

FAREHAM

BOROUGH COUNCIL

Report to Health and Housing Policy Development Review Panel

Date **18 July 2013**

Report of: **Director of Community**

Subject: **AFFORDABLE HOUSING PROGRAMME – ANNUAL REPORT**

SUMMARY

This report outlines the Council's achievement in the delivery of affordable housing since 2011 and the progress made towards meeting the target of 500 homes by 2017.

RECOMMENDATION

The members note the current affordable housing programme and progress made towards the provision for 2013 – 2017.

INTRODUCTION

1. The Fareham Corporate Strategy 2011-2017 has set the Council a target to enable the provision of 500 new affordable homes over the 6 year period. To meet this target an average of 83 homes per year need to be delivered.
2. This report provides an update of the output achieved so far and the progress being made to deliver the remaining units over the lifetime of the Corporate Strategy.

OUTPUT TO DATE

3. The table below provides a breakdown of output of new affordable homes achieved during year 1 and year 2 of the Corporate Strategy and the current projected output for year 3.

YEAR	TOTAL RENTAL	TOTAL SHARED OWNERSHIP	TOTAL OVERALL
2011-12	59	14	71
2012-13	47	19	66
2013-14 (<i>projected</i>)	21	17	38
	Total:		175
	Expected shortfall by end of 2013-14:		75

4. By the end of 2013-14 we will be half way through the lifetime of the Corporate Strategy. The number of new affordable homes delivered is expected to be circa 175. This is 75 units short of the 250 needed to be on target to deliver 500 new homes by 2017. A significant increase in annual output over the remaining 3 years of the Strategy will be necessary for the Council to meet its target.
5. In addition to newly built affordable homes there are other initiatives in place that whilst not counting towards affordable housing figures, do provide assistance to local residents to either secure accommodation or to remain living in their homes. These are the Mortgage Rescue scheme and the FirstBuy equity loan scheme for newly built homes, which has recently been subsumed into the new Help to Buy scheme (see point 17 – 20 for more details on Help to Buy initiatives) .
6. A small number of owner-occupiers who have fallen into arrears with their mortgage have received assistance via the Government's Mortgage Rescue Scheme. This is where a Registered Provider (RP) purchases their property and rents it back at an affordable rent level. Over 2011-12 and 2012-13 there have been 15 households in Fareham who have been assisted through this scheme.
7. Over the last 2 financial years 2011-12 and 2012-13 there have been 38 households who have purchased properties in Fareham using the old FirstBuy scheme.

PROJECTED OUTPUT

8. Looking forward into 2014-15 and 2015-16 there are a number of schemes, which if delivered, will provide significant numbers of new housing. The schemes along with the present projected completion date are set out in the table below:

SCHEME	WARD	UNITS	TIMESCALE	PROVIDER
Collingwood House	Fareham North West	40	Jan 2015	FBC
Catisfield Road	Titchfield	13	Mar 2015	Affinity Sutton / Merlion
Palmerston Avenue	Fareham East	16	Mar 2015	FBC
Peters Road (phase 1)	Park Gate	16	Mar 2015	Sovereign
Rivendale	Park Gate	3	Mar 2015	First Wessex
Cold East (Phase 2)	Park Gate	44	Mar & Aug 2015	Guinness Hermitage
Cold East (Over 55's) Scheme	Park Gate	40	TBC	FBC
PIPELINE TOTAL:		172		

9. If all schemes listed in the table above are completed in the timeframes quoted, it will mean that a total of 347 new affordable homes will have been completed between 2011 and mid-2015. In this scenario the Council will be on course to meet the overall target of 500 homes by 2017 with a further 153 units needed over the final two years of the Corporate Strategy. There is however, no guarantee that all of the schemes listed will be delivered and the development programme for the final two years of the Corporate Strategy is not yet known. It is also worth noting that a large proportion (96 units) of the known programme is Council led development, which will require significant financial commitment to be delivered.

CHALLENGES TO DELIVERY

10. Historically the majority of new affordable housing in Fareham has been delivered via negotiation with private developers through Planning Policy. If the development of market housing is suppressed, so to is the delivery of affordable housing through this mechanism. The reduction in the provision of new affordable housing is reflective the trends in the general house building market, and the financial pressures that developers have been faced with over the past 5 years.
11. When housing is brought forward developers are negotiating hard to reduce the number of affordable housing units they have to deliver on each scheme, arguing that the requirement to do so makes their scheme unviable to develop. It is important

therefore to remain robust in defence of the Council's affordable housing policies if we are to continue to deliver significant number of new homes through the planning system.

12. The reliance upon Planning Policy for new affordable housing means that affordable housing delivery is highly sensitive to the planning decisions made. The decision taken at the April planning committee to refuse the proposed development of Phase 2 of Peters Road in Park Gate has meant that the 57 units of affordable housing due to be delivered on this site will no longer be coming forward in the timescales expected. Indeed, should the developers submit a new application it is probable that they will seek to reduce further the affordable housing provision.
13. The Homes and Communities Agencies (HCA) decision to finance affordable housing through loans and guarantees as opposed to grant has meant that RPs are becoming more cautious about development, or do not have capacity within the existing programme to deliver many more units. Some local RPs are seeking to adopt alternative approaches such as building market homes for sale and rent in order to subsidise the development of affordable housing.

EFFORTS TO IMPROVE DELIVERY

14. The Council continues to work with our local RP partners to identify suitable sites for affordable housing. We are also in the process of revising our agreements with local partners to ensure that the housing they provide continues to meet local needs (see: Appendix 1).
15. Whilst the Council's borrowing capacity to build new affordable homes in the Housing Revenue Account (HRA) is limited there are some Council new build schemes being actively progressed with the redevelopment of Collingwood House, a planning application submitted for the land at Palmerston Avenue and initial feasibility work being carried out on the sheltered scheme to be built at Cold East.
16. In light of the limitations of existing mechanisms to achieve development and in anticipation for the new community at Welborne, an alternative option to housing delivery is being explored. The Executive has recently agreed to further investigate the merits of establishing a Local Housing Company.
17. More generally, the Government is taking steps to encourage more housing development by helping potential home buyers with the finance needed to secure accommodation. Unlike FirstBuy the new 'Help to Buy' equity loan initiative is not restricted to first time buyers and is available to anyone wanting to buy a newly built home for under £500,000. Those who would be eligible can apply for an equity loan of up to 20% of the purchase price to help them purchase a property without having to have a large deposit. The following example shows how the scheme works:

Financing arrangements	Cost	Percentage
Property Purchase Price	£200,000	-
Mortgage to be taken out	£150,000	80%
Equity Loan	£40,000	20%
Deposit	£10,000	5%

18. If the home in the table above sold for £210,000, the purchaser would get £168,000 (80%, based on the mortgage and deposit amount) and would pay back £42,000 on the loan (20%). There are no fees to be paid on the equity loan for the first five years but in the 6th year the purchaser will be charge a fee of 1.75% of the loan's value. After this the fee will increase every year using the Retail Prices Index plus 1%.
19. A second element to Help to Buy; the equity guarantee initiative is due to be implemented early next year and the details of how this scheme will operate is in the process of being finalized.
20. Whilst it is hoped that Help to Buy initiatives will stimulate greater demand for house purchases, it is likely to take some time for any increase to significantly impact upon the number of homes being brought forward and as such the number of affordable homes the Council is able to secure through Planning Policy.

RISK ASSESSMENT

21. The national economic difficulties continue to have an effect on the number of affordable homes being delivered, both in terms of developers' willingness to develop and challenges based on financial viability which affect the numbers of affordable homes achieved, and the availability of mortgages to those wanting to buy a new home.
22. The number of homes presently due to be completed by the end of the financial year will mean the Council will be behind in meeting the target to build 500 new affordable homes by 2017. Whilst the delivery of new housing is primarily dependent upon favourable market conditions, the Council may wish to consider what role it can play in helping to deliver the level of affordable housing required to meet priority local housing needs.

CONCLUSION

23. By the end of the current financial year it is expected that 175 new affordable homes will have been built in the borough since the Corporate Strategy was agreed in 2011.
24. The challenges facing the economy continue to affect housing development and therefore the delivery of affordable housing in the Borough. Consequently the number of affordable housing completions has reduced each year since 2011 and only 38 units are expected to be built in the current financial year. Over the next 3 years the Council will need to seek to enable the development of significant numbers of affordable housing units if the overall target is to be met, and this could include the potential development of around 100 new Council owned homes.

Background Papers:

Fareham Borough Council's Corporate Strategy 2011 – 2017

Report to the Housing Policy Development and Review Panel 15 November 2012: Delivery of New Affordable Housing – Annual Report

Reference Papers:

Report to the Executive 8th July 2013: An Alternative Approach to Supporting Housing Delivery

Appendices

[Appendix 1: Draft Register Provider Agreement](#)

Enquiries:

For further information on this report please contact Ed Till. (Ext 4489)