

Affordable Housing Development Programme

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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 East, the position for the current financial year and future prospects.

Recommendation

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

Public Interest

This report covers the provision of affordable housing in Area East 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 its 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). The Housing & Planning Act 2016 formally defines the new Starter Homes as also being a form of ‘affordable housing’.

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. Other than the reference to the rural lettings policy, it does not cover the letting of the rented housing or the sale of the shared ownership and discounted market homes; in short, it is concerned with the commissioning and delivery stages only.

Background

The overall programme is usually achieved through mixed funding (Social 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 made to the Area East Committee on 13th January 2016 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. The report to the District Executive gives more detail in terms of the longer term perspective and the provision of affordable housing across the entire district.

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 developer's 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 has placed a new duty on local authorities to promote Starter Homes. As currently framed a Starter Home is effectively a discounted market product where the discount is at least 20% off the market price, repayable if resold within an unspecified time period and only available to first time buyers under the age of 40. There is also an overall price cap of £250,000 outside London. Other detail, such as the length of time that must pass before a purchaser is obliged to repay the discount in full, or in part, is to be set by regulations which the Secretary of State is yet to lay before Parliament.

Rural Housing

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. During 2016 a new draft plan was produced and consulted on. This most recent revision takes into account revised policies in the new Local Plan and the imposition by central Government of a higher threshold below which affordable housing obligations cannot be imposed. The new plan was adopted in October 2016 and includes an initial action plan setting out a range of tasks specific to a number of parishes, including many in Area East, where affordable housing is being considered. In September 2016 the District Executive replenished the rural contingency fund, allocating £500,000 to enable the bringing forward of new schemes.

The Committee may recall the adoption of a rural lettings policy, which can be found on the Councils public website on the following link:

https://www.southsomerset.gov.uk/media/724294/rural_lettings_policy_-_south_somerset.pdf

Effectively every parish in the Area is covered by this policy except for Wincanton, Castle Cary & Ansford, either directly or indirectly (by falling into the 'doughnut ring' of a neighbouring parish) so that very local connections can be taken into account in the allocation of homes when they become vacant.

2015/16 outturn

Appendix A shows the two schemes that completed in 2015/16, both of which were previously reported to the Committee as they completed during the calendar year 2015.

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 Committee (13th January 2016). No funding is shown against this scheme as the total site grant of £ 868,000 had been previously reported when the first thirteen properties were delivered during 2014/15.

Seven homes were acquired by Yarlington at Milborne Port under a s106 Agreement so no public subsidy was required. These homes are adjacent to existing Yarlington stock inherited from the Council.

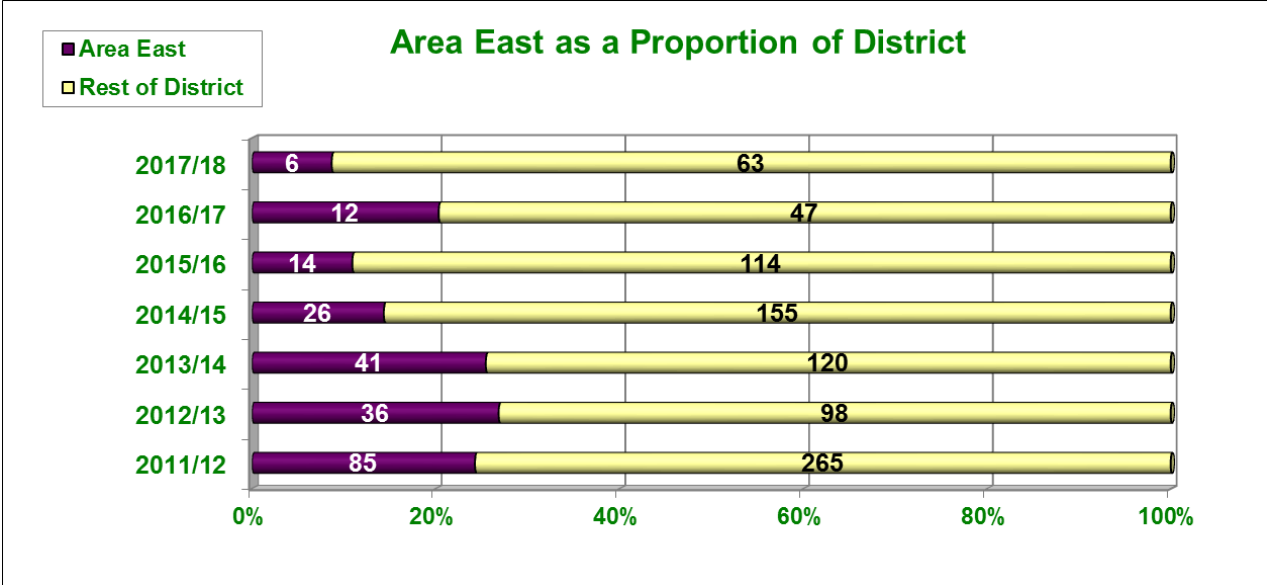
2016/17 + programme

Appendix B shows the sites that were underway in Area East during 2016/17 although one of these is not expected to complete until next financial year (2017/18). The Aster scheme at Milborne Port completed at the end of 2016, producing twelve homes without any public subsidy but deriving these from the planning obligations under a s106 Agreement. It is remarkably close to the previous, Yarlington, scheme. This site included a bespoke five bedroomed property designed with the very specific needs of a particular household in mind.

The Yarlington scheme at South Cadbury is the only scheme currently under construction and has previously been reported to the Committee and utilises a cocktail of funding including £108,000 in new grant from the HCA and some recycled funds. It has been the subject of a number of delays and is now expected to complete in October 2017.

Longer term view

As previously mentioned, the report made to the District Executive on 1st September 2016 gave more detail in terms of the longer term perspective and the provision of affordable housing across the entire district. The graph below shows the proportion of affordable housing delivered in Area East over the past five years together with the projected proportion for the current and forthcoming financial years.



Future prospects

In addition to the Aster scheme at Milborne Port, there are prospects of other schemes coming forward where affordable housing will be produced under a planning obligation (policy HG3 in the Local Plan). Members of the Committee will be aware of several planning applications where such obligations are to be imposed, including the possibility of being imposed by an Inspector when overturning a refusal at appeal. However none of these have been included in this report as, at the time of writing, no Housing Association is under contract on any of these emerging sites and there is no timescale yet in place to be reported.

The strategic housing team are also aware of at least two other sites in Area East where Housing Associations are contemplating being the sole developer. Both of these putative sites are subject to bids being made to the HCA and grant funding secured, thus neither is identified in this report.

Yarlington disposals

When considering disposals as part of their current funding agreement with the HCA, 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.

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.

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). The majority (90%) have been in rural locations and during the previous financial year (2015/16) disproportionately so in Area East. The table below provides a more detailed breakdown.

Period	Total number of dwellings proposed for disposal by Yarlington	Of which, in Area East
June 2012 – December 2016 <i>[entire period]</i>	50	14
April 2015 – March 2016 <i>[last financial year]</i>	8	5
April 2016 – December 2016 <i>[this year to date]</i>	29	6

New needs assessment (SHMA)

As a first phase of the new strategic housing market assessment (SHMA) the five Somerset housing & planning 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.

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 full report, covering all four districts, was endorsed by our Local Development Scheme Board on 17th November 2016 and can be found on our website:

https://www.southsomerset.gov.uk/media/862544/somerset_final_shma_oct2016_revised.pdf

Assuming an annual net relet supply (i.e. after taking transfers into account) of 659 homes a year arising from within the existing social housing stock, the SHMA projects a need to create, on average, a supply of 206 new housing association homes per annum across the district between 2014 and 2039. Assuming that all the new homes created are of the right size and in the right location, that would eradicate the backlog of need, as currently expressed by the higher bands on the Homefinder register, and address the expected arising need over the remainder of the assessment period.

Overall, the analysis identifies that around 24% of households have an income that would be insufficient to afford social rent without some form of subsidy such as Housing Benefit or Universal Credit. Around 10% of affordable housing sought should be of an intermediate tenure (e.g. shared ownership) and the remainder being social or affordable rented housing. The analysis identified a particular need (around 80%) for social rented housing; although it is recognised that with the inclusion of uncapped housing benefit, many of these households would potentially be able to access an affordable rented product.

The SHMA identifies a role for starter homes, as currently defined in the 2016 Act, but largely as an alternative (presumably preferred) tenure for a cohort of people currently able to afford private rented accommodation (and therefore not in the group in need of affordable housing). The 2016 Act redefines 'affordable housing' to include starter homes but the SHMA suggests that they will not contribute towards meeting the affordable housing need. For South Somerset, based on prevailing earnings, the SHMA shows that to meet the needs otherwise met by traditional of affordable housing, starter homes need to have a 47% discount.

Whilst it would not be reasonable to attempt to renegotiate the type and level of affordable housing secured through existing s106 Agreements (except when triggered by some other material change), we are now able to draw on the SHMA analysis to seek a greater proportion of rented property, particularly for social rent, as part of the planning obligations to be secured on new permissions, subject, as always, to viability.

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 & 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 since 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: Adoption of a Balanced Rural Lettings Policy
District Executive – 1st April 2015
Area East Affordable Housing Development Programme
Area East Committee – 13th January 2016
Affordable Housing Development Programme
District Executive – 1st September 2016
Approval of the Rural Housing Action Plan 2016/18 (Portfolio Holder report)
Executive Bulletins no.s 690 & 691, 7th & 14th October 2016
Strategic Housing Market Assessment for Mendip, Sedgemoor, South Somerset and Taunton Deane
Final Report - October 2016

Appendix A: Combined HCA & SSDC Programme 2015/16 - Outturn

Housing Association	Scheme Name	Rent	Shared Ownership/	Net Gain New Homes	Total Homes for NI 155 purposes	Total Grant	Level of grant from SSDC	SSDC land allocation value	SCC Funding	Level of grant from HCA	Completion
Yarlington	Wheathill Way, Milborne Port	5	2	7	7	£0	£0	£0	£0	£0	October 2015
Hastoe	West Camel Road, Queen Camel (CLT)	3	4	7	7	£0	£0	£0	£0	£0	June 2015
TOTAL		8	6	14	14	£0	£0	£0	£0	£0	

Appendix B: Combined HCA & SSDC Programme 2016/17+

Housing Association	Scheme Name	Rent	Shared Ownership/	Net Gain New Homes	Total Homes for NI 155 purposes	Total Grant	Level of grant from SSDC	SSDC land allocation value	SCC Funding	Level of grant from HCA	Anticipated Completion
Yarlington	South Cadbury	4	2	6	6	£108.000	£0	£0	£0	£108.000	October 2017
Aster	Wheathill Nursery, Milborne Port	7	5	12	12	£0	£0	£0	£0	£0	December 2016
TOTAL		11	7	18	18	£108.000	£0	£0	£0	£108.000	