

**Affordable Housing Programme Delivery Plan
Welwyn Hatfield Borough Council
2016 to 2020**

Our Vision

To provide a range of high quality affordable homes which meet the housing needs of our residents

Executive Summary

- The council has a corporate objective to provide additional affordable homes to meet the needs of our community. This Delivery Plan sets out our plans for delivering affordable homes over the next five years.
- There are significant benefits derived from providing additional affordable homes, including reducing the impact of homelessness and unsuitable housing conditions, and delivering high quality energy efficient life time homes.
- 72 new homes have been provided to date and the council aims to provide a total of 600 affordable homes via its Affordable Housing Programme between 2014 and 2021
- As a social landlord, the council wants to ensure that it sustains its housing stock to meet local housing need and to ensure that it continues to operate a cost effective service. On this basis a proportion of the homes delivered will be retained by the council.
- The Affordable Housing Programme delivers homes via a number of methods including:
 - open market purchase (OMP)
 - disposal of brownfield sites to Registered Providers (RPs)
 - direct funding/construction for council ownership
 - windfall opportunities, including additional value on Section 106 sites
- There are a number of key strategic sites in the borough, where plans are coming forward for large scale development, but viability issues may make it difficult to provide the number of affordable housing units required by planning policy. The Affordable Housing Programme has an opportunity to bridge this gap.
- The schemes identified to meet the target homes are set out in Appendix B. This shows the number of projected units by year and by delivery strand.

Introduction

There is a high level of housing need locally and providing affordable homes is a priority for the council. The Strategic Housing Market Assessment (updated 2015) concludes that there is an Objective Assessment of Need for new homes ranging between 664 and 707 new dwellings per annum. The evidence suggests that there is a sizeable current need for affordable homes per annum over the next five years, including a backlog of unmet housing need.

One of the council's five corporate objectives – *Meet the borough's housing needs* – is underpinned by the action 'Increase the supply of new, affordable homes'

The planning system makes provision for the delivery of affordable homes as part of all new homes delivered. The existing District Plan policy requirement for affordable housing is 30% on all eligible sites. However viability work to inform the new Local Plan indicates that a more refined approach will be required going forward to reflect varying degrees of viability across the borough. The Emerging Core Strategy 2012 indicates that the proposed policy approach would be for 25% affordable housing on eligible sites in Hatfield, 30% in Welwyn Garden City and 35% on sites in the excluded villages.

Registered Providers may also develop properties using land they have acquired with their own funding and/or with funding provided by the Homes and Communities Agency.

As part of our commitment to the delivery of new affordable housing, the council has an Affordable Housing Programme (AHP) which has been in place since 2012, when the government enabled the council to use a proportion of receipts from the sale of council homes to fund replacement affordable housing. The programme provides affordable homes over and above those that are provided via the planning system.

Appendix A sets out the benefits of the programme in detail, but a summary of the strategic benefits is set out below:

- Addressing housing need and therefore reducing the number of residents living in unsuitable housing, for example overcrowding and homelessness
- Reduction in the need for temporary accommodation and thus reduction in the risk of requiring expensive and unsuitable Bed and Breakfast accommodation
- Vacant Houses in Multiple Occupation (HMOs) being brought back into use as family homes.
- Reduction in anti-social behaviour by targeting sites and improving safety for local residents
- Facilitating investment in the borough
- Delivering high quality energy efficient life time homes

Key Aims

Following a review of the programme, a set of key aims has been agreed:

- To provide 600 affordable homes by 2021
- To deliver a proportion of these homes for council ownership in order to sustain the stock of 9000
- To meet the borough's homeless obligations without the use of Bed and Breakfast accommodation
- To increase the supply of affordable homes for those with a local connection
- To provide a range of long term sustainable housing products
- To provide a flexible framework from which to respond to government policy direction.

Delivery Methods

The council delivers new affordable homes via a number of methods:

1. Open market purchase (OMP)
2. Disposal of council owned brownfield sites to Registered Providers (RPs)
3. Direct funding/construction for council ownership
4. Windfall opportunities, including achieving additional value on sites that have provision made through the planning system.

1. Open market purchase (OMP) by either the council or RP partners

The purchase of properties on the open market is subject to their location, property type, condition and price. For example, mostly ex-local authority properties are purchased in areas with existing council housing, and two and three bed houses are given priority due to the identified housing needs.

There is also a price limit for the programme, which is reviewed regularly to ensure it is relevant in market conditions and provides value for money.

Examples of Open Market Purchases



Two RP partners (Welwyn Garden City Housing Association and B3 Living) have also agreed a purchase programme, with the council providing 30% of the funding.

OMP is a method of delivery that is relatively high cost compared to other methods, but with an equivalently low risk. Cost analysis demonstrates that even if the OMP properties are later sold under the Right to Buy, it still provides value for money.

OMP can also help deliver other strategic priorities, including purchasing long term empty properties and targeting former Houses in Multiple Occupation (HMOs) and reletting these as family homes.

2 Disposal of suitable brownfield council sites to RPs

This includes the disposal of former garage sites and other suitable council owned brownfield land to RPs. The council can fund these providers directly at up to 30% of the legitimate development costs from useable receipts.

There are a number of benefits to taking this approach, including the redevelopment of underutilised brownfield sites, and strengthening relationships and encouraging additional investment by RPs. The RPs will commit the remaining 70% of the costs of these developments, either through reserves or additional borrowing.

The first phase garage sites (six sites) were disposed to Welwyn Garden City Housing Association and the 17 properties are now completed. A second phase has recently been tendered (which will provide a further 21 properties) and the council is identifying a third phase of potential sites. In order to de-risk this method of delivery, the council has secured full planning permission on all the sites within Phase Two and plans to do the same for the sites identified within Phase Three.

Examples of garage site development

Before



After



3 Direct funding/construction for council ownership

This involves either redevelopment projects or direct construction on council owned sites. Where the homes remain in the council's ownership the receipts and HRA funds can pay for 100% of the homes delivered.

Projects include the development of two garage sites in Hatfield on Furzen Crescent and Garden Avenue and the redevelopment of a low demand block in Northdown Road. Further schemes have also been identified on other garage sites.

Strategic land purchase to assist in land assembly of sites for affordable housing for development can support additional units on a scheme or improve the accessibility and/or overall scheme design. For example the purchase of garages from a private owner at Furzen Crescent allowed better access to the site for construction and an improved overall scheme design. We will continue to look at opportunities to purchase land strategically in order to add value to projects and help with land assembly.

Furzen Crescent, Hatfield



Before



After

Garden Avenue, Hatfield





Photo: Northdown Road redevelopment opportunity

- 4 Windfall opportunities, including achieving additional value on sites that have provision made through the planning system.

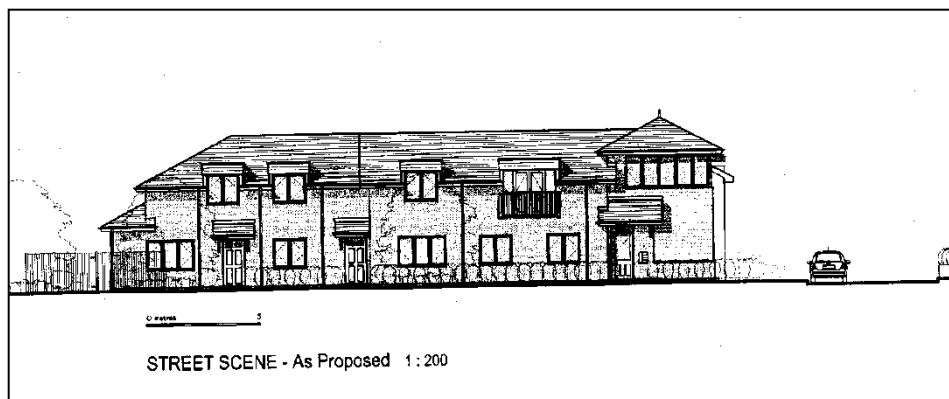
S106 Sites (Planning requirement)

RtB receipts can be used to increase the proportion of affordable properties on a Section 106 site. This is usually where the viability of the site means that without the additional funding, less than the usual policy requirement will be provided. An example of this is Sir Frederic Osborn School where the affordable provision for Hightown Praetorian Housing Association on the site increased from 20 – 30% as a result of using RtB money.

Whilst the team aims to negotiate the full policy requirement on all S106 sites, where viability issues are substantiated, the Affordable Housing Programme will be a powerful tool to ensure we maximize affordable housing on these sites. Key strategic sites have known viability issues, and the programme presents the opportunity to make up the financial shortfall to deliver policy compliant sites.

Other Opportunities

Grant funding has been allocated to Paradigm Housing Association for four houses on Cherry Way, Hatfield and to Welwyn Garden City Housing Association for a development of five flats on Elizabeth Close in Panshanger (grant funding provided for 3 flats).



There are other opportunities being explored on local sites.

Other Methods of Delivery

There are a range of other schemes that are being investigated outside of the above strands.

- Cash Incentive Scheme. We are exploring the option of providing a 'cash incentive' to current secure tenants, in order for them to purchase a suitable property and free up their current council home. It is likely that the 'cash incentive' would be provided as grant, making the new home 'affordable' for the tenant.
- An Open Market Purchase programme for older people who currently under occupy family sized homes and are willing to sell to the council at a discounted price in exchange for rehousing within suitable smaller council owned or Registered Provider stock.
- Consideration of sites with planning approval that is due to expire. The team will proactively contact land owners to talk about what the barriers may be and identify any opportunities for use of RtB funds to bring forward development.

Funding

The council uses the available Right to Buy receipts, which can be used to pay for up to 30% of the new affordable housing. The remaining 70% investment is found from alternative funding sources, including Housing Revenue Account (HRA) surpluses and reserves and investment from Registered Providers.

Capital Investment

Since the council signed up to the Right to Buy agreement, 324 properties have been sold (as of end of March 2016). Based on current projections we anticipate that 569 properties will be sold by March 2021, giving a total of £36m useable receipts. As the receipts can only pay for a maximum of 30% of the cost of an affordable home, this generates an additional investment requirement of £84m, meaning a total investment requirement of £120m.

Some of these receipts have already been spent and there is a projected total expenditure of £41m over the next five years. Consequently, in order to spend all the receipts likely to be available, a mixture of supply will be needed and gaps in delivery can be bridged by the Open Market Purchase programme.

There are a number of sources of finance to fund the remaining 70% of the schemes and they are outlined below:

Investment from Registered Providers

Working with RPs and other investors (such as charitable organisations) allows the council to deliver new homes in the district and retain nomination rights to these properties without having to raise the additional 70% investment in-house.

Use of HRA Balances and Reserves

It is possible to supplement the RtB receipts by using HRA balances. However, with recent rent reductions this is not sustainable over a long period and will only make up a comparatively small proportion of the required 70% investment
Extending the self financing debt (HRA)

Use of the Attributable Debt Pot

When a property is sold under the RtB the sum that the government considers to be the outstanding loan on the property is returned to the council (approximately £33,000 per property sold) is returned to the council. Approximately £10m of the attributable debt has been earmarked to support the programme up to 2020.

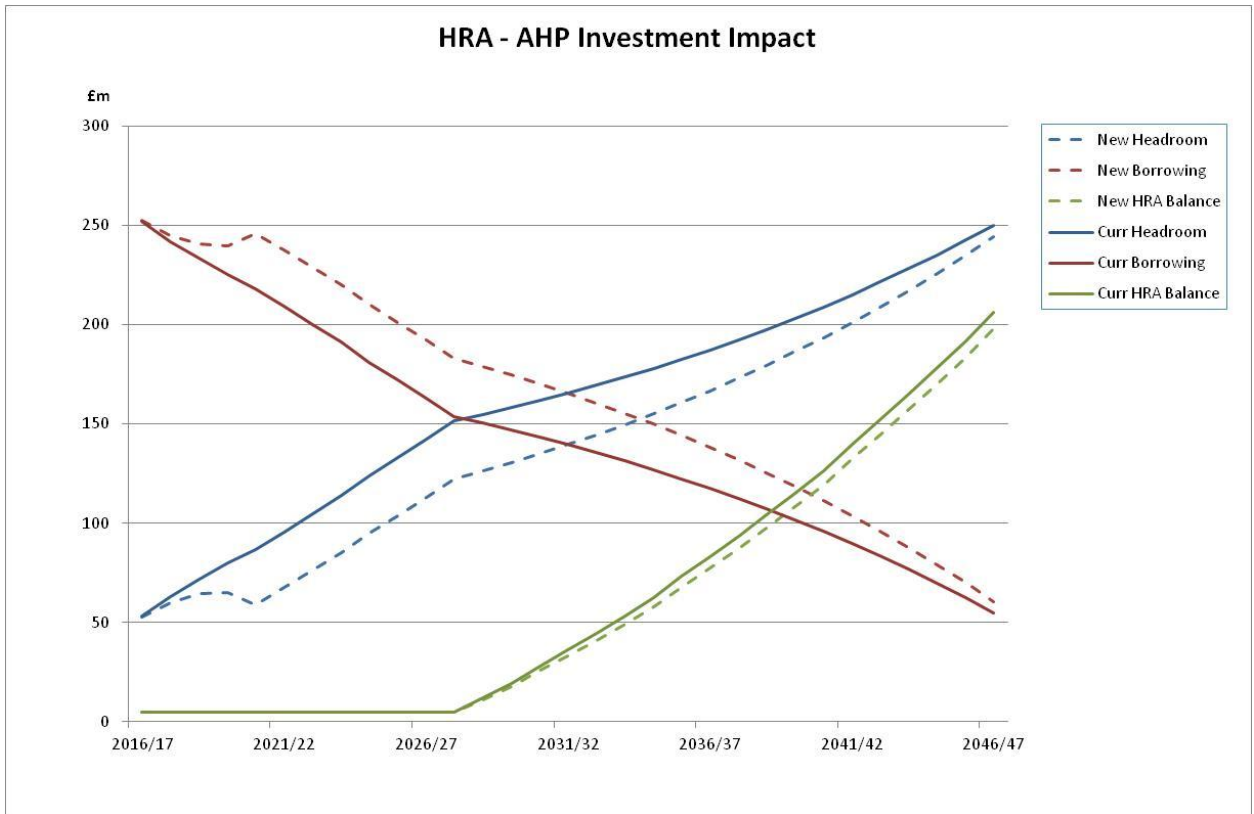
Extending the self financing debt (HRA)

In 2011 the HRA subsidy system was abolished and self financing commenced. Under the self financing reforms the council took on borrowing of £306m to cover the debt allocated by government. The debt was taken out initially over a relatively short timeframe (16 years) and therefore a high proportion of the debt is being repaid annually. Each year, this creates 'headroom' that is the gap between the value of the outstanding loan and the original amount of borrowing. The government is encouraging local authorities to make use of this additional borrowing power. By the end of 2015/16 the headroom stood at £39.4m and by 2020/21 this will stand at £124.1m.

The proposed delivery plan is an increase on the current plan of a further 300 affordable units. Of these 50% (150) are assumed to be delivered by Registered Providers with the other 50% for council ownership. The estimated cost to deliver these 150 units is £34.5million. RTB receipts of £4.3million and voluntary sales of high value properties generating £3million is assumed to be available to help fund this cost, but the bulk of the funding of around £27.2million is expected to come from additional borrowing.

The graph below demonstrates the financial modelling completed to show the impact of the additional investment of 150 units in the affordable programme, using a number of assumptions and based on data available in the final quarter of 2015/16. The year-end outturn position will provide an update to the assumptions. The estimates are based on:

- retaining a £5m contingency balance in the HRA,
- savings of £2m to meet rent decreases are achieved in the HRA
- slow rent growth after 4 year rent reductions
- RTB sales reducing over medium term
- a generally prudent approach to assumptions
- based on current government policy - Impact of any future policy changes unknown
- Does not include any assumed receipts from forced sale of high value properties



Investment in a further 150 properties is reflected in an increase in the amount of borrowing outstanding over the period and is shown by the dotted red line. Taking into account the current loan repayment schedule, the revised programme will see total outstanding borrowing peak at around £246million in 2020/21. At this level there is still borrowing headroom of around £59million. The financial model predicts interest payments would peak in 2027/28 at around £9million per annum.

The financial modelling demonstrates that the strategy and delivery plan is affordable for the Housing Revenue Account, all other things being equal. The model will need to continue to be monitored and reviewed over the course of the delivery plan and action taken accordingly as part of the annual budget setting process.

Appendix A

Appendix A: Benefits Realisation Plan

Desired Benefit	Stakeholders Impacted	Enablers Required	Outcomes Displayed	Measurable Output	Progress
Benefits associated within the borough generally					
Increase in affordable housing let at social rent and affordable rent	WHBC waiting list applicants	RP Framework, Planners, WHCHT, HCC	Decrease in waiting list, increase in new affordable homes	current committed numerical target 129 homes	22 OMP, 3 flats funded Elizabeth Close
Addressing housing need and therefore reducing the number of residents living in unsuitable housing e.g. overcrowding and homelessness	WHBC residents, homeless	WHCHT, NHS, HCC social services	Evidence from Housing Needs and bidders	n/a	
Reduction in the need for temporary accommodation and thus reduction in the risk of requiring B&B accommodation	WHBC paying for B&B, WHBC waiting list applicants	WHCHT Housing needs	No B&Bs required	n/a	No tenants in B&B
Replacement homes via the governments One for One RtB initiative	DCLG, local MP	WHCHT, WHBC	Number delivered	no of homes sold under initiative - 205	
Partnership working with local service providers, businesses and organisations	WHBC residents	Police, fire service, estate agents, landlords, RPs, HCC, developers, contractors, HCA		n/a	
Maintaining and growing the stock levels of the council's housing stock, to ensure it is at its most efficient scale	WHCHT and Resources Dept	Planners, WHCHT, developers	Number delivered for WHBC ownership	current committed numerical target for council homes - 74	29 homes submitted for planning application

Benefits associated with new build					
Effective use of brownfield and hard-to-let disused garage sites	Neighbours, police service	WHBC Corporate Property, planners, police arch liaison officer, architect, RPs	Relocation of garage tenants and alternative use of vacant sites, best use of council assets on infill development rather than on green belt	18 sites currently committed in programme	4 garage sites disposed to WGCHA, Elizabeth Close complete, Cherry Way on site,
Reduction in ASB in targeting sites and safety and security for local residents improved	Local residents, WHCHT tenants, police service	Architect, police arch liaison officer, contractor, RPs	Evidence from street wardens and police - Design led improvements	stats from Police, less neighbour complaints	
High quality residential homes built for local people	WHCHT, WHBC residents	Employers Agent, Architect, contractor, RPs	Housing Quality Indicators	No of homes in pipeline - 129	3 flats complete
Public realm extended and enhanced through new development	Local residents	Planners, RPs		n/a	
All newly constructed homes designed to Lifetime Home Standard - inclusive access	WHCHT tenants	Architect, contractor, employers agent, RPs	Lifetime Home results Code for Sustainable Homes results	Code Level 3/4 and 100% Lifetime Homes	All sites to achieve at least Code 3, 2 Council schemes to achieve 100% Lifetime Homes, wheelchair units to be submitted
Income to the Council through the use of Building Control	Planning, architects, contractors	WHBC, architects, planners		n/a	
Ability to build unit types not normally built by a developer - wheelchair units, bungalows	WHCHT, WHBC residents	Planners, WHCHT, RPs	Possible release of family accommodation if target under occupation	no of bungalows - 6 - no of wheelchair standard units - 1	1 bungalow purchased, Planning applications to be submitted for bungalows and wheelchair units
Consultation with local residents	WHBC	Planners, architects, contractors, RPs	Improvements for local residents	n/a	All RPs and council attended resident consultation events
Reduction in fuel poverty for tenants in new build homes	WHBC tenants	WHCHT, HCC, RPs	Code level, HCA standards, HQIs, bills reduced	n/a	

Benefits associated with grant funding to RPs					
Best value obtained for land disposals	WHBC Resources dept	Corporate Property, Planners, RPs	Capital receipts achieved	n/a	
Additional investment to the Borough by tapping into RPs resources/finance	WHBC, RPs	RPs, financial institutions	£s invested by RPs	n/a	4 sites disposed to WGCHA to invest 70% funding
Benefits associated with Open Market Purchase					
Ability to purchase homes to meet specific needs - such as families with a member with a disability	WHCHT, WHBC residents	HCC OTs, WHCHT, estate agents	Numbers purchased	n/a	
Purchase of homes in poor repair and bringing them up to a Decent Homes Standard	WHCHT, WHBC residents	WHCHT, Mears, Corporate property	Numbers purchased	OMP target committed	22 purchased
Support the local housing market by purchasing bottom of the chain properties	WHBC residents and local business	WHCHT, estate agents, Corporate Property	Value for money in homes purchased	n/a	22 purchased
Purchase of long term empty properties	WHBC	WHCHT, Corporate property, Mears	Number of homes purchased	n/a	
Vacant HMO properties being brought back into family accommodation	WHCHT residents, local residents and WHBC residents	Private sector housing team, Mears, WHCHT	Number purchased	current numerical target - 10	9 HMOs purchased

Appendix A

Appendix B

Affordable Housing Programme – Delivery Plan (2016 to 2021)*

Year	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Committed Schemes						
Council ownership						
Open Market Purchase	37					37
Garden Avenue	22					22
Furzen Crescent		7				7
Registered Provider						
Phase Two garage site programme		21				21
Open Market Purchase	18					18
Pipeline (short term)						
Council ownership						
Open Market Purchase		15				15
Little Mead		7				7
Northdown Road		16				16
Registered Provider						
Open Market Purchase						
S106 added value			10			10

Pipeline (long term)						
Council ownership						
Stock remodeling (including sheltered housing review)				30	50	80
Open Market Purchase			15	15	15	45
S106 added value				20	20	40
New sites			9			9
Cash Incentive Scheme		5	5	10	10	30
New build (HRA land)				10	10	20
Buyback and rehouse scheme				5	10	15
Registered Provider						
Open Market Purchase		5	5	5	10	25
S106 added value			10	10	10	30
Windfall sites				20	20	40
Office to residential				10	10	20
Phase Three garage programme				20		20
Total	77	76	54	155	165	527

*72 homes delivered already by May 2016