

Overview of affordable housing delivery

Introduction

The following paper sets out a narrative that aims to provide Councillors an overview on affordable housing provision and delivery. As this is an overview, it will not necessarily cover all Councillor queries, but provides a base level of information which can be used to stimulate further debate and questions. Note that the paper will refer to Housing Associations as Registered Providers.

What is affordable housing?

'Affordable housing' is designated to be affordable to persons in housing need, which on the surface is a fairly simplistic concept. It is defined in planning policy terms as housing provided with a subsidy for persons in housing need. 'Affordable housing' used to be known as 'social housing', which was defined as housing provided for a social purpose. However the term 'social housing' was not seen as particularly progressive, hence the rebranding.

Nonetheless it is important to recognise the welfare aspect that affordable housing provides. Affordable housing is not just about affordability, after all some private rental housing is just as affordable in cash terms, it is also about security of tenure and the regulated management service.

Why do we need affordable housing?

Many households cannot afford to access private market housing (for purchase or for rent) without support. Another issue in the private rental sector, which in affordability terms may be more accessible than the private ownership market, is minimal security of tenure as mentioned above. Private rental tenancies are usually let with a minimum of 6 months tenancy security, which is a risk for many households who have established ties and commitments.

Therefore affordable housing is needed to plug the gap between what the market can supply and what is needed to meet the housing needs of the whole community in a sustainable manner both in terms of affordability and security. At a more strategic level the appropriate delivery of affordable housing on new market sites and within regeneration schemes provides for a mixed and balanced community in the long term.

Affordable housing tenures

Affordable housing offers a range of tenure options. The public perception of affordable housing is the traditional social rent model, which forms the vast bulk of the existing stock. Social rented housing is let to tenants on secure or assured tenancies (which means they are effectively lifetime tenancies as long as tenancy conditions are not breached) at below market rents. The rent levels charged are set by a formula which produces a 'target rent'. Without wanting to dwell too much on rent restructuring, but just to note that existing social housing rents tend to be moving toward their 'target' level while new build social rental dwellings are always let directly at their target level.

The current Government has introduced an affordable rent model. Affordable rent differs from social rent in that rents charged are determined as a proportion (80%) of the market rental value of said property. The tenancies remain the same as with social rent however. All new build or acquired properties receiving Government grant through the Homes and Communities Agency **must** be let at affordable rent.

In the most areas of Derby the gross rent costs of new build social rents and new build affordable rents do not vary significantly. In London and the South East where market rents are much higher affordable rents are significantly higher than social rents.

Aside from rental models, there are affordable ownership models. Over the last two decades shared ownership has formed a significant element of affordable housing delivery. Shared ownership is where the purchaser owes a proportion the dwelling as a lessee and pays a subsidised rent on the unowned portion with the option to staircase to full purchase. There a number of other similar models which we won't cover here.

Shared ownership and similar products have struggled in recent years. Mortgages have been difficult to obtain and the popularity of shared ownership has been impacted by the downturn in housing market. Very recently the Government (and some lenders in a separate venture with local authority backing through the LAMS scheme) has sought to stimulate market access for first time buyers and others wishing upsize through mortgage guarantee schemes. Aside from concerns about market inflation, the first Help to Buy round has been successful in respect of its delivery which has prompted the Government to bring forward Phase 2 which will also allow buyers access to the second hand housing market as well. I think it is likely that Help to Buy will have an adverse effect on further shared ownership delivery.

Planning for affordable housing through our local planning policies

In planning policy terms, the need for affordable housing is evidenced through a defined housing needs assessment, to which the key is identifying the level of housing need not met through private market delivery. Assessed unmet housing need in terms of gross numbers can often outweigh the number of houses actually being delivered or planned. Actual planning policies therefore at a strategic level need to strike a balance between meeting housing needs and ensuring an adequate level of market delivery to meet demands for private housing.

To illustrate this, the latest Strategic Housing Market Assessment for the city has identified an affordable housing need of 4,647 new dwellings between 2012 and 2017. It is clearly not realistic to expect to deliver these numbers through the planning system. Therefore policies are required that balance meeting affordable housing needs with other demands for a full range of housing options, so that the city plans a balanced and sustainable housing offer for the whole community. Appendix 3 provides further detail as a direct response to Member queries.

Another balancing factor is individual site viability, which can be driven by more site specific factors. Provision of affordable through planning policy which is delivered on qualifying sites as part of a Section 106 (of the Town and Country Planning Act 1990) planning obligations agreement is a further balance between the overall aspirations of affordable housing planning policy, the other pulls such as infrastructure, education etc. The competing on and off site demands for every site has to be

considered against the overall financial viability of the site. Naturally in a depressed housing market a site will deliver less than in a buoyant market.

Subsidy for affordable housing

As mentioned affordable has been defined in planning policy terms as housing provided with a subsidy for persons in housing need. If housing is let or sold at a below market value it stands to reason that some form of subsidy is required to enable that.

The subsidy on S106 sites, which over time tend to represent the main vehicle for affordable housing delivery and indeed other obligations, should be theoretically reflected through a consequent reduction in the land price. The Homes and Communities Agency has made it clear that they grant fund affordable housing on Section 106 as they expect the subsidy to be provided by the landowner/developer.

The Homes and Communities Agency (HCA) are the Government Quango responsible for funding affordable delivery. There are 'funding rounds' linked to Comprehensive Spending Review periods. The current bid rounds runs until March 2015 and there is a main affordable housing programme and a number of specialist funding initiatives.

Compared to the previous funding rounds under the last Government, grant rates have dropped significantly. There is a trend towards preferential borrowing for Registered Providers underwritten by the Government and equity stakes. Some commentators feel that a significant grant funding programme in the future is unlikely.

The Housing Revenue Account reform has resulted in an additional borrowing capacity within the Council's Housing Revenue Account, which is available to support a Council/Derby Homes led development and acquisition programme. The Council can also consider other investment models and is actively pursuing this.

Who develops affordable housing?

More organisations develop affordable housing than manage affordable housing. Most affordable housing is actually built by housebuilders on Section 106 sites to the specification of the partner Registered Provider (RP). RPs do build themselves of course on their own acquired land and this can be supported by HCA.

In September 2012 Derby City Council and Riverside entered into a Non HRA Housing PFI contract to provide and maintain a total of 170 affordable homes within the City. 104 of these are new build homes across 3 sites with the balance being a mix of existing properties which will be purchased and refurbished where necessary. To date over half of the new build properties have been completed, including a number of specialist wheelchair design homes, and work has started on the first 6 refurbishment properties. Housing PFI schemes are however legacy funding streams and it is doubtful that Government funded public private partnerships will support affordable housing delivery in the foreseeable future.

A fuller picture of the city's current affordable housing delivery programme is set out in Appendix 4.

Who manages affordable housing?

The vast majority of affordable housing is owned by Councils or Registered Providers. Councils either manage their housing stock directly or through an Arm's length Management Organisation, such as the case in Derby. Housing owned by Councils tends to be located within their respective council areas.

Private Registered Providers are not for profit private social landlords, also known as Housing Associations. They are regulated by the Homes and Communities Agency. They vary significantly in terms size, structure and geographical coverage. There has been definite trend over the last 10 years for mergers of smaller Registered Providers and emergence of group structures containing a number of previously independent organisations. This has been driven by increasing efficiencies, the ability to raise finance and to a certain extent a mirroring of the private housebuilder sector, which has also seen significant mergers over the last decade.

Many Registered Providers have grown and mainstreamed their businesses into affordable housing scheme purchases on large development sites where Section 106 agreements (Section 106 sites) apply and large regeneration schemes. That being the case there is a concern in some quarters that the provision of specialist housing has suffered.

Nonetheless the mainstreaming of Registered Providers has seen the emergence of smaller charitable organisation entering into the housing sectors to provide housing for people who difficult to house through standard routes. Ironically, although many of these organisations are often now meeting the needs of the most vulnerable, they are predominantly operating on a housing benefit funded private rental model.

The Derby context

The main affordable housing landlord is the city council. The city council owns and manages through Derby Homes just over 11,800 units of accommodation.

A number of providers manage properties in the city. These are as follows:

	No of properties	Local management base	Further comments
Action Housing and Support	Under 50	1 Chatsworth House, Raynesway, Derby	Small specialist provider. Focusses on young people.
Affinity Sutton	358	13 Shalfleet Drive, Alvaston, Derby	Mainstream RP. No development in the city.
Derventio Housing	c200	33 Abbey Street, Derby	Small specialist provider. Focusses on homelessness and complex needs.
Derwent Living	2170	1 Centro Place, Pride Park, Derby	Active in both management and development. Have commercial arm providing private rental and student accommodation in the city.
Friendship Care and Housing	652	Ely House, Wyvern, Derby	Mainstream RP. No development in the city.
Metropolitan Housing	2072	Masons Place	Reassessing their stock profile

		Business Park, Nottingham Road, Derby	through some disposals and transfers. Still have development interest in the city.
Nottingham Community Housing Association	12	12/14 Pelham Road Sherwood Rise Nottingham	Actively developing in the city (Mackworth College, Kingsway) and their stock numbers will grow as a result.
Raglan Housing Association	114	Suite C, Lancaster House Grange Business Park, Leicester	Mainstream RP. No development in the city.
Salvation Army Housing Association	32	Magee Court, Regent Street, Derby	Small specialist RP.
Guinness Partnership	488	3.1 Clarendon Park Clumber Avenue Nottingham NG5 1AH	Mainstream RP. No development in the city.
Riverside Group	171	Riverside House 49 Western Boulevard Leicester	Actively developing in the city (Mackworth College, Kingsway) and their stock numbers will grow as a result.
Tuntum Housing	49	90 Beech Avenue New Basford Nottingham	Small RP focus on BME communities.
Windrush Alliance	c15	31 Gregory Street Nottingham	Small RP focussing on delivery of empty homes.

Joint working in the city- Derby Homefinder

All the partners RPs in the table above advertise their available properties through Derby Homefinder. Derby Homefinder has 3 types of property advert on the website. These are:

- Choice Based Lettings (CBL)
- Open to All
- Mutual Exchange

Choice Based Lettings

CBL advert form the bulk of transactions through Derby Homefinder and the process operates as follows:

If an applicant is eligible to join the housing register their housing circumstances/requirements are assessed and

- 1) they are given priority on Derby Homefinder based on their housing circumstances. They are put into either the Emergency or Housing Needs band. Emergency Need band applicants all have "0" housing needs and priority is based on length of time in the band. In the Housing

Needs band, the more needs an applicant has the higher their priority. (See attached list of needs)

- 2) the size and type of property they can bid on is set based on household size, age and family make-up
- 3) Applicants are allowed to bid on the properties based on the eligibility criteria set on the property, ie..
 - a. Size
 - b. Age
 - c. Eligible band
 - d. Applicants are restricted to 3 bids on CBL properties in a rolling 7 day period
- 4) Landlords advertise their vacant properties via Derby Homefinder. Property advert cycles can be started on a daily basis, properties are then advertised for 6 days.
- 5) At the end of the advertising cycle a “shortlist” of applicants who have expressed an interest (“bid on”) the property is created sorted in order of priority on Derby Homefinder. Priority is based on
 - a. Band
 - b. Number of housing needs
 - c. Length of time in current Band
 - d. Length of time on the housing register
- 6) The landlord will offer the property to the first eligible/suitable applicant on the shortlist. If the applicant turns the offer down the landlord continues down the shortlist.
- 7) Landlords may skip an applicant if they do not meet the landlord’s criteria or the property requirements, eg, the applicant has rent arrears over the amount allowed by the landlord, the applicant needs a ground floor property and has bid for a 6th floor flat, the property is adapted and the applicant does not need adaptations.

Open to All

If properties have been advertised on the Derby Homefinder Choice Based Lettings System and no tenant has been found the landlord has the option to advertise the property through the “Open to All” facility. There are no restrictions on the type, size or quantity of properties applicants can bid on. The landlord can access the shortlist of applicants at any point and will select a “best match” applicant from the list of applicants.

You can bid on Open to All properties if you already have a Housing Register or Mutual Exchange application or if you have completed a short form on the website giving some basic information about your family size and contact details.

Mutual Exchange

Derby Homefinder landlord tenants living in Derby can advertise their properties for a Mutual Exchange on the website. Adverts are checked and approved by the landlord before they go live on the site.

Joint working in the city- Neighbourhood working

A number of Registered Providers – primarily Derwent Living and Metropolitan Housing – have involved themselves in the city’s neighbourhood working arrangements. Relationships have developed at a neighbourhood level with Housing officers and is targeted at improving estate

management, improving the street scene and managing anti-social behaviour. Representatives regularly attend neighbourhood tasking meetings to share information and to work in partnership to resolve local issues. As the neighbourhood working agenda develops, it would be beneficial to increase the involvement and scope of working arrangements with Registered Providers further.