

## PERFORMANCE SCRUTINY COMMITTEE – 19<sup>th</sup> May 2009

### Report of the Director of Housing and Health

#### ITEM 8 New Affordable Housing Provision and Housing Needs

##### Purpose of Report

At the Performance and Audit Committee on 3<sup>rd</sup> March, Committee asked that the Director of Housing and Health report to the next meeting on progress with the Council acquiring housing provision through enabling grant/other funding, together with possible purchase of houses on the open market. It also considered that it would be useful to receive housing needs information for the Borough alongside that.

##### Action Requested

To note the contents of the report.

##### Policy Context

Aim 3 of the Council's Housing Strategy identified the need to deliver more affordable housing. Furthermore the delivery of affordable homes has now been identified as a priority at a national level through National Indicator (NI) 155 which has been adopted by the LAA. NI 155 reports on the number of affordable homes delivered (gross), which is the total new supply of social rent housing and intermediate housing within the borough. The Council has a target of providing at least 102 new affordable homes for 2009/2010 and 110 for 2010/2011 and the importance of delivering affordable housing has been reiterated in the Corporate Plan within the Prosperity theme through the pledge of "Delivering 250 affordable homes by 2012."

##### Background

The Council's Strategic Housing Service works with partner agencies including the new Homes and Communities Agency and Registered Social Landlords (RSLs) to identify and address housing needs in the borough. A number of different funding streams are pursued in order to ensure the delivery of new affordable homes.

There are a number of methods through which new affordable housing can be delivered. The two most common routes are through Section 106 contributions and the Homes and Communities Agency (formerly the Housing Corporation) National Affordable Housing Programme (NAHP).

##### Section 106 Contributions

The introduction of the affordable housing Supplementary Planning Document (SPD) in September 2005 doubled the affordable housing requirement through planning gain on eligible sites. It also reduced the site size threshold and added certainty in

terms of the tenure split that was to be expected. Whilst the housing market was buoyant this led to increasing numbers of homes being delivered through this route. Furthermore the SPD made it clear that the Council assumed that the cost of meeting the affordable housing requirement was to be reflected in land prices for housing sites. This delivered 43 units in 2008/09.

### Homes and Communities Agency Funding

The second main route for the delivery of affordable housing is through Homes and Communities Agency (HCA) funding. During 2008/09 approximately £4,000,000 of former Housing Corporation money was spent delivering new affordable housing within the borough. Until recently the view was that other public subsidy added to an affordable housing scheme would lead to a comparable reduction in HCA/HC funding. Therefore there has been little benefit in using enabling grant to support HCA funded schemes. There is increasing evidence that the HCA approach to a range of funders within a scheme is now less punitive. As a result recent discussions have suggested that the use of enabling grant to contribute towards new schemes is likely to be more effective.

### Council Enabling Grant

Enabling Grant is capital money identified within the Council's Capital programme to facilitate the provision of affordable housing within the borough. Potential investment is identified on a scheme by scheme basis with the final approval for payments resting with Cabinet. The purpose of the grant has always been to assist developments that met priority housing needs that RSLs were unable to deliver through other funding schemes or to provide 'additionality' on proposed schemes, such as increasing the proportion of rented units against shared ownership, or family housing against apartments.

Since the introduction of enabling grant there have been a number of changes in the approach to the delivery of affordable housing and this has impacted on its use. Because enabling grant is only one of the methods/funding mechanisms with which affordable housing can be delivered its use and expenditure has been variable depending on opportunities available and the success of delivery through other means.

### Delivery of New Affordable Housing

The delivery of new affordable housing has always been a key priority of the Directorate. Focus on new delivery has been boosted more recently through increased media interest following the decline of the private housing market and the introduction of monitoring through the National Indicator.

The delivery of new affordable homes within Charnwood over the last 5 years is detailed in the following table.

<b>Funding year</b>	<b>Target</b>	<b>Delivered</b>	<b>Total against target</b>
2004/2005	30	36	+6
2005/2006	140	133	-7
2006/2007	90	106	+16
2007/2008	90	87	-3
2008/2009	90	129	+39

The table below highlights unit completions for 2008/2009 on a scheme by scheme basis and illustrates the method of delivery for each affordable housing scheme. An acquisition and works scheme is where the RSL will purchase the land and carry out the affordable housing development with grant funding.

<b>Settlement</b>	<b>Site</b>	<b>Housing Association</b>	<b>Scheme type</b>	<b>Total affordable housing provision (2008/2009)</b>
Thurmaston	Sandiacre Drive	MHT	HCA funded A&W	19
Loughborough	Derby Road	NCHA	HCA funded A&W	33
Loughborough	Empress Road	Derwent Living	HCA funded + Enabling Grant A&W	24
Loughborough	Grange Park	NCHA	SI06	23
Barrow on Soar	Cotes Road	NCHA	SI06	7
Loughborough	Ashby Road	EMHA	SI06	8
Wymeswold	Wysall Lane	LHA-ASRA	SI06	5
Loughborough	Ashby Road	EMHA	Market Opportunity	10

As detailed above, during 2008/2009, enabling grant was used to support one HC/HCA funded scheme with a £100,000 contribution towards the affordable housing development at Empress Road, Loughborough. This enabled 10 additional units of affordable rent to be provided rather than shared ownership units.

All the new affordable housing provision above has been provided through RSLs, with the Council receiving 100% nomination rights on the first letting to all new build affordable rented properties. The Council will continue to receive 50% nomination rights for subsequent lettings. For 2008/2009 the Council has provided new build nominations to 5 different partner RSLs as detailed above. For 2009, from Jan 1<sup>st</sup> to 24<sup>th</sup> April, a total of 122 housing applicants have been nominated to RSL properties.

For 2009/2010, current affordable housing projections indicate 153 affordable completions against an LAA target of 102.

The table below highlights unit projections for 2009/2010 on a scheme by scheme basis and identifies the proposed method of delivery for each affordable housing scheme.

<b>Settlement</b>	<b>Site</b>	<b>Housing Association</b>	<b>Scheme type</b>	<b>Projected affordable housing provision (2009/2010)</b>
Loughborough	Church Place	Tuntum HA	Market Opportunity	12
Syston	Barkby Road	Derwent Living	Market Opportunity	10
Loughborough	Maxwell Drive	Derwent Living	Market Opportunity	2
Thurmaston	Sandiacre Drive	MHT	HCA funded A&W	63
Loughborough	Byron Street	Riverside	HCA funded A&W	15
Thurmaston	White Hart PH	LHA-ASRA	HCA funded A&W	19
Loughborough	Goods Yard Close	Waterloo	SI06	15
Loughborough	Goods Yard Close	Waterloo	Market Opportunity	12
Shepshed	Britannia Street	TBC	SI06	5

#### Impact of the current economic climate

Developers are looking to take advantage of increased levels of grant and flexibility from the HCA. The acquisition of new build units for affordable rent through 'market opportunities' is being funded through the HCA. The approach is an attempt to increase affordable housing provision in the current economic climate. Developers are able to generate income through sales of completed dwellings to RSLs for affordable housing. Indeed, as illustrated above, 36 of the projected units for 2009/2010 have been secured through 'market opportunities', where an RSL will purchase unsold stock units from private developers for affordable housing.

RSL's are however reporting that the current economic climate has had an impact on their resources. They increasingly have fewer subsidies available to fund new development. There is also a significant risk that although the HCA is bringing forward spending, when we reach the latter stages of the current HCA programme, the majority of funding available will have been allocated and grant levels will reduce considerably. This will have an impact on the number of affordable units being delivered. If we wish to maintain new provision, the enabling grant will be crucial to RSLs in meeting the shortfall in HCA funding.

## Housing Needs Information

- As of 1<sup>st</sup> April 2009 the number of applicants on the Council's Housing Register was 2131. This is an increase of 139 from 1<sup>st</sup> April 2008 when the total stood at 1992.
- In 2007/08 the Housing Needs section accepted 153 applicants as statutorily homeless. For the same period in 2008/09, there were 104 accepted.
- In March 2009, the Council had 52 households in temporary accommodation compared to 79 in March 2008.

## Financial and Legal Implications

Each proposed allocation of enabling grant remains subject to Cabinet approval. There are no revenue implications because all the affordable housing delivered will be owned and operated by partner RSLs.

## Risk Management

The risks associated with the options available and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
Lack of RSLs willing to commit staff and financial resources to the purchase of properties	M	H	Some partner RSLs are reviewing their development programme. Full grant will only be paid at legal completion. Other development opportunities will remain to be considered.
House builders using opportunity to dispose of unwanted/unsuitable stock	M	H	The Council will focus on the property types, tenures and locations of greatest need. Grant will be restricted to purchase of houses for rent. Grant allocation subject to Cabinet approval.

Background Papers: None

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