

# TONBRIDGE & MALLING BOROUGH COUNCIL

## STRATEGIC HOUSING ADVISORY BOARD

6 October 2008

### Report of the Director of Health and Housing

#### Part 1- Public

#### Matters for Information

#### 1 DEVELOPMENT REPORT

##### Summary

**This report updates Members on the progress being made by the Council's Registered Social Landlord (RSL) partners in providing new affordable housing in the Borough, and summarises the programmes for 2008/09 and 2009/10.**

- 1.1.1 The effective negotiation, planning and delivery of affordable housing forms one of the key priorities of the Council's housing service. Allied to this is the need to track and monitor the progress of RSLs in delivering new schemes. Failure to secure a steady supply of new homes has a direct knock-on effect on the levels of homeless households placed in bed and breakfast. Members will be aware that the Council is under a duty not to house homeless families with children in bed and breakfast except in an emergency, and then for a period not exceeding six weeks.
- 1.1.2 While we are dependent on our partners to ensure timely delivery of new provision, the Council also has a role to play in tracking performance. This is important to ensure that any difficulties arising on new schemes are highlighted early on and corrective action taken.
- 1.1.3 Set out at **[Annex 1]** is a monitoring spreadsheet showing the completed schemes in the year to date and the development programme over the next eighteen months. The table identifies:
- the scheme address;
  - RSL provider;
  - Start on Site (SoS);
  - total number of units to be provided (rent and/or shared ownership);
  - detailed split of rent and shared ownership units;

- the level of grant required for each scheme;
- expected date of completion; and
- information on progress.

1.1.4 Members should be aware that details on some schemes may alter where planning permission has yet to be secured. The number of units to be provided is therefore an indicative figure for strategic purposes, pending confirmation of final scheme details. As new schemes come forward these will be also be added to the schedule.

## **1.2 Economic downturn and the housing market**

1.2.1 The delivery of affordable housing is reliant to a large extent on a planning led policy in a buoyant housing market where developers are keen to bring sites forward. The slow down in the housing market and the mortgage famine due to the credit crunch has resulted in the volume house builders 'mothballing' sites.

1.2.2 In a rising market, housing associations have been hugely successful in cross-subsidising new affordable homes from their surpluses on shared ownership and outright sale; the Council has been able to drive a hard bargain with house builders through the application of its planning policy for affordable housing and house builders have made money by watching prices rise. Housing associations now find themselves in a difficult position as without subsidy from building-for-sale and the squeeze on private sector lending, the Government will get far fewer homes built for its money. The Government's recently announced rescue package includes the proposal for £400 million to be brought forward from the 2010/11 affordable housing budget, to fund extra development over the next 18 months combined with the promise of a greater share of Housing Corporation grant upfront. The concern is that this could result in less investment in subsequent years and a sudden surge in social housing could undermine efforts to create estates with a mix of social and private tenants and result in problems in years to come. The other notable change is the implementation of continuous market engagement so that affordable housing schemes which are ready for submission will no longer have to wait for a specific deadline for submission.

1.2.3 Our RSL partners have advised that the development programme to March 2010 should not be affected. Depending on the speed of market recovery, however, it may not be possible to maintain such an ambitious new build programme in subsequent years. Demand for shared ownership has fallen with the loss of confidence in the market and the difficulties prospective purchasers are experiencing in securing mortgage finance. The RSLs are now, therefore, looking at alternative tenures such as intermediate rent with the option for tenants to buy a share at a later date.

1.2.4 In June the Government made £200 million available to buy unsold private sector new build homes off the market. A number of RSLs have been approached by

developers but have exercised caution given the generally inferior space standards and concerns about sustainability. Some developers are also considering 100 per cent affordable schemes as rent and intermediate tenures with grant subsidy are a safe bet in a falling market.

- 1.2.5 It is hoped that the close working relationships we have with the Housing Corporation and our preferred RSL partners will enable us to identify a planned way forward through the current market downturn. We await further details of how the extra capital investment promised as part of the wider rescue package will be made available and a further report will be brought to the Board to elaborate on the outcome of this joint working to secure additional funding. Further details of the rescue package, including help for first time buyers and mortgage rescue proposals are detailed in another report on these papers.

### 1.3 Housing Corporation funding allocations

- 1.3.1 Members will be aware that the Housing Corporation moved to a system of Regular Market Engagement (RME) this year for bids under the National Affordable Housing Programme (NAHP). In contrast to previous programmes, the Housing Corporation has not allocated all of the available resources at the end of the initial bidding round and for the start of 2008-11. Remaining resources are thus being made available to Investment Partners through further market engagements and as explained above, the Corporation has now implemented Continuous Market Engagement (CME) for schemes ready to go. Continuing investment priorities include larger family homes, rural housing and supported housing with the emphasis on value for money and deliverability.
- 1.3.2 Two rounds of RME have taken place so far. The allocations secured are shown in Table 2. This is in addition to the £1,273,500 secured under the initial bidding round at the start of the 2008-11 NAHP programme. The provisional timetable for further rounds of RME in 2008/09 is shown in Table 1.

Table 1 – RME Timetable

RME Round	Initiate/launch RME	Close RME	Announcements
Third	6 October 2008	24 October 2008	10 December 2008
Fourth	5 January 2009	23 January 2009	10 March 2009
Continuous	Ongoing engagement		

Table 2 – List of 2008-11 NAHP Regular Market Engagement Rounds 1 &amp; 2 Allocations

RSL	Tenure	Scheme	No. Units	Grant	RME Round
Hyde Housing Association	Rent	Carpenter's Lane, Hadlow	5	£300,000	RME 1
Hyde Housing Association	Shared Ownership	Carpenter's Lane, Hadlow	3	£60,000	RME 1
Orbit Group	Shared Ownership	Old Cannons Wharf	11	£270,000	RME 2
Orbit Group	Intermediate Rent	Old Cannons Wharf	10	£200,000	RME 2
Holborough Valley Phase 4 Additional 3 units	Rent	Holborough Valley Phase 4	3	£240,000	RME 2
		Total (NAHP RME)	32	£1,070,000	RME 1&2

## 1.4 Legal Implications

1.4.1 The Council needs to secure a sufficient supply of affordable housing to meet its statutory duties.

## 1.5 Financial and Value for Money Considerations

1.5.1 The National Affordable Housing Programme is the means by which public subsidy is secured for the delivery of affordable housing. RSLs must adhere to strict value for money and design considerations imposed by their regulator the Housing Corporation

## 1.6 Risk Assessment

1.6.1 Failure to secure sufficient investment in affordable housing could mean that the Council is unable to deliver its local strategic housing priorities and meet its statutory obligations to the homeless and others in housing need.

Background papers:

contact: Nicola Bowen

Nil

John Batty  
Director of Health and Housing