

The Portsmouth Labour Plan for Affordable Housing

September 2017

Foreword

Having lived almost all my life in Portsmouth, I'm passionate about our city and its residents. But in recent years we've been let down by a council leadership seemingly intent on destroying our public services and converting the local authority into Portsmouth PLC. The Tories have failed to invest in health, education, social care and for me most crucially in housing.

As a social housing tenant and homelessness support worker, I see on a daily basis the real effects of bad policy decisions, both nationally and locally. It's this experience which led me to take a keen interest in housing policy issues. I organised a group of fellow Portsmouth Labour members with relevant experience and skills and together we formed the Portsmouth Labour Housing Policy Forum.

Our group has been hard at work researching local housing policy and putting together the plan contained within this report. We identified the ongoing Local Plan review process as an opportunity to engage with the consultation and propose a set of detailed policies which, if implemented, would significantly improve the supply of much needed affordable housing.

The Local Plan sets out the strategy for future development in the city and covers a wide range of topics including housing, employment, retail and community issues. We have chosen to focus on affordable housing in this report as it is an issue we feel particularly passionate about. However, Portsmouth Labour will be feeding into the consultation on all issues, putting forward the case for a better city for all.

Our proposals cover three main areas:

1. For the council to play a lead role in the development of local affordable housing.
2. Preventing property developers from circumventing local planning policies which require affordable housing to be provided on their sites.

3. Removing the exemption which means student accommodation is not required to contribute towards local affordable housing provision.

Taken together our proposals represent a radical shift in local housing policy. The Tories have let us down by failing to build the affordable housing our city so desperately needs and letting property developers shirk their responsibilities. Our proposals would mean a move towards a housing plan for the many, not the few.

Cal Corkery

Chair of the Portsmouth Labour Housing Policy Forum

The need for affordable housing

In recent years a toxic mix of rising rents, stagnant wages, reductions in welfare benefits and cuts to social support services, has led to an increasingly severe housing crisis for the people of this country. Locally this has meant a rise in demand for affordable housing as seen by increases in the level of homelessness and the number of households looking to the council or charities for housing related advice and guidance.

There has been a noticeable rise in the numbers of people sleeping rough on the streets of Portsmouth. This has been reflected in the official figures which show the number of rough sleepers at 7 in 2013 then rising every year until this year's figure of 60.

Table 1: the number of rough sleepers in Portsmouth

Year	2013	2014	2015	2016	2017
Count	7	8	15	37	60

The figures for 2013-2016 are sourced from DCLG statistics and the 2017 figure from PCC Cabinet papers

In each of the last 5 years between 601 and 702 households approached Portsmouth City Council's Housing Options team to make a homeless application. Over that period a total of 3,287 households found themselves in this position.

Table 2: the number of households presenting as homeless

Year	2012/13	2013/14	2014/15	2015/16	2016/17	Total
Count	688	601	606	690	702	3,287

Source: Table 784(local authorities' action under the homelessness provisions of the Housing Acts) DCLG

Taking into account the levels of rough sleeping, the number of households making homeless applications, as well as other measures such as overcrowding and new household formation, the Partnership for Urban South Hampshire (PUSH)¹ has identified an objectively assessed need for between 593 and 768 new units of affordable housing in Portsmouth every year.

¹ http://www.push.gov.uk/strategic_housing_market_assessment.htm

Affordable housing provision and targets

The actual provision of affordable housing in Portsmouth has been a fraction of that objectively assessed need with a total of just 320 council and housing association homes completed during the past 5 years.

If we take the low end PUSH estimate of affordable housing need of 593 units per year then 2965 new affordable housing units were needed between 2012/13 and 2016/17. With just 320 being delivered there was a shortfall of some 2645 affordable homes over this period.

If we instead take the high end PUSH estimate of 768 affordable housing units per year then 3840 new affordable housing units were needed over the past 5 years resulting in a shortfall of 3520 affordable homes over this period.

Table 3: affordable housing delivery against objectively assessed need

Year	2012/13	2013/14	2014/15	2015/6	2016/17	Total
Affordable housing units completed	70	80	70	60	40	320
Affordable housing need low	593	593	593	593	593	2965
Shortfall low	523	513	523	533	553	2645
Affordable housing need high	768	768	768	768	768	3840
Shortfall high	698	688	698	708	728	3520

Completions data sourced from DCLG new build dwellings statistics live table 253

Clearly the delivery of affordable housing in Portsmouth is nowhere near matching the need for it. This gives an objective evidential base which justifies the adoption of a set of policies aimed at significantly increasing the supply of affordable housing in the city.

A council owned affordable housing development company

Across the country growing numbers of councils are attempting to circumvent restrictions placed on their ability to build traditional council housing by forming arm's length property companies which are then used to invest in affordable housing. These council owned property development companies are able to take advantage of local authorities' ability to borrow money at sub-market interest rates from the Public Works Loan Board. This finance is then used to address the housing needs of the local community through the development of affordable homes.

There is no standard model for how this should be done and different councils have adopted varying strategies. Here are a few notable examples:

- In Croydon, the council is using its wholly owned property development company, Brick by Brick, to build 1,100 homes in the next 2 years with 50% being made available for affordable rent and the remainder sold privately to fund further housebuilding.
- The Sheffield Housing Company is a joint venture involving the local authority, a building contractor and a local housing association. It aims to build 2,300 homes across the city by 2025 which will include a mixture of affordable rent and low cost first time home ownership.
- In Plymouth, where the council doesn't own any housing stock itself, the local authority loans money at low interest rates to housing associations for the purpose of facilitating new affordable housing development. This strategy has led to an impressive 410 affordable homes being delivered during 2016/17 and 280 affordable homes during 2015/16.

A somewhat different approach is currently being pursued by the Conservative led Portsmouth City Council administration. Instead of building affordable homes for local people, the council has embarked on a major spending spree, investing in commercial property all over the country. Since 2014 over £100m has been spent on a variety of

commercial premises, ranging from a Waitrose in Somerset to a Mercedes Benz showroom in Eastleigh.

Table 4: recent property investment by Portsmouth City Council

Property	Location	Cost
Schlumberger industrial unit	Gloucestershire	£8m
Waitrose supermarket	Somerset	£13.2m
Matalan retail unit	Swindon	£9.7m
DHL warehouse	Warwickshire	£12.4m
Mercedes Benz showroom	Eastleigh	£8.75m
Estate of trade units	Leeds	£13.75m
Travis Perkins warehouse	Leicestershire	£15.7m
Lidl and Dunelm retail units	Worcestershire	£8.3m
Sharps Bedrooms factory	West Midlands	£11.5m
UPS warehouse	Yorkshire	£7.25m
	Total cost	£108.55m

Source: PCC property investment strategy

While this strategy may fit neatly into their ideological framework regarding the financing of public services, the Portsmouth Tories' approach does little to address the housing crisis experienced by local residents. In fact their property investment strategy could be actively worsening the situation if finance intended for housing is being diverted into commercial property. Concerns have been raised as to whether this is the case with the £48.75m central government funding received by Portsmouth City Council in 2013 as part of the Solent City Deal. This money was provided for the purpose of bringing forward housing development on the Tipner regeneration site, but has instead been used as part of the commercial property investment scheme².

² <http://www.portsmouth.co.uk/business/government-city-deal-grant-has-paid-for-portsmouth-s-property-spending-spree-says-tory-councillor-1-7138771>

Land at the Tipner regeneration site and at St James' Hospital in Milton is currently listed by the Homes and Communities Agency as expected to be brought forward for development by June 2018. These sites provide excellent opportunities for the council to invest in Portsmouth and work with local communities to bring forward developments which include significant levels of affordable housing.

We believe Portsmouth City Council's property investment strategy should be refocused towards the urgent task of meeting the affordable housing need of the local community.

Proposals:

1. Refocus the council's property investment strategy away from commercial property and towards the development of local affordable housing.
2. Put pressure on the council to thoroughly investigate the feasibility of using its arm's length property company to take a lead on development (with a focus on affordable housing) at each of the strategic sites identified in the Issues and Options consultation paper.
3. Any council led development should seek to secure the maximum possible affordable housing on the site. Under no circumstances should the level of affordable housing be below that required of a market development.

Viability assessments and affordable housing

The current Portsmouth Plan includes specific requirements for affordable housing provision on market developments. Sites containing a net increase of: 8-10 dwellings must provide 20% affordable housing; 11-14 dwellings must provide 25% affordable housing; and 15+ dwellings must provide 30% affordable housing. In exceptional circumstances where affordable housing cannot be provided on site a developer can propose to build affordable housing off site or pay a financial contribution towards a council housing scheme.

It has become common practice for developers to try and circumvent these requirements by claiming it would not be financially viable to provide the specified level of affordable housing. Property developers commission consultants to produce highly technical documents supposedly proving their case for reduced affordable housing provision. Often these documents state it would not be financially viable to provide any affordable housing whatsoever nor for a financial contribution to be made towards council housing.

These financial viability assessments are attracting growing criticism. Many housing academics and campaigners argue the figures they contain are manipulated to down-play the profitability of developments and thus the viability of developers contributing towards affordable housing provision³.

Between 2011/12 and 2015/16 there were 31 planning applications approved for market developments resulting in a net increase of at least 8 dwellings (not including nursing homes and student accommodation which are currently exempt from affordable housing obligations). Of those 31 planning applications, the developer was successful in reducing the level of affordable housing required on their site on 12 occasions. During this period over 196 affordable homes were lost as a result of these financial viability assessments.

³ <https://www.theguardian.com/cities/2015/jun/25/london-developers-viability-planning-affordable-social-housing-regeneration-oliver-wainwright>

Table 5: planning permissions granted on applications supported by viability assessments

	2011/12	2012/13	2013/14	2014/15	2015/16	Total
No of sites non-compliant with affordable housing requirements	3	1	2	3	3	12
Affordable housing units required for those sites to be compliant	197.4	4.8	26.7	71.4	21	321.3
Actual affordable housing units agreed on those sites	77	0	0	45	3	125
Shortfall	120.4	4.8	26.7	26.4	18	196.3

Source: data provided by PCC Planning Policy team

Kingston Prison is a notable example of a developer using this mechanism to avoid providing affordable housing. The developer, City & Country, submitted a planning application to construct 230 flats on the site but claimed that due to the cost of preserving the heritage buildings it would not be financially viable for them to provide the 30% affordable housing required by local planning policy. They proposed to include no affordable housing either on or off site nor to make a financial contribution towards council housing elsewhere. This was supported by an “independent” viability assessment from the well-known estate agent Savills. This document was withheld from public access on the grounds of commercial sensitivity. Even the councillors on the planning committee were only permitted to see the figures shortly before being asked to vote the application through, which they duly did. Several months later local campaigners were able to acquire a copy of the viability assessment through a Freedom of Information request. That document revealed the developer was estimated to make at least £10m in profit on the site, but was still able to plead poverty when it came to affordable housing provision.

In recognition of this issue many local authorities now require developers who propose to include lower levels of affordable housing than are required by local planning policies to openly publish their viability assessments for scrutiny by experts and local residents. For example, it is the policy of New Forest District Council to routinely publish all viability assessments and also to instruct the District Valuer, a public body, to provide a truly independent assessment of viability at the developer's expense.

One troubling aspect of the Issues and Options paper published by Portsmouth City Council as part of the Local Plan review process, is a proposal to abolish the specific requirements (20%, 25% or 30%) for affordable housing provision on market developments. Instead viability of affordable housing provision would be assessed on a case by case basis. We believe this would open the door even further to developers negotiating down their affordable housing obligations and therefore the specific targets should be maintained.

We believe any developer proposing non-compliance with affordable housing requirements as set out in local planning policy should have their viability assessment published for Portsmouth residents to see and also for it to be independently assessed by the District Valuer at the developer's expense.

Proposals:

4. Publish viability assessments in cases where the developer proposes to provide less affordable housing than required by local planning policy.
5. Where a developer proposes to provide less affordable housing, instruct the District Valuer to conduct an independent viability assessment.
6. Retain specific requirements for the provision of affordable housing on market developments.

Student accommodation and affordable housing

Between 2011/12 and 2015/16 planning permission was granted for over 2,500 units of new purpose build student accommodation across 17 developments, mainly in the vicinity of the city centre. The previous Portsmouth Plan granted an exemption to student accommodation, so developers weren't required to contribute towards the provision of affordable housing, as they would if it were a standard residential development.

Other local authorities do require student accommodation developers to contribute towards the housing needs of the local community. For example, in 2011 the London Borough of Southwark chose to extend its affordable housing planning obligations to include student accommodation. Since then the borough has secured significant additional affordable homes as a result.

If student accommodation developers had been required to provide affordable housing in line with obligations on residential sites, then over 750 extra units of affordable housing could have been provided in Portsmouth since 2011. One option could be for a certain percentage of rooms in new halls to be allocated to local young people who have become homeless but wish to continue their studies.

Table 6: student accommodation developments granted planning permission

	2011/12	2012/13	2013/14	2014/15	2015/16	Total
Number of new student accommodation builds granted planning permission	4	1	1	5	6	17
Total units of student accommodation granted planning permission	112	42	10	1091	1249	2504

Source: data provided by PCC Planning Policy department

The council has told residents the new student accommodation will benefit local people in housing need as capacity is freed up in the private rented sector through former student houses becoming vacant, however there is no clear evidence this will be the case. In fact there are some indications the increase in purpose built student accommodation is actually putting upward pressure on rents in the private residential sector, potentially worsening the situation for those in housing need.

Another problem which seems to have been overlooked so far in discussions on this issue is that of the opportunity cost of almost all the prime development sites in the city centre being used for student accommodation. If these sites were not utilised solely for student accommodation there would be a variety of alternative uses possible, including affordable housing.

We believe developers of purpose build student accommodation should be required to contribute towards the provision of affordable housing in line with sites containing other types of residential accommodation.

Proposal:

7. Require developers of new purpose build student accommodation to contribute towards the provision of affordable housing in line with others types of development.

Summary of proposals

1. Refocus the council's property investment strategy away from commercial property and towards the development of local affordable housing.
2. Put pressure on the council to thoroughly investigate the feasibility of using its arm's length property company to take a lead on development (with a focus on affordable housing) at each of the strategic sites identified in the Issues and Options consultation paper.
3. Any council led development should seek to secure the maximum possible affordable housing on the site. Under no circumstances should the level of affordable housing be below that required of a market development.
4. Publish viability assessments in cases where the developer proposes to provide less affordable housing than required by local planning policy.
5. Where a developer proposes to provide less affordable housing, instruct the District Valuer to conduct an independent viability assessment.
6. Retain specific requirements for the provision of affordable housing on market developments.
7. Require developers of new purpose build student accommodation to contribute towards the provision of affordable housing in line with others types of development.