

CABINET

5 July 2004

AFFORDABLE HOUSING CAPITAL PROGRAMME 2004/05

REPORT OF DIRECTOR OF HEALTH & HOUSING

Contact Officer: Andrew Palmer    Tel No: 01962 848152

RECENT REFERENCES:

CAB 778 Budget & Council Tax 2004/05 (Feb 04)

EXECUTIVE SUMMARY:

This report sets out the Affordable Housing development programme for 2004/05 and provides information on new build affordable housing completions for 2003/04.

RECOMMENDATIONS:

- 1        That the Housing Corporation Development Programme for 2004/05 and 2005/06 is noted.
- 2        That the table in Paragraph 4.3 of projected affordable schemes forms the basis of the Council's affordable housing capital programme for 2004/05, subject to the capital programme provision not being exceeded or further approvals being obtained.
- 3        That the Director of Health & Housing in conjunction with the Portfolio Holder for Housing is authorised to substitute suitable alternative affordable housing schemes in the event of delays in the schemes contained in paragraph 4.3.

CABINET

5 July 2004

AFFORDABLE HOUSING CAPITAL PROGRAMME 2004/05REPORT OF DIRECTOR OF HEALTH & HOUSINGDETAIL:1 Introduction

- 1.1 2003/04 saw significant changes to the way in which affordable housing was funded at a national and local level. The most significant change being the abolition of Local Authority Social Housing Grant (LASHG) with affect from the 31<sup>st</sup> March 2003. The long term effect for the Council is that it loses the ability to fund affordable housing schemes and has to rely on Central Government funding, through the Housing Corporation which will only be made available for national priorities (which may or may not concur with local priorities).
- 1.2 The Council has available a limited amount of resources to invest in new affordable housing as part of the Government's transitional arrangements for debt free authorities for a 3 year period. Commencing in 2004/05 the Council may use a proportion of its Right to Buy (RTB) receipts to fund new affordable housing, it is estimated (from previous years RTB receipts) that this will generate approximately £3.2m over this period (Appendix F, CAB 778).
- 1.3 Details are given later in this report recommending a draft capital programme, using these resources for new affordable housing.

2. COMPLETIONS 2003/04

- 2.1 The table below gives details of the completions of new affordable housing for 2003/04 and projected completions for 2004/05.

<u>Scheme</u>	<u>Units</u>
Ashling Park Rd, Denmead	7
Wyeth House, Winchester	14
High Street, Meonstoke	5
Greens Close, Bishops Waltham	14
Knowle Hospital, Wickham	10
Treasury Court, Winchester	6
Hatchmore Rd, Denmead	3
	59

Projected Completions 2004/05

<u>Scheme</u>	<u>Units</u>	<u>On-Site</u>
Sparkford Rd, Winchester	34	Yes
Twyford Exception Scheme	6	Yes
Grange Road, Winchester	12	No
Martyr Worthy, Exception Scheme	10	No
Main Rd, Colden Common	4	Yes

The Friary, Winchester	8	Yes
Swanmore	7	Yes
Hatchmore Rd, Denmead	19	Yes
Salters, Winchester	15	Yes
Wykemark, Winchester	8	Yes
Brooklyn, Otterbourne	4	Yes
Parchment St, Winchester	8	Yes
Chilbolton Crt, Winchester	8	Yes
	143	

2.2 The projected completion table shows a significant increase in the numbers of affordable housing units being constructed (in relation to previous years where completions have averaged 50pa). This is mainly as a result of the Council achieving debt-free status and its subsequent ability to fund more affordable housing schemes. Members should note that the Council went “debt free” in March 2002 and the result of this in terms of new housing completions will be enjoyed for the next 2 years as homes are completed. Early predictions for 2005/06 show over 150 units being completed.

### 3. HOUSING CORPORATION APPROVED DEVELOPMENT PROGRAMME 2004/05 AND 2005/06

3.1 As outlined in the introduction of this report the principal source of funding for new affordable housing schemes will be the Housing Corporation and its (now) bi annual Approved Development Programme (ADP). Significant changes were introduced by the Government in the funding of the ADP for 2004/05 not least the move to a 2 year funding programme. This was welcomed by Housing Associations as it allows a longer time to develop complex schemes but leaves little flexibility in funding schemes that materialise during the 2 years. Additionally, the Government announced its intention to produce more affordable housing units for the money it invests. In order to achieve this it has encouraged partnership bidding from groups of Associations and has encouraged more bids for shared ownership and keyworker housing (which require less subsidy). A briefing paper on these new arrangements was discussed by the Enablement Informal Member Officer Group.

#### 3.2 Details of ADP Funded Schemes

The following schemes have been granted funding for years 2004/5 and 2005/6

<b>Schemes</b>	<b>Tenures</b>	<b>SO</b>	<b>Key W</b>	<b>Rent</b>
Weeke Manor, Winchester	11	-	7	4
Warnford Rd, Corhampton	10	5	1	4
Sheriff Motors, Shirrell Heath	5	1	2	2
Northgate House, Winchester	19	6	4	9
Dever Close, Micheldever	12	-	-	12
Caravan site Sutton Scotney	16	8	4	8
Geranium Nursery, Denmead	6	3	-	3
Mill Lane, Wickham	12	2	-	10
Vears Lane, Colden Common	2	-	-	2
Urban Capacity sites, Stanmore	11	3	2	6
Hatchmore Rd, Denmead	3	3	-	-
Northfields, Twyford	6	-	-	6
	113	31	16	66

Key: SO - Shared Ownership; Key W – Key Worker Housing; Rent – Affordable Rented

- 3.3 Money was also provided to fund repairs at Alpha Home at Droxford (£263,718).
- 3.4 Hampshire as a whole was allocated 70 units of keyworker Homebuy accommodation (a form of shared ownership housing). This will be allocated on a first come, first served basis through Swaythling Housing Society who are the Housing Corporation appointed zone agents for Hampshire.
- 3.5 Members will note that this is a funding allocation for 2 years and is similar to previous allocations of Housing Corporation Funding. The main difference from previous years is that the new programme will produce more units for similar levels of funding.
- 3.6 This has been achieved by increasing the numbers of shared ownership and keyworker housing that is funded, as these units require less subsidy. Additionally through the new partnership bidding route encouraged by the Housing Corporation there is far greater competition in securing funding for new development amongst Housing Associations. This has seen, in practice, more of Housing Associations' reserves being used to fund their development activities although how sustainable this is or what impact it will have on long term rents has not been investigated.

#### 4. COUNCILS CAPITAL PROGRAMME

- 4.1 CAB 778 (Feb 04) set out the resources available from the Council to fund its own affordable housing programme. This will be funded by the transitional arrangements for retaining that element of HRA Capital receipts that would otherwise be paid over to the Government pool. The actual amounts available will depend on the total receipts from Right to Buy sales over the next 3 years. During those 3 years the Council will be able to retain 75%, 50% and 25% of the pooled receipts but there is no carry over of unused allocation.
- 4.2 It is important therefore that the Council progresses its affordable housing programme without undue delay to avoid loss of funding. Sites where the Council is in control of the development timetable ie on its own land, provide the best opportunities to guarantee the spend of this resource. In addition to these schemes sites that are already in the ownership of Housing Associations or have no allocated Housing Corporation funding would provide back up opportunities for spend.
- 4.3 The table below gives an indication of the aforementioned sites and could, if Cabinet agrees, form the basis of the 2004/05 programme, however it is important to retain flexibility if sites don't progress as expected to avoid the potential loss of funding. It is recommended that these schemes be substituted if they are delayed. The necessity to spend the resources may result in schemes coming forward that offer less value for money than those included in the table below (the majority of which are on land made available at nil cost) but are available for immediate purchase, examples could include repurchasing right to buy properties or "off the shelf" private schemes.

	Units	Estimate of funding	Cost per unit £000
Northfields, Twyford	1	50,000	50
Urban Capacity Stanmore	4	200,000	50
Wesley Rd, Kingsworthy	15	532,000	35
Sheriff Motors, Shirrell Heath	2	200,000	100
The Dean, Alresford	5	172,000	34
Itchen Abbas	4	220,000	55
Thistledown, Stockbridge Rd	5	275,000	55
	36	£1,649,000	46

Members will note the variation in unit cost, the majority of the schemes listed assume a nil land value as they are either Council owned sites or planning gain sites. Where the land has to be purchased, as with the Shirrell Heath scheme, the grant cost increases considerably. The reason for including the scheme is that the houses are available to purchase immediately and can guarantee spend. Every effort will be made to pursue the schemes listed, as any unspent allocation will be lost to the Council.

- 4.4 Estimates of the Capital that may be available from RTB receipts having regard to the tapering effect noted in 4.1 above are:

2004/05	£1,575,000
2005/06	£900,000
2006/07	£450,000

The amount of resources required to fund the programme in para. 4.3 is greater than the estimated resources available from the RTB capital receipts, however at this stage as both total expenditure and total income are estimates it is very difficult to provide comprehensive figures. In the event of expenditure exceeding available resources the Council could request its Housing Association partners to defer payment until the following financial year (this has happened in previous years), the tenure of the properties could be altered (shared ownership housing requires less subsidy) or the Housing Associations could charge more rent.

- 4.5 An additional £143,000 pa is likely to be available from changes in the discount on second homes (this is not time limited) that in agreement with HCC has to be spent on key worker initiatives. The protocol for how this will be spent has not yet been agreed.
- 4.6 It is proposed to provide, where possible, a mix of tenures on the sites shown in the table in para. 4.3, however, this will depend on the availability of funding. An important area of housing need that needs to be addressed at the present time is the provision of family sized rented homes and if possible resources will be directed towards this group. This is, however, subsidy intensive whilst other tenures such as shared ownership and keyworker housing require significantly less investment.

## 5 FUTURE TRENDS

- 5.1 The funding of affordable housing has seen a radical change over the last 18 months stemming from the production of the ODPM's Communities Plan. Greater emphasis is now placed on meeting Government and Regional affordable housing priorities. In order to attract a share of this funding the Council must have regard to these priorities and the impact of Regional housing markets.
- 5.2 Funding will be made available to those Local Authorities (and Housing Associations) who deliver these Regional priorities on time and most cost efficiently. This Council is well placed to receive a share of these resources, as there is an active development programme in both the public and private sectors. However, with increasing central Government emphasis on delivery the Council must continue to produce schemes with planning permission to retain an adequate level of funding to meet local housing needs.

OTHER CONSIDERATIONS:

6 CORPORATE STRATEGY (RELEVANCE TO):

6.1 Key priority in 2003-2006

- To enable the building of more new affordable homes across the district.
- To work with developers and Housing Associations to make available a full range of high quality homes for rental or ownership so that younger people and families can live here too.

7 RESOURCE IMPLICATIONS:

7.1 Contained in the body of the report.

BACKGROUND DOCUMENTS:

Grant Confirmation letter from Housing Corporation

APPENDICES:

None.