

## **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 2016/17 in relation to Area South, activity during the current year and other future prospects. The report also includes some information on the Rent Plus model and representatives will attend the Committee to explain further.

### **Recommendation**

The Committee are asked to note the outturn position of the Affordable Housing Development Programme for 2016/17, the current position for 2017/18 and future prospects.

### **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 or acquired 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)

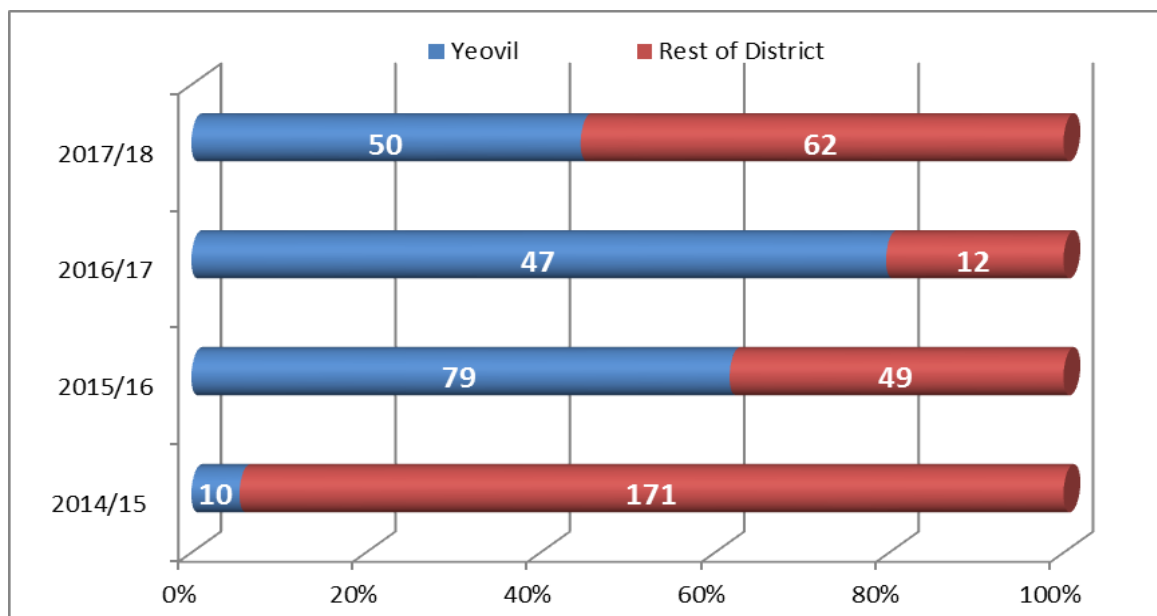
This report covers the level of public subsidy secured (which is necessary in order to keep rents at below market rates), sets out where affordable housing has been completed and describes schemes that are either already underway or are expected to be built in the near future. It does not cover the letting 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 section 106 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 2<sup>nd</sup> November 2016 which considered the outturn for the previous financial year (2015/16) and the prospects for the then current financial year (2016/17). Since then an annual update report on the programme has been provided to the District Executive on 6<sup>th</sup> July 2017, giving more detail in terms of the longer term perspective and the provision of affordable housing across the entire district.

The graph below covers a four year period including three completed years from 2014-17 and a projection for the current financial year. It demonstrates the proportion of all new affordable homes in the district that were (or will be) delivered in Yeovil. The low performance in the first year (2014/15) is partly due to slippage of a 59-unit scheme which should have been completed by 31st March 2015 and partly due to the lower overall numbers in the programme ever since. Over the entire four year period the proportion of new affordable homes delivered in Yeovil is just under 39%.



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 introduced the Governments proposal of ‘Starter Homes’ as an alternative form of provision to ‘traditional’ Affordable Housing. However the regulations required to complete the definition of ‘Starter Homes’ are still to be issued.

**2016/17 Outturn**

During 2016/17 forty-seven housing association properties were built in Yeovil. In a reversal from the previous year, the majority of these were made available at affordable rent, due to grant conditions imposed by the HCA. Two Housing Associations each delivered one scheme, one being grant funded solely by the district council and the other receiving grant from both the Council and the HCA. During 2016/17 no new affordable housing was delivered in Area South as a result of obligations placed on developers under s106.

Housing Association	Scheme Name	Social Rent	Affordable Rent	Shared Ownership/ Intermediate	Net Gain New Homes
Yarlington	Westfield Bungalows	2	0	1	3
Stonewater	West Hendford	0	29	16	44

The new Stonewater development at West Hendford in Yeovil was the most significant scheme in the district, of which the first forty-four properties, including one with some special adaptations, were completed last financial year. The remainder of the scheme, including some other specialist provision, has been completed this year, a further nineteen homes (mainly shared ownership). The main part of the scheme has been funded through the HCA (just over £ 1M) with a relatively small level of grant from the district council (£ 62,500) towards part of the scheme.

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 which was released on confirmation of HCA grant – an example of our ‘underwriting’ approach giving sufficient confidence to housing associations to bring sites forward which might otherwise had remained dormant.

The formal opening of this scheme will take place in February 2018.

The three bungalows built by Yarlington were the only new affordable housing completed by Yarlington in South Somerset last year. This specialist scheme was funded by the Council with £ 315,000 grant to meet a very specific identified need. The scheme costs were relatively high pro rata, being a small site with all the dwellings being three bedroomed bungalows. This resulted in a high level of grant per dwelling, but this was commissioned by the Council to meet the specific needs of three households who could not be adequately accommodated elsewhere.

### **2017/18 programme**

The programme for the current (2017/18) financial year is shown at Appendix A. Two of the four schemes, including the final phase of West Hendford discussed above, are already completed and it is anticipated that the other two will complete by the end of the financial year, i.e. by 31<sup>st</sup> March 2018.

Three Housing Associations – Bournemouth Churches Housing Association (BCHA), Knightstone and Stonewater – will produce a total of 50 dwellings, using around £ 2.6 million in public subsidy. Unusually just over £ ½ M of this comes from the NHS as a specialist acquisition grant, with the bulk of the remainder (£ 1.4M) awarded by the HCA and just over £ ½ M grant from the Council.

The majority of the new homes are being provided by Stonewater – forty-three in total including the remaining properties at the West Hendford site discussed above which were completed earlier this year. The other Stonewater site, to be named Ben Jacobs Court (after the 19<sup>th</sup> century engineer that designed the first Petters oil engine), is at Queensway. This site is also one which has benefitted from Stonewater being able to convince the HCA to transfer a commitment of funding (just under £ ½ M) from another site, but on this occasion a further injection of grant from the Council (£ 162,000) was necessary to make the scheme fit the original HCA funding envelope.

This site will provide twenty four new flats, all at affordable rent. At first it was making very good progress and we had anticipated that it may complete early. However a number of set backs have reversed the earlier progress and brought us back to something like the original projected completion date. There have been delays with ground works, the site being the location of the former public swimming baths and there being several iterations of former foundations still within the ground. Then the main contractor ceased trading and Stonewater have had to bring in new contractors to complete outstanding works. The new contractor has now started with completion planned end of November 2017.

Lastly the external cladding has caused some concern following the tragic events at Kensington & Chelsea. Immediately following the fire in Grenfell Tower both the Government (through the DCLG) and the HCA sent out various calls for information regarding external cladding on high rise residential buildings and then a call for samples for testing.

It is important to note the following differences between external cladding on tower blocks and the situation at the Queensway scheme:

- Stonewaters new development is four stories, traditionally it would not be referred to as 'high rise' and no part of it is beyond the normal reach of a fire engine ladder
- The cladding is intrinsic to the design – it has not been added at a later date as part of a refurbishment
- The scheme is not completed and not occupied – there are no incumbent tenants waiting for test results (or any subsequent solution)

For all of the above reasons, whilst Stonewater have taken a cautious approach to seek reassurances on the cladding system chosen within the design, a Fire Risk Assessment has been undertaken and all actions from this will be met prior to occupation. The fire brigade have also visited the building and had no concerns.

The other seven properties in this years programme are all acquisitions. Two of these have already been completed, by Knightstone and the other five are due to be completed by BCHA before the end of the financial year, although it is possible that BCHA will only complete on a smaller number with one or more falling over into next financial year.

Using the specialist NHS funding referred to above, Knightstone have acquired two bungalows for individual clients with very specific needs including learning disabilities. Unlike grant funding provided by the HCA or the Council, the NHS funding takes the form of a charge on the property and so could be seen as an investment rather than a grant. The acquired bungalows have had to undergo extensive refurbishment to meet the very particular needs of the identified clients. This acquisition is Yeovil is part of a wider package with Knightstone intending to acquire further properties in other parts of the County for the same client group.

BCHA have secured funding from the HCA, augmented by a smaller contribution from the Council, to acquire five 'bought not built' two bedroomed properties in Yeovil. Rather than use these as general needs housing the intention is to use them as shared housing to assist two individuals to 'move-on' from specialist projects when they are ready to do so. BCHA have a good track record as a provider of housing related support and working with homeless households in temporary accommodation, so are well placed to manage this form of shared housing. Purchasing existing properties has the advantages of being able to meet identified need more quickly than designing and constructing a scheme and being able to make the provision in a 'dispersed' way rather than concentrating the client group in one location. The disadvantage is having no control over the design features and potential costs are higher as developers will make a higher profit margin on individual sales.

## **Yarlington disposals**

The Committee will be aware that the volume of disposals undertaken by Yarlington as a result of the various changes imposed on the sector by Government as discussed by a Scrutiny Task & Finish group. In particular concerns have been raised about the disproportionate effect of such disposals on rural housing. Since November 2016 there has been just one proposed disposal in Area South – a property in Yeovil.

## **Future prospects**

It is now two years since the last time planning obligations provided new affordable housing in Yeovil. Members of the Committee will be aware of a number of sites where, were they to be built out by the main developer, further affordable housing is due. It is likely that one or other of the key sites will reach a trigger point and that further affordable homes will be delivered next financial year (2018/19) although, of course, there is no guarantee.

The Council has been approached by Rent Plus, an organisation that provides an intermediate form of housing through planning obligations. The Rent Plus model has occupants initially as tenants on a sub-market rent with the option, at certain intervals, to purchase the property outright at a discount. Once the incumbent tenants have exercised the option to purchase, the property effectively becomes open market; it is no longer available as affordable and so doesn't fit the normal 'perpetuity' requirement of obligated housing. Rent Plus are keen to be allowed to demonstrate their product in South Somerset and the Portfolio Holder is willing to consider a limited number in order to test the effectiveness of the model. Officers have discussed with representatives of Rent Plus the possibility of marketing such homes initially to existing social housing tenants, thus freeing up another home in turn. **Sue Coulson and Anthony Eke of Rent Plus have been invited to attend the Area Committee meeting in order to further explain their product and operating model.**

## **Financial Implications**

The level of SSDC capital funding for the life of the West Hendford scheme and for the other schemes completing this financial year is shown in the appendix. 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**

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:** Area South Affordable Housing Development Programme  
Area South Committee – 2<sup>nd</sup> November 2016

Affordable Housing Development Programme  
District Executive – 6<sup>th</sup> July 2017

**Appendix A: Combined HCA & SSDC programme current year (2017/18)**

<b>Housing Association</b>	<b>Scheme Name</b>	<b>Social Rent</b>	<b>Affordable Rent</b>	<b>Shared Ownership/ Intermediate</b>	<b>Net Gain New Homes</b>	<b>Total Grant</b>	<b>Level of grant from SSDC</b>	<b>Level of grant from HCA</b>	<b>Anticipated completion</b>
Stonewater	West Hendford (final phase)	0	2	17	19	£1,125,345	£375,000	£750,345	Jun-17
BCHA	Move-on acquisitions (bought not built)	0	5	0	5	£280,000	£92,500	£187,500	Mar-18
Knightstone	20 Larkhill Road (NHS funded - LD)	0	0	2	2	£0	£0	£0	April 17
Stonewater	Queensway	0	24	0	24	£619,607	£162,000	£457,607	Aug-17
Yeovil totals		0	31	19	50	£2,024,952	£629,500	£1,394,452	