

AFFORDABLE HOUSING POSITION REPORT

Services Select Committee - 25 September 2012

Report of the: Deputy Chief Executive and Director of Community and Planning Services

Status: For Decision

Key Decision: No

Executive Summary: This report provides Members with an overview of the District Council's affordable housing work programme. It covers previous results and performance, existing and future obstacles and opportunities, new and emerging policy, and how the programme is likely to be affected in the restricted financial environment.

This report supports the Key Aim of:

- (a) The Vision for Balanced Communities;
- (b) The Sustainable Community Action Plan; and
- (c) Housing Strategy.

Portfolio Holder Cllr. Mrs Carol Clark

Head of Service Head of Housing and Communications – Mrs. Pat Smith

Recommendation to Services Select Committee: It be RESOLVED that: Members endorse related housing strategy to deliver affordable housing in the area.

Background

- 1 The District Council transferred its social housing stock to the West Kent Housing Association (WKHA) as part of the Large Scale Voluntary Transfer (LSVT) process in 1989 and now, instead, acts as an enabler of affordable housing. This involves the assessment of a wide-range of needs and then working with housing associations and developers, other service providers and partners, and Government's Homes and Communities Agency (HCA) to secure funding to build affordable housing to meet existing and newly-arising need.
- 2 The direct provision of affordable housing is increasingly supplemented with a range of supporting measures aimed at meeting housing need by making better use of the existing housing stock, e.g. reconfiguring/refurbishing existing schemes/buildings; reducing under-occupation; and bringing long-term empty homes back into residential use.

Tenure profile

- 3 At 01/04/12, there were 48,494 dwellings in the District with around 7,700 being affordable tenures (approx. 15% of the overall stock). The majority of the District's social housing stock is general needs rented with a small percentage being intermediate tenures (mainly shared-ownership).

Social tenure turnover rates

- 4 The District has a lower than average level of social housing re-lets which is due, in part, to there being a larger proportion of larger family-sized housing. Additionally, the area is a popular place to live and social housing rents are significantly lower than local open market equivalents.
- 5 The existing social housing stock goes some way to meeting housing need through the re-let process, but new housing must continue to be delivered if the level of housing need is to be reduced or at least maintained.

Year	Re-lets	Year	Re-lets
2011/12	296	2009/10	339
2010/11	323	2008/09	409

- 6 In the short-term, a number of re-lets will be taken up with decanted tenants as two sheltered housing schemes, no longer considered fit-for-purpose, are due to be redeveloped. This will see a negative effect on the housing register for a period of time, though a temporary surge in vacancies will arise - in both sheltered and general needs - when those new schemes are complete.

Identified need

- 7 The West Kent Strategic Housing Market Assessment identified a need for **646** new affordable dwellings per annum (2008-13) to meet the District's existing and newly-arising housing need. Meeting such a high level of need through direct provision of new affordable housing is clearly not achievable (Core Strategy target is 165 new homes pa) and housing strategy only ever aims to meet a part of that need through development, instead making best use of other options (typical strategy approach).
- 8 Housing need is also identified through a wide-range of housing needs sub-surveys which assess particular requirements, e.g. supported accommodation for people with health and welfare issues; those fleeing domestic abuse; rural housing needs; and younger or older people. The results are then considered alongside more general needs data as part of wider housing strategy development.
- 9 The Sevenoaks District Housing Register is a reliable and ongoing indicator of need with those actively seeking social housing in the District registered to bid for

vacant properties as they arise (subject to certain qualifying criteria). As at 01/04/12, waiting list data was as follows:

Size	H'holds	Size	H'holds
1-bed	958	4-bed +	67
2-bed	505	Not stated	1
3-bed	287	Total	1,818

Previous performance

- 10 Over the past 5-years, the District Council enabled the delivery of an average of **53** affordable units per annum.

Year	Number
2011/12	15
2010/11	51
2009/10	80
2008/09	57
2007/08	61

} KA2 period*

* Note: **188** units were delivered against a three-year target of **198** in the Kent Agreement 2. District/borough shortfalls were offset by over-provision elsewhere in the county and the overall KA2 affordable housing target was consequently achieved.

- 11 Over the same period, the District Council and its partner Housing Associations (HAs) secured **£15.12 million** in social housing capital grant to invest in new affordable housing in the District. Additional capital funding was also made available through recycled grant, which is mainly created as a result of shared-owners buying additional shares in their properties.

General barriers to delivery

12 As would be expected, the provision of new affordable housing is that much more challenging in the Sevenoaks District. This is due to a number of factors, including:

- Strict planning restraints, i.e. 93% Green Belt and 60% AONB;
- Limited land banks - the District Council and its HA partners have virtually exhausted their remaining developable land (this is key to higher rates of affordable housing development elsewhere);
- HAs struggle to compete with the private sector for developable land - developers can achieve greater returns and will consequently pay far more upfront for land, whereas HAs have to borrow against low or zero short-term capital returns;
- Many HAs concentrate their efforts on other growth and/or high priority areas, being able to develop and expand their businesses with relative ease in comparison to the Sevenoaks District (as demonstrated by just three fully active HAs in the area);
- The recession and consequent downturn in the housing market resulting in fewer developments coming forward, which would have otherwise included an affordable housing contribution; and
- Initial development assumptions can change and unforeseen problems can arise (more difficult to maintain viability in the current economic environment).

Loss of social housing stock

13 The existing social housing stock can be lost to the private sector in a number of ways, including:

- Social housing tenants taking up Right to Buy/Acquire;
- Social housing tenants taking up Government's Social HomeBuy scheme, which allows tenants to buy shares in their homes (similar to shared-ownership);
- Shared-owners stair-casing up to full ownership (open market sales follow); and
- Current housing schemes not able to meet the Decent Homes Standard and consequently being decommissioned.

14 Stock tenure transfer is a factor in the delivery of affordable housing and can potentially cancel-out new delivery, leaving zero net additions to the stock or even a reduction. Housing Policy uses its best endeavours to ensure that all proposed stock disposals are transferred to locally-based HAs and not sold on the open market. This has prevented a significant number of affordable housing units

being sold on the open market in the last two-years as HAs rationalise stock to generate capital to fund grant shortfalls elsewhere.

Social housing grant programme

- 15 The District Council no longer has a capital programme for affordable housing and instead works with partners to secure public funding, which supports HAs' own resources. This is a typical housing strategy approach in many authorities in the enabling role.
- 16 Government has significantly reduced its social housing grant programme and this is unlikely to change for the foreseeable future. The grant-per-unit rate in Kent has been cut from **£65k** for social rented and **£30k** for shared-ownership to just **£18.5k** for (what is now) Affordable Rented (AR) tenure and **£8k** for shared-ownership. HAs must make best use of limited resources and this consequently requires higher rents to off-set reductions in social housing grant (see Para. 21 for further information on the new 'Affordable Rent' tenure).
- 17 The West Kent Local Investment Plan provides the long-term financial framework for housing and infrastructure in the West Kent sub-region (inc. the Borough of Maidstone). This sets out key aims and objectives for each local authority and also common wider sub-regional area priorities. The provision of affordable housing is a priority action across the area, as would be expected. A key consideration of the new funding programme is how intervention in housing will underpin other local strategies to expand employment and economic development (corresponding with respective LA community plans).
- 18 Under the new funding regime, WKHA has secured funding to build **39** units in the District and Moat Homes a further **44** units. This only includes those units being funded with social housing grant whereas most planned affordable housing units will be secured through planning contributions and nil grant, which will make up the majority of new development coming forward.
- 19 The English Rural Housing Association was unsuccessful in its bid for social housing grant (covering a wide geographical area), though the organisation has agreed to fund and deliver its programme in the District from its own resources with capital input via future planning gains or New Homes Bonus, if possible. It is currently planning to develop up to **35** rural housing units over the next five-years, subject to current projects going through to completion.
- 20 A number of other schemes are currently underway, having received funding under the last round of social housing grant. Examples are: a 20-unit rural housing scheme in West Kingsdown (specifically for those with a local connection to the village); a 20-unit general needs scheme in Edenbridge (which includes two 4-bed properties for wheelchair users); and a 10-unit general needs scheme recently completed in Swanley (Note: a complete list of current and pipeline affordable housing developments are available from Housing Policy, if required).

Affordable Rent

- 21 Government recently introduced the new AR tenure, which will be the main rented tenure in social housing development going forward. AR is pitched between social

housing and open market rents at around 80% of Open Market Values (OMV). The District Council seeks to ensure that the 80% OMV figure is within respective Local Housing Allowance limits to ensure new housing is affordable to those on Housing Benefit and the low paid. This approach to AR will help to reduce the risk of rent defaults by ensuring that 100% Housing Benefit can be applied as a safety net, should it be required (for further information, see Welfare Reform Briefing paper [April 2012] on the Members' Portal).

- 22 With upcoming changes to welfare benefits, which will include housing benefit rent capping and direct payments, HAs will be subject to additional financial risk - particularly with AR tenure housing. Work is underway to try to mitigate those risks, where possible. Measures include providing the means for under-occupying tenants to down-size before rent restrictions are introduced. This area of housing strategy is currently under review by the Locality Board (LB) Officer Delivery Group's Strategic Housing Sub-group. The Committee's latest in-depth scrutiny project on under-occupation is also reviewing under-occupation in the social sector.
- 23 Additional income generated from AR is essential for future planning and this will be used to fund grant shortfalls. As a result, HAs will become more self-sufficient and this will, in turn, reduce pressure on public subsidy. This self-funding model is likely to be applied on all future schemes and consequently result in few, if any, social rented tenure units coming forward. The funding position post-April 2015 is uncertain and we await a Government announcement.
- 24 Both, WKHA and Moat bids are based on the new AR tenures in new development and by switching tenures on an agreed number of existing social housing units when vacancies occur. This is in line with HCA guidance and is being replicated throughout the country.

New opportunities

- 25 The Core Strategy now requires an affordable housing contribution on all new housing schemes with a net addition, as below:
 - Between 20% and 40% on-site affordable housing contribution (subject to viability) is required on sites with five or more dwellings, whereas the previous planning framework required contributions on sites containing fifteen units or more, and then just a 25% contribution (this meant over 60% of new developments were not subject to any affordable housing contribution); and
 - A financial contribution is required in lieu of on-site provision on sites containing the net addition of one to four dwellings (again, subject to viability). This is generating significant additional funding for off-site provision and other initiatives to make better use of the existing housing stock. Housing Services has drawn up a list of spending priorities, reflecting already agreed spending criteria in the Core Strategy, and these are being considered by relevant portfolio holders. This is set to make a significant contribution to future housing strategy.

- 26 Development planning is linked in to housing strategy and a new Affordable Housing Supplementary Planning Document was approved as policy in October 2011, further strengthening the District Council's position. The new planning framework is expected to work in favour of affordable housing output and associated outcomes.

Supporting measures

- 27 With recent changes to national policy, including cuts to social housing grant, the provision of affordable housing is set to become more challenging. As a consequence, future housing strategy must continue to focus on making better use of the existing housing stock to achieve relevant outcomes. This can be achieved in a number of ways, including:
- Bringing long-term empty homes back into use. As part of a county-wide consortium bid for Government grant, the District Council has secured **£0.9 million** and an additional **£1 million** has been agreed from KCC to deliver related initiatives - plus the No Use Empty scheme has funding until 2016/17 (**£2.5 million** available per financial year). Note: all of this money is recycled;
 - Reducing under-occupation and better matching households to properties (LB housing project group and in-depth scrutiny both looking at this area of housing strategy);
 - Refurbishment/remodeling of existing schemes - preserving the existing stock and/or meeting the needs of changing demographics, e.g. new generation older people are reluctant to go into institutional-type housing, such as sheltered accommodation;
 - Utilising the private sector with the assistance of the District Council's private sector lettings scheme, which provides loans for rent-in-advance and deposit bonds; and
 - Use of financial contributions in lieu of on-site provision to fund various initiatives, including a planned locally-based intermediate housing scheme in partnership with Moat Homes which will bring an extra **£720k** capital investment into the District.

New targets

- 28 In early 2012, the (then) Local Strategic Partnership agreed to set an affordable housing target annually, having regard to development schedules which give a best estimate of upcoming schemes at any given point in time. In such a changing environment, past performance cannot be used as an indication of future results - hence this new approach.
- 29 The forecast target for 2012/13 is **47** and the indicative target for 2013/14 is currently **62**. Officers will provide the LB with additional supporting data to demonstrate how direct provision is being supported with measures to make better use of the existing housing stock. This will provide a clearer picture of ongoing housing strategy, rather than just focusing on the one element.

Summary

- 30 With the highest property/land values in Kent and across much of the country, coupled with strict planning constraints and limited land availability, the delivery of new affordable housing is an increasingly difficult challenge in the Sevenoaks District.
- 31 Typical barriers to the development of affordable housing are made worse in the current economic environment. This is compounded by growing numbers in housing need/crises as the wide-ranging impacts of the recession continue to take effect. As such, there are two hits to the affordable housing work programme.
- 32 However, a number of new opportunities will help to deliver additional affordable housing in the future, though it is too soon to say whether these will help to offset the negative effects on development brought about by the current economic environment.
- 33 There are currently **236** affordable units in the pipeline. Although subject to increasing pressure with significantly reduced funding, the District Council's affordable housing work programme remains active and housing strategy is being developed to support and build on this figure.

UPDATE BEFORE GOING TO PRINT (10/09/12)

- 34 Government has just announced a series of measures to increase house building, support infrastructure requirements, and create jobs in the construction sector. This includes removing restrictions on house builders to help unlock 75,000 homes currently stalled due to sites being commercially unviable. Developers who can prove that the local authority's affordable housing requirements make the project unviable may see them removed. Officers will be considering how these changes will be likely to affect the District Council's affordable housing work programme and will aim to provide a verbal update at the Committee meeting.

Next steps

- 35 It is proposed to re-evaluate the affordable housing work programme as the effects of upcoming welfare reform (and now Para. 34) are better understood and to report back to the Committee with a similar position report during 2013/14.

ABBREVIATIONS

AR	AFFORDABLE RENT
HA	HOUSING ASSOCIATION
HCA	HOMES AND COMMUNITIES AGENCY
LB	LOCALITY BOARD
LSVT	LARGE-SCALE VOLUNTARY TRANSFER
OMV	OPEN MARKET VALUES
WKHA	WEST KENT HOUSING ASSOCIATION

Key Implications

Financial

The District Council no longer has a capital housing programme, instead bidding for funding for local housing developments from the HCA. Other bids are made for funding to deliver supporting housing strategy objectives, such as long-term empty homes.

Community Impact and Outcomes

Affordable housing is key to sustainable communities and the housing stock needs to adapt/increase to reflect changing demographics. The District Council must make best use of the existing housing stock to better meet housing need/demand and to contribute to wider community aims and objectives. This is being addressed through the planning framework and related housing strategy.

Legal, Human Rights etc.

There are no legal issues to consider.

Resource (non-financial)

The affordable housing programme and associated housing strategy is being developed and delivered with existing non-financial resources.

Value For Money and Asset Management

The District Council has no capital housing programme.

Equality Impacts

Social housing is allocated through the SDHR and ensures equal access to services for intended client groups. Housing is built to meet a wide range of identified housing needs, linking in to wider housing strategy objectives. Where particular housing needs are not met, the District Council and its partners seek to make provision elsewhere. This is supported by the Housing Strategy, Community Plan, and external strategies including the Kent Supporting People Strategy. The strategic housing function supports and promotes equality by seeking to provide decent housing and associated services for all.

Sustainability Checklist

These are undertaken as part of the development process.

Risk Assessment Statement

There are a number of risks associated with not delivering new affordable housing, including:

- a) A lack of response to national and regional policy/guidance;
- b) Not delivering the District Council's Community Plan and Housing Strategy;
- c) Inconsistent with Balanced Communities;

- d) Growing numbers in housing need;
- e) A growing housing register;
- f) Out-migration of the economically-active;
- g) Increased staff recruitment and retention problems for local employers;
- h) Increased pressure on the private rented sector; and
- i) Fewer housing options across sectors.

Attached Documents None

Background Papers: Sustainable Community Action Plan (2010-13)
Housing Action Plan (2012)
West Kent Strategic Housing Market Assessment
(2009)
West Kent LIP (2010)

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