Affordable Housing Development Programme

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1. Purpose of the Report

The purpose of this report is to update the Executive on the final position of the Affordable Housing Development Programme for 2014/15 and future prospects in the light of recent Government announcements. It further proposes new allocation of funds, including a new rural scheme at Misterton and some specialist bungalows in Yeovil, and to seek agreement to the principle of subsidising a scheme for those with learning disabilities. It also suggests a mechanism for the deployment of new funds gained through planning policy and confirms the outcome of the selection process for partner Housing Associations undertaken during the past year.

2. Recommendations

The Executive are asked to

(a) Note the outturn position of the Affordable Housing Development Programme for 2014/15 [*ref section 6*];
(b) Allocate £139,000 to Stonewater for Queensway, Yeovil [*ref section 8*];
(c) Confirm the de-allocation of funds from BCHA [*ref section 8*]
(d) Allocate £120,000 to Knightstone for Jarman Way (Furnham Road), Chard [*ref section 8*];
(e) Allocate £396,661 to Yarlington for a scheme at Misterton, subject to planning permission [*ref section 8*];
(f) Allocate £315,000 to Yarlington for three 3 bedroom bungalows in Yeovil, subject to planning permission [*ref section 8*];
(g) Agree the principle of making an allocation to Stonewater for the provision for those with Learning Disabilities [*ref section 11*];
(h) Note the outcome of the Housing Association selection review process in collaboration with Mendip District Council. [*ref section12*]
(i) confirm the approach suggested with respect to the aggregation of funds raised under planning policy HG4 *[ref section 13]*
(j) confirm the delegation of authority to allocate funds raised under HG4 to specific schemes to the portfolio holder. *[ref section 13]*

3. Public Interest

3.1. This report covers the provision of affordable housing over the past year and anticipates the likely delivery of more affordable homes being constructed during the current financial year. 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 it's Housing Association partners.

3.2. “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)

3.3. 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.

4. Background

4.1. The overall programme is achieved through mixed funding (Housing Grant [administered by the Homes and Communities Agency - HCA], Local Authority Land, Local Authority Capital, Housing Association reserves and S106 planning obligations) 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.

4.2. A previous report was considered by the District Executive on 4th September 2014 which considered the final outturn for 2013/14 and gave some longer term perspective.

4.3. 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.

4.4. The HCA allocated funds in 2011 for the four year period 2011-15, accounting for the bulk of the programme since then. However there have been other allocations from other (smaller) funds administered by the HCA since then, most notably the Community Led fund and the Affordable Housing Guarantee Programme. A new programme, initially covering the period 2015/18 but since extended to 2020, was opened last year, with initial allocations confirmed in late July 2014.

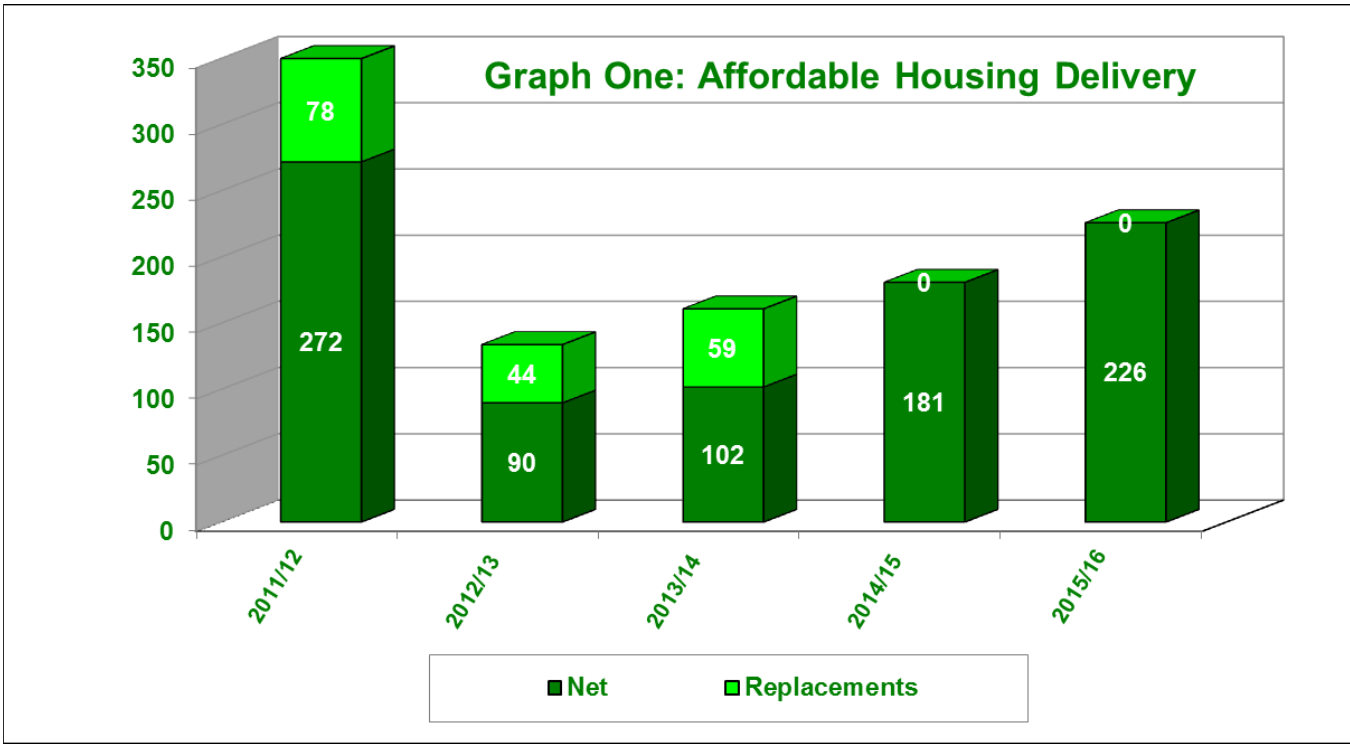
4.5. The South Somerset Local Plan (2006 – 2028) was formally adopted on 5th March 2015 having completed all the other necessary stages, including examination by Government appointed Inspector. The Plan includes policy HG4 which seeks financial contributions (known as commuted sums) to be used towards the provision of affordable housing from those sites below the threshold (i.e. six dwellings) for policy HG3 (which seeks onsite provision).

4.6. However after the completion of our examination but before the formal adoption of the new Plan, the Government issued guidance, through changes in the NPPG, effectively providing a blanket national threshold of ten dwellings. It was thought that this guidance rendered policy HG4 unimplementable and effectively amended the threshold for policy HG3.

5. The Affordable Housing Programme: A five-year profile

5.1. The graphs below show the overall shape of the programme over the past four financial years (i.e. covering the last complete HCA four year programme 2011-15) and the projected outturn for the current financial year. Further detail on the first three years covered by these graphs can be found in the previous reports to District Executive (2nd August 2012, 1st August 2013 & 4th September 2014) and is not repeated here. The rest of this report considers the outturn for the last complete financial year, 2014/15 and future schemes which now have grant funding confirmed (either from HCA or from this Council), most of which shall be on site during the current financial year.

5.2. Overall Delivery and Net Gain

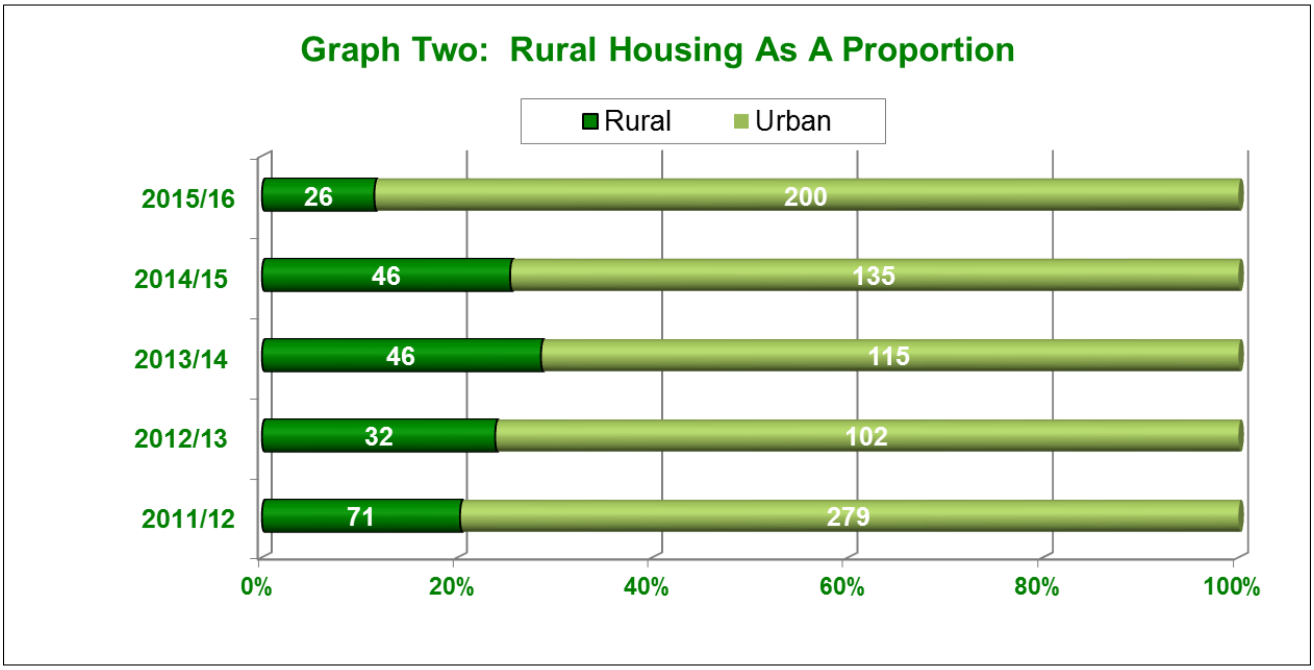


5.2.1. Graph one (above) shows the overall size of the affordable housing programme over the past four years and the expected size for the current year. 2011/12 was the second most successful year ever in delivering affordable homes. This was followed by lower delivery than average over the next two complete years and last year completions were pretty much at our longer-term average again. The average delivery over the past four years was 207 (rounded up). The projection for the current financial year is 226.

5.2.2. Graph one clearly shows the contribution to overall numbers in the first three years made by the replacement properties as Yarlington have worked through the last of the former pre-stressed Reinforced Concrete [PRC] sites inherited from the Council at the time of the stock transfer. However it should also be noted that the redevelopment of these sites has also made a significant contribution to the net gains as additional homes have been developed within each of the affected sites. The last of these redevelopments was completed in 2013/14.

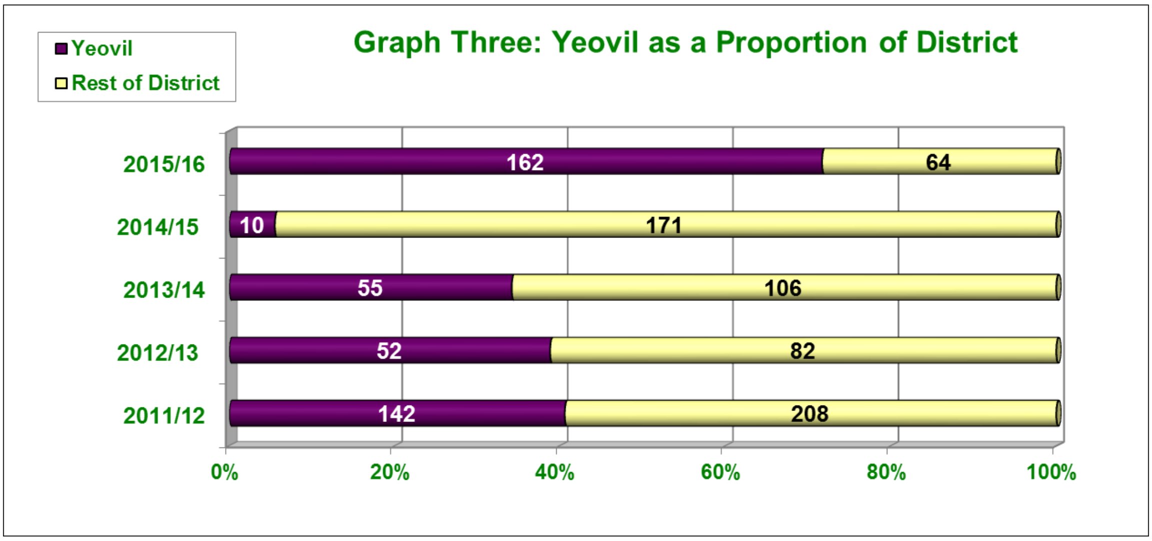
5.3. Rural Delivery

Graph two demonstrates that over the past four years we have consistently delivered around 20-30% of all new affordable homes in settlements of under 3,000 population. However this has fallen to just over 11% (projected) in the current year.



5.4. Delivery in Yeovil

Graph three demonstrates that for the first three years we delivered around 30-40% of all new affordable homes in Yeovil. Last year this fell to just over 5% but the current projection is that this year it will increase to almost 75%. This fluctuation is partly due to the slippage of a 59-unit scheme which should have been completed by 31st March 2015, had it done so then just under 30% of last years completions would have been in Yeovil, however we would still be predicting just under 65% this year.



5.5. Public subsidy

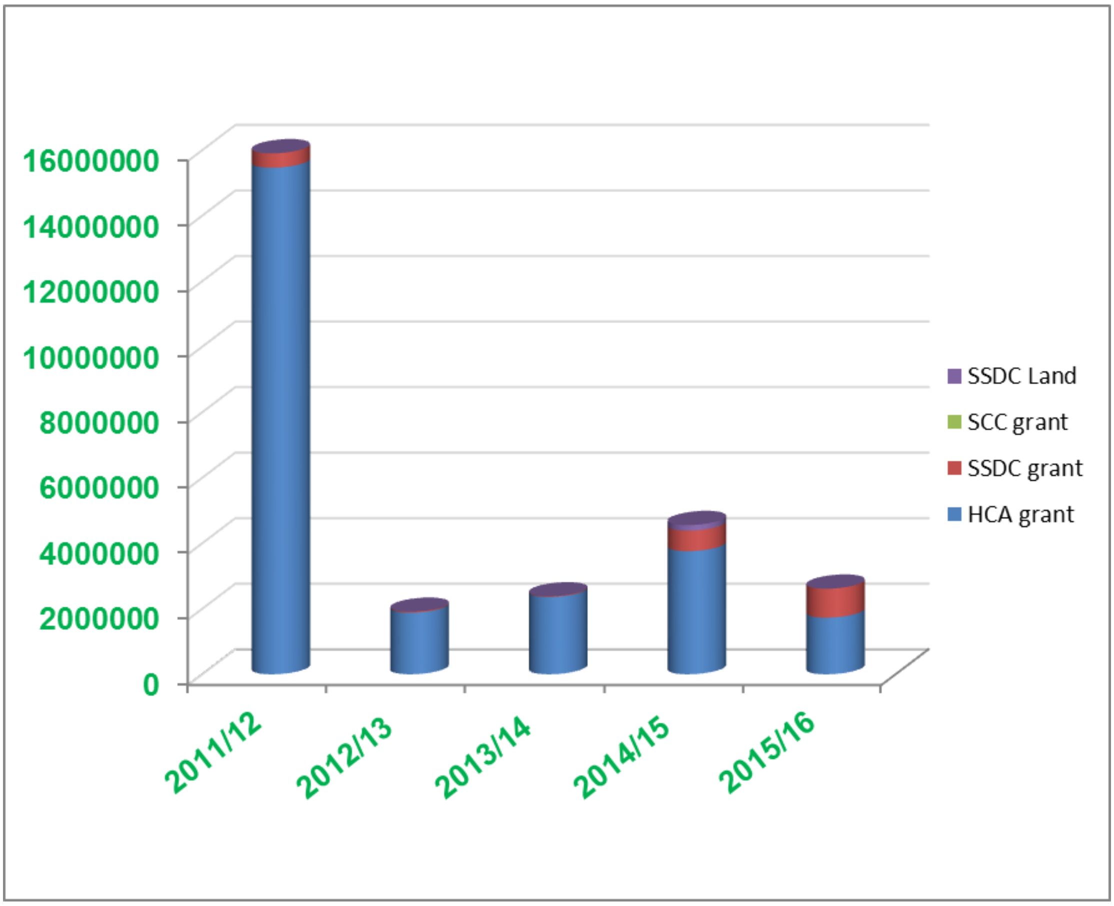
5.5.1. Graph four shows the level of public subsidy associated with schemes completing in each financial year. It should be noted that subsidy is paid at various stages and in most cases some proportion of the subsidy will have been paid over in the financial year/s prior to the year of completion, as the development has progressed. Capital subsidy from the Homes and Communities Agency has been (and will continue to be) the dominant feature.

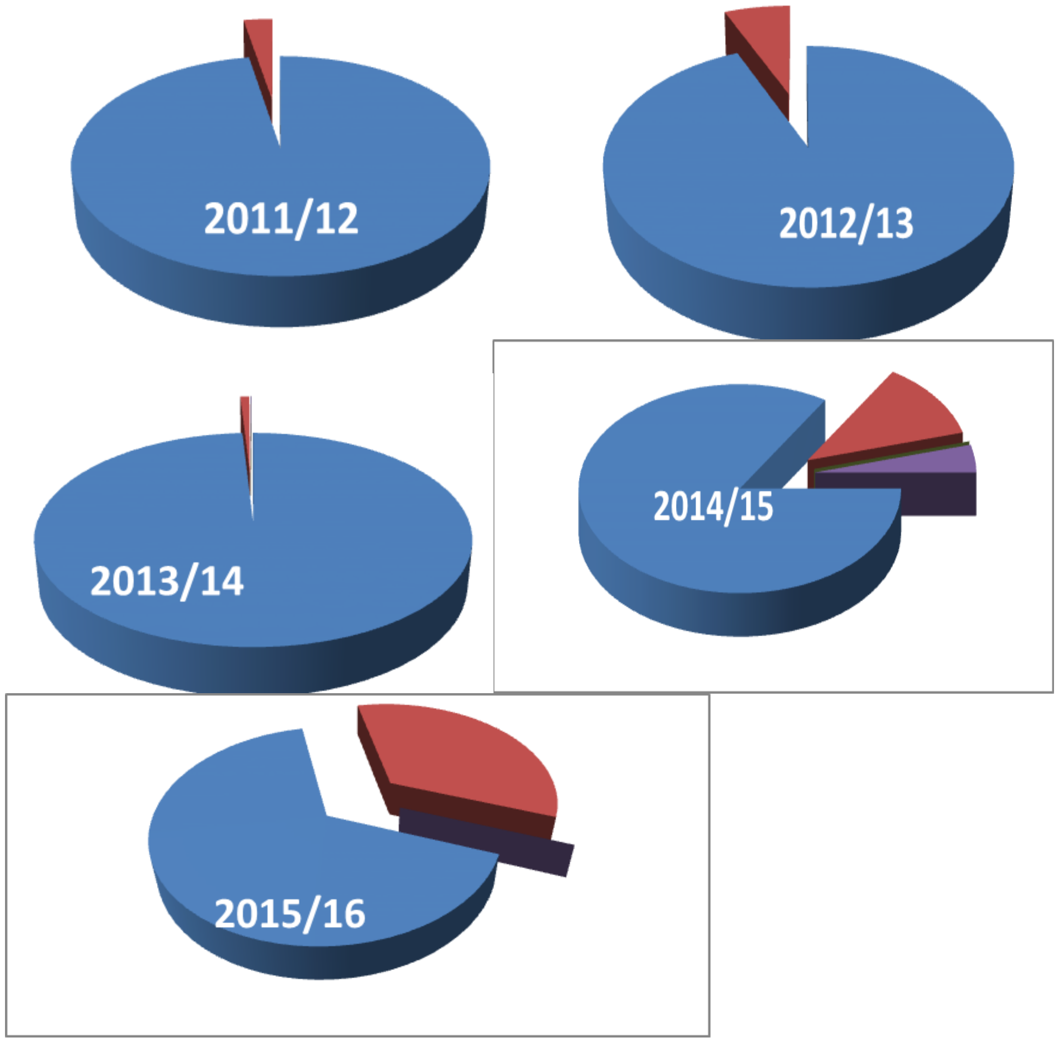
5.5.2. Over the past four years the total value of public subsidy has been as follows:

Homes & Communities Agency	£ 23,458,019	(95%)
District Council (Capital Grant)	£ 1,118,049	(5%)
District Council (Land Value)	£ 172,000	(<1%)
Total public subsidy	**£ 24,748,068**	

The pie charts show the relative degree of funding from these sources

Graph Four: Level of Public Subsidy Associated With Completed Schemes





5.5.3. Over the same four year period the capital receipts arising from former Council tenants exercising their preserved Right to Buy on Yarlington properties were as follows:

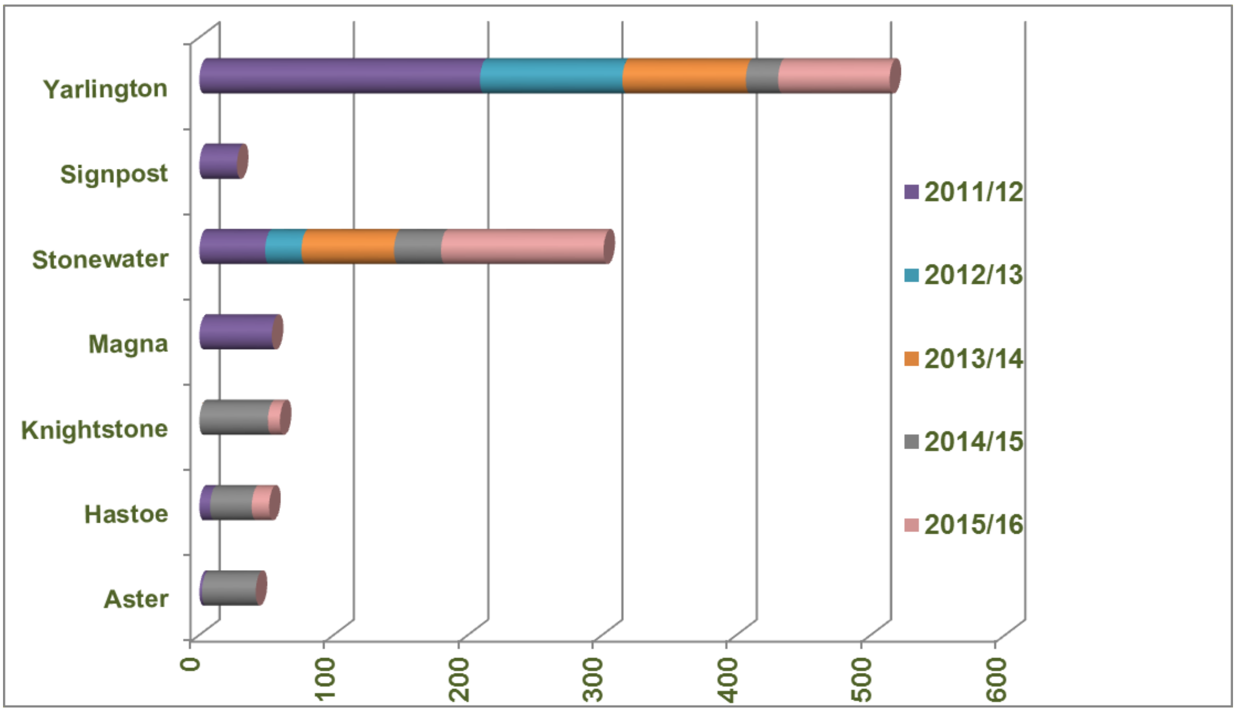
2011/12	£ 750,868
2012/13	£ 981,546
2013/14	£1,429,103
2014/15	£1,040,000
Total	**£3,201,517**

5.5.4. Graph four and the associated pie charts do not include the historic subsidy (in the form of a 'dowry' derived by the reduced capital receipt at the time of the council's large scale voluntary stock transfer) which has effectively gone into the replacement (but not net gain) properties on the Yarlington PRC estates. Equally these graphs do not show the recycled funds used by Housing Associations arising from 'staircasing' in shared ownership (where the lessee purchases a further tranche of the equity) or the outright disposal of a rented property.

5.6. Delivery by Association

5.6.1. Graph five shows the delivery over the five year period (including the projected delivery for the current financial year) broken down by Housing Association. The majority of the programme over the long term has been delivered by Yarlington, which delivered 431 new homes (including the replacement properties) over the past four years and is projected to deliver a further 83 this financial year.

Graph Five: Delivery by Housing Association



5.6.2. The figures attributed to Stonewater include the homes produced by both Jephson and Raglan in the period prior to their merger to form Stonewater

5.6.3. It should be noted that these graphs do not include a very small number of affordable dwellings delivered directly by private sector developers.

5.6.4. The homes produced by Magna and Signpost during 2011/12 are all at the Lyde Road key site in Yeovil, although neither association was selected as a main partner with the Council at the time. Since completion as part of a much wider stock swap exercise, the Signpost homes have since transferred to Knightstone Housing Association.

5.6.5. Both Aster and Knightstone were appointed as main partners in January 2011, following an extensive selection exercise undertaken in conjunction with Mendip and Sedgemoor District Councils. Aster has since been deselected in the review that completed earlier this year.

5.7. Outcome rents

5.7.1. Members of the Committee may recall that last year this report included a graph showing the most recent analysis of weekly rent levels, demonstrating the relationship between market rents, social rents, affordable rents and our own 'hybrid' rent model. Whilst the general shape of this graph remains the same, no attempt has been made to update it for this report due to the relatively recent Government announcements on future rents.

5.7.2. When Housing Associations entered their current HCA programme contracts they were informed that they could make assumptions that future rent rises would be capped at no more than CPI + 1% per annum. It was originally thought that this formula would continue to apply to social rents (the traditional tenure for social landlords) whilst the newly introduced affordable rent model would increase in a similar way for existing tenants but with readjustments to set back to 80% prevailing market rent when a new tenancy commences.

5.7.3. However more recently the Chancellor announced that for the next four years social rents will actually decrease by 1% per annum. His stated intention is to reduce the burden on Housing Benefit as part of the promised welfare savings and in turn decrease the level of benefit dependency for those on lower incomes.

5.7.4. The reduction does not just apply to the 'target rent' formula applied to social rents but also to the affordable rent regime where now new rents will be pegged at 80% of the market value as at July 2015, reduced by 1% annually, rather than 80% of the prevailing market value.

5.7.5. Housing Associations have faced, with no prior warning, the need to completely revise their financial plans. The common assumption is that the enforced rent reductions are the equivalent of between 12% and 16% loss of income over the four year period, with a lower base position in year five. However loans arranged with lenders have been based on the original formula increase and offers made to developers for the pricing of affordable housing units (on sites with a planning obligation) have been made based on this leverage power. It is understood that the HCA now require submission of new business plans (from the entire sector) by next month.

5.7.6. Where a Housing Association has already entered into contract with a developer, such as gaining properties under a planning obligation, usually they will be unable to renege on the deal struck even though the borrowing potential of the future rental stream has now been significantly reduced.

5.7.7. Where a Housing Association is still in negotiation, they may have to reduce the offer made to the developer. Anecdotal reports suggest these reductions are in the region of 20%. This may affect the viability of a site and trigger renegotiation with the Council, as the relevant planning authority, of the planning obligations. In some cases either the developer or the Housing Association have suggested changing rented units into shared ownership dwellings as these remain largely unaffected by the enforced rent reductions. However our approach has been to take each case on it's merits and retain the option to reduce the obligations in a variety of ways, including reducing the absolute numbers or the proportions of different tenure types. Crucially although in all cases these changes will mean a lower 'purchasing power' on behalf of the Housing Association, in some cases the overall site will still remain viable, albeit at a lower rate of return for the main developer.

5.7.8. The reduced borrowing leverage also affects traditional Housing Association sites (where they are in control of the site and are producing 100% affordable dwellings), including those where grant has already been allocated by the HCA or by the Council (or both).

5.7.9. The Chancellor also announced the proposed introduction of the so-called 'pay to stay' policy, whereby Housing Associations will be expected to increase rents to the prevailing market level for those existing tenants earning above a set threshold. When this was originally mooted it was widely thought that the threshold would be set at £100,000 per annum but the recent announcement indicates it will be £30,000. There are a range of implications of this policy – including whether it will be introduced using primary legislation and thus override obligations to keep rents at an affordable level (i.e. sub-market) in the relevant s106 Agreement and what the administrative implications are for Housing Associations keeping a constant track of all their tenants incomes.

5.7.10. For the purposes of this report it is perhaps best just to note that the increased income from some tenants being charged market rates will mitigate the impact of enforced reductions for all the others. Given that social rents tend to be much lower than the prevailing market rent, only a small percentage of tenants being affected will have a significant dampening effect on the overall change. However Housing Associations have not tended to take this into account on the grounds that they do not yet have enough details of the proposed policy.

5.8. New Homes Bonus

5.8.1. The affordable housing programme has made a significant contribution towards the payment of 'New Homes Bonus' to the Council. Our two most successful years ever coincided with the start of the New Homes Bonus, which is calculated on the overall gain in properties. However for the purposes of New Homes Bonus, the Government look at the gains over a 12-month period ending in October, rather than the delivery over a traditional financial year.

5.8.2. In addition all new affordable homes earn an affordable homes bonus of £350 per property (£280 after 20% has been allocated to the County Council), or £ 2,100 over the full six year period. Overall, thanks to the accumulation over the past five years, affordable housing currently accounts for roughly half of all monies received through New Homes Bonus.

6. 2014/15 outturn

6.1. During 2014/15 a total of 181 new affordable homes were completed, of which 70 were produced without direct public subsidy but through obligations imposed on developers under section 106 of the Town and Country Planning Act 1990. All but one of the 26 social rented dwellings were produced through such planning obligations. For the first time affordable rent dwellings were the clear majority – 116 in total. There was also an intermediate rent dwelling. The full details are shown at Appendix A.

6.2. Five different Housing Associations delivered nineteen schemes in twelve different settlements, benefitting from just over £3 ¾ million in public subsidy from the HCA supplemented by just over £½million capital grant from the District Council and land valued at £ 170,000.

6.3. Just over a third of all completions were in Chard, more than any other settlement. Three of the four sites due arising from us asking our housing association partners to focus on Chard after several years of relatively low delivery.

6.4. This was the final year of the HCA's four year programme (2011-15) with an absolute deadline of completion by 31st March. The projection reported to District Executive last year was for 270 dwellings to be delivered but inevitably there was some slippage, the most significant of which was the first phase of the Lufton Key Site in Yeovil where we now expect 59 dwellings to be delivered by next month. The slippage was caused by a number of factors including some weather delays and some supply chain shortages but the most significant factor was the demise of Brookvale who were acting as main contractors for three Housing Associations on several sites, including Lufton. As a consequence of this slippage, delivery of new affordable housing in Yeovil was disappointingly low last year with only ten new homes.

6.5. The Hastoe scheme at Queen Camel, in conjunction with the Queen Camel CLT, delivered 13 properties by the 31st March deadline and the remaining 7 in April 2015, falling into the current financial year.

6.6. Notwithstanding that partial slippage, the year saw the completion of our first two CLT led schemes – the other being delivered by Yarlington in conjunction with the CLT at Norton sub Hamdon (strictly speaking within the parish of Chisleborough). Together these have delivered 30 new homes, both with a 'cascading' local connection clause in the s106 Agreement as agreed with the CLT.

6.7. Three schemes were completed without any recourse to public subsidy, with the affordable housing elements being delivered through planning obligations alone but on two other sites (Hastoe at Fern Green, Huish Episcopi and Knightstone on the Lyde Key Site in Yeovil) the planning obligations were supplemented with additional grant to boost the numbers.

6.8. Yarlingtons scheme at Mitchell Gardens in Chard had already delivered four other properties through planning obligations alone in the previous year (2013/14) and the final eleven slipped into this financial year, completing in April. The two other 'obligations-only' schemes were delivered by Aster, in Canal Way, Ilminster and at St Michaels Gardens in South Petherton.

6.9. Two Yarlington schemes (the Crewkerne purchase and repair properties and the final phase of Westfield, Curry Rivel) completed for all practical purposes in 2014/15 but grant was not sought from the HCA until April (this financial year) as the HCA had allocated funds from it's 2015/20 programme.

6.10. In addition to the renovation of a prominent empty building, Stonewaters acquisition of Chard Working Mens Club achieved some land assembly as they already owned properties adjoining the land at the rear of the building, allowing the potential for a future infill scheme of four 2 bedroomed properties.

6.11. Of note is the achievement of three new five bedroom houses in Yeovil. One acquired by Knightstone as part of a package of a small number of properties acquired at the Lyde Road key site combining both the last remaining properties due without recourse to public subsidy and a small number of additional properties achieved through an HCA allocation. The other two were created by conversions of existing properties, one with Stonewater and one with Yarlington, although neither of these made a net addition to the overall stock. No five bedroom properties were acquired through ‘bought not built’ which tends to be a more expensive route, although it does make a net addition to overall stock.

6.12. The number of new Affordable Rent dwellings delivered is greater than the number delivered as social rent. Given that the HCA will no longer fund schemes on social rent, one might expect this to be the trend for the future. However we still insist on 2/3rds of those dwellings delivered under planning obligations alone as being on social rent, so the proportions will vary over time depending on the timing of peaks and troughs in the different forms of delivery.

7. Current Year (2015/16) Programme

7.1. During 2015/16 we expect a total of 226 new affordable homes to be underway, although many of these schemes are not expected to complete until 2016/17. The full details are shown at appendix B. The figure is subject to some fluctuation as sites progress, for example delays due to adverse weather, but it is also possible that other schemes will come forward. It should be noted that for the purposes of these reports affordable housing ‘secured’ under s106 of the 1990 Act is only placed on the programme once the developer has entered into contract with the relevant Housing Association. The appendix also excludes other schemes proposed for new funding via this report.

7.2. Currently we expect four Associations to deliver twelve schemes in seven different settlements using just over £ 2½ million in public subsidy (of which just under £ 1 million is currently allocated by SSDC). The current programme includes no land donated by SSDC.

7.3. Over half (121 dwellings) of the currently funded programme will be delivered by Stonewater, with sites in Yeovil, Chard and South Petherton. This includes the first phase of their site at West Hendford, Yeovil where the council has agreed to underwrite the first 21 homes on the basis that Stonewater will apply to the HCA for funds in due course.

7.4. Four sites across the district, accounting for about a third of the total number expected to be delivered, produce affordable housing under a planning obligation, without recourse to public subsidy. This includes the first phase of the Lufton key Site which has slipped into the current year from last year.

7.5. The actual outcome for this financial year could be augmented with some additional individual properties such as further mortgage rescues or Bought not Built properties

8. Programme Changes since September 2014

8.1. There have been a number of changes in the overall programme since the last such report to District Executive in September 2014, perhaps more so than in previous years.

8.2. The HCA had allocated £270,000 to Chapter One for the proposed refurbishment of Christopher House in Yeovil. The Strategic Housing Unit had begun discussions with Chapter One over the nature of the refurbishment and the particular client group that the building best suited. During the Housing Association re-selection process it became clear that a potentially serious issue was emerging with Chapter One nationally with the regulatory arm of the HCA keeping the governance and viability of the Association under very close scrutiny.

The allocation is now believed to be withdrawn and we have begun discussions with Chapter One about the potential transfer of the building to a different Housing Association with a view to a new bid then being submitted to the HCA to effectively re-allocate the lost funding.

8.3. The HCA had allocated £648,417 to Stonewater (then Raglan) for a proposed development of 33 dwellings at Dampier Place in Yeovil. This proposal fell through and the funds were reassigned to other developments, including £470,402 which was transferred to Stonewaters 19 unit scheme at Goldcroft in Yeovil.

8.4. In addition Stonewater has brought forward a scheme to develop twenty four flats on a site at Queensway in Yeovil, close to the Tesco store and the development at Wellington Flats inherited from the Council by Yarlington. £457,607 has been reassigned from other former HCA allocations to achieve this scheme, but additional costs and the general reduction in borrowing ability has caused a shortfall of £139,000. It is proposed that Stonewater are allocated this amount from the Councils capital programme in order to ensure that the scheme is achieved.

8.5. The Council had previously allocated £100,000 to Bournemouth Churches Housing Association (BCHA) to create four new self contained flats at 80 South Street, Yeovil, together with the proposed day centre provision. After a lot of detailed consideration BCHA withdrew from the scheme and our other main partner Housing Associations were asked to look at the proposals and at alternative proposals to create five or six dwellings without the day centre provision. The cost of refurbishment works on a listed building, together with the general reduction in borrowing ability has caused each of our main partner Housing Associations to decline the building in turn. 80 South Street is now being considered afresh by the Councils Strategic Asset Steering Group and alternative proposals will be brought to the District Executive in due course. It is therefore proposed to de-allocate the £100,000 allocation from our capital programme.

8.6. The Council had previously agreed to the disposal of land at Furnham Road Chard to Knightstone for the creation of nine new dwellings for rent and £268,334 was secured by Knightstone in HCA subsidy. In addition to creating new affordable housing the proposal enables the creation of better play facilities on adjacent land. Difficulties with land costs on this site, together with the reduction in borrowing ability from revised outcome rents have caused a funding shortfall. Knightstone are able to seek additional funds for this from the HCA but it is thought this would not be looked on favourably. It is also possible that some recycled capital grant (known as RCGF) could be redirected to this site. On the understanding that Knightstone will continue to pursue these other potential sources of additional subsidy, but in order to ensure that the scheme goes ahead, it is proposed to allocate £120,000 from the programme.

8.7. The HCA allocated Yarlington £166,000 to develop six houses on land they already owned at Millfield in Chard. The original proposed scheme proved to be unfeasible and Yarlington have been pushed to find an alternative use for these funds within the timescale demanded by the HCA. They now propose to develop a scheme of six dwellings on land at South Cadbury, currently subject to planning permission, utilising the £166,000 award. This substitution means a modest increased in rural delivery at the expense of Chard where, as previously reported, we have recently seen increased delivery in response to the identified gap.

8.8. The HCA 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.

8.9. The HCA allocated Yarlington £245,000 to develop seven houses on a scheme in Shepton Beauchamp which was subject to planning permission. The expectation was that Yarlington would gain some dwellings from the developer under planning obligations and purchase the additional units using the grant. The scheme has not come to fruition and Yarlington have had to ask the HCA to reallocate the funds to an alternative scheme.

8.10. The Council had previously allocated £240,000 to Yarlington to develop a scheme at Broadway Farm, Merriott. This proposal fell through and the funds were formally deallocated by the District Executive as part of the Quarter 1 Capital Monitoring Report considered in August 2015.

9. Proposed new Rural Scheme: Misterton

9.1. A local rural housing needs survey was undertaken in Misterton, published in June 2004 which identified a need for six additional affordable dwellings in the village. Ordinarily this need could have justified a new ‘rural exceptions scheme’, developing affordable housing outside of the village envelope. However it was established that some affordable housing would come forward within the current development boundary for the village through planning obligations.

9.2. The scheme of 100 new houses at the former Bradfords Yard, immediately north of Crewkerne railway station was given planning permission on the basis of providing ten affordable dwellings. As the site is within the parish of Misterton these ten would have met the need identified in the local survey. The developer insisted on providing the affordable housing directly rather than use a Housing Association causing various Council Officers considerable time and effort commenting on their proposed Unilateral Undertaking to ensure that the proposals met the same standards as we might normally expect from a Housing Association provider.

9.3. However last year the developer, Betterment Homes, went to the Area West Committee with a viability case (under the newly inserted section 106BA of the 1990 Town and Country Planning Act) which had been independently verified by the District Valuer. The Area West Committee were obliged to agree to the removal of any remaining affordable dwellings from the site.

9.4. Our Housing Association partners were alerted to the fact that the success of Betterments viability case meant that we had completely failed to address the needs identified in the parish survey so many years ago. Yarlington have brought forward an opportunity to develop a site adjacent to some of their existing stock, subject to planning.

9.5. The substantive site is capable of producing something in the region of 30 dwellings but it is proposed that the Council agree to allocate funds towards the first 17 – being 11 for social rent and 6 shared ownership. This would address the very local need and probably also provide some additional housing for the general Crewkerne area given the significant constraint on affordable housing delivery in that part of the district. It is proposed to allocate £396,661, mainly from the rural contingency pot (reducing this to zero) with just over 10% coming from the main reserve.

9.6. In addition to the allocation being subject to planning permission, Yarlington will be expected to submit a bid to the HCA, possibly for the whole site. If successful this would release funds back into the rural contingency pot. It should be noted however that if the HCA pick up the cost of subsidy the proposed social rent dwellings will have to become available on affordable rent instead.

10. Proposed new specialist scheme: 3 bedroom bungalows in Yeovil

10.1. Members of the District Executive will recall that part of the programme has always been held back for meeting specialist needs, including the very specific needs of those with particular physical disabilities. Our approach has included funding Housing Associations to purchase one off properties from the open market and then adapt these. Often this is a more rapid response to the very specific needs of a household that would otherwise be completely stuck, but it is also often more expensive in terms of the pro rata subsidy costs.

10.2. Yarlington have brought forward an opportunity to create three 3 bedroom bungalows on a site in Yeovil, subject to planning permission. It is possible for each of the three bungalows to be designed flexibly, bearing in mind the specific needs of the intended households but allowing for ease of further adaptation in the future.

10.3. It is proposed to allocate £315,000 to Yarlington to create these three bungalows on the basis that two are made available at social rent and the other as shared ownership.

10.4. In addition to the allocation being subject to planning permission, Yarlington will be expected to submit a bid to the HCA. It is doubtful that the HCA would pick up the entire cost so we can expect some level of SSDC grant to be taken up even if the HCA do agree to co-fund. In addition we can expect some difficulty in keeping outcome rents to social rent level, the affordable rent model on such properties not being affordable for the two households identified.

11. Proposed new scheme – Learning Disabilities provision

11.1. The provision of care and support for individuals with learning disabilities is a responsibility of the County Council and in the past specialist accommodation has been developed across the County, much of which has now been identified as no longer fit for purpose and due for replacement. In addition demographics show improved life expectancy and thus a growing population.

11.2. The opportunity to develop new provision is mostly likely to be as part of a much wider site, for example as part of the 35% expected under planning obligations. One example has come forward as part of Stonewater's site at West Hendford in Yeovil where we have already agreed to forward fund the first twenty one dwellings.

11.3. Discussions with relevant colleagues at the County Council has produced a proposed design which has planning permission secured for six self contained flats in a single block, but with the intention that five are occupied as residential by individuals and the sixth is used as communal space for all five with their care and support workers.

11.4. It is intended that four of the five residents are decanted from an existing provision in Yeovil, deemed no longer fit for purpose. Once their current home has been emptied it can be sold and the funds realised, with the appropriate permission from the Clinical Commissioning Group (who have responsibility for the historic subsidy from the health service, known as s256 money) redeployed into the new provision. It is understood that the County Council control a modest capital budget intended to provide the bridge funding between paying for the new provision and realising the s256 funds from the old.

11.5. At the moment the exact cost of constructing the new provision has not been finalised as discussions are still taking place on the precise specification. Nor is it known what the level of s256 money from the former provision might be, however given the increase in the size and quality of the provision there is likely to be a funding shortfall and it is hoped that Stonewater will be able to submit a bid to the HCA to cover this.

11.6. It is proposed that the District Executive agree the principle of underwriting the scheme, in the expectation that in due course the County and/or the HCA will cover the majority of the subsidy required. Once we have fuller financial details, the exact amount of grant to be offered to Stonewater will then be subject to a formal portfolio holder report in due course.

12. Review of Selected Partners

12.1. We have operated a system of preferred Housing Associations partners for about twenty years, choosing our main partners on a range of criteria (not just concentrating on the efficiency and effectiveness of their development function but also taking into account their record of housing management, such as their ability to robustly respond to substantiated incidents of antisocial behaviour).

12.2. The system has evolved over that time and had been reviewed three times previously. The previous review was undertaken in conjunction with Sedgemoor and Mendip District Councils, which had the added advantage of sharing resources to run the process and Housing Associations having to produce one submission rather than three. That process completed early in 2011 with the new partnerships implemented in April 2011 for an intended five year period, subject to an annual review.

12.3. However a number of factors, not least the merger of two of our previous main partner Housing Associations, Jephson and Raglan, to form Stonewater, caused this to be brought forward by a year. As the previous selection exercise was run over four years ago, it was not prudent to simply ‘promote’ the Housing Association that came sixth

12.4. In September 2014 the District Executive considered bringing the review forward and how the process could be run in conjunction with neighbouring local housing authorities again. It resolved:

- that the Housing Association selection review process be brought forward by one year to be undertaken broadly in the manner described in the report, if possible in collaboration with Sedgemoor and Mendip District Councils, or any other neighbouring local housing authority that may choose to join in

- that authority to confirm the outcome of that review be delegated to the Portfolio Holder, subject to a formal report

12.5. South Somerset and Mendip commenced the review towards the end of 2014 after some delay waiting to hear if Sedgemoor were willing or able to collaborate again. As before the process consisted of two stages. The overall scoring was balanced 40% from the first stage assessment and 60% from the second stage interview

12.6. Application packs were made available after 6th January 2015 with a deadline of return by 12 noon on Friday 30th January 2015. Provisional interview dates (for the second stage evaluation) were confirmed within the application pack.

12.7. The first stage consisted of analysis of information requested. Based on a strict scoring schema Housing Associations were awarded accredited status if they achieved a minimum acceptable score.

12.8. Interviews were held over two days on Tuesday 10th and Friday 13th March 2015, hosted by Mendip District Council at their offices in Shepton Mallett. The interview panel was chaired by Councillor Ric Pallister (South Somerset DC), Mendip District Council being represented by Councillor Linda Oliver. The interview panel also had two relevant officers – Nina Richards (Mendip DC) and Colin McDonald (South Somerset DC). Four years ago the interviews were hosted by South Somerset District Council and chaired by the portfolio holding member from Mendip District Council.

12.9. At the end of the process the three Associations emerged with the overall highest scores for both Councils. These were: Knightstone, Stonewater and Yarlington. Both Councils had previously agreed to appoint at least four Associations and possibly more in the event of a high degree of overlap in order to ensure an adequate spread of risk and capacity. For Mendip the fourth Association was Selwood, a Wiltshire based Association which had only applied for main partner status with Mendip. For South Somerset the fourth was Bournemouth Churches Housing Association which is currently working with the council to provide temporary accommodation for homeless households in Yeovil and has previously operated other supported housing in South Somerset under contract from the County Council

12.10. Aster Housing Group had been a main partner with both Councils for the past four years but their aggregate score was the lowest of all the interviewed associations, with a significant gap between them and the next lowest score.

12.11. A portfolio holder report published in April 2015 confirmed these outcomes.

13. The Local Plan – Policies HG3 & HG4

13.1. West Berkshire District Council and Reading Borough Council invoked Judicial Review to challenge through the High Court the lawfulness of the Governments imposition of a national threshold of ten dwellings. Whilst these proceedings were underway it was thought that the Governments changes to the

NPPG were sound and that policy HG4 in the Local Plan remained unavailable to us.

13.2. Now that West Berkshire District Council and Reading Borough Council have been successful in their Judicial Review it is possible to fully implement policy HG4 and steps have been taken to do so for all relevant planning applications that have not yet reached a determination, alongside implementing the original threshold adopted by the Council for policy HG3.

13.3. However, in common with all such s106 derived commuted sums, it is incumbent on the Council to be able to demonstrate how such monies collected are accounted for and deployed.

13.4. A system already exists for the deployment of capital subsidy for the provision of new affordable housing through the established affordable housing development programme. Financial allocations towards proposed schemes are generally agreed under delegated authority to the portfolio holder through a formal report which is published in the Executive Bulletin (and is open to the usual scrutiny call-in procedure). This overview report is then presented to the District Executive each year, occasionally thirteen months apart, which accounts for all such allocations and often recommends amendments to the programme, including new allocations.

13.5. It is suggested that funds raised through policy HG4 are accounted for through the same process, but when officers recommend deployment of funds for proposed schemes in the future this includes the specific amount, if any, derived from HG4. The formal approval (or otherwise) of such recommendations will then provide a clear audit trail enabling the Council to demonstrate where such funds have been deployed.

13.6. In general funds raised through HG4 in the larger settlements should initially be deployed on those larger sites where viability issues mean that the full 35% on-site provision expected under policy HG3 cannot be achieved and some 'grant' funding is required to bring the provision either back up towards 35% or to achieve a better tenure mix within an otherwise compromised 35%.

13.7. For obvious reasons, it will not always be possible to deploy funds raised under HG4 in the same rural settlement. It is proposed that monies derived from sites within rural settlements (defined as those with population 3,000 or less) are marshalled to be deployed in rural areas and are accounted for separately, in a similar fashion to the existing rural contingency fund within the affordable housing development programme.

14. Financial Implications

The table below is a summary of the movements in the reserve since the last report:

Affordable Housing Reserve	**£,000(rounded)**
Balance b/f (per DX report September 14)	621
Previous allocations returned to Reserve:	
Allocation to Great Western Road, Chard (DX 4.9.14)	460

Allocation to Millfield, Chard (DX 4.9.14)	390
Allocation to Furnham Road Phase II (DX 4.9.14)	180
Allocation to Bought not built for 2 Crewkerne Properties (DX 4.9.14)	80
Allocation to Bought not built Allocation (DX 4.9.14)	200
Allocation to Stonewater, 5 Bed Conversion	19
Allocations from reserve to:	
Knightstone Housing, Somerton Hybrid Rent (DX 4.9.14)	(14)
Yarlington, Buy back of share property (DX 4.9.14)	(65)
Mortgage Rescue Contingency Fund (DX 4.9.14)	(277)
West Hendford, Yeovil (PH 17/4/15)	(748)
2015/16 Funding Allocation	600
2016/17 Funding Allocation	600
Transfer of Housing Planning Delivery Grant into reserve	96
Total Remaining Balance of Reserve	2,142

15.1 If the District Executive approves the proposal to de-allocate £100,000 from BCHA, as per the recommendations, this affordable housing reserve will increase to £2,242,000.

15.2 Following this, if the District Executive approves the proposal to allocate:

- £120,000 to Knightstone Housing, (Furnham Road Phase II, Chard);
- £315,000 to Yarlington (bungalows in Yeovil);
- £139,000 to Stonewater (Queensway, Yeovil)

as per the recommendations, this affordable housing reserve will then decrease to £1,668,000.

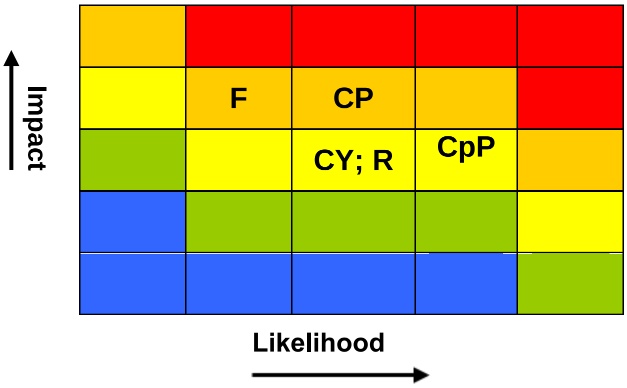
15.3 The general contingency funding has traditionally been held back to meet operational requirements, such as “Bought not Builts” for larger families; mortgage rescue and disabled adaptations specifically designed for clients where opportunities do not exist in the current stock.

Affordable Housing Rural Exception Schemes	**£,000(rounded)**
Balance b/f (per DX report September 14)	355
Allocation to Broadway Farm, Merriott (DX 4.9.14)	(240)
Return of allocation Broadway Farm, Merriott (DX 6.8.15)	240
Current balance remaining for 2015/16	355

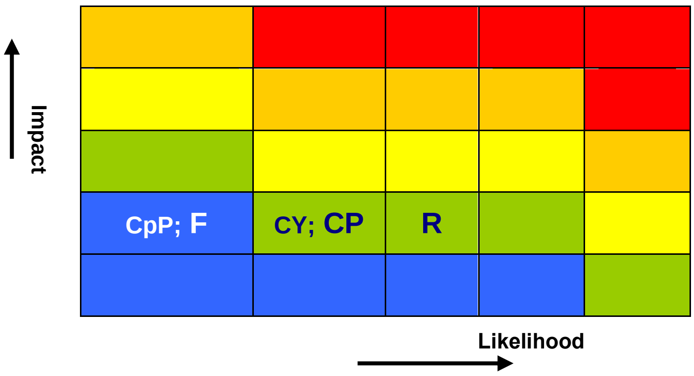
15.5 If the District Executive approves the proposal to allocate £396,661 to Yarlington Housing Association for the proposed scheme at Misterton, as per the recommendation, this rural exceptions fund will reduce to nil, and the balance of £41,661 be allocated from the main affordable housing reserve. This will leave £1,626,339 unallocated in the reserve.

16. Risk Matrices

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

Categories	**Colours** *(for further detail please refer to Risk management strategy)*
R = Reputation CpP = Corporate Plan Priorities CP = Community Priorities CY = Capacity F = Financial	Red = High impact and high probability Orange = Major impact and major probability Yellow = Moderate impact and moderate probability Green = Minor impact and minor probability Blue = Insignificant impact and insignificant probability

17. Carbon Emissions and 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.

18. 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.

19. Implications for Corporate Priorities

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"*

20. Privacy Impact Assessment

This report does not directly impact on any data held of a personal nature.

21. Background Papers

Affordable Housing Development Programme – District Executive – 4th September 2014
Review of the Affordable Housing Development Partnership (Portfolio Holder Report)
Executive Bulletins no.s 668 & 669 (2nd & 10th April 2015)
Affordable Housing Development Programme: West Hendford, Yeovil (Portfolio Holder Report)
Executive Bulletins no.s 670 & 671 (17th & 24th April 2015)
2015/2016 Capital Budget Monitoring Report for the Period ending 30th June 2015 - District Executive – 6th August 2015

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

	Housing Association	Scheme Name	Social Rent	Affordable Rent	Shared Ownership/ Intermediate	Net Gain New Homes	Total Grant	Level of grant from SSDC	SDC land allocation value	Level of grant from HCA	Planning Obligation	completion
Yeovil	Stonewater	Larkhill Road	0	0	1	1	£137,600	£137,600	£70,000	£0		Aug-14
	Stonewater	Hathermead Gardens*	0	1	0	0	£59,000	£59,000	£0	£0		Jun-14
	Yarlington	Westfield Place*	1	0	0	0	£70,000	£70,000	£0	£0		Dec-14
	Knightstone	Lyde Road** (Cunningham Rd)	1	8	0	9	£180,000	£30,000	£0	£32,016	✓	Jun-14
Chard	Knightstone	Furnham Road	0	31	10	41	£975,000	£0	£0	£975,000		Feb-15
	Stonewater	Working Men's Club	0	5	0	5	£366,575	£0	£0	£366,575		Mar-15
	Stonewater	Great Western Road, Phase 2	0	10	0	10	£236,576	£0	£0	£236,576		Jun-14
	Yarlington	Mitchell Gardens***	6	0	0	6	£0	£0	£0	£0	✓	Mar-15
Crewkerne	Yarlington	Purchase & Repair	0	1	1	2	£169,000	£89,000	£0	£80,000		Mar-15
	Yarlington	Hardy Court	0	2	0	2	£80,090	£0	£0	£80,090		Mar-15
Ilminster	Aster	Canal Way	11	4	8	23	£0	£0	£0	£0	✓	Jan-15
Langport (& Huish)	Hastoe	Fern Green, Langport (Huish Episcopi)	0	14	4	18	£380,972	£0	£0	£380,972	✓	Nov-14
South Petherton	Aster	St Michael's Gardens	7	4	6	17	£0	£0	£0	£0	✓	Nov-14
Somerton	Knightstone	St Cleers Orchard, Somerton	0	0	1	1	£99,000	£99,000	£0	£0		Nov-14
Rural (population below 3,000)	Yarlington	Minchington Close, Norton-Sub-Hamdon (CLT)	0	8	2	10	£420,000	£0	£0	£420,000		Sep-14
	Yarlington	Westfield, Curry Rivel	0	2	2	4	£40,000	£0	£0	£40,000		Dec-14
	Stonewater	Sparkford Road, Sparkford	0	7	6	13	£179,623	£0	£0	£179,623		Mar-15
	Stonewater	Font Villas, West Coker	0	6	0	6	£99,200	£143,000	£100,000	£99,200		Mar-15
	Hastoe	West Camel Road, Queen Camel (CLT)	0	13	0	13	£868,000	£0	£0	£868,000		Mar-15
Totals			**26**	**116**	**41**	**181**	**£4,242,655**	**£627,600**	**£170,000**	**£3,758,055**	**70**	

* extensions to create five bedroom properties, but no net gain in overall numbers
** Lyde Road - £150,000 of RCGF
*** Four further properties completed 2013/14

Appendix B: Combined HCA & SSDC Programme 2015/16 projected

	Housing Association	Scheme Name	Social Rent	Affordable Rent	Shared Ownership/ Intermediate	Net Gain New Homes	Total Grant	Level of grant from SSDC	SDC land allocation value	Level of grant from HCA	Planning Obligation	completion
Yeovil	Stonewater	West Hendford	0	9	12	60	£748,000	£748,000	£0	£0		Nov-16
	Stonewater	Queensway	0	24	0	24	£457,607	£0	£0	£457,607		Nov-16
	Stonewater	Goldcroft	0	19	0	19	£470,402	£0	£0	£470,402		Jan-16
	Yarlington	Lufton Key Site	30	0	29	59	£0	£0	£0	£0	✓	Nov-15
Chard	Stonewater	Rosebank, Millfield Road	0	10	0	10	£335,786	£98,000	£0	£237,786		Sep-16
	Knightstone	Plot 5 Jarman Way (Furnham Road)	0	9	0	9	£268,334	£0	£0	£268,334		Jan-17
	Yarlington	Mitchell Gardens*	8	0	3	11	£0	£0	£0	£0	✓	Apr-15
South Petherton	Stonewater	Hayes End (phase II)	5	0	3	8	£0	£0	£0	£0	✓	Jan-16
Rural (population below 3,000)	Yarlington	Wheathill Way, Milborne Port	5	0	2	7	£0	£0	£0	£0	✓	Oct-15
	Yarlington	South Cadbury	0	4	2	6	£166,000	£0	£0	£166,000		Jan-17
	Hastoe	Shave Lane, Horton	0	6	0	6	£177,996	£48,000	£0	£129,996		2016
	Hastoe	West Camel Road, Queen Camel (CLT)*	0	3	4	7	£0	£0	£0	£0		Apr-15
Totals			**48**	**84**	**55**	**226**	**£2,614,125**	**£884,000**	**£0**	**£1,730,125**	**85**	