

## **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 2015/16 in relation to Area North, 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 2015/16, 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 North 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). The Housing & Planning Act 2016 formally defines the new Starter Homes as also being a form of ‘affordable housing’.

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. Other than the reference to the rural lettings policy, it does not cover the letting of the rented housing or the sale of the shared ownership and discounted market 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 made to the Area North Committee on 24<sup>th</sup> February 2016 which considered the outturn for the previous financial year (2014/15) and the provisional outturn for the then current financial year (2015/16). Since then an annual update report on the programme has been provided to the District Executive on 1<sup>st</sup> September 2016. 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 developer's 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.

The Housing and Planning Act 2016 has placed a new duty on local authorities to promote Starter Homes. As currently framed a Starter Home is effectively a discounted market product where the discount is at least 20% off the market price, repayable if resold within an unspecified time period and only available to first time buyers under the age of 40. There is also an overall price cap of £250,000 outside London. Other detail, such as the length of time that must pass before a purchaser is obliged to repay the discount in full, or in part, is to be set by regulations which the Secretary of State is yet to lay before Parliament.

## **Rural Housing**

In November 2010 the Portfolio Holder approved the first Rural Housing Action Plan, which set out the mechanisms available to the Council in providing more affordable housing in rural locations. A revised Rural Housing Action Plan was approved by the Portfolio Holder in June 2013. During 2016 a new draft plan was produced and consulted on. This most recent revision takes into account revised policies in the new Local Plan and the imposition by central Government of a higher threshold below which affordable housing obligations cannot be imposed. The new plan was adopted in October 2016 and includes an initial action plan setting out a range of tasks specific to a number of parishes, including some in Area North, where affordable housing is being considered. In September 2016 the District Executive replenished the rural contingency fund, allocating £500,000 to enable the bringing forward of new schemes.

The Committee may recall the adoption of a rural lettings policy, which can be found on the Council's public website on the following link:

[https://www.southsomerset.gov.uk/media/724294/rural\\_lettings\\_policy - south\\_somerset.pdf](https://www.southsomerset.gov.uk/media/724294/rural_lettings_policy_-_south_somerset.pdf)

The majority of parishes in the Area are covered by this policy, either directly or indirectly (by falling into the 'doughnut ring' of a neighbouring parish) so that very local connections can be taken into account in the allocation of homes when they become vacant. The exceptions are Martock, Somerton, South Petherton and the combined parishes of Langport & Huish Episcopi as these exceed 3,000 in population (although the civic boundary may contain some smaller hamlets outside of the main settlement). Compton Dundon, Stoke-sub-Hamdon and Norton-sub-Hamdon are also excluded from the policy as more than 25 general needs dwellings remain in Housing Association ownership in each of these parishes and in addition they do not immediately border a parish which does qualify in its own right and therefore do not appear in the 'doughnut ring' for a neighbouring parish. However some housing schemes have been completed within these parishes which are governed by a relevant s106 agreement imposing local connection criteria on those specific properties.

## **2015/16 outturn**

As previously reported to the Committee in February 2016 as a provisional outturn, eight new homes were completed during 2015/16. These were obtained by Stonewater under a planning obligation as part of the second phase of the wider site at Hayes End, South Petherton. Three new homes were made available under shared ownership and the remaining five were let on a social rent. This scheme effectively completed in December 2015, some thirteen months ago, hence it was possible to include it in the previous report.

## **2016/17 + Programme**

We currently anticipate four properties being completed in Area North this financial year. These are under construction in Martock on a site being developed by DCH (formerly known as Devon & Cornwall Housing). Although a registered Housing Association, DCH are working on this site as a market transaction with any profits raised being ploughed back into their affordable housing programme. The site does not produce the full 35% affordable housing expected by policy due to proven viability issues.

DCH, as suggested by their former name, have only recently begun to develop in Somerset and this is the first scheme they have brought forward in South Somerset. They applied for accredited status with the Council and were able to demonstrate the minimum requirements. The four affordable dwellings will all be made on shared ownership basis with DCH as the freeholder. Whilst the site has progressed well in recent months, it remains a possibility that there could be delays causing the completion of the affordable housing element to fall into next financial year.

The Committee were advised in February 2016 of a proposed Knightstone scheme at Stoke-sub-Hamdon, where they will also act in the same way as a private sector developer, using a wholly owned subsidiary, but where any profit made from market sales will be ploughed back into their affordable housing provision. At that time it was estimated that the affordable housing element required under planning obligations would be delivered towards the end of the calendar year 2017. Since that report a viability review has been undertaken and it has been accepted that no affordable housing will be forthcoming. However it remains the case that any profits made from the sales will be used to subsidise further affordable housing provision, albeit not in the same settlement.

However we now expect Stonewater to deliver fourteen properties in Stoke-sub-Hamdon at the former Dikes Nursery site, just across the road from the Knightstone site. Stonewater have taken on a site which originally obtained planning permission for a lower number of dwellings and, similar to the above, a reduced affordable housing obligation. However they intend to bring it forward as entirely affordable housing deploying funds originally allocated by the HCA for another scheme in a different district which they have been unable to bring forward. It is anticipated that the scheme will complete in March 2018, falling into next financial year. Using £290,000 of central Government grant (via the HCA) they will deliver ten homes for rent (on the affordable rent regime, due to the funding source) and four for shared ownership.

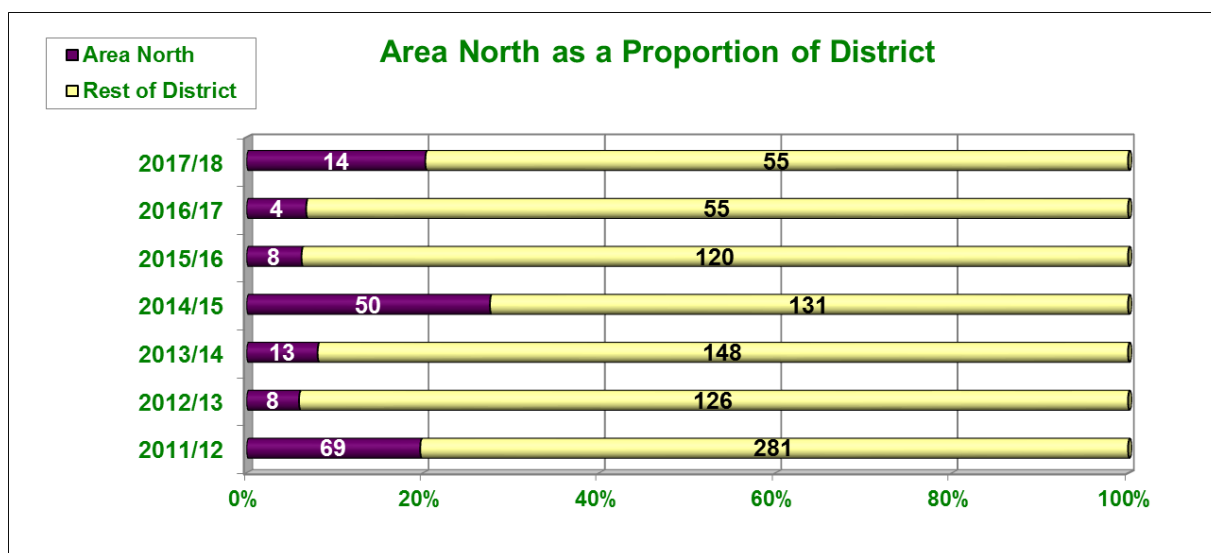
The Stonewater scheme is the only other scheme currently underway in Area North, although members of the Committee may be aware of other sites where affordable housing has been secured through planning obligations. However until such sites come into the construction phase with a housing association (or CLT) partner in contract with the main developer they do not get included in the development programme – there remaining uncertainty over the precise timing and the possibility of the affordable housing provision being reduced or completely removed if the developer returns with a proven case for viability.

It also remains possible that the programme may be boosted by an individual acquisition, such as a 'bought not built' to meet very specific immediate needs or a mortgage rescue.

At this stage it seems very unlikely that any such acquisition will occur before 31<sup>st</sup> March and we must conclude that the delivery for 2016/17 for Area North is likely to be just the four DCH dwellings.

### Longer term view

As previously mentioned, the report made to the District Executive on 1<sup>st</sup> September 2016 gave more detail in terms of the longer term perspective and the provision of affordable housing across the entire district. The graph below shows the proportion of affordable housing delivered in Area North over the past five years together with the projected proportion for the current and forthcoming financial years.



### Yarlington disposals

When considering disposals as part of their current funding agreement with the HCA, typically Housing Associations have identified isolated properties or those with a relatively high call on future maintenance costs as potential for meeting their disposal obligations. This increases the chances of an individual property being considered for disposal being in a rural area, especially where the 'SAP' (energy efficiency) rating is further reduced by a lack of access to mains gas.

For Yarlington there is a greater chance that such properties will be in South Somerset as the majority of their stock was 'inherited' from the Council at the time of the Large Scale Voluntary transfer (LSVT) with most of the remainder being built or acquired over the past sixteen years to contemporary standards.

It follows that such disposals are more likely to be affected by the October 2012 decision by District Executive to delegate consent to the Portfolio Holder in consultation with the relevant ward member/s. Of the Yarlington disposals to have taken place to date, only one property was HCA funded (gained through mortgage rescue). The majority (90%) have been in rural locations. The table below provides a more detailed breakdown.

Period	Total number of dwellings proposed for disposal by Yarlington	Of which, in Area North
June 2012 – December 2016 [entire period]	50	14
April 2015 – March 2016 [last financial year]	8	3
April 2016 – December 2016 [this year to date]	29	5

As can be seen from the table, the relative proportion of properties set aside for disposal by Yarlington in Area North has decreased over time, but activity overall during 2016 leads to a net loss of social housing in the area even assuming the DCH scheme completes on time.

### **New needs assessment (SHMA)**

As a first phase of the new strategic housing market assessment (SHMA) the five Somerset housing & planning authorities commissioned consultants to undertake a comprehensive update of the extent of functional housing and economic market areas in Somerset. In November 2015 consultants ORS Ltd reported back. Although there were changes to the position of Mendip and Sedgemoor, the report confirmed that there is a functioning South Somerset sub-regional housing market which remains influential on segments of West Dorset, but otherwise for all practical purposes can be treated as co-terminus with the district.

Four of the five districts commissioned the full assessment of the reviewed and reconfirmed sub-regional areas in the light of revised national guidance. This assessment has been undertaken by Justin Gardiner Consulting and was procured through Sedgemoor District Council who required an earlier, interim, Sedgemoor specific report in order to meet deadlines for the cycle of their own Local Plan review. The final full report, covering all four districts, was endorsed by our Local Development Scheme Board on 17<sup>th</sup> November 2016 and can be found on our website: [https://www.southsomerset.gov.uk/media/862544/somerset\\_final\\_shma\\_oct2016\\_revised.pdf](https://www.southsomerset.gov.uk/media/862544/somerset_final_shma_oct2016_revised.pdf)

Assuming an annual net relet supply (i.e. after taking transfers into account) of 659 homes a year arising from within the existing social housing stock, the SHMA projects a need to create, on average, a supply of 206 new housing association homes per annum across the district between 2014 and 2039. Assuming that all the new homes created are of the right size and in the right location, that would eradicate the backlog of need, as currently expressed by the higher bands on the Homefinder register, and address the expected arising need over the remainder of the assessment period.

Overall, the analysis identifies that around 24% of households have an income that would be insufficient to afford social rent without some form of subsidy such as Housing Benefit or Universal Credit. Around 10% of affordable housing sought should be of an intermediate tenure (e.g. shared ownership) and the remainder being social or affordable rented housing. The analysis identified a particular need (around 80%) for social rented housing; although it is recognised that with the inclusion of uncapped housing benefit, many of these households would potentially be able to access an affordable rented product.

The SHMA identifies a role for starter homes, as currently defined in the 2016 Act, but largely as an alternative (presumably preferred) tenure for a cohort of people currently able to afford private rented accommodation (and therefore not in the group in need of affordable housing). The 2016 Act redefines 'affordable housing' to include starter homes but the SHMA suggests that they will not contribute towards meeting the affordable housing need. For South Somerset, based on prevailing earnings, the SHMA shows that to meet the needs otherwise met by traditional of affordable housing, starter homes need to have a 47% discount.

Whilst it would not be reasonable to attempt to renegotiate the type and level of affordable housing secured through existing s106 Agreements (except when triggered by some other material change), we are now able to draw on the SHMA analysis to seek a greater proportion of rented property, particularly for social rent, as part of the planning obligations to be secured on new permissions, subject, as always, to viability.

## Financial Implications

There is no SSDC capital funding involved in any of the schemes specifically referred to in this report. 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 & 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 since 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 under “Homes” and in particular meets the stated aim: *“To work with partners to enable the provision of housing that meets the future and existing needs of residents and employers.”*

## Privacy Impact Assessment

This report does not directly impact on any data held of a personal nature.

- Background Papers:**
- Adoption of a Balanced Rural Lettings Policy (District Executive 1<sup>st</sup> April 2015)
  - Area North Affordable Housing Development Programme (Area North Committee 24<sup>th</sup> February 2016)
  - Affordable Housing Development Programme (District Executive 1<sup>st</sup> September 2016)
  - Approval of the Rural Housing Action Plan 2016/18 (Portfolio Holder report)
  - Executive Bulletins of 7<sup>th</sup> & 14<sup>th</sup> October 2016)
  - Strategic Housing Market Assessment for Mendip, Sedgemoor, South Somerset and Taunton Deane ( Final Report October 2016)
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