

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 2014/15 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 2014/15 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 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)

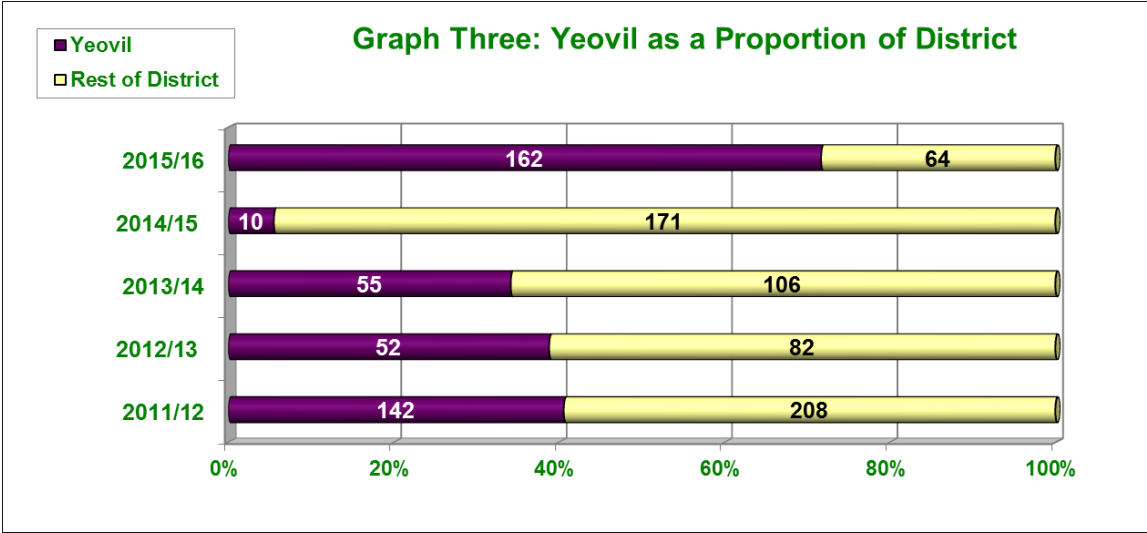
This report covers the level of public subsidy secured (which is necessary in order to keep rents at below market rates), sets out where affordable housing has been completed and describes schemes that are either already underway or are expected to be built in the near future. It does not cover the letting 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 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 considered by the Area South Committee on 3rd September 2014 which considered the outturn for the previous financial year (2013/14) and the prospects for the then current financial year (2014/15). Since then an annual update report on the programme has been provided to the District Executive twice - on 4th September 2014 and 1st October 2015. Both reports to the District Executive give 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 five year period including four completed years from 2011-15 and a projection for the current financial year (2015-16). It demonstrates that for the first three years around 30-40% of all new affordable homes in the district were delivered in Yeovil. Last year this fell to just over 5% but the current projection is that this year it will increase to almost 75%. This fluctuation is partly due to slippage of a 59-unit scheme which should have been completed by 31st March 2015, had it done so then just under 30% of last years completions would have been in Yeovil, however we would still be predicting just under 65% this year. It should be noted that this graph projects the completion of schemes underway during the current financial year and does not include new schemes which the District Executive subsequently agreed to allocate capital subsidy towards.



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.

Dorcas House Trust (otherwise known as Portreeves or Corporation Almshouses) is a registered Charity, No. 235337 and is regulated under Charity Commission Schemes dated 3rd September 1973 and 1st February 1978. The Area South Committee act as Trustees of the trust. This report also refers to the opportunities for obtaining replacement properties for the Trust.

Stonewater is a new Housing Association, created from the merger of Raglan and Jephson (both of whom were appointed as main partner housing associations for the council), which officially came into being in January 2015. Under the recent review of housing association partners, Stonewater has become a main partner association for the next four years in it's own right.

The Chancellors relatively recent announcements imposing an overall reduction in Housing Association rents over the next four years has significantly affected borrowing ability (based on projected rental streams), leading to shortfalls in the funding arrangements for schemes already part way through the pipeline. Further background detail on this aspect can be found in the report that was considered by the District Executive last month.

2014/15 Outturn

During 2014/15 eighteen properties were developed in Area South, of which just sixteen represented a net gain. For the first time affordable rent dwellings were the clear majority – fifteen in total. There were two social rented dwellings and one on an intermediate rent. Most unusually there were no new shared ownership dwellings at all. The full details are shown at Appendix A.

Three different Housing Associations delivered five schemes, being a scheme of six dwellings in West Coker and the remainder in Yeovil. The programme in Area South benefitting from just over £¾ million in public subsidy, being just under £ ½million capital grant from the District Council and land valued at £ 170,000, supplemented by just over £130,000 from the HCA. Last year Area South was the only area where Council land was utilised by way of subsidy.

The projection reported to the Committee last year was for 75 dwellings to be delivered but inevitably there was some slippage, in this case the first phase of the Lufton Key Site where we now expect 59 dwellings to be delivered by the end of the calendar year. The slippage was caused by a number of factors including some weather delays and some supply chain shortages but the most significant factor was the demise of Brookvale who were acting as main contractors for three Housing Associations on several sites across the district including Lufton. As a consequence of this slippage, delivery of new affordable housing in Yeovil was disappointingly low last year with only ten new homes.

The majority of these new homes in Yeovil were delivered by Knightstone on the Lyde Road Key Site, combining both the last remaining properties due without recourse to public subsidy and a small number of additional properties achieved through a cocktail of subsidy including grant from both the HCA and the District Council. Knightstone also utilised Recycled Capital Grant Fund (RCGF) which is shown as part of the total subsidy in the Appendix.

Of note is the achievement of three new five bedroom houses in Yeovil. One acquired by Knightstone as part of the package of properties acquired at the Lyde Road key site. The other two were created by conversions of existing properties, one with Stonewater and one with Yarlington, although neither of these made a net addition to the overall stock. No five bedroom properties were acquired through 'bought not built' which tends to be a more expensive route, although it does make a net addition to overall stock.

2015/16 programme

The programme for the current financial year is shown at Appendix B and includes the new allocations agreed by the District Executive last month. Appendix B shows all the schemes we expect to be underway in Yeovil during this financial year although at least two of these will not complete until 2016/17.

Two Housing Associations – Stonewater and Yarlington – will produce a total of 165 dwellings across five different sites, using just over £2 million in public subsidy of which just

under £1¼ million is initially from the District Council and currently just under £1 million awarded by the HCA. None of the sites benefit from public land at a reduced value.

This includes the first 59 dwellings at the Lufton key site (which has slipped from 2014/15), delivered without recourse to public subsidy, but no other sites in Area South where planning obligations may produce affordable housing. Other such sites might deliver 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 schemes listed in Appendix B include only one house with five bedrooms, so an additional purchase through 'bought not built' is more likely this year.

Programme Changes since September 2014

There have been a number of changes in the overall programme since the last such report to the Area Committee in September 2014, perhaps more so than in previous years. This has included re-allocation of HCA funding and the new allocation of just under £1¼ million from the District Council.

The HCA had allocated £270,000 to Chapter One for the proposed refurbishment of Christopher House in Yeovil. The Strategic Housing Unit had begun discussions with Chapter One over the nature of the refurbishment and the particular client group that the building best suited. During the Housing Association re-selection process it became clear that a potentially serious issue was emerging with Chapter One nationally with the regulatory arm of the HCA keeping the governance and viability of the Association under very close scrutiny. The allocation is now believed to be withdrawn and we have begun discussions with Chapter One about the potential transfer of the building to a different Housing Association with a view to a new bid then being submitted to the HCA to effectively re-allocate the lost funding.

The HCA had allocated £648,417 to Stonewater (then Raglan) for a proposed development of 33 dwellings at Dampier Place in Yeovil. This proposal fell through and the funds were reassigned to other developments, including £470,402 which was transferred to Stonewater's 19 unit scheme at Goldcroft in Yeovil.

In addition Stonewater has brought forward a scheme to develop twenty four flats on a site at Queensway in Yeovil, close to the Tesco store and the development at Wellington Flats inherited from the Council by Yarlinton. £457,607 has been reassigned from other former HCA allocations to achieve this scheme, but additional costs and the general reduction in borrowing ability caused a shortfall of £ 139,000. The District Executive meeting last month allocated this amount from the Councils capital programme in order to ensure that the scheme is achieved.

The Council had previously allocated £100,000 to Bournemouth Churches Housing Association (BCHA) to create four new self contained flats at 80 South Street, Yeovil, together with the proposed day centre provision. After a lot of detailed consideration BCHA withdrew from the scheme and our other main partner Housing Associations were asked to look at the proposals and at alternative proposals to create five or six dwellings without the

day centre provision. The cost of refurbishment works on a listed building, together with the general reduction in borrowing ability has caused each of our main partner Housing Associations to decline the building in turn. 80 South Street is now being considered afresh by the Councils Strategic Asset Steering Group. The District Executive meeting last month de-allocated the £100,000 from BCHA.

In April 2015 the portfolio holder agreed to the allocation of £748,000 to Stonewater towards the first 21 dwellings on the site of the former Seatons garage they have acquired at West Hendford in Yeovil. Planning permission had previously been granted on this site with an obligation to provide affordable housing. It had been agreed that the affordable housing could be located in a single cluster (of 18 dwellings) in one corner of the site and in September 2009 Jephson Housing Association (now part of Stonewater) completed the affordable housing element, consisting of 16 dwellings for rent and two for shared ownership. However the rest of the site remained undeveloped until acquired by Stonewater who now propose to develop it using the existing planning permission, with some minor amendments.

The allocation of grant from the council covers the first phase consisting of 21 dwellings, breaking down into nine for rent and twelve for shared ownership. The homes for rent will include 1 and 2 bedroom flats and 2, 3 and 4 bedroom houses, whereas those for shared ownership will all be either 2 or 3 bedroom houses. This first phase is weighted more heavily in favour of shared ownership (57%) because the existing (former Jephson) neighbouring dwellings are 89% rented.

The proposal is that grant funding from the Council subsidises the first phase on the same 'underwriting' basis as we have before, i.e. with the expectation that Stonewater will apply to the HCA under their CME (continuous market engagement) process. If the allocation of Council grant can be replaced, either entirely or partially, by HCA grant funding then the amount released could be applied to the second and third phases of the site.

Stonewater are also planning a specialist dwelling to accommodate five clients with Learning Disabilities. This is to be located on a different part of the site (rather than the first phase) and required an adjustment to the existing planning permission. Such a scheme is likely to require a higher level of subsidy than the general needs dwellings, but in addition to a potential bid to the HCA we are also expecting a capital contribution from the County Council (who have primary responsibility for the care and support needs of this client group). However to give Stonewater confidence to move forward with this specialist provision, last month the District Executive agreed to the principle of providing subsidy from our capital grant programme.

Yarlington have brought forward an opportunity to create three 3 bedroom bungalows on a site in Yeovil, subject to planning permission. It is possible for each of the three bungalows to be designed flexibly, bearing in mind the specific needs of the intended households but allowing for ease of further adaptation in the future. Last month the District Executive agreed to allocate £315,000 to Yarlington to create these three bungalows on the basis that two are made available at social rent and the other as shared ownership. In addition to the allocation being subject to planning permission, Yarlington will be expected to submit a bid to the HCA. It is doubtful that the HCA would pick up the entire cost so we can expect some level of SSDC grant to be taken up even if the HCA do agree to co-fund. In addition we can expect some difficulty in keeping outcome rents to social rent level, the affordable rent model on such properties not being affordable for the two households identified.

Portreeves or Corporation Almshouses (also known as Dorcas House Trust)

The Area South Committee act as trustees of the trust. A report was submitted in July 2014 confirming the sale of Dorcas House and the total funds available to the trustees for procurement of replacement properties. The Committee were also informed in that report of the proposed approach that the properties procured are two-bedroomed self-contained houses or flats, possibly in pairs rather than a block of dwellings in a single building as was previously the case

The affordable housing development programme report in September 2014 further reported that there had been discussions with Raglan Housing Association to consider incorporating some replacement properties for Dorcas House within their prospective sites in the same manner that they were able to help the Jubilee Almshouse Trust in Chard several years previously. This will achieve new dwellings built to modern standards, taking advantage of the pro rata costs of a much larger scheme. It also has the advantage of re-provision for Portreeves (or Corporation) Almshouses within the parish boundary of Yeovil Town, as per the original foundation.

Over the past year this proposal has been delayed somewhat due to a number of pressing changes in the development programme including the need for Housing Associations to complete schemes funded by the HCA under their 2011-15 programme by 31st March 2015, the merger of Raglan with Jephson to form Stonewater and the recent Government announcements affecting the ability to raise loan finance. Consequently it was not possible to include any properties for the trust within the scheme at Goldcroft. It is also less feasible to include any properties within the blocks of flats at Queensway, especially as this would involve a leasehold tenure for the trust. Currently the only scheme within the civic boundary of Yeovil Town is the scheme at West Hendford where the allocation of council funding has guaranteed only the first 21 dwellings.

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 in addressing "Focus Three – Homes" and in particular meets the stated aim:

"With partners, enable additional new homes to meet the needs of the district, including mixed housing schemes to buy or rent that are affordable."

and the major statement in the Plan:

"We want decent housing for our residents that matches their income"

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 – 3rd September 2014

Affordable Housing Development Programme
District Executive – 4th September 2014

Affordable Housing Development Programme: West
Hendford, Yeovil (Portfolio Holder Report)
Executive Bulletins no.s 670 & 671 (17th & 24th April 2015)

Affordable Housing Development Programme
District Executive – 1st October 2015

Appendix A: Combined HCA & SSDC Programme 2014/15 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	Larkhill Road	0	0	1	1	£137,600	£137,600	£70,000	£0		Aug-14
	Stonewater	Hathermead Gardens*	0	1	0	0	£39,818	£39,818	£0	£0		Jun-14
	Yarlington	Westfield Place*	1	0	0	0	£70,000	£70,000	£0	£0		Dec-14
	Knightstone	Lyde Road** (Cunningham Rd)	1	8	0	9	£212,016	£30,000	£0	£32,016	✓	Jun-14
West Coker	Stonewater	Font Villas	0	6	0	6	£342,200	£143,000	£100,000	£99,200		Mar-15
Totals			2	15	1	16	£801,634	£420,418	£170,000	£131,216		

* extensions to create five bedroom properties, but no net gain in overall numbers

** Lyde Road - £150,000 of RCGF included in total grant figure to demonstrate full uplift from planning obligation only.

Appendix B: Combined HCA & SSDC Programme projected as underway during 2015/16

	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	9	12	60	£748,000	£748,000	£0	£0		Nov-16
	Stonewater	Queensway	0	24	0	24	£596,607	£139,000	£0	£457,607		Nov-16
	Stonewater	Goldcroft	0	19	0	19	£470,402	£0	£0	£470,402		Jan-16
	Yarlington	Specialist bungalows	2	0	1	3	£315,000	£315,000	£0	£0		tbc
	Yarlington	Lufton Key Site	30	0	29	59	£0	£0	£0	£0	✓	Nov-15
Totals			32	42	42	165	£2,130,009	£1,202,000	£0	£928,009	59	