Affordable Housing Development Programme

Executive Portfolio Holder: *Councillor Ric Pallister, Strategy and Policy*
Strategic Director: *Rina Singh, Place and Performance*
Assistant Director: *Martin Woods, Economy*
Service Manager: *Colin McDonald, Corporate Strategic Housing Manager*
Lead Officer: *Colin McDonald, Corporate Strategic Housing Manager*
Contact Details: *colin.mcdonald@southsomerset.gov.uk or (01935) 462331*

1. Purpose of the Report

The purpose of this report is to update the Executive on the final position of the Affordable Housing Development Programme for 2015/16 and future prospects in the light of the Housing & Planning Act 2016 and other recent Government announcements.

2. Recommendations

The Executive are asked to

(a) Note the outturn position of the Affordable Housing Development Programme for 2015/16 [*ref section 11*];
(b) Confirm that the Council continue to use the hybrid rent model when acting as the sole source of grant funding for four or five bedroom properties and for all property types in certain higher value rural locations, but otherwise accept the affordable rent model for the majority of new grant funded homes [*ref section 10.8*];
(c) De-allocate £373,000 from Stonewater for the scheme at West Hendford, Yeovil [*ref section 13*];
(d) Confirm retention of £375,000 allocation for underwriting of the LD project by Stonewater [*ref section 13*];
(e) Confirm allocation of £1,040,000 to Stonewater for the scheme at North Street, Crewkerne subject to appropriate planning permission being in place [*ref section 14*];
(f) Confirm the creation of a new rural contingency fund of £500,000 [*ref section 15*];

3. Public Interest

3.1. This report covers the provision of affordable housing over the past year and anticipates the likely delivery of more affordable homes being constructed during the current financial year. It will be of interest to members of the public concerned about the provision of social housing for those in need in their local area and of particular interest to any member of the public who is seeking to be rehoused themselves or has a friend or relative registered for housing with the Council and it's Housing Association partners.

3.2. "Affordable" housing in this report broadly refers to homes that meet the formal definition that appears in national planning policy guidance (the 'National Planning Policy Framework'). In plain English terms it means housing made available to people who cannot otherwise afford housing (owner occupied/mortgage or rented) available on the open market. Typically this includes rented housing (where the rent is below the prevailing market rate for a private sector rented property of similar size and quality) and shared ownership (where the household purchases a share of the property that they can afford and pays rent, also at a below market rate, on the remainder). The Housing & Planning Act 2016 formally defines the new Starter Homes as also being a form of 'affordable housing'.

3.3. This report covers the level of public subsidy secured (which is necessary in order to keep rents at below market rates) and sets out where affordable housing has been completed. It does not cover the letting of the rented housing or the sale of the shared ownership homes; in short, it is concerned with the commissioning and delivery stages only.

4. Background

4.1. The overall programme has traditionally been achieved through mixed funding (Housing Grant [administered by the Homes and Communities Agency - HCA], Local Authority Land, Local Authority Capital, Housing Association reserves and S106 planning obligations) and the careful balancing of several factors. This includes the level of need in an area; the potential for other opportunities in the same settlement; the overall geographical spread; the spread of capacity and risk among our preferred Housing Association partners and the subsidy cost per unit.

4.2. A previous report was considered by the District Executive on 1st October 2015 which considered the final outturn for 2014/15 and gave some longer term perspective.

4.3. In recent years a significant element of the affordable housing delivery programme has been produced through planning obligations within larger sites being brought forward by private sector developers. However the delivery of these is tied to wider economics, not least the developers view of prevailing market conditions and the speed at which they estimate completed properties will sell at acceptable prices. Typically the required affordable housing is agreed at the outset of larger sites, but delivered as the site progresses over a number of years.

4.4. The HCA allocated funds in 2014 for the five year period 2015-20. Although this accounts for much of the programme, there have been other allocations from other (smaller) funds administered by the HCA in the recent past, most notably the Community Led fund and the Affordable Housing Guarantee Programme.

4.5. The South Somerset Local Plan (2006 – 2028) was formally adopted on 5th March 2015 having completed all the other necessary stages, including examination by Government appointed Inspector. The Plan includes policy HG4 which seeks financial contributions (known as commuted sums) to be used towards the provision of affordable housing from those sites below the threshold (i.e. six dwellings) for policy HG3 (which seeks onsite provision).

4.6. However after the completion of our examination but before the formal adoption of the new Plan, the Government issued guidance, through changes in the NPPG, effectively providing a blanket national threshold of ten dwellings. It was thought that this guidance had been over turned through the courts in a case brought forward by Reading and West Berkshire Councils.

4.7. Under both HG3 and HG4, the Local Plan seeks 35% to be provided as affordable housing (subject to viability). The 35% derives from the Strategic Housing Market Assessment (SHMA) which was undertaken by Fordham Research in 2009, commissioned in conjunction with the other districts in Somerset and covering both the Taunton and South Somerset Sub-Regional Housing Market Areas. The SHMA took into account the 'backlog' of need (as expressed on the housing register) and the demographic projection of newly arising need over the remainder of the plan period.

4.8. The Housing and Planning Act 2016 received Royal Assent on 12th May 2016 but is subject to a range of dates on which different aspects come into force including many different sets of regulations which further detail will be written into in due course. The Act introduced the Governments proposal of 'Starter Homes' as an alternative form of provision to 'traditional' Affordable Housing.

4.9. A confidential report on the proposed disposal of a property in Yeovil by Magna Housing Association was provided to the District Executive on 4th October 2012. The District Executive approved that any future such requests for endorsement of disposal with respect to individual properties formerly owned by the council and subsequently transferred to a Housing Association, including those transferred under the former trickle transfer policy, be delegated to the Portfolio Holder in consultation with the relevant ward member.

4.10. Yarlington proposed to dispose of a property in Rimpton and a portfolio holder report was formally submitted in December 2015. The decision was called in to Scrutiny which discussed the case and the overall process at it's meeting on 5th January 2016. The Committee noted the cumulative effect of such disposals and the gradual erosion of rural housing as a result of each individual decision. The decision was not over turned, although the Scrutiny Committee did launch a task and finish group investigation into the entire process as a result of the call-in. That task and finish group is yet to report back with it's recommendations and in the interim the process begun by the District Executive decision in October 2012 remains in place

4.11. In November 2010 the Portfolio Holder approved the first Rural Housing Action Plan, which set out the mechanisms available to the Council in providing more affordable housing in rural locations. A revised Rural Housing Action Plan was approved by the Portfolio Holder in June 2013.

5. The Housing & Planning Act 2016

5.1. The Housing and Planning Act 2016 received Royal Assent on 12th May 2016 and is subject to a range of dates on which different aspects come into force, mainly on that date, within two months or when the relevant regulations are in place. The Act amends thirty other pieces of existing legislation and confers on the Secretary of State the ability to propose many different sets of regulations into which further detail will be written in due course. The Act applies in it's entirety to England but with some parts applying to England and Wales, some to England, Wales and Scotland and some to the whole of the UK. The Act has nine Parts – two of which directly affect the affordable housing programme and one of which may do through imposing changes on the planning regime.

5.2. Part 1 of the Act provides the new statutory framework for 'Starter Homes', although much of the detail is subject to various sets of regulations which the Secretary of State is yet to propose. A starter home is a new dwelling which is only available for purchase by qualifying first-time buyers and which is made available at a price which is at least 20% less than the market value subject to a cap. A first time buyer must be aged at least 23 and under 40. The price cap is £ 250,000 outside London.

5.3. There is a general duty on all planning authorities in England to promote starter homes. In future English planning authorities will only be able to grant planning permission on certain residential developments if starter homes requirements are met – to be set out in regulations. It is widely believed that this requirement will be 20% but the Act affords the Secretary of State to set out different requirements according to location and type of development – none of which will necessarily be 20%. However the Act states that these regulations must give local planning authorities some discretion on the requirement on rural exception sites.

5.4. The Act redefined ‘affordable housing’ to include Starter Homes, although the definition makes the distinction between Starter Homes and ‘traditional’ sub-market housing which is now described as ‘non-commercial’. Taken together with the duty to promote, it follows that in future this report of the affordable housing programme should include starter home completions, where known.

5.5. It was thought during the passage of the Act that the Government wished the discount to fall away after five years – thus leaving Starter Homes outside of the normal ‘perpetuity’ expectations of other forms of affordable housing. The Act does not set a time limit on the discount but defers this to regulations to be set out by the Secretary of State. It is widely expected that the regulations will set out a form of tapering of the discount rather than the ‘cliff-edge’ originally set out by the Government in the Bill.

5.6. The Act allows for two forms of effective repayment of the discount, or part thereof, if the first time buyers move on before the period to be set out in the regulations. One variant is that the property has to be sold on to a new qualifying first time buyer with the discount being passed on – although it is unclear whether the clock starts again with the second generation owner and, curiously, this fails the definition in the Act of a Starter Home being a new dwelling as it effectively, at this point, becomes second hand. The other variant is where the original first time buyer pays back the value of the discount, or part thereof, following onward sale – effectively turning the former Starter Home into an open market dwelling. However, at this stage, it isn’t clear to whom this repayment is made.

5.7. At this moment in time, then, the District Council has a duty to promote Starter Homes without knowing the full detail of exactly what they are. On the assumption that the forthcoming regulations set out that most qualifying sites will be required to produce at least 20% Starter Homes, one might assume that this reduces the ability to seek other (traditional) affordable housing products down to 15%, subject to viability. All the indications are that Starter Homes should be a more viable product for the developer than traditional forms of affordable housing, but without the full detail (yet to be set out in regulations), it is difficult to see how the viability can be appropriately assessed.

5.8. The Act also provided for the extension of the Right to Buy to housing association tenants on a voluntary basis. Importantly it did not confer any new rights on housing association tenants but it did provide a legal route for the Government to reimburse housing associations (through grant) the value of the discount either through the HCA or the Greater London Authority. Where the housing association does not wish to sell a particular property, for example where it has been secured in perpetuity through a s106 Agreement as a planning obligation, it can offer the tenant the purchase of an alternative property.

5.9. The Act also requires local authority landlords to charge higher rents for tenants on higher incomes (over £31,000 outside London). This policy is voluntary for housing associations who may or may not see there being little financial gain after the additional administrative costs of tracking all tenants income.

5.10. The Act further reduces regulation on the housing association sector, probably driven by the desire to restore the previous position whereby housing association debt was not counted as part of the total public sector debt. Part of this reduction in regulation includes the removal of the need to gain HCA consent for the disposal of an individual property (other than under the preserved Right to Buy) and the abolition of the Disposals Proceeds Fund which associations had to account for separately and for which the HCA could previously set restrictions on redeployment.

5.11. The Act allows the Secretary of State to place restrictions or conditions on the enforceability of planning obligations relating to the provision of affordable housing and provides for the Secretary of State to appoint a person to help resolve outstanding planning obligations issues within set timeframes.

6. Overturning of the Reading & West Berkshire Decision

6.1. There have also been changes effected in planning policy through further court action. The Government was able to overturn the decision in favour of Reading and West Berkshire at appeal – having the effect of reinstating the previous national guidance. This guidance effectively overwrites our policy HG4 except where the (up to ten) dwellings proposed exceed 1,000 m^2 and reinstates the 'vacant building credit' which effectively allows developers to deduct the existing floor area of buildings due to be demolished or renovated under their proposals. The guidance also effectively increases the threshold for policy HG3 to over ten dwellings, except where the proposal exceeds the floor area.

6.2. A lot of officer time and effort was spent calculating payments and communicating with planning applicants during the interim, all of which has resulted in a total of £20,404 being received under HG4.

7. Future HCA Funding Prospects

7.1. The Government is making available £4.7 billion of capital grant through the HCA (except in London) for the newly revised funding period 2016-21 under the renamed 'Shared Ownership and Affordable Homes Programme'. The initial bid round closes on 2nd September but it is anticipated that this will be followed by the usual CME process ('Continuous Market Engagement') whereby bids can be submitted at any time after the announcement of the first tranche of funding.

7.2. However the majority of these funds (95%) are geared towards ownership products – most significantly (88%) shared ownership but also some (7%) 'rent to buy' initiatives. Just 5% of the programme is set aside for 'traditional' rented products (such as affordable rent) for 'older, disabled and vulnerable people'. In short there is no new Government funding for homes for rent for the bulk of applicants on our housing register.

7.3. Taken together the imposition of Starter Homes as a form of affordable housing, the raising of the thresholds for sites to qualify for planning obligations under HG3 and the refocusing of the HCA funding programme towards ownership products represents a significant reduction in our ability to provide the rented homes needed. In particular this latter move reduces our ability to 'underwrite' schemes on the basis that housing association partners will be able to bid for funds, other than for the shared ownership element within planned schemes.

8. Yarlington disposals

8.1. When considering disposals, typically Housing Associations have identified isolated properties or those with a relatively high call on future maintenance costs as potential for meeting their disposal obligations. This increases the chances of an individual property being considered for disposal being in a rural area, especially where the 'SAP' (energy efficiency) rating is further reduced by a lack of access to mains gas.

8.2. For Yarlington there is a greater chance that such properties will be in South Somerset as the majority of their stock was 'inherited' from the Council at the time of the Large Scale Voluntary transfer (LSVT) with most of the remainder being built or acquired over the past sixteen years to contemporary standards.

8.3. It follows that such disposals are more likely to be affected by the October 2012 decision by District Executive to delegate consent to the Portfolio Holder in consultation with the relevant ward member/s. Of the Yarlington disposals to have taken place to date, only one property was HCA funded (gained through mortgage rescue).

8.4. Since the introduction of that policy Yarlington has proposed disposal of 29 properties – three in Yeovil and 26 in rural locations. After the formal process the Portfolio Holder has agreed to 19 of these disposals and withheld consent from six; one Yarlington disposed of without a full response from SSDC and the other three are pending formal decisions at the time of writing this report.

8.5. In the nineteen cases where the Council has formally agreed to the disposal, two of these were caveated on the reinvestment of net proceeds in Yeovil, one on the use of net proceeds to create a replacement four bedroomed property and the remaining 16 on the proviso that net proceeds be redeployed in the local area.

8.6. It is estimated that Yarlington have gained just over £ 3½m in net proceeds from these disposals but to date no indication has been given of where such funds have been redeployed. In a written response to the Acting Chief Executive in July this year, Gary Orr, Chief Executive of Yarlington stated "I can confirm the disposal proceeds are reinvested as Yarlington deems appropriate. Invariably this means investing in additional stock and or improvements to existing stock. This may or may not be within the same local authority area."

9. New needs assessment

9.1. As a first phase of the new assessment the Somerset authorities commissioned consultants to undertake a comprehensive update of the extent of functional housing and economic market areas in Somerset. In November 2015 consultants ORS Ltd reported back. Although there were changes to the position of Mendip and Sedgemoor, the report confirmed that there is a functioning South Somerset sub-regional housing market which remains influential on segments of West Dorset, but otherwise for all practical purposes can be treated as co-terminus with the district.

9.2. Four of the five districts commissioned the full assessment of the reviewed and reconfirmed sub-regional areas in the light of revised national guidance. This assessment has been undertaken by Justin Gardiner Consulting and was procured through Sedgemoor District Council who required an earlier, interim, Sedgemoor specific report in order to meet deadlines for the cycle of their own Local Plan review. The final report is due to be delivered next month and disseminated by the consultants shortly afterwards.

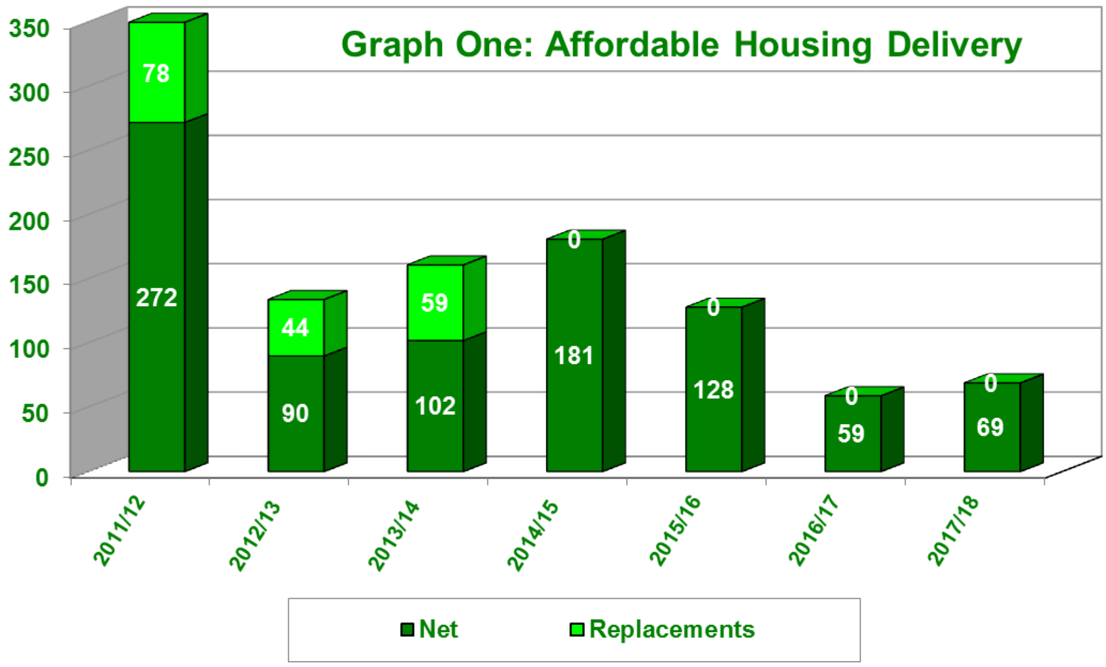
9.3. All the indications are, since the 2009 SHMA, that affordability has not improved and may have worsened since housing costs (both purchase prices and levels for private rent) have tended to escalate faster than average earnings. On the other hand construction costs, both labour and materials, have also tended to escalate faster than inflation, so any proposed changes in the overall level of affordable housing sought under planning obligations arising from the refreshed evidence base may be dampened by general viability.

9.4. Whether the final needs assessment, adjusted for general viability, justifies a change in the 35% or not, it will better inform the proportion of different sub-market tenure types that ought to be sought within the affordable element. However any proposed changes to planning policy will also have to take into account any regulations issued by the Secretary of State setting out the requirements for Starter Homes to be provided as part of the affordable housing solution.

10. The Affordable Housing Programme: A seven-year profile

10.1. The graphs below show the overall shape of the programme over the past five financial years (in order to cover the last complete HCA four year programme 2011-15) and the projected outturn for both the current and following financial years. Further detail on the first four years covered by these graphs can be found in the previous reports to District Executive (2nd August 2012, 1st August 2013, 4th September 2014 & 1st October 2015) and is not repeated here. The rest of this report considers the outturn for the last complete financial year, 2015/16 and future schemes which now have grant funding confirmed (either from HCA or from this Council), most of which shall be on site during the current financial year.

10.2. Overall Delivery and Net Gain

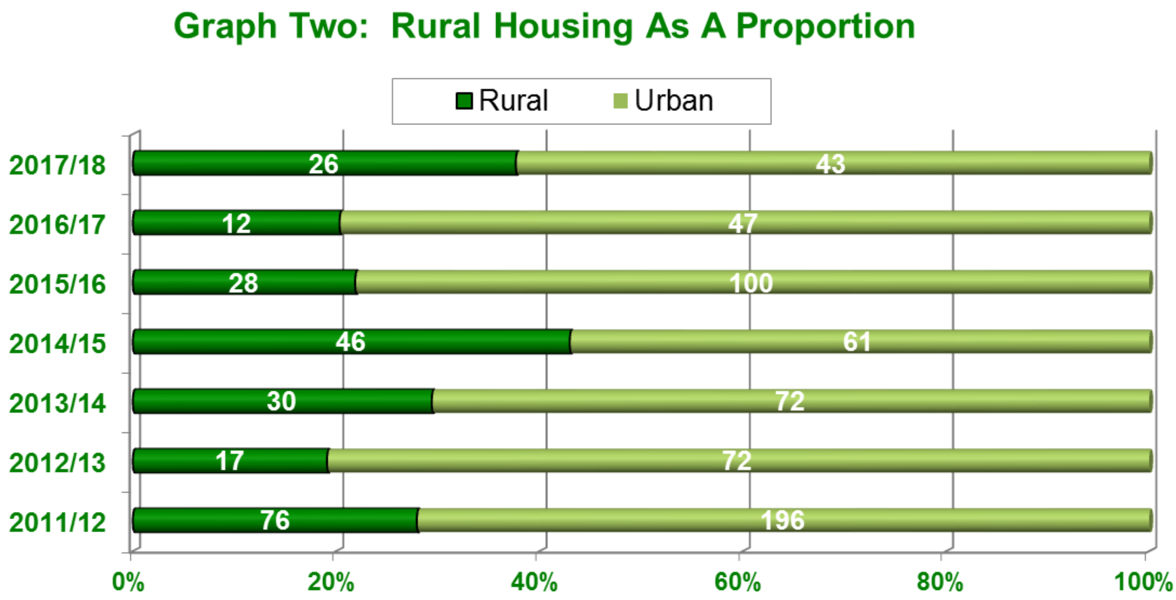


10.2.1. Graph one (above) shows the overall size of the affordable housing programme over the past five years and the expected size for both the current and following years. 2011/12 was the second most successful year ever in delivering affordable homes. This was followed by lower delivery than average over three of the next four complete years. The average delivery over the past five years was 191 (rounded up). The projection for the current financial year is 59, the lowest delivery for some considerable time, although several sites currently underway shall not complete until 2017/18.

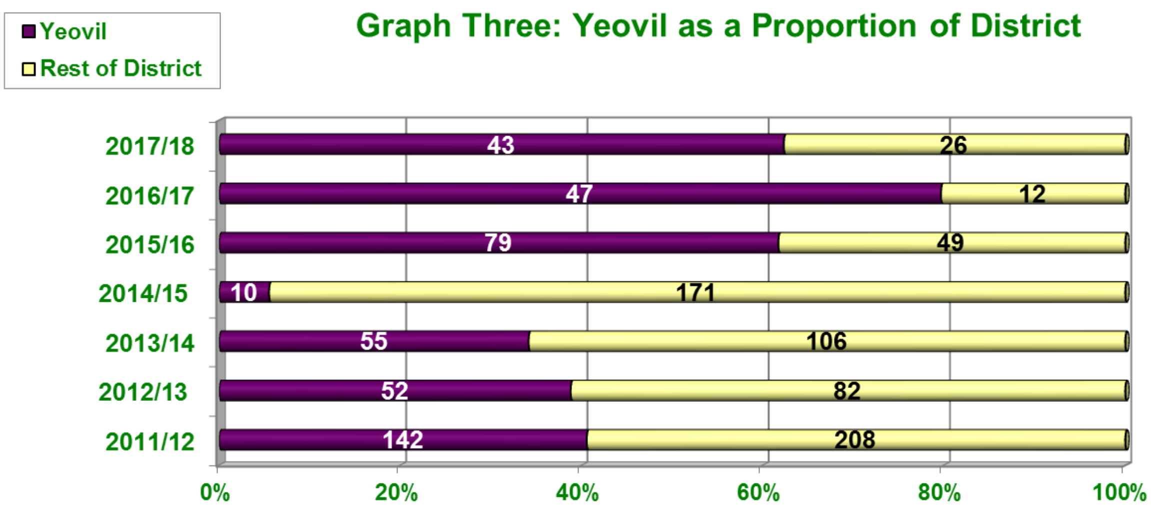
10.2.2. Graph one clearly shows the contribution to overall numbers in the first three years made by the replacement properties as Yarlington have worked through the last of the former pre-stressed Reinforced Concrete [PRC] sites inherited from the Council at the time of the stock transfer. However it should also be noted that the redevelopment of these sites has also made a significant contribution to the net gains as additional homes have been developed within each of the affected sites. The last of these redevelopments was completed in 2013/14.

10.3. Rural Delivery

Graph two demonstrates that over the past five years we have consistently delivered around 20-30% of all new affordable homes in settlements of under 3,000 population. Despite the variation in overall numbers, the proportion in rural areas is projected to remain at about this level.



10.4.   Delivery in Yeovil



Graph three demonstrates that for the first three years we delivered around 30-40% of all new affordable homes in Yeovil. In the fourth year this fell to just over 5% but last year rose to over 60%. This fluctuation is partly due to the slippage of a 59-unit scheme which should have been completed by 31st March 2015. The continued high projection for the current and following financial years is largely due to the significantly lower projected number of completions overall.

10.5. Public subsidy

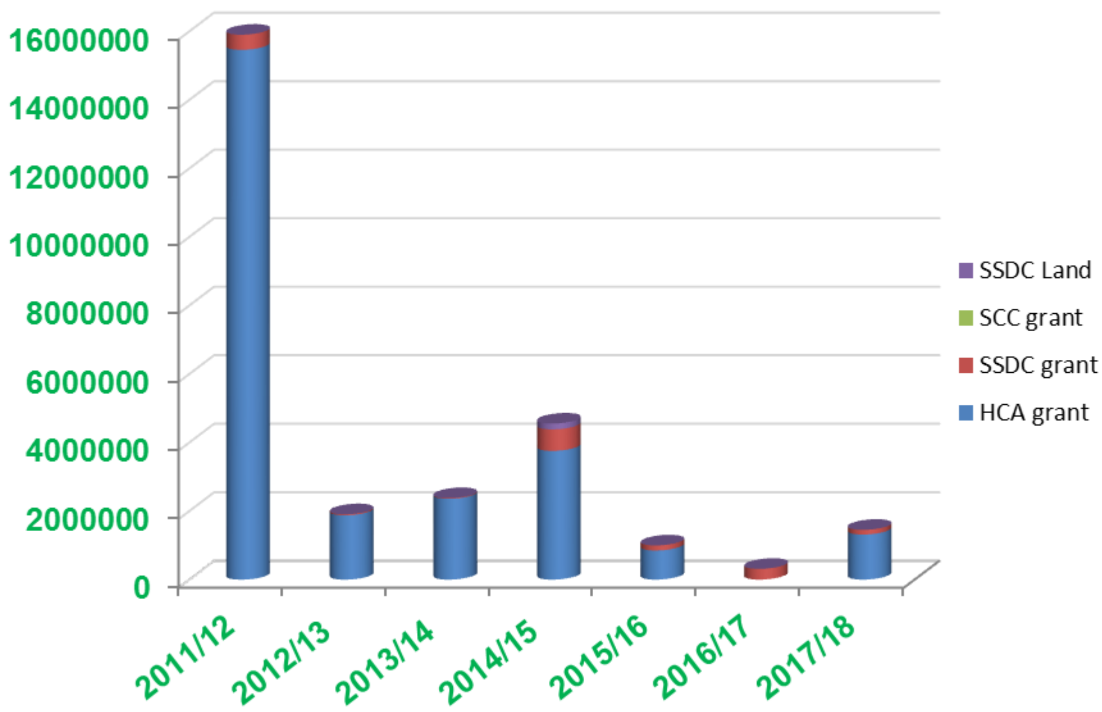
10.5.1. Graph four shows the level of public subsidy associated with schemes completing in each financial year. It should be noted that subsidy is paid at various stages and in most cases some proportion of the subsidy will have been paid over in the financial year/s prior to the year of completion, as the development has progressed. Historically, capital subsidy from the Homes and Communities Agency has been the dominant feature.

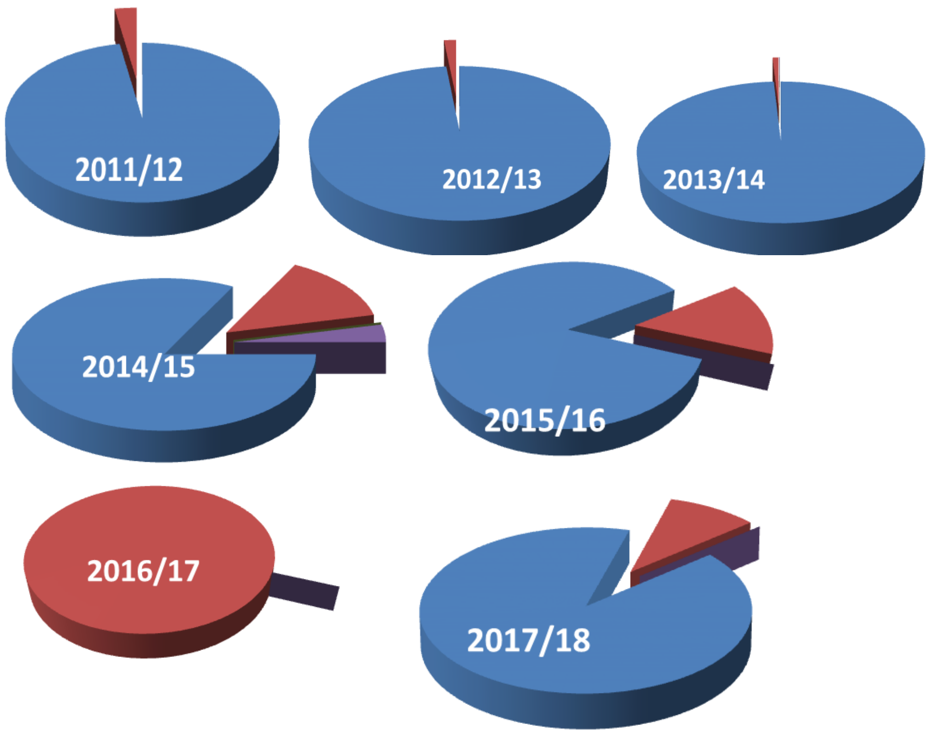
10.5.2. Over the past five years the total value of public subsidy has been as follows:

Homes & Communities Agency	£ 24,310,207	(93%)
District Council (Capital Grant)	£ 1,579,049	(6%)
District Council (Land Value)	£ 172,000	(<1%)
Total public subsidy	**£ 26,061,256**	

The pie charts show the relative degree of funding from these sources using the same colour coding.

Graph Four: Level of Public Subsidy Associated With Completed Schemes





10.5.3. Most unusually the current financial year includes no schemes subsidised through the HCA that are due to complete, although as previously mentioned grant will be paid over during the build stages and one Stonewater scheme is due to have a phased delivery but the final claim will fall into next financial year.

10.5.4. Over the previous five year period the capital receipts arising from former Council tenants exercising their preserved Right to Buy on Yarlington properties were as follows:

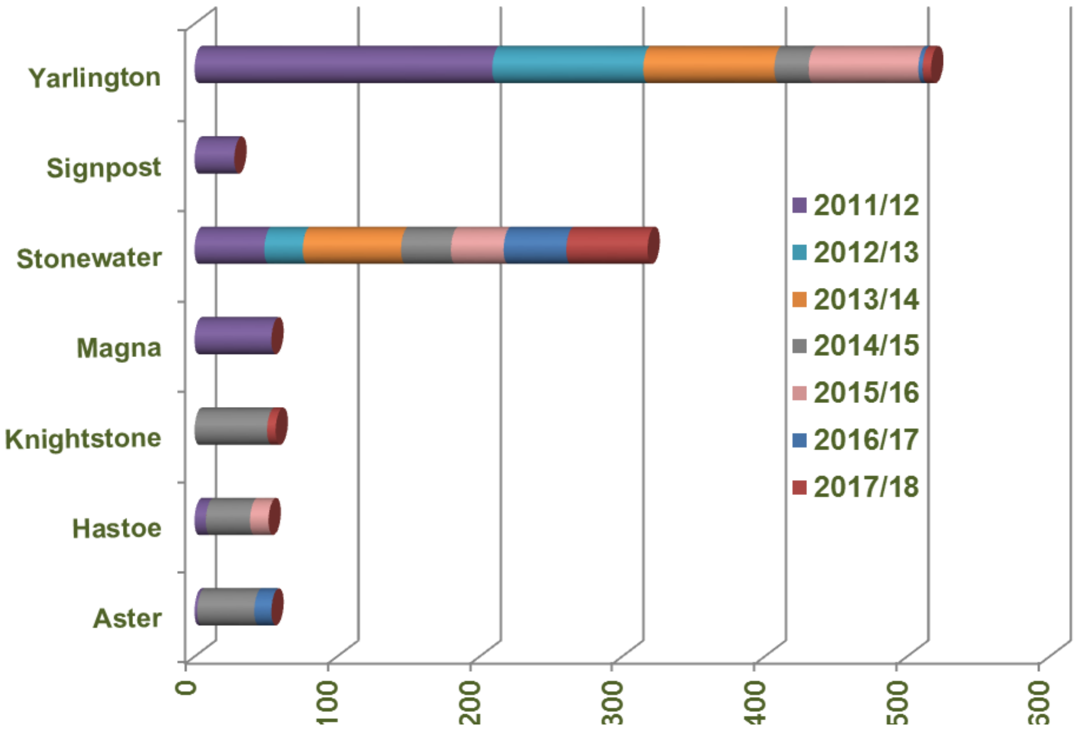
2011/12	£ 750,868
2012/13	£ 981,546
2013/14	£1,429,103
2014/15	£1,037,000
2015/16	£ 927,000
Total	**£5,125,517**

10.5.5. Graph four and the associated pie charts do not include the historic subsidy (in the form of a 'dowry' derived by the reduced capital receipt at the time of the council's large scale voluntary stock transfer) which has effectively gone into the replacement (but not net gain) properties on the Yarlington PRC estates. Equally these graphs do not show the recycled funds used by Housing Associations arising from 'staircasing' in shared ownership (where the lessee purchases a further tranche of the equity) or the outright disposal of a rented property.

10.6. Delivery by Association

10.6.1. Graph five shows the delivery over the seven year period (including the projected delivery for both the current and following financial years) broken down by Housing Association. The majority of the programme over the long term has been delivered by Yarlington, which delivered 508 new homes (including the replacement properties) over the past five years but currently is only projected to deliver a further 9 in total over this and the next financial year.

Graph Five: Delivery by Housing Association



10.6.2. The figures attributed to Stonewater include the homes produced by both Jephson and Raglan in the period prior to their merger to form Stonewater

10.6.3. It should be noted that this graph does not include a very small number of affordable dwellings delivered directly by private sector developers or the one acquired by the Council.

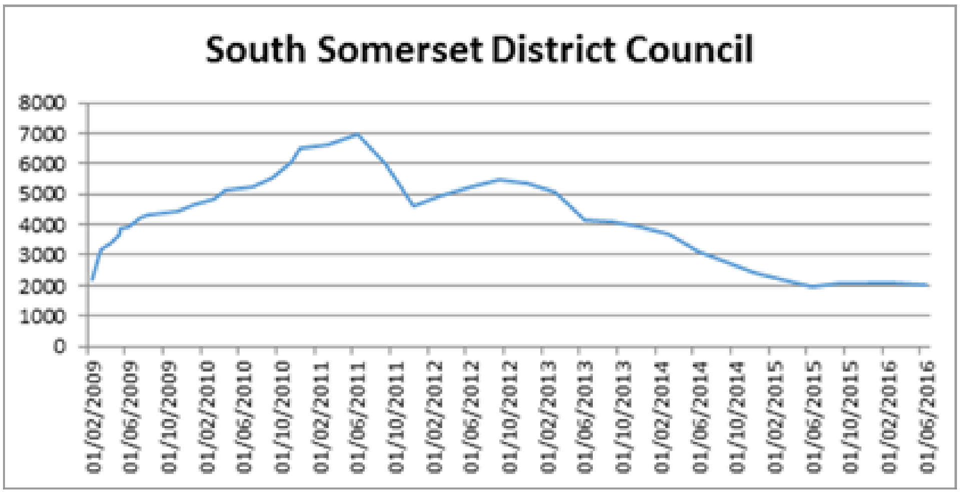
10.6.4. The homes produced by Magna and Signpost during 2011/12 are all at the Lyde Road key site in Yeovil, although neither association was selected as a main partner with the Council at the time. Since completion as part of a much wider stock swap exercise, the Signpost homes have since transferred to Knightstone Housing Association.

10.6.5. Both Aster and Knightstone were appointed as main partners in January 2011, following an extensive selection exercise undertaken in conjunction with Mendip and Sedgemoor District Councils. Aster has since been deselected in the review that completed early last year but remains cited on several existing s106 Agreements.

10.7. Housing Register

10.7.1. The graph below is extracted from the most recent quarterly report submitted to the Homefinder Monitoring Board. Since the creation of a single county wide system in December 2008 the number of applicants expressing a need through the register has initially increased and then steadily fallen. The fall in applications can be attributed to better maintenance of the register (removing redundant applications) and, in part, the policy changes previously introduced which restricted applicants to those who have a local connection with the County. However for just over two years those on the register assigned to South Somerset District Council has remained pretty steady at around 2,000, close to the level we had prior to creating the county-wide system.

Graph Six: Expressed Need on Housing Register

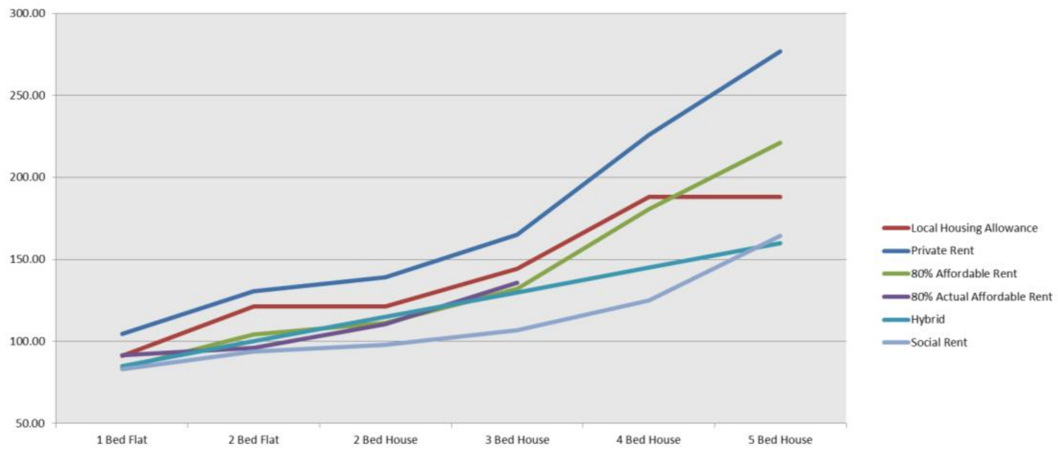


10.7.2. The graph above is fairly representative of the County as a whole, (although in both Mendip and Sedgemoor numbers have not yet fallen to pre-December 2008 levels), except for the virtual flat-line over the past two years. This suggests that we have reached an equilibrium where the supply of new housing (together with the casual vacancies arising from within the existing stock) is just about keeping pace with the newly arising expressed need. Other data shows that South Somerset consistently deals with the highest number of new applications in the County but also has the highest number of vacancies advertised and properties let meaning that our part of the register is more dynamic with consistently around 24% of the registered households (yet to be housed) and 24% of the bids made but 32% of the offers and lettings.

10.8. Outcome rents

10.8.1. The graph below is a very rough guide to the relationship between the different rent regimes. It is important to note that the figures are all district wide averages which masks the variation, particularly in market and affordable rents, between locations. There is no local housing allowance (Housing Benefit limit) for a five bedroom property – hence the red line flattens once it reaches four bedrooms. All forms of rent tend to ‘kink’ at the higher end – i.e. the additional rent charged per extra bedroom increases at a greater rate – except for the hybrid rent (which was deliberately modelled as a straight line).

Graph Seven: Relationship of Different Rent Regimes



10.8.2. In July 2015 the Chancellor announced that for four years both social rents and affordable rents will decrease by 1% per annum. For social rents the decrease applies to the ‘target rent’ formula whilst for the affordable rent regime new rents will be pegged at 80% of the market value as at July 2015, reduced by 1% annually, rather than 80% of the prevailing market value. Overall this reduction in income led to a significant reduction in the borrowing power of the Housing Association sector and subsequently additional viability issues on sites subject to planning obligations.

10.8.3. Perhaps due to the imposed reduction and perhaps due to faults in our modelling, for the most part actual affordable rents have tended to be slightly lower than those we originally projected and for most property types there has been no significant difference between actual affordable rents and the hybrid model. However the actual affordable rent line ends at three bedrooms due to the very small sample size for anything larger.

10.8.4. Bearing in mind that the graph shows district wide averages, because of the treatment of service charges, there has been very little difference between the social rent and the affordable rent model on one bedroom and two bedroom flats. However in some locations, particularly higher value villages, even for these property types the outcome rent has been discernibly higher on the affordable rent regime.

10.8.5. It is therefore suggested that we continued to use the hybrid model when the District Council is the sole source of grant funding for four or five bedroom properties and for all property types in certain higher value rural locations, but otherwise accept the affordable rent model for the majority of new grant funded homes.

10.9. New Homes Bonus

10.9.1. The affordable housing programme has made a significant contribution towards the payment of ‘New Homes Bonus’ to the Council. Our two most successful years ever coincided with the start of the New Homes Bonus, which is calculated on the overall gain in properties. However for the purposes of New Homes Bonus, the Government look at the gains over a 12-

month period ending in October, rather than the delivery over a traditional financial year.

10.9.2. In addition all new affordable homes earn an affordable homes bonus of £350 per property (£280 after 20% has been allocated to the County Council), or £ 2,100 over the full six year period. Overall, thanks to the accumulation over the past six years, affordable housing currently accounts for a significant chunk of the monies received through New Homes Bonus.

11. 2015/16 outturn

11.1. During 2015/16 a total of 128 new affordable homes were completed, of which 85 were produced without direct public subsidy but through obligations imposed on developers under section 106 of the Town and Country Planning Act 1990. The full details are shown at Appendix A.

11.2. Three different Housing Associations delivered eight schemes in six different settlements, benefitting from just over £852,000 in public subsidy from the HCA supplemented by £ 146,000 capital grant from the District Council. In addition the Council acquired one dwelling (from the open market).

11.3. The Hastoe scheme at Queen Camel, in conjunction with the Queen Camel CLT, delivered the final seven properties in April 2015, more details on this scheme are contained in the previous report to the District Executive (1st October 2015)

11.4. Four schemes were completed without any recourse to public subsidy, with the affordable housing elements being delivered through planning obligations alone, the most significant of which was the first phase of the Lufton key site in Yeovil.

11.5. The property acquired by Council was a three bedroom bungalow, meeting the specific needs of a particular client. This was not grant funded but acquired as an investment property, producing a return on the capital outlay exceeding that available through the PWLB. The property was leased on a shared ownership basis, producing a residual rent, and thus comes within the traditional definition of ‘affordable housing’.

11.6. In addition the Council acquired four other dwellings, but these did not represent a net gain as they were already let on affordable terms under the relevant s106 Agreement. The acquisition represented a preservation of the affordable status of these dwellings on similar terms as those originally set out in the s106 Agreement which had otherwise come to an end.

11.7. The number of new Affordable Rent dwellings delivered is lower than the number delivered as social rent, despite being higher in the previous year. This arises from the number actually delivered this year under planning obligations alone. The proportions will continued to vary over time depending on the timing of peaks and troughs in the different forms of delivery whilst there are still schemes for rent being funded by the HCA coming through the pipeline.

12. Current Year (2016/17) Programme

12.1. During 2016/17 we expect a total of 59 new affordable homes to be delivered and a further 44 underway but probably not completing until 2017/18. The full details are shown at appendix B. The figure is subject to some fluctuation as sites progress, for example delays due to adverse weather, but it is also possible that other schemes will come forward. It should be noted that for the purposes of these reports affordable housing 'secured' under s106 of the 1990 Act is only placed on the programme once the developer has entered into contract with the relevant Housing Association. The appendix also excludes other schemes proposed for new funding via this report.

12.2. Currently we expect three Associations to deliver three schemes in two different settlements. The current programme includes no land donated by SSDC but £ 315,000 is allocated in Council grant for Yarlington to produce three specialist bungalows in Yeovil.

12.3. The majority of properties expected to be delivered this financial year are on the Stonewater site at West Hendford, Yeovil where delivery is anticipated in four phases, three of which fall into the current financial year and the final phase falling into 2017/18.

12.4. The actual outcome for this financial year could be augmented with some additional individual properties such as further mortgage rescues or Bought not Built properties. It is also possible that some properties may be sold as Starter Homes, but this is unlikely to happen until 2017/18.

13. Programme Changes since October 2015

13.1. There have been a number of changes in the overall programme since the last such report to District Executive in October 2015

13.2. In March the Portfolio Holder confirmed an additional £6,544 for Chard Working Mens Club to cover further costs incurred following a site visit immediately prior to the first lettings. Just under half of this additional money was sourced from other budgets with a contribution from the empty property grant budget and monies also used from the winding up of CWMC. This additional grant represented less than 2% variation from the original budget.

13.3. In October 2015 the District Executive exhausted the rural contingency reserve by allocating £396,661 to Yarlington to fund the first 17 dwellings on a site in Misterton in the expectation that this would be underwriting whilst Yarlington bid to the HCA. Since then the Government announcement on the new SOAHP means that only 6 of the proposed 17 dwellings could possibly benefit from replacement grant funding as only the shared ownership element can benefit from the new bid cycle; however this does open up the opportunity for Yarlington to bid for an additional 23 or so dwellings as shared ownership to complete the site whilst still providing 11 for social rent as funded by the District Council (effectively replacing the 10 lost from the Betterment site under viability). However since the last such programme report Yarlington are yet to secure appropriate planning permission for the site and thus the scheme does not appear on Appendix B and has not yet been taken into account in the projected completions. However Yarlington remain optimistic that they will obtain planning permission sometime in 2017 and may be able to complete the site before the end of 2017/18.

13.4. In April 2015 the Portfolio Holder confirmed the underwriting of the Stonewater scheme at West Hendford in Yeovil by allocating £748,000 from the general reserve. Last October the District Executive confirmed the principle of underwriting the proposed Learning Disabilities (LD) scheme (within the substantive West Hendford) in the expectation that either the County Council or the HCA would provide all or the majority of the grant.

13.5. Stonewater have now been able to transfer HCA grant funding allocated for schemes in other parts of the country to cover the majority (general needs) element of the West Hendford site. Further discussion with the County Council suggest that the monies required to subsidise the LD element should be made available from health service funding following the sale of an existing building no longer regarded as fit for purpose and subject to approval from NHS England. However it is unlikely that the sale of the existing property will net enough to cover the full £ 375,000 subsidy that Stonewater require for this very specialised provision.

13.6. It is therefore proposed that £373,000 is now de-allocated from the West Hendford scheme and returned to the general contingency pot, leaving £ 375,000 to cover the LD scheme. Most of the £375,000 allocation will still be underwriting in the expectation that NHS England approval will be forthcoming and the health service capital funding recycled into the new provision. However, even if this is the case, there will be a take up of perhaps around £100,000 to meet the shortfall and nomination rights split between the County and the District to reflect the proportions of subsidy provided.

13.7. Last October the District Executive confirmed the allocation of £120,000 grant for Knightstone Housing Association to create nine new affordable dwellings on council owned land at Jarman Way, Chard. The combination of enforced rent reductions and overall impact on capacity referred to above had looked as if it rendered the scheme unviable even with the level of funding. However Knightstone are currently reviewing the scheme with the possibility of diverting some remaining RCGF funding and potentially reducing the required level of grant from the Council. For the moment uncertainties over this scheme means that it has been removed from Appendix B and not taken into account in the projected future delivery. However it is suggested that the allocation of £120,000 remains in place for the time being pending further information from Knightstone on the review of viability. If possible a verbal update may be given to the Executive.

13.8. Yarlington have been progressing a scheme at South Cadbury as reported to the District Executive last October, shown at Appendix B, but this has also been hit by similar viability issues following enforced rent reductions and the impact of that on borrowing capacity. The scheme utilises £ 166,000 of grant from the HCA originally allocated to another scheme in South Somerset which did not come forward and a further £93,000 in RCGF (recycled capital grant fund – monies raised from sales of previously grant funded properties).

13.9. The site at the former Dikes Nursery in Stoke Sub Hamdon was granted planning permission with a s106 Agreement securing four dwellings as an intermediate affordable housing product due to the site viability. We had thought that Yarlington, acting as a private developer, were going to build out the site selling the majority of dwellings as open market and using the proceeds to cross subsidise other affordable housing activity. However only a few weeks ago they confirmed that they had given up on the site, not being able to make it work financially even with the amended affordable housing obligation in place.

13.10. Following confirmation of Yarlingtons withdrawal of interest in the site, the Council has supported Stonewater in bringing the site forward instead. Stonewater hope not just to meet the s106 obligation to provide four properties for shared ownership but also to provide the remainder of the site as affordable rent They should be able to do so by utilising HCA grant funding which was originally allocated to a site in another county and has to be taken up by the end of 2017/18. At the time of writing this report transfer of the HCA grant funding to this site is still subject to formal confirmation from the HCA and Stonewater are also arranging planning amendments to create ten rented dwellings on roughly the same footprint as the original (larger) market housing.

14. North Street, Crewkerne

14.1. Members will recall how in the past our Housing Association partners have responded to identified gaps in the balance of the programme, for example producing over 130 additional homes in Chard over a three year period.

14.2. Following successful completion of three major schemes in Chard our Housing Associations partners were asked to concentrate on finding sites in Crewkerne – there having been just four properties built or acquired there over the past four financial years and the key site having both been stalled and subject to viability discussions which have successively reduced the level of affordable housing expected through planning obligations. After Yeovil and Chard, Crewkerne remains the third highest level of need in the district as expressed on the Homefinder register.

14.3. Stonewater have responded with a major scheme at North Street in Crewkerne, producing forty new dwellings of which 28 will be at affordable rent and 12 for shared ownership. Planning permission was already in place but the site is not straightforward and had not been developed by the private sector largely due to some difficulties with highways access. Stonewater have submitted a revised planning application, slightly increasing the size of the substantive site and the number of dwellings that can be achieved, which at the time of submitting this report is yet to be determined. Stonewater believe that they are able to overcome the outstanding technical difficulties.

14.4. Given the strategic importance of providing more affordable homes in Crewkerne (and given the lack of any other available options), it is proposed to allocate £1,040,000 to subsidise the scheme, subject to appropriate planning permission being in place.

15. New Rural Housing Action Plan

15.1. Since the last report to the District Executive, in recognition of the need to maintain delivery in more rural parts of the district, available capacity within the strategic housing unit has been reprioritised. There is now a part time housing development officer post dedicated to rural schemes and, following internal recruitment, Leisa Kelly joined the team at the start of December in this role (direct line 01935 462641).

15.2. The previous Rural Housing Action Plan (adopted in 2013) is now out of date with, among other things, the adoption of the Local Plan effectively replacing the old rural exceptions site approach with policy SS2 and the raft of changes brought about by Government including changes in the NPPF and new initiatives within the Housing and Planning Act 2016

15.3. The Housing Development Officer (Rural), supported by colleagues in the various Area development teams, has been working on producing a revised Rural Housing Action Plan that takes account of all of these external and internal changes. A consultation draft was sent out to parish councils, housing associations, community land trusts and other relevant parties at the end of June and the development of a new plan discussed at the Portfolio Holders informal discussion meeting on 8th July.

15.4. Responses to the consultation have been received and, at the time of writing this report, the new Action Plan is being revised in the light of these comments. The amended draft will be discussed at the Portfolio Holders next informal discussion meeting on 23rd September and it is anticipated that a formal report to the Portfolio Holder will seek to adopt the revised Plan shortly afterwards.

15.5. As previously stated, the District Executive exhausted the rural contingency fund last October by allocating grant to a Yarlington scheme which is yet to come to fruition. It was then thought that commuted sums would be gathered under policy HG4 and hypothecated to rural schemes, effectively replenishing the contingency fund. However all of the funds gathered under HG4 thus far do not amount to enough money to grant subsidise one dwelling. It is therefore proposed to recreate a rural contingency fund for the future by setting aside £500,000 from the remaining general contingency reserve, including all the HG4 monies gathered from rural areas to date. It is suggested that no further rural allocations be made from this contingency to Yarlington without the undertaking of some match funding from the net proceeds of their disposals in rural areas, where available.

16. Financial Implications

The table below is a summary of the movements in the reserve since the last report:

Affordable Housing Reserve	**£1,000 (rounded)**
Balance b/f (per DX report October 15)	1,623
Allocations from reserve to:	
Chard Working Men's Club (PH 04/03/16)	(7)
Transfer to reserve from:	
Empty property grants	1
CWMC (Liquidation)	2

Commuted sums gathered under policy HG4	20
Total Remaining Balance of Reserve	1,639

16.1 If the District Executive approves the proposal to de-allocate £ 373,000 from Stonewater as per the recommendations, this affordable housing reserve will increase to £2,012,000

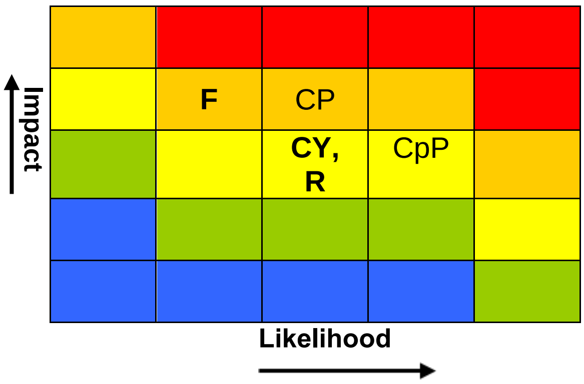
16.2 Following this, if the District Executive approves the proposal to allocate £1,040,000 to Stonewater for North Street, Crewkerne as per the recommendations, this affordable housing reserve will then decrease to £972,000

16.3 Following this, if the District Executive approves the setting aside of £500,000 as a rural contingency fund, the general affordable housing reserve will decrease to £472,000

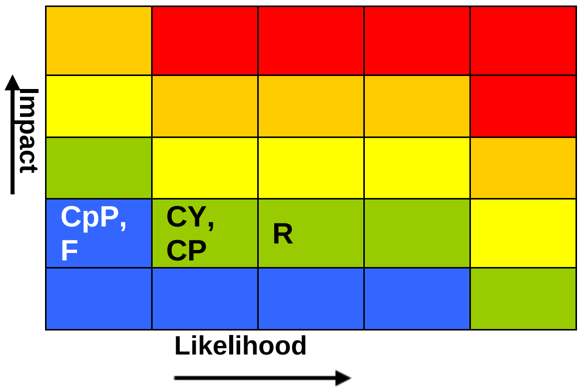
16.4 The general contingency funding has traditionally been held back to meet operational requirements, such as "Bought not Builts" for larger families; mortgage rescue and disabled adaptations specifically designed for clients where opportunities do not exist in the current stock.

17. Risk Matrices

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

Categories	Colours *(for further detail please refer to Risk management strategy)*
R = Reputation CpP = Corporate Plan Priorities CP = Community Priorities CY = Capacity F = Financial	Red = High impact and high probability Orange = Major impact and major probability Yellow = Moderate impact and moderate probability Green = Minor impact and minor probability Blue = Insignificant impact and insignificant probability

18. Carbon Emissions and Climate Change Implications

Previously all affordable housing in receipt of public subsidy, whether through the HCA or from the Council, had to achieve the minimum code three rating within the Code for Sustainable Homes. The HCA has now dropped this requirement and work has been undertaken to understand the precise differences between code three and current building regulations (which have improved). Whilst the Council may be able to seek slightly higher standards than those achieved through building regulations where it is the sole funder of schemes, this is rarely the case as usually there is some HCA grant sought at some stage.

19. Equality and Diversity Implications

All affordable housing let by Housing Association partners in South Somerset is allocated through Homefinder Somerset, the county-wide Choice Based Lettings system. Homefinder Somerset has been adopted by all five local housing authorities in the County and is fully compliant with the relevant legislation, chiefly the Housing Act 1996, which sets out the prescribed groups to whom 'reasonable preference' must be shown.

20. Implications for Corporate Priorities

The Affordable Housing development programme clearly provides a major plank under "Homes" and in particular meets the stated aim:

> *"To work with partners to enable the provision of housing that meets the future and existing needs of residents and employers."*

21. Privacy Impact Assessment

This report does not directly impact on any data held of a personal nature.

22. Background Papers

Consent to Dispose of a Third Party Property (Confidential) - District Executive - 4th October 2012

Approval of the Rural Housing Action Plan 2013/14 (report to Portfolio Holder)
Executive Bulletins no.s 578 & 579 - 7th & 14th June 2013

Investing in Market Housing - District Executive - 5th February 2015

Investment in Housing: Purchase of a Three Bedroom Bungalow
Executive Bulletins numbers 679 & 680 – 10th & 17th July 2015

Affordable Housing Development Programme - District Executive – 1st October 2015

Portfolio Holder Decision Called in by Scrutiny Committee: - Consent for Disposal of a Property in Rimpton by Yarlington Housing Group - Scrutiny Committee - 5th January 2016

Revenue Budget 2016/17 - Medium Term Financial Plan and Capital Programme - District Executive - 4th February 2016

Affordable Housing Development Programme: Chard Working Men's Club
Executive Bulletins numbers 688 & 689 - 26th February & 4th March 2016

Appendix A: Combined HCA & SSDC Programme 2015/16 outturn

	Housing Association	Scheme Name	Social Rent	Affordable Rent	Shared Ownership/ Intermediate	Net Gain New Homes	Total Grant	Level of grant from SSDC	SDC land allocation value	Level of grant from HCA	Planning Obligation	completion
Yeovil	Stonewater	Goldcroft	0	19	0	19	£470,402	£0	£0	£470,402		Mar-16
	Yarlington	Lufton Key Site	30	0	29	59	£0	£0	£0	£0	✓	Nov-15
	(District Council)	Specialist bungalow*	0	0	1	1	£0	£0	£0	£0		Feb-16
Chard	Stonewater	Rosebank, Millfield Road	0	10	0	10	£335,786	£98,000	£0	£237,786		Mar-16
	Yarlington	Mitchell Gardens**	8	0	3	11	£0	£0	£0	£0	✓	Apr-15
South Petherton	Stonewater	Hayes End (phase II)	5	0	3	8	£0	£0	£0	£0	✓	Dec-15
Rural (population below 3,000)	Yarlington	Wheathill Way, Milborne Port	5	0	2	7	£0	£0	£0	£0	✓	Oct-15
	Hastoe	Shave Lane, Horton	0	6	0	6	£192,000	£48,000	£0	£144,000		Nov-15
	Hastoe	West Camel Road, Queen Camel (CLT)**	0	3	4	7	£0	£0	£0	£0		Jun-15
Totals			**48**	**38**	**42**	**128**	**£998,188**	**£146,000**	**£0**	**£852,188**	**85**	

*Bungalow acquisition part of the Councils investment, not grant aided, but is affordable as made available on a shared ownership basis.
**Final phase of a larger scheme, delivered over several financial years

Appendix B: Combined HCA & SSDC Programme 2016/17 & 2017/18 projected

	Housing Association	Scheme Name	Social Rent	Affordable Rent	Shared Ownership/ Intermediate	Net Gain New Homes	Total Grant	Level of grant from SSDC	SDC land allocation value	Level of grant from HCA	Planning Obligation	completion
Yeovil	Stonewater	West Hendford	0	45	18	63	£750,345	£748,000*	£0	£750,345		Jun-17
	Stonewater	Queensway	0	24	0	24	£596,607	£139.000	£0	£457,607		Apr-17
	Yarlington	Westfield Bungalows	2	0	1	3	£315,000	£315,000	£0	£0		Dec-16
Rural (population below 3,000)	Yarlington	South Cadbury	0	4	2	6	£108,000	£0	£0	£108,000		Oct-17
	Aster	Wheathill Nursery, Milborne Port	7	0	5	12	£0	£0	£0	£0	✓	Sep-16
	Stonewater	Former Dike's Nursery, Stoke sub Hamdon	0	10	4	14	tbc	£0	£0	tbc		Mar-18
	Knightstone	East Stoke, Stoke sub Hamdon	4	0	2	6	£0	£0	£0	£0	✓	Dec-17
Totals			**13**	**83**	**31**	**128**	**£1,769,952**	**£1,202,000**	**£0**	**£1,315,952**	**18**	

*Showing SSDC funding prior to recommendations in this report, although superseded by HCA allocation