Affordable Housing Development Programme

Head of Service:	*Colin McDonald, Corporate Strategic Housing Manager*
Lead Officer:	*Colin McDonald, Corporate Strategic Housing Manager*
Contact Details:	*colin.mcdonald@southsomerset.gov.uk or (01935) 462331*

Purpose of the Report

The purpose of this report is to update members on the outturn position of the Affordable Housing Development Programme for 2015/16 in relation to Area South and future prospects.

Recommendation

The Committee are asked to note the outturn position of the Affordable Housing Development Programme for 2015/16 and the prospects for the future.

Public Interest

This report covers the provision of affordable housing in Area South over the past year and anticipates the likely delivery of more affordable homes being constructed in the future. 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.

"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)

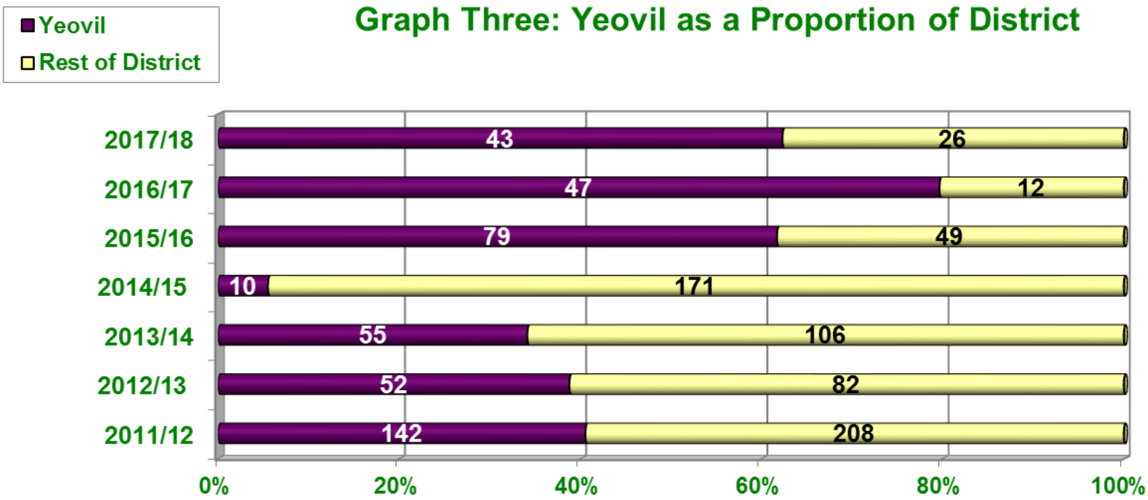
This report covers the level of public subsidy secured (which is necessary in order to keep rents at below market rates), sets out where affordable housing has been completed and describes schemes that are either already underway or are expected to be built in the near future. It does not cover the letting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

Background

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 planning obligations obtained under s106 of the Town and Country Planning Act 1990) 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.

A previous report was considered by the Area South Committee on 4th November 2015 which considered the outturn for the previous financial year (2014/15) and the prospects for the then current financial year (2015/16). Since then an annual update report on the programme has been provided to the District Executive on 1st September 2016, giving more detail in terms of the longer term perspective and the provision of affordable housing across the entire district.

Graph three from the most recent District Executive report is reproduced below, covering a seven year period including five completed years from 2011-15 and a projection for both the current and following financial years. It demonstrates that for the first three years around 30-40% of all new affordable homes in the district were delivered 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 slippage of a 59-unit scheme which should have been completed by 31st March 2015. The continued high performance for the current and following financial years is largely due to the significantly lower projected number of completions overall.



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.

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.

2015/16 Outturn

During 2015/16 seventy-eight housing association properties were built in Yeovil and one bungalow was purchased from the open market by the Council. In a reversal from the previous year, social rent dwellings outnumbered affordable rent, largely due to completion of a significant s106 obligation. The full funding details are shown at Appendix A.

Two Housing Associations each delivered one scheme, one being grant funded just under £ ½ million via the HCA and the other being delivered through planning obligations alone. The bungalow acquisition was with a specific household in mind as part of the Council's investment programme rather than the affordable housing programme but as the property was let on a shared ownership basis it qualifies as 'affordable'.

The slippage of the first phase of the Lufton Key Site was caused by a number of factors as reported last year to the Committee. As a consequence of this slippage, delivery of new affordable housing in Yeovil was disappointingly low in the previous year (2014/15) with only ten. The fifty nine falling into 2015/16 has had the opposite effect on last years performance with a higher than (long term) average delivery rate in Yeovil as a result. The Committee may wish to note how the timing of such larger sites effects the overall shape of the programme.

The grant funded scheme delivered by Stonewater at Goldcroft produced nineteen homes, all at affordable rent, including a five bedroom property which as contributed towards the reduction of the small number of very large families for whom no solution was previously visible. Members of the Committee may recall that funding of this site was made possible by the failure of a different site in Yeovil for which the grant was originally intended (at that time to Raglan) when Stonewater were able to convince the HCA to allow a transfer of the commitment to this site.

The table below shows these housing association schemes broken down by property type. Just over half (55%) of the programme in Yeovil has been smaller (one or two bedroom) properties.

	Flats		Houses				
Bedrooms	One	Two	Two	Three	Four	Four+	Total
Goldcroft	6	6	4	2	0	1	19
Lufton	10	18	0	27	4	0	59

2016/17+ programme

The programme for the current (2016/17) and following (2017/18) financial year is shown at Appendix B. The Appendix shows all the schemes we expect to be underway in Yeovil during this financial year but does not break it into expected completion dates because one site will straddle the financial years with some properties being let this year and the remainder next and another site is officially programmed for next financial year but may yet complete in this financial year.

The same two Housing Associations – Stonewater and Yarlington – will produce a total of 91 dwellings across three different sites, using around £1.2 million in public subsidy awarded by the HCA and just over £ ¾million grant from the Council. However only three of these are with Yarlington on one site and 88 with Stonewater spread across two. The rent regime ratio is reversed once again – with the majority being for affordable rent as a result of receiving HCA funding and only two being set aside for social rent (these being funded by the Council).

At West Hendford Stonewater have been able to use HCA funding to take over a site which the private sector had not developed for several years – despite the affordable housing planning obligation being built out several years ago. This site was originally due to receive SSDC funding, as described in more detail in the previous report to the Committee, which has since been released on confirmation of HCA grant – another example of our 'underwriting' approach giving sufficient confidence to housing associations to bring sites forward which might otherwise had remained dormant.

The council continued to underwrite one element of the site which has been set aside for the provision of homes for people with Learning Disabilities. Under the current plan it is anticipated that funds will be released via the County Council and the CCG (from the sale of a property that is felt to no longer be fit for purpose) to be reinvested in the new provision provided by Stonewater. It is therefore anticipated that most of the funding currently set aside by the Council (shown at Appendix B) will be further released, although our contribution could still remain at around £100,000, pending the sums realised from the sale of the other property.

The other Stonewater site, to be named Ben Jacobs Court (after the 19th century engineer that designed the first Petters oil engine), at Queensway, has been making very good progress and it is possible that the 24 flats (all at affordable rent) may be delivered before the end of this financial year as a result. However it is in the nature of construction sites that delays occur and it is still possible that a temporary shortage of suitable materials or appropriate labour may cause the site to go back closer to it's original expected completion date. This site is also one which has benefitted from Stonewater being able to convince the HCA to transfer a commitment of funding from another site, but on this occasion a further injection of grant from the Council was necessary to make the scheme fit the original HCA funding envelope.

Other sites might deliver further affordable housing through planning obligations but have not been included as we currently have no indications of contracts being struck between developers and housing associations and cannot be certain that a viability argument may emerge to reduce or eliminate the affordable element, nor that the site may simply be 'mothballed' until economic circumstances make it attractive enough for the developer to commence. The final number may also vary if there are any further individual acquisitions such as through 'bought not built' or mortgage rescue.

The table below shows the pipeline Stonewater schemes broken down by property type. Taking into account the three specialist three bedroom bungalows being built by Yarlington, Just under half (47%) of the programme in Yeovil will be smaller (one or two bedroom) properties.

	Flats			Houses					
Bedrooms	One	Two	Three	One	Two	Three	Four	Four+	Total
Queensway	0	8	16	0	0	0	0	0	24
West Hendford	7	9	0	2	17	28	1	0	64

Yarlington disposals

The Committee may be aware that the volume of disposals undertaken by Yarlington as a result of the various changes imposed on the sector by Government has been discussed by a Scrutiny Task & Finish group and was addressed as part of the report to the District executive in September. In particular concerns have been raised about the disproportionate effect of such disposals on rural housing.

Since January 2015 there have been six such disposals in Area South – three in Yeovil, two in West Coker and one in Barwick. In five cases no objections were made by the relevant ward members and the Portfolio Holder determined to agree to the proposed disposal. In the case of 88 Southville, Yeovil objections were raised and the Portfolio Holder formally resolved not to agree to the proposed sale. However, as with all other cases across the district when the Council has objected, Yarlington went ahead with the disposal. It is estimated that Yarlington have raised just over £ ½million, after taking into account outstanding debt and transaction costs, from these six disposals.

Financial Implications

The level of SSDC capital funding is shown in the appendices. However this does not indicate the size of the unallocated programme. The main 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.

Carbon Emissions & Adapting to Climate Change Implications (NI188)

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.

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.

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."*

Privacy Impact Assessment

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

Background Papers: Area South Affordable Housing Development Programme
Area South Committee – 4th November 2015

Affordable Housing Development Programme
District Executive – 1st September 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
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
Totals		**30**	**19**	**30**	**79**	**£470,402**	**£0**	**£0**	**£470,402**	**59**	

*Bungalow acquisition part of the Councils investment, not grant aided, but is affordable as made available on a shared ownership basis.

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
Stonewater	West Hendford	0	46	18	64	£750,345	£375,000*	£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
Totals		**2**	**70**	**19**	**91**	**£1,661,952**	**£829,000**	**£0**	**£1,207,952**	**0**	

*Shows SSDC underwriting of LD scheme in addition to HCA funded housing