

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 West 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 West over the last complete financial 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 West Committee on 17th February 2016 which considered the outturn for the previous financial year (2014/15) and the provisional outturn 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 now adopted Local Plan and the imposition by central Government of a higher threshold below which affordable housing obligations cannot be imposed. The new plan was approved in October 2016 and includes an initial action plan setting out a range of tasks specific to a number of parishes, including some in Area West, 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

The majority of parishes in the Area are covered by this policy, 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. The exceptions are Chard, Crewkerne and Ilminster as these exceed 3,000 in population. Chaffcombe and Cricket St Thomas are also excluded from the policy as there are no general needs dwellings in Housing Association ownership in either of these parishes and in addition they do not immediately border a parish which does qualify in its own right and therefore do not appear in the 'doughnut ring' for a neighbouring parish.

2015/16 outturn

During 2015/16, 32 new affordable homes were delivered across four sites (three in Chard) by three Housing Associations utilising just over £900,000 in public subsidy, the bulk of which (£3/4m) came from the Homes and Communities Agency. Three of these were previously reported to the Committee, in February 2016, as already completed (by that date).

A detailed breakdown is provided at Appendix A.

Twenty three homes for rent and three for shared ownership were delivered in Chard. Eleven of these, including all three shared ownership, were the final phase of the affordable housing delivered through

a planning obligation in April 2015, almost two years ago now but just at the start of the last complete financial year. These were the most recent homes to be delivered without direct public subsidy in Area West.

The other two schemes in Chard were both delivered by Stonewater, being the conversion of Chard Working Men's Club (providing five new flats) and the construction of ten new homes at Rosebank, Millfield. This brings the total of new homes delivered in Chard by Stonewater (including the former Raglan) to 68 (over four different sites) since June 2013, in response to the previous request to Housing Association partners to find sites for additional homes in Chard.

The other scheme to complete last financial year (and previously reported) was the rural exceptions scheme built by Hastoe at Horton.

2016/17 + Programme

At the time of submitting this report we are in the unusual position of all previous schemes having been completed and all proposed, pipeline schemes being precisely that, pipeline (with inherent dangers of further stalling or non-completion) rather than commenced. There has, however, been an allocation of Council funding to enable Magna Housing to purchase a specific single dwelling in Chard. If this purchase is completed by the end of next month it will represent the only additional affordable home delivered in Area West this financial year.

At the time of submitting this report there are no Housing Associations under contract with a private developer to deliver the affordable housing element due under planning obligation on any qualifying site in Area West. There are, however, three housing association led schemes in Area West which have been allocated over £ 1 ½ million in grant from the Council and just under £ ½ million in grant from the HCA. These are detailed at Appendix B. All three are subject to planning permission and none are likely to begin to deliver completed homes until the calendar year 2018. If all three schemes proceed successfully there will be a total of at least a further 66 homes, delivered by three different housing associations in three different settlements.

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 to complete the site. This allocation included 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 report Yarlington are yet to submit a planning application for the site, despite having the funding allocation confirmed over 15 months ago.

Stonewater have responded to our overtures to all Housing Association partners to find sites in Crewkerne, given that this is now the settlement in the district with the greatest gap between expressed demand and new delivery, mainly thanks to the continued stalling of the key site. In September 2016 the District Executive allocated just over £1 million to bring forward 40 new dwellings with a major scheme at North Street in Crewkerne, This allocation was made on the same basis as the Yarlington allocation for Misterton – the caveats being that alternative funding is sought from the HCA and subject to planning permission.

Planning permission was already in place but the site had not been developed by the private sector. Stonewater have submitted a revised planning application, 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.

Members may recall the Knightstone scheme for the creation of nine new dwellings for rent at Jarman Way. Difficulties with land costs on this site, together with the reduction in borrowing ability from

revised outcome rents caused a funding shortfall and the Portfolio Holder has been asked to allocate a further £80,000 in grant from the Council in order to bring this scheme forward.

In addition to the three schemes mentioned above, all of which currently have funding allocations from the Council, other sites may come forward over the same period and further bids could be made to the HCA. One such possible bid is for the creation of new houses by Stonewater on land assembled at the rear of chard working mens club at some stage in the future.

There could also be further gains in the coming years from planning obligation sites, although none of these are reported here as we cannot be certain about timing and also because there could be future viability issues which result in the level of affordable housing being reduced on certain sites

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. The table below provides a more detailed breakdown.

Period	Total number of dwellings proposed for disposal by Yarlington	Of which, in Area West
June 2012 – January 2017 <i>[entire period]</i>	52	17
April 2015 – March 2016 <i>[last financial year]</i>	8	0
April 2016 – January 2017 <i>[this year to date]</i>	31	16

As can be seen from the table, the relative proportion of properties set aside for disposal by Yarlington in Area West has grown this financial year. This is partly because of the relative random nature of such vacancies arising, the only previous case was in 2014. The biggest contributing factor has been two proposals covering eight and (initially) four dwellings in Horton and Donyatt, both of which are primarily triggered by the poor design of the original scheme. However even if one were to exclude these exceptional cases, the overall number of proposed disposals and the proportion of these in Area West has grown since the start of this financial year. It remains the case that there are no examples of a proposed disposal being withdrawn as the result of consultation with the housing authority.

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 funding shown against each scheme in the appendices has been allocated by the District Executive or the Portfolio Holder as described in the main text of the report above, but does not include the contingency funds held back for other allocations. Please also note that there is up to £37,000 allocated to Magna Housing for the acquisition of a specific property in Chard which does not appear in either of the appendices. 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 West Affordable Housing Development Programme - Area West Committee – 17th February 2016
Affordable Housing Development Programme: Chard Working Men’s Club, Executive Bulletins numbers 688 & 689, 26th February & 4th March 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
Affordable Housing Development Programme: Bought not Built Property, Chard (Portfolio Holder report) - Executive Bulletins nos 696 & 697, 18th & 25th November 2016

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

	HA	Scheme Name	Social Rent	Affordable Rent	Shared Ownership/ Intermediate	Net Gain New Homes	Total Homes for NI 155 purposes	Total Grant	Level of grant from SSDC	SSDC land allocation value	Level of grant from HCA	Planning Obligation	Anticipated completion
Chard	Stonewater	Rosebank, Millfield Road	0	10	0	10	10	£335,786	£98,000	£0	£237,786		Mar-16
	Stonewater	Working Men's Club*	0	5	0	5	5	£373,119	£6,544	£0	£366,575		Nov-15
	Yarlington	Mitchell Gardens**	8	0	3	11	11	£0	£0	£0	£0	✓	Apr-15
Rural (population below 3,000)	Hastoe	Shave Lane, Horton	0	6	0	6	6	£192,000	£48,000	£0	£144,000		Nov-15
		Totals	8	21	3	32	32	£900,905	£152,544	£0	£748,361	11	

*Chard Working Mens Club included empty property grant not shown here

**Completions at Mitchell gardens straddle financial years

Appendix B: Proposed Combined HCA & SSDC Programme 2017/18+

	HA	Scheme Name*	Social Rent	Affordable Rent	Shared Ownership/ Intermediate	Net Gain New Homes	Total Homes for NI 155 purposes	Total Grant	Level of grant from SSDC	SSDC land allocation value	Level of grant from HCA	Planning Obligation	Anticipated completion
Chard	Knightstone	Jarman Way*	0	9	0	9	9	£605,000	£200,000**	£0***	£405,000		2018
Crewkerne	Stonewater	North Street*	0	28	12	40	40	£1,040,000	£1,040,000	£0	£0		2018
Rural (population below 3,000)	Yarlington	Misterton*	11	0	6	17	17	£396,661	£396,661	£0	£0		2018
		Totals	11	37	18	66	66	£2,041,661	£1,636,661	£0	£405,000	0	

* Subject to planning permission

** subject to formal confirmation of additional £ 80,000

*** Involves transfer of SSDC land but not at a reduced price