

<b>MEETING:</b>	<b>ADULT SOCIAL CARE AND STRATEGIC HOUSING SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>27 JULY 2009</b>
<b>TITLE OF REPORT:</b>	<b>AFFORDABLE HOUSING – DELIVERY PROGRAMME 2009/2011</b>
<b>PORTFOLIO AREA:</b>	<b>ENVIRONMENT &amp; STRATEGIC HOUSING</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

To describe the range of activities being undertaken to promote the delivery of affordable housing across the County, and provide an indication of likely delivery over the period 2009/2011.

### **Recommendation**

**THAT subject to any comments the Committee wish to make the report be noted.**

### **Key Points Summary**

- Distinct shortage of affordable housing in Herefordshire associated with the impact of high house prices and low average wage levels, with 4,863 currently registered with Home Point.
- Unitary Development Plan (UDP) provides the planning framework under which affordable housing can be delivered, although this will be replaced by the emerging Local Development Framework.
- The Homes and Communities Agency (HCA) is the new housing and regeneration delivery agency for England, responsible for the delivery of the National Affordable Housing Programme (NAHP) and the allocation of resources associated with its delivery.
- Regional Spatial Strategy (RSS) partial review has indicated a preferred option of 16,600 new homes in Herefordshire up to 2026 with a further 1,200 possibly in rural areas. Over the period 2006-2026, 289 per annum are required to be affordable.
- The priority to deliver affordable housing is reflected within Herefordshire Sustainable Community Strategy and the Council has agreed a Local Area Agreement target to deliver more affordable homes.
- A range of options are being utilised to maximise the delivery of affordable housing although there is a lack of funding to enable delivery from regional and local

resources.

## **Alternative Options**

- 1 Options to deliver affordable housing can vary across the country, and new initiatives are continually being introduced. At the time of writing this report, it is considered that the options outlined in this report are tailored to successfully meet local housing needs across the County.
- 2 Where Government initiatives have recently been announced and are yet to be evaluated by Strategic Housing, these have been identified within the report.

## **Reasons for Recommendations**

- 3 This report is for information only

## **Introduction and Background**

- 4 The Adult and Social Care & Strategic Housing Scrutiny Committee has requested information on how affordable housing is currently being delivered across the County to meet local housing need.
- 5 There is a distinct shortage of affordable housing in Herefordshire associated with the impact of high house prices and low average wage levels. As at the 1<sup>st</sup> July 2009 there were 4,863 households on the Home Point waiting list for housing and the Council has been experiencing high levels of demand for homelessness and housing advice services due to associated housing stress.
- 6 The shortage of affordable housing is reflected across the Country with similar degrees of housing market stress being experienced in rural authorities bordering Herefordshire and across the West Midlands.
- 7 The Housing Needs and Development Team (HNDDT) are responsible for increasing the supply of affordable housing through a wide range of activities. Located within Strategic Housing Services the team work alongside the Homelessness and Housing Advice Team, Private Sector Housing and Home point to ensure that the housing needs of vulnerable groups are met. Solutions offered by Strategic Housing can also include grants to improve properties from small repairs through to adaptations which can help someone remain living independently in their own home. In many instances, therefore, Strategic Housing interventions can resolve housing needs without requiring a person to move home. However, there is an overriding need for more affordable housing within the County.
- 8 The Unitary Development Plan (UDP) provides the planning framework under which affordable housing can be delivered. The plan was prepared to address meeting emergent need only, with a requirement of 2300 new affordable homes over the plan period (2006/2011). Housing market, migration and economic factors have created a more challenging picture of affordable housing need in Herefordshire since the evidence base for the UDP was established. Close working within the Regeneration Directorate is seeking to address how to bridge the gap between current working practices within the existing UDP and the more flexible emerging LDF.
- 9 The Homes and Communities Agency (HCA) is the new housing and regeneration delivery agency for England, bridging national affordable housing targets and local ambitions. The HCA is therefore responsible for the delivery of the National Affordable

Housing Programme (NAHP) and the allocation of the resources associated with its delivery.

## Key Considerations

- 10 The Regional Spatial Strategy (RSS) partial review has indicated a preferred option level of 16,600 new homes for Herefordshire up to 2026 with a further 1,200 possible, if the representations of Government Office are accepted and incorporated. Approximately 8,300 are proposed to be delivered within Hereford City as the settlement of significant development, with the remainder dispersed across the market towns and rural areas. Over the period 2006 to 2026, 289 per annum are required to be 'affordable' under indicative proposals.
- 11 The priority to deliver affordable housing is reflected within Herefordshire's Sustainable Community Strategy, The Council's Corporate Plan and there is an agreed Local Area Agreement (LAA) target to deliver more affordable homes focussed on National Indicator 155 (Number of additional affordable homes acquired and built).
- 12 Following negotiations, Herefordshire Council has agreed the following LAA targets under National Indicator 155 with the Government Office for the West Midlands (GOWM):-of
  - o 200 for 2008/9,
  - o 220 for 2009/10
  - o 275 for 2010/11.
- 13 During 2008/9, 208 affordable homes were built/acquired, of which Registered Social Landlords (RSLs) provided 53% with 47% provided by Private Developers and Low Cost Home Ownership options.
- 14 The Housing Needs and Development Team work in partnership with eight RSL partners under a Social Housing Agreement, which set outs our broad expectations to delivering affordable housing across the County.
- 15 Two of the council's preferred delivery partners are Lead Partners for the HCA and can access funds directly, with the remainder having entered into partnership arrangements with these lead Registered Social Landlords to enable access to funding.
- 16 The delivery of affordable homes is a key aspect of the work of the Housing Needs and Development Team, however, the assessment of housing needs is crucial in establishing where affordable Housing should be delivered within the County and in what number.
- 17 The assessment of need is undertaken, primarily through a 4 year rolling programme of local housing need studies, across rural areas. Whilst in 2 year of the current programme, to the number of previous studies undertaken means that by the end of 2009/10 all main rural areas will have been surveyed.
- 18 Historically, Market Towns have been surveyed on a similar programme, using a sample methodology to identify emerging housing need.
- 19 In accordance with guidance from the West Midlands Regional Assembly the council is now working towards a Local Housing Market Area Assessment in an attempt to

identify the gaps in current market and affordable housing provision. This is work in progress and is anticipated to be completed during the Autumn, to inform the emerging Local Development Framework.

20 Home Point Data is also used to identify the demand and current housing need within existing market town and rural areas.

21 To summarise, the overall estimated affordable housing needs across the County ranges from 325 – 1113 per annum dependent upon the methodology used.

22 To deliver against the agreed LAA Target of 220 for 2009/2010, the following approaches are being taken:-

a. Developer's contributions - in the form of completed units through the planning system (Planning Gain) with nil grant input. This has been key to the success of our delivery programme over recent years. The economic down-turn has had a negative impact on delivery, with 6 strategic sites stalling, of which 3 are unlikely to see delivery in the near future. However, through continued negotiation and support the remaining three sites are now in a position to start on site during the Autumn. In addition, through the input of grant on smaller sites, 85 further affordable units have been negotiated above the 35%.

b. RSL contributions – this relates to sites provided for 100% affordable housing which requires grant input primarily from the HCA and the RSL's own capital reserves/private finance. Whilst this has not historically provided significant numbers, the provision anticipated to be provided during 09/10 was 186 units, although only 61 units of these are likely to be delivered in year due to funding or planning issues which will be covered later in the report.

c. Low Cost Home Ownership Products - the Government has introduced a range of products to enable first time buyers to access the housing market. The Council is able to signpost households to partner organisations to maximise housing numbers delivered in Herefordshire through available schemes.

d. In addition to national schemes, the council supports the delivery of locally developed products including Mortgage Rescue, Do it Yourself Shared Ownership and Festival Property Purchase. These products play an important part of balancing the housing market as well as sustaining communities, and have over the years contributed an average of 53 affordable units per annum. Herefordshire Council's Mortgage Rescue Scheme was a key inspiration for the national scheme launched by the Government in 2008/09.

e. Bringing Empty properties back into use also contributes to meeting the needs of local people, although this may include open market housing to ensure the housing stock is increased and to address a range of housing needs. During 2008/9 a total of 153 empty properties were brought back into use, of which 41 had been vacant for more than 6 months. This is achieved through advice & assistance, Temporary Social Housing (TSH) funding and through various leasing arrangements with the council and through managing agents.

23 The HNDDT are also currently evaluating the following options which may be

considered to have a positive impact on increasing delivery.

- a. Community Land Trusts (CLT), where local communities offer land to build and regulate the allocation and management of the properties to meet local housing needs.
- b. The ability for local authorities to commence building their own stock, although this is primarily directed at local authorities that have retained their stock, rather than those that have been successful in transferring.
- c. The CLG Kickstart Programme to provide developers with financial assistance where strategic sites have stalled due to the current financial market. Some sites have been identified with RSL partners and initial discussions are being pursued through the HCA.

24 The delivery programme for 2009/2011 is detailed below and is based on a pipeline of schemes known to the HNDT.

<b>Affordable Housing Delivery Programme 2009/11 *</b>					
	Total Dwellings anticipated	Green	Amber	Red	Approx Grant £
Hereford City Growth Point	905	593	75	237	46,730,500
Market Towns	502	31	452	19	10,779,179
Rural Villages below 3,0000	332	107	184	41	13,641,420
<b>Totals</b>	<b>1739</b>	<b>731</b>	<b>711</b>	<b>297</b>	<b>71,151,099</b>
Excludes LCHO Products	160				

**Anticipated** - schemes that are known to the LA

**Green** - schemes that are certain to be delivered

**Amber** - schemes that have a degree of uncertainty on whether they will progress

**Red** - schemes that are very unlikely not to proceed

\* due to slippage the programme is now 2009/14

## Community Impact

25 There is generally a mixed response to delivering affordable housing within existing communities, particularly in the rural areas. To address any misconception/barriers, extensive consultation has, and continues to take place across rural areas. Since 2007 over 28 local community consultative events have taken place. The event is delivered by the HNDT Housing Development Officers, the Rural Housing Enabler (where appropriate), Architects, and the RSL who is likely to deliver the new homes.

26 They are designed to engage the community in delivery by providing a range of information e.g. sample Section 106 local connection criteria, Home Point data, Housing needs data and the key issues for the communities. The residents are asked about their views on any proposals that may be available or alternatively to provide

information on potential development sites or empty properties. This has proved successful in garnering community support to delivering but inevitably lengthens development delivery timescales.

- 27 To ensure that the events are advertised as widely as possible, various forms of media are used including Hereford Times' Village News, Hereford Admag via Home Point. Flyers are also distributed to the Chair's of Parish Councils for wider circulation, in particular parish magazines and also leaflet drops.
- 28 Further engagement with Parish Councils is supported by the Housing Needs and Development Team, both prior to formal consultation events and in subsequent 'walkabouts' of villages to identify potential development sites. This enables the development partners to access local knowledge in the process of selecting sites and helps potential obstacles to be discussed and addressed at an early stage where possible.
- 29 Wherever possible, affordable housing that is delivered within rural villages is subject to a Section 106 agreement which establishes local lettings criteria to ensure local housing needs are prioritised.

## Financial Implications

- 30 The affordable housing programme is primarily sourced through the HCA's National Affordable Housing Programme (NAHP). The Council's development partners bid to the HCA for funding with support from Strategic Housing. Bids are assessed on a range of criteria including the degree to which they meet local and regional strategic priorities and provide value for money.
- 31 Housing Capital reserves have diminished significantly since the capital receipt of £10.4m resulting from Large Scale Voluntary Transfer in 2002. Allowing for Capital provision to support planned Disabled Facilities Grant expenditure in 2010/11 and assuming full spend on current Capital budgets the Housing Capital Reserves balance is expected to be approximately £82,000 at the end of 2010/11. This means there is not expected to be any capacity within Strategic Housing Capital Reserves to support a locally funded affordable housing programme beyond 2009/10 unless through a successful bid for funding through the Corporate Capital Bidding Process which the HNNT will seek to submit later in the year.
- 32 The HNNT have been allocated the following capital resources as identified in table 1, to deliver the 2009/10 programme, totalling £4,057,805m

Table 1 – allocation of Local Authority Resource for 09/10 delivery

<b>Corporate (prudential borrowing)</b>	<b>Housing (Capital Reserves)</b>	<b>Affordable housing to be provided</b>
<b>£</b>	<b>£</b>	
500,000	100,000	Do it yourself shared ownership (10 units)
600,000	300,000	Mortgage Rescue (15 units)
200,000	100,000	Empty properties (8 units)

-	2,152,805	Various schemes - Funding allocated in previous years and awaiting completion of schemes (approx 28 units)
-	80,000	1 Venns Lane, Hereford – refurbishment of empty property into 1 x 4 bed affordable unit (1 unit)
-	25,000	Shared Ownership for Learning Disabilities (1 unit)
<b>1,300,000</b>	<b>2,757,805</b>	
<b>£4,057,805</b>		<b>Total funding available for 09/10</b>

- 33 The Housing Needs and Development Team are currently preparing a development brief to invite key RSL partners to submit proposals for costed options to develop affordable housing on selected sites in the ownership of the Council. The Cabinet gave agreement to undertake an options appraisal and review of Council-owned land at its meeting of 19<sup>th</sup> March 2009. The proposals submitted would be subject to an options appraisal and decision-making process by the Council but may provide some opportunities for limited affordable housing development.

## Legal Implications

- 34 There are no legal implications

## Risk Management

- 35 The current financial market has seen national house builders withdraw from delivering key strategic sites which will affect the delivery at local level. The HNDDT are continuing to negotiate and support through seeking HCA grant for additionality, which can include changing sales units to rental and seeking more than the minimum of 35% affordable. 85 additional units have been secured to date.
- 36 The HCA have also launched a new Kick start initiative where schemes have stalled and grant funding would enable delivery. The HNDDT is currently reviewing schemes that have been delayed to maximise available funding.
- 37 The HCA are continuing to seek efficiency savings across the build programme which has resulted in a direct impact on rural delivery. The HCA have only been supporting grant levels in the region of £50,000. Due to the complexities of delivering rural schemes with additional infrastructure and other costs, this has been difficult to achieve. However, after lobbying the HCA, it would appear that schemes above the guidelines are now being considered and RSL partners are being supported to submit rural schemes for funding.
- 38 Due to the increased pressures on the available HCA NAHP, Regional funding for cities and market towns is currently fully committed. The HNDDT will be working with the RSLs to maximise the rural programme and encourage RSLs to submit rural schemes for funding.
- 39 The HNDDT are currently working with private developers/estate agents to identify any newly built empty properties with a view to supporting RSLs to purchase and convert unsold property to affordable or intermediate rental units. Whilst the initial interest

from the sector was poor, a further trawl of the open market is currently taking place.

- 40 There is evidence of increased need from the Housing Advice and Homelessness Team, Mental Health and Learning Disability services to provide both temporary and permanent accommodation to reduce the use of B & B and promote independent living for more vulnerable households. Research is due to commence on the current role of the private sector in meeting need and finding ways to address affordability issues to maximise this alternative housing option.
- 41 Diminished Housing Capital Reserves will have an impact on the delivery of local priority schemes e.g. DIYSO/Mortgage Rescue scheme (MRS). However the local Mortgage Rescue Scheme is deemed to be best practice by the Department of Communities and Local Government and the HNDDT have influenced national policy makers to seek external funding from the NAHP.
- 42 Taking into account the impact of regional funding challenges and the ongoing impact of the economic downturn on the Housing market, there is therefore a risk that the LAA target of 220 homes to be delivered during 09/10 will not be met. Preliminary indications are that we may expect to deliver 191 affordable homes during 2009/10 but efforts are underway to identify alternative development options.

## **Consultees**

- 43 There are no consultees as the report is for information only.

## **Appendices**

- 44 None.

## **Background Papers**

- 45 None identified