

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 2016/17 & 2017/18 in relation to Area North and future prospects, especially for 2018/19.

Recommendation

The Committee are asked to note the outturn position of the Affordable Housing Development Programme 2016/17 & 2017/18 and the prospects for the future.

Public Interest

This report covers the provision of affordable housing in Area North over the previous two financial years and anticipates the likely delivery of more affordable homes being constructed or acquired 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 it's 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), 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. 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 Homes England – formerly 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 25th January 2017 which considered the outturn for the previous financial year (2015/16) and the position for the then current financial year (2016/17). Since then an annual update report on the programme has been provided to the District Executive on 6th July 2017. 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 introduced the Governments proposal of 'Starter Homes' as an alternative form of provision to 'traditional' Affordable Housing. However the regulations required to complete the definition of 'Starter Homes' are still to be issued.

2016/17 & 2017/18 outturn

No schemes were completed in Area North during 2016/17. Members may recall from the previous report, made in January 2017, that DCH had a scheme at Water Street in Martock where they were acting as a private developer (with surpluses made being ploughed back into their affordable housing programme) but with four dwellings being made available on a shared ownership basis. Due to delays on site the completion of these four dwellings was not achieved until October 2017. Members may also wish to note that on 5th March 2018 DCH formally merged with Knightstone to form a new Housing Association known as Liverty.

Prior to the merger to form Liverty, Knightstone were under contract with Bovis to take the affordable housing derived from planning obligations on their site at Northfield Farm, Somerton. Five properties for rent were completed and handed over to Knightstone in December 2017 and a further seven shared ownership properties are due to be handed over by the end of this financial year. The bulk of the affordable housing due on this site is expected during the next financial year – 2018/19 with the final ten properties due in 2019/20.

It is possible that the seven shared ownership dwellings at Northfield Farm will slip into 2018/19. If this happens, unless there is an acquisition, such as a 'bought not built' or a mortgage rescue, which remains unlikely, it is probable that the outturn for the current financial year for Area North will be nine dwellings, all with Liverty.

2018/19 programme & future prospects

The appendix provides the detail for the expected programme for Area North for 2018/19 onwards. In addition to somewhere between 24 & 31 more dwellings at Northfield Farm (31 have been assumed in the appendix), two other previously reported sites are due to produce new affordable homes in Area North during the forthcoming financial year.

Stonewater are building fourteen new homes (ten for rent and four for shared ownership) on the former Dikes Nursery site (behind the co-op) at East Stoke. It was thought that these homes would be completed during the current financial year, as reported to the Committee last year, but there have been delays caused primarily by the main contractor going into liquidation. Once a new contractor is in place work can recommence and we expect completion later in the spring.

On the opposite side of the main road in East Stoke is the Arc site which was previously reported as producing no affordable homes due to viability. The Committee shall recall refusing to allow revision of the s106 Agreement, leaving Arc obliged to provide six new homes (four for rent and two for shared ownership) through planning obligation. Arc was created by Knightstone as their private sector arm with the intention that any surpluses raised are ploughed back into their affordable housing programme. Following the merger of the Associations, the six affordable dwellings will now be provided by Liverty in the next few weeks.

At least two other sites in Area North shall produce further affordable housing during 2018. At Maple Drive in Curry Rivel, developed by Summerfield, there shall be ten affordable dwellings. Five of these are being made available directly by Summerfield, with no Housing Association intermediary, on a discounted market basis (marketed as 'My Home'). The other five are for social rent and are expected to be handed over to Magna Housing Association (who have recently been re-appointed as one of the councils four main Housing Association partners) in June or July this year.

At another privately developed site in Seavington St Michael, three homes for rent are being gifted to the newly formed Seavington CLT, again without a Housing Association intermediary.

Members may be aware of other sites where affordable housing has been 'secured' under obligation when planning permission has been granted. However, as previously stated, it is often the case that such sites do not come forward immediately or may be subject to further reduction of the obligations under a proven case for viability. Therefore in reports such as this one to an Area Committee or the District Executive, an affordable housing scheme is not regarded as being in the pipeline until subsidy has been granted, either by Homes England or by the Council or both (in the case of a site controlled by a Housing Association), or until a Housing Association is under contract to take on obligated dwellings (in the case of a privately developed site subject to a s106 Agreement). However the Committee may wish to note that at the recent housing fair (held on March 8th at the Westlands complex in Yeovil), Yarlington chose to advertise their forthcoming scheme at 'Patch Meadow' in Somerton. This is a site controlled by David Wilson Homes and generally known by other names (such as Ricksey Park). At the time of writing this report Yarlington had still not yet signed a contract with David Wilson and no details were available on the likely delivery schedule.

Finally Stonewater intend to bring forward a site at South Petherton to include 22 flats, houses and bungalows for rent, five houses for shared ownership and five for 'rent to buy'. The portfolio holder has allocated a total of £995,000 in grant from our capital development programme subject to the scheme obtaining appropriate planning permission. Although Council funding has been allocated, the rented homes will not be at social rent but shall be at the hybrid rent level, i.e. more expensive than social rent but not the full 80% market rate normally associated with 'affordable rent'. As with other such schemes in the past the current allocation of Council funds is seen as underwriting only with the hope and expectation that Stonewater shall obtain substitute grant funding from Homes England and thus release the funds we have committed, although one consequence may be that the rents are reset to the '80%-or-LHA-cap' level normally required under central Government funding.

The 'rent to buy' tenure involves the occupants paying sub-market 'affordable' rents with the option to purchase the property that they occupy at a later date. The theory being that the money 'saved' by not paying a full market rent allows for the saving of sufficient deposit. It is likely that this tenure will work for a slightly higher income cohort than that traditionally served by Housing Associations when letting (entirely for rent) under the social rent regime. Once purchased the rent to buy properties will effectively be market properties, in the same way as a shared ownership property where the leaseholder 'staircases out'.

At the suggestion of Council officers, Stonewater offered to involve the emerging South Petherton CLT, whereby the Community Land Trust would take on some or all of the proposed rented properties in order to meet the need identified in the local housing needs survey. The involvement of the CLT

should lead to the option of them bidding directly to Homes England, at least for some of the proposed dwellings, under the community led housing fund, where we anticipate more flexibility of outcome rents and subsidy levels.

Should the scheme obtain suitable planning permission it is anticipated that Stonewater shall start to deliver new homes for occupation during 2019/20. Because we have allocated our own funding, albeit as underwriting, the scheme appears in the appendix but is excluded from the summary paragraph below.

It is anticipated, then, that there shall be at least 64 new affordable homes delivered in Area North during 2018/19, of which 50 shall be derived from planning obligations without any access to grant. Consequently we expect social rent to exceed affordable rent on a 2:1 basis. The programme will be delivered by three Housing Associations, a new CLT and a private developer across five sites in four parishes.

Yarlington disposals

The Committee will be aware that the volume of disposals undertaken by Yarlington as a result of the various changes imposed on the sector by Government as discussed by a Scrutiny Task & Finish group. In particular concerns have been raised about the disproportionate effect of such disposals on rural housing.

Since January 2017 there have been no further proposed disposals in Area North with a total of eight across the district.

Community Led Housing Fund

Members may recall a meeting held at Norton Sub Hamdon Village Hall on the afternoon of 3rd July 2017, during national rural housing week, to describe to representatives of Parish Councils the possibilities of community led housing. This included a presentation from the Wessex CLT Project and from existing Community Land Trust members, highlighting the two successful schemes already completed in South Somerset at Norton-sub-Hamdon and Queen Camel. The event was preceded by a short tour of the CLT homes and shop in Norton-sub-Hamdon. Similar meetings were held in other parts of the District.

As part of the 2016 Budget, a £60 million fund was announced to support community-led housing developments in areas “where the impact of second homes is particularly acute.”

The allocation for South Somerset District Council was set at £263,222. A brief discussion paper, including a draft outline plan, was put forward to the portfolio holder discussion group meeting that was held on Friday 10th February 2017. Following that funds were set aside from our allocation to run the promotional events referred to above and to create grant pots to both assist Parish Councils and other local groups undertake detailed housing surveys and to assist fledging community led groups, such as Community Land Trusts, with basic set up costs.

The Government have confirmed that the second tranche of funding is now being channelled through Homes England and subject to competitive bidding. The chief purpose of our outline plan was to encourage sufficient interest and enable local groups to develop ‘shovel-ready’ proposals that could then bid into this anticipated second round of funding.

In Area North funds have been made available to assist the newly emerging South Petherton CLT and to help with a local housing needs survey at High Ham. The South Petherton CLT has been in discussions with Stonewater over the possibility of taking on a portion of their proposed scheme in South Petherton, as described in more detail above.

Financial Implications

The funding shown against each proposed scheme in the appendix has been allocated by the District Executive or the Portfolio Holder as described in the main text of the report above, but does not include the contingency funds held back for other allocations. 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 (former) HCA or from the Council, had to achieve the minimum code three rating within the Code for Sustainable Homes. The HCA 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 Homes England 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: Area North Affordable Housing Development Programme
Area North Committee – 25th January 2017

Community Led Housing: Outline Plan
Report to Portfolio Holder - 24th February 2017

Report by Overview and Scrutiny Committee - Disposal of third party properties - District Executive – 1st June 2017
Affordable Housing Development Programme
District Executive – 6th July 2017

Affordable Housing Development Programme: West End Close, South Petherton - Report to Portfolio Holder) - 11th November 2017

Appendix: Proposed Combined Homes England & SSDC Programme 2018/19+

Location	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 Homes England	Planning Obligation
Somerton	Liverty	Northfield Farm	17	0	14	31	31	£0	£0	£0	£0	Yes
Stoke Sub Hamdon	Stonewater	Dikes Nursery, East Stoke	0	10	4	14	14	£290,000	£0	£0	£290,000	No
	Liverty	Tayberry Close, East Stoke	4	0	2	6	6	£0	£0	£0	£0	Yes
South Petherton	Stonewater (<i>& possibly</i> South Petherton CLT)	West End Close**	0	22	12	34	34	£995,000	£995,000	£0	£0	No
Rural (population below 3,000)	Magna	Maple Drive - Curry Rivel	5	0	0	5	5	£0	£0	£0	£0	Yes
	Summerfield*	Maple Drive - Curry Rivel	0	0	5	5	5	£0	£0	£0	£0	Yes
	Seavington CLT*	Seavington St Michael	0	3	0	3	3	£0	£0	£0	£0	Yes
Totals			26	35	37	98	98	£1,285,000	£995,000	£0	£290,000	50
*Not a Housing Association												
**Subject to planning permission												