

## 10. Area North Affordable Housing Development Programme – Outturn Report 2010-11

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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 2008/11 in relation to Area North.

### Recommendation

The Committee are asked to note the outturn position of the Affordable Housing Development Programme for 2008/11.

### Public Interest

This report covers the provision of affordable housing in Area North over the past three years and 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 refers to housing that falls within the definition of a particular national indicator, known as NI 155, broadly similar to the formal definition that appears in national planning policy guidance. 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 process by which such housing secures public subsidy (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 achieved through mixed funding (Social Housing Grant [previously administered by the Housing Corporation, now the Homes and Communities

Agency], Local Authority Land, Local Authority Capital, Housing Association [until recently officially referred to as 'Registered Social Landlord' or 'RSL'] reserves and S106 planning obligations) 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 RSL partners and the subsidy cost per unit.

Between September 2008 and December 2009, the bidding process for funds administered by the Homes and Communities Agency (HCA) was 'continuous' with grant decisions confirmed in a matter of weeks. Allocation of our own funding was typically confirmed through an Executive Portfolio Holder report in each instance rather than a complete programme report for District Executive confirmation.

A previous report was considered by the Area North Committee on 27<sup>th</sup> January 2010 which considered the final outturn for the first year (2008/09) of the current three year period (2008/11) and the position at that time with respect to the remainder of the three year period.

### **Changes to the HCA programme**

Since the last such report to the Area North Committee, there have been two major changes to the HCA programme which have affected the current three year programme and, in turn, will have a profound effect on the new four year funding period (2011/15). This report is concerned primarily with reporting the outturn on the former but inevitably some comment is included on prospects for the latter.

The first of these was the ending of 'continuous market engagement' during the autumn of 2009. The HCA announced that all bids for schemes due to commence during the remainder of the programme period (2008/11) had to be submitted by 23<sup>rd</sup> December 2009, effectively calling for a mini bid-round primarily geared at 2010/11. Whilst there have been discussions between the HCA and various partner agencies over specific schemes, there has, effectively, been no new bid round since.

Since 23<sup>rd</sup> December 2009 there has been no official acceptance or rejection of the vast majority of the bids submitted. This is mostly due to the calling of the general election (no decisions being made by Ministers during the purdah period) and the structural and financial changes that have occurred since. At first there was some uncertainty over the future role of the HCA and over the size of the future national affordable housing programme (however it is administered).

The HCA is taking on some functions from other bodies which are being wound up, but will operate with less staff and a reduced overall budget. Incidentally, the Tenant Services Authority (TSA), which was created to take over the role of the Housing Corporation's regulatory function and give tenants a stronger say over how their homes are managed, is being wound up and the financial regulatory function will be handed over to the HCA (reversing the split on the abolition of the Housing Corporation).

The second major change to the programme occurred more recently, with initial announcements made towards the end of 2010. As with many other aspects of public service, the national budget for new affordable housing, administered through the HCA, has been reduced but at the same time the Government have introduced structural changes with the intention of making the reduced budget stretch further, with lower levels of capital subsidy per unit. In the future virtually all new Housing Association development sponsored through the HCA will be on the new 'affordable rent' regime which anticipates rents being charged of 'up to 80%' market rents.

In terms of programme management the most significant change being introduced to the process is an effective end to Housing Associations and other providers bidding on a site by site basis. Instead they were asked to submit, by 3<sup>rd</sup> May this year, proposals for a four year programme with the implication being that, by July, they will have a contractual commitment to deliver a package of schemes for an overall level of subsidy. Under this system over time the detailed content of each Associations four year programme may change in terms of specific schemes, provided the overall targets, in terms of numbers of dwellings are delivered and average level of subsidy, is met in the longer term.

Another break from the past will be the fact that the new four year funding period (2011/15) will have already commenced before any HCA funding for schemes commencing in the first year has been secured.

Consequently, at the time of submitting this report, there remains uncertainty over which future schemes may or may not achieve HCA funding with the existing programme still heavily based on those schemes which received HCA approval before 23<sup>rd</sup> December 2009. It is possible that we shall learn details of the new four year funding packages by the time of the Committee meeting and if so this can be reported at the meeting.

### **2008/09 & 2009/10 Outturn**

The first year of the 2008/11 programme was reported to the District Executive in June 2009 and the Area North Committee in January 2010. The Area North report included an appendix outlining a further site completed in November 2009 (during the second year - 2009/10), which was the only completions anticipated that year, hence the Committee effectively considered the first two full years of the programme when it met in January 2010. For completeness sake, the full list of completions for both 2008/09 and 2009/10 is reproduced at Appendix A.

A total of 42 new dwellings were completed in Area North during the first two years. Members may recall that it is not possible to report the amount of public subsidy which has been used to create the additional intermediate units at South Petherton as neither the HCA nor Persimmon have disclosed the amount to the Council. The details in Appendix A are, to this extent, incomplete and this report cannot inform the Committee of the full degree of public investment in the Area. It should also be noted that the information originally received from the HCA and Persimmon suggested that 14 dwellings had been both funded and delivered. It has now been confirmed that only 13 dwellings were funded and, to date, we only have confirmation of four completions.

In total a minimum of £1.7m in public subsidy has been required to achieve the completions shown in Appendix A, the majority of which came from the HCA funding route and the remainder from the District Council. These figures refer to the subsidy provided during the full cycle of each scheme, it should not be taken as the total subsidy made available during 2008/10. Under the previous funding regime Housing Associations could receive a portion of subsidy at certain critical stages, such as acquisition or start on site, with typically half of the capital subsidy being paid over at practical completion. As schemes usually straddle financial years a proportion is often made available in the financial year prior to completion. Thus the figures are shown in Appendix A not to indicate the funding programme in terms of cashflow but to provide the total scheme cost to the public purse and give an indication of relative subsidy required for each scheme. All 19 rented properties were provided under the former 'social rent' regime which applied to Housing Association dwellings developed during the 2008/11 HCA funding programme.

## **2010/11 Outturn**

Appendix B shows the completions for 2010/11, the final year of the 2008/11 programme.

Of the 52 dwellings listed on Appendix B, 8 represent replacement homes at Eastover, Langport. These are some of the last Pre-stressed Reinforced Concrete (PRC) homes which Yarlington inherited from the Council at the time of the stock transfer. Under the transfer agreement Yarlington (then called South Somerset Homes) was obliged to 'remedy' those PRC properties which failed to reach a 'mortgageable' standard. The anticipated cost of the remedy effectively reduced the transfer price paid to the Council. Shortly after the transfer central Government introduced the 'Decent Homes' standard with the expectation that all social housing should meet this standard by the end of 2010. In order to ensure full compliance with both Decent Homes and mortgageable standards (some homes met one but not the other but many met neither), Yarlington found that it was often more economic to demolish PRC housing and replace with completely new homes built to modern standards. This approach has the added advantages of being able to tailor properties to the needs of existing tenants (for example providing an elderly tenant with a bungalow or providing an expanding family with more bedrooms) and making a better use of the estate layout to provide additional homes.

These 8 replacement homes are included in the gross total of 52 as they fall within the definition of the National Indicator, NI 155, which we were obliged to report on and against which we set our three-year target for 2008/11. However in terms of meeting the needs of those households registered for social housing, the net figure of 44 is more relevant, of which 26 have been provided as 'social rent'.

The outturn for the entire district for 2010/11 is 454 homes, of which 97 are replacements and 357 net gains. This is the best result in Somerset and will probably exceed the total delivered by any other district council in the region during a difficult economic period. At the end of the three-year period 2008/11 we will have achieved 94 new affordable homes (gross) in Area North and a total of 815 across the district against a target of 597.

## **2011/12 onwards**

Appendix C shows the remaining four schemes that have funding confirmed from within the 2008/11 programme allocation but were not due to complete until after March 2011. All of these are being undertaken by Yarlington and three should be completed by the time of the Committee meeting. This will complete the overall PRC redevelopment within Area North, including the final four properties at Eastover, Langport, as referred to in the section above.

We can anticipate a further net gain of 62 new homes in Area North, brought forward utilising just over £ 4.5m public subsidy, and a gross increase of 82 (NI 155 purposes).

## **Rural Housing Needs**

Members of the Committee may recall that the previous report (27<sup>th</sup> January 2010) referred to the programme of carrying out parish housing needs surveys to produce new affordable housing in rural locations. Local surveys often reveal a level of 'hidden need' where the lack of any social housing in a village, or the infrequency with which vacancies occur, gives no incentive to those with a local housing need to register that need.

The rural housing action plan has been formally adopted by the portfolio holder and is reproduced here as Appendix D

The following report in this agenda, provides further information on the current position of the feasibility or development of affordable housing schemes, supported under the Rural Housing Action Plan.

## **Financial Implications**

The majority of development schemes are undertaken over two financial years, sometimes even longer. Payment to Housing Associations has undertaken in tranches and not until the site (or phase) is fully completed will the final payment be made. The HCA have stated that they shall pay on completion only in future but our own grants are still (currently) based on the traditional tranche split which helps Housing Associations better manage cash flow and risk.

The level of SSDC capital funding is shown in the appendices; there have been no land allocations in Area North.

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)**

All affordable housing in receipt of public subsidy, whether through the HCA or from the Council, has to achieve the minimum code three rating within the Code for Sustainable Homes

## **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 development and delivery of more affordable housing in Area North contributed directly towards the following key target areas in the Corporate Plan:

- With partners, enable the building of 597 affordable housing units by 2011 (Corporate Plan 3.2; SCS Action 26; LAA - NI 155)
- Increase the net additional homes provided (Corporate Plan 3.3; LAA - NI 154)

And indirectly towards

- Reduce the number of households living in temporary accommodation (Corporate Plan 3.6; NI 156)

**Background Papers:** Affordable Housing Development Programme District Executive – Jun 09  
Area North Committee Affordable Housing Development Programme – Jan 10

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