

## SUBMISSION TO COMMUNITY HOUSING AND HEALTH (OVERVIEW AND SCRUTINY) COMMITTEE

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Agenda Item: No. 5(a)

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### SUBMISSION BY CABINET MEMBER FOR HOUSING, HEALTH AND ENVIRONMENTAL PROTECTION

#### FUTURE DEVELOPMENT OF AFFORDABLE HOUSING IN LICHFIELD DISTRICT

##### 1. Purpose of Report

- 1.1 To advise Members of changes in relation to the future delivery of affordable housing including the introduction of affordable rent and the new Affordable Homes Programme 2011-15 (AHP) that is managed by the Homes and Communities Agency (HCA).
- 1.2 To give background information on affordable housing to provide context for a presentation by Bromford Living to the Committee of the "Bromford perspective" of the changes and emerging plans for the future.

##### 2. Background and Introduction

- 2.1 The definition of affordable housing is set out in the Planning Policy Statement 3 (PPS 3). This was amended in June 2011 to include affordable rented housing which was introduced as part of the range of Government reforms to give providers more flexibility over the use of assets and rents.
- 2.2 PPS 3 states that affordable housing should :
  - Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices
  - Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.
- 2.3 Affordable housing includes social rented, affordable rented and intermediate housing provided to eligible households whose needs are not met by the market.
  - **Social rented housing** is rented housing owned and managed by local authorities and registered social landlords (RSL's) for which target rents are determined through the national rent regime.
  - **Affordable rented housing** is rented housing let by registered providers of social housing to households who are eligible for social rented housing. Affordable rent is not subject to the national rent regime but is subject to other rent controls that require a rent of no more than 80 per cent of the local market rent.
  - **Intermediate affordable housing** is housing at prices and rents above those of social rent, but below market price or rents. These can include shared equity products (e.g. Homebuy), other low cost homes for sale and intermediate rent but does not include affordable rented housing.
- 2.4 There is high demand for affordable housing in Lichfield District. Evidence for this includes:-
  - The Strategic Housing Market Assessment (SHMA) which was carried out in 2008 identified a need for 582 affordable homes every year to meet housing need in the Lichfield District.

- House prices in the district are the highest in Staffordshire and house price to earnings ratios<sup>1</sup> are also high making it particularly difficult for first time buyers to access the owner occupied market increasing demand for rented accommodation.
- On 1<sup>st</sup> April 2011 there were 2,375 applicants registered for housing on the UChoose housing register. Of these
  - 1,181 households required 1 bedroom accommodation
  - 704 households required 2 bedrooms
  - 477 households required 3 bedrooms
  - 13 households required more than 3 bedrooms
- In 2010/11 the Housing Options team dealt with 1587 housing advice enquiries. Of these 142 homeless applications were made and 115 households were accepted as statutorily homeless which represents over a third of homes that became available during the year (see 2.5 below).

2.5 In 2010-11 there were a total of 312 lettings, a breakdown of which is shown in the following table.

	1 Bed	2 Bed	3 Bed	4 Bed	Total
<b>Bungalow</b>	41	15	0	0	56
<b>Flat</b>	70	110	1	0	181
<b>House</b>	4	26	43	2	75
<b>Total</b>	115	151	44	2	312

- 2.6 In 2010-11 a total of 40 affordable homes were delivered comprising of 13 social rented, 6 shared ownership, 17 Homebuy direct and 4 mortgage rescue. In the previous year 2009/10 the number delivered was less than this at 26 homes. This compares to performance over the ten years between 2001 and 2011 when 887 affordable homes were built which is an average of 88 homes a year.
- 2.7 As demonstrated above, the need for affordable housing greatly exceeds the affordable housing available through property relets and new provision. Although we work closely with our Development Partners- Bromford Living, Waterloo and Midland Heart to look for opportunities for new provision, however such opportunities are limited.
- 2.8 In order to deliver new affordable housing the developer requires a subsidy to meet the cost of the housing development whilst allowing for an acceptable profit margin. In practice this subsidy has been met by section 106 contributions with the majority of affordable homes built in the district being delivered this way on large sites. These s106 agreements have been negotiated with developers against the current affordable housing policy.
- 2.9 The onset of the economic downturn in 2008 has therefore seriously impacted on our ability to deliver affordable homes as the majority of large sites were mothballed by developers and the level of development overall reduced significantly in the district.
- 2.10 The draft Core Strategy of the Local Development Framework contains the proposed affordable housing policy (H2- Provision of Affordable Homes). Based on evidence from the Affordable Housing Viability Study it proposes a target of up to 40% affordable housing but it is a flexible policy that allows the Council to change the % provision of affordable housing according to market conditions. The thresholds upon which affordable housing provision will be sought are:
- In Lichfield City and Burntwood, affordable housing will be required on housing developments for 15 or more dwellings or sites of 0.5ha or more in size.
  - Outside these two main urban areas, affordable housing will be required on housing developments for 5 or more dwellings or sites of 0.2ha or more in size.

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<sup>1</sup> House price to earning ratios are referred to as Affordability ratios. At March 2011 the average house price to earnings ratio in Lichfield District was 6.57:1 based on data from the Annual Survey of Hours and Earnings and sales and valuations over the past 12 months; although this varies considerably across the District.

- 2.11 In the latest consultation exercise earlier this year there was no real consensus of opinion received on the affordable housing policy. Many respondents (mainly developers) felt that the target of 40% was too high: some supported the dynamic viability model, whilst others questioned its validity. The rural homes trigger for affordable provision (5 homes) was questioned as it was felt this would deter development and the justification for this was unclear.
- 2.12 A revised Core Strategy is due for publication later this year and the affordable housing policy will be considered in more detail at a special meeting of this Committee.
- 2.13 The other main source of subsidy for affordable housing has been AHP funding from the government which is administered through the HCA. The 2011-15 AHP Framework document which was published in February this year announced a £4.5bn programme which as a consequence of the Comprehensive Spending Review represents a 46% reduction from the 2008/11 programme. Around £2.2bn of this funding is uncommitted and available to fund affordable housing. The opportunities for HCA funding from April 2011 are therefore very much reduced in comparison to previous years.
- 2.14 The new AHP framework also introduced the Affordable Rent tenure which will be the main type of new supply. Affordable rent is based on up to 80% of local market rents and is higher than existing social rents. For example a typical 3 bedroom property would have a social rent in the range of £90 - £95 per week compared with a market rent of around £135 - £140 per week and an affordable rent of around a maximum of £110 - £115.
- 2.15 Through the programme registered providers that enter into a contract with the HCA will have the flexibility to convert a proportion of existing social rent properties to affordable rent at re-let. In addition as part of an RSL's wider approach to asset management, the disposal of some homes as part of an overall programme offer may be possible.
- 2.16 The additional borrowing capacity that can be generated from the conversion of social rent properties to affordable rent at re-let, as well as the borrowing capacity generated by the net rental income stream of the new properties developed will be used to support the delivery of affordable housing.
- 2.17 A bidding round for the AHP commenced in May 2011 and in July 2011 the HCA announced that 146 housing associations, local authorities, house builders and other providers had been successful in their bids for funding and were set to deliver 80,000 affordable homes in the period 2011-15. RSL's are currently negotiating contracts with the HCA and Members will be advised of the outcome of Bromford's bid in their presentation.

### **3. Recommendation**

- 3.1 To note the contents of the report and consider and comment on the changes in relation to the development of affordable housing and Bromford Living's emerging plans for the future.

### **4. Strategic Plan Implications**

- 4.1 Helping people access a home that is right for them through the development of affordable housing is a strategic priority for the Council.

### **5. Sustainability Issues**

- 5.1 The development of affordable housing contributes to the sustainability of communities.

## 6. Risk Management Issues

Risk Description	Likelihood/Impact	Status	Countermeasure
Lack of affordable housing could lead to an increase in homelessness and increased demand for permanent and temporary rented accommodation.	High /Significant	Financial	To closely monitor homelessness and demand for accommodation. Continue working in partnership with our RSL partners to look deliver new affordable homes.
An increase in homelessness due to lack of temporary/permanent rented accommodation could lead to rise in the bed and breakfast budget.	High/Significant	Financial	Housing options team to prevent homelessness where possible and provide housing options advice for people.

### Background Documents

2011-15 Affordable Homes Programme Framework -Homes & Communities Agency  
Planning Policy Statement 3 (PPS3)  
Strategic Housing Market Assessment 2007-8