

BRIEFING PAPER – Impact of reducing Affordable Housing Grant

SUMMARY

With £2m programme per year

Year	LA grant funding	Projected completions with grant	**Projected completions without grant	Total projected completions
2006/07	£2,000,000	104	31	135
2007/08	£2,000,000	42	128	170
2008/09	£2,000,000	82	206	288
2009/10	£2,000,000	65	166	231

With reduced capital programme

Year	LA capital grant	Projected completions with grant	**Projected completions without grant	Total projected completions
2006/07	£2,000,000	104	31	135
2007/08	£1,500,000	32	128	160
2008/09	£1,000,000	30	206	236
2009/10	£750,000	25	166	191

** These include both schemes delivered through the planning system without grant and Housing Corporation funded schemes.

As there is a delay to the impact of reducing the capital grant funding, it is likely that the greatest impact of reducing the commitment of funding to new schemes will be felt in 2009/10 and beyond.

There is a significant no. of units in the pipeline to be delivered through s.106 agreements negotiated since the adoption of the SPG in 2004 with nil subsidy. However, some of these s.106 agreements are still being negotiated. Others have just been agreed but we are not clear on timescales for delivery. It is extremely difficult to accurately predict this more than 12 months in advance.

However, in the short term (i.e. the next 2 – 3 years) it appears that, as there are a large number of new affordable housing completions projected through the planning system, **there is scope to reduce the capital grant commitment.**

I would recommend though, that this be **reviewed annually** to take account of changes in regional and national planning policies and to take account of the speed of sites being brought forward. This is often dependent on market forces i.e. a buoyant housing market should ensure development takes place within a short timescale. A slow down in the market could lead to developers delaying completions, which will have a knock on effect on affordable housing completions. For example, this time last year we were projecting more than 200 completions for 2006/07. Due to development delays we are now expecting around 135 completions for this year with a higher completion rate in 2007/08 and 2008/09.

The increased reliance on affordable housing through the planning system rather than by other means will mean we are much more sensitive to these changes and are **less in control of delivery to meet our targets.**

BACKGROUND

Affordable Housing Need

The District Wide Housing Needs Survey identified a need for **780** new affordable homes **per year** in North Wiltshire.

There are currently **2014** households on the housing needs register (November 2006).

In 2005/06 we accepted **155** households as **homeless**. Accepting this duty means we are obliged to secure permanent accommodation and, if necessary, temporary accommodation for these households.

In 2006/07 we increased our target for affordable housing completions from 100 per year to 150 per year in order to try to meet the need of homeless households, those on the register and those in unsuitable housing (e.g. overcrowded).

Development funded through the LA programme to date

Year	LA funding committed	HC match funding	Completions achieved	% of total completions
2004/05	£575,000	£683,686	21	27%
2005/06	£2,363,087	£687,322	89	56%
2006/07	*£3,067,667	£1,226,844	*104	77%

Although the LA capital programme commenced in 2004/05, due to the nature of development there were only two schemes completed using LA capital grant funding in that year.

Development funded without LA grant

Year	Delivery method	Completions achieved	% of total completions
2004/05	Housing Corporation funding only	56	73%
2005/06	Housing Corporation only	47	29%
	Planning gain – nil grant	24	15%
2006/07	Housing Corporation only	*5	4%
	Planning gain – nil grant	*26	19%

*projected to year end

LA funding has enabled the delivery of a significant proportion of the new affordable homes completed each year. In addition, the ability to offer match funding has attracted substantial investment from the Housing Corporation. In 2004/05 and 2005/06 a number of the completions wholly funded by the Housing Corporation were schemes approved prior to the abolition of LASHG in April 2003 and were therefore funded partly by transitional LASHG. The Housing Corporation is now clearly targeting spend at joint-funded schemes and strategic schemes in Principal Urban Areas such as Swindon & Bath. **Therefore, our best chance of securing future Housing Corporation funding is through working jointly with Swindon & Bath and/or through offering match funding.**

Through adoption of our Affordable Housing Supplementary Planning Guidance in May 2004 we have been able to achieve 30% affordable housing on urban sites over 25 units without recourse to public subsidy. However, due to the timescales involved

in these sites coming forward they have not yet provided the volume of affordable housing we require.

OPTIONS FOR AFFORDABLE HOUSING DELIVERY

The Housing Strategy 2005 – 2008 identifies delivery of Affordable Housing as the top priority with a number of options to enable that delivery. Progress with exploring these options is as follows;

Option 1 – Affordable Housing through planning gain

The District Wide Needs Survey 2000 proposed a target of 30% affordable housing on urban sites and 50% on rural sites with a threshold of 15 units in urban areas. This proposal was incorporated in the Local Plan 2011 adopted in June 2006.

The District Wide Needs Survey 2005 proposes a target of 40% affordable housing on urban sites and 50% on rural sites with a threshold of 10 units in urban areas. It is anticipated that these proposals will be taken forward in the Local Development Framework. The latest proposed revision to the Local Development Scheme suggests that a new policy will not be adopted until April 2009 at the earliest. It is also important to note that completions negotiated via s.106 agreements can take 18 months or more to be achieved. For example, completions achieved this year at Saxon Court, Chippenham (Flowers Yard) are as a result of a planning permission and condition for affordable housing granted in November 2002. On this basis, any additional completions achieved as a result of increasing the %age of affordable housing and reducing the threshold through the introduction of a revised planning policy through the planning process will not be achieved until 2010/11 at the earliest.

The regional planning framework currently allows for the development of around 500 new homes in the district per year. If we assume that, between 2007/08 and 2010/11 (4 years) there will be 2000 additional homes built in the district and that around 60% of those will be above the 15 threshold limit, 30% affordable housing will deliver approximately 360 units, an average of **90 units per year**.

From adoption of the new policy in 2009 and negotiations from that point on the basis of 40% affordable and a threshold of 10 units, with around 500 new dwelling completions annually, the no. of affordable homes achieve could increase to around **140 – 160** from **2010/11** (assuming 70 - 80% of sites above 10 units).

Option 2 – Social housing built with grant

As described above, the ability to commit capital funding to enable affordable housing on non-planning gain sites makes a significant contribution to the overall achievement of completions and meeting need. In particular, the ability to use funding to bring forward supported housing schemes, which are difficult to achieve through the planning system, is particularly valuable. Rural exception sites require grant funding to enable them to proceed so commitment of grant funding enables us to meet rural housing targets.

By pushing schemes back we are able to continue to support proposed schemes. However, we will not be able to offer support to new opportunities that might arise.

Option 3 – Cross subsidising affordable homes with private market housing.

Malmesbury pool is our only example of this to date. The affordable housing is being subsidised through a combination of below market value LA and Westlea land

together with profit generated from sale of a number of units on the open market. If successful as a model, Westlea are considering purchasing sites on the open market in competition with developers to progress more affordable housing development in this way. In theory this could deliver more than 30 – 40% affordable housing on sites as there will be no requirement for profit. Alternatively the profit could subsidise affordable housing on other sites. Other RSLs are also considering using this model.

Option 4 – Making the best use of land resources

We are working with the Asset, Design & Regeneration Team to bring forward small sites in the Council's ownership where there is potential for affordable housing development. In addition we are working with Westlea to use their land assets in conjunction with ours where this increases development potential. There are currently 4 sites being progressed in this way with potential for more. The land value is being used as subsidy in order to achieve affordable housing.

Option 5 – Making best use of existing stock

As well as new development, we are working to make sure we make the best use of the housing stock available to us through;

- improvements and adaptations to existing housing in the district
- bringing empty properties back into use
- discouraging second homes through reduced Council Tax discounts
- encouraging moves where appropriate e.g. where households are underoccupying
- offering rent deposits and rent in advance to enable households to access the private sector
- reviewing the allocations policy to ensure lettings offer choice and enable good use of existing social housing.

Option 6 – Alternative funding models

The team is also considering alternative funding options for affordable housing delivery. There are a number of new models being proposed by financial institutions such as Lloyds TSB as well as PFI for newbuild social housing and new models being developed by our Housing Association partners.

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