordance with Section 123 of the Local Government Act (1972). However, there are situations where other factors, such as the provision of affordable housing, could be taken into account.<sup>115</sup>

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<sup>108</sup> House of Commons (2018) Tackling the Under-Supply of Housing in England, London

<sup>109</sup> Housing Commission for England (2014) The Lyons Housing Review: Mobilising Across the Nation to Build the Homes Our Children Need, London

<sup>110</sup> LGA Housing Commission (2016) Building Our Homes, Communities and Future, London

<sup>111</sup> Ibid

<sup>112</sup> House of Lords (2016) Select Committee on Economic Affairs, Building More Homes, 1<sup>st</sup> Report of Session 2016-17, 15 July 2016, London

<sup>113</sup> Housing Communities and Local Government Select Committee (2018) Tenth Report of 2017-19, 13 September 2018, London

<sup>114</sup> House of Commons (2018) Tackling the Under-Supply of Housing in England, London

<sup>115</sup> Kent County Council (2020) Affordable Housing Select Committee, 14 February 2020

- 3.3.6. The Committee believes that KCC, as a landowner, can play a key role in supporting and encouraging the development of affordable housing in Kent. Collaboration with other local authorities in Kent is key to achieving this objective.
- 3.3.7. The Committee recommends that KCC should explore ways of releasing more of its land for housebuilding and that, when doing so, it should include the provision of affordable housing as a key requirement.
- 3.3.8. There are several reasons why KCC should be encouraged to dispose of more of its land.
- 3.3.9. Some Kent districts, such as Dartford and Sevenoaks, are exhausting their land supply for new housing development; meeting Government housing targets is becoming increasingly challenging. In order to support and maximise development, it would be beneficial if KCC and Kent districts worked together to identify surplus KCC land or assets that could be used to provide affordable housing.<sup>116 117 118</sup>
- 3.3.10. KCC could also consider gifting small parcels of its land. Although land-gifting projects already exist, these are not supported in all areas of Kent.<sup>119</sup> Evidence from local parish councils and Community Land Trusts indicates that even the donation of small parcels of land can be critical as, sometimes, it is only by lowering building costs in this way that affordable housing can be delivered.<sup>120 121</sup>
- 3.3.11. Finally, the delivery of small, approved sites can support local SMEs. SMEs have an important role to play in bringing forward key developments on smaller sites that are unlikely to be of interest to larger housebuilders.<sup>122</sup> As already discussed, without a reversal in the decline of smaller builders, it will be very difficult to deliver the rate of increase in housing output that is required.<sup>123</sup>
- 3.3.12. There are also several reasons for including the provision of affordable housing as a requirement when disposing of KCC land and assets.

#### Affordable housing targets

- 3.3.13. As indicated earlier, housing is particularly unaffordable in Kent. While the affordability ratios for England and the South East are 7.29

<sup>116</sup> Kent County Council (2020) Affordable Housing Select Committee, 19 February 2020

<sup>117</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>118</sup> Kent County Council (2020) Affordable Housing Select Committee, 18 February 2020

<sup>119</sup> Kent County Council (2020) Affordable Housing Select Committee, 19 February 2020

<sup>120</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>121</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>122</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

<sup>123</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

and 10.81 respectively, the ratio for Kent is 10.93.<sup>124</sup> Also, the proportion of affordable homes delivered in the county is well below the national average (22.9% compared with 35.2% in the last financial year).<sup>125</sup>

3.3.14. The delivery of any kind of affordable housing through Section 106 agreements can only be part of the solution; sometimes delivery targets are just not realistic and, given the variety of infrastructure needs, affordable housing often is the first thing to be excluded when a compromise over a development is reached.<sup>126 127</sup>

#### Meeting the needs of vulnerable people

3.3.15. Additional affordable housing provision can help to meet the specific needs of particular groups of people, such as older and disabled people, families and key workers.

3.3.16. There is an acute need to provide more housing that is suitable for an ageing population. Only 7% of English homes (1.7 million) include the basic four accessibility features: level access to the entrance, a flush threshold, sufficiently wide doorsets and circulation space, and a toilet at entrance level. As of 2015, housing specifically designed for older people accounted for just 6% of all stock.<sup>128</sup>

3.3.17. It is therefore critical to maximise specialist housing supply to cater for those with greater care needs, and for the increasingly complex needs of other people, such as those with learning disabilities and mental health problems.<sup>129</sup>

3.3.18. There are also significant gains for local authorities seeking to increase the supply of homes that support positive ageing, including homes that meet Lifetime Homes Standards or HAPPI 10 design principles.<sup>130</sup>

3.3.19. It is estimated that half of older householders live in homes larger than they need, while high property prices are squeezing young families into small and overcrowded homes. Furthermore, while research suggests that over half of households over the age of 60 are interested in moving home, only 9% have done so in the last three years.<sup>131</sup>

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<sup>124</sup> Kent County Council (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

<sup>125</sup> Kent County Council (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

<sup>126</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>127</sup> Kent County Council (2020) Affordable Housing Select Committee, 14 February 2020

<sup>128</sup> LGA Housing Commission (2016) Building Our Homes, Communities and Future, London

<sup>129</sup> Kent County Council (2020) Affordable Housing Select Committee, 18 February 2020

<sup>130</sup> Ibid

<sup>131</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

3.3.20. By supplying housing alternatives that appeal to the more active and independent 'younger old', many more people would be happy to trade their homes and gardens that have become a burden for alternatives. The last resort of 'selling up' could become a positive choice.<sup>132</sup>

3.3.21. Offering better housing options for older people, either as homeowners or tenants, would deliver a wide range of "intergenerational" benefits, including:

- Boosting overall housing supply by unlocking untapped demand for new homes
- Releasing much-needed family homes
- Enabling families to release capital to help younger generations to buy their own home
- Tackling the rising costs of meeting the health and care needs of an ageing population, by providing homes that can keep people healthier, happier and independent for longer<sup>133</sup>

#### Key workers

3.3.22. KCC is also well placed to enable the revitalisation of key-worker affordable housing schemes across Kent. This would be particularly welcome in areas with high levels of social care need, health vulnerabilities and poorer educational attainment such as Swale and Thanet. This could be achieved as a Kent-wide programme by partnering Housing Associations, local authorities, health, education and universities to re-develop and utilise available public sector land or decommissioned property rather than selling these assets on the open market.<sup>134 135</sup>

#### Housing quality and design

3.3.23. The most recent Marmot Review (2020) found that poor quality housing, particularly damp and cold homes, directly harm physical and mental health, and that poor housing conditions continue to widen health inequalities.<sup>136</sup> Poorly constructed homes, such as some social housing tower blocks built in London in the 1960s and 1970s, are expensive to maintain and easily fall into disrepair.<sup>137</sup> The events of the

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<sup>132</sup> Housing our Ageing Population Panel for Innovation (2009) The Housing our Ageing Population Panel for Innovation (HAPPI) Report (2009), London

<sup>133</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

<sup>134</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>135</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>136</sup> Institute of Health Equity (2020) Health Equity in England: The Marmot Review 10 Years On, London

<sup>137</sup> Shelter (2019) A Vision for Social Housing: The Final Report of Shelter's Commission On the Future of Social Housing, London

Grenfell Tower fire in June 2017 illustrate how tragic the consequences of poor design can be.<sup>138</sup>

- 3.3.24. The Kent and Medway Strategy shows that there is a collective commitment and drive between local planning authorities and developers to ensure that the speed and method of delivery for new homes does not have a negative impact on their overall quality and design. The revised NPPF (2018) encourages local authorities to use appropriate tools in the planning process in order to deliver high quality housing across all tenures, including specialist housing.<sup>139</sup>
- 3.3.25. KCC's requirement to include affordable housing when disposing of its own land, can offer an additional opportunity to ensure that the homes built are well designed, accessible and sustainable.
- 3.3.26. In addition, by including affordable housing as a condition for development, KCC can promote a competition for land that is based not on the price paid by the highest bidder, but on who can deliver the highest quality and best long-term value for money.<sup>140</sup> The availability and affordability of land continues to be the biggest constraint on house building. According to some commentators, housing associations are often outbid when land comes to the market because of their commitment to building affordable homes.<sup>141 142 143</sup>
- 3.3.27. The Committee believes that the inclusion of a requirement to deliver genuinely affordable housing when disposing of its own land could be supported by a new mechanism to define and calculate "best value and best considerations", such as the evidential approach adopted by Essex County Council in its successful delivery of affordable housing.<sup>144</sup>
- 3.3.28. The mechanism could include an analysis of both the short-term and longer-term savings that could be achieved, for example, through the provision of affordable housing that promotes independent living and reduces the need for residential care. This would help to inform internal policymaking and provide evidence that KCC has achieved the best value for its taxpayers.
- 3.3.29. The availability of land is a key factor in the development of new housing supply, and there are several good reasons why KCC's land-disposal policies could offer an important contribution to boosting affordable housing in the county. The Committee therefore recommends the following.

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<sup>138</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>139</sup> Ibid

<sup>140</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

<sup>141</sup> Ibid

<sup>142</sup> Kent County Council (2020) Affordable Housing Select Committee, 18 February 2020

<sup>143</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>144</sup> Kent County Council (2020) Affordable Housing Select Committee, 14 February 2020

**Recommendation 3**

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

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### 3.4. A Kent Housing Growth Unit

- 3.4.1. Following the good practice example of Essex County Council, the Committee believes that KCC can play a more active, enabling role in promoting and maximising the delivery of housing, particularly affordable housing, in Kent.
- 3.4.2. The planning system in Essex is similar to Kent's. In addition to the county council, there are 12 lower-tier local planning authorities made up of borough, district and city councils that are responsible for preparing Local Plans.<sup>145</sup> These provide the strategic framework for future decisions on planning applications. They set out how much new development is needed, where it should be built and what supporting infrastructure - such as roads, schools and health centres - should be provided. They also guide the quality of development.<sup>146</sup>
- 3.4.3. Essex County Council has established a dedicated Housing Growth Unit. The Unit's role is to work across the county, in partnership with other county council services and with the 12 local planning authorities, to help deliver their targets for housing growth. The Unit also works across Essex to support initiatives that tackle homelessness, and to enable the provision of better housing for vulnerable people.<sup>147 148</sup>
- 3.4.4. Although Essex County Council, like KCC, is not a local planning authority, the Unit's expertise and extensive experience of housing and planning enables it to support the capacity and enhance the skills of the local planning authorities, and to facilitate their engagement with Government departments and other partner organisations.<sup>149</sup>
- 3.4.5. Even though the success of the Unit has been widely recognised as an example of good practice for maximising housing delivery, having a dedicated housing growth team is still the exception rather than the norm amongst county and unitary authorities in England.<sup>150</sup>
- 3.4.6. The Committee recommends that KCC, in consultation with all Kent local planning authorities, develop a proposal to establish a Kent Housing Growth Unit to promote and accelerate the delivery of housing, particularly affordable housing, in the county. Responsibilities of the Unit would include:

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<sup>145</sup> County Council Network (2018) Building for the Future: The Role of County Councils in Meeting Housing Need, London

<sup>146</sup> Maidstone Borough Council (2019) Local Plan Review: Scoping Themes and Issues Consultation, July 2019, Maidstone

<sup>147</sup> County Council Network (2018) Building for the Future: The Role of County Councils in Meeting Housing Need, London

<sup>148</sup> Kent County Council (2020) Affordable Housing Select Committee, 14 February 2020

<sup>149</sup> Ibid

<sup>150</sup> County Council Network (2018) Building for the Future: The Role of County Councils in Meeting Housing Need, London

- Supporting the housebuilding industry
- Promoting collaboration and a more joined-up approach within KCC, and between KCC and external organisations in order to address housing-related issues
- Bidding for Government funds
- Supporting Kent local planning authorities by offering advice and guidance, and
- Conducting research to assess the merits of pursuing particular housing initiatives and interventions

### Supporting the housebuilding industry

3.4.7. The UK construction industry has been slow to adopt technological and other innovations that are widely used by house building industries in other countries. The housebuilding sector is also less productive than the wider internal economy. Between 1998 and 2015, labour productivity in the construction sector grew by only 0.4%. Productivity in the whole economy, despite stagnating since 2007, grew by 22.7% over the same period.<sup>151</sup>

3.4.8. Innovation in construction methods and materials can lead to more homes being built quickly, cost-effectively and to modern standards. This can increase the lifespan of housing, improve energy efficiency and reduce the need for major repairs.<sup>152</sup>

3.4.9. It is estimated that modern methods of construction (MMCs), such as modular construction, could deliver units 30% quicker and 25% cheaper.<sup>153</sup> They can also lead to increased productivity in the sector, with fewer people being required to build the same number of houses.<sup>154</sup>

3.4.10. The need to promote and support MMCs has been widely recognised.<sup>155</sup> <sup>156</sup> Homes England's Strategic Plan has committed to "support the uptake and development of MMCs through a range of interventions".<sup>157</sup> More locally, evidence from a number of Kent local authorities and from the Kent and Medway Housing Strategy indicates that there is a collective ambition to explore how MMCs could accelerate housing delivery across the county.<sup>158</sup> <sup>159</sup> <sup>160</sup> <sup>161</sup>

<sup>151</sup> House of Commons Library (2018) Tackling the Under-Supply of Housing in England, London

<sup>152</sup> Ibid

<sup>153</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

<sup>154</sup> House of Commons Library (2018) Tackling the Under-Supply of Housing in England, London

<sup>155</sup> Ibid

<sup>156</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

<sup>157</sup> Homes England (2018) Strategic Plan 2018/19 – 2022/23, London

<sup>158</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>159</sup> Kent County Council (2020) Affordable Housing Select Committee, 19 February 2020

<sup>160</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

- 3.4.11. The productivity of the local housebuilding sector can also be supported by addressing skills shortages.
- 3.4.12. In addition to having an industry that uses very traditional methods of construction, one of the most significant challenges for the sector is the quality and availability of the skills it relies on. Evidence shows that the industry is not seen by young people as an attractive place to work; as a result, the average age of the workforce is increasing. It is estimated that around 20% of the workforce are within 10 years or less of retirement, and that only around 3% are aged between 16 and 19.<sup>162</sup>
- 3.4.13. The 2016 Farmer Review warned that an ageing workforce and insufficient numbers of new entrants to the industry were a ticking “time bomb” and predicted that this could result in a 20–25% decline in the available labour force within a decade.<sup>163</sup>
- 3.4.14. Case studies show that a number of local authorities are working hard to attract construction workers and upgrade their skills by offering, for example, in-house training and apprenticeship schemes.<sup>164</sup> Homes England said that Essex County Council was working with local academies to promote apprenticeships in construction, and suggested that this is something that could be explored by KCC to help support the housing growth required across the county.<sup>165</sup>
- 3.4.15. The Kent Housing Growth Unit could provide a key contribution by researching the impact of MMCs and advising how they could best be used to maximise housing growth in the county. It could also work with the education sector to promote apprenticeships in construction and in designing courses on innovative construction methods.

#### Promoting collaboration – a single point of contact

- 3.4.16. By acting as a single, easily identifiable point of contact, it is hoped that the Unit would promote collaboration both within KCC, and between KCC and partner organisations, to streamline and accelerate the delivery of housing in the county.
- 3.4.17. As already discussed, a more joined-up approach by different KCC departments can help to provide developers with greater certainty about the infrastructure and affordable housing requirements they are expected to meet.<sup>166</sup> Delays in the processing of planning applications can hold up developments and can even jeopardise the survival of

<sup>161</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>162</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

<sup>163</sup> Farmer, M. (2016) The Farmer Review of the UK Construction Labour Model: Modernise or Die, Time to Decide the Industry’s Future

<sup>164</sup> Housing Quality Network (2018) Innovation in Council Housebuilding

<sup>165</sup> Kent County Council (2020) Affordable Housing Select Committee, 18 February 2020

<sup>166</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

smaller construction businesses.<sup>167 168</sup> Maximising communication between KCC and local planning authorities to assess regularly the housing requirements for older people can help reduce under-occupation and free up family housing.<sup>169 170</sup>

3.4.18. As a single point of contact, the Unit would also be well placed to play an enabling role through the gathering and dissemination of examples of good practice.

3.4.19. These range from intelligence on how best to negotiate planning matters, the employment of affordable modular housing schemes, and delivery models that have enhanced affordable and social rented housing delivery, including the development of green and sustainable housing. These delivery models would be particularly helpful for authorities that are beginning the journey to enable the delivery of affordable housing on council-owned land, such as Swale Borough Council.<sup>171</sup>

#### Bidding for funds

3.4.20. There are already key initiatives – such as the Kent and Medway Infrastructure Proposition - that are aimed at attracting funding to accelerate the delivery of infrastructure and housing in Kent.

3.4.21. Nonetheless, the experience of Essex County Council shows that a dedicated, experienced housing growth unit can contribute to securing additional funding to help deliver housing growth.

3.4.22. Over the last year the Essex Housing Growth Unit has submitted three Housing Infrastructure Fund bids to the Government, seeking investment to deliver infrastructure that supports housing growth; two bids have already been approved, generating £317 million for new road and sustainable transport infrastructure.<sup>172</sup>

3.4.23. It was emphasised that having the expertise and resources to understand and engage with the housing delivery elements of a bid, and not just its infrastructure aspects, was critical to its success.<sup>173</sup>

#### Supporting Kent local planning authorities

3.4.24. Recent evidence from the National Audit Office (NAO) (2019) indicates that the system for securing contributions from developers towards the cost of infrastructure is not working effectively. Developers

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<sup>167</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>168</sup> Kent County Council (2020) Affordable Housing Select Committee, visit, 24 February 2020

<sup>169</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>170</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>171</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>172</sup> Kent County Council (2020) Affordable Housing Select Committee, 14 February 2020

<sup>173</sup> Ibid

can use the planning system to pay less in contributions than originally agreed. They are able to renegotiate lower contributions through Section 106 agreements on the grounds of financial viability – that projects cost more than anticipated and therefore they can no longer provide the agreed infrastructure contribution and still maintain profit margins.<sup>174</sup>

3.4.25. If developers do not contribute appropriately, this could result in either less infrastructure, or local authorities or central government paying more towards infrastructure, which could increase the financial pressures on them.<sup>175</sup>

3.4.26. A survey from the Town and Country Planning Association (TCPA) found that only 2% of the council that responded said that developers met their policy requirements for affordable housing all the time.<sup>176</sup>

3.4.27. A key reason offered by the NAO is that some local authorities are unable to negotiate effectively with developers.<sup>177</sup> There is wide agreement that a key factor is the reduction in skilled planning professionals and resources.<sup>178</sup> Between 2010-11 and 2017-18 spending by local authorities on planning functions fell 14.6% in real-terms, and between 2006 and 2016 the number of local authority planning staff fell by 15% overall.<sup>179</sup>

3.4.28. Although KCC is not a local planning authority, the expertise within the Kent Housing Growth Unit could help Kent's local planning authorities to overcome any challenges in the planning and development process.

#### Conducting research

3.4.29. Finally, the Unit could be tasked with conducting research to assess the merits of pursuing particular housing initiatives and interventions.

3.4.30. The report has already highlighted the importance that the Committee gives to the rigorous use of research to inform policy making, for example in quantifying short-term and longer-term savings that could be achieved through the provision of affordable housing that promotes independent living, and in demonstrating the impact and benefits of MMCs on housing growth.

3.4.31. The housing sector is complex: research is vital in understanding its intricacies and in designing effective policies and interventions that best meet the needs of Kent residents.

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<sup>174</sup> National Audit Office (2019) Planning for New Homes, London

<sup>175</sup> Ibid

<sup>176</sup> Town and Country Planning Association (2018) Planning for Affordable Housing, London

<sup>177</sup> Ibid

<sup>178</sup> House of Commons Library (2018) Tackling the Under-Supply of Housing in England, London

<sup>179</sup> National Audit Office (2019) Planning for New Homes, London

#### **Recommendation 4**

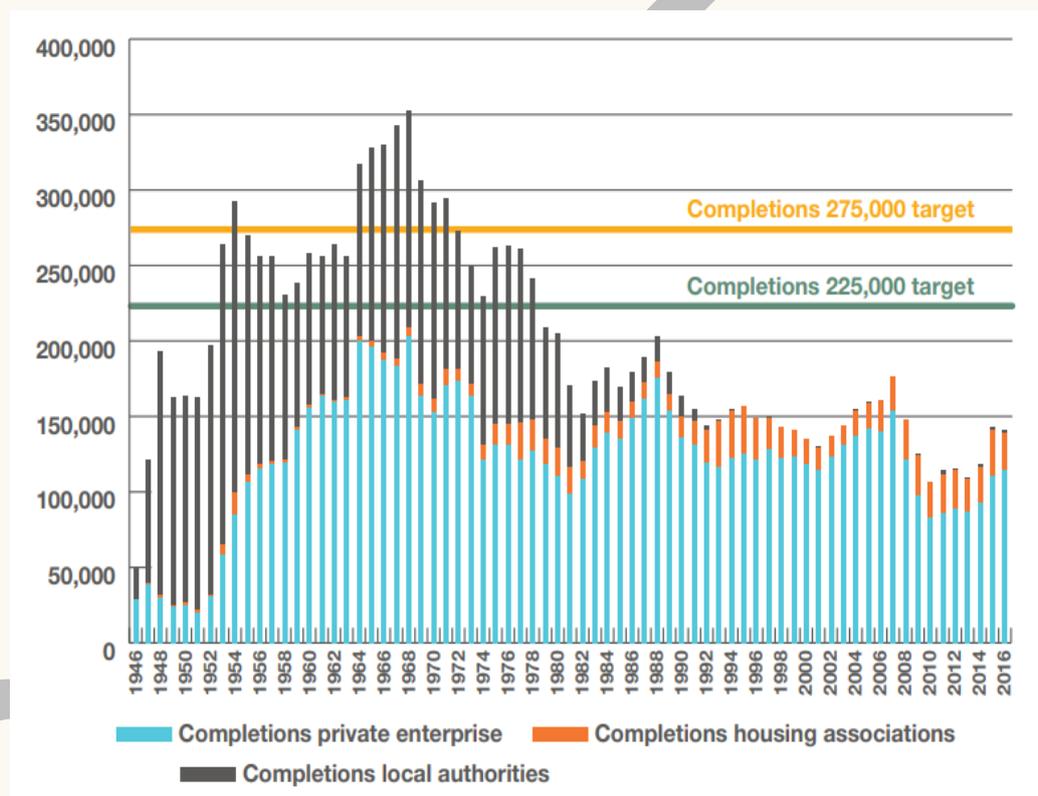
KCC, in consultation with Kent district councils, should develop a proposal for establishing a Housing Growth Unit to accelerate the delivery of housing, and genuinely affordable housing in particular, in the county. Objectives of the Unit would include:

- 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 advice and guidance.
- 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.

### 3.5. Joint venture

3.5.1. Local authorities currently have a much-reduced role in terms of their direct contribution to national housing supply. Of the 140,660 homes that were completed in 2016, only 1.5% were delivered by local authorities. This is in stark contrast to 1970, when local authorities in England delivered approximately 45% of the permanent dwellings completed (291,790) (Figure 14, see also Appendix 3).<sup>180</sup>

**Figure 14:** Number of homes built by local authorities, England, 1946-2016



**Source:** Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

3.5.2. Yet, as acknowledged in the 2017 Housing White Paper, the country needs to build between 225,000 and 275,000 homes each year in order to keep up with population growth and begin to address long-term undersupply.<sup>181</sup> As Figure 14 above illustrates, these levels of building have only ever been achieved during the post-war period, when local authorities made a significant, direct contribution.

<sup>180</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

<sup>181</sup> DCLG (2017) Fixing Our Broken Housing Market, London

- 3.5.3. While their current contribution is low historically, some councils have begun to build more homes directly, and many are preparing to do so in the future.
- 3.5.4. In recent years, there are indications of a revival in support for increasing the involvement of local authorities in housebuilding. The Housing White Paper (2017) has committed to simplifying plan-making and to providing more infrastructure funding in order to encourage local authorities to be more ambitious and innovative with housebuilding in their areas.<sup>182</sup>
- 3.5.5. The abolition of the Housing Revenue Account (HRA) cap in October 2018 – which greatly restricted local authorities’ borrowing capacity to invest in housebuilding – is also a recognition of a more prominent role for councils in the direct delivery of new housing.<sup>183</sup>
- 3.5.6. One of the conclusions of the LGA’s Housing Commission report “Building Our Homes, Communities and Future” (2016) was that council housebuilding had to be at the centre of a renewed effort to deliver homes that communities needed now and into the future.<sup>184</sup>
- 3.5.7. The Committee endorses this view and believes that the involvement of KCC in housebuilding could potentially contribute to boosting the supply of affordable housing, and housing in general, in Kent. The Committee emphasises that any direct involvement of KCC in housebuilding should be regarded as **complementing** the housing delivery of other organisations and businesses, not of replacing it.
- 3.5.8. The Committee also recognises that it is the district councils that are the local planning authorities with the main responsibility to deliver housing in the county. Seven of them (as well as Medway Council) have retained all or part of their council housing stock, and the removal of the HRA cap could give them an invaluable opportunity – although not one without challenges - to increase housing supply in the county.<sup>185</sup>
- 3.5.9. Nonetheless, the recent experience of successful housing joint ventures involving local authorities, and the urgency to fill the housing gap, have persuaded the Committee that KCC should at least assess the feasibility of undertaking such a project.
- 3.5.10. The basic premise of a joint venture model rests on a local authority entering an equal partnership with private investors. The council transfers property assets into a new joint venture company, with the venture partner – usually a developer or housing association – matching the value of the portfolio. The partnership uses its joint assets

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<sup>182</sup> Ibid

<sup>183</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>184</sup> LGA Housing Commission (2016) Building Our Homes, Communities and Future, London

<sup>185</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

as collateral to raise finance for regeneration projects. Development profits are split equally between the parties.<sup>186</sup>

- 3.5.11. In 2018, Swindon Borough Council entered a joint venture with BDW Trading, a subsidiary of housebuilder Barratt/David Wilson, to deliver a new community of 2,750 homes at Wichelstowe to the south of Swindon. The model allowed the Council to recover its investment, as well as returning a profit to fund services.<sup>187</sup>
- 3.5.12. Hertfordshire County Council and Morgan Sindall Investments Limited agreed to form a joint venture on a 50:50 partnership basis named Chalkdene Developments. This will provide new homes and jobs across the county through a series of housing-led developments on the Council's surplus land. The partnership agreement is for 15 years, with the option to extend for a further five.<sup>188 189</sup> The partnership will focus on 12 locations and has the capacity to deliver in excess of 500 properties, providing much-needed homes across the county in close proximity to existing infrastructure.<sup>190</sup>
- 3.5.13. Surrey County Council's joint venture partnership with Places for People has plans to build more than 2,000 homes in its first phase, on 32 council-owned sites, delivering development worth more than £1.5 billion over the next 15 years. The expectations of the joint venture include bringing forward the development of sites that are considered more difficult to develop, balancing economic and social returns and demonstrating value for money.<sup>191</sup>
- 3.5.14. The establishment of a joint venture between KCC and a partner organisation could be attractive for a number of reasons.
- 3.5.15. In past years the delivery of more than 200,000 homes per year in England has happened largely because of major local authority housebuilding programmes.<sup>192</sup> In this context, the contribution of KCC could be helpful in achieving the necessary step-change in housing supply in the county.
- 3.5.16. It would also help to show that KCC is committed to taking direct action on the issue of affordable housing, and on investing resources in neighbourhoods that may not have attracted any new housebuilding.

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<sup>186</sup> Room 151 (2019) Room 151: Local Government Treasury, Technical and Strategic Finance, Leveraging Council Land Value: The Joint Venture Approach, online, <https://www.room151.co.uk/funding/leveraging-council-land-value-the-joint-venture-approach/>

<sup>187</sup> Ibid

<sup>188</sup> LGA Housing Commission (2016) Building Our Homes, Communities and Future, London

<sup>189</sup> Morgan Sindall Investments (2018) Morgan Sindall Investments and Hertfordshire County Council – £2bn Property Delivery Joint Venture, online, <https://www.msinvestments.co.uk/news/morgan-sindall-investments-and-hertfordshire-county-council-%E2%80%93-%C2%A32bn-property-delivery-joint>

<sup>190</sup> LGA Housing Commission (2016) Building Our Homes, Communities and Future, London

<sup>191</sup> Ibid

<sup>192</sup> House of Commons Library (2018) Tackling the Under-Supply of Housing in England, London

Successful schemes could also help generate revenue for the Council.<sup>193</sup>

3.5.17. Building homes is not simply a matter of increasing housing supply, but – as the 2017 Housing White Paper puts it – “creating healthy and attractive places where people genuinely want to live”.<sup>194</sup> People benefit in a number of ways from well-designed and sustainable homes, whether it is from the health and well-being benefits of living in a secure home with adequate space and ready access to green spaces, or from the financial benefits of lower utility bills and long-term growth in property value.<sup>195</sup>

3.5.18. High-quality design and environmental standards are often seen as a barrier to delivering a substantial increase in housing supply on the grounds of cost. However:

- The average size of new homes in England and Wales is among the smallest in Europe
- Energy-efficient new homes bring clear benefits to consumers in lower fuel bills, and are also a key part of strategies to reduce dangerous levels of greenhouse gas emissions
- Like energy, water-efficient homes potentially reduce utility costs for consumers as well as reducing environmental impacts
- People greatly value access to nature. Surveys show that 90% of the UK population feel that much of our well-being and quality of life is based on nature and biodiversity. There is an increasing body of evidence about the positive social benefits of access to quality green infrastructure which includes biodiversity, including for health and well-being.<sup>196</sup>

3.5.19. It was estimated that leaving people in the poorest housing in England cost the NHS £1.4 billion every year. In 2013, 1.7 million dwellings in England failed to meet the Decent Home Standard Thermal Comfort criterion. The annual cost to the NHS of caring for people made ill by cold homes was estimated at £145 million.<sup>197</sup>

3.5.20. Delivering via an arm’s-length company would give the Authority scope to provide housing across a wider range of tenures; this would help address local housing market gaps, such as homes for the rental market and smaller homes for older people looking to downsize.<sup>198 199</sup>

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<sup>193</sup> LGA Housing Commission (2016) Building Our Homes, Communities and Future, London

<sup>194</sup> DCLG (2017) Fixing Our Broken Housing Market, London

<sup>195</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

<sup>196</sup> Ibid

<sup>197</sup> The Academic-Practitioner Partnership (2016) Good Housing, Better Health, University of Birmingham

<sup>198</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

- 3.5.21. A direct role in housebuilding could also support affordable routes to home ownership including rent-to buy, shared ownership and community land trusts.<sup>200</sup>
- 3.5.22. Although a joint venture could bring many benefits, there are challenges and risks that cannot be ignored.
- 3.5.23. These include high procurement and set-up costs, political risk if developments meet with strong local opposition, and risks of possible deadlocks in partnerships' decision making or if a partner runs into financial difficulties.<sup>201</sup>
- 3.5.24. Having considered all of the above issues, the Committee believes that the establishment of a joint venture scheme could potentially enable KCC to contribute to maximising the delivery of housing and affordable housing in the county, as well as promoting good quality housing that meets the different needs of Kent residents. Joint venture schemes are not without challenges and risks; the Committee, therefore, recommends that KCC should carry out an assessment to establish the feasibility of such initiative.

#### **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.**

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<sup>199</sup> LGA Housing Commission (2016) Building Our Homes, Communities and Future, London

<sup>200</sup> Ibid

<sup>201</sup> Room 151 (2019) Room 151: Local Government Treasury, Technical and Strategic Finance, Leveraging Council Land Value: The Joint Venture Approach, online, <https://www.room151.co.uk/funding/leveraging-council-land-value-the-joint-venture-approach/>

## 3.6. Investing in affordable housing

- 3.6.1. In addition to a shortage in the quality and supply of homes across all tenures, a combination of factors – including HRA borrowing restrictions until recently, skills and capacity shortages, and uncertainty around longer term funding streams – have encouraged local authorities to become increasingly innovative in their involvement in housing.<sup>202</sup>
- 3.6.2. The 2017 Housing White Paper expressed support for local authorities becoming more entrepreneurial in housebuilding.<sup>203</sup> This trend was echoed by the Elphicke-House report (2015), which recommended that local authorities should become “housing delivery enablers” through the use of innovative financing mechanisms. These included: the creation of housing companies; private finance initiatives; and housing investment from local authority pension funds.<sup>204</sup>
- 3.6.3. Using powers in the Localism Act (2011), more than a third of local authorities have either already established, or are seeking to establish, arm’s-length housing companies. Both urban authorities – such as Liverpool, Sheffield and Bristol - and county authorities - such as Surrey and Essex – have been developing plans to use their capital assets and access to low cost capital finance (via the Public Works Loan Board) to generate long-term income streams.<sup>205</sup>
- 3.6.4. Delivering housing via an arm’s-length company gives local authorities the scope to provide homes across a wider range of tenures than they could otherwise, including market and submarket rentals. For example, Telford and Wrekin Borough Council has built 132 houses for market rent across two sites and has been working to deliver an additional 124 units on three further sites.<sup>206</sup>
- 3.6.5. Under these models, units are typically delivered by contractor partners, particularly where local authorities lack the skills and expertise to deliver units themselves.<sup>207</sup> The models allow local authorities to be more flexible and responsive in addressing housing need and demand, as well as controlling the quality of the end product.<sup>208</sup>
- 3.6.6. Many of the companies that have been established tend to build on smaller sites (such as garage sites) with capacity for fewer than 150 units per annum.<sup>209</sup> However, there are examples of authorities with more ambitious plans. For example, the London Borough of Croydon has established a wholly-owned company (Brick by Brick Croydon

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<sup>202</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

<sup>203</sup> DCLG (2017) Fixing Our Broken Housing Market, London

<sup>204</sup> House of Commons Library (2018) Tackling the Under-Supply of Housing in England, London

<sup>205</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

<sup>206</sup> Ibid

<sup>207</sup> Ibid

<sup>208</sup> Ibid

<sup>209</sup> Ibid

Limited) which is working on around 2,000 new homes on multiple sites throughout the borough. Half of the new homes will be affordable, and costing no more than 65% of the average market rent.<sup>210 211</sup>

3.6.7. Currently, about 19% of English households (4.5 million) live in private rented housing.<sup>212</sup> Although this number has doubled since the mid-1990s, few homes are built specifically for the rental market. Yet the size of the wider residential rental market continues to grow and is becoming a long-term housing solution for people at different stages of their lives, not just for the young.<sup>213</sup>

3.6.8. Renting is beginning to be considered as an active and aspirational choice for residents, not just a response to the unaffordability of home ownership. Rather, it is a reflection of the need to live in social communities close to transport links, with day-to-day needs taken care of, such as home deliveries and maintenance.<sup>214</sup>

3.6.9. The sector is becoming increasingly attractive from an investor and developer perspective as the delivery of build to rent (BTR) accommodation is a highly efficient use of land, labour and equity.<sup>215</sup>

3.6.10. Institutional investors are drawn to BTR's income characteristics of relatively low volatility and steady inflation-linked growth. They are focused on income generation, not capital growth; the incentive is to fill schemes as quickly as possible rather than to leave properties empty and waiting for capital growth. BTRs can act as catalysts to the regeneration of sites, as the quick delivery of housing and fast lease-up rates are often crucial to establishing vibrant new communities, which go on to enable further viable development.<sup>216</sup>

3.6.11. With institutional investors in a BTR model being motivated to maximise occupancy rates in their apartments, BTR can have a significant impact on housing supply. Purpose-built accommodation can be targeted at both sharers and families. With good property management residents can move within a scheme and 'right-size' as required, avoiding under-used bedrooms as their needs change.<sup>217</sup>

3.6.12. The BTR business model also supports the development of modern methods of construction, as these are crucial to providing the fast delivery of housing that the model requires.<sup>218</sup>

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<sup>210</sup> Ibid

<sup>211</sup> London Borough of Croydon (2020) Developing New Homes in Croydon, online, <https://www.croydon.gov.uk/planningandregeneration/regeneration/brick-by-brick-small-sites-programme/brick-by-brick>

<sup>212</sup> MHCLG (2019) English Housing Survey Headline Report, 2017-18, 31 January 2019

<sup>213</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need?

London

<sup>214</sup> Ibid

<sup>215</sup> Ibid

<sup>216</sup> Ibid

<sup>217</sup> Ibid

<sup>218</sup> Ibid

- 3.6.13. Despite the advantages, the availability of capital and a well-defined business model, BTR remains a new sector which is still struggling to operate within current planning and taxation regimes.<sup>219</sup>
- 3.6.14. As well as the creation of housing companies and private finance initiatives, a number of local authorities are using their pension funds to build homes.
- 3.6.15. In 2014, Lancashire County Council and the Lancashire County Pension Fund formed a company, Heylo, to provide shared ownership homes.<sup>220</sup>
- 3.6.16. With the pension fund investing £300 million, the company - which has become a housing association - has been able to acquire more than 900 shared ownership properties on private developments across the country. It is seeking to acquire thousands more over the next few years, and to negotiate deals with Homes England to attract grant funding for affordable homes.<sup>221</sup>
- 3.6.17. Other local authority pension funds investing in housing include the Derbyshire Pension Fund, Nottinghamshire Local Government Pension Fund, Staffordshire Pension Fund, Teesside Pension Fund and West Midlands Pension Fund. At the end of 2017 they all invested about £100 million in a joint venture with residential investment firm Hearthstone Investments for the delivery of apartment blocks and family housing for private rent.<sup>222</sup>
- 3.6.18. Although there are a number of ways in which local authorities can raise funds to deliver housing – for example through borrowing from the Public Works Loan Board – pension fund investments offer an interesting option which deserves to be considered.
- 3.6.19. The Committee believes that KCC should investigate the feasibility of different financial mechanisms to fund housing and affordable housing in particular. This includes exploring investment in social housing from the Superannuation Fund, the Council's Treasury Management and Investment Strategies, and Capital Programme Strategy.

#### **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.**

<sup>219</sup> Ibid

<sup>220</sup> Inside Housing  
<https://www.insidehousing.com/articles/2014/05/13/inside-housing-55103>

<sup>221</sup> Ibid

<sup>222</sup> Ibid

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### 3.7. No Use Empty

- 3.7.1. The main purpose of KCC's No Use Empty (NUE) initiative, which was launched in 2005, is to offer interest-free loans to refurbish derelict empty properties and provide quality residential accommodation for sale or rent. The scheme was originally focused on the four Kent districts of Thanet, Dover, Shepway and Swale, as the majority of empty properties were in these areas. In 2008 it was extended to all 12 Kent districts.<sup>223</sup>  
<sup>224</sup>
- 3.7.2. The project involves close partnership working between KCC and Kent district councils, as they are the local planning authorities with statutory housing duties and are responsible for directing empty properties to the scheme.<sup>225</sup>
- 3.7.3. The NUE scheme offers interest-free loans of up to £175,000 (£25,000 per unit), repayable in three years, to those wishing to restore neglected properties that have been uninhabited for at least 6 months. It is operated as a revolving fund so that, as loans are repaid, the money is re-injected to support new schemes.<sup>226 227 228</sup>
- 3.7.4. Since 2005, NUE has brought over 6,300 properties back into use and has distributed more than £33 million of loans. The total value of the investment to date has been £67 million.<sup>229</sup> It is predicted that the initiative will soon be self-financing and will no longer require KCC's contribution of £30,000 per annum.<sup>230</sup>
- 3.7.5. NUE has won several awards as an innovative example of successful partnership working and an outstanding approach to regeneration, including the Regeneration and Renewal Awards in 2014.<sup>231</sup>
- 3.7.6. Its success has also led to the unlocking of an additional £800,000 from Folkestone and Hythe District Council, Dover District Council and Tunbridge Wells Borough Council in order to restore larger developments.<sup>232</sup>
- 3.7.7. As well as bringing traditional empty residential properties back into use, NUE has tackled larger redundant empty commercial buildings and sites – including offices, pubs, churches and warehouses - developing more than 725 new residential units, including 42 affordable housing units.<sup>233</sup>

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<sup>223</sup> Kent County Council (2020) Affordable Housing Select Committee, 21 February 2020

<sup>224</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>225</sup> Kent County Council (2020) Affordable Housing Select Committee, 21 February 2020

<sup>226</sup> Ibid

<sup>227</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>228</sup> ADEPT, Case Study, No Use Empty: Kent Empty Property Initiative

<sup>229</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>230</sup> Kent County Council (2020) Affordable Housing Select Committee, 21 February 2020

<sup>231</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>232</sup> Ibid

<sup>233</sup> Ibid

- 3.7.8. In addition to its core activities, future plans for NUE include the offer of a new loan product which has been supported by £12 million from the Treasury Management Fund. The programme involves annual lending of £4m over three years to developers of derelict or vacant sites. The maximum limit on the amount to be lent to any one developer is £1m, with a maximum duration for any loan of 3 years.<sup>234</sup>
- 3.7.9. The most recent Council Tax records show that there are still over 5,300 residential properties in Kent that could potentially be re-deployed through the scheme.<sup>235</sup>
- 3.7.10. The Committee endorses and applauds the No Use Empty initiative and believes that the recently approved £12 million from the Treasury Management Funds offers an exciting opportunity to expand the provision of genuinely affordable housing in Kent.
- 3.7.11. The feasibility and details of this proposal should be explored in conjunction with Kent districts. Some of them, such as Folkestone and Hythe, can offer invaluable advice as they already have experience of buying revamped properties for social housing from developers who benefitted from NUE loans.<sup>236</sup>

#### **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.**

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<sup>234</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>235</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>236</sup> Ibid

## 4. Key Issues and Recommendations to Government

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### 4.1. Introduction

- 4.1.1. The previous chapter discussed local housing issues in the context of an overlapping set of usages of the broad term 'affordable housing' and made recommendations aimed directly at KCC and promoting collaboration between KCC and partner local organisations so as to look forward to promoting genuinely affordable housing across the county.
- 4.1.2. During the review the Committee identified a series of additional, critical matters that it believes are best dealt with through action nationally. This chapter will consider these concerns, concluding with a list of recommendations that the Committee believes should be made to the Government. It also considers the consequences of the government definition and the barriers that creates.

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## 4.2. The definition of “affordable housing”

- 4.2.1. The most critical issue identified by the Committee, together with the problem of housing supply, is the problem of affordability. Commentators point out that, while there is a significant focus on the need to increase supply, England is also in the grip of a crisis of affordability, one that cannot be met simply by increasing supply. An effective housing strategy needs to address both housing supply and affordability.<sup>237</sup> Nonetheless, it has become evident during the review that the way “affordable housing” is defined can significantly affect how it is addressed by strategies and interventions, and the extent to which these meet people’s housing needs.
- 4.2.2. As already explained, there is no encompassing statutory definition of “affordable housing”. Several attempts have been made to define it.<sup>238</sup> A broad, official definition was included in the revised NPPF in 2018, defining it as “housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers).<sup>239</sup>
- 4.2.3. The NPPF also specified a further series of conditions which housing also had to meet to be ‘affordable’, for example that the rent or purchase price had to be reduced by at least a specified amount.<sup>240</sup>
- 4.2.4. The official definition of ‘affordable rent’ is that it is at least 20% below local market rent. This definition is used by the Government to assess, for example, whether landlords are offering an appropriate proportion of affordable housing.<sup>241</sup>
- 4.2.5. A substantial body of evidence, both from national agencies and from local organisations and residents, suggests that the maximum rent under this definition – that is, a rent that is set at a maximum of 80% of the local market rent - is too high, leading to rents which are not affordable for many tenants.
- 4.2.6. The Joseph Rowntree Foundation (JRF) states that this model of affordable rent housing fails to safeguard people from the broken housing market and that it will lead to 1.3 million more people in poverty in 2040.<sup>242</sup>
- 4.2.7. This concern is acknowledged by the Housing White Paper (2017), which states that “the average couple in the private rented sector now send roughly half their salary to their landlord each month”.<sup>243</sup>

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<sup>237</sup> House of Commons Library (2019) What Is Affordable Housing? London

<sup>238</sup> Ibid

<sup>239</sup> House of Lords Library (2018) Affordable Housing: Debate on 25 October 2018, London

<sup>240</sup> Ibid

<sup>241</sup> Ibid

<sup>242</sup> Joseph Rowntree Foundation (2018) Using the Social Housing Green Paper to Boost the Supply of Low-cost Rented Homes, York

<sup>243</sup> DCLG (2017) Fixing Our Broken Housing Market, London

- 4.2.8. The Peabody Housing Association echoes these concerns. It announced that it would cut its rental rates to below the 'affordable rent' maximum, stating that the difference between its standard rate of 65% of market rent, and the affordable rent maximum of 80% of market rent, could save tenants about £80 a week.<sup>244</sup>
- 4.2.9. The Chartered Institute of Housing (CIH) believes that it is unhelpful to consider affordability only in terms of a discount on a market price. The market rent could be an arbitrary price figure as this, for instance, could simply be linked to a particular property or type of property in a particular area.<sup>245</sup>
- 4.2.10. There is evidence that affordable rent policies that are linked to the local market require a careful understanding of local diversity; the housing market in Thanet, for example, is completely different from that in Tunbridge Wells or Sevenoaks. There cannot be a solution that fits all.<sup>246</sup>
- 4.2.11. With regard to social rent, the shift in policy definition from about 50% to up to 80% of market rents has, in the view of some commentators, undermined the ability of the social sector to supply housing that is truly affordable.<sup>247</sup>
- 4.2.12. The Nationwide Foundation argues that social rent has been downgraded in the revised NPPF, as it is now subsumed within the overall category of affordable housing for rent. The wording of the category suggests that developers can deliver either at affordable rent or social rent levels; or at least 20% below local market rents. The feedback from councils suggests that this could have significant implications in securing social rented homes rather than affordable rents in their local plans.<sup>248</sup>
- 4.2.13. There is evidence that, in reality, the discount on social rents is now usually no more than 20%, and that this is having a dramatic effect on social housing tenants.<sup>249</sup>
- 4.2.14. The JRF points out that many people on low wages can only afford low-cost rented housing, and that the new affordable rent model - where rents can reach up to 80% of local market rents – cannot be considered to be low-cost rented housing.<sup>250</sup>
- 4.2.15. The organisation also argues that the shortage of genuinely affordable housing is putting significant additional demands on the cost

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<sup>244</sup> House of Lords Library (2018) Affordable Housing: Debate on 25 October 2018, London

<sup>245</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>246</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>247</sup> House of Commons Library (2019) What Is Affordable Housing? London

<sup>248</sup> Town and Country Planning Association (2018) Planning for Affordable Housing, London

<sup>249</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>250</sup> House of Lords Library (2018) Affordable Housing: Debate on 25 October 2018, London

of housing benefit, and that investing in 80,000 affordable homes per year could reduce this cost by £5.6 billion by 2040.<sup>251</sup>

4.2.16. The new Marmot review (2020) reports that unaffordable housing can also lead to mental health issues. 21% of adults in England said that a housing issue had negatively impacted their mental health - even when they had no previous mental health issues; housing affordability was most frequently stated as the reason. The review also indicates that stress levels resulting from falling into arrears with housing payments are comparable to those resulting from unemployment.<sup>252</sup>

4.2.17. There are also affordability issues with regard to housing for sale. The NPPF defined “low-cost homes” as being at a price at least 20% below local market value”. However, it also recognised other affordable routes to home ownership, such as shared ownership, Right to Buy and Starter Homes.<sup>253</sup>

4.2.18. The Right to Buy scheme allows eligible council tenants in England to buy their home with a discount of up to £80,900 (£108,000 in London).<sup>254</sup> While the scheme has been developed to stimulate the housing market, an unintended consequence has been that it has also contributed to the decline of social housing provision. The Institute for Fiscal Studies (IFS), and other evidence, suggests that Right to Buy has led to a significant flow of properties out of the local authority sector because not all of the proceeds from it were used to replace the sold-off housing.<sup>255 256</sup>

4.2.19. Starter homes have also attracted some criticism. Shelter, for instance, has questioned whether homes at a 20% discount are genuinely affordable. The charity has argued that such homes would be unaffordable for families on the national living wage in 98% of local authority areas, and unaffordable for families on average wages in 58% of local authority areas.<sup>257</sup>

4.2.20. In addition, the requirement for 10% of homes to be available for affordable home ownership is controversial. The LGA, for instance, does not agree with a minimum national requirement, as it believes that LPAs, through their local plans, should be able to decide the proportion of affordable home ownership units that are required on sites, based on their assessment of need and taking into account site viability.<sup>258</sup>

4.2.21. There is considerable evidence that, in Kent, housing to buy or rent is not affordable for many people. On average, full-time workers can now expect to pay around 8 times their annual earnings on buying a

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<sup>251</sup> Ibid

<sup>252</sup> Institute of Health Equity (2020) Health Equity in England: The Marmot Review 10 Years On, London

<sup>253</sup> House of Lords Library (2018) Affordable Housing: Debate on 25 October 2018, London

<sup>254</sup> Ibid

<sup>255</sup> Ibid

<sup>256</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>257</sup> House of Lords Library (2018) Affordable Housing: Debate on 25 October 2018, London

<sup>258</sup> Ibid

home in England.<sup>259</sup> Relative to average earnings, house prices now are half as affordable as they were twenty years ago and, in Kent, housing is less affordable than both the national and regional averages.<sup>260 261</sup>

4.2.22. The current, official definition of affordable housing, as an arbitrary percentage of market prices, has attracted criticisms. A key challenge is that, as supported by much evidence, this is not a true measure because it fails to take in to account the ability of those on low incomes to pay.<sup>262 263</sup>

4.2.23. There have been a variety of alternative attempts to define affordable housing. For example, the think tank NatCen Social Research suggested a 'residual income approach'. This argues that housing is affordable not only if a household can pay for its housing, but also if it is able to afford to meet "other basic or essential needs", as captured in a concept called the 'minimum income standard'.<sup>264</sup>

4.2.24. The West Midlands Combined Authority (WMCA) has recently introduced its own, local definition of affordable housing, linking it to the incomes of people in the area rather than to local house prices. The new definition, which has been approved by the WMCA's Housing and Land Board, is based on local people paying no more than 35% of their salary on mortgages or rent. The WMCA believes this will not only provide affordable homes for local people but also encourage new types of affordable housing to come onto the market.<sup>265</sup>

4.2.25. Having considered the evidence, the Committee believes that the Government should adopt a definition of affordable housing which links affordability to income rather than to an arbitrary percentage of market prices. This would enable councils to adopt policies that better reflect local need and ultimately deliver, through the planning system, homes that are most appropriate locally.

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<sup>259</sup> Ibid

<sup>260</sup> Ibid

<sup>261</sup> Kent County Council (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

<sup>262</sup> Town and Country Planning Association (2018) Planning for Affordable Housing, London

<sup>263</sup> House of Commons Library (2019) What Is Affordable Housing? London

<sup>264</sup> Marshall, L. (2016) Defining and Measuring Housing Affordability in the Private Rented Sector, NatCen Social Research

<sup>265</sup> LocalGov (2020) Combined Authority Re-defines 'affordable housing', online, <https://www.localgov.co.uk/Combined-authority-re-defines-affordable-housing/49933>

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**“the Government should adopt a definition of affordable housing which links affordability to income rather than to an arbitrary percentage of market prices”**

tee therefore recommends that KCC’s Cabinet Member for Economic Development writes to the Secretary of State for Housing, Communities and Local Government to urge him to adopt a definition of affordable housing which links affordability to income rather than to an arbitrary percentage of market prices.

4.2.27. This recommendation is included in a number of recommendations that the Committee believes should be made to the Government. These recommendations are listed both at the end of this chapter and in the report’s executive summary.

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### 4.3. Local Housing Allowance

- 4.3.1. The Local Housing Allowance (LHA), which was introduced in 2008, is the way in which the rent element of Housing Benefit is calculated for tenants living in the deregulated private rented sector.<sup>266</sup>
- 4.3.2. There have been several changes to this entitlement in the last decade. When the LHA rate was introduced in 2008, it was based on median rent levels (that is, linked to the 50<sup>th</sup> percentile of local rents); therefore, about half of the properties available for private rent were accessible to those receiving housing benefit.<sup>267</sup>
- 4.3.3. Since April 2011, LHA rates have been calculated with reference to the 30<sup>th</sup> percentile of market rents within a “Broad Market Rental Area”. As a consequence, about a third of properties for private rent became affordable to housing benefit claimants.<sup>268</sup>
- 4.3.4. From 2012, year-on-year LHA increases were capped based on the rise in the Consumer Price Index (CPI) and, in 2016, they were frozen for four years.<sup>269</sup> Housing benefit levels have therefore not risen in line with private rents, and many private renters who claimed housing benefit have faced a monthly shortfall between the actual cost of their rent, and the support available.<sup>270</sup>
- 4.3.5. The freeze of LHA rates has made private rented housing increasingly unaffordable for people on a low income. Research from the Chartered Institute of Housing in 2018 found that LHA rates across the UK had fallen so far behind even the cheapest rents that private renting had become unaffordable for most low-income tenants.<sup>271</sup>
- 4.3.6. According to the new Marmot Review (2020), one-third of households in the private rental sector have fallen into poverty as a result of their housing costs.<sup>272</sup>
- 4.3.7. Shelter told the Committee that, in the South East, the average shortfall between a low-income household’s housing benefit and their rent was £138 per month and that, as a result, many private renters had to cut back on essentials such as food.<sup>273</sup>
- 4.3.8. The growing numbers of families and older people renting privately seem to be particularly affected by this lack of affordability. Shelter reports that 64% of families feel that it is harder to find a decent,

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<sup>266</sup> House of Commons Library (2013) The Reform of Housing Benefit (Local Housing Allowance) for Tenants in Private Rented Housing, London

<sup>267</sup> House of Commons Library (2019) What Is Affordable Housing? London

<sup>268</sup> Ibid

<sup>269</sup> Ibid

<sup>270</sup> Shelter (2017) Briefing: Local Housing Allowance Freeze, London

<sup>271</sup> House of Commons Library (2019) What Is Affordable Housing? London

<sup>272</sup> Institute of Health Equity (2020) Health Equity in England: The Marmot Review 10 Years On, London

<sup>273</sup> Kent County Council (2020) Affordable Housing Select Committee, 21 February 2020

genuinely affordable rented home now than it was about five years ago, and that many families are forced to move home and school, with a devastating impact on their children's education.<sup>274</sup>

- 4.3.9. Age UK point out that, in four out of ten areas of the country, a retired private renter receiving the maximum housing benefit and living in just a one-bedroom home will now be left with less than £150 a week for all living expenses after paying housing costs.<sup>275</sup>
- 4.3.10. Low-income private renters who rely on housing benefit have found it increasingly difficult to find housing where their benefit covers the rent.<sup>276</sup> In 2018, a quarter of private renters moved. Private renters are six times more likely than owner-occupiers, and three times more likely than social renters, to move.<sup>277</sup>
- 4.3.11. In many cases private tenants have been forced to move as a result of evictions. During the fixed term of the rental, landlords can only evict tenants if they can prove certain grounds, such as rent arrears. Until recently, *after* the fixed term ended, landlords were able to issue an eviction notice (a Section 21 'no fault' eviction) without having to provide any evidence of wrongdoing on the tenant's part.<sup>278</sup>
- 4.3.12. Shelter has reported on private renters across England who felt trapped in insecure and short-term tenancies, where they faced the prospect of being evicted for no fault of their own, for example for complaining or simply because the landlord wanted to sell. The result was a feeling of powerlessness and often distress.<sup>279</sup>
- 4.3.13. In April 2019 the Government addressed the issues around "no-fault evictions" by committing to abolish Section 21.<sup>280</sup>
- 4.3.14. While tenant organisations have supported the abolition of Section 21, landlord bodies – such as the Residential Landlords Association – have expressed concerns. They believe that improvements to the "Grounds for Possession" should be introduced *before* Section 21 is amended or abolished, to strengthen the process for possession for mandatory grounds.<sup>281</sup>
- 4.3.15. One unintended consequence of the abolition of Section 21 is the risk of private landlords moving out of the sector. The National Landlords Association forecast a 59% reduction in housing available to tenants on housing benefit or its replacement (Universal Credit), and a potential increase in rents for 13% of properties. This would significantly

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<sup>274</sup> Shelter (2019) A Vision for Social Housing: The Final Report of Shelter's Commission On the Future of Social Housing, London

<sup>275</sup> Ibid

<sup>276</sup> Ibid

<sup>277</sup> Ibid

<sup>278</sup> Ibid

<sup>279</sup> Ibid

<sup>280</sup> House of Commons Library (2019) The End of 'No Fault' Section 21 Evictions, London

<sup>281</sup> Ibid

reduce the amount of housing available for households who cannot afford to buy and cannot access social rented housing.<sup>282 283</sup>

4.3.16. At the sharpest end of the housing crisis, more and more people have been left homeless.<sup>284</sup> There is a growing body of evidence from the Government and academia that the cuts to LHA have led to more people becoming homeless. Recent research undertaken by the LGA and Policy in Practice identified a strong correlation between both the numbers and proportions of households with an LHA-rent gap and homelessness.<sup>285</sup>

4.3.17. About 280,000 people are now homeless in England on any given night. Most are not on the street but “sofa surfing” or accommodated in emergency or temporary accommodation. This includes: hostels or shelters in the case of most single homeless people; local authority-provided emergency accommodation (such as bed and breakfast accommodation); or longer-term temporary flats or houses in the case of children and families.<sup>286</sup> Nonetheless, rough sleeping itself has increased significantly since 2010, from approximately 1,700 to approximately 5,000 in 2017.<sup>287</sup>

4.3.18. The number of people who are homeless in temporary accommodation has risen by two-thirds since 2011. 78% of the recent rise is attributed to people being forced out of their private rented homes; the loss of a private tenancy is now the main cause of homelessness.<sup>288</sup>

4.3.19. As already mentioned, homelessness is disproportionately affecting the increasing numbers of families and older people who had been living in the private rented sector. 77% more children are homeless now than in March 2011, and the number of people aged over 60 who were accepted as homeless by their local authority doubled between 2009-2017.<sup>289</sup>

4.3.20. Ex-offenders are another group of people who are potentially vulnerable to homelessness. While the Homelessness Reduction Act 2017 has taken some steps to tackle the issue of accommodation for ex-offenders, those who are released following a sentence of over 14 days can apply for a discharge grant of just £46. For many this may be insufficient to cover the cost of even one night’s accommodation. This is

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<sup>282</sup> Ibid

<sup>283</sup> National Landlords Association (2019) Economic Analysis Shows Abolition of Section 21 Would Devastate PRS, London

<sup>284</sup> Shelter (2019) A Vision for Social Housing: The Final Report of Shelter’s Commission On the Future of Social Housing, London

<sup>285</sup> Shelter (2020) The Chancellor Must Lift Housing Benefit Rates, online, <https://blog.shelter.org.uk/2020/03/the-chancellor-must-lift-housing-benefit-rates/>

<sup>286</sup> Shelter (2019) A Vision for Social Housing: The Final Report of Shelter’s Commission On the Future of Social Housing, London

<sup>287</sup> Institute of Health Equity (2020) Health Equity in England: The Marmot Review 10 Years On, London

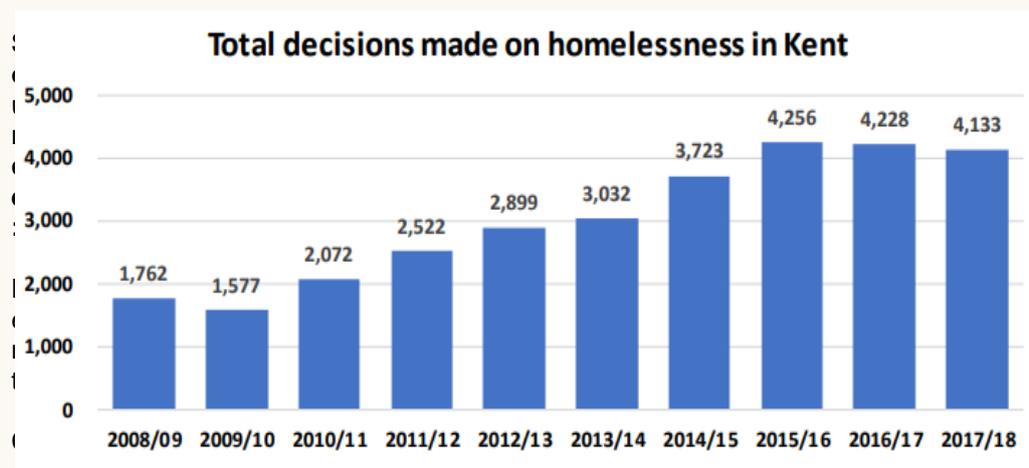
<sup>288</sup> Ibid

<sup>289</sup> Ibid

thought to contribute to a higher rate of rough sleeping.<sup>290</sup> Evidence also suggests that stable accommodation arrangements reduce the risk of re-offending.<sup>291</sup>

4.3.21. As in the rest of England, homelessness has increased in Kent. In the last decade the number of decisions to determine statutory homelessness in the county has steadily increased from 1,577 in 2009\10 to 4,133 in 2017\18 (Figure 15).<sup>292</sup>

**Figure 15:** Total decisions made on homelessness in Kent, 2009\10 to 2017\18



Kent County Council (2018) Statutory Homelessness in Kent: 2017/2018, Maidstone

4.3.22. The number of households placed in temporary accommodation in Kent has also increased significantly, from 486 in 2009/10 to 1,105 in 2017/18.<sup>293</sup>

4.3.23. In January 2020, the Government announced that it would lift the four-year freeze to LHA rates from April 2020. Although this is an important step to further promoting the affordability of housing, many commentators believe that raising LHA rates back in line with the CPI will still leave a significant shortfall in many areas of the country.<sup>294</sup>

4.3.24. Indeed, it is argued that rent rises across England mean that in more than half of areas, the shortfall between rents and the LHA rate for a three-bedroom home will in fact become higher after the 1.7% CPI uplift than before.<sup>295</sup>

<sup>290</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>291</sup> House of Commons Library (2017) Housing Support for Ex-Offenders (England and Wales), London

<sup>292</sup> Kent County Council (2018) Statutory Homelessness in Kent: 2017/2018, Maidstone

<sup>293</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>294</sup> Homeless Link (2020) Local Housing Allowance Rate Freeze to Be Lifted, online, <https://www.homeless.org.uk/connect/news/2020/jan/13/local-housing-allowance-rate-freeze-to-be-lifted>

<sup>295</sup> Shelter (2020) The Chancellor Must Lift Housing Benefit Rates, online, <https://blog.shelter.org.uk/2020/03/the-chancellor-must-lift-housing-benefit-rates/>

4.3.25. The Committee commends the Government's commitment to abolishing Section 21's no fault evictions and to lifting the freeze of LHA rates.

4.3.26. However, in order to ensure that everyone has a home that they can afford, the Committee believes that the Government should do more than raising LHA rates back in line with the CPI. The Committee recommends that the Government works to mitigate some of the unintended consequences of the abolition of Section 21, such as the risk of private landlords moving out of the sector because they feel unable to serve notice in the event of problematic tenancies, and a potential increase in rents for many properties.

**4.3.27. The Committee therefore recommends that the Government should do more to ensure that Local Housing Allowance rates cover the cost of private renting, and to mitigate any unintended consequences from the abolition of Section 21 of the Housing Act 1998.**

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## 4.4. Social housing

- 4.4.1. Social housing – that is, rented housing provided by local authorities, or private registered providers, known as housing associations, at sub-market rates<sup>296</sup> - can offer an important contribution to the provision of affordable housing, especially for those in greatest need.
- 4.4.2. With median house prices about eight times median incomes,<sup>297</sup> home ownership is unaffordable to most of those in the greatest need.<sup>298</sup> Private rents are also largely unaffordable and, for many, affordable housing set at 80% of market rent is not within their means.<sup>299</sup>
- 4.4.3. Rents for social homes can be significantly lower than private rents, as social housing is designed to be affordable for those most in need - including people on low incomes and those who rely on benefits.<sup>300</sup>
- 4.4.4. Social housing can promote stability, as social renters generally have more protection from eviction. This can be particularly important for older social renters, as many may be concerned about facing a move later in life, and those with children as, for instance, moving schools may disrupt family life and unsettle children.<sup>301</sup>
- 4.4.5. Social housing can be essential to local economies, particularly in rural areas and villages. Without it many of these localities struggle to retain young people and key workers. These groups in turn are essential for the survival of services and amenities such as local schools, social services, pubs and post offices.<sup>302</sup>
- 4.4.6. A strong social housing stock also gives more control over the provision of a range of specialist accommodation, such as adaptations to meet the needs of older people and those with disabilities.<sup>303</sup>
- 4.4.7. Finally, it is argued that the provision of social rent housing can reduce welfare expenditure. A report by Shelter argues that the average housing benefit claimant living in the private rented sector costs the government £982 a year more in housing benefit than a housing association tenant, and £1,242 more than a local authority tenant.<sup>304</sup>

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<sup>296</sup> House of Lords (2019) Social Housing: Case for Increased Provision, Debate on 31 January 2019, London

<sup>297</sup> Ibid

<sup>298</sup> Shelter (2019) A Vision for Social Housing: The Final Report of Shelter's Commission On the Future of Social Housing, London

<sup>299</sup> Ibid

<sup>300</sup> Ibid

<sup>301</sup> Ibid

<sup>302</sup> Ibid

<sup>303</sup> Kent County Council (2020) Affordable Housing Select Committee, 21 February 2020

<sup>304</sup> House of Lords (2019) Social Housing: Case for Increased Provision, Debate on 31 January 2019, London

- 4.4.8. Although nearly one in five English homes are owned by housing associations or local councils, the number of socially rented houses in England has been falling consistently since the 1980s. Between 1981 and 2016 the social housing stock decreased by 25%. In 2016, 17% of houses were socially rented compared to 30% in 1981.<sup>305</sup>
- 4.4.9. Some commentators have argued that these housing trends have had implications for several housing-related issues, for instance the increase of real-term spending on housing benefit, and the increase in statutory homelessness as a result of insecure housing in the private sector.<sup>306</sup>
- 4.4.10. In August 2018 the Government published a Green Paper on social housing - A New Deal for Social Housing. It reaffirmed the Government's commitment to building 300,000 homes a year by the mid-2020s and highlighted measures the Government was already taking to support local authorities to fund the construction of new social housing. However, while the Paper set out the Government's proposed strategy for expanding the supply of social homes, it did not set any specific targets for social or affordable housing.<sup>307</sup>
- 4.4.11. While the Green Paper recognised the importance of new supply, some commentators expressed their concern that the plans for new affordable homes should be more ambitious. They pointed out that a minimum of 78,000 new social rented homes were needed each year, yet, in 2017/18, just over 5,000 were delivered. They estimated that between 2012 and 2020 230,000 of these homes would be lost.<sup>308</sup>
- 4.4.12. The provision of social housing in Kent reflects the national picture. Although there has recently been a significant delivery of new affordable homes,<sup>309</sup> social housing accounted for only 3% all the housing built in 2018/19.<sup>310</sup>
- 4.4.13. In April 2019, about 33,000 people were on the housing registers across Kent and Medway, with over 15,000 of them assessed as being in housing need.<sup>311</sup> This is in part attributed to the fact that it is very difficult to adapt existing stock, and to the fact that the properties that are built are often not large enough to accommodate families.<sup>312</sup> Evidence submitted to the Committee by several local authorities pointed to the need for more affordable, social housing in Kent.<sup>313</sup> In addition, there is an unknown number of people whose needs may not be being met because they do not qualify for a place on the registers under the existing criteria.

<sup>305</sup> Ibid

<sup>306</sup> Ibid

<sup>307</sup> Ibid

<sup>308</sup> Ibid

<sup>309</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>310</sup> Kent County Council (2019) Housing Stock 2018, Kent Local Authorities, Maidstone

<sup>311</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>312</sup> Kent County Council (2020) Affordable Housing Select Committee, 27 February 2020

<sup>313</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

4.4.14. One of the key ways of promoting the delivery of social housing is through the support of Homes England.

4.4.15. Homes England is a non-departmental public body, sponsored by the MHCLG, which was established to help accelerate the delivery of housing across England. Its primary mission is to intervene in the market to ensure that more homes are built in areas of greatest need, to improve affordability.

4.4.16. Its key tasks include:

- Unlocking public and private land where the market will not, to ensure that more homes are built where they are needed
- Supporting investment in housebuilding and infrastructure, including more affordable housing and homes for rent, where the market is not acting
- Improving construction productivity and supporting smaller building companies<sup>314</sup>

4.4.17. Homes England is making an important contribution in terms of affordable housing provision in Kent. With its support, over 3,250 homes were built in the period 2016/17 – 2018/19. Kent received over £44 million in grants, making it the second highest recipient of Shared Ownership and Affordable Housing Programme's grants in the South East.<sup>315</sup>

4.4.18. However, out of over 90,000 homes funded through the Programme since 2016, only about 4% were for social rent.<sup>316</sup> The proportion of affordable home completions delivered by Homes England in Kent is also minimal. This can be partly explained by the fact that social rent became a tenure that could be funded through the Programme only from late 2017.<sup>317 318</sup>

4.4.19. Although shared ownership can support low income households on to the property ladder, it is often not affordable to the most vulnerable people; a significant supply of affordable rented accommodation, and social rented housing in particular, is needed.<sup>319</sup>

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<sup>314</sup> Kent County Council (2020) Affordable Housing Select Committee, 27 February 2020

<sup>315</sup> Ibid

<sup>316</sup> Inside Housing (2020) Only 4% of Homes Funded Through Affordable Homes Programme Were for Social Rent, online, <https://www.insidehousing.co.uk/news/news/only-4-of-homes-funded-through-affordable-homes-programme-were-for-social-rent-65022>

<sup>317</sup> Kent County Council (2020) Affordable Housing Select Committee, 27 February 2020

<sup>318</sup> Ibid

<sup>319</sup> Inside Housing (2020) Only 4% of Homes Funded Through Affordable Homes Programme Were for Social Rent, online, <https://www.insidehousing.co.uk/news/news/only-4-of-homes-funded-through-affordable-homes-programme-were-for-social-rent-65022>

4.4.20. The Committee believes that, despite efforts to increase the provision of affordable housing in Kent, the provision of social housing appears to be inadequate and much needed.

4.4.21. **The Committee recommends that the need and ambition to develop more social housing in Kent should be brought to the attention of the Secretary of State for Housing, Communities and Local Government. It is hoped that this would enable Homes England to provide more support in facilitating the delivery of affordable and social housing in Kent.**

4.4.22. **This should include an exploration of the ways in which Kent's housing sector can work even more closely with Homes England to prioritise the unlocking of further developments. This could potentially be part of the Kent and Medway Infrastructure Proposition work currently underway.**

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## 4.5. Right to Buy

- 4.5.1. The Right to Buy scheme was introduced by the Government in the 1980s and allows most council tenants to buy their council home at a discount.<sup>320 321</sup>
- 4.5.2. Right to Buy discounts were initially set at up to 50% of the market value of all council homes. These then rose first to 60% and then 70% over the course of the 1980s.<sup>322</sup> Today the maximum discount for a house or a flat is 70% – or £84,200 across England and £112,300 in London boroughs (whichever is lower).<sup>323</sup>
- 4.5.3. This policy has had a significant positive impact on home ownership rates. During the peak years of the 1980s and early 1990s, Right to Buy accounted for between 10% and a third of those who became first time homeowners each year, with the average being approximately 20%.<sup>324</sup>
- 4.5.4. Right to Buy can have several benefits. It allows people who would normally never be able to afford to buy property to do so. Owning a property can give people a sense of pride and more financial security. It also gives more flexibility to modify one's home or to move to take up a job in a different area. The equity in the property can be used for the cost of care when owners become old.<sup>325 326</sup>
- 4.5.5. Despite these clear benefits, commentators have pointed out some limitations and have argued the need for reform.
- 4.5.6. It is argued that Right to Buy is no longer providing the route to home ownership that it once did. The shrinking stock of social housing has contributed to the declining use of Right to Buy, so its influence on home ownership has declined. In 2018 the scheme accounted for only 4% of first-time homeowners in the country. As the size of the stock has declined – with now fewer social renters, who are on lower incomes - fewer people have been able to take advantage of the scheme.<sup>327</sup>

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<sup>320</sup> Gov.UK (2020), Right to Buy: Buying Your Council Home, online, <https://www.gov.uk/right-to-buy-buying-your-council-home>

<sup>321</sup> Kent County Council (2019) Right to Buy Sales in Kent: 2018, Maidstone

<sup>322</sup> Shelter (2019) A Vision for Social Housing: The Final Report of Shelter's Commission On the Future of Social Housing, London

<sup>323</sup> Gov.UK (2020), Right to Buy: Buying Your Council Home, online, <https://www.gov.uk/right-to-buy-buying-your-council-home>

<sup>324</sup> Shelter (2019) A Vision for Social Housing: The Final Report of Shelter's Commission On the Future of Social Housing, London

<sup>325</sup> Gov.UK (2020) Right to Buy: Summary Booklet. Why You Might Want to Buy, online, <https://www.gov.uk/government/publications/your-right-to-buy-your-home-summary--2/right-to-buy-summary-booklet>

<sup>326</sup> The Guardian (2002) Pros and Cons: Right to Buy, online, <https://www.theguardian.com/society/2002/jul/03/politics.publicservices>

<sup>327</sup> Shelter (2019) A Vision for Social Housing: The Final Report of Shelter's Commission On the Future of Social Housing, London

- 4.5.7. Indeed, several organisations, such as Centerpoint, Crisis, UNISON and the Chartered Institute for Housing, have argued that Right to Buy is one of the main reasons for the depletion of the social housing stock, because social housing sold under the scheme has not been replaced.<sup>328</sup>
- 4.5.8. This view is supported by the Institute for Fiscal Studies, which suggests that two key reasons for the decline of the size of the social housing sector are the flow of properties out of the local authority sector under the right to buy, and the fact that not all the proceeds have been used to replace the sold-off housing.<sup>329</sup>
- 4.5.9. A number of organisations, including the LGA, believe that, in order to build more affordable homes, local authorities should be given more flexibility and control over Right to Buy.<sup>330 331 332</sup> This includes removing restrictions which prevent receipts from being used to fund more than 30% of the cost of a new home, and allowing councils to keep 100% of receipts from homes sold, with discounts being set locally.<sup>333 334</sup>
- 4.5.10. The LGA has also called for more time to spend money from Right to Buy sales. Currently, councils must spend receipts from Right to Buy sales within three years or return them to the Government. However, the LGA warns that much-needed new social homes may not be built unless councils are given an extension to this time limit.<sup>335</sup>
- 4.5.11. The Committee supports the LGA's case for reforming the Right to Buy scheme. In order to accelerate the delivery of affordable and social housing, changes are needed.
- 4.5.12. **The Committee recommends that KCC's Cabinet Member for Economic Development writes to the Secretary of State for Housing, Communities and Local Government, urging him to reform the Right to Buy scheme so that local authorities can retain 100% of Right to Buy receipts and can set discounts locally. Also, the 3-year time limit should be extended to allow for common delays in the progress of new developments.**

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<sup>328</sup> House of Lords (2019) Social Housing: Case for Increased Provision, Debate on 31 January 2019, London

<sup>329</sup> Ibid

<sup>330</sup> Ibid

<sup>331</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>332</sup> Kent County Council (2020) Affordable Housing Select Committee, written evidence

<sup>333</sup> House of Lords (2019) Social Housing: Case for Increased Provision, Debate on 31 January 2019, London

<sup>334</sup> Housing our Ageing Population Panel for Innovation (2009) The Housing our Ageing Population Panel for Innovation (HAPPI) Report (2009), London

<sup>335</sup> LocalGov (2020) Councils Call for More Time to Spend Right to Buy Cash, online, <https://www.localgov.co.uk/Councils-call-for-more-time-to-spend-Right-to-Buy-cash/50397>

## 4.6. Starter Homes

- 4.6.1. Another form of affordable housing included in the NPPF is Starter Homes. This initiative was announced in December 2014 with the intention to deliver 100,000 homes, discounted by at least 20% from the market rate, for first-time buyers. In 2015 the Government committed to doubling this target, to provide 200,000 homes by 2020, exclusively for first-time buyers aged under 40. Maximum prices were set at £250,000 or, in London, £450,000. A household income cap of £80,000 (£90,000 in London) was also introduced, together with various other conditions (for example on re-sale, letting and minimum mortgage levels).<sup>336</sup>
- 4.6.2. Many of the homes are planned to be built on under-used or unviable brownfield land, which the Government would allow local authorities to unlock for housebuilding, while also relaxing planning permissions to attract developers.<sup>337 338</sup>
- 4.6.3. Starter Homes have attracted two types of criticism. First, that the scheme may crowd out other forms of affordable housing (particularly rented accommodation) as they would be likely to be more profitable to developers. This could potentially undermine local housing plans.<sup>339</sup>
- 4.6.4. Second, it has been questioned whether homes at a 20% discount are genuinely affordable. Research commissioned by the LGA found that Starter Homes would be out of reach for people classified as needing affordable housing — those who would have to spend more than 30% of their income to rent or buy a home.<sup>340</sup>
- 4.6.5. Housing charity Shelter has argued that such homes would be unaffordable for families on the national living wage in 98% of local authority areas, and unaffordable for families on average wages in 58% of local authority areas.<sup>341</sup>
- 4.6.6. According to the organisation, Starter Homes would be unaffordable for average working families across all of London and most of the South of England, the areas where housing is most unaffordable. Those on very high salaries, or couples without children, would benefit from the policy, but Starter Homes would not help most people on average wages. Shelter concluded that, rather than replacing other forms of affordable housing like Shared Ownership and Social Rent, Starter Homes should be *additional* to them.<sup>342</sup>

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<sup>336</sup> House of Lords (2018) Affordable Housing, Debate on 25 October 2018, London

<sup>337</sup> Gov.UK (2017) New Measures to Unlock Brownfield Land for Thousands of Homes, online, <https://www.gov.uk/government/news/new-measures-to-unlock-brownfield-land-for-thousands-of-homes>

<sup>338</sup> National Audit Office (2019) Investigation into Starter Homes, London

<sup>339</sup> Ibid

<sup>340</sup> Financial Times (2016) Councils Join Criticism of Starter Homes Plan, online, <https://www.ft.com/content/2e2229e2-d49c-11e5-829b-8564e7528e54>

<sup>341</sup> Shelter (2015) Starter Homes: Will They Be Affordable?, online, [https://england.shelter.org.uk/professional\\_resources/policy\\_and\\_research/policy\\_library/policy\\_library\\_folder/research\\_starter\\_homes- will\\_they\\_be\\_affordable](https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/research_starter_homes- will_they_be_affordable)

<sup>342</sup> Ibid

- 4.6.7. The Starter Homes legislative provisions are not yet in force. The statutory framework for Starter Homes, the Housing and Planning Act (2016), received Royal Assent on 12 May 2016, although the relevant sections of the Act have not yet become operational. The MHCLG expected to introduce the secondary legislation and planning guidance required for Starter Homes in 2019 but has not yet laid the regulations in Parliament.<sup>343 344</sup>
- 4.6.8. Nonetheless developers can, and do, market discounted properties as ‘starter homes’ as part of their contribution to affordable housing, although such properties do not necessarily conform to all the intended requirements of Starter Homes as defined in legislation.<sup>345</sup>
- 4.6.9. The Committee supports the idea of unlocking under-used brownfield sites to promote the delivery of Starter Homes. However, the Committee believes that many vulnerable people in need of genuinely affordable housing may not be able to afford to buy a Starter Home.
- 4.6.10. The Committee therefore recommends that KCC’s Cabinet Member for Economic Development lobbies the Secretary of State for Housing, Communities and Local Government to ensure that Starter Homes are delivered in addition to, and not instead of, other current forms of affordable housing, such as social rent.**

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<sup>343</sup> House of Lords (2018) Affordable Housing, Debate on 25 October 2018, London

<sup>344</sup> National Audit Office (2019) Investigation into Starter Homes, London

<sup>345</sup> Ibid

## 4.7. Land value and viability

- 4.7.1. One of the main reasons given for the housing crisis is the cost of land.<sup>346 347 348</sup>
- 4.7.2. Over the last 70 years, land values in the UK have risen dramatically, with an increase of over 500% since 1995 alone.<sup>349</sup> The cost of land now accounts for about 70% of the total cost of new market sale homes. Rising land values have been responsible for 74% of the increase in house prices between 1950 and 2012.<sup>350</sup>
- 4.7.3. These considerable uplifts in land value, created mainly when planning permissions are granted to build homes, are overwhelmingly captured by landowners rather than being shared more equally with local communities to ensure that new developments are supported with appropriate infrastructure.<sup>351</sup>
- 4.7.4. The Committee believes that, while landowners deserve a fair price for their land, it is important that markets are set up to benefit the community that has created the value through their demand for increased land usage.
- 4.7.5. Two ways of addressing this issue are through reforms to the 1961 Land Compensation Act and to current methods of land value capture.
- 4.7.6. The 1961 Land Compensation Act currently enshrines in law the right to ‘hope value’. This is the value the land may have if it is ultimately used for a purpose for which it currently has no permission. In other words, it allows landowners to price their land based on a value that reflects potential, future planning permissions.<sup>352 353</sup>
- 4.7.7. It is argued that this right has resulted in landowners having unrealistic expectations about the value of their land and has disincentivised them from selling it unless these expectations are met.<sup>354</sup>
- 4.7.8. A recent House of Commons committee on land value capture recommended a reform of the 1961 Land Compensation Act, stating that ‘the present right of landowners to receive ‘hope value’ – a value reflective of speculative future planning permissions – serves to distort

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<sup>346</sup> House of Commons Library (2018) Tackling the Under-Supply of Housing in England, London

<sup>347</sup> Shelter (2018) Briefing: Reforming the 1961 Land Compensation Act to Deliver a New Generation of Infrastructure and Homes, London

<sup>348</sup> Savills Research (2018) The Savills Housing Sector Survey 2018

<sup>349</sup> Shelter (2018) Briefing: Reforming the 1961 Land Compensation Act to Deliver a New Generation of Infrastructure and Homes, London

<sup>350</sup> Ibid

<sup>351</sup> Ibid

<sup>352</sup> Ibid

<sup>353</sup> Town and Country Planning Association (2018) Planning for Affordable Housing, London

<sup>354</sup> Shelter (2018) Briefing: Reforming the 1961 Land Compensation Act to Deliver a New Generation of Infrastructure and Homes, London

land prices, encourage land speculation, and reduce revenues for affordable housing, infrastructure and local services”<sup>355</sup>.

4.7.9. In addition to addressing the Hope Value element of the Act, a reform of the way land value increases are captured, once planning permissions are granted, is needed.

4.7.10. Currently, the Community Infrastructure Levy (CIL) and Section 106 agreements are the main means through which this increase in value is generated.<sup>356</sup> It is argued that these only secure a fraction of the value uplift secured by obtaining planning permission,<sup>357</sup> and that there is scope for an improved system to achieve a higher contribution towards the cost of infrastructure.<sup>358</sup>

4.7.11. Evidence submitted by the Chartered Institute of Housing to the Housing, Communities and Local Government Committee’s inquiry into land value capture reported that, as of 2018, Section 106 agreements and CIL together captured £2.8 billion of the increase in land value for public benefit, leaving £9.3 billion as windfall profit, largely accruing to landowners and traders. It was estimated that, at that rate, £185 billion of increased value would be lost over the next 20 years, which would otherwise be able to contribute towards the infrastructure required to the benefit of local communities.<sup>359</sup>

4.7.12. The Committee concluded that there was scope for central and local government to claim a greater proportion of land value increases through reforms to existing taxes and charges, improvements to compulsory purchase powers, or through new mechanisms of land value capture.<sup>360</sup>

4.7.13. The need for reform is receiving growing support from a number of organisations; they point out that a system that enables the increase in land value to be more evenly shared between landowner, developer and the public, is required.<sup>361 362 363</sup>

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<sup>355</sup> Land Value Capture, Tenth Report of Session 2017-19. House of Commons Housing, Communities and Local Government Committee, September 2018

<sup>356</sup> House of Commons Library (2018) Tackling the Under-Supply of Housing in England, London

<sup>357</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

<sup>358</sup> House of Commons Library (2018) Tackling the Under-Supply of Housing in England, London

<sup>359</sup> Ibid

<sup>360</sup> Ibid

<sup>361</sup> Town and Country Planning Association (2018) Planning for Affordable Housing, London

<sup>362</sup> Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

<sup>363</sup> House of Commons Library (2018) Tackling the Under-Supply of Housing in England, London

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**“a system that enables the increase in land value to be more evenly shared between landowner, developer and the public, is required”**

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f viability tests, where developers seek to reduce or remove the affordable housing contribution from a proposed development, has also attracted increased interest.<sup>364</sup>

- 4.7.15. As the NAO has recently reported, some developers can use the planning system to pay less than agreed in contributions. They can negotiate lower contributions through Section 106 agreements on the grounds of financial viability – that the project cost is more than anticipated so they can no longer provide the agreed contribution to infrastructure and still maintain adequate profit margins.<sup>365</sup>
- 4.7.16. Some local authorities are unable to negotiate effectively with developers on viability contributions. If developers do not contribute, this results either in less infrastructure, or local authorities or central government paying more towards infrastructure, which could increase the financial pressures on them.<sup>366</sup>
- 4.7.17. It is also argued that viability negotiations can provide a safety net for some developers, as they can overpay for land to guarantee they win sites, safe in the knowledge they will be able to argue down community benefits to recoup their money later. The current system rewards developers who overpay for land and works against those who try to pay the right price for land to deliver affordable housing policies. This is also given as an explanation for the increase in land prices in the last decade.<sup>367</sup>
- 4.7.18. In 2018 the Government made some changes to the viability test in the revised National Policy Planning Framework and the associated viability section of the Planning Practice Guidance. These changes have begun to restrict developers’ use of viability assessments to avoid delivering affordable housing.<sup>368</sup>
- 4.7.19. The guidance tries to prevent inflated land prices from resulting in fewer affordable homes being delivered during this process by stating,

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<sup>364</sup> Ibid

<sup>365</sup> National Audit Office (2019) Planning for New Homes, London

<sup>366</sup> Ibid

<sup>367</sup> Shelter (2017) Slipping Through the Loophole: How Viability Assessments Are Reducing Affordable Housing Supply in England, London

<sup>368</sup> Town and Country Planning Association (2018) Planning for Affordable Housing, London

in several sections, that ‘under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan’.<sup>369</sup>

4.7.20. The guidance also attempts to limit the use of viability assessments by making it clear that their role is primarily at the plan-making stage. ‘Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision-making stage.’<sup>370</sup>

4.7.21. The Home Builders Federation points out that policy demands associated with viability schemes – that is, putting together schemes offering the right mix of housing for the local market, the right products, in the right numbers, in appropriate locations - have made it more and more difficult for home builders to respond to local market demand. The organisation argues that it should come as no surprise that private housing completions have been depressed, and that these trends have been particularly damaging to smaller house builders and have created major barriers to new entrants.<sup>371</sup>

**4.7.22. Having considered the evidence on viability tests, the Committee believes that the demands of Section 106 contributions need to be balanced with the needs of developers. Policy changes have already begun to restrict developers’ use of viability assessments to avoid delivering affordable housing. Further restrictions could damage the building sector - and smaller builders in particular - and could frustrate the delivery of infrastructure and affordable homes.**

4.7.23. With regard to land value increases, the Committee believes that this is not the fault of the landowner or the developer, who are operating under the conditions created by policies and the market. Reforming and updating legislation would create a fairer system.

**4.7.24. The Select Committee echoes the conclusions of the Housing, Communities and Local Government Committee’s inquiry into land value capture. The Select Committee recommends that the Government removes the ‘hope value’ clause from the 1961 Land Compensation Act and reforms its methods of land value capture so that the community benefits from a higher proportion of land value increases.**

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<sup>369</sup> MHCLG (2018) National Planning Policy Guidance, London

<sup>370</sup> Ibid

<sup>371</sup> Home Builders Federation (2020) Reversing the Decline of Small Housebuilders: Reinvigorating Entrepreneurialism and Building More Homes, London

## 4.8. Permitted Development Rights

- 4.8.1. Permitted Development Rights (PDR) are a permission granted by the Government that applies to certain types of development without the standard process of securing planning permission from local authorities. This means that developments making use of PDR do not submit a planning application or receive permission from local authorities.<sup>372 373 374</sup>
- 4.8.2. Traditionally, PDR has only covered a limited set of developments, such as minor extensions to existing homes. However, since 2013 the Government has expanded the role of permitted development by allowing office to residential conversions to take place without needing planning consent.<sup>375</sup>
- 4.8.3. The evidence suggests that removing the requirement for planning approval has led to an immediate and significant increase in housing stock.
- 4.8.4. The Royal Institution of Chartered Surveyors (RICS) reports that, in 2015-16 alone, in 26 LPAs in England 25% or more additional dwellings were secured through office-to-residential PDR. The number of dwellings secured through change of use was relatively consistent (around 12,500 dwellings per year) – until 2014-2015, when there was a significant increase to 20,650, and a further rise to 30,600 in 2015-16. The RICS suggests that most of this increase has been as a result of facilitated office-to-residential conversion through PDR.<sup>376</sup>
- 4.8.5. Although this initiative has led to a rapid increase in housing supply, it has also attracted a number of criticisms.
- 4.8.6. Since permitted developments avoid full planning processes, there is no opportunity for local authorities to enforce space standards, housing quality or design. Since these are not areas that come under prior approval, local authorities simply cannot stop developments even if they breach space standards or seem to be of low quality.<sup>377</sup>
- 4.8.7. Although there are examples of good quality homes, the TCPA and other organisations – such as RICS - have reported that less than 30% of the units delivered through PDR meet national space standards. A recent report found an example of a new flat that had an area of only 10 square metres.<sup>378 379</sup>

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<sup>372</sup> House of Commons Library (2019) Permitted Development Rights, London

<sup>373</sup> Royal Institution of Chartered Surveyors (2018) Assessing the Impacts of Extending Permitted Development Rights to Office-to-Residential Change of Use in England, London

<sup>374</sup> Shelter (2019) Shelter Briefing: Extending Permitted Development Rights, London

<sup>375</sup> Royal Institution of Chartered Surveyors (2018) Assessing the Impacts of Extending Permitted Development Rights to Office-to-Residential Change of Use in England, London

<sup>376</sup> Ibid

<sup>377</sup> Shelter (2019) Shelter Briefing: Extending Permitted Development Rights, London

<sup>378</sup> Town and Country Planning Association (2020) Healthy Homes Act – Briefing, London

<sup>379</sup> Royal Institution of Chartered Surveyors (2018) Assessing the Impacts of Extending Permitted Development Rights to Office-to-Residential Change of Use in England, London

- 4.8.8. However, the TCPA argues that many homes for which planning permission was required and granted, were also not of decent quality. A recent design audit of 142 schemes in England delivered by large volume housebuilders found that 75% of them were of mediocre or poor design. It claims that, judged against the NPPF, one in five of these schemes should have been refused planning permission.<sup>380</sup>
- 4.8.9. The organisation contends that, as poor-quality housing is costing the NHS £1.4 billion per year, we simply cannot afford to build any more poor-quality homes – whether delivered through the planning system or the prior approval process.<sup>381</sup>
- 4.8.10. Another issue is that housing delivered through PDR does not require the developers to make contributions on affordable housing and basic infrastructure - such as play space, public transport and healthcare facilities – through Section 106 and CIL.
- 4.8.11. The LGA estimated that, in the past four years, the country has potentially lost more than 13,500 affordable homes because of PDR.<sup>382</sup>
- 4.8.12. In just the five local authority areas investigated by the RICS, £10.8 million was assessed to have been lost in CIL contributions, with a further £4.1million lost to LPAs in planning fees that would have been payable if these developments had been subject to the normal planning process.<sup>383</sup>
- 4.8.13. Cost and affordability have also been identified as concerns. Despite the poor quality of many PDR schemes, converted flats and studios are often expensive to buy or rent. Savills estimate that in 2017 58% of demand in London was for homes that cost less than £450/sq ft<sup>384</sup>, while many PDR flats cost more than £1,000/sq ft.<sup>385</sup>
- 4.8.14. Finally, there has been a systematic placement in parts of Kent of many vulnerable people from London boroughs and other out-county locations. These placements include the long-term housing of Looked After Children, particularly in coastal districts such as Thanet and Swale, and the placement of homeless households and individuals with complex needs into temporary accommodation
- 4.8.15. A significant concern has been the recent trend whereby large sites have been converted, through PDR, to accommodate the placement in Kent of large numbers of vulnerable people from London boroughs.<sup>386</sup>

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<sup>380</sup> Town and Country Planning Association (2020) Healthy Homes Act – Briefing, London

<sup>381</sup> Ibid

<sup>382</sup> LGA (2020) Over 13,500 Affordable Homes Lost Through Office Conversions, London

<sup>383</sup> Royal Institution of Chartered Surveyors (2018) Assessing the Impacts of Extending Permitted Development Rights to Office-to-Residential Change of Use in England, London

<sup>384</sup> Savills (2017) London's Future Homes and Workplaces – The Next Five Years, London

<sup>385</sup> Levitt Bernstein (2019) Why the Government Should End Permitted Development Rights for Office to Residential Conversions, London

<sup>386</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>387</sup> This includes the placement of up to 200 homeless households from the capital in a single site.<sup>388</sup>

4.8.16. These sites are often in town centres and are not supported by the additional infrastructure which is needed to cater for these new residents. The placements are causing a significant strain on the receiving communities and local public services including local authorities, the County Council, the NHS and Police.<sup>389</sup>

4.8.17. The Government has given the option to some local authorities to restrict PDR conversions, in the form of Article 4 Direction of the 2015 Town and Country Planning Order. However, these are hard to implement, involve costly compensation payments and can be modified or overturned by central government - making it an ineffective method for giving LAs back some control over developments.<sup>390</sup>

4.8.18. Organisations such as the RICS and the TCPA argue that the benefits to boosting housing supply through PDR are severely undermined by the longer-term social and economic impacts of dealing with such unregulated developments. They recommend that the Government reverses the changes to permitted development, restoring the need for planning permission for commercial-to-residential change of use.<sup>391 392</sup>

4.8.19. The Committee believes that, while it is crucial to promote the delivery of affordable housing as the government defines it and more widely and genuinely affordable housing, the use of PDR to achieve this goal can lead to unintended negative consequences. **The Committee supports the concerns of other organisations and recommends that the Government reverses the changes to permitted development so that planning permissions are required for changes of use from commercial-to-residential.**

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<sup>387</sup> Kent County Council (2020) Affordable Housing Select Committee, 12 February 2020

<sup>388</sup> Kent Housing Group (2019) Draft Kent and Medway Housing Strategy 2019-2023

<sup>389</sup> Ibid

<sup>390</sup> Shelter (2019) Shelter Briefing: Extending Permitted Development Rights, London

<sup>391</sup> Town and Country Planning Association (2018) Planning for Affordable Housing, London

<sup>392</sup> Royal Institution of Chartered Surveyors (2018) Assessing the Impacts of Extending Permitted Development Rights to Office-to-Residential Change of Use in England, London

## 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 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.**
- **Review the financial and housing support offender 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.**

## 5. Conclusion

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- 5.1.1. Commentators increasingly point out that, in addition to a crisis in housing supply, England is in the grip of a crisis of affordability.
- 5.1.2. Many people on low incomes are struggling with housing costs and, in some cases, are simply unable to find anywhere suitable to live that they can afford. The consequences of unaffordable housing are considerable. It affects the schooling of children, limits employment and social opportunities, and has a detrimental impact on the health and wellbeing of people who are unable to settle in a home that they can afford.
- 5.1.3. Although the shortage of affordable housing is a national issue, it is particularly acute in Kent and the South East. Today the average house in Kent is more than ten times average earnings. Household income has not kept pace with the increase in house prices, and this is impacting on the choice and affordability available to those who are in housing need.
- 5.1.4. In order to deliver new homes and communities for people to live in, infrastructure such as public and private transport, healthcare, schools and utilities must be in place. The infrastructure challenges that we face throughout Kent require a collective response that should involve local authorities, central government, the housing sector and local communities. The Kent and Medway Infrastructure Proposition, which has the potential to deliver well-planned residential and commercial growth, and bring new connectivity and opportunities for local people, is an important step in the right direction.
- 5.1.5. While it is crucial to enhance local infrastructure, it is also necessary to consider whether the local planning system can further encourage and maximise the delivery of genuinely affordable housing. Stronger communication and more formal arrangements between KCC and local planning authorities could help streamline the planning process and promote the provision of affordable homes.
- 5.1.6. Access to land is a key factor for new housing supply. As a landowner, KCC can play a major role in supporting and accelerating the development of affordable housing in Kent, for example by exploring ways to release more of its land for housebuilding and, when doing so, by including the provision of genuinely affordable housing as a key requirement. Not only can conditionalities such as this help meet affordable housing targets, but they can also help in meeting the needs of vulnerable people and in promoting good housing quality and design.
- 5.1.7. KCC is not a local planning authority but it could play a more supportive and enabling role to promote and maximise the delivery of housing in the county by establishing a dedicated housing unit.

Following the good practice example of Essex County Council, responsibilities of the unit could include supporting the housebuilding industry, promoting collaboration, bidding for funds, carrying out research, and supporting Kent's local planning authorities by offering advice and guidance.

- 5.1.8. The recent emergence of successful housing joint ventures involving local authorities, and of diverse and creative ways of funding the delivery of housing and affordable housing schemes, are also avenues whose feasibility is worth exploring.
- 5.1.9. While these issues can be addressed at county-wide level, others are best dealt with through Government intervention.
- 5.1.10. The current, official definition of affordable housing does not take into account the ability of those on low incomes to pay. The adoption of a definition of affordable housing which links affordability to income rather than to an arbitrary percentage of market prices would enable councils to adopt policies reflect local need more accurately, and ultimately deliver, through the planning system, homes that are most appropriate locally.
- 5.1.11. Setting Local Housing Allowance rates so that they reflect the cost of renting more accurately, enabling Homes England to provide more support in facilitating the delivery of genuinely affordable housing, and reforming methods of land value capture to claim a greater proportion of land value increases for the public, are also necessary interventions.
- 5.1.12. The housing crisis is complex and multi-faceted; there is no single measure that can resolve it. An effective response requires a collective effort from a wide range of organisations to build homes that are truly affordable and that meet the diverse aspirations and needs of Kent residents.

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# Appendix 1

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## Evidence

### Oral evidence

#### Wednesday 12<sup>th</sup> February 2020

- Tom Marchant (Head of Strategic Planning and Policy and Interim Head of Countryside and Community Development), Tim Woolmer (Policy & Partnerships Advisor – Kent Public Services) and David Godfrey (Policy Advisor), Kent County Council
- Brian Horton (Strategic Housing Advisor), South East Local Enterprise Partnership

#### Friday 14<sup>th</sup> February 2020

- Rebecca Spore (Director of Infrastructure, Strategic and Corporate Services) and Mark Cheverton (Senior Asset Manager, Strategic and Corporate Services), Kent County Council
- Lee Heley (Head of Housing Growth, Essex County Council) and Daniel Baker (Housing Growth Lead), Essex County Council

#### Tuesday 18<sup>th</sup> February 2020

- Jo Ellis (Town and Country Housing Group, Chair of the Kent Housing Group) and Sharon Williams (Ashford Borough Council, Vice Chair of the Kent Housing Group)
- Stuart Clifton (Chair of Kent Housing Options Group, Housing Advice Manager - Maidstone Borough Council)
- Carol Cairns (Head of Home Ownership and Supply (South East), and Shona Johnstone (Senior Strategy and Markets Manager, High Growth and New Settlements), Homes England)

### **Wednesday 19<sup>th</sup> February 2020**

- Bob Heapy (Chief Executive, Town & Country Housing) and Kerry Kyriacou (Executive Director of Development and Sales, Optivo)
- Cllr Kevin Maskell (Housing & Health Deputy Portfolio Holder) and Gavin Missons (Housing Policy Manager), Sevenoaks District Council
- Nick Fenton (Chairman), Kent Developers Group

### **Friday 21<sup>st</sup> February 2020**

- Steve Grimshaw (Strategic Programme Manager, No Use Empty), Kent County Council
- Mark Pullin (Chief Planning Officer, Ebbsfleet Development Corporation and Chair of the Kent Planning Officers Group)
- Tarun Bhakta (Assistant Policy Officer), Shelter

### **Thursday 27<sup>th</sup> February 2020**

- Mr Mike Whiting (Cabinet Member for Economic Development), Kent County Council
- Vicky Hodson (Partnership Manager), Kent Homechoice
- Dr Stanimira Milcheva (Associate Professor in Real Estate and Infrastructure Finance), University College London

### **Site visit**

### **Monday 24<sup>th</sup> February 2020**

- Ebbsfleet Garden City

## Written evidence

### Local Authorities

- Ashford Borough Council
- Barham Parish Council and Chestfield Parish Council
- Canterbury City Council
- Cranbrook and Sissinghurst Parish Council
- Dartford Borough Council
- Deal Town Council
- Dover District Council
- Elham Parish Council
- Frittenden Parish Council
- Langdon Parish Council
- Maidstone Borough Council
- Meopham Parish Council
- Paddock Wood Town Council
- Swale Borough Council
- St Margaret's at Cliffe Parish Council
- Tunbridge Wells Borough Council
- Wittersham Parish Council

## **Organisations**

- Action with Communities in Rural Kent
- Chartered Institute of Housing
- Clague Architects
- Porchlight
- RentPlus
- Sevenoaks District Seniors Action Forum
- Shepherdswell Community Land Trust
- Tenterden Community Land Trust

## **Kent Residents**

- Resident of East Kent
- Resident of East Kent

To access the written evidence, please use the following link:

**Include hyperlink here once the written evidence is accessible online on the KCC website**

## Appendix 2

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### Glossary

**BTR:** build to rent

**CIH:** Chartered Institute of Housing

**CIL:** Community Infrastructure Levy

**CPI:** Consumer Price Index

**GIF:** Growth and Infrastructure Framework

**HBF:** Home Builders Federation

**HRA:** Housing Revenue Account

**IFS:** Institute for Fiscal Studies

**JRF:** Joseph Rowntree Foundation

**KCC:** Kent County Council

**KHG:** Kent Housing Group

**LGA:** Local Government Association

**LHA:** Local Housing Allowance

**LPA:** Local Planning Authority

**MHCLG:** Ministry of Housing, Communities and Local Government

**MMC:** modern methods of construction

**NAO:** National Audit Office

**NHS:** National Health Service

**NPPF:** National Planning Policy Framework

**NUE:** No Use Empty

**ONS:** Office for National Statistics

**PDR:** Permitted Development Right

**PPG:** Planning Practice Guidance

**RICS:** Royal Institution of Chartered Surveyors

**SELEP:** South East Local Enterprise Partnership

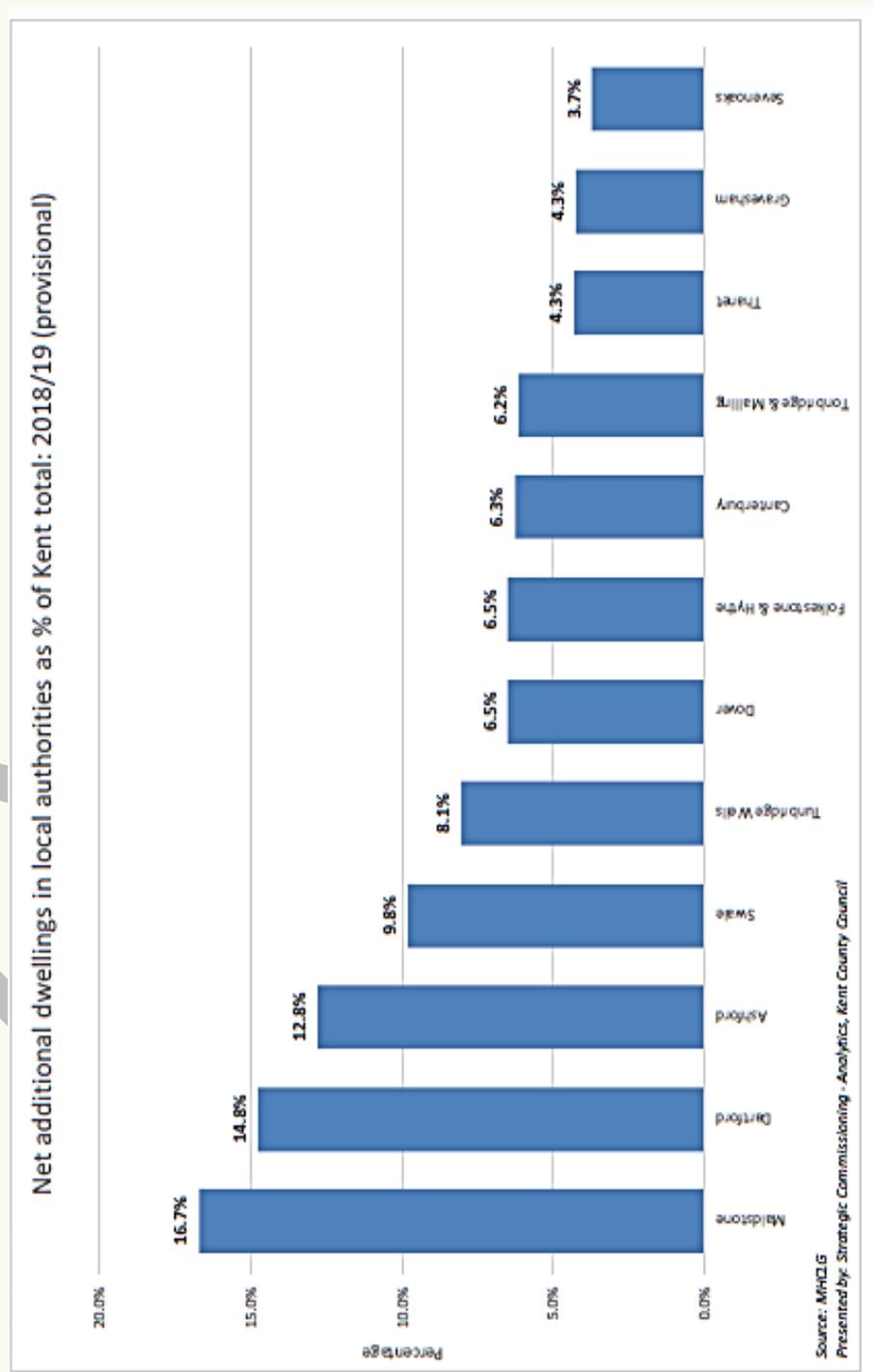
**SME:** Small and medium-sized enterprise

**TCPA:** Town and Country Planning Association

# Appendix 3

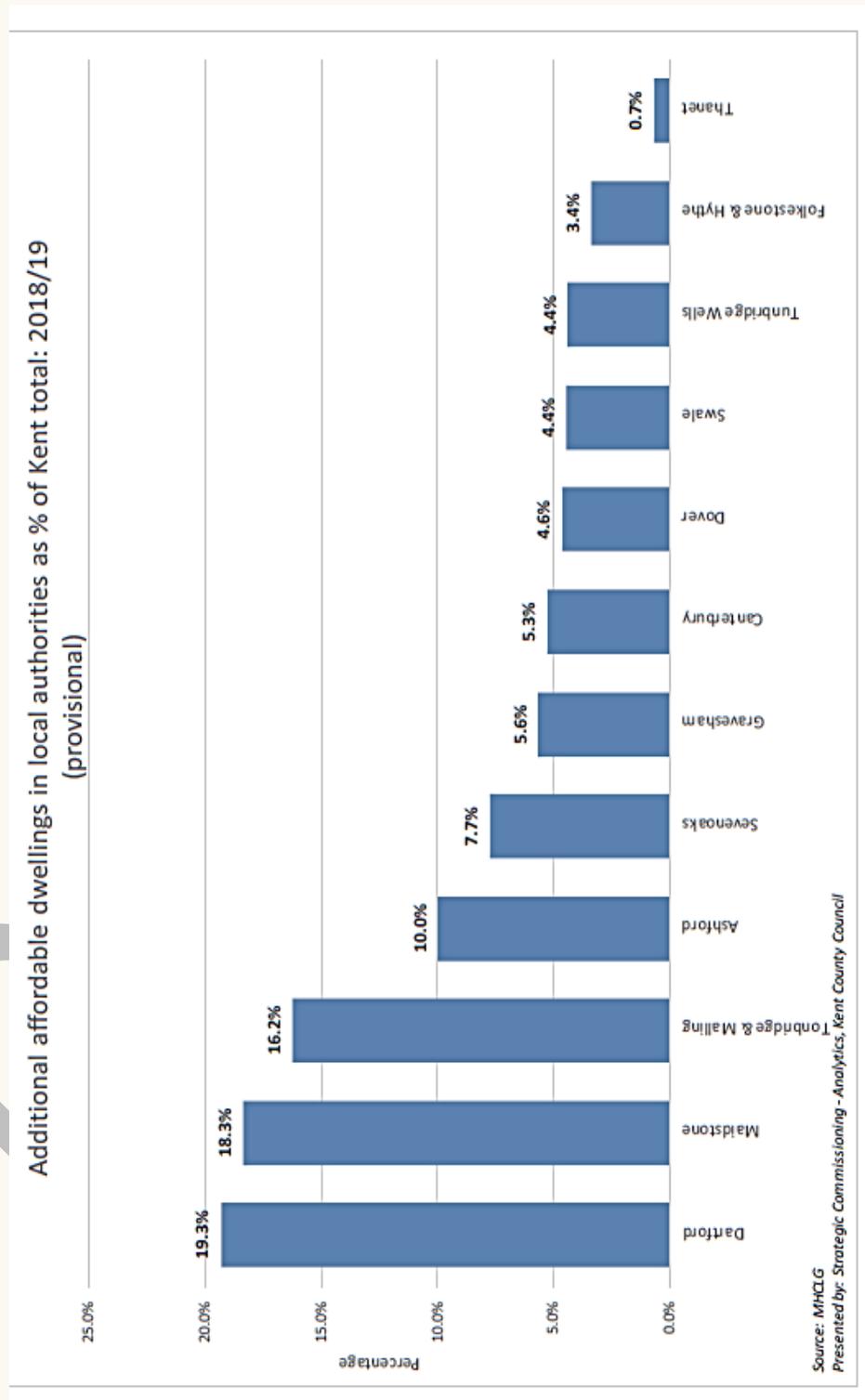
## Charts

Figure 1: Net additional dwellings in local authorities as % of Kent total, 2018/19



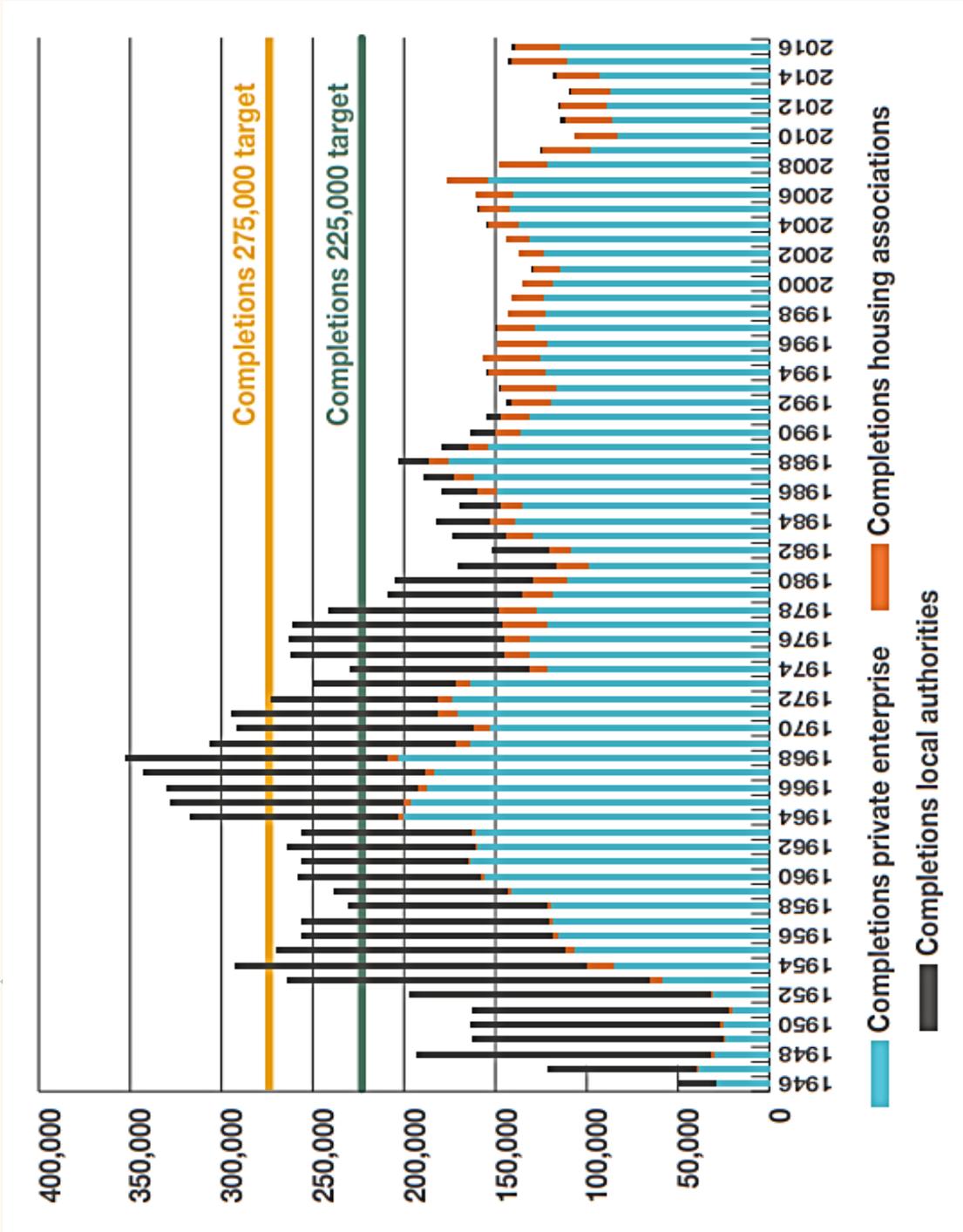
Source: Kent County Council (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

**Figure 2: Additional affordable dwellings in local authorities as percentage of Kent total, 2018/19**



**Source:** Kent County Council (2020) Strategic Commissioning Statistical Bulletin, Affordable Housing 2018-2019, Maidstone

Figure 3: Number of homes built by local authorities, England, 1946-2016



Source: Institute of Public Policy Research (2017) What More Can Be Done to Build the Homes We Need? London

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**The Affordable Housing Select Committee**

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