

# Affordable Homes Supply Strategy

**(Commissioned by Housing &  
Land Delivery Board April 2022)**

Housing & Land Delivery Board

5 October 2022

# Structure

1. Strategic context
2. Anticipated contents of an Affordable Homes Supply Strategy
3. Key inter-dependencies and links

# Strategic Context (1) – Key Drivers

## Housing and economic growth

- ▶ Housing is both a facilitator (through attracting and retaining workers) and direct driver (through construction sector and supply chain activity) of economic growth
- ▶ Housing is a key contributor to other policy objectives including health, educational attainment, life chances, and wellbeing – all of which are key to enhancing productivity and growth
- ▶ Housing can be a critical use in delivering transformational change in areas such as town centres
- ▶ Affordable housing that reflects local circumstances is critical to meeting need (such as social rented accommodation) and supporting growth (such as key worker housing)

# Strategic Context (2) – Key Trends

## Global/National Trends

- ▶ Rising inflation – 10.1% (CPI) per annum (p.a.) in July 2022
- ▶ Cost of living – wage increases 4.3% p.a. (May 2022)
- ▶ Increasing fuel poverty – 6.5m homes (April 2022) to 8.2m (October 2022)
- ▶ Declining real income - March to May 2022, fell at 2.8% for regular pay

## Housing market

- ▶ Housing supply is not keeping up with demographic and social change
- ▶ Forecast growth in WMCA population (expected to grow by half a million over next 20 years) will drive substantial increase in household growth and need for new housing
- ▶ The proportion of stock that is owner occupied and affordable rented has been falling and private rented increasing
- ▶ Significant potential for Advanced Manufacturing in Construction (AMC) to deliver more efficient, energy saving and sustainable housing solutions but the requirement is for scale

These trends are expected to further increase demand for Affordable Homes

# Strategic Context (3)

## Housing market trends (cont'd)

- ▶ Accessing owner occupation has been restricted (despite low interest rates) by the need for a significant deposit meaning it is unaffordable even though mortgage repayments may be lower than rents
- ▶ Ageing and deteriorating stock that does not meet future needs
- ▶ Key workers (such as health staff) have had difficulty in finding suitable accommodation close to their workplace
- ▶ Some older people are living in inappropriate housing and projection is for an ageing population
- ▶ Rough sleeping and homelessness are important issues and are expected to rise due to 'cost of living'
- ▶ There has been limited provision of supported housing which is key to catering for the specific needs of groups such as older people, people with health and mental health needs, etc.

# Strategic Context (4)

## Affordable Housing

- ▶ Research for the National Housing Federation and Crisis estimates the level of housing need at 145,000 affordable homes a year compared to 52,000 delivered in 2020/21 in England
- ▶ Key partners in the *increased* delivery of Affordable Housing include:
  - DLUHC (Government Department with responsibility for affordable housing policy)
  - Homes England (non-departmental public body that funds new affordable housing in England)
  - Housing Associations (not-for-profit social landlords)
  - For-profit Registered Providers
  - Local authorities
  - Other providers – such as Community Land Trusts (CLTs), housing co-operatives and self-build/custom build schemes
- ▶ Investment required in the existing stock including for fire safety and retrofitting for decarbonization
- ▶ A key issue is assembling/securing suitable sites
- ▶ Increasing the annual supply of affordable housing will require an increase in capital funding for the sector. Analysis by L&G estimates that increasing annual supply to 145,000 homes will require £34bn of additional capital funding per annum

# Strategic Context (5)

## Affordable Housing cont'd

- ▶ The National Audit Office (NAO) recently released a report on the Affordable Homes Programme since 2015.
  - There is a forecast shortfall of 32,000 in the number of homes to be delivered compared with published targets for the 2016 and 2021 programmes, as of May 2022
  - The 2021 Programme has clear targets about the tenure (e.g. for rent or for sale) but there are few targets based on wider factors such as the quality or size of homes or environmental standards
  - The Programme is not delivering a high proportion of affordable homes in areas that DLUHC assesses have high general housing need
  - There is a lack of strong incentives for housing providers to deliver affordable homes in area of high housing need or in the most unaffordable areas
  - DLUHC should consider what information it needs to improve its understanding of housing need in local areas and be clear about how the Programme is contributing to wider government objectives such as net zero and savings for other departments and local government

# Affordable Homes Supply Strategy (1)

## Vision

- ▶ Ensuring that local people can afford to live in decent homes in locations that meet their needs in order to support economic growth, increased productivity and Levelling Up, by helping to remove barriers and realise opportunities
- ▶ Ensuring that affordable homes contribute fully to delivering wider policy objectives including Advanced Manufacturing in Construction, Zero Carbon, Decent Homes, design quality, SME support

## WMCA Approach

- ▶ Partnership-based
- ▶ Based on the WMCA's broader regional definition of affordability
- ▶ Co-investment focused
- ▶ Responding to local issues with a bespoke approach
- ▶ Recognising the importance of quality and sustainability
- ▶ Comprehensive, multi-sector, multi-tenure and multi-client group approach
- ▶ Innovation and research-based

**Affordable housing is one of WMCA's key deliverables and central to the WMCA Business Plan**



# Anticipated Strategy (2)

## WMCA Approach

- ▶ To work with partners to ensure the supply of affordable homes meets local demand in terms of cost (property and running costs including fuel), tenure, quality, location, type and size
- ▶ To ensure that the delivery of affordable homes contributes to achieving the vision for a more prosperous and better-connected West Midlands which is fairer, greener and healthier; supports economic growth; and at least meets the criteria set out in WMCA's various strategies, policies, charters and frameworks including those relating to:
  - Net Zero (including retrofit technologies)
  - Decent Homes
  - Design
  - Brownfield First
  - Innovative construction/AMC
  - Social value
  - Skills and employment
  - Digital connectivity
  - Sustainable Transport

# Anticipated Strategy (3)

## Roles of the WMCA

### 1. Facilitator/coordinator

- ▶ Influencing/shaping Government policy
- ▶ Influencing/shaping Investor policy and commitments
- ▶ Supporting strategic planning and policy (including local plan adoption)
- ▶ Stimulating locally-led solutions

### 2. Enabler

- ▶ Undertaking activities that indirectly support affordable homes such as transport investments
- ▶ Disposing of existing owned land for affordable homes

### 3. Co-Investor

- ▶ Using SCF funds
- ▶ Acquisition and subsequent disposal of land

### 4. Researcher and innovator

- ▶ Undertaking and disseminating research
- ▶ Supporting novel initiatives and innovative pilots

### 5. Oversight

- ▶ Oversight by Housing & Land Delivery Board and Overview & Scrutiny Committee

# Anticipated Strategy (4)

## Delivery Arrangements

- ▶ Governance and oversight – Housing & Land Delivery Board
- ▶ Setting clear targets with partners
- ▶ Strategic Partnerships – including with Homes England, West Midlands Housing Association Partnership, institutions and developers
- ▶ Project delivery
- ▶ Research/evidence dissemination and lobbying
- ▶ Monitoring and performance management
- ▶ Evaluation

# Key Interdependencies and Links

- ▶ Close and effective partnerships with:
  - Local authorities – who lead locally
  - Homes England – national lead and key funder of Affordable Housing
  - DHLUC – lead Government Department for Affordable Housing
  - Housing Associations – delivery partners, with strategic links through WMHAP
  - For-profit Registered Providers – including Strategic Partners
  - Other providers/organisations – working with Community Land Trusts, housing co-operatives, Shelter and others where WMCA can add regional value
  - Developers – including through SCF schemes and Section 106 agreements
  - HM Government – to influence policy and resource allocation
- ▶ Land availability and funding – combining assets and resources in bespoke ‘cocktails’
- ▶ To jointly test innovative projects and develop tailored approaches – to specific local and thematic circumstances in order to address a key cross cutting regional issue