

**JOINT OVERVIEW AND SCRUTINY TRANSITION BOARD  
HOUSING TASK GROUP  
12 March 2009**

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**OPTIONS FOR DELIVERING AFFORDABLE HOUSING**

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**Purpose of Report**

1. To brief members of the Task Group on the different options available to enable the delivery of Affordable Housing.

**Background**

2. A key role for the strategic housing authority is to enable the delivery of affordable housing. During the 1990s local housing authorities almost entirely ceased the building of council housing and they were encouraged to separate the operational role of the provision of council housing from the strategic role of supporting housing associations in the building of new affordable homes. Consequently for many years the district councils in Wiltshire have sought to increase the supply of affordable housing through support given to housing associations to build new homes.

**Issues**

3. Key issues for the strategic housing authority include – identifying the level of need; setting targets for delivery of new affordable homes; identifying resources for the delivery of new affordable homes; understanding and adopting an array of different delivery vehicles.
  - a. Need for Affordable Housing
    - i. Housing Register: This is the traditional and simplest way to assess housing need. The housing register will identify the numbers of people who have expressed a need to move to affordable housing (Council or Housing Association) this may be because their current accommodation is too small/large, in the wrong area, in poor quality or simply because they want to move. Prior to the introduction of Choice Based Lettings the four districts each had a waiting list that altogether totalled 16,000 applicants. Since asking people to reapply for CBL this has now reduced to around 5,000. This is not seen as a very reliable measure of need because it will include people who are not in significant need, or even people who no longer are interested in being on the list.
    - ii. Housing Needs Survey: This is a periodic survey of a sample of all households in the district, often quite a large sample. It will attempt to predict changes in future numbers of households and to identify the numbers of people who cannot afford open market housing. It will then compare this number against the existing

supply of affordable housing vacancies and determine if the supply needs to be increased. The most recent data shows that across Wiltshire we need an additional 3,000 new affordable homes per year

- iii. Strategic Housing Market Assessments: More recently the Government has encouraged housing/planning authorities to undertake SHMAs Wiltshire is part of three Housing Market Areas – West of England (Greater Bristol); Swindon and Salisbury. SHMAs take a broader look at cross boundary matters such as travel to work areas and the need for shared ownership housing. Currently we do not have consistent information from the three HMAs. This is being developed.

- b. Targets and Performance: A key housing target for the Local Area Agreement (LAA) is National Indicator 155. Under the Local Area Agreement we have taken on the target to increase delivery to over 590 homes per year by 2010/11. Whilst the credit crunch has made this a really tough challenge performance to date has been good and by the third quarter of 2008/9 we had exceeded our annual target of 479 homes, having already seen 499 homes completed. As part of the refresh of the LAA it had been anticipated that we would need to revise the NI155 target downwards to reflect the economic downturn. However because neither we nor the government can quantify that effect it has been agreed not to alter the figures at this stage. However the government have asked us to demonstrate that we are doing what we can to maximise the opportunities that are available and to be ready to take advantage of the up turn when it arrives. Consequently we have agreed to pursue the following actions:

- i. **Affordable Housing**

- Housing Enabling officers to make contact with developers over key sites to investigate ways that the AH can be brought forward
- Bring forward sites from County Farms, PCT and MOD for use as Rural Exception sites
- Use other land from public sector land audit in particular land already identified by SDC for affordable housing. Need to start identifying sites.
- Give serious consideration to governments latest proposals on building council homes
- Contact all developing housing associations in the area to see what their capacity is in terms of land and borrowing
- Discuss with Homes and Communities Agency HCA their capacity to invest in the above schemes and other projects to help first time buyers and unlock moth balled developments

- ii. **Housing in general**

- Identify potential Gypsy and Traveller sites
- Identify key sites that are moth balled or may not come forward as expected

- Speak to developers about these sites, find out when they think they will come forward or if they could be encouraged to bring parts of them forward or what would be an incentive
- Approach RDA and HCA about investment in infrastructure or other ways to help unlock sites.

### iii. Planning for the upturn

- Look at the use of masterplanning in particular for West Swindon
- Infrastructure planning
- Encouraging developers to continue to submit applications now

- c. Identifying Resources: Clearly paragraph 3bi above sets out some of the details of how we intend to identify the resources available.

These essentially fall into the following categories

- Government Grant:** This is grant that is usually paid via the Homes and Communities Agency primarily to Housing Associations, but more recently to developers and in future may be available to councils. The Government have brought forward resources of this type to help combat the credit crunch.
  - Council resources:** This could be either capital reserves or the use of council land. Traditionally housing authorities have transferred land to housing associations at below market value. However councils may be able to build council housing on their own land in future
  - Planning agreements:** The most important resource in recent times has been the ability of planning authorities to require developers to support new affordable homes through s106 agreements
  - Housing Association's resources:** Housing associations will also borrow against future rental income and may also be able to buy or provide their own land
  - Private Finance Initiative:** The availability of PFI credits from the Government can make it possible for councils to pay for the ability to nominate tenants to a new rented affordable homes for a period of 30 years or more.
- d. Affordable housing delivery vehicles: Whilst over the last 20 years new affordable homes have overwhelmingly been delivered by housing associations, in recent years a number of new options have been developed.
- Housing Association** Housing associations are able to access private borrowing to build affordable homes, however rent controls mean that the amount of borrowing that can be funded from rental income is insufficient to cover the cost of

building a new home. Consequently the housing association will seek to support part of the cost of development from one or a combination of some of the following:

- Use of their own land
- Homes and Communities Agency (HCA) Grant
- S106 contribution from developer
- Discounted land or grant from local authority
- PFI contract

In the current economic climate it is possible that in some cases housing associations may find that some of their borrowing facilities are being withdrawn. It is also the case that the pipeline of s106 opportunities is drying up rapidly. However where housing associations do have deliverable schemes they may now find that there is a considerable amount of HCA grant available to them. Consequently, if housing associations are presented with opportunities such as discounted land that is readily usable for residential purposes this is likely to put them in a good position to draw down grant.

- ii. Special Purpose Vehicle: This can exist in a number of guises and can include:-
  - A private sector/housing association consortium of the type used to deliver PFI schemes. In this case the partners create a new company for the sole purpose of delivering on a particular contract.
  - A specially created company of which the local authority is the sole share holder. Whilst in the past this device has been used to deliver Arms Length Management organisations to manage council stock it is now available as a way for delivering new affordable homes with council land being transferred to the SPV and the SPV raising the necessary funds to build new homes.
- iii. Private developer: Private developers have in recent years been able to apply for grant funding from the government to deliver new affordable homes. There are also examples of private developers delivering and managing their own affordable housing through s106 agreements. However the subsequent management of the properties is unregulated.
- iv. Local authority: Whilst this was the main route for delivery up until the 1980s, it had almost ground to halt. However recent Government announcements have indicated a willingness to make this option available. Details have yet to be set out, however we have indicated to the Homes and Communities Agency that Wiltshire would be keen to find out more about this option. This would most likely involve the council in making land available, bidding for Government grant and part funding the scheme through borrowing. It is anticipated that houses built in this way would stand outside of the current Housing Revenue Account subsidy system and therefore the council would be able to retain all the rental income.

## **Next Steps**

4. Clearly a key objective for the new council is to set up a New Housing service and a great deal of attention is being focussed on this, however we are also committed to the actions in 3b above. This will give us a good picture of the potential within Wiltshire for delivery at present. Of particular importance will be the carrying out of the public sector land audit and given the possibility of grant funding for councils to build on their own land, the audit will present the new council with enormous potential. Salisbury have commissioned some work from a consultant on the use of a Special Purpose Vehicle. This report has just been presented to the council and will now need to be examined. West Wiltshire District Council has now received a bid to deliver its Housing PFI scheme. This is a project to deliver 400 homes, that could start within the next 12 months. The bid is currently being evaluated. Wiltshire County Council has also submitted an expression of interest in a Round 6 PFI scheme to deliver 400 units of supported affordable housing. If we are allowed to proceed with this bid, it is likely to take around 3 years before any homes are delivered under the scheme.

## **Conclusions**

5. The delivery of affordable housing has been placed as a high ambition by the Wiltshire Assembly and this is reflected in the LAA. It is pleasing to note that despite the economic downturn Wiltshire has been able to achieve its LAA target so far. In addition to this the 5 councils and Implementation Executive are committed to a public sector land audit. There is a major PFI scheme in the pipeline and an expression of interest has been submitted for a Wiltshire wide programme of affordable supported housing. Additionally at senior officer/member level consideration is being given to the possibility of delivering new affordable council homes and also an action plan has been agreed in relation to the refresh of the LAA.

## **Recommendations**

6. That the above information be noted

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