

## **Affordable Housing Development Programme**

*Assistant Director:* Martin Woods (Economy)  
*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 2014/15 in relation to Area West, 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 2014/15, 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 West over the past year, during the current 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). A more detailed description of these terms and the various types of affordable housing can be found on the leaflet reproduced as Appendix A.

This report covers the level of public subsidy secured (which is necessary in order to keep rents at below market rates) and sets out where affordable housing has been completed. 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 West Committee on 15<sup>th</sup> October 2014 which considered the outturn for the previous financial year (2013/14) and the position for the then current financial year (2014/15). An annual update report on the programme was provided to the District Executive on 1st October 2015. 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 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.

Housing Associations typically provide rented property on two different rent regimes – ‘social rent’ and ‘affordable rent’ – both are affordable in the sense that they are both sub-market but they are calculated using different formulae. In South Somerset, as in most of the South of England, ‘affordable rent’ tends to be more expensive than ‘social rent’. The Chancellors announcements during 2015 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 in October 2015.

The Government has begun to promote a new form of Starter Home although these still currently fall outside the definition of affordable housing in the current NPPF. The current drafting of the Housing and Planning Bill (still making its way through Parliament as this report was composed) will put a new duty on local authorities to promote Starter Homes. As currently framed a Starter Home will effectively be a discounted market product where the discount is 20% of the market price, repayable if resold within five years and only available to first time buyers under the age of 40. There will also be an overall price cap of £250,000 outside London.

### **2014/15 Outturn**

During 2014/15 ninety-four properties were developed in Area West, the details of which are shown at Appendix B. Seven schemes were delivered by four different Housing Associations in four different settlements, in total benefiting from just over £1¾ million in capital subsidy provided mainly through the HCA.

This includes the Community Land Trust scheme at Norton-sub-Hamdon, the first such scheme to complete in South Somerset, as the site straddles the parish (and thus the Area) boundaries, being mainly within the parish of Chisleborough.

Three of the schemes were in Chard with three different Housing Associations providing a total of fifty-seven properties. In addition, twenty-six properties on three sites in Chard were delayed until this financial year making this outturn slightly lower than anticipated when reported to the Area Committee in October 2014.

Two sites – part of the Mitchell Gardens scheme in Chard and the entire Canal Way scheme in Ilminster – produced affordable housing through planning obligation alone, a total of twenty-nine new homes. On these two sites the rented element comes under the social rent regime, as determined by the relevant planning policy. On every other site the homes for rent came under the affordable rent regime.

The majority of new homes in Chard have been delivered by two Housing Associations – Knightstone and Stonewater - using grant funding from the HCA. In the case of the second (and final) phase of Stonewater's scheme at Great Western Road, grant was initially made available by the District Council but 'de-allocated' following the HCA award. The award of HCA grant determines that the rented element comes under the affordable rent regime.

The completion of these two grant funded schemes, together with the completion of the obligated houses at Mitchell Gardens and the other schemes that have slipped into the current financial year, represents significant delivery in Chard after several years of very low delivery (at least in terms of general needs housing).

Although four dwellings are reported on the appendix in Crewkerne, only two of these are new homes. The other two are acquisitions from within the private sector stock, as previously reported. All four were delivered by Yarlinton, with the two new build homes being on land they already owned at Hardy Court.

### **2015/16 Current Programme**

The programme for the current financial year is shown at Appendix C. Three schemes have already completed, in Chard and Horton, and a fourth, also in Chard, is underway, involving three different Housing Associations. A total of thirty-two new homes will be produced, benefitting from just over £¾ million in capital subsidy mostly made available by the HCA.

There have been a number of changes since the last report to the Area Committee, sixteen months ago.

- The Council had previously allocated £240,000 to Yarlinton to develop a scheme at Broadway Farm, Merriott. This proposal fell through and the funds were formally deallocated by the District Executive as part of the Quarter 1 Capital Monitoring Report considered in August 2015.
- The HCA allocated Yarlinton £ 166,000 to develop six houses on land they already owned at Millfield in Chard. The original proposed scheme proved to be unfeasible and Yarlinton were pushed hard to find an alternative use for these funds within the timescale demanded by the HCA. They now propose to develop a scheme of six dwellings on land at South Cadbury, currently subject to planning permission, which saves the HCA allocation within South Somerset but reduces overall delivery from that originally anticipated in Area West.
- The Council allocated £120,000 and had agreed to the disposal of land at Furnham Road Chard to Knightstone for the creation of nine new dwellings for rent. Difficulties with land costs on this site, together with the reduction in borrowing ability from revised outcome rents caused a funding shortfall and Knightstone are no longer pursuing the scheme.

The three completed schemes include the most recent rural exception site in the district where Hastoe have created six new properties for rent on former county council land immediately adjacent to their previous exceptions development at Shave Lane in Horton. The scheme benefitted from grant funding from both the District Council and the HCA.

The Yarlington scheme at Mitchell Gardens in Chard represents the final phase delivered under the planning obligation by Redrow on this site. Affordable housing delivery on this site has straddled three different financial years and, once again, is the only new source of social rent this financial year.

The other Chard scheme has been the conversion by Stonewater of the old Chard Working Men's Club into five flats – one of which is two bedroomed, the other four being one bedroom. In addition to creating new homes, this scheme will bring a prominent empty property back into use and received a small amount of additional funding from the district council under the empty property grant regime. Stonewater's acquisition of Chard Working Mens Club achieved some land assembly as they already owned properties adjoining the land at the rear of the building, allowing the potential for a future infill scheme of four 2 bedroomed properties

The scheme underway is Stonewater's other Chard site at Millfield, another scheme involving a mix of capital subsidy from both the Council and, mainly, the HCA. It is currently anticipated that this scheme will complete at the very end of the financial year so any delays, for example brought about by bad weather, would mean it is likely to slip into next financial year.

Whilst unlikely, it remains possible that there may be another acquisition, such as a mortgage rescue or a 'Bought not Built' within Area West before the end of this financial year.

#### **Future Programme Prospects: 2016/17 +**

Future prospects in Area West for 2016/17 and onwards are shown at Appendix D. It should be noted that only one scheme, with funding secured, is shown here but it is currently subject to appropriate planning permission.

The proposed scheme at Misterton arises as follows:

- *A local rural housing needs survey was undertaken in Misterton, published in June 2004 which identified a need for six additional affordable dwellings in the village. Ordinarily this need could have justified a new 'rural exceptions scheme', developing affordable housing outside of the village envelope. However it was established that some affordable housing would come forward within the current development boundary for the village through planning obligations.*
- *The scheme of 100 new houses at the former Bradfords Yard, immediately north of Crewkerne railway station was originally given planning permission on the basis of providing ten affordable dwellings (just 10%). As the site is within the parish of Misterton these ten could have met the need identified in the local survey.*
- *However the developer, Betterment Homes, later came back with a viability case (under section 106BA of the 1990 Town and Country Planning Act) which was independently verified by the District Valuer. The Council was obliged to agree to the removal of any remaining affordable dwellings from the site.*

- *Our Housing Association partners were alerted to the fact that the success of Betterments viability case meant that we had completely failed to address the needs identified in the parish survey so many years ago. Yarlington brought forward an opportunity to develop a site adjacent to some of their existing stock, subject to planning.*
- *The substantive site is capable of producing something in the region of 30 dwellings but the District Executive in October 2015 agreed to allocate £396,661 towards the first 17 only – being 11 for social rent and 6 shared ownership. This would address the very local need and probably also provide some additional housing for the general Crewkerne area given the significant constraint on affordable housing delivery locally.*
- *In addition to the allocation being subject to planning permission, Yarlington will be expected to submit a bid to the HCA, possibly for the whole site. If successful this would release funds back into the rural contingency pot.*
- *It should be noted however that the HCA are unlikely to pick up the cost of subsidy for the proposed rented dwellings leaving at least 11 dwellings to be subsidised from Council funding.*

There could 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. One example is the Clipper site in Merriott which is well underway and carries an obligation to produce at least two affordable homes as part of the overall development. This scheme does not appear in Appendix D as, currently, there is no contract in place between the developer and any particular housing association. Members will also be aware of other potential sites which have come forward for outline planning permission.

In recognition of the need to maintain delivery in more rural parts of the district, available capacity within the strategic housing unit has been reprioritised. There is now a part time housing development officer post dedicated to rural schemes and, following internal recruitment, Leisa Kelly joined the team at the start of December in this role (direct line 01935 462641)

### **Financial Implications**

The level of SSDC capital funding is shown in the appendices. However this does not indicate the size of the unallocated programme, including the rural housing fund. 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.

There are no new financial implications arising from this report.

### **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 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 West Affordable Housing Development Programme  
Area West Committee – 15th October 2014

Affordable Housing Development Programme  
District Executive – 1<sup>st</sup> October 2015

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## Appendix A:

### Affordable Housing – Some definitions

“Affordable housing” is a commonly used term but what does it actually mean?

The most helpful definition is in national planning guidance known as the National Planning Policy Framework or ‘NPPF’ (First created in 2012, but subject to revision from time to time). In essence this defines ‘**affordable housing**’ as housing made available for people who cannot otherwise access appropriate housing on the open market.

The NPPF also expects affordable housing to be available *in perpetuity* (or if relevant restrictions are lifted the subsidy involved has to be recycled). Otherwise, there is no other clear definition of what is ‘affordable’ although most academics consider overall housing costs as a percentage of household income.

As market conditions can change, the cost of housing can come down, it is better to consider affordable housing to be ***housing made available for those people who cannot otherwise afford housing in the prevailing market.***

#### Types of affordable housing

There are several main types of affordable housing. In planning terms these are: Social rent, affordable rent and intermediate. The NPPF currently states that intermediate includes shared equity, other low cost homes for sale and intermediate rent. The HCA (Homes and Communities Agency, being the main funding arm for central Government) also uses several other labels for different types of affordable housing.

**Social rent** housing is rented housing made available by social landlords such as Councils and Housing Associations (and this is what most people mean when they say ‘council housing’). Social rent housing tends to have the lowest rent available and is subject to a specific rent setting formula which dates back to 2004. This formula includes a ‘target rent’ which is the term sometimes referred to by Housing Associations and the HCA. In 2015 the Chancellor announced that all social rents will decrease by 1% annually for the next four years.

**Intermediate** housing basically refers to any other form of affordable housing because it is more expensive than social rent housing but still below the prevailing market.

**Intermediate rent** is, thus, housing available at a rent higher than social rent but still below the prevailing market rent. The HCA have previously subsidised particular schemes labelled ‘intermediate rent’ and they tend to mean these when they use the term, but other intermediate rent is not necessarily HCA-funded.

**Affordable rent** is the model which the Government expected Housing Associations to deliver when receiving HCA funding from the 2011-15 funding round onwards. Rents are set at ‘up to 80%’ of the market rent and thus are usually higher than social rent, and subject to a different rent setting formula. The NPPF defines ‘affordable rent’ as separate from ‘intermediate rent’ but in reality it is an intermediate product. In 2015 the Chancellor announced that all affordable rents will decrease by 1% annually for the next four years, so from July 2016 they will be set at ‘up to 79%’ of the market rent (and so on).

**Shared ownership** and **shared equity** are models where the household part owns and, usually, part rents. Usually the household can 'staircase up' by purchasing additional tranches, i.e. to own a higher percentage of the equity. Where a residual rent is paid this reduces as the equity increases. Usually if the household's circumstances change sufficiently, they can 'staircase out' and become outright owners. In some cases there is a cap on the degree of staircasing, often at 80%, in order to prevent the property from becoming completely open market.

**Discounted market housing** is owner occupied housing sold at a significant discount below the prevailing market. It is possible that this might only benefit the first purchaser and that any subsequent sale would be open market. In order to fall within the current definition of affordable housing in the NPPF there has to be a mechanism in place to ensure that the discount is available to future purchasers *in perpetuity*.

The Government are now proposing a new form of **Starter Homes** aimed at first time buyers under the age of 40. They propose that these will be at a discount of 'at least 20%' and capped at no more than £250,000 (outside London). After five years the discount would not be repayable, so this form of discounted market housing doesn't meet the perpetuity requirement of the current NPPF definition and thus isn't 'affordable' in current planning terms. However the Government have said they will amend the NPPF to encompass Starter Homes.

**Homebuy** is the term used by the Government (& the HCA) to describe its various different shared ownership and affordable housing schemes. For a while they relabelled traditional shared ownership schemes as 'newbuild homebuy', but they seem to have realised this was just confusing and have generally gone back to using the term shared ownership.

**Homebuy Direct**, also relabelled 'Firstbuy' by the Government, is a form of shared equity where the household purchase the entire property but up to 20% of the purchase price is covered by an equity loan split between the HCA and the developer. The equity loan is repaid on sale, thus the property is not affordable *in perpetuity*. There is a variation of this product specifically aimed at armed forces personnel where the equity loan could be up to 50%; another variation aimed specifically at people with long term disabilities and another for older people.



## Appendix B: Combined HCA & SSDC Programme 2014/15 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
<b>Chard</b>	Knightstone	Furnham Road	0	31	10	41	41	£975,000	£0	£0	£975,000		Feb-15
	Stonewater	Great Western Road, Phase 2	0	10	0	10	10	£236,579	£0	£0	£236,579		Jun-14
	Yarlington	Mitchell Gardens*	6	0	0	6	6	£0	£0	£0	£0	✓	Mar-15
<b>Crewkerne</b>	Yarlington	Purchase & Repair	0	1	1	2	2	£169,000	£89,000	£0	£80,000		Mar-15
	Yarlington	Hardy Court	0	2	0	2	2	£80,090	£0	£0	£80,090		Mar-15
<b>Ilminster</b>	Aster	Canal Way	11	4	8	23	23	£0	£0	£0	£0	✓	Jan-15
<b>Rural</b> (population below 3,000)	Yarlington	Minchington Close, Norton-Sub-Hamdon (CLT)**	0	8	2	10	10	£420,000	£0	£0	£420,000		Sept-14
<b>Totals</b>			<b>17</b>	<b>56</b>	<b>21</b>	<b>94</b>	<b>94</b>	<b>£1,880,579</b>	<b>£89,000</b>	<b>£0</b>	<b>£1,791,579</b>	<b>29</b>	
*Completions at Mitchell gardens straddle financial years **Site actually within Chisleborough, hence inclusion in this report													

### Appendix C: Combined HCA & SSDC Programme 2015/16 underway

	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	£366,575	£0	£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	£177,996	£48,000	£0	£129,996		Nov-15
		<b>Totals</b>	<b>8</b>	<b>21</b>	<b>3</b>	<b>32</b>	<b>32</b>	<b>£880,357</b>	<b>£146,000</b>	<b>£0</b>	<b>£734,357</b>	<b>11</b>	

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

\*\*Completions at Mitchell gardens straddle financial years

### Appendix D: Proposed Combined HCA & SSDC Programme 2016/17+

	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
Rural (population below 3,000)	Yarlington	Misterton*	11	0	6	17	17	£396,661	£396,661	£0	£0		2016
		<b>Totals</b>	<b>11</b>	<b>0</b>	<b>6</b>	<b>17</b>	<b>17</b>	<b>£396,661</b>	<b>£396,661</b>	<b>£0</b>	<b>£0</b>		

\* Subject to planning permission