

**Decision maker:** Cabinet Member for Housing

**Subject:** Portsmouth Affordable Housing Development Programme

**Date of decision** 12 July 2011

**Report by:** Head of Community Housing & Regeneration

**Wards affected:** All

**Key decision (over £250k):** No

### 1. PURPOSE OF REPORT:

To provide a review of the affordable housing produced for 2010 – 11, that procured during the last 6 years and to provide an update on the way affordable housing may be procured in the future.

### 2. RECOMMENDATIONS:

It is recommended that the Cabinet Member for Housing notes these trends as the background for understanding the issues on future provision of affordable housing.

### 3. REASONS FOR RECOMMENDATIONS

This report is intended primarily as an information briefing.

### 4. REVIEWING 2010-11

180 affordable dwellings were completed during the year ending March 2011:

- 77% have one or two bedrooms and 23% three or more bedrooms
- Half are social rented with the rest mostly *Homebuy* purchases
- 30% are houses and bungalows, 70% are flats.

The 2010-11 results can be presented according to different themes, outlined below which are presented alongside previous years:

#### a) N° of bedrooms:

	2008-09 actual		2009-10 actual		2010-11 actual	
One bedroom	175	30%	55	17%	61	34%
Two bedrooms	329	56%	192	60%	78	43%

Three+ bedrooms	80	14%	75	23%	41	23%
	<b>584</b>	<b>100%</b>	<b>322</b>	<b>100%</b>	<b>180</b>	<b>100%</b>

Comments: – the overall number of completions is down on the projected 214 units to 180 completions.

Output of larger homes (with 3+ bedrooms) is slightly higher than anticipated at the beginning of the financial year with 41 completions, 23% of the total as against the projected 22%. There has also been an increase in the number of one bed units whilst two bedroom dwellings comprise 43% of completions which is less than the forecast of 47%

The current Portsmouth waiting list shows the highest number of households waiting for 1 bedroom accommodation. The next highest number is for 3 bedroom accommodation and then 2 bedroom. In terms of supply of homes it is the supply of homes with 3 bedrooms or more that is the highest priority with the suggested target being 45% of completions.

b) **Tenure:**

	<b>2008-09 Actual</b>		<b>2009-10 Actual</b>		<b>2010-11 Actual</b>	
Social Renting	341	58%	158	49%	85	47%
Intermediate Rent	62	11%	22	7%	38	21%
<i>Homebuy</i> S/O	116	20%	56	17%	38	21%
<i>Homebuy</i> OMP	65	11%	37	11%	0	0%
<i>Homebuy</i> Direct	0	0%	49	15%	19	11%
<i>Totals</i>	584	100%	322	100%	180	100%

Comments: Once again the Homebuy products in Portsmouth proved very popular during 2010-11 with greater than originally expected number of completions. There were 57 Homebuy completions of which 38 were shared ownership schemes (66% of the Homebuy total).

There were 85 new dwellings for social renting, almost half the overall total.

Although numbers for development were down in 2010-11, there should be a similar number of completions for 2011-12 with social renting increasing potentially to as much as 60% (this will vary depending on the amount of Homebuy purchases).

After 2011-12 the social renting will drop dramatically to be replaced with an 'Affordable Rental' schemes which is a higher rental intermediate product.

c) **Special Needs housing**

The city council's programme of specialist housing for particular needs resulted in 44 final completions, comprising 24% of the year's output. This included a further 37 flats for older people at Milton Village, which are designed to extra care standards;

a house inherited by First Wessex that under the terms of the inheritance had to be converted for disabled use, 2 purpose built full wheelchair mobility bungalows and 3 retrospectively agreed disabled units at the Highbury college scheme. Finally one ground floor mobility flat at the Hermitage development in St James Road Somerstown was completed.

d) **Dwelling type and tenure:**

DWELLING TYPE	TENURE	2008-09 Actual		2009-10 Actual		2010-11 Actual	
HOUSES, incl bungalows	<i>Homebuy</i> Purchases	56	10%	57	18%	13	7%
	Intermediate Rent	27	5%	21	7%	30	17%
	Social Rent	45	8%	32	10%	11	6%
	Total houses	128	22%	110	34%	54	30%
FLATS, incl maisonettes	<i>Homebuy</i> Purchases	125	21%	85	26%	44	25%
	Intermediate Rent	35	6%	1	0%	8	4%
	Social Rent	296	51%	126	39%	74	41%
	Total Flats	456	78%	212	66%	126	70%
	TOTAL	584	100%	322	100%	180	100%

Comments: the above table shows that for 2010-11 just fewer than one in three homes were houses (30%). The proportion available for social renting is again comparatively low at just 6% of the total. Meeting demand for social rented *houses* is one of the highest priorities, and it is hoped that this proportion will rise for 2011-12 (forecast 18%). After 2011-12 new social rented accommodation is likely to cease to exist.

The 30 houses classified as intermediate renting in 2010-11 were sourced from private leasing and empty property programmes and were offered to applicants on the Housing Register and from the Mortgage Rescue Scheme (where existing tenants stayed in their properties).

e) **Planning agreements:**

Excluding *Homebuy* purchases, 21.7% of all new affordable housing completions were the outcome of Section 106 planning agreements on private (market) developments during the year to March 2011. This proportion is expected to drop to about 16% in 2011-12 and future delivery is very uncertain with many developers making viability claims in order that many Section 106 sites do not deliver affordable housing and with Registered Providers being uncertain how delivery can be funded.

**5. PROGRESS OVER 6 YEARS.**

The Housing Strategy had a bold target (the Public Service Agreement target was 330 homes per year) of 1,980 homes to aim for (new build, conversions and open market

purchases etc). The final achieved figure of 1,960 was 20 units (or 1%) short of that target.

1) Bedrooms

- 31% 1 bedroom
- 51% 2 bedrooms
- 18% 3+ bedrooms.

2) Tenure

- 43% social renting
- 11% intermediate (sub-market) renting
- 46% assisted home purchase (shared ownership etc).

3) Dwelling type

- 26% houses and bungalows
- 74% flats and maisonettes.

4) Provision routes (excluding *Homebuy* purchases)

- 35% Section 106 agreements on market (commercial) sites
- 65% Housing association as sole developer

The rate of completions has varied considerably from year to year; the lowest was 91 homes in 2003-04 and the highest was 584 in 2008-09: see appendix 1. But the overall trend since 2005 has been a cumulative increase towards a target of 2,000 affordable homes over six years: The other long term trend is the increasing emphasis on social renting: see appendix 2.

Capital investment in Portsmouth for the four years ending March 2011 now totals £174 million with at least half sourced from housing associations' own funds which include commercial loans: see appendix 3.

## **6. FUTURE PROSPECTS AND IMPLICATIONS**

The 2010-11 result – and the cumulative rate of completions since 2005-06 (appendix 1) - illustrates that the provision of affordable housing has been a continuing priority for the city council, made possible by the combined efforts and investment from many partner organisations.

The challenge, in the Portsmouth development context, is to plan for a continuing supply of affordable homes and an increasing number of houses (rather than flats) for lower cost renting, especially larger properties for families.

As appendix 2 illustrates, HCA grants have been a major form of subsidy that has ensured the momentum of the affordable housing programme in Portsmouth. Although there are still new homes being developed from the HCA 2008-11 Affordable Homes Programme (e.g. Alliance House, Fratton; Edwin Court, Pompey Centre; Watts Road, Buckland; Warwick Crescent, Somerstown and Perrone Road, Hilsea) a reduction in the national grant available from £8.4 billion to approximately £1.9 billion for 2011-15 will severely curtail the amount of new homes that can be produced utilising this source of funding. The bids for funding by Registered Providers were received by the HCA by

the 3<sup>rd</sup> May 2011. They have been cautious in the Portsmouth area and an outcome is anticipated of these bids in July 2011. An analysis of these bids is included at Appendix 3.

The draft Core Strategy suggests a range of overall new housing development. The approximate average suggests that around 470 new homes per year will be developed over the period to 2027. The affordable housing policy in the core strategy is for affordable housing to make up 30% of residential schemes over a certain size. Leaving aside developments where provision is above planning policy,  $470 \times 30\% = 140$  affordable homes per year. The new homes that were specifically bid for would amount to 82 homes per year in Portsmouth if approved. Other sources of funding will need to be investigated and approved so that a suitable level of new affordable housing development can be achieved.

The bids will allow Registered Providers to develop new affordable homes and convert some relets so that the rent that is charged to the residents is 80% of market rent. The intention is that the increased amount of revenue will allow providers to borrow more in order to fund new developments. In this way the 'Housing Associations' section of the pie chart in Appendix 2 will increase to a figure far more than 50% of the funding totals. The Homes and Communities element of the pie chart will reduce and although the 'Housing Association' element may increase 'Other Public Subsidies' such as those released by the Self Financing scheme potentially to be introduced for existing local authority housing stock will also have to increase. A further report will be provided on this subject once the outcome of the bids are known and providers are a little more used to working with Affordable Rents.

A level of affordable housing will continue to be provided through the planning obligations that developers are required to meet. Developers will need to become used to offers from providers based around the revenue stream from the affordable housing which can now be charged at 80% of Open Market levels. Early indications are that providers will be able to deliver the affordable housing on these sites based upon Affordable Rents.

There are a number of factors relating to Affordable Rents in Portsmouth which are itemised below

- For those living and working in Portsmouth house prices are over 5 times the income that people receive
- An increase in affordable rents to 80% of open market rent will increase the cost for new residents. The larger the property that they reside in the greater the difference between Council and housing association rents, e.g. for 3 bedroom properties and larger, there could be perhaps over £50 per week difference.
- From a provider perspective the difference is not as great in Portsmouth as it is in other areas and so the rental increase does not generate a significant amount of new income for providers in Portsmouth

Affordable Rented properties are eligible for Housing Benefit but there are grave concerns about whether the households that we wish to assist will be able to afford these homes and how these rents will effect the creation of mixed communities. Via the Localism bill the Local Authority will have to produce a Strategic Tenancy policy. This will concern issues of security of tenure which can be reduced in the use of

Affordable Rented homes and a policy will have to be produced which enables a balance between development of new homes and the security of tenure of existing residents all at a reasonable cost

## **9. EQUALITY IMPACT ASSESSMENT**

As this report relates to previous affordable housing development activity no Equality impact Assessment is required

## **10. CITY SOLICITOR'S COMMENTS**

The report is information only and is to note trends for future policies so there are no legal implications at this time.

## **11. HEAD OF FINANCE COMMENTS**

There are no immediate financial implications arising from the recommendations to this report

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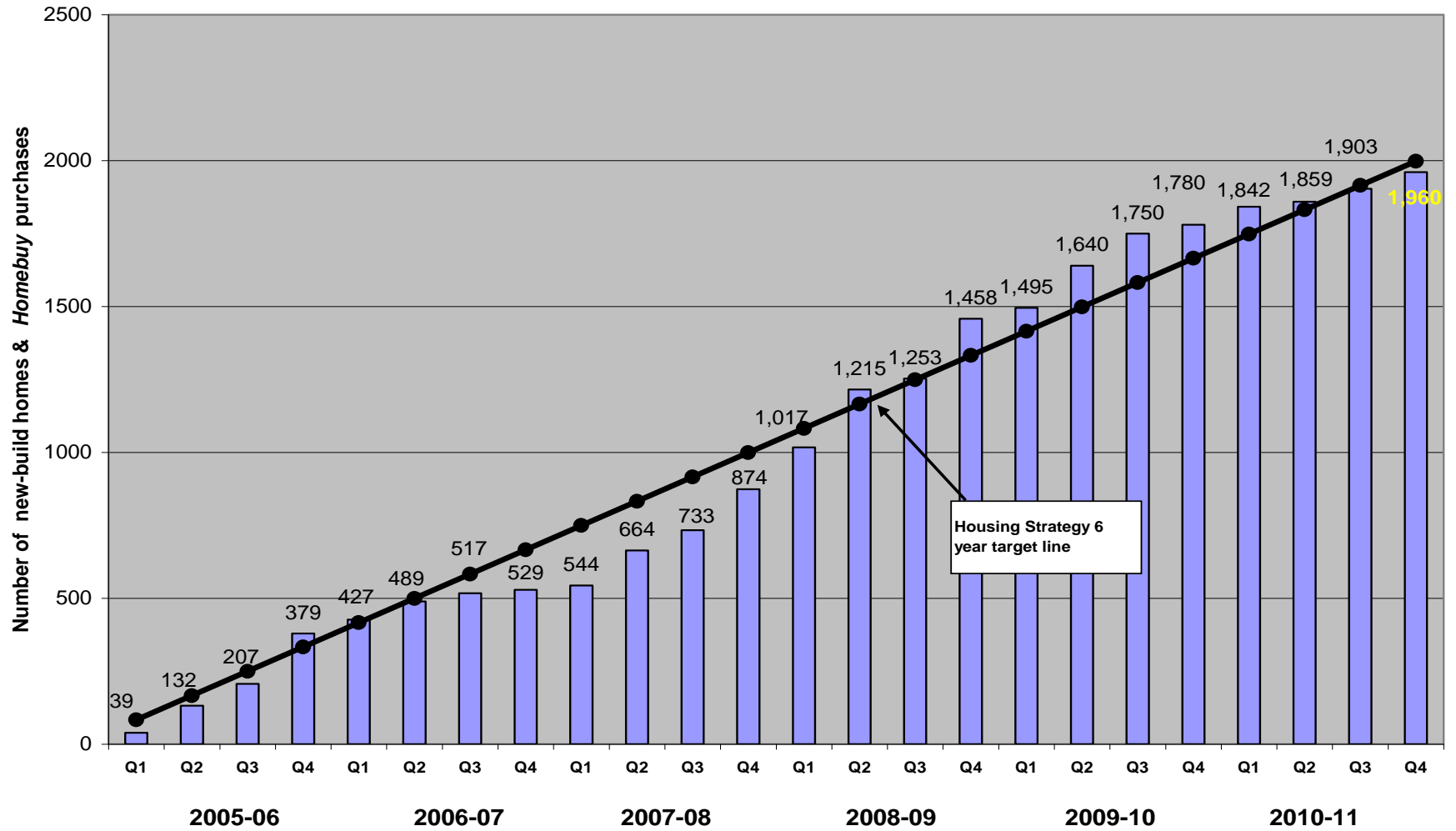
**Signed by Alan Cufley**  
**Head of Community Housing & Regeneration**

The recommendations set out above were approved/ approved as amended/ deferred/ rejected by the Cabinet Member for Housing on 9 November 2010.

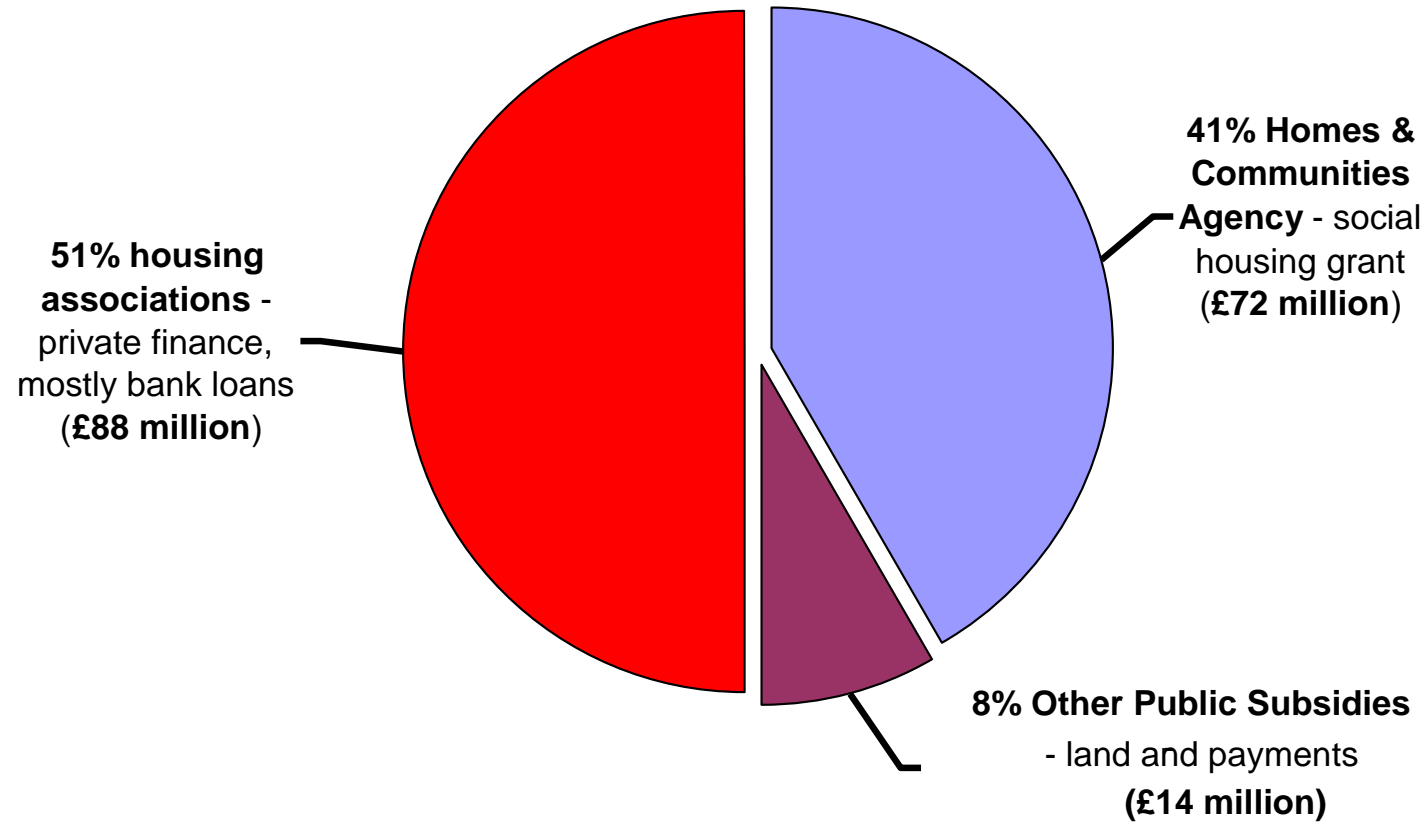
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**Signed by Councillor Steve Wylie**  
**Cabinet Member for Housing**

**PORTSMOUTH'S AFFORDABLE HOUSING PROGRAMME 2005-06 TO 2010-11**  
**Actual cumulative completions against Housing Strategy targets**



## £174m INVESTED IN PORTSMOUTH'S AFFORDABLE HOUSING PROGRAMME 2007-08 TO 2010-11





## APPENDIX 3

### Analysis of HCA information received May 2011

#### 1) **Background**

For the years 2011 – 15 the government (through the Homes and Communities Agency) has £1.9 billion nationally to support the provision of affordable housing. This is a reduction from the £8.4 billion available for the 2008 – 11 programme. The HCA requested bids by the 3 May 2011 for the grant and this prompted the following response.

#### 2) **Commercial Developers**

Bids were made for new affordable housing across the PUSH Local Investment Plan (LIP) area. One third of bidders are commercial developers (Galliford Try, Bellway Homes, Bovis Homes, Persimmon and Taylor Wimpey) and 30% of proposed units are ones these commercial developers suggest they will deliver. These commercial developers are seeking 'with grant S106 homes', other bidders are not.

#### 2) **Portsmouth**

Bids were received relating to specific sites requesting partial funding for 82 affordable homes per annum over the 4 years from 2011 – 2015. This is a total of 327 affordable homes for Portsmouth. The bidders for these specific schemes are Housing 21, First Wessex and the Guinness Trust.

Affinity Sutton, Radian, Southern Housing Group, Hyde, Raglan, Spectrum, and Places for People are bidding for unspecified schemes across the PUSH Local Investment Plan area.

#### 3) **Relets, Conversions and Disposals**

Disposals – As at May 2011 no existing provider of homes was planning to dispose of properties in the PUSH area.

Conversion to Affordable Rent upon relet - a declaration for Portsmouth was made by A2 Dominion (14% of estimated relets), Affinity Sutton, Housing 21 (100% of the estimated 80 relets), Hyde, Radian, Raglan, Sanctuary (37.5% of estimated relets), Southern, Sovereign (25% of estimated relets), Places for People, Guinness and Spectrum that they are planning to convert relets to affordable rents. For those that have declared that Portsmouth stock will be converted, based upon estimated relets, over 350 relets could be

affected and further properties could be affected because providers have homes in many of the areas covered by local authorities in the LIP area

#### 4) **PUSH Perspective**

PUSH Outcomes 2006 – 2026 include a plan to deliver 4,000 homes per year up to 40% of which should be affordable homes (1,600), these bids might deliver (720 per year) 45% of these.

**Background list of documents: S 100D of Local Government Act 1972**

The following documents disclose facts or matters which have been relied upon to a material extent by the author in preparing this report:

<b>Title of publication</b>	<b>Location</b>
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