

Executive – 19 November 2009

AFFORDABLE HOUSING CAPITAL PROGRAMME

Report of Head of Community Regeneration

Statutory Powers: Housing Act 1996; Local Government Act 1988; Homelessness Act 2002

Financial Implications: The report sets out proposals to allocate £675,000 from the Council's Housing Capital budget to support the delivery of affordable housing.

Purpose: The report provides a summary of current progress in delivering the Council's number one corporate priority 'Affordable Homes' and sets out a proposed programme of capital expenditure to maximise inward investment and support the delivery of affordable housing.

RECOMMENDATIONS

That the Executive RESOLVES that:

- I. £100,000 be allocated to support the redevelopment of Culverdale, Totnes;**
- II. £100,000 be allocated to enable empty homes to be returned to use for occupation as affordable homes;**
- III. £400,000 be allocated toward the delivery of 175 new affordable homes within the first phase of Sherford new community**
- IV. £50,000 be allocated to the South Hams Intermediate Rent Enterprise (SHIRE) scheme; and**
- V. £25,000 be allocated to support the development of a rural affordable housing scheme in Frogmore**

Capital Programme Overview

1. The Housing Capital Programme provides investment to support the delivery of affordable homes and other strategic housing objectives. The capital budget consists of commuted sum receipts, Devon County Council Second Homes Council Tax and the local element of Second Homes Council Tax.

Context - Recent Delivery

2. In setting the context for this report, it is useful to highlight current and future levels of affordable housing delivery. As Members will be aware, difficult economic conditions have had a significant impact on our ability to deliver against CP1 over the past year. However, despite these tough conditions, affordable housing delivery is increasing.

3. This increase in delivery is the result of work undertaken over the past couple of years to develop a pipeline of schemes which are now coming forward in increasing numbers. The 'Forward Development Programme' consists of over thirty sites and will enable delivery to increase year on year.
4. From next financial year onward, delivery is forecast to consistently exceed the target of 100 affordable homes per annum. The table below shows the forecast level of new delivery up to the financial year 2011/12. It should be noted that these figures do not include Sherford which could deliver in the region of up to 1,500 - 2,000 additional affordable homes within the Plymouth sub region over the next 12 – 15 years, depending on the state of the market.

Affordable Housing Development Programme		
YEAR	STARTS	COMPLETIONS
2008/09	24	52
2009/10	150	70 - 80
2010/11	140	100 - 120
2011/12	TBC	140 - 160

Figures based on current programmed starts and subject to viability and HCA grant funding.

Previous Capital Programme Report

5. Members will recall that the previous capital programme report (E.84/08) sought an allocation of £1m to grant fund the acquisition of 30 properties direct from the market. This initiative formed one element of the Council's response to the economic downturn and the anticipated decline in developer led housing delivery.
6. Following Member approval, concern began to emerge over the availability of Homes and Communities Agency (HCA) funding, both in the short and longer term. A significant increase in bids from across the region led to a rapid diminution of the current funding pot which is fixed for the period 2008-2011. In addition to the decline in funding over the short term, there has been a clear indication that future public investment in affordable housing is very likely to be reduced by up to 50%. Whilst not formally confirmed, this is in line with recent government announcements over cuts in public spending in light of the significant budget deficit.
7. This potential reduction in the availability of grant funding prompted a review of the Council's funding priorities and investment strategy. The Council has been very successful in attracting HCA funding to date with over £11m secured over the past year. In order to continue to attract significant levels of investment, the Council may need to supplement future schemes to a greater degree to ensure its bids are competitive and therefore well placed to secure the limited grant available.

8. Future schemes have been reviewed and indicative LA grant support increased. These proposals will be subject to a subsequent Capital Programme report. Having undertaken this review, it became clear that the £1m market acquisition allocation would be better used to lever in additional funding in the short to medium term and could ultimately secure a greater amount of inward investment. It should be noted that the scheme was viable and represented value for money at the point of Member approval. The decision not to proceed directly reflects changing circumstances.
9. In the previous capital programme report an allocation was also made to support the acquisition of Redworth Court, Totnes. Despite lengthy negotiations with the receiver, our partners South Devon Rural Housing Association (SDRHA) were unable to conclude a deal. This was despite a significant investment and best endeavours by SDRHA. It is proposed that this £190,000 allocation remain available to SDRHA to support the provision of alternative properties within the South Hams Intermediate Rent Enterprise Scheme (SHIRE).

Capital Budget Summary

10. Taking account of the above decision to retain the £1m market acquisition allocation for alternative projects, the Housing Capital Budget is summarised below.

Housing Capital Budget Summary £	Capital Budget (£ to date)	Committed or Spent £	Proposed Spend £	Remaining £
DCC Second Homes	£2,609,000	£2,259,263	£349,737	£0
SHDC Second Homes	£1,200,000	£85,000	£325,263	£789,737
Commuted Sums	£999,254	£915,254	£0	£84,000
Total	£4,808,254	£3,259,517	£675,000	£873,737

11. During the period from 2002 to date, the total amount within the Housing Capital Budget has amounted to £4.8m. Of this, £3.26m has either been spent or is committed to current schemes. This report seeks to allocate a further £675,000 leaving a remaining Capital Budget balance of £873,737.

Future Income / Investment Priorities

12. Future investment priorities have been identified and initially marked against the remaining budget. Currently there are 4 schemes with a likely LA funding requirement in the region of a £750,000 from the remaining £873,737.
13. Whilst the future possible commitments of £750,000 represent the majority of the remaining capital budget, additional income is forecast through commuted sum receipts. Commuted sums of £1.65m have currently been agreed with a potential £12m commuted sum from the proposed redevelopment at Noss Marina, subject to Development Control Committee approval. The receipt of these is dependent upon the schemes being progressed.

Proposed Capital Expenditure

14. The capital expenditure proposed within this report amounts to £675,000 to be allocated to the following projects.

Culverdale, Totnes – Phase 1: £100,000

15. Culverdale Phase 1 is a redevelopment project to replace 9 unsuitable bungalows with 19 larger homes. The proposal is to deliver the scheme to Code for Sustainable Homes level 4 which exceeds current minimum requirements and will provide highly sustainable and environmentally efficient housing. In supporting the funding bid to the HCA the Council proposed an investment of £100,000, subject to Member approval. This investment links directly to the increased environmental performance of the homes. The proposed investment has assisted in successfully securing a further £1.3m investment from the HCA.

Private Sector Policy – Empty Homes: £100,000

16. There is an increasing requirement for Councils to make better use of their existing housing stock, particularly by tackling the issue of empty homes. This was reinforced recently by a very clear message from the Audit Commission that Local Authorities should invest more in private sector housing.
17. Empty homes are a priority for the Council and Members have already approved a £50,000 commitment to enable around 5 empty properties to be returned to use as affordable homes. Given the increasing emphasis on the issue, an additional £100,000 is proposed to target up to 10 more empty homes.

Sherford: £400,000

18. As members will be aware, the Council's Development Control Committee approved the Sherford planning application (subject to completion of a S106 agreement) during July 2009. A key element of the decision related to the ability to deliver 175 affordable homes (a provision of 25%) within the first 700 unit phase. This level of delivery is dependent upon an £8.6m investment from the HCA to supplement the provision proposed by the developer.
19. As highlighted above, LA investment is increasingly required in order to secure high levels of HCA grant. In order to secure the £8.6m from the HCA, the report to Development Control Committee noted, subject to Executive approval, the proposal to invest £400,000 in the scheme. Whilst £400,000 represents a sizable allocation, it does enable the Council to secure £8.6m from the HCA subject to the achievement of an early start on site to satisfy HCA requirements. The fulfilment of HCA conditions and requirements and the delivery of their investment do not lie within the control of the Council and so an allocation of £400,000 is accordingly proposed providing it secures an affordable housing delivery rate of 25% in the first 700 unit phase. Sherford is a strategically important site and the ability to commence development provides a real opportunity to deliver affordable homes for local people. It will of course also contribute toward job creation and the local economy.

SHIRE – Phase 3: £50,000

20. The South Hams Intermediate Rent Enterprise (SHIRE) is a partnership scheme between the Council and South Devon Rural Housing Association. The scheme provides affordable homes at rents approximately 20% below prevailing market rents. To date the Council has committed £100,000 over 2 years/phases toward the purchase of 10 properties. The scheme is considered to be very successful and represents value for money. For these reasons it is proposed that a third phase be progressed with an allocation of £50,000 to extend the scheme.

Frogmore – Rural Housing Scheme

21. The Council is working in partnership with Hastoe Housing Association and the local community to provide eight new affordable homes in Frogmore. Rural affordable housing schemes are expensive and typically require high levels of grant support. The specific viability issue on this site relates to drainage and the need to negotiate an easement across neighbouring properties. Grant support from the Council amounts £3,125 per unit and will assist in attracting additional funding from the HCA.

Summary of Capital Expenditure

22. A summary of the proposed capital expenditure is shown in the table below.

PROPOSED HOUSING CAPITAL EXPENDITURE	SHDC Second Homes £	DCC Second Homes £	Total £
Culverdale – Redevelopment	£100,000	£0	£100,000
PSP- Empty Homes Grant Year 2	£50,000	£0	£50,000
PSP- Empty Homes Grant Year 3	£50,000	£0	£50,000
Sherford – Phase 1	£50,263	£349,737	£400,000
SHIRE Phase 3	£50,000	£0	£50,000
Frogmore – Rural Housing Scheme	£25,000	0	£25,000
Total	£325,263	£349,737	£675,000

Risk Assessment

23. The following are the significant risks and opportunities identified:

Opportunity	Issues / Obstacles	Benefits
The initiatives/schemes proposed under the Housing Capital Programme provide an opportunity to assist the delivery of the Council primary Corporate Objective and attract inward additional investment.	The capital programme proposes the allocation of a significant proportion of the capital budget. This will leave a very small amount for future schemes. Additional receipts are however expected in future years.	There are a number of benefits of delivering against CP1. In the current economic climate an important benefit is the ability to meet increased demand for affordable housing.

Conclusion

24. The primary objective of the Housing Capital Programme is to increase the supply of affordable homes and deliver the Council's wider strategic housing objectives. Of paramount importance is the need to consider value for money and ensure that resources are invested in a way which maximises additional inward investment to the district. The above capital programme contributes significantly toward delivering the Council's top corporate priority and does so in a way that secures maximum additional investment. It is therefore recommended that Members approve the proposed Housing Capital Programme.

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Background Documents:

None