

Environment, Housing and Transport Delivery Partnership

26 January 2009

Housing Performance Update

Report by: Head of Housing Development and Partnership Management

Ward Implications: All

<p>Please indicate For Decision</p>
--

1 Summary

- 1.1 The Partnership will recall the discussion surrounding the reported performance against the new build housing target and the affordable housing target, at the previous meeting on 4 November 2008.
- 1.2 This report takes this dialogue forward and presents an overview of performance against the LAA housing targets together with a review of the underlying rationale for that performance.
- 1.3 The report concludes with proposals for refreshed targets and sets out the principles for the establishment of a delivery plan with interim targets.

2 Recommendation

- 2.1 That the Partnership approves the refreshed targets for NI154 and NI155 set out in section 5.3.
- 2.2 The Partnership notes the principles for a housing development delivery plan and requests that the Head of Housing Development and Partnership Management presents interim [quarterly] targets at the next meeting.

3 Background

- 3.1 The Local Area Agreement sets out two targets for the development of new homes in the city; NI154 (net additional homes provided) and NI155 (number of affordable homes delivered).

3.2 Performance against these targets was presented to the Environment, Housing and Transport Delivery Partnership on 4 November 2008 and there followed a detailed discussion around why it was that the published targets would not be met in 2008-2009. A request was then made that a further report be brought back to the Partnership setting out an analysis of the performance of those sites on which new housing development was planned detailing the main reasons for the reduced activity.

4 **Diagnosis**

4.1 Appendix 1 sets out a schedule of sites and the number of new homes that would have been required to be developed if the LAA targets would be met. These are as of January 2008 and were the basis for the establishment of the original NI154 target and by association NI155.

4.2 The establishment of the original targets was based on:

- An understanding of those sites that were in the immediate development pipeline or where development has already commenced on earlier phases;
- Discussions with private house builders and social landlords about their development expectations;
- A review of broader strategic requirements set out in the Newcastle Housing strategy, Regeneration Strategy and as reflected in the Regional Spatial Strategy and
- An understanding of area regeneration plans.

In other words the original LAA targets were based on a top down strategic analysis of development requirements to meet regeneration and growth expectations alongside a site by site analysis of anticipated development.

4.3 Over the past six weeks, officers from across the City Council (coordinated by Strategic Housing, Planning and Transport) have been engaged in a detailed diagnosis of those sites in Appendix 1 to identify the reasons for delayed build and, importantly, the barriers to future development.

4.4 It is not possible to present the outcome of that site by site diagnosis at this stage as to do so would inevitably disclose commercially sensitive contractual or financial details. Nevertheless, it is possible to describe the broad barriers to development as follows:

- Difficulties obtaining affordable development finance by both private sector house builders and social landlords.
- A perceived lack of confidence by house builders of their ability to sell homes for owner occupation once they have been built.
- The presence of a number of unsold properties in earlier phases of regeneration schemes that would deter the developer from investing in future phases.

- The continuing fall in house prices that have made some developments no longer viable particularly when the developer has purchased land based on an expectation of sales values that are no longer realistic.
- Difficulties associated with householder obtaining mortgages for shared ownership properties that mean that some social landlords have a significant amount of empty stock.
- A general reduction in land values resulting in some land owners holding on to sites until the market picks up.
- A reliance on the “cross subsidy” model by some developing social landlords whereby the costs of providing affordable homes is underwritten by the profits from developing homes for sale. If there are concerns that these homes will not sell (at the prices necessary) the affordable homes element has not proceeded.

- 4.5 While the housing market continues to decline and restrict investment in new housing, the diagnosis work, and of critical importance, the review of measures that would remove those barriers to development, has been helped recently by emerging opportunities and initiatives.
- 4.6 Since the onset of the credit crunch the government has announced a whole series of initiatives and financial measures designed to stimulate investment in housing and add liquidity to the mortgage market. While locally these have had a limited impact to date there is now evidence that local action is coming together that could improve matters.
- 4.7 The City Council is working with Bridging NewcastleGateshead (BNG) to identify the impact of a number of these new intermediate housing initiatives and their relative merits. An overview of these initiatives is attached as Appendix 3. This takes forward stage 1 research commissioned by BNG that described the opportunities now available to developers and the local authority onto stage 2 where these opportunities are tested in real development situations. This work is ongoing with the early conclusion likely to emerge early in the summer.
- 4.8 The Homes and Communities Agency now manages the National Affordable Homes Programme (NAHP) and this has been given significant additional resources by the government to help fund new affordable homes. The challenge will be to ensure that the maximum amount of resource comes to Newcastle.
- 4.9 While development finance remains difficult to obtain, interest rates have reduced significantly over the past months. This makes borrowing by the City Council much more affordable. The City Council is determined to adopt a leading role in driving forward new housing development to help meet local needs and our improved ability to help finance that delivery will be very influential over the coming years.
- 4.10 Newcastle and Gateshead in partnership with BNG has been designated one of twenty new Growth Points across the country. This is a partnership with central government to enable housing growth and as such the City is now eligible for additional funding to help move development forward. As a consequence the Growth Point Partnership was recently awarded £4.7Million over the next two

years to be invested in infrastructure that will release housing development and improve the quality of place. A bid has also been made for capital funds from the Community Infrastructure Fund and an announcement on that is awaited.

- 4.11 These emerging factors brought together with the site diagnosis exercise now provide a strong basis to establish a clear delivery plan with a refreshed set of targets that will allow for greater pragmatism in local housing development, a stronger role for the City Council in driving that development and a more robust performance management structure for the Environment , Housing and Transport Delivery Partnership.

5 Delivery Plan

- 5.1 Appendix 2 sets out the revised schedule of sites and the respective number of house completions by year, following on from the site diagnosis exercise. This is the product of a much better understanding of the barriers to development within individual sites, the measures that will be required to remove those barriers and the anticipated external financial recourses than can be brought to bear.
- 5.2 The proposed refreshed targets are set out below and are consistent with the housing trajectory that was submitted to Communities and Local Government as part of the Growth Point Programme for Development.¹

5.3 Table 1 – Proposed Refreshed Targets

Ref	Description	Current Target			Refreshed Target		
		08/09	09/10	10/11	08/09	09/10	10/11
NI154	Net additional homes provided	600	750	925	200	100	400
NI155	Number of affordable homes delivered	100	150	200	100	150	200

- 5.4 As with the fine grain detail of the site diagnosis exercise, it is not appropriate to disclose the specific details of the measures that are proposed to unblock development on specific sites as this includes commercial sensitive contractual matters. The broad range of measures that are proposed are however as follows:

- Local promotion of particular intermediate housing products to potential purchasers including HomeBuy Direct.²

¹ The Programme for Development (POD) was submitted to Communities and Local Government on 27 October 2008. This represents the blueprint for housing growth across Newcastle and Gateshead. A prerequisite of the POD is that it contains a detailed housing trajectory that demonstrated the rate of new housing development over the next 10 years and beyond. The POD and housing trajectory were used by CLG as the basis for distributing the Growth Fund for 2009/10 and 2010/11.

- Reviewing the tenure balance of specific sites to front load schemes over the next two years with an acceptable level of social rented homes that will draw down additional NAHP grant without undermining the long term commitment to sustainable communities.
- Intensifying work with Your Homes Newcastle to adopt a direct role in the delivery of new homes across the city. In December, the Council's Executive Committee endorsed YHN's entry into the house building arena and this is now moving at a significant pace. A further report will be presented to Executive later in January identifying a number of potential developments sites and establishing the evaluation criteria for the establishment of a framework of developer partners. In April members will consider a report to transfer the first tranche of sites to YHN, or a charitable subsidiary of YHN, to commence the development process. It is hoped that by working in partnership with YHN up to 500 new homes (a considerable proportion of which will be affordable rented) can be delivered over the next six or seven years.
- A greater emphasis on supported and specialist housing to meet specific local needs. This is not affected by fluctuations in the housing market and can draw considerable amounts of external funding. Working with colleagues in Adult Services a number of housing priorities have been identified, including move-on accommodation for formerly homeless people, supported housing for those with learning disabilities and housing for young families with low levels of support.
- Focusing on smaller sites that can accommodate 100% affordable rented and as such do not require cross subsidisation from for sale homes. These can also draw upon the enhanced levels of NAHP grant available.
- Working with developers to help their cash flow on strategic sites that will have a number of phases over the coming years. This could include a deferred capital receipt where the City Council owns the site or applying additional public funding that could be repaid at a later date as the housing market picks up and sales values increase.
- Exploring options for "rent now buy later" homes that would allow the houses to be built immediately and rented out until the housing market picks up and the occupier can either access mortgage funds or have saved up a sufficient deposit.
- Preparing sites for the upturn in the market by removing physical barriers to development such as increasing the capacity of local utilities, removing contamination, improving physical access to sites, undertaking preliminary earthworks or assembling sites of mixed ownership.
- Accepting reduced capital receipt for housing sites to reflect the reduced sales values.

² Funding through the government's HomeBuy Direct initiative has just been announced for four sites across the City covering 53 homes. The City Council will now work with those developers and the HomeBuy Agent for the North East (Isos) to promote these products.

5.5 The above is not an exhaustive list but reflects the range of measures that are being considered to push on with new house building particularly at a times when the housing market itself mitigates against this.

6 Next Steps

6.1 Should the Partnership accept the recommendations set out in this report, then the refreshed target for NI154 will be negotiated with CLG. The Partnership will have noted from Table 1 that it is proposed that NI155 remains unchanged. Officers will also continue to work on refining the delivery plan and present a revised performance management framework to the next meeting. This will include interim quarterly targets that will provide a real time indication of the direction of travel of future performance as well as an early warning system so that interventions can be targeted to where they can make most impact.

7 Contact Officer Details

7.1 George Mansbridge

Head of Housing Development and Partnership Management

0191 277 7862