



National Audit Office




The Affordable Homes Programme since 2015

Department for Levelling up, Housing & Communities

REPORT

**by the Comptroller
and Auditor General**

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National Audit Office

The Affordable Homes Programme since 2015

Department for Levelling up, Housing & Communities

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

29 August 2022

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Key facts

£20.7bn

forecast total spend in 2021-22 prices on the Affordable Homes Programme (the Programme) from 2015 onwards, as at May 2022

32,000

forecast shortfall in the number of homes expected compared with published targets across the 2016 and 2021 programmes, as at May 2022

£12.2 billion forecast spend by Homes England on the 2015 programme and subsequent programmes, in 2021-22 prices, as at May 2022

£8.5 billion forecast spend by the Greater London Authority on the 2015 programme and subsequent programmes, from April 2015 in 2021-22 prices, as at May 2022

Programme	Forecast real-terms total spend (in 2021-22 prices)	Grant-funded homes (forecast number of new homes to be delivered across England)	Of which for rent (including specialist and supported homes)
	(bn)		(%)
2015	£1.7	45,500	80
2016	£8.5	160,500	58
2021	£10.5	157,000	51

Summary

Introduction

1 The Department for Levelling Up, Housing & Communities (the Department) intervenes in the housing market to try to ensure there is sufficient supply of affordable housing. A lack of affordable homes causes social inequalities and can increase cost pressures elsewhere in central and local government, such as on housing benefit payments and temporary accommodation.

2 Affordable housing is housing for rent or sale intended for those whose needs the market does not meet. (Affordable and social rented homes are homes let by local authorities or registered providers, often housing associations. Affordable rent is up to 80% of local market rents. Social rent is calculated by a formula, typically resulting outside London in rent of around 50%-60% of local market rents. Affordable home ownership includes shared ownership.) The Affordable Homes Programme (the Programme) provides grant funding to housing providers in England to support the costs of delivering affordable homes. The Programme has distinct iterations based on funding periods or policy changes. This report focuses on two iterations of the Programme that run concurrently, the Shared Ownership and Affordable Homes Programme 2016–2023 (2016 programme) and the Affordable Homes Programme 2021–2026 (2021 programme). It also touches on the short-lived Affordable Homes Programme 2015–2018 (2015 programme).

3 The Department oversees the Programme for England. It delegates management of the Programme to Homes England (outside London) and to the Greater London Authority (GLA) in London. The Department is responsible for securing funding from HM Treasury and sets overall housing targets. Housing providers (often housing associations) bid for grant funding from Homes England and the GLA to help finance the delivery of new homes. Homes England and the GLA run strategic bidding rounds (in which housing providers bid for funding to deliver on multiple sites across a region) and continuous bidding (in which housing providers bid for funding on a site-by-site basis).

4 The Department forecasts it will spend around £20.7 billion (2021-22 prices) on 363,000 grant-funded homes, which will all be completed between April 2015 and March 2032. It expects to spend around £12.2 billion (2021-22 prices) on 258,500 grant-funded homes outside London and £8.5 billion on around 104,500 grant-funded homes in London.

5 Throughout the report, we use two terms:

- Housing start – this is when a housing provider begins to build a new home.
- Housing completion – this is recorded when a housing provider finishes building a home and it is ready for occupation.

Scope of the report

6 This report assesses how effectively the Department discharges its responsibilities for the Programme, and how it oversees Homes England and the GLA. We also examine Homes England's management of its part of the Programme. We do not assess the GLA's management of its part of the Programme as it is not a central government organisation that we audit, and the London Assembly instead provides local scrutiny.

7 Unless stated, all data for housing starts and housing completions are as at 31 March 2022. Data for housing forecasts are as at May 2022.

8 Our report examines:

- whether the Department set the 2016 programme up well and whether it is likely to achieve the intended benefits (Part One);
- whether the Department set up the 2021 programme well and whether it forecasts achieving the intended benefits (Part Two);
- whether the Department and Homes England are overseeing and managing the Programme effectively (Part Three); and
- how well the Programme contributes to wider government objectives (Part Four).

We do not cover wider issues that influence the delivery of housing, such as developer profit, developer contributions or the wider land market.

Key findings

The set-up of the Programme

9 The Programme's targets focus on the number of new homes built, and there are few targets based on wider factors such as quality. The Department sets targets for the number of new homes that it wants housing providers to deliver, within a fixed budget. Under the 2021 programme (more than for the 2016 programme), the Department further specifies what tenure (type of housing) it wants housing providers to deliver. However, the Programme has no targets for the quality or size of homes, or environmental standards, and instead relies on existing building regulations and standards as well as planning permission to determine these factors. In addition to the 2021 programme's existing targets, in January 2022, the Department set out 17 outcomes it expected from it, including reduced fuel poverty and creation of mixed communities, but it did not fully define or quantify these outcomes or what would constitute success (paragraphs 1.9, 2.3, 2.5, 2.9, and 2.10, Figure 6).

10 The Department's modelling shows that the economic benefits of affordable housing outweigh the costs. The Department produces economic modelling, in line with its guidance. Under the 2021 programme, for every £1 spent, the Department expects £2.70 of benefits, with 89% of the programme's gross economic benefit arising from increasing land values. Given the Programme's size, we would expect the Department to consider commissioning an external review of its internal modelling (paragraphs 2.7 to 2.8 and Figure 5).

11 At the start of the 2016 programme, the Department agreed targets that it could not meet. At the 2015 Spending Review, the Department agreed with HM Treasury that the 2016 programme would deliver nearly twice the number of new homes for ownership than the Department's original proposal of 75,000. The Department launched the 2016 programme and publicly committed to deliver 153,000 homes, including 145,000 for ownership, for £4.7 billion. The Department told us that, with hindsight, it could not deliver the original aims of the 2016 programme, although at the time it did not seek a ministerial direction on the grounds of feasibility. Homes England initially allocated funding to providers for just 35,000 homes for ownership. From July 2016, the Department reset the programme, with a change in policy that increased the proportion of homes for rent (paragraphs 1.6 to 1.8).

12 The Department produced a full business case for the 2021 programme, but this did not follow best practice. Improving on the 2016 programme, the Department wrote a full business case for the 2021 programme. However, the Department produced the full business case after ministers had already decided to continue with a grant programme, determined funding levels and set delivery targets. Contrary to HM Treasury guidance, the Department did not consider any options other than a grant programme. Its business case did not sufficiently consider delivery risks or whether it had adequate arrangements to oversee the programme (paragraphs 1.5, 2.4 to 2.6, Figure 4).

Achieving the Programme's intended benefits

13 Under the 2016 programme, the Department forecasts that it will achieve 96% of its target for housing starts, but some of these homes will not be completed until 2032.

The Department's central forecast is that Homes England and the GLA will collectively achieve 241,000 starts, compared with a published target to deliver 250,000 starts, by March 2023. Of these, 160,500 are forecast to be grant-funded. The Department forecasts that 219,000 of the expected homes will complete by March 2025, with the remaining 22,000 homes, all in London, completing by March 2032. The Department did not set a deadline for completions (paragraphs 1.13 and 1.14, Figure 3).

14 Under the 2021 programme the Department does not now expect to fully deliver the intended benefits. The Department's central forecast is that 157,000 new homes will complete, compared with its published target of "up to 180,000 should economic conditions allow" (all grant-funded). On current forecasts, the Department does not expect to meet its sub-targets for supported homes (homes with support, supervision or care provided alongside) and is at high risk of not meeting a sub-target for rural homes. Homes England is working towards achieving an equal number of homes for rent and for ownership. So far, Homes England has allocated funding so that 47% of homes are for ownership. Housing providers have expressed interest to Homes England to deliver a higher proportion of homes for rent, if funding allowed (paragraphs 2.12 to 2.14).

15 There are significant risks that could affect both programmes which could mean fewer homes are completed than currently forecast. These include: building cost inflation; a shortage of materials and labour; planning authorities' lack of resources; delays with local utilities and highways; and the risk that housing providers may have to focus on retrospective work to ensure the safety of existing homes, such as replacing or removing cladding (paragraph 1.15).

16 The Department does not plan to carry out an evaluation of the 2016 programme but intends to evaluate the 2021 programme. While the Department does not plan to evaluate the 2016 programme, Homes England has done its own interim evaluation and intends to publish its findings later in 2022. The Department plans to conduct a formal evaluation of the 2021 programme. It intends to publish an interim update by the end of 2023 and a final report at the end of 2027 (paragraphs 1.16 and 2.11).

Homes England's Programme management (we do not assess the GLA's management of the Programme)

17 Homes England has reasonable processes to enable it to set an appropriate level of grant funding for housing providers. Homes England considers and reviews the benchmark levels of grant funding that housing providers need to deliver new homes. Grant funding is part of a wider funding mix to deliver new homes, which also includes housing providers borrowing money and using their own resources. The percentage of funding to deliver a new home that comes from grant funding has increased from an average of 18% under the 2015 programme to 25% under the 2021 programme's strategic bidding round. Homes England told us that grant funding has increased for several reasons, including for example, housing providers facing significant uncertainty about how much money they need to set aside to meet the costs of net-zero (paragraphs 3.2, 3.7 to 3.9, Figures 8 and 11).

18 Since the start of the 2021 programme, Homes England has had robust processes in place for assessing bids. In 2018, to help it meet revised delivery targets, Homes England introduced strategic (multi-site) bidding. At that time, it used less formal processes, with no objective scoring system and it selectively invited housing providers to bid. The process under the 2021 programme is robust, with an objective scoring and assessment system. Throughout the Programme, Homes England has had robust processes in place to assess bids through continuous (site-by-site) bidding (paragraphs 3.3 to 3.6, Figures 9 and 10).

The Department's oversight of the Programme

19 The Department had inadequate oversight of the GLA during the 2015 and 2016 programmes. Our review of a selection of the performance reports received by the Department from the GLA between April 2016 and April 2021 found that they provided the Department with insufficient information on the GLA's management of the Programme, for example, they lacked information on spending. When preparing for the 2021 Spending Review, the Department detected that between April 2015 and October 2021 it had given the GLA a total of £1.8 billion of funding that the GLA had committed but not yet used to pay housing providers. The Department accepts these payments were a basic error of programme management, caused by a lack of understanding within the Department and the GLA about when funding should be transferred. In October 2021, the Department identified the error, and it has since agreed with the GLA how it will reduce this balance, with funding used for the Programme. In London the GLA did not sign contracts with housing providers under the 2021 programme until the Department and GLA resolved this. As at 31 March 2022, the GLA had achieved no housing starts under the 2021 programme (paragraphs 3.14 and 3.15).

20 The Department has now identified and started to implement improvements to its governance and oversight of the Programme. The Department accepts that it needs to make improvements around data and performance reporting. It needs to develop a consistent approach to forecasting housing starts, completions and spend by Homes England and the GLA and improve its capability to stress-test and report these. The Department has two programme boards – one with Homes England, the other with the GLA – that look at the Programme exclusively. Since April 2021, the Department has an overarching programme board which monitors overall Programme delivery. The Department has applied for the 2021 programme to join the Government’s Major Projects Portfolio (paragraphs 3.10 to 3.13, 3.16 to 3.18 and Figure 12).

Contribution to wider government objectives

21 There is a lack of strong incentives for housing providers to deliver affordable homes in areas of high housing need or in the most unaffordable areas. The Department does not specify how many affordable homes local areas need, but it uses a formula to assess how many homes in total each area needs. There is not a strong match between the areas of high housing need and the areas where housing providers are delivering affordable homes under the Programme. Furthermore, housing providers are currently delivering fewer homes in more unaffordable areas – as measured by the difference between local house prices and wages. The Department directs the delivery of homes for social rent to unaffordable areas but does not direct delivery for other tenures. After the Department agrees a set amount of funding for the Programme, it must manage trade-offs between maximising the number of new homes, their type and where to deliver them (paragraphs 4.2 to 4.6, Figures 13 and 14).

22 The Programme could bring greater value to other parts of government. When designing the 2021 programme, the Department considered how it could generate cross-government benefits in relation to housing benefit spend, reducing the number of people in temporary accommodation and adult social care.¹ However, it did not include savings in temporary accommodation or adult social care costs from providing supported housing in its economic modelling. Potential savings in these areas are not factored into the way the Department allocates the programme’s funding and the kind of homes delivered. Furthermore, the government does not have a coordinated vision for the delivery of housing with care. The Department’s modelling shows that delivering new homes for social rent in London leads to significant savings in future housing benefit costs, while in five of the other eight English regions, delivering a new home for social rent increases the forecast future housing benefit cost (paragraphs 4.7 to 4.14, Figure 15).

¹ All references to housing benefit include the Universal Credit housing element.

23 The Department did not set out to use the Programme to advance the government's net zero objectives. In June 2019, the government passed legislation committing it to achieving net zero greenhouse gas emissions by 2050. The Department and Homes England did not include any specific targets relating to reducing emissions for the 2021 programme, relying on planning regulations to advance progress. The GLA, by contrast, specified that all developments of 10 or more homes under the 2021 programme, must be net zero-carbon and air quality neutral (paragraphs 4.15 and 4.16).

Conclusion on value for money

24 Since 2015, the Department has made improvements to the running of the Programme, but there are still areas it needs to address, such as data gaps, developing business cases in line with guidance and its governance and oversight. The Department has demonstrated that the 2021 programme provides economic benefits but it does not expect the programme to fully deliver on its targets. Even if the targets are met, the way the programme is designed means homes may not be built where they are needed most. The Department could be more ambitious in how the Programme supports wider government objectives, in particular how it contributes to the government's net zero commitments.

Recommendations

- 25** Before the end of 2022, the Department should:
- a** develop internal contingency plans in response to risks such as rising construction costs and a lack of bids from housing providers to deliver rural housing, to ensure it can fully meet objectives under the 2021 programme;
 - b** detail how it will transparently report, at least annually, on the Programme's progress; and
 - c** continue to implement its improvements to Programme oversight and review that they are effective.

- 26** Before the next iteration of the Programme, the Department should:
- d** consider what information it needs to improve its understanding of housing need in local areas so it can use this information to better target areas for new housing;
 - e** discuss with Homes England and the GLA what data gaps it has and how to address them in a proportionate way. This includes data to support its economic modelling, evaluate benefits and ensure adequate oversight;
 - f** gain external quality assurance over its economic modelling, and review and update its assumptions;
 - g** set out how it intends to engage with Homes England, the GLA and housing providers, before setting delivery targets; and
 - h** review how the Department sets and monitors the Programme's targets and sub targets and be clear how the Programme is contributing, when feasible, to wider government objectives, such as net zero and savings for other departments and local government.

Part One

The 2015 and 2016 programmes

1.1 This part of the report explains how the Affordable Homes Programme (the Programme) works, reports on the Affordable Homes Programme 2015–2018 (2015 programme) and examines progress of the Shared Ownership and Affordable Homes Programme 2016–2023 (2016 programme).

The Programme – an overview

1.2 The Department for Levelling Up, Housing & Communities (the Department) intervenes in the housing market to try to ensure there is sufficient supply of affordable housing. A lack of affordable homes causes social inequalities and can increase cost pressures elsewhere in central and local government, such as on housing benefit payments and temporary accommodation.² Affordable housing is housing for sale or rent intended for those whose needs the market does not meet. The Programme provides grant funding to housing providers in England to support the costs of delivering affordable homes. The Programme has distinct iterations based on funding periods or policy changes.

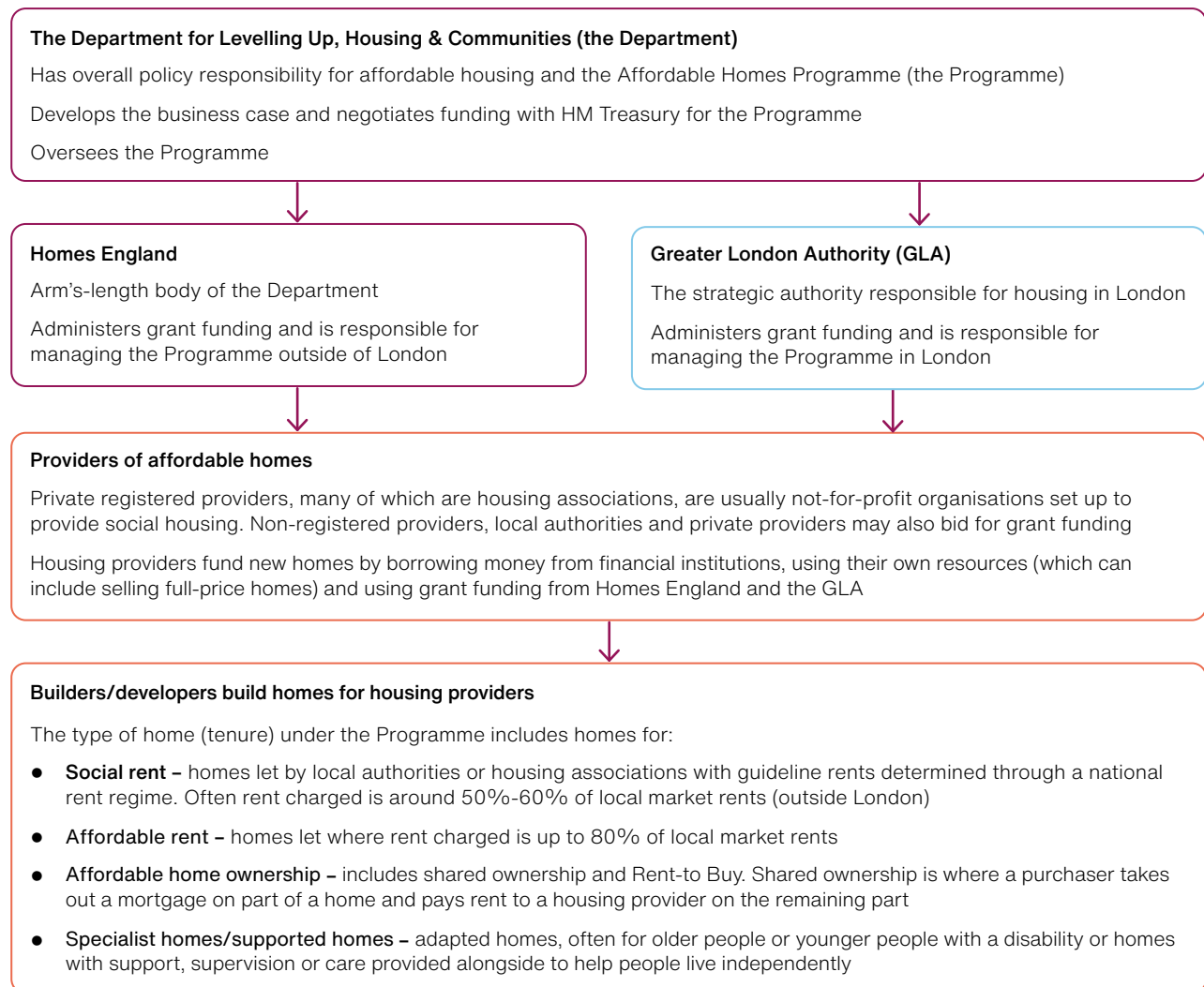
1.3 **Figure 1** overleaf sets out how the Programme works. The Department oversees the Programme. It devolves management of the Programme to Homes England (outside London) and to the Greater London Authority (GLA) in London. Housing providers deliver new homes.

² All references to housing benefit include the Universal Credit housing element.

Figure 1

How the Affordable Homes Programme works

Homes England and the Greater London Authority manage the Affordable Homes Programme for the Department for Levelling Up, Housing & Communities



□ Central government body

□ Local government body

□ Independent bodies

→ Money flow

Notes

1 The Programme operates in England only.

2 Within London, 'London Affordable Rent' is classified as social rent as it uses social rent-based benchmarks.

3 Affordable home ownership also includes intermediate market rent and other intermediate market products (including 'London Living Rent' in London) because the intention is for a person to subsequently buy a home.

Source: National Audit Office analysis of Department for Levelling Up, Housing & Communities documents

The 2015 programme

1.4 The 2015 programme was started by the coalition government but was cut short after the 2015 general election. Under the 2015 programme, housing providers outside London completed 36,403 grant-funded homes, 86% for rent (including specialist or supported homes). Homes England forecast that in real terms it will pay housing providers £994 million (2021-22 prices) between 2014-15 and 2022-23. Housing providers in London completed 9,082 grant-funded homes, 58% for rent (including specialist or supported homes).³ The GLA forecast that in real terms it will pay housing providers £669 million (2021-22 prices) between 2015-16 and 2025-26. Appendix One has a breakdown of completions (as at 31 March 2022) and funding.⁴

The initial 2016 programme

1.5 As part of the 2015 Spending Review, the Department sought funding for the 2016 programme. The Department did not prepare a full business case for the 2016 programme as part of its request for funding from HM Treasury.

1.6 At the 2015 Spending Review, the Department agreed with HM Treasury that the 2016 programme would deliver nearly twice the number of new homes for ownership than the Department's original proposal. The Department's original proposal was to deliver 85,000 homes, including 75,000 for ownership, between 2016-17 and 2020-21. The Department recognised risks that it would be difficult for housing providers to deliver this. In its original proposal, the Department did not fully assess the extent to which housing providers would be able, or willing, to deliver new homes for ownership. The Department launched the 2016 programme and publicly committed to deliver 153,000 homes, including 145,000 for ownership, for £4.7 billion. The Department told us that, with hindsight, it could not deliver the original aims of the 2016 programme, although at the time it did not seek a ministerial direction on the grounds of feasibility.

1.7 Housing providers showed limited interest in the initial 2016 programme. For delivery outside London, Homes England ran a bid round with £2.6 billion of funding available, of which £2.3 billion was for home ownership. Homes England allocated £1.1 billion for 35,000 homes for ownership, less than half of its available budget for that tenure. Several housing providers we spoke to, who mainly manage homes for social rent, told us that the strong focus on home ownership was unattractive and difficult to deliver.

³ These data only include homes completed after 1 April 2016 in London.

⁴ Some completions may occur in future years under the 2015 programme.

The revised 2016 programme

1.8 In July 2016, a new government formed and changed the policy objectives of the 2016 programme to include more homes for rent. Responding to the bid round, the Department made the following changes:

- The Department reset its targets (paragraph 1.6) and further revised these on several occasions, before committing to a final target for the 2016 programme (see paragraph 1.9).
- Between November 2016 and June 2018, the Department told us it increased the budget of the 2016 programme to £9.8 billion (this includes all GLA spend under the 2015 programme and a large proportion of Homes England's 2015 programme spend). The Department has not been able to provide a full audit trail of how much funding was transferred from the 2015 programme but estimates it was approximately £0.7 billion.
- In spring 2018, the Department extended the deadline for housing starts by a year to March 2022. In July 2020, the Department extended the 2016 programme by a further year. The Department told us delays caused by the COVID-19 pandemic were part of the reason for this.
- Alongside these changes to the 2016 programme, in October 2017 the Department announced that housing providers could increase social rents in line with the Consumer Prices Index (CPI) plus 1% between 2020 and 2025. Housing providers, therefore, had greater certainty over future income which put them in a stronger position to deliver new homes.

Achieving the benefits of the 2016 programme

1.9 In June 2018, the Department set its revised and final targets for the 2016 programme. Its published target is to deliver 250,000 new homes. It set a lower internal target for 246,000 new homes; Homes England to achieve 130,000 housing starts and the GLA to achieve 116,000 housing starts. When a housing provider builds a home with no grant funding, Homes England or the GLA may record this as a 'no grant' home and include it within the 2015 or 2016 programmes. Towards the 2016 target, Homes England can count homes under the 2015 programme (if Homes England allocated funding after December 2015) and up to 13,000 homes that housing providers start with no grant funding. The GLA target includes all homes started since 1 April 2015 from all housing initiatives that receive government funding (including the 2015 and 2016 programmes) and any homes housing providers deliver with no grant funding.⁵

⁵ Homes England has a sub-target to start 12,500 homes for social rent. The GLA has a sub-target to start 58,500 homes for ownership. Homes England has no sub-targets for ownership.

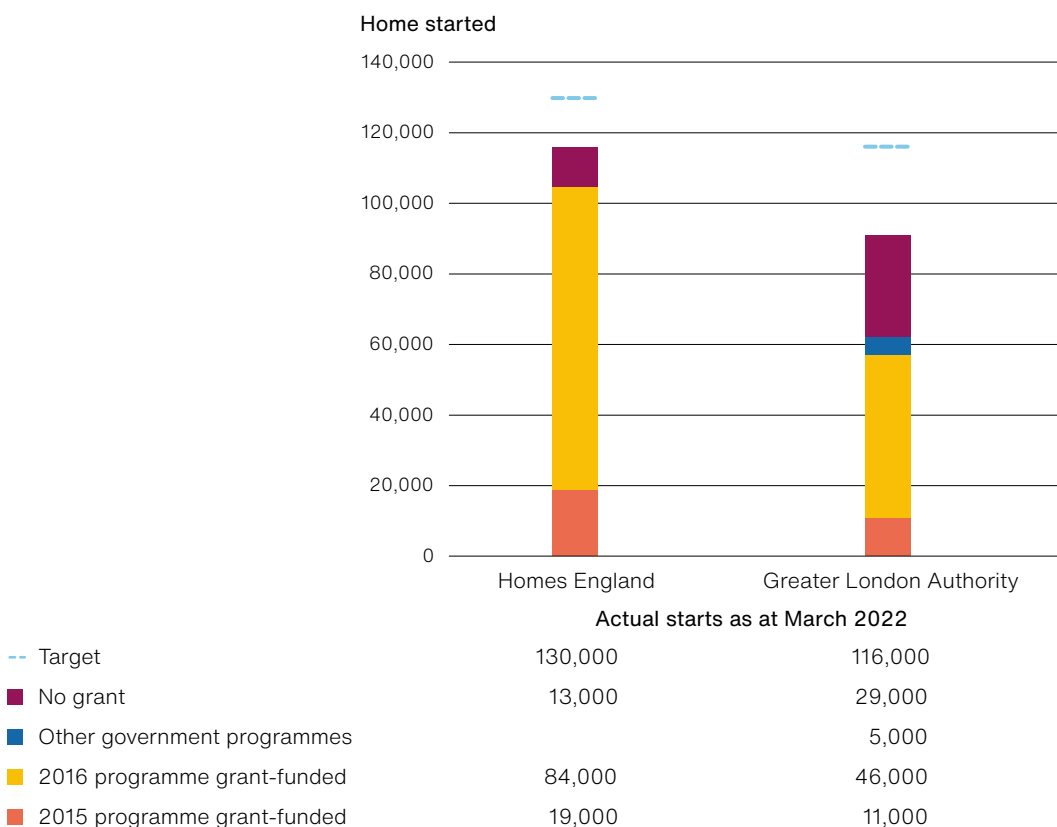
Performance so far

1.10 Figure 2 details progress so far, compared with targets. So far, Homes England has achieved 89% of its housing starts target and the GLA has achieved 78% of its housing starts target.

Figure 2

Homes England’s and the Greater London Authority’s housing starts, under the 2016 Affordable Homes programme, compared with target

Homes England has achieved a higher percentage of its target housing starts than the Greater London Authority



Notes

- 1 Housing starts are recorded when a housing provider reports work having started on a property and is recorded on Homes England’s or the Greater London Authority’s information management system. Starts as at 31 March 2022.
- 2 The Affordable Homes Programme (the Programme) allows Homes England to count 13,000 homes that housing providers deliver with no grant funding against the target (‘no grant’). It also allows Homes England to include grant-funded homes from the Affordable Homes programme 2015–2018 if Homes England allocated funding after December 2015.
- 3 The Programme allows the Greater London Authority to count homes started after 1 April 2015 that are grant-funded from either the 2015 Affordable Homes programme or the 2016 Affordable Homes programme against the target. It also includes funding from other government programmes and homes that housing providers deliver with no grant-funding.
- 4 For the Greater London Authority, ‘2016 programme grant-funded’ includes homes delivered with ‘Move on’ homelessness programme funding.
- 5 Starts are rounded to the nearest thousand homes.

Source: National Audit Office analysis of Homes England and Greater London Authority data

1.11 As at 31 March 2022, Homes England had achieved 116,000 housing starts. Of these:

- 84,000 homes were grant-funded under the 2016 programme;
- 19,000 homes were grant-funded under the 2015 programme (these homes are included within the Department's total for homes delivered through the 2015 programme, see paragraph 1.4); and
- 13,000 homes were delivered by housing providers with no grant funding.

As at 31 March 2022, the GLA had achieved 91,000 housing starts. Of these:

- 46,000 homes were grant-funded under the 2016 programme;
- 11,000 homes were grant-funded under the 2015 programme (see paragraph 1.4);
- 29,000 homes were delivered by housing providers with no grant funding; and
- 5,000 homes were from other government programmes.

1.12 Figures 17 and 18 in Appendix One provides a full breakdown of housing completions, as at 31 March 2022. Housing providers (outside London) have delivered 52,598 grant-funded homes under the 2016 programme, of which 56% are for rent (including specialist or supported homes). In London, housing providers have delivered 15,544 grant-funded homes under the 2016 programme, of which 45% are for rent (including specialist or supported homes).

Forecast performance

1.13 The Department's central forecast is that it will achieve 241,000 housing starts by March 2023. This will mean that it will achieve 96% of its target for 250,000 homes. Of these housing starts, 160,500 are forecast to receive grant funding through the 2016 programme, with the remaining homes delivered with no government funding or delivered through the 2015 programme or other government programmes. The Department forecasts that in real-terms it will spend £8.5 billion (2021-22 prices) in total on the 2016 programme: £4.3 billion through Homes England and £4.2 billion through the GLA. Appendix One has a breakdown of forecast spend.

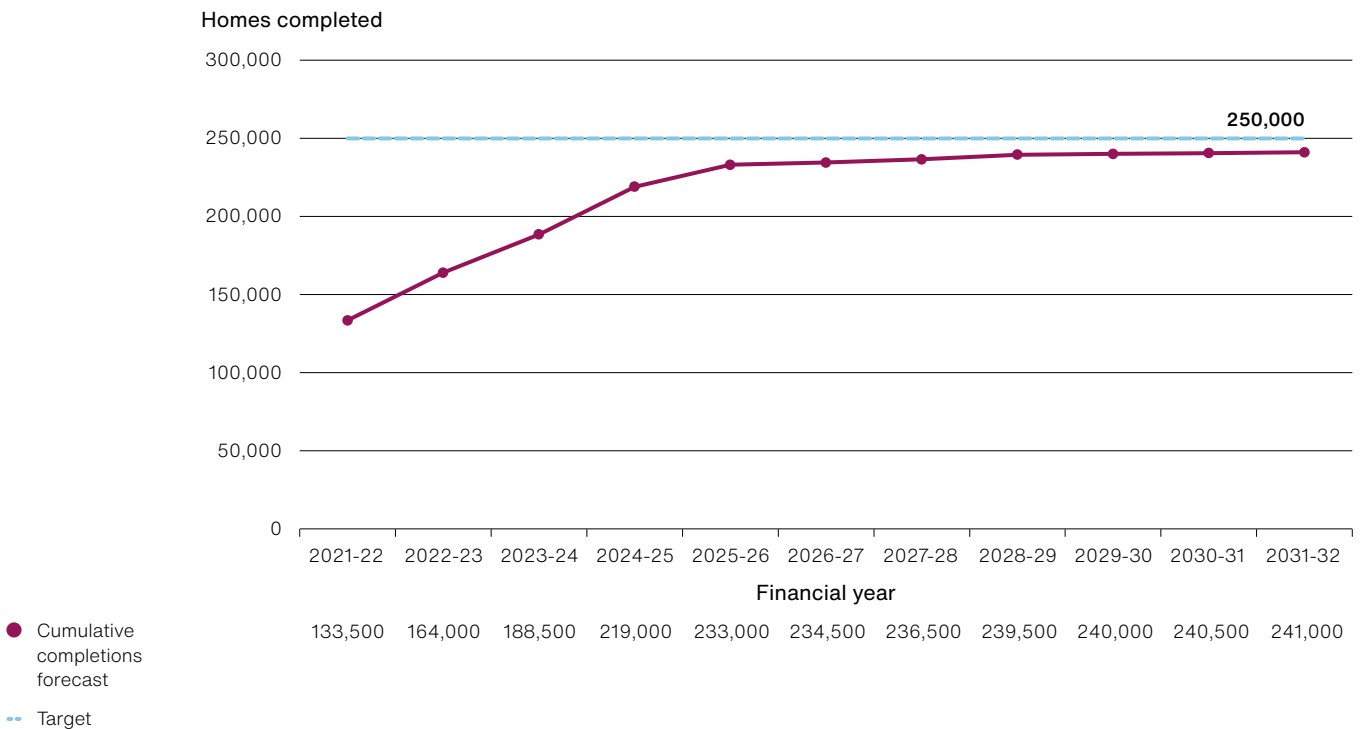
Forecast completions

1.14 The Department forecasts that 219,000 of the expected homes will complete by March 2025, with the remaining 22,000 homes, all in London, completing by March 2032. (Figure 3). The Department did not set a deadline for housing completions. The Department forecasts that by the end of the 2016 programme, housing providers will complete 58% of grant-funded homes for rent (including specialist or supported homes). This is higher than the 53% completed for rent (including specialist or supported homes) as at 31 March 2022. This reflects policy changes made after October 2016 (see paragraph 1.8) which incentivised homes for rent. The Department’s forecasts are slightly uncertain because housing providers have some flexibility to change the tenure of homes, as they complete.

Figure 3

The Department for Levelling Up, Housing & Communities forecast of when housing providers will complete homes under the 2016 Affordable Homes programme

More than half the target number of homes have completed



Notes

- 1 A housing completion is defined when a housing provider finishes building a home and the home is ready for occupation, and it is recorded on Homes England's or the Greater London Authority's information management system.
- 2 The Department's target is to deliver 250,000 new homes.
- 3 From 2022-23 onwards, the housing completions total is the forecast cumulative total by year.
- 4 Housing completions are rounded to the nearest 500.

Source: National Audit Office analysis of Homes England's and Greater London Authority's internal data

1.15 The Department, Homes England and the GLA have identified several risks which could delay or potentially lead to fewer housing completions compared with current forecasts:

- **Supply shortages** – housing providers report delays over the delivery of parts and materials. Not all housing providers can bulk-buy to mitigate against this.
- **Cost inflation** – housing providers report sharp increases in the costs of materials, including timber, steel, cement, and bricks. They report likely increases in energy costs. Some housing providers report that contractors are wary of committing to fixed-price contracts, given inflationary pressures. Developers may prioritise delivering homes for market sale over affordable homes.
- **Labour shortages** – housing providers say these are partly explained by stronger immigration controls after the UK exited the European Union, combined with restrictions arising from the COVID-19 pandemic. The shortage of labour also affects the supply chain, for example a shortage of delivery drivers to transport materials.
- **Planning authorities lacking resources to process applications** – housing providers report delays in getting homes started and completed due to staff shortages at local authorities who manage the planning system.
- **Delays with utility companies, local building control and the Highways Agency** – housing providers report delays with utilities, local government and agencies which slows down delivering new homes.
- **Building safety** – the risk that housing providers may have to focus their resources on retrospective work to ensure the safety of existing homes, such as replacing or removing cladding, rather than delivering new homes.

These risks are also relevant to the 2021 programme.

Programme evaluation

1.16 The Department does not plan to evaluate the 2016 programme. However, Homes England has done its own interim evaluation of the 2016 programme (outside London) and intends to publish its findings later in 2022.

Part Two

The 2021 programme

2.1 This section of the report examines the Affordable Homes programme 2021–2026 (2021 programme). This iteration of the Affordable Homes Programme (the Programme) runs concurrently with the 2016 programme. The Department for Levelling Up, Housing & Communities' (the Department's) intention is that housing providers will start homes between April 2021 and March 2026 and complete all homes by March 2029.

2021 programme design

2.2 In September 2018, the government announced an initial £2 billion funding for the 2021 programme, split evenly between Homes England and the Greater London Authority (GLA). At the March 2020 Budget, the government announced an extra £9.4 billion funding for the 2021 programme, bringing the total to £11.4 billion. In September 2020, the Department launched the 2021 programme. It announced £7.4 billion of funding for Homes England (for delivery outside London) and £4 billion for the GLA (for delivery in London). This marked a policy change as, since November 2016, the Department had split new funding 50:50 between Homes England and the GLA. Under the 2021 programme, the split is 65:35 between Homes England and the GLA.

2.3 The Department's published target for new homes differs from its internal expectations. The Department's public target is to fund "up to 180,000 new homes, should economic conditions allow". The Department's final business case sets out a target of between 157,000 and 165,000 new homes. Of these, Homes England has a target to deliver between 122,000 and 130,000, and the GLA has a target to deliver 35,000. The Department considered 165,000 new homes to be a "stretch target". However, it agreed to HM Treasury's condition of funding that it would have a public target of "up to 180,000 new homes". All homes under the 2021 programme are grant-funded.

2021 full business case

2.4 The Department submitted its full 2021 programme business case for HM Treasury approval in September 2021. In 2020, the Department received HM Treasury approval for a previous version, but the Department had to re-submit a new business case for approval as part of the 2021 Spending Review.

2.5 The Department wrote a full business case for the 2021 programme, but this does not follow best practice. For example, its business case did not sufficiently consider delivery risks or whether it had adequate arrangements to oversee the programme (**Figure 4**). The Department did specify what tenure (type of housing) it wants housing providers to deliver and included sub-targets on supported housing. However, the Department has no targets around the quality of homes, size of homes or environmental standards and relies on existing building and planning regulations.

Figure 4

Analysis of the Department for Levelling Up, Housing & Communities' full business case for the 2021 Affordable Homes programme

The Department for Levelling Up, Housing & Communities' (the Department's) business case could have been stronger in each part

Business case part	Summary of part	National Audit Office assessment of key issues
Strategic case	The Department included the rationale for the programme, partially linking these to existing policies or strategies.	<p>The targets focused on home starts and completions, with sub-targets for supported housing. There were few targets based on wider factors around the quality of homes, size of homes, geographical split to areas with higher housing need (apart from social rent) or environmental objectives.</p> <p>The Department outlined existing planning policies, but the programme did not set any net zero targets.</p>
Financial case	The Department did not prepare a financial appraisal because it agreed funding at Budget 2020.	The Department requested fixed capital budgets and not flexible budgets. (At the 2021 Spending Review, the Department secured some flexibility for its overall capital budget.)
Economic case	The Department assessed the economic case for its chosen option only. The Department has a consistent model in place to assess the benefits and costs of different options.	<p>The Department prepared the model in line with its appraisal guide.</p> <p>Due to a lack of data, the Department uses assumptions. The model is highly sensitive to several assumptions, for example:</p> <ul style="list-style-type: none"> – The Department based its assumptions around how much housing is additional on academic research from 2015. It intends to review its assumptions ahead of future iterations of the Programme. – The Department based its assumptions around how many homes housing providers deliver per hectare, on market sales. It does not know if housing providers deliver social homes at the same density. <p>The model does not include savings from the expected impact of 8,500 fewer households in temporary accommodation. The model does not include potential savings from local authority adult social care budgets, through the delivery of supported housing and other housing tenures, which may lower care costs.</p> <p>The Department quality-assures its model internally through analysts. Given the size of the programme, we would expect senior analysts to review the model and for the Department to consider external quality assurance.</p>

Figure 4 *continued*

Analysis of the Department for Levelling Up, Housing & Communities' full business case for the 2021 Affordable Homes programme

Business case part	Summary of part	National Audit Office assessment of key issues
Commercial case	The Department assessed how to deliver the programme.	The Department did not consider in detail commercial risks associated with housing providers, such as cost inflation. The Department made limited references to the costs of net zero and building safety that housing providers may face.
Management case	The Department assessed how to monitor and oversee the programme.	<p>The Department did not assess whether it had adequate arrangements for programme governance.</p> <p>The business case included a risk register within its annex, with risks rated and mitigations outlined. The Department did not identify risks over the capability or capacity of delivery bodies.</p> <p>The business case does not reference workshops or engagement with stakeholders over arrangements for successful delivery.</p> <p>The Department secured funding to carry out an evaluation but did not set out a full timetable as to when this will take place.</p>

Source: National Audit Office analysis of Department for Levelling Up, Housing & Communities' full business case for the 2021 programme

2.6 Within its business case, the Department did not adequately consider alternative options to a grant programme. Under HM Treasury's guidance, departments must consider alternative ways to deliver policy objectives and go through a three-stage approval process, preparing: a strategic outline case, an outline business case and a full business case. In this instance, the Department prepared a full business case after ministers had already decided to continue with a grant programme, determined funding levels and set delivery targets. Before these decisions, the Department considered a significantly larger grant programme, but ministers rejected this option.

Economic modelling

2.7 The Department's modelling shows that the economic benefits of the programme are higher than the costs. Following the Department's appraisal guide, for every £1.00 spent, the programme provides £2.70 of benefits, with 89% of the programme's net benefit to society arising from 'land value uplift' (increase in land values).

2.8 Based on the Department's benefit-cost ratio, development in London provides more than twice as much economic benefit as the same development in most other English regions. The Department analyses the benefit-cost ratio by region and tenure. The greater economic benefit from London development is mainly due to higher land value uplift and, to a lesser extent, forecast savings from future housing benefit spend. In all regions, the economic benefits from providing homes for rent are higher than for home ownership (**Figure 5** overleaf).

Figure 5

The Department for Levelling Up, Housing & Communities' benefit-cost ratio for different types of home, by region, for the 2021 Affordable Homes programme

Development in London is assessed as providing twice as much economic benefit compared with most other English regions

	Social rent and specialist housing	Affordable rent	Affordable home ownership	Whole programme
North East	1.5	1.5	1.2	1.4
North West	1.9	1.9	1.5	1.8
Yorkshire and the Humber	1.8	1.8	1.5	1.7
East Midlands	1.8	1.9	1.5	1.7
West Midlands	2.2	2.3	1.9	2.1
East of England	2.8	2.8	2.5	2.7
London	5.0	n/a	4.3	4.8
South East	2.7	2.6	2.5	2.6
South West	2.2	2.2	1.9	2.1
Whole programme	3.4	2.2	2.5	2.7

Notes

- 1 The economic modelling was submitted by the Department to HM Treasury as part of its 2021 Affordable Homes programme full business case.
- 2 The Department calculates the benefit-cost ratio by region and tenure, based on its appraisal guide. It makes assumptions around how many, where, and when housing providers will deliver.
- 3 The term tenure refers to the type of home built. The possible tenures, under the 2021 Affordable Homes programme, are social rent, affordable rent, affordable home ownership and supported or specialist housing.
- 4 Affordable home ownership includes shared ownership and intermediate rent.
- 5 In the 2021 Affordable Homes programme, London only has a small number of homes for affordable rent, so the Department did not calculate a benefit-cost ratio for these.

Source: National Audit Office analysis of Department for Levelling Up, Housing & Communities' documents

Outcomes and evaluation

2.9 In January 2022, the Department agreed its 'theory of change,' for the 2021 programme, which explains what the Department intends the 2021 programme to do. It has three policy goals:

- increase access to secure, safe and decent homes for households who cannot otherwise afford to buy or rent a home at the market price;
- increase home-ownership across England, among those that might not otherwise be able to buy their own home; and
- positive impacts for wider communities and society.

2.10 The ‘theory of change’ also sets out 17 outcomes (five short-term, 12 medium-to long-term) that the Department expects from the programme. These outcomes are in addition to the programme’s existing targets. The Department did not fully define or quantify these outcomes or what would constitute success. For example, it did not define what an area of need is for new homes, nor did the Department quantify expected reductions in fuel poverty and the creation of mixed communities that it intends to achieve through the Programme (**Figure 6** overleaf).

2.11 The Department plans to conduct a formal evaluation of the 2021 programme. It intends to publish an interim update by the end of 2023 and publish its final report at the end of 2027.

Forecast progress against targets

2.12 At the start of May 2022, Homes England and the GLA had collectively allocated £9.2 billion of the £11.4 billion cash budget for the 2021 programme, for 131,000 new homes. The Department’s central forecast is that 157,000 new homes will complete, compared with its published target of “up to 180,000 should economic conditions allow” (**Figure 7** on page 27). The forecasts are uncertain because they are largely based on original bids made by housing providers and agreed in August 2021. Around 51% of homes under the 2021 programme are forecast to be for rent (including specialist and supported homes). The Department forecasts that in real-terms it will spend a total of £10.5 billion (2021-22 prices) on the 2021 programme: £6.9 billion through Homes England and £3.6 billion through the GLA.

2.13 The Department does not now expect to fully deliver the intended benefits of the 2021 programme. On current forecasts, it does not expect to meet its sub-target for 10% supported homes. Homes England is at high risk of missing its sub-target for 10% of homes in rural areas. As at May 2022:

Supported housing:

- Homes England allocated funding for 8,471 new supported homes out of a target of between 12,200 and-13,000. It identifies a medium level of risk that it will not meet the 10% target.
- The GLA allocated funding for 325 new supported homes out of a target of 3,500. The GLA has told the Department in a formal return that it thinks the target is unachievable. It set out several barriers to development including concerns about whether associated revenue funding will be available.

Rural housing:

- Homes England allocated funding for 7,439 new rural homes out of a target of 12,200 and -13,000. It identifies a high risk that it will not meet the target.
- The GLA has no targets for rural homes as it covers London only.

Figure 6
The Department for Levelling up, Housing & Communities' outcomes for the 2021 Affordable Homes programme
The Department for Levelling up, Housing & Communities (the Department) did not fully define or quantify its outcomes for the programme



Primary outcome Secondary outcome

Note

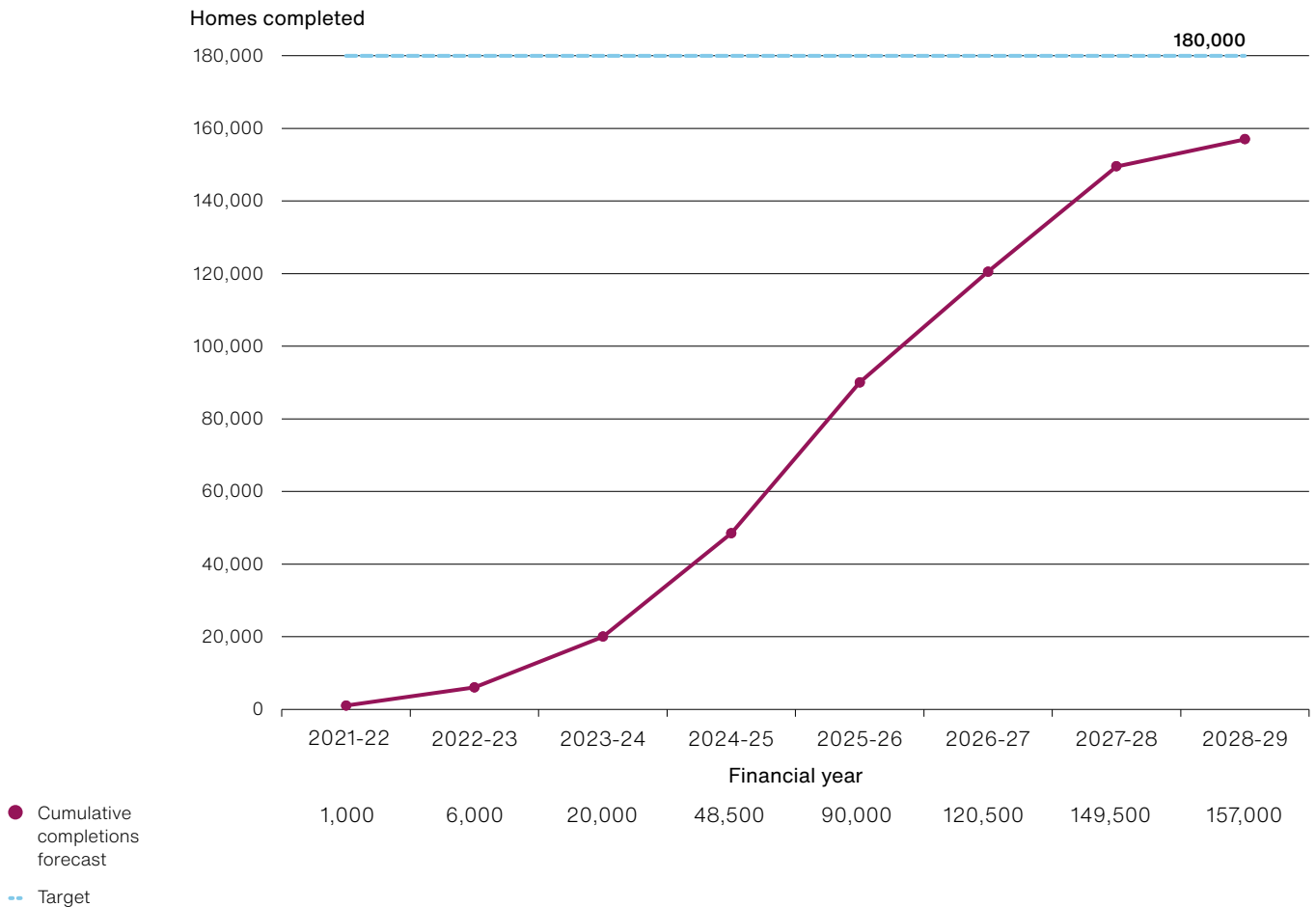
1 We have simplified the phrasing of some outcomes to improve readability. The outcomes were agreed in January 2022 through the Department's agreed theory of change for the programme.

Source: National Audit Office analysis of Department for Levelling Up, Housing & Communities' documents

Figure 7

Forecast completions under the 2021 Affordable Homes programme

The Department for Levelling Up, Housing & Communities (the Department) forecasts that the building of all new homes will have finished by March 2029, with a 23,000 shortfall compared with its target



Notes

- 1 A housing completion is defined when a housing provider finishes building a home and the home is ready for occupation and is recorded on Home England’s or the Greater London Authority’s information management system.
- 2 The Department’s target is to complete “up to 180,000 new homes, should economic conditions allow”.
- 3 From 2022-23 onwards, the housing completions total is the forecast cumulative total by year.
- 4 Housing completions are rounded to the nearest 500.

Source: National Audit Office analysis of Homes England and Greater London Authority internal data

2.14 Homes England is working towards achieving an equal number of homes for rent (including specialist or supported homes) and for ownership. By May 2022 Homes England has allocated funding so that 47% of homes are for ownership. At this time, Homes England has allocated funding for 53,902 homes for rent (including specialist or supported homes) and 47,606 homes for ownership. Housing providers have expressed interest to Homes England to deliver a further 15,000 homes for rent, compared with just 4,500 for ownership (if funding allowed).

Part Three

Programme management

3.1 This section of the report assesses Homes England's management of the Affordable Homes Programme (the Programme) and the Department for Levelling Up, Housing & Communities' (the Department's) governance arrangements and oversight. Outside London, Homes England sets benchmark grant funding, appraises bids for funding and provides ongoing management and monitoring of the Programme.

Setting levels of grant funding

3.2 Homes England has reasonable processes to enable it to set benchmarks over how much grant funding housing providers need (**Figure 8**). Grant funding is what housing providers need to deliver a home after they have considered other funding sources, such as borrowing money and using their own resources. These benchmarks support the preparation of the Department's funding bid to HM Treasury. Homes England uses these benchmarks as a baseline when assessing bids from housing providers for funding to determine whether a housing provider is asking for appropriate amounts of funding for that type of home.

Appraisal of bids

3.3 Apart from one bid round in 2016 (paragraph 1.7), Homes England appraises bids through continuous bidding or strategic bidding routes. Continuous bidding is where housing providers bid for funding on a site-by-site basis. Strategic bidding is where housing providers bid for funding to deliver homes on multiple sites across a region.

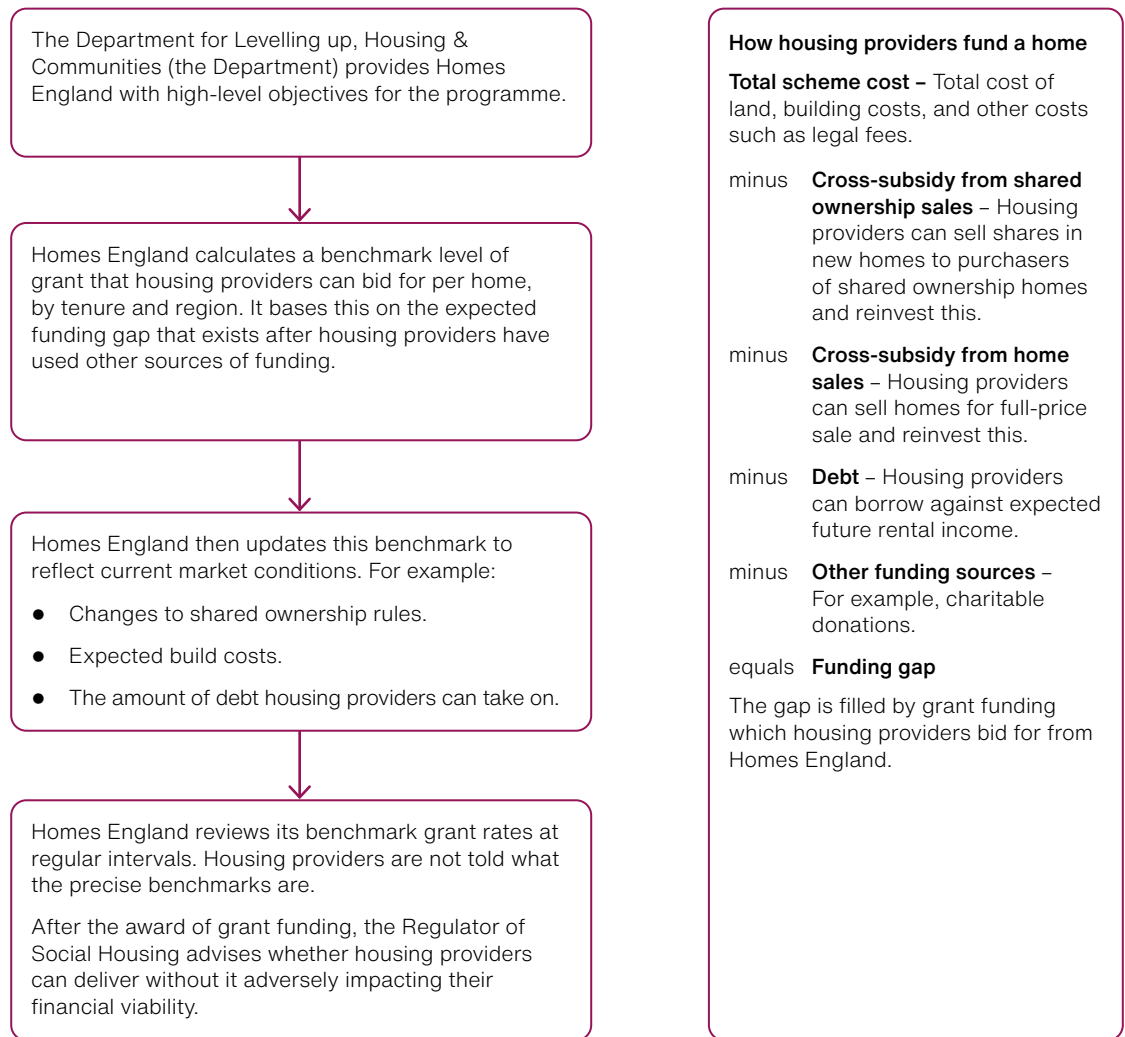
Continuous bidding

3.4 Since the start of the 2015 programme, Homes England has had robust processes in place to assess bids through continuous bidding. In our 2012 report, *Financial viability of the social housing sector: introducing the Affordable Homes Programme*, we recommended that Homes England develop a clearer scoring assessment for bids. Since the start of the 2015 programme, Homes England has put this in place. The aims of continuous bidding are to minimise costs, deliver new homes and support wider strategic goals (**Figure 9** on page 30).

Figure 8

Homes England’s benchmarks for grant funding for the Affordable Homes Programme

Homes England has processes to benchmark grant funding based on what housing providers need after they have used other sources of funding



➔ Next step in the process

Source: National Audit Office analysis of Homes England’s documents

Figure 9

Continuous bidding for the Affordable Homes Programme

Homes England assesses bids for funding through a process of continuous bidding

Process for a successful bid	Controls and definitions
To be eligible to bid, housing providers must apply to become investment partners with Homes England.	Homes England undertakes due diligence on housing providers. It confirms the identity, nature and contact information of the provider.
Housing providers submit bids for funding on a site-by-site basis, through Homes England's Information Management System (IMS).	Homes England reviews a sample of grant-funded bids from housing providers each year, based on risk, to ensure that housing providers supply reasonable cost data.
Homes England scores bids using an objective assessment for: <ul style="list-style-type: none"> ● value for money; and ● deliverability. 	Value for money – minimising the grant funding needed per home. Deliverability – whether the scheme will be delivered within the expected timeframe. Homes England considers whether land has been bought and whether local authorities have approved planning permission.
Homes England subjectively assesses the strategic fit and considers this alongside the objective assessment.	Strategic fit – alignment with strategic objectives, for example meeting levels of supported or rural housing needed.
Homes England's local, regional and national teams review the bid before a final decision to allocate funding.	At any stage Homes England may reject a bid or seek further information from a housing provider about its bid.
If Homes England agrees to grant-fund a new home, the housing provider receives funding in instalments, typically when it meets delivery milestones.	Homes England audits a selection of bids each year, to confirm all information provided is accurate. Homes England samples on a risk basis. For the 2020-21 audit, Homes England awarded 25% of sampled housing providers a red or amber grade (not fully compliant with grant-funding conditions). This represents under 3% of sampled funding, with a higher proportion of incorrect claims from local authorities.

Source: National Audit Office analysis of Homes England's documents and walk-through of process

Strategic bidding

3.5 In 2018, Homes England set up strategic bidding to encourage housing providers to deliver more homes at scale, and to help it meet revised delivery targets under the 2016 programme. Homes England classified successful bidders as strategic partners and gave them greater flexibility and autonomy to deliver new homes. Homes England based the strategic partner model on the Greater London Authority (GLA), who pioneered strategic partnerships earlier. The Department intends for strategic partners to buy land on the open market and develop it. For the 2021 programme, the Department decided to allocate most funding through strategic bidding, with housing providers competitively bidding for funding.

3.6 In 2018, Homes England commissioned an organisation with a housing consultancy arm to start and lead the process. Select housing providers were invited to bid and Homes England did not have an objective scoring system, although it did have some controls around value for money and deliverability. Homes England has made improvements under the 2021 programme for strategic bidding, which is now a robust process. Bidding under the 2021 strategic round was competitive, with an objective scoring system to assess bids, from which Homes England then prepared four options for how much funding it should allocate to housing providers (**Figure 10** below and overleaf).

Figure 10

Comparison of strategic bidding rounds run by Homes England for the 2016 and 2021 Affordable Homes programmes

Homes England has processes to assess bids under strategic bidding from housing providers

	2018 strategic bidding round	2021 strategic bidding round
Main purpose	<p>For housing providers to deliver at scale to meet targets under the 2016 programme.</p> <p>To increase the delivery of new homes in the South East and South West.</p>	<p>For Homes England to develop longer-term relationships with housing providers.</p> <p>To ensure a higher percentage of grant funding was bid for on a competitive basis.</p>
Set-up	<p>Homes England commissioned an organisation with a housing consultancy arm to manage the process. Ninety housing providers were selected and invited to submit bids for funding from Homes England.</p> <p>Bidding took place over three bid rounds.</p>	<p>Homes England offered the opportunity for housing providers to become:</p> <ul style="list-style-type: none"> • a long-term strategic partner – £1 billion of funding reserved for existing housing providers successful under the 2018 round to bid into if they could deliver more than 4,000 homes. • a strategic partner- open to all housing providers who could bid for funding if they committed to delivering more than 1,500 homes. <p>Bidding took place between 7 April and 18 May 2021. Housing providers could individually bid for up to £250 million.</p>
Bidding assessment	<p>Homes England did not have an open process for housing providers to submit bids in the first two rounds.</p> <p>It did not have an objective scoring system in place to assess bids in any round.</p> <p>Homes England assessed bids for:</p> <ul style="list-style-type: none"> • value for money; and • deliverability. 	<p>Homes England assessed bids for:</p> <ul style="list-style-type: none"> • benefit-cost ratio • strategic fit; and • deliverability. <p>Homes England had formal processes in place for bid submission and assessment and had an objective method for assessing bids.</p>

Figure 10 *continued*

Comparison of strategic bidding rounds run by Homes England for the 2016 and 2021 Affordable Homes programmes

	2018 strategic bidding round	2021 strategic bidding round
Evaluation of options for allocating funding	<p>Homes England did not prepare options for allocating funding. Across the three bid rounds, it approved funding for 27 housing providers, allocating £1.74 billion to deliver 39,431 homes.</p> <p>Homes England has since reviewed forecasts and expects housing providers to deliver 42,445 homes with £1.92 billion of funding (it allocated further funding to chosen housing providers).</p>	<p>Homes England prepared four options:</p> <ul style="list-style-type: none"> ● Option 1–23 housing providers to deliver 66,980 homes for £3.78 billion. ● Option 2–28 housing providers to deliver 80,649 homes for £4.62 billion. ● Option 3–31 housing providers to deliver 89,466 homes for £5.16 billion. ● Option 4–35 housing providers to deliver 98,613 homes for £5.68 billion. <p>Option 3 was recommended and taken forward as it provided a more even geographical split of funding and homes. For example, the Yorkshire and Humber region saw its share of investment increase by 80% through Option 3 compared with Options 1 or 2.</p>
Housing provider feedback	<p>From Homes England's survey of housing providers, and our own interviews, we found some housing providers liked that:</p> <ul style="list-style-type: none"> ● Homes England launched the programme quickly and collaboratively (with those housing providers invited); ● there was greater flexibility over where and what to deliver; and ● there was a more 'grown up' partnership with Homes England. <p>A Homes England review found that housing providers would have liked to see some improvements:</p> <ul style="list-style-type: none"> ● More time to prepare bids. ● A reduction in micro-management over time by Homes England. ● Reduced potential that housing providers compete for land and deliver at similar times, potentially driving up costs. 	<p>Some housing providers that we spoke to found the bidding process to be a positive experience. They said:</p> <ul style="list-style-type: none"> ● the bidding system was straightforward; and ● the new online system used to submit bids was an improvement. <p>However, we also found that some housing providers that we spoke to:</p> <ul style="list-style-type: none"> ● noted lengthy delays to signing contracts with Homes England, after Homes England allocated funding. This could disrupt future delivery; and ● wanted to bid for more grant funding than the cap of £250 million.

Notes

- 1 Strategic bidding in 2018 took place under the Shared Ownership and Affordable Homes programme 2016–2023.
- 2 Strategic bidding in 2021 took place under the Affordable Homes programme 2021–2026.
- 3 Strategic bidding refers to bidding for longer-term grant funding from Homes England as part of the Affordable Homes Programme, to deliver a set number of homes.

Source: National Audit Office analysis of Homes England's documents and walk-through of the bidding rounds

Cost of new homes

3.7 Homes England assesses data, including land costs, build costs and grant funding allocated to housing providers by region and tenure, when it allocates funding for new homes. Grant funding is part of a wider funding mix to deliver new homes, which also includes housing providers borrowing money and using their own resources. Homes England holds data for continuous bidding and strategic bidding on different systems. Some of the housing providers we spoke to told us that the Information Management System (IMS) used for continuous bidding was old and difficult to use. The system also limits the analysis that Homes England can perform in a timely manner. Homes England is exploring how to improve it.

3.8 We reviewed but did not audit data from Homes England for the 2015 and 2016 programmes and data for levels of grant funding under 2021 strategic bidding. Due to limitations with IMS, it was not possible to undertake extensive analysis. We found:

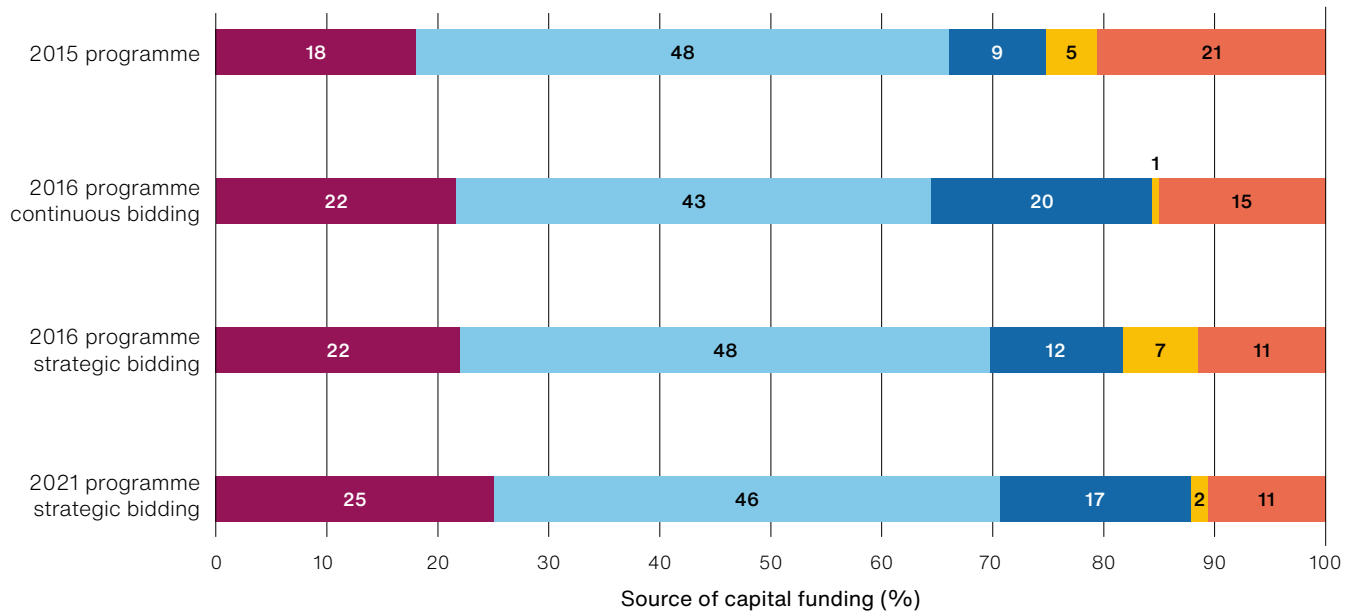
- on land costs. The unweighted average price of land per home (by housing provider) ranged, by region, from £22,000 to £73,000 under 2018 strategic bidding. Under strategic bidding, Homes England encourages housing providers to purchase land on the open market without a specific focus on cost, while under continuous bidding, Homes England favours bids where housing providers access cheaper land. Some housing providers associate strategic bidding with increasing competition for land;
- on build costs. The unweighted average build cost per home (by housing provider), ranged, by region, from £104,000 to £147,000 under 2018 strategic bidding; and
- on grant funding. This has increased since the 2015 programme, in absolute and percentage terms. **Figure 11** on page 34 charts the changing proportion of how housing providers fund new homes outside London. The percentage of grant funding has increased from 18% under the 2015 programme to 25% under the strategic bidding part of the 2021 programme. The proportion of grant funding for strategic bidding is not strictly comparable with continuous bidding. Housing providers delivered homes with lower grant funding during the 2015 and 2016 programmes.

Figure 11

Sources of capital funding for new homes under the 2015, 2016 and 2021 Affordable Homes programmes

Housing providers fund nearly half of new homes through debt

Programme iteration



- Grant funding
- Debt funding
- Capital receipts from sales of shared ownership
- Capital receipts from market sales
- Other capital funding

Notes

- 1 Data only include grant-funded homes outside London.
- 2 The data refer to funding allocations made by Homes England. Under the different Programme iterations, Homes England allocated funding based on varying proportions of tenure (type of home) to different partners.
- 3 Debt funding is capital borrowed by housing providers from financial institutions, usually backed by future, expected rental income.
- 4 Capital receipts from sales of shared ownership represent capital received by housing providers selling shares in shared ownership properties to purchasers.
- 5 Capital receipts from market sales represents capital received by housing providers selling homes on the open market.
- 6 Other capital funding includes donations and recycled capital grant funding.
- 7 The 2015 programme is all grant-funded homes agreed under the Affordable Homes programme 2015–2018.
- 8 The 2016 programme continuous bidding is all grant-funded homes allocated under the continuous bidding route for the Shared Ownership and Affordable Homes programme 2016–2023.
- 9 The 2016 programme strategic bidding is all grant-funded homes agreed under the strategic bidding route that took place over three bid rounds in 2018, as part of the Shared Ownership and Affordable Homes programme 2016–2023. These data are based on the initial allocations.
- 10 The 2021 programme strategic bidding is all grant-funded homes agreed under the strategic bidding route that took place in 2021, as part of the Affordable Homes programme 2021–2026. These data are based on the initial allocations.
- 11 Figures may not sum due to rounding.

Source: National Audit Office analysis of unaudited Homes England data

3.9 Homes England told us that grant funding has increased because of:

- significant uncertainty– following the COVID-19 pandemic, housing providers report rising costs and labour shortages. The Regulator of Social Housing (the Regulator) reports risks around the potential for increasing interest rates, rising pressures on repairs and build costs and changes to the market affecting the supply of labour and materials. There is uncertainty around how much rent housing providers can charge after April 2025;
- decarbonisation and net zero – the Chartered Institute of Housing, the Regulator and most housing providers that we spoke to told us they expect significant costs to be attached to meet net zero commitments, which includes retrofitting existing homes; and
- changes to shared ownership – housing providers placed bids for higher levels of funding than expected for shared ownership. This was because housing providers now expect to make less profit from selling shares in shared ownership homes. This is due to changes such as housing providers taking on responsibility for all repairs for the first 10 years.

Departmental governance and oversight arrangements

3.10 The Department has two programme boards – one with Homes England, the other with the GLA – that look at the Programme exclusively. Since April 2021, the Department has an overarching programme board which monitors overall Programme delivery. The GLA board now meets more regularly, monthly rather than quarterly, and the overarching programme board is chaired by the senior responsible owner (SRO). The Department has also strengthened the SRO role by making it a director-level, rather than deputy director-level post. The SRO also chairs the two separate boards with the GLA and Homes England.

3.11 However, other government departments that have an interest in affordable homes and independent members have had limited representation on the programme boards. For example, until June 2022, a representative from the Department of Health & Social Care was not invited to attend board meetings even though it runs other funding programmes for supported housing. Since April 2021, at the invitation of the Department, a representative from HM Treasury attends, and a representative of the Infrastructure and Projects Authority (IPA) attends, acting as an informal ‘non-executive director’ at Homes England and the GLA board meetings.

Oversight of Homes England

3.12 In December 2020, the Department commissioned an independent review into how the Department and Homes England work together across all housing programmes. It found that the ownership and accountabilities across the organisations were unclear. The review detected a protective and defensive culture rather than one of partnership. It found governance and delivery was complex, with enduring tension between delivering short-term, tactical results and longer-term commitments.

3.13 The Department does not have adequate oversight of the capacity of Homes England to manage the Programme. The Department does not receive data from Homes England on how well it internally manages the Programme, such as time taken to assess bids from or contract with housing providers. In March 2021, Homes England identified a shortfall of 21 full-time equivalents (FTE) staff to run the Programme.⁶ Many of the housing providers that we spoke to told us they generally had positive relationships with Homes England. However, it took until early 2022 for Homes England to agree contracts with nearly all the housing providers it allocated funding to under strategic bidding in August 2021. The Department considers it has oversight of Homes England's overall capacity through its wider governance of the organisation.

Oversight of the GLA

3.14 The Department had inadequate oversight of the GLA. The Department does not provide political oversight, as the GLA is democratically held to account by the London Assembly. However, the Department maintains overall responsibility for the Programme. Our review of a selection of performance reports received by the Department from the GLA between April 2016 and April 2021 found that they provided the Department with insufficient information on the progress of the Programme. Before April 2021 the Department often received a quarterly performance report of no more than four pages, with no data on forecast housing completions or spend under the Programme. While improvements have been made, it is too early to judge if oversight is now fully effective.

⁶ Homes England identified the need for 115 FTEs to manage the Programme. It needed nine full-time recruits to fill current vacancies, and 12 new FTEs. By May 2022, Homes England told us it had recruited nine of the extra 21 FTEs.

3.15 In October 2021, the Department realised it had made significant payments to the GLA under the 2016 programme, that the GLA had not yet used to pay housing providers. When preparing for the 2021 Spending Review, the Department detected that between April 2015 and October 2021, it had given the GLA a total of £1.8 billion of funding that had been committed but not yet spent. The GLA set aside this money to pay housing providers, but it had not yet spent it. The Department paid the GLA twice a year, based on when the GLA contracted with housing providers, rather than when housing providers met their delivery milestones, which triggers payments. The Department accepts these payments were a basic error of programme management, caused by a lack of understanding within the Department and the GLA about when funding should be transferred. The Department has agreed with the GLA how it will reduce this balance, with funding used for the programme. The GLA did not sign contracts with housing providers in London under the 2021 programme until the Department and the GLA had resolved issues around the long-term funding of the Programme. As at 31 March 2022, the GLA had achieved no housing starts under the 2021 programme.

Data and performance reporting

3.16 For departments to monitor and measure partner organisations effectively, we expect them to receive accurate and timely reports, including information on progress and milestone achievements, funding used and how they are managing risks. Our analysis of a selection of programme reports the Department received from Homes England and the GLA between April 2016 and March 2022 found deficiencies (**Figure 12** overleaf).

Improvements to the Programme

3.17 The Department accepts that it needs to improve its forecasting of housing starts, housing completions and spend, including for sub-targets within the Programme. It has identified that it needs to develop a consistent approach to forecasting by Homes England and the GLA. It needs to improve its own capability to stress-test these to ensure accuracy. Over summer 2022, relevant officials participated in training sessions on forecasting, and internal workshops took place.

Figure 12

Programme performance reporting from Homes England and the Greater London Authority to the Department for Levelling Up, Housing & Communities (the Department)

The Department does not receive all the information we would expect in good programme performance reporting

Good performance reporting has information on:	Homes England monthly performance reports	The Greater London Authority monthly performance reports
Progress and milestone achievements against plan	Reported when new homes start and complete. There were no other milestones, for example, if local authorities had granted planning permission for new housing starts.	Until August 2021, only reported new housing starts. Since then, provided regular data on housing completions.
Reports on individual work packages/streams	Reported on 2016 and 2021 programmes separately.	Reported on 2016 and 2021 programmes separately.
Resources and funding used to achieve progress to date (compared with expectations)	Provided spend to date against spend profile target. Provided information about future funding profiles.	Did not routinely provide spend data until November 2021.
Confidence in forward plan and risk management	Provided a subjective Red-Amber-Green (RAG) rated assessment of confidence in delivery. Provided a risk register, but unclear as to the extent that risks will impact on delivery.	Until January 2022, provided high-level narrative only. A 'deep dive' report in January 2022 provided more detail on the 2016 programme.

Notes

- 1 The National Audit Office's view on best practice in performance reporting is set out in *Framework to review programmes; update April 2021* (available at: <https://www.nao.org.uk/insights/framework-to-review-programmes-update-april-2021/>).
- 2 The Greater London Authority shared spend data with the Department in October 2021, but this was not part of regular performance reporting.

Source: National Audit Office analysis of Homes England and the Greater London Authority performance reports

3.18 The Department has identified and started to implement improvements to its governance and oversight of the Programme. These include:

- intensifying its scrutiny of management information around forecasts and risks for both delivery and spend;
- carrying out regular and formalised deep-dives into delivery, involving relevant and independent experts;
- recruiting more delivery specialists into the core housing team in the Department;
- improving training for staff;
- tightening its memorandum of understanding with Homes England and the GLA to embed a contract management-style approach to delivery;
- commissioning a review of the Programme set-up, by an independent expert; and
- the Department has applied for the Programme to join the Government's Major Projects Portfolio, subject to review by the IPA.

Budget profiling for the Programme

3.19 The Department's processes to obtain funding for the Programme are not always responsive to the programme's length or prevailing market conditions. The Department secures funding over shorter timeframes than Programme iterations last. The Department, Homes England and the GLA perform complex and time-consuming budget profiling. Under the 2021 programme, Homes England has developed several fall-back positions, one of which was to deliver 13,000 fewer homes. At the 2021 Spending Review, the Department secured the flexibility to bring forward 2% of its entire capital budget, which will partly help to ease this. There is an inherent risk that money yet to be spent may be used to fund other government programmes or priorities. For example, in May 2018, £400 million was taken from the 2016 programme to fund cladding removal, but this was later reinstated.

Part Four

Contribution to wider government objectives

4.1 This section examines how well the Affordable Homes Programme (the Programme) contributes to wider departmental and government objectives. It assesses how well the Programme fits in with wider objectives that are not a core part of the Programme, but which the Department for Levelling Up, Housing & Communities (the Department) could consider.

4.2 After the Department agrees a set amount of funding for the Programme, it must manage trade-offs within the Programme. On average between 2015-16 and 2025-26, the Department forecasts it will spend £1.8 billion per year on the Programme in 2021-22 prices. The Department, guided by policy aims, must manage trade-offs between:

- the number of homes to deliver (the Department has an overall ambition to deliver 300,000 new homes a year by the mid-2020s);⁷
- where to deliver homes (homes are more expensive to deliver in some places);
- tenure type (for example, social homes for rent typically require more grant funding than homes for ownership); and
- other priorities, such as estate regeneration, environmental standards and use of modern construction methods, which affect costs.

⁷ Between 2015-16 and 2020-21, on average, 222,000 homes completed a year, of which the Department classified on average 48,000 homes a year as affordable. Of these, 15,000 a year were grant-funded homes from the Programme. The Department forecasts that between 2021-22 and 2025-26, housing providers will more than double the number of grant-funded homes completed under the Programme compared with 2015-16 and 2020-21.

Objective: providing homes in areas of higher need

4.3 There is a lack of strong incentives for housing providers to deliver affordable homes in areas of high housing need or in the most unaffordable areas. The Department is unaware of the extent of need for affordable homes within local areas and it considers it is for local authorities to determine the local need for affordable homes. The Department does not directly tailor the Programme to support local areas with higher housing needs; for example, under strategic bidding, housing providers only specify the region where they intend to deliver. Housing providers are free to deliver homes in cheaper areas with lower needs (an exception is homes for social rent, which housing providers must deliver in areas of high housing need).⁸

4.4 While the Department does not specify how many affordable homes local areas need, it uses a formula to assess how many homes in total are needed in a local area (which includes all homes, not just affordable homes). The formula, known as the standard method, must be used unless local authority areas successfully claim to have exceptional circumstances that prevent them from using it.

4.5 Housing providers are not delivering a high proportion of affordable homes in areas where the Department assesses more homes are needed in general. We have compared the Department's assessment of overall housing need outside London under the standard method, with average grant-funded housing completions under the 2015 and 2016 programmes, by local area (**Figure 13** overleaf). There is not a strong match between these areas of high housing need and where housing providers are completing affordable homes under the Programme.

4.6 Housing providers are delivering fewer homes in unaffordable areas. In **Figure 14** on page 43 we compare housing affordability by local authority area outside London with grant-funded housing completions under the 2015 and 2016 programmes, by local authority. While there are several methods to measure housing affordability, we have used the ratio between lower quartile house prices and lower quartile earnings, by local authority area, based on Office for National Statistics (ONS) data. There is not a strong match between these areas of high housing need and where housing providers are completing affordable homes under the Programme. Figure 14 shows that housing providers are not concentrating on building homes in the more unaffordable areas.

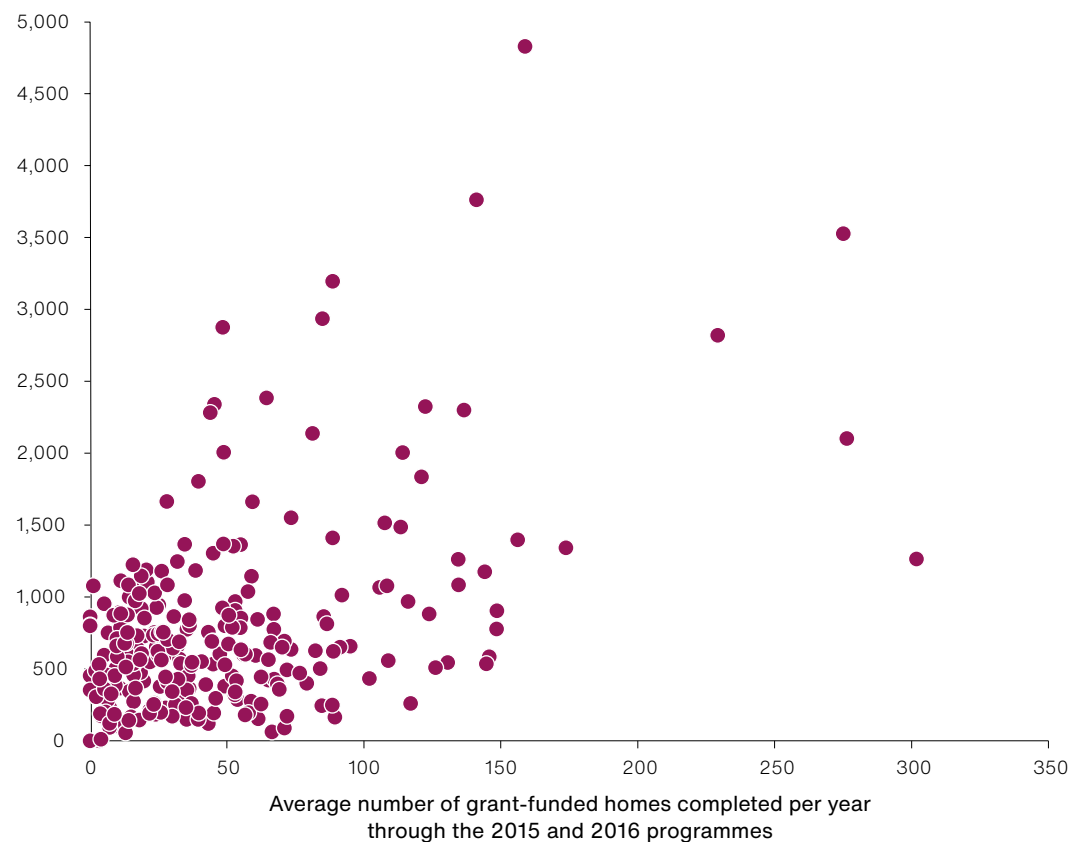
⁸ For social rent, the Department defines high housing need as local authority areas with a gap of £50 or more per week between average social and private rents.

Figure 13

Average number of affordable homes by local area completed under the 2015 and 2016 Affordable Homes programmes, compared with overall housing need, 2020

There is limited evidence that affordable homes are completed in areas with higher needs

Annual housing need by Local Plan Area, as at December 2020

**Notes**

- 1 Data are for outside London only.
- 2 These data only include grant-funded homes under the Affordable Homes programme 2015–2018 and the Shared Ownership and Affordable Homes programme 2016–2023, completed between 2015–16 and 2021–22.
- 3 Annual housing need is based on the government's standard method which calculates the number of homes, of all types, needed in a local authority. The standard method gives each local authority an indicative number of new homes that it needs to plan for each year. It is calculated by using national household growth projections as a baseline, and then adjusting for housing affordability. A cap may limit the increase of new homes that need to be planned for. A 35% uplift is then applied for those urban local authorities in the top 20 cities and urban centres. Full information on how the standard method works is available at: www.gov.uk/guidance/housing-and-economic-development-needs-assessments.
- 4 Annual housing need by Local Plan Area is based on the Indicative housing need assessment, published in December 2020. We have not audited the source data. Local Plan Areas usually relate to a single local authority area, but some Local Plan Areas cover multiple local authorities. We made a small number of minor adjustments to some Local Plan Areas to allow us to map local authority data.
- 5 The figure includes data for 269 Local Plan Areas.

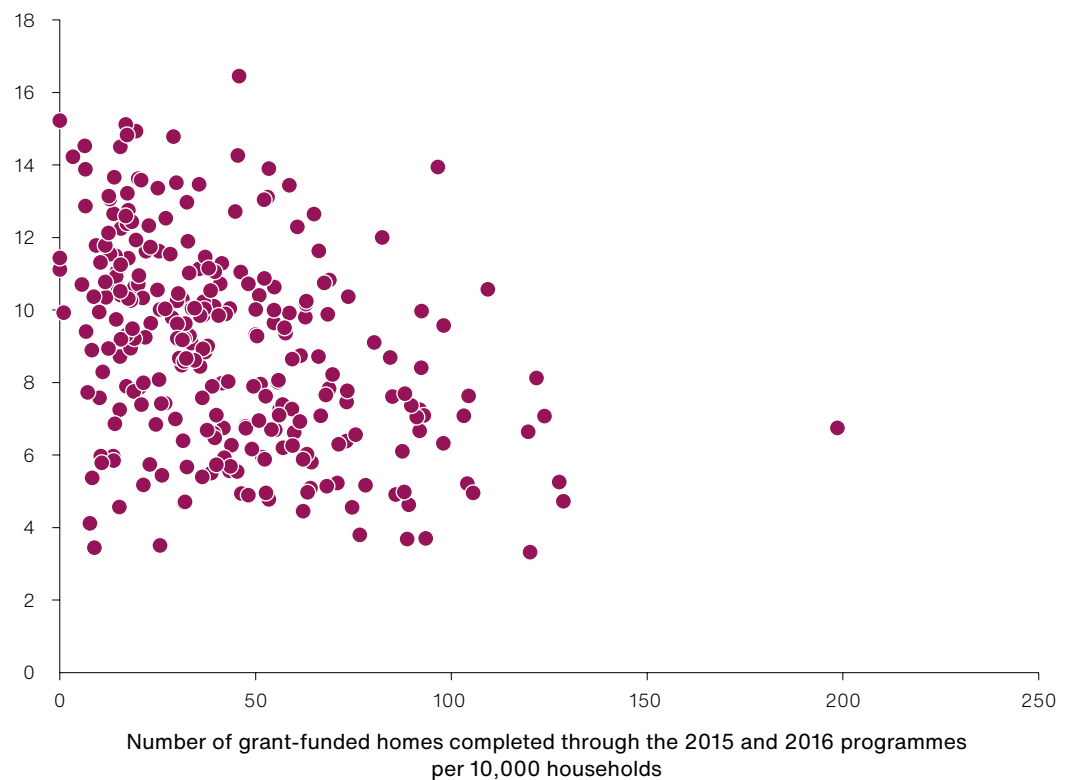
Source: National Audit Office analysis of Department for Levelling Up, Housing & Communities data and Homes England data

Figure 14

The number of affordable homes completed under the 2015 and 2016 Affordable Homes programmes, 2015–2022 compared with housing affordability, 2021 by local authority

Housing providers are not concentrating on building homes in more unaffordable areas

Affordability ratio

**Notes**

- 1 Data are for outside London only.
- 2 The affordability ratio is defined as the comparison between lower quartile house prices and lower quartile earnings, by local authority for 2021. The data are taken from the Office for National Statistics (ONS). The higher the ratio, the larger the difference between house prices and earnings.
- 3 The number of grant-funded homes completed through the 2015 and 2016 programmes per 10,000 households is calculated by dividing the number of grant-funded homes delivered by housing providers under the Affordable Homes programme 2015–2018 and the Shared Ownership and Affordable Homes programme 2016–2023 between 2015–16 and 2021–22 by local authority, with the number of projected households by local authority in 2022, which is then multiplied by 10,000.
- 4 The number of projected households by local authority area in 2022 is taken from the ONS. These data for this dataset were collected in 2018 and published in 2020.
- 5 The figure includes data for 275 local authorities.

Source: National Audit Office analysis of Homes England data and Office for National Statistics data

Objective: maximise value and savings across government

4.7 The Programme could bring greater value to other parts of government. In our July 2021 report, *Efficiency in government*, we stated that efficient spending plans consider the long-term impact of spending decisions across both central and local government.⁹ The Department did more to consider how the 2021 programme could make a wider contribution to other areas of government spending than in previous iterations. When designing the 2021 programme, the Department considered how it could generate cross-government benefits. For example, it considered housing benefit spend, the numbers of people in temporary accommodation and adult social care. However, it did not include savings in temporary accommodation or adult social care costs from providing supported housing in its economic modelling. Potential savings in these areas are not factored into the way the Department allocates the programme's funding and the kind of homes delivered.

Housing benefit

4.8 If housing providers deliver new homes for rent, it can either lead to savings or increases in housing benefit (including the Universal Credit housing element). Housing benefit helps those on a low income to pay all or part of their rent to landlords. If housing providers deliver new homes, it can produce long-term savings because social or affordable rents are usually lower than comparable private rents. However, if housing providers deliver new homes for rent, it will increase the housing benefit bill if households split, and the separate households are both eligible for housing benefit.

4.9 Based on the Department's analysis in its 2021 programme business case, delivering new homes for social rent in London leads to significant savings in future housing benefit costs. The Department forecasts that over a 30-year period in London, savings in forecast housing benefit spend cover 69% of the grant funding needed to deliver a new home for social rent. Over a 60-year period in London, savings in forecast housing benefit spend exceed the grant funding needed to deliver a new home for social rent. By comparison, in five of the other eight English regions, delivering a new home for social rent increases the forecast future housing benefit cost. This is because the costs arising from additional households forming exceed the savings from lower rents (**Figure 15**). The Department's economic modelling factors in potential savings in housing benefit spend.

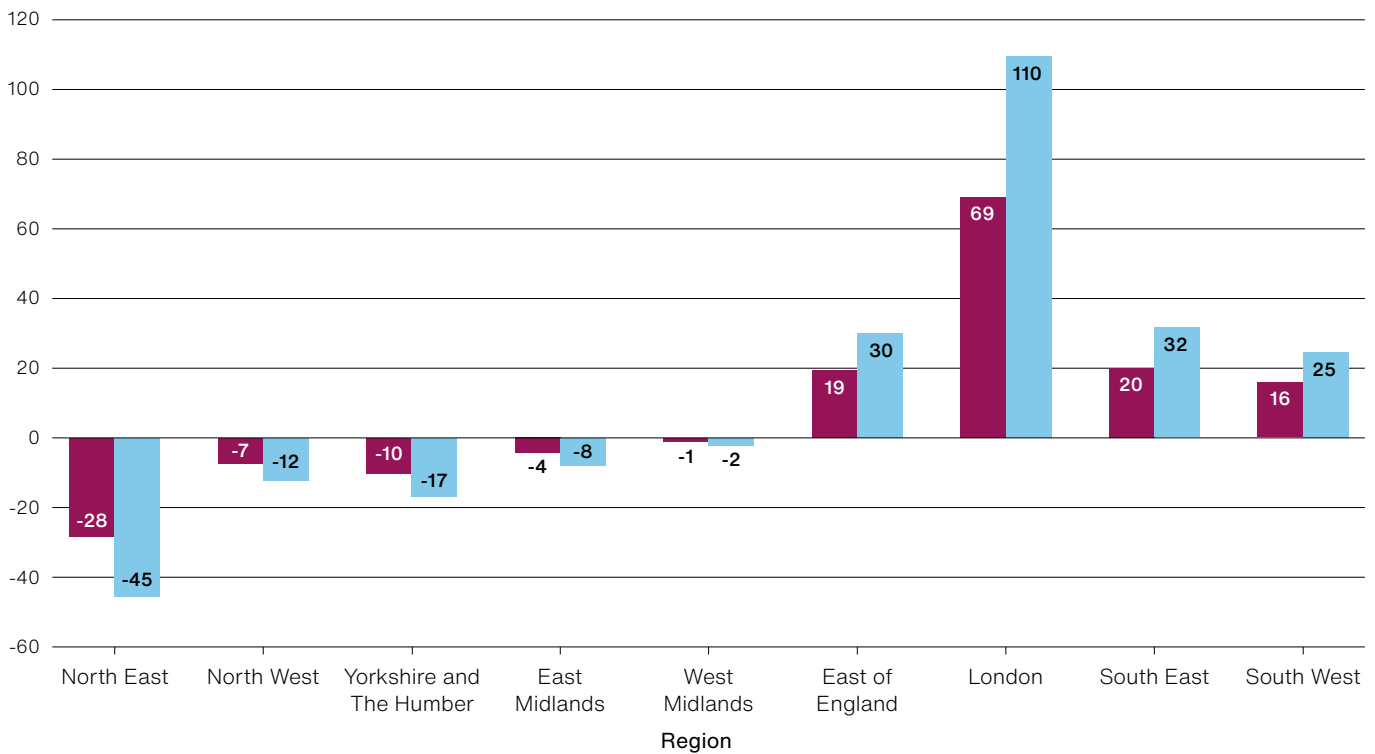
9 Comptroller and Auditor General, *Efficiency in government*, Session 2021–22, HC 303, National Audit Office, July 2021.

Figure 15

Forecast future savings in housing benefit compared with grant funding per home for social rent, by region, for the 2021 Affordable Homes programme

Savings in forecast housing benefit compared with the grant funding needed to deliver a new home are much higher in London, compared with other regions

Percentage of grant recouped (%)



- Percentage of grant recouped over 30 years
- Percentage of grant recouped over 60 years

Notes

- 1 All data are from the Department for Levelling Up, Housing & Communities' economic modelling. We have not audited the model.
- 2 Housing benefit includes the housing element of Universal Credit.
- 3 We compare the cost of average grant funding for a social rent home by region, with the average forecast change in housing benefit for each social rent home delivered, by region.
- 4 The average grant funding for a home for social rent is the average grant funding per social rent home by region, under the Affordable Homes programme 2021–2026 strategic bidding round, which occurred in 2021. These homes must start in areas of high housing need (defined by local authority areas with a gap of £50 or more per week between average social and private rents).
- 5 The forecast changes in housing benefit refers to the present value of expected changes in forecast housing benefit spend for each social rent home delivered within a region over a 30-year or 60-year period.
- 6 The major assumptions used to forecast housing benefit spend were the difference in cost between private rents based on local Housing Allowance rates with social rents, and the number of additional households that are forecast to form if housing providers deliver new homes for social rent. These assumptions are sensitive.
- 7 A negative value for percentage of grant recouped means that there are forecast additional housing benefit costs on top of grant funding.

Source: National Audit Office analysis of Department for Levelling Up, Housing & Communities data

Homelessness and temporary accommodation

4.10 Local authorities are responsible for providing temporary accommodation to homeless households who qualify under the law. Total local authority spend on homelessness has increased 50% in real terms from £969 million in 2015-16 to £1,450 million in 2020-21 (2020-21 prices). In 2020-21, 69% of spend on homelessness was by local authorities in London. In our September 2017 report *Homelessness*, we recommended that the Department set out by how much it aims to reduce homelessness from different programmes.¹⁰ In 2017, the Committee of Public Accounts recommended that the Department set out how it monitors whether new housing reduces the number of households in temporary accommodation.¹¹ The Department disagreed with the Committee's recommendation.

4.11 During the 2016 programme, the Department considered but rejected options to target funding to areas with high levels of homelessness, as it concluded that it could penalise local authorities who effectively manage their homelessness pressures. The Department considered the potential impact on homelessness and the numbers of people in temporary accommodation while developing the 2021 programme. However, it did not factor the potential resulting savings into its economic modelling.

Adult social care

4.12 In our March 2021 report on adult social care markets, we found that the government did not have a coordinated, cross-government strategic vision for the delivery of housing with care, and that the Department of Health & Social Care (DHSC) had not evaluated what mix of capital and revenue funding provides the best long-term value for money. We recommended that the government develops a cross-government strategy to fund new homes for people with care needs.¹² DHSC rejected this recommendation as it considered that initiatives in the 'People at the Heart of Care' white paper respond to this recommendation.

¹⁰ Comptroller and Auditor General, *Homelessness*, Session 2017-2019, HC 308, National Audit Office, September 2017.

¹¹ HC Committee of Public Accounts, *Homeless households*, Eleventh Report of Session 2017-19, HC 462, December 2017.

¹² Comptroller and Auditor General, *The adult social care market in England*, Session 2017-2019, HC 1244, National Audit Office, March 2021.

4.13 The Department did not factor in savings in adult social care costs from providing supported housing into its economic modelling and the Department forecasts missing sub-targets around the delivery of supported homes (Figure 5 and paragraph 2.13). DHSC runs the Care and Support Specialist Housing Fund (CASSH), which has £51 million of funding for 2022-23 and £71 million of funding for 2023-24 and 2024-25. Despite clear cross-over between the CASSH Fund and the Programme, the Department accepts that coordination between the Programme and the Fund could be better. It was not until March 2022 that the Department considered a joint governance approach for these programmes. It took several months for the Department to understand why the Greater London Authority (GLA) had committed to deliver up to 300 supported homes through CASSH, after it had informed the Department that it could not incentivise further bids from housing providers for supported homes through the 2021 programme.

Use of public sector land

4.14 The Department is not making full use of the Programme to help it release surplus public land that government owns. Our investigation in 2019 on the government's land disposal strategy and programme found that the government expected to fall well short of its target to release land for at least 160,000 new homes by 2020 and may not achieve it until beyond 2025.¹³ The Department's Public Sector Land programme allows for land to be sold off more cheaply for affordable homes. However, the Department only considers in a limited way how it uses the Affordable Homes Programme as a vehicle to support the release of public land and to help housing providers access land on which to develop affordable homes.

Objective: net zero

4.15 The Department did not set out to use the Programme to advance the government's net zero objectives. In June 2019, government passed legislation committing it to achieving net zero greenhouse gas emissions by 2050.¹⁴ The Department or Homes England did not include any specific targets relating to reducing emissions for the 2021 programme. Housing providers instead must comply with existing and future environmental standards specified within planning design guides and building regulations. In contrast, the GLA specified that all developments under the 2021 programme of 10 or more homes are net zero carbon and air quality neutral.

¹³ Comptroller and Auditor General, *Investigation into the Government's land disposal strategy and programmes*, Session 2017–2019, HC 2138, National Audit Office, May 2019.

¹⁴ Comptroller and Auditor General, *Achieving net zero*, Session 2019–2021, HC 1035, National Audit Office, December 2020.

4.16 The Department and Homes England recognise the need to consider whether to include net zero standards in future iterations of the Programme. Neither the Department nor Homes England modelled the potential costs that housing providers may incur in future if homes delivered under the 2021 programme need retrofitting to meet net zero commitments. The Department and Homes England told us that including net zero commitments in the 2021 programme could have led to higher delivery costs, and fewer affordable homes. It did not model the extent of this.

Appendix One

Our audit approach

Our evidence base

- 1** We reached our independent conclusions on the Affordable Homes Programme (the Programme) and how effectively the Department for Levelling Up, Housing & Communities (the Department) discharges its responsibilities for the Programme, and how it oversees Homes England and the Greater London Authority (GLA). We examine Homes England's management of the Programme, but we do not assess the GLA's management of the Programme as it is not a central government organisation that we audit, and the London Assembly instead provides local scrutiny. We based our findings on evidence collected between September 2021 and June 2022.
- 2** This report focuses on two iterations of the Programme that run concurrently, the Shared Ownership and Affordable Homes Programme 2016–2023 (2016 programme) and the Affordable Homes Programme 2021–2026 (2021 programme). It also touches on the short-lived Affordable Homes Programme 2015–2018 (2015 programme).

Quantitative analysis

- 3** We performed a range of quantitative analysis, including assessing data on housing starts and completions, Departmental spend, Homes England grant funding, and housing need.

Completion data

- 4** We assessed housing completion data provided by Homes England and the GLA for progress under the 2015 and 2016 programmes. Completion data are broken down by local authority.
- 5** **Figure 16** overleaf shows housing completions under the 2015 programme, outside London.
- 6** **Figure 17** on 51 page shows housing completions under the 2016 programme, outside London.
- 7** **Figure 18** on page 52 shows housing completions under the 2015 programme and the 2016 programme, in London.

Figure 16

Homes completed under the Affordable Homes programme 2015–2018 as at March 2022, outside London

Around two-thirds of homes completed are grant-funded

Tenure	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East of England	South East	South West	Total
Social rent									
Grant-funded	0	232	1	36	80	18	48	2	417
Historical grant	1	1	0	0	0	0	0	0	2
No grant	0	27	0	0	37	12	7	8	91
Total	1	260	1	36	117	30	55	10	510
Affordable rent									
Grant-funded	3,181	2,260	2,156	5,765	2,197	2,632	4,363	3,677	26,231
Historical grant	76	652	96	216	220	155	126	146	1,687
No grant	1,033	2,235	461	651	4,895	2,129	835	499	12,738
Total	4,290	5,147	2,713	6,632	7,312	4,916	5,324	4,322	40,656
Home ownership									
Grant-funded	996	545	76	1,029	832	762	638	360	5,238
Historical grant	29	106	0	11	110	23	49	0	328
No grant	233	744	19	153	1,173	231	93	35	2,681
Total	1,258	1,395	95	1,193	2,115	1,016	780	395	8,247
Specialist or supported									
Grant-funded	328	476	769	516	602	398	1,107	321	4,517
Historical grant	0	164	75	0	32	29	25	14	339
No grant	72	0	7	0	117	1	0	0	197
Total	400	640	851	516	751	428	1,132	335	5,053
Grand Total	5,949	7,442	3,660	8,377	10,295	6,390	7,291	5,062	54,466

Notes

- 1 Social rent is defined as homes with guideline rents determined through a national rent regime. Often rent charged is around 50%-60% of local market rents (outside London).
- 2 Affordable rent is defined as homes let where rent charged is up to 80% of local market rents.
- 3 Affordable home ownership includes shared ownership and Rent-to-Buy. Shared ownership is where a purchaser takes out a mortgage on part of a home and pays rent to housing provider on the remaining part.
- 4 Specialist or supported homes are adapted homes, often for older people or younger people with a disability or homes with support, supervision or care provided alongside to help people live independently.
- 5 Grant-funded homes are directly funded through the Affordable Homes programme 2015-2018.
- 6 'Historical grant' refers to homes where housing providers have used grant from other programmes.
- 7 'No grant' refers to homes which housing providers delivered with no grant and reported these to Homes England.

Source: National Audit Office analysis of internal Homes England data

Figure 17

Homes completed under the Shared Ownership and Affordable Homes programme 2016–2023 as at March 2022 (outside London)

Most homes completed are grant-funded

Tenure	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East of England	South East	South West	Total
Social rent									
Grant-funded	38	321	110	281	388	495	930	680	3,243
Historical grant	–	–	–	–	–	1	26	4	31
No grant	4	147	–	15	12	2	223	222	625
Total	42	468	110	296	400	498	1,179	906	3,899
Affordable rent									
Grant-funded	2,321	5,457	2,130	2,383	3,339	1,204	1,136	1,540	19,510
Historical grant	78	126	50	8	55	208	184	109	818
No grant	913	1,461	1,026	1,750	1,289	7,021	8,903	2,936	25,299
Total	3,312	7,044	3,206	4,141	4,683	8,433	10,223	4,585	45,627
Home ownership									
Grant-funded	1,887	4,979	1,863	2,060	2,455	2,709	4,482	2,757	23,192
Historical grant	–	47	–	45	35	666	295	61	1,149
No grant	269	378	291	736	361	2,642	4,511	255	9,443
Total	2,156	5,404	2,154	2,841	2,851	6,017	9,288	3,073	33,784
Specialist or supported									
Grant-funded	912	1,708	1,096	420	1,115	330	729	343	6,653
Historical grant	9	21	20	3	17	5	7	–	82
No grant	4	–	–	10	10	–	160	47	231
Total	925	1,729	1,116	433	1,142	335	896	390	6,966
Grand Total	6,435	14,645	6,586	7,711	9,076	15,283	21,586	8,954	90,276

Notes

- 1 Social rent is defined as homes with guideline rents determined through a national rent regime. Often rent charged is around 50%-60% of local market rents (outside London).
- 2 Affordable rent is defined as homes let where rent charged is up to 80% of local market rents.
- 3 Affordable home ownership includes shared ownership and 'London Living Rent' because the intention is for a person to subsequently buy a home. Shared ownership is where a purchaser takes out a mortgage on part of a home and pays rent to a housing provider on the remaining part.
- 4 Specialist or supported homes are adapted homes, often for older people or younger people with a disability or homes with support, supervision or care provided alongside to help people live independently.
- 5 Grant-funded homes are directly funded through the Shared Ownership and Affordable Homes programme 2016–2023.
- 6 'Historical grant' refers to homes where housing providers have used grant from other programmes.
- 7 'No grant' refers to homes which housing providers delivered with no grant and reported these to Homes England.

Source: National Audit Office analysis of internal Homes England data

Figure 18

Homes completed under the 2015 and 2016 Affordable Homes programmes as at March 2022 (in London)

Just over half of homes completed are grant-funded

	2015 Programme	2016 Programme
Social rent		
Grant-funded	765	4,971
No grant	80	3,140
Other affordable homes	67	320
Total	912	8,431
Affordable rent		
Grant-funded	4,547	2,007
No grant	2,555	3,976
Other affordable homes	424	1,194
Total	7,526	7,177
Home ownership		
Grant-funded	3,770	8,549
No grant	2,130	5,679
Other affordable homes	48	539
Total	5,948	14,767
Tenure to be confirmed		
Grant-funded	0	17
No grant	0	133
Other affordable homes	0	0
Total	0	150
Grand total	14,386	30,525

Notes

- 1 Social rent is defined as homes with guideline rents determined through a national rent regime. Homes delivered at 'London Affordable Rent' are classified as social rent as they are based on social rent-based benchmarks.
- 2 Affordable rent is defined as homes let where rent charged is up to 80% of local market rents.
- 3 Affordable home ownership includes shared ownership and 'London Living Rent' because the intention is for a person to subsequently buy a home. Shared ownership is where a purchaser takes out a mortgage on part of a home and pays rent to a housing provider on the remaining part.
- 4 'Tenure to be confirmed' are homes that are complete, but where a tenure has not yet been determined.
- 5 Included within the totals for social rent and affordable rent are specialist or supported homes. These are adapted homes, often for older people or younger people with a disability or homes with support, supervision or care provided alongside to help people live independently.
- 6 Grant-funded homes are directly funded through the Affordable Homes programme 2015–2018 or the Affordable Homes programme 2016–2023. This includes homes delivered with 'Move on' homelessness funding.
- 7 'No grant' refers to homes which housing providers delivered with no grant and reported these to the Greater London Authority.
- 8 'Other affordable homes' are homes funded by other government programmes.
- 9 These data only include homes completed after 1 April 2016.

Source: National Audit Office analysis of internal Greater London Authority data

Spend data

8 **Figure 19** on pages 54 and 55 shows spend data for the 2015, 2016 and 2021 programmes (cash and real terms).

Grant funding

9 To analyse grant rate methodology, we compared average grant provided by Homes England through different iterations of the Programme, by tenure and region. We contrasted whether funding came from strategic bidding (housing providers bid for funding to deliver on multiple sites across a region) or continuous bidding (housing providers bid for funding on a site-by-site basis).

Housing need and affordability

10 To assess how the Programme matches to housing need across England, we utilised local housing need data broken down by local area, from the Department's *Indicative housing need assessment*, published in December 2020. These data were then compared with Homes England data on housing completions to examine if there was a relationship between housing need in an area, and homes completed under the Programme.

11 We also acquired data on levels of affordability of homes across England, for each local area, from the Office for National Statistics (ONS). The ONS calculates ratios between house prices and local incomes, by local authority, at the lower quartile and median quartile. We used house prices and incomes at the lower quartile because this best reflects the objectives of the Programme to support people with housing need.

Document review

12 We reviewed published and unpublished documents from the Department, Homes England and the GLA. These included:

- the Department's business case for the 2021 programme, and previous versions of this;
- board papers and board minutes for the overarching programme board, and the individual Departmental boards with Homes England and the GLA between April 2021 and June 2022. We also reviewed a selection of board papers between April 2015 and March 2021;
- policy documentation from the Department; and
- documentation from Homes England about the strategic bidding process and other internal documentation over the progress of the Programme.

Figure 19
Actual and forecast spend under the 2015, 2016 and 2021 Affordable Homes programmes

The Department for Levelling Up, Housing & Communities forecasts it will spend over £20 billion (2021-22 prices) on the Affordable Homes Programme

Spend in cash terms (£000)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Total
Homes England 2015 programme	81,309	206,669	256,825	187,869	115,279	29,815	10,521	1,816	2,441	-	-	-	-	-	-	-	-	-	892,545
Greater London Authority 2015 programme	-	101,800	137,072	102,463	68,969	82,042	24,543	22,675	24,000	31,000	27,040	1,700	-	-	-	-	-	-	623,303
Total 2015 programme	81,309	308,469	393,898	290,332	184,248	111,857	35,064	24,491	26,441	31,000	27,040	1,700	-	-	-	-	-	-	1,515,848
Homes England 2016 programme	-	876	21,065	343,145	690,348	1,328,242	1,111,595	498,349	162,559	-	-	-	-	-	-	-	-	-	4,156,179
Greater London Authority 2016 programme	-	-	-	522,657	606,641	506,512	377,975	479,922	1,391,956	85,961	84,579	57,042	10,929	14,133	21,835	£8,887	£2,979	£2,521	4,174,527
Total 2016 programme	-	876	21,065	865,802	1,296,989	1,834,754	1,489,570	978,271	1,554,515	85,961	84,579	57,042	10,929	14,133	21,835	£8,887	£2,979	£2,521	8,330,707
Homes England 2021 programme	-	-	-	-	-	-	-	589,908	1,500,000	2,240,000	2,010,000	1,047,392	-	-	-	-	-	-	7,387,300
Greater London Authority 2021 programme	-	-	-	-	-	-	-	-	58,509	685,837	709,608	1,127,190	518,290	628,808	271,757	-	-	-	4,000,000
Total 2021 programme	-	-	-	-	-	-	-	589,908	1,558,509	2,925,837	2,719,608	2,174,583	518,290	628,808	271,757	-	-	-	11,387,300
Total 2015, 2016, 2021 programmes	81,309	309,345	414,963	1,156,134	1,481,237	1,946,610	1,524,634	1,592,669	3,139,465	3,042,798	2,831,227	2,233,325	529,219	642,942	293,592	8,887	2,979	2,521	21,233,855
GDP deflator	1.15	1.14	1.12	1.10	1.08	1.05	1.00	1.00	0.96	0.94	0.92	0.90	0.89	0.87	0.85	0.83	0.81	0.79	-
Spend real terms (2021-22 prices)	93,516	353,595	463,945	1,270,721	1,596,879	2,051,975	1,521,268	1,592,669	3,017,136	2,855,414	2,608,501	2,018,218	468,866	556,813	248,546	7,354	2,410	1,974	20,729,801

Notes

- 1 Spend in real terms (2021-22 prices) is the Programme spend presented in 2021-22 prices using the Office for National Statistics (ONS) GDP deflators, as at June 2022.
- 2 The ONS GDP deflator data do not go beyond 2026-27. We have applied a 2.3% increase for every year from 2027-28 as per the Office for Budget Responsibility long-term guidance.
- 3 Homes England spend includes the Affordable Homes programme 2015-2018, the Shared Ownership and Affordable Homes programme 2016-2023 and the Affordable Homes programme 2021-2026. Homes England assumes that housing providers will receive all funding by March 2023 under the Shared Ownership and Affordable Homes programme 2016-2023 and by March 2026 under the Affordable Homes programme 2021-2026. Some of this funding may be claimed in future years.

- 4 Homes England spend data are from its information management system. There are some differences between these data and Homes England's published annual accounts.
- 5 The Greater London Authority spend is funding from the Department for Levelling Up, Housing & Communities for the Affordable Homes programme 2015, the Affordable Homes programme 2016 and the Affordable Homes programme 2021. It includes £21 million (cash) for the 'Move on' homelessness programme funding between 2019-20 and 2021-22.
- 6 Figures may not sum due to rounding.

Source: National Audit Office analysis of Department for Levelling Up, Housing & Communities, Homes England, and Greater London Authority internal data

Interviews and case studies

- We interviewed Departmental officials and key staff at Homes England and the GLA. We discussed issues across the full breadth of our report.
- We interviewed housing providers and local authorities. Topics for discussion included the 2015, 2016 and 2021 programmes, experiences of continuous bidding and strategic bidding, their relationship with central government bodies, net zero, and their interaction with the planning system.
- We randomly selected housing providers and local authorities after stratifying the population to ensure coverage of Homes England and GLA strategic partners, for-profit providers, and housing providers who did not receive funding from some iterations of the Programme.
- We interviewed: Accent Group, Curo and Swan, London borough of Enfield, Heylo, London borough of Hounslow, Jigsaw Homes, London & Quadrant Housing Trust, Lovell, Metropolitan Thames Valley, Optivo, Orbit, Peabody, Places for People, Poplar Harca, Sanctuary, Sovereign, Stonewater and Guinness, Tameside Metropolitan Borough Council, Telford and Wrekin council.
- We interviewed a range of key housing stakeholders. For each of these we discussed their involvement in the Programme, their experiences working with the Department and Homes England and their views over the effectiveness of the Programme. We interviewed: the Chartered Institute of Housing, Crisis, the Infrastructure and Projects Authority, the Local Government Association, the National Housing Federation, the Regulator of Social Housing, Savills and Shelter.

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