

Area North Committee - 25 July 2012

9. Affordable Housing Development Programme

Strategic Director: Rina Singh, Place and Performance
Assistant Director: Martin Woods, Economy
Service Manager: Colin McDonald, Strategic Housing Manager
Lead Officer: Colin McDonald, 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 (end of year) position of the Affordable Housing Development Programme for 2011/12 in relation to Area North.

Recommendation

The Committee are asked to note the outturn position of the Affordable Housing Development Programme for 2011/12.

Public Interest

This report covers the provision of affordable housing in Area North over the past year and anticipates the likely delivery of more affordable homes being constructed during the current financial year. 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) 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 [administered by the Homes and Communities Agency - HCA], Local Authority Land, Local Authority Capital, Housing Association [until fairly 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 Housing Association partners and the subsidy cost per unit.

A previous report was provided to the Area North Committee on 27th July 2011 which considered the expected outturn for the final year (2010/11) of the previous three year period (2008/11) and explained the changes in the nature of the funding programme administered by the HCA on behalf of central Government. This included the introduction of the new 'Affordable Rent' model whereby outcome rents on properties subsidised via the HCA are to be set at 'up to 80%' prevailing market rate for a comparable property, thus further stretching the available subsidy (by enabling extra private borrowing against the expected rental income).

An annual update report on the programme was provided to the District Executive on 4th August 2011. The report to District Executive outlined a significant change in the HCA programme in the creation of a four-year contract for each registered provider (mainly Housing Associations) rather than bidding on a site-by-site or scheme-by-scheme basis, at least for the purposes of the main funding pot administered by the HCA on behalf of central Government.

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.

2011/12 Outturn

The outturn of the combined HCA & SSDC funded programme for 2011/12 for Area North is shown in part A of the appendix. This shows that 69 new homes have been built, all by Yarlington Housing, of which 16 are replacement dwellings (on the former Council estates at Copse Lane, Ilton and Westfield, Curry Rivel); 45 are new homes for rent and 8 are shared ownership. Across the district we have achieved 348 new affordable dwellings, the second highest recorded total (after 2010/11).

Affordable housing in Area North has benefited over the past four financial years from a total investment of just over £ 5½ million in public funds. The majority of this came from the HCA as part of the last three-year funding programme (2008/11) and £25,000 came from SSDC. The figures shown in Part A of the appendix are the total subsidies paid for the schemes shown, not just towards the homes which were completed in 2011/12.

The last seven homes at Westfield, Curry Rivel were completed at the beginning of this financial year (shown in Part B of the appendix) but the total subsidy for this site is shown during 2011/12. Together with the other three Yarlington schemes shown at part A of the appendix, this represents the last of the schemes in Area North to receive funding under the HCA's previous three year funding round (2008/11).

2012/13 Programme

Part B of the appendix shows only the confirmed schemes which will be on site during the current financial year, one of which has already completed and the other two of which will not complete until 2013.

The Yarlington scheme at Long Sutton consists of three new properties within the development on land already owned by Yarlington. This is currently the only 'confirmed' scheme in Area North under of the new four year (2011-15) contracts with the HCA. There is an expectation from the HCA that the rented property on this site will be let at the new 'Affordable rent' model of 'up to' 80% prevailing market rates.

The Raglan homes being developed at Hayes End, South Petherton are not in receipt of any public funding, being brought forward through the planning obligation on the overall site currently being developed by Wyatt Homes.

Should any further scheme be brought forward, either through one of the HCA four-year contracts or under a planning obligation (such as the above mentioned schemes respectively) or through subsidy provided entirely by the Council, inevitably it will not complete in the current financial year.

Norton sub Hamdon & the HCA Community led fund

In addition to the main funding stream administered by the HCA, the Government has announced a number of smaller funding pots, not subject to the same timetable as the rest of the 2011-15 affordable housing programme (except that homes must be completed by March 2015). One of these is intended for community led developments, such as those being led by a Community Land Trust. In a significant departure from their usual criteria, the HCA has agreed that bids to this fund can be submitted before full planning permission has been obtained.

Two rural housing schemes in South Somerset have been identified as being eligible for this fund, including the proposed scheme at Norton sub Hamdon. Officers from the HCA visited the proposed site on 18th May and a bid has been submitted by Yarlington Housing. Unlike the main funding stream, a decision (positive or negative) is expected to be forthcoming from the HCA in a matter of weeks from the submission of the bid (rather than several months). At the time of writing this report it we had been informed that the bid had passed the first stage of assessment but still await the final outcome.

The proposed scheme consists of eight homes for rent and two for shared ownership and is subject to achieving planning permission as a rural exception scheme.

Future programme prospects

Given the level of funding currently available from the HCA and the fact that Housing Associations are now tied to the details of their four-year contracts, the prospects for additional schemes within Area North for the remainder of the 2011/15 funding period are uncertain. If any further schemes are forthcoming it is likely these will either be through one of the smaller specialist funds announced from time to time by the Government and administered by the HCA, or through capital funding from the Council. It is likely that the affordable housing element brought forward through planning obligations on qualifying sites, possibly supplemented by further grant subsidy where site viability dictates, will contribute a significant proportion in any future programme. There is less certainty about the precise timing of any such obligated affordable housing as developers will only bring forward sites at a time and a pace that suits their view of current market conditions, i.e. dictated by the specific economics of the site. For example we can anticipate 47 new affordable homes at the Northfield Farm site in Somerton, but currently have no prospective dates for delivery

In recent years the district has benefitted from the additional housing brought forward by Yarlington when redeveloping the PRC (Pre-stressed Reinforced Concrete) sites. The

last of these sites in Area North has now been completed and so no further such opportunities will arise.

The delivery of affordable housing in future years across the district will be reduced, even with deployment of funds available to the District Council as subsidy, unless there is a significant upturn in the wider housing market improving the appetite of the private sector to fasten the pace of house building in general, and thus the delivery of obligated affordable housing in turn.

Financial Implications

The majority of development schemes are undertaken over two financial years, sometimes even longer. Payment to Housing Associations has traditionally been undertaken in tranches and not until the site (or phase) is fully completed is the final payment made. The HCA has indicated it's intention to move towards payment at completion only, but that does not necessarily tie the District Council down to the same pattern.

No Council funding or land has been deployed to achieve the schemes shown in this report. However there remains unallocated funds in our capital programme, including the newly created rural housing fund. The main contingency funding has traditionally been held back to meet operational requirements, such as "Bought not Built" (individual purchase of a specific property) 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 Council Plan 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"

Background Area North Affordable Housing Development Programme

Papers: Area North Committee – 27th July 2011

Affordable Housing Development Programme – Dist. Exec. Aug 2011