

Area West Committee - 17th October 2012

8. 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 2011/12 in relation to Area West.

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 West 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 West Committee on 21st September 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 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. It also 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.

An annual update report on the programme was provided to the District Executive on 2nd August 2012. This also summarised the longer term trends looking at delivery over the past four years and the projected completions for the current financial year. One significant point for Area West was the confirmation that both Community Land Trust (CLT) schemes in South Somerset – at Queen Camel and at Norton Sub Hamdon – have secured funding from the HCA community-led housing fund, the proposed scheme for Norton Sub Hamdon being on a site straddling the boundary with Chiselborough.

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 West is shown in part A of the appendix. This shows that 52 new homes have been built, of which 29 are new homes for rent and 23 are other intermediate products, chiefly shared ownership. Across the district we have achieved 348 new affordable dwellings, the second highest recorded total (after 2010/11). The delivery in Area West over the past year represents 19% of the district wide total.

Affordable housing in Area West has benefited over the past four financial years from a total investment of just over £ 10 million in public funds (N.B. for details of those schemes completed prior to April 2011, please refer to the appendix in the report submitted to the Area West Committee 21st September 2011). The majority of this came from the HCA as part of the last three-year funding programme (2008/11) and just under £ ¾ million came from SSDC. This includes the Yarlington scheme at Bonfire Close (phase iii), Chard and the Hastoe rural exception scheme at Tatworth, both of which completed in the last financial year but were funded from the 2008/11 programme.

The scheme at Maidenbeech, Crewkerne, includes some Homebuy units produced directly by Persimmon, the private sector developer, utilising 'kickstart' funding from the HCA. However these are not shown in the appendix and are additional to the 52 new homes cited above. The forty completed Crewkerne properties have all been passed on from Persimmon to Yarlington in accordance with the section 106 Agreement.

The eight Hastoe homes at Waterlake Road, Tatworth are now the most recently completed rural exception scheme in the district.

2012/13 Programme

Part B of the appendix shows only the confirmed schemes which will be on site during the current financial year, most of which will not complete until next financial year (2013/14). Part B shows those schemes in receipt of public subsidy and does not include any schemes which will produce the affordable homes through planning obligations alone, i.e. without input of any further public subsidy.

All but one of these funded schemes are in Chard. The exception is the CLT scheme at Norton sub Hamdon, to be developed by Yarlington Housing Association. This scheme is included here because the identified site straddles the boundary with the parish of Chiselborough and thus, strictly, comes under Area West even though the scheme is designed chiefly for the benefit of those with a local connection to a village in Area North. As reported to the District Executive in August, this scheme has been successful in securing funding from the HCA community-led housing fund. It is not part of the mainstream funding administered by the HCA and so Yarlington will not be tied to the terms of their current four-year contract. The HCA have also taken the unusual step of awarding funding to this scheme before it has secured planning permission. Without making assumptions about the planning process, it is not possible to state when the scheme will commence or complete but it has been included in Part B of the appendix for completeness sake.

The redevelopment of the Yarlington site at Kenn Close, Chard is the last of the former council PRC estates in Area West, following the completion of earlier phases of redevelopment in the Jocelyn Park area of Chard. Redevelopment not only allows for an increased number of dwellings (a net gain of eight) but also fulfils Yarlinton's obligation to bring the former council PRC homes up to a mortgageable standard (a promise made to tenants at the time of the ballot to approve the stock transfer), albeit by virtue of demolition and replacement.

The Yarlington scheme at Kenn Close and the Raglan scheme at Great Western Road (Phase I) are both 'confirmed' as part of the relevant Housing Associations four year (2011-15) contract with the HCA. This also means that there is an expectation from the HCA that the homes built will be let at the new 'Affordable rent' model of 'up to' 80% prevailing market rates.

Two further schemes, both with Raglan, have funding confirmed from the District Council, both in Chard. Funding for both schemes (just under £ 1 million in total) was approved through a formal portfolio holder report, following confirmation of the first batch of specific schemes under the new HCA four year programme. Our strategy has always been to deploy the council's capital subsidy in part to help lever in other funding (such as the HCA programme and slippage opportunities) and in part to address the aspects of housing need otherwise least addressed through the other routes (such as HCA funding and planning obligations). All the indications were that Chard remains the location in the district with the greatest mismatch between current demand and confirmed new supply. Hence a significant proportion of the Council's remaining funds were approved to be deployed in Chard.

In total the four sites will produce 108 new homes (net gain 85, of which 61 will be for rent), 98 of which will be in Chard. 67 of these new homes (62% of the total) will be delivered by Raglan and the remainder by Yarlington. It is anticipated that just under two thirds (67 homes) will be completed next financial year 2013/14 (although it is worth noting that the scheme at Norton sub Hamdon is still subject to planning permission and may not complete until 2014/15).

Although likely to be reduced from the 35% set out in policy due to viability issues, a significant level of new affordable housing is due to be produced through planning obligations on the key sites in Crewkerne and Chard. However at the time of writing this report there is no guaranteed start date on either of these sites, hence no dwellings have been included in the appendix.

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 West 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.

In recent years the district has benefitted from the additional housing brought forward by Yarlington when redeveloping the PRC sites. As reported above, the last of these sites in Area West (Kenn Close, Chard) is due to complete shortly.

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. Recently the HCA had indicated it's intention to move towards payment at completion only, but it has recently rescinded this announcement and returned to a two tranche approach. In either scenario, it does not necessarily tie the District Council down to the same pattern.

The level of SSDC capital funding and land allocations is shown in the appendices. However this does not indicate the size of the overall 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 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 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 Papers: *Area West Affordable Housing Development Programme
Area West Committee – 21st September 2011*

*Affordable Housing Development Programme: East Street,
Chard (report to Portfolio Holder)
Executive Bulletins no.s 519 & 520 – 13th & 20th April 2012*

*Affordable Housing Development Programme: Great Western
Road, Chard, Phase II (report to Portfolio Holder)
Executive Bulletins no.s 530 & 531 – 29th June & 6th July 2012*

*Affordable Housing Development Programme
District Executive – 2nd August 2012*
