

## **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 2014/15 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 2014/15, the probable outturn 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, during the current 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)

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 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 submitted to the Area North Committee on 25<sup>th</sup> January 2015 as an item for information. It considered the outturn for the previous financial year (2013/14) and the position for the then current financial year (2014/15). An annual update report on the programme was provided to the District Executive on 1st October 2015. 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 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.

The Chancellors announcements during 2015 imposing an overall reduction in Housing Association rents over the next four years has significantly affected borrowing ability (based on projected rental streams), leading to shortfalls in the funding arrangements for schemes already part way through the pipeline. Further background detail on this aspect can be found in the report that was considered by the District Executive in October 2015.

The Government has begun to promote a new form of Starter Home although these still currently fall outside the definition of affordable housing in the current NPPF. The current drafting of the Housing and Planning Bill (still making its way through Parliament as this report was composed) will put a new duty on local authorities to promote Starter Homes. As currently framed a Starter Home will effectively be a discounted market product where the discount is 20% of the market price, repayable if resold within five years and only available to first time buyers under the age of 40. There will also be an overall price cap of £250,000 outside London.

## **2014/15 Outturn**

During 2014/15 fifty properties were developed in Area North, the details of which are shown at Appendix A. Five schemes were delivered by four different Housing Associations in five different settlements, in total benefiting from just under £1 million in capital subsidy provided mainly through the HCA. This includes the Community Land Trust scheme at Norton-sub-Hamdon, the first such scheme to complete in South Somerset, although the site straddles the parish (and thus the Area) boundaries, being mainly within the parish of Chisleborough in Area West.

Thirty-two of these new homes were produced as a result of planning obligations on two different sites – apart from some additional grant funding towards three dwellings at Huish Episcopi. Council grant funding was made available for the purchase and renewal of a specific bungalow in Somerton, but otherwise all the grant funding came from central sources via the HCA.

The CLT scheme at Norton-sub-Hamdon was the first such scheme to be completed in South Somerset and the most recent 'rural exceptions' scheme to be completed in Area North.

## **2015/16 Provisional Outturn**

The provisional outturn for the current financial year is one scheme which completed in December 2015, detailed at Appendix B. Eight new homes have been delivered in South Petherton under planning obligation alone, i.e. with no further grant subsidy payment.

There are no further schemes in Area North currently committed – i.e. either with grant funding secured or where a Housing Association is under contract to receive the affordable housing element from the main developer under a s106 Agreement.

Whilst unlikely, it remains possible that there may be another acquisition, such as a mortgage rescue or a 'Bought not Built', within Area North before the end of this financial year, hence the outturn shown is only 'provisional'.

Members of the Committee may recall that previously the HCA had allocated Hastoe £190,500 to develop a rural exceptions scheme at Ash. Hastoe had identified a willing land owner but had significant difficulties in the costs of engineering works required in order to achieve a scheme acceptable to the highways authority. Delays ensued whilst acceptable proposals were debated between Hastoe, their agents and the relevant highways officer. However the land owner then withdrew and faced with challenging deadlines for identification of an alternative site, Hastoe had the funding re-allocated to an alternative scheme elsewhere in the country rather than lose the funding altogether.

## **2015/16: Acquisition of four properties at Martock**

In addition to the provisional outturn detailed at Appendix B, the Committee may also wish to note that the Council directly acquired the freehold of four existing affordable dwellings in Martock. These are not included in the development programme statistics as they were originally developed approximately sixteen years ago under a s106 Agreement which, unusually, was time limited.

Six properties were developed as part of a substantive site at Lavers Oak in Martock and were let directly by the developer under a s106 Agreement which obliged the provision of affordable housing for fifteen years. At the end of that period the owners were at liberty to either increase rents to market levels or terminate the tenancies and sell with vacant possession. This latter option was followed with two properties which had become vacant through the normal course of events, but the remaining four were sold to the Council in accordance with the February 2015 District Executive decision to invest in market housing as a form of alternative revenue generation.

The properties were immediately leased to SHAL, a housing association based in Bridgwater, who retained the incumbent tenants on the same rent regime as imposed by the s106 Agreement, thus keeping the properties as affordable housing. SHAL had previously acted as the managing agent for the developer so this arrangement ensured continuity of management for the incumbent tenants and prevented four potential cases of homelessness.

## **Future Programme Prospects: 2016/17 +**

Appendix C shows a scheme being brought forward by Knightstone in Stoke Sub Hamdon where they will 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. As with any other site some affordable housing is being produced here through planning obligation alone, effectively subsidised by the remainder of

the site. It is currently estimated that the affordable housing will complete towards the end of next calendar year.

There could be further gains in the coming years from planning obligation sites, although none of these are reported here as we cannot be certain about timing and also because there could be future viability issues which result in the level of affordable housing being reduced on certain sites. Members will also be aware of other potential sites which have come forward for outline planning permission.

In recognition of the need to maintain delivery in more rural parts of the district, available capacity within the strategic housing unit has been reprioritised. There is now a part time housing development officer post dedicated to rural schemes and, following internal recruitment, Leisa Kelly joined the team at the start of December in this role (direct line 01935 462641)

## **Financial Implications**

The level of SSDC capital funding is shown in the appendices. However this does not indicate the size of the unallocated programme, including the 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.

There are no new financial implications arising from this report.

## **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 now 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.

## **Council Plan Implications**

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”*

## **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 2015

Investing in Market Housing  
District Executive 5th February 2015

Affordable Housing Development Programme  
District Executive – 1<sup>st</sup> October 2015

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### Appendix A: Combined HCA & SSDC Programme 2014/15 outturn

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	SDC land allocation value	Level of grant from HCA	Planning Obligation	completion
Hastoe	Fern Green, <b>Langport</b> (Huish Episcopi)	0	14	4	18	18	£380,972	£0	£0	£380,972	✓	Nov-14
Aster	St Michael's Gardens, <b>South Petherton</b>	7	4	6	17	17	£0	£0	£0	£0	✓	Nov-14
Knightstone	St Cleers Orchard, <b>Somerton</b>	0	0	1	1	1	£99,000	£99,000	£0	£0		Nov-14
Yarlington	Minchington Close, <b>Norton-Sub-Hamdon</b> (CLT)	0	8	2	10	10	£420,000	£0	£0	£420,000		Sep-14
Yarlington	Westfield, <b>Curry Rivel</b>	0	2	2	4	4	£40,000	£0	£0	£40,000		Dec-14
	<b>TOTALS</b>	<b>7</b>	<b>28</b>	<b>15</b>	<b>50</b>	<b>50</b>	<b>£939,972</b>	<b>£99,000</b>	<b>£0</b>	<b>£840,972</b>	<b>32</b>	

### Appendix B: Combined HCA & SSDC Programme 2015/16 provisional outturn

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	SDC land allocation value	Level of grant from HCA	Planning Obligation	completion
Stonewater	Hayes End (phase II), <b>South Petherton</b>	5	0	3	8	8	£0	£0	£0	£0	✓	Dec-15

## Appendix C: Combined HCA & SSDC Programme 2016/17 +

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	SDC land allocation value	Level of grant from HCA	Planning Obligation	completion
Knightstone	Land at East Stoke, <b>Stoke sub Hamdon</b>	4	0	2	6	6	£0	£0	£0	£0	✓	Dec-17