

Twenty-ninth Report of Session 2022-23

Department for Levelling Up, Housing and Communities

The Affordable Homes Programme since 2015

Introduction from the Committee

One of the ways the Department tries to increase the supply of new homes in England is through the Affordable Homes Programme. The Secretary of State for Levelling Up, Housing and Communities recently reiterated the government's commitment to building 300,000 new homes overall every year by the mid-2020s. The Department does not have targets for how many of these should be affordable. For the Affordable Homes Programme, the Department secures funding from HM Treasury and then gives this to Homes England (outside London) and to the Greater London Authority (GLA) in London to achieve set targets. Housing providers (usually housing associations) bid for funding to build these. Bidding occurs through strategic bidding (housing providers bid for funding to deliver on multiple sites across a region) and continuous bidding (housing providers bid on a site-by-site basis). The Department forecasts it will spend £20.7 billion (2021–22 prices) between 2015 and 2032, to deliver 363,000 grant-funded homes.

The Programme has distinct iterations based on funding periods or policy changes. Under the 2016 programme, the Department forecasts that housing providers will build 241,000 new homes, against a target of 250,000 (of these 160,500 are grant funded). However, under the 2021 programme, the Department forecasts considerable shortfalls against its targets. The Department's central forecast is that housing providers will build 157,000 new homes, against a target of up to 180,000.

Based on a report by the National Audit Office, the Committee took evidence on 22 September 2022 from the Department for Levelling Up, Housing and Communities (the department) and Homes England. The Committee published its report on 7 December 2022. This is the government's response to the Committee's report.

Relevant reports

- NAO report: [The Affordable Homes Programme since 2015](#) – Session 2021-22 (HC 652)
- PAC report: [The Affordable Homes Programme since 2015](#) – Session 2021-22 (HC 684)

Government response to the Committee

1. PAC conclusion: The Department will miss its target under the 2021 programme for 180,000 new homes by March 2029.

1. PAC recommendation: The Department should share with Parliament a revised delivery plan for the 2021 programme.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2023

1.2 The government has asked Homes England and the Greater London Authority (the Affordable Homes Programme delivery agencies) to work with their providers during Spring 2023 to confirm their programme commitments in light of new economic challenges to delivery. Following the outcome of this review, the government will report to the Committee with updated targets for programme delivery.

2. PAC conclusion: Housing providers do not always build in areas of higher demand.

2. PAC recommendation: The Department should consider how it can work with local authorities to take greater account in the Programme of local need for affordable homes.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2023

2.2 The government believes that the programme already has several mechanisms in place to match delivery with local need and engage Local Authorities (LAs). Nevertheless, the government agrees to consider additional ways to work with LAs. For example, the Department for Levelling Up, Housing and Communities (the department), is currently exploring how to give greater control over the 2021 programme to the Greater Manchester Combined Authority and the West Midlands Combined Authority.

2.3 It is the responsibility of LAs to set out their plans to address local housing need, including the need for affordable housing. Social housing providers delivering new affordable housing work strategically with LAs to address specific housing problems in the areas that they operate. LAs can also direct new housing investment to places they believe it is needed through the planning system.

2.4 The government believes that affordable homes are needed across the country. Whilst there are areas with potential indicators of relatively higher need than others, such as homelessness, temporary accommodation, social housing waiting lists or local rent levels, the homes that the programme delivers in lower cost areas are still very much needed there.

2.5 There are already natural incentives on Affordable Homes Programme providers to deliver homes where they are needed. Rental tenures need to be built in areas that are best suited for their future tenants, with access to jobs, local amenities, and public transport. Homes for ownership need to be in desirable locations where they will be able to sell.

2.6 The government is proud that the 2021 programme goes further than its predecessor in targeting investment by focusing on benefit cost ratio, which boosts the value for money that the programme delivers. The government agrees that these assessments of benefit cost ratio can be applied in a more granular way. The government will seek to improve this for successor programmes.

3. PAC conclusion: We are concerned that the number of homes being built for social rent is not enough to meet demand.

3. PAC recommendation: The Department should assess how much demand there is for social rent and set out how it will use the Programme to better meet this.

3.1 The government disagrees with the Committee's recommendation to make an assessment of demand. However, the government will continue to maximise delivery of social rent through a mixed tenure programme.

3.2 The government acknowledges the need for Social Rent homes to support functioning communities, with the right homes in the right places. That was the reason for bringing social rent homes into the scope of the programme in 2018. As the NAO's report notes, the

government already directs the delivery of homes for social rent to unaffordable areas¹. The programme's design incentivises the delivery of social rent homes in areas where they are needed the most through its value for money assessment of bids. The government's recent consultation on national planning policy invites views on how policy can be strengthened to enable local authorities to give greater importance in planning to social rent².

3.3 The government recognises that there is a demand for homes for social rent across England. However, it is for LAs to assess affordable housing need in their area. In practice, housing developers and LAs often prefer housing developments to include a balance of ownership and rental tenures to promote a mixed tenure community. For this reason, the government believes that the Affordable Homes Programme must continue to support a range of different tenures.

3.4 The government will work with the delivery agencies to confirm the 2021 programme's capacity to deliver homes for Social Rent as a part of the review cited above in response to recommendation 1. The government will confirm the programme's ability to deliver an increased proportion of homes for social rent to Parliament at the same time as confirming the programme's overall delivery targets.

4. PAC conclusion: The Department does not quantify potential savings in some areas, such as temporary accommodation, into the Programme.

4. PAC recommendation: Before the next iteration of the Programme, the Department should quantify the wider savings it could make to areas such as adult social care and temporary accommodation.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2024

4.2 The government understands that there are wider outcomes and positive impacts that flow from increasing the supply of affordable housing. The evaluation for the 2021 programme will collect evidence through resident surveys to help the department understand many of these, including impacts for adult social care and temporary accommodation. The government's [published scoping study](#) details a proposed methodology for how it intends to undertake the evaluation. It is anticipated that the first round of resident surveys will take place in 2024 and these surveys will repeat until 2029.

5. PAC conclusion: New homes built under the Programme may need expensive retrofitting to meet net-zero standards in the future.

5. PAC recommendation: The Department should clearly set out the impact of including net-zero requirements in the next iteration of the Programme.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: Spring 2024

5.2 The government agrees to exploring the cost and deliverability of additional net zero requirements at the point that ministers consider options for a successor programme.

1. The Affordable Homes Programme since 2015, National Audit Office 2022, p12, para 21

2. Levelling-up and Regeneration Bill: reforms to national planning policy, December 2022, see the relevant section on 'A planning system for communities' found here.

5.3 However, the government notes that it has already taken steps to ensure that house building under the 2021 programme supports net zero objectives. The 2021 programme incorporated the [National Model Design Code standard](#). The code sets out design considerations which local planning authorities will be expected to take into account, including recommendations on sustainability and energy efficiency. This has incentivised providers to build homes to increasingly higher environmental standards that actively respond to the changing climate. All Strategic Partners for the 2021 programme were awarded funding on the basis of their commitment to the code.

5.4 Homes delivered through the 2021 programme will also have to meet existing and future building regulations; this includes the [Future Homes Standard](#) when it comes into force.

6. PAC conclusion: The Department does not publish satisfactory data on the type, tenure, size, quality, or location of homes built under the Programme.

6. PAC recommendation: The Department should report annually to Parliament on the performance of the Programme with detail on types, tenure, size, and quality of homes built by local authority area.

6.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2023

6.2 The government will provide an annual report to Parliament on programme delivery each year, once it has received final delivery figures for the financial year, and at the same point each year thereafter. As the report by the National Audit Office noted, the government does not currently hold all of the data that the Committee has asked for. The government does not have a measure for quality that applies to homes built through the programme. The government will confirm the information it will be able to share in its first report.