



# Affordable Housing Development Programme Annual Review 2019-20

November 2020



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## 1. Introduction

### → Why we've published this Review

The District Council's Housing Strategy commits us to report annually about the new affordable homes we provide.

All the data collected helps in the efficient management of the Council's development programme, including informing the development of new and revised policies.

### → About this year's report

We've highlighted:

- Key achievements and outcomes of last year's programme.
- Key factors affecting the size, shape and future direction of our development programme.

The following narrative provides an over-view of activity during the financial year ending 31 March 2020 and about what is happening now.

It's important to remember that the scale and form of the development programme is driven by a range of factors affecting the operational environment including:

- National and local planning policies.
- Investment decisions of partners and third parties for example, lenders to associations and Homes England.

All the homes delivered last year were the result of relevant planning permissions granted in the period 2013 to 2017 (the majority in the period 2015 to 2016). The policies and terms under which the homes were secured (including grant funding where applicable) will have been those prevailing at the time those projects were approved rather than completed.

### → How can I obtain more information?

This Review only presents a selection of the data available under the key questions shown below. Please contact [housing.policy@stratford-dc.gov.uk](mailto:housing.policy@stratford-dc.gov.uk) for further information.

## 2. What did we achieve in the year April 2019 to March 2020?

### → What we monitor and why

We record the total number of new affordable homes provided each year. In combination with other data, this provides crucial information about how well we're performing.

### → What the data tells us

**A total of 491 affordable homes were completed between April 2019 and March 2020. This is the Council's largest annual development programme.**

The above figure represents just over 36% of all new build housing supply last year (1,346 homes).

This supply has also made a valuable contribution to the maintenance of the Council's required Five Year Housing Land Supply, which currently stands at a healthy 7.08 years.

### → Other useful information

**A total of 1,785 affordable homes have been provided in the last 5 years.**

The Council's **Authority Monitoring Reports** (AMRs) provide further information about overall housing supply, both market and affordable.

It is reassuring to note that the direct impact of the pandemic on overall delivery last year (2019-20) was only marginal. Looking ahead, though, the picture is more complex.

## 2.1 Who built the homes?

### → What we monitor and why

By way of background, the Council sold its entire housing stock in 1996. Since then, it has been almost wholly reliant on the efforts of its partner housing associations (also known as Registered Providers) and others to provide new affordable homes.

We, therefore, monitor who provides new affordable homes, so that we can assess the effectiveness of different providers.

The Council cannot force house-builders to work with particular providers or dictate who develops sites.

### → What the data tells us

The largest single developer by number of affordable homes last year was **Orbit Group**. They delivered 38% of overall supply (185 of the total of 491 homes).

Of the remainder, 45% of supply was accounted for by our other partner housing associations with whom we work on a regular basis, namely: **Bromford; Platform** (merger of Fortis Living and Waterloo); **Stonewater** and **Warwickshire Rural Housing Association**.

Notably, 18% of supply (86 homes) came from providers *other than* the Council's regular partner housing associations. This is a significant increase on the long-term average of 9%. Further analysis of this supply has therefore been undertaken, revealing:

- 37 of the 86 homes were delivered as "off the shelf" purchases of newly-built homes, over and above supply required under current planning policy and secured under S106 Agreements. This relates to three sites delivered by **Sanctuary** and **Heylo** in Bidford-on-Avon, Shipston-on-Stour and Southam.
- 32 of the homes were delivered as part of 'S106' packages, by two 'for profit' Registered Providers, **Sage** and **Legal and General Affordable Homes** on two sites in Bidford-on-Avon and Newbold-on-Stour respectively.
- 11 of the homes were delivered as Fixed Equity Sale schemes, on two sites developed by **Cameron Homes** and **Duchy Homes** in Long Marston and Welford-on-Avon respectively.

- The remaining 6 homes were completed by **Feldon Housing** as part of a 'Local Need' scheme for a total of 14 homes on a site in Brailes.

## 2.2 What were the categories of homes provided?

### → What we monitor and why

We record information about the purpose of the schemes provided; that is to say, the type of households they're aimed at. Enabling a balanced programme over time is critical to ensuring that the full spectrum of housing need is met as far as possible.

### → What the data tells us

Reflecting the long-term trend, the vast majority (79%) of homes were built to provide **General Needs accommodation**.

The balance of 102 homes (21%) were provided in the form of **Specialised Housing i.e. Extra Care Housing and sheltered rented housing** at Rosalind Court, which was the final phase of Orbit's Arden Quarter development in Stratford-upon-Avon.



### → Other useful information

Long-term data shows that about 8% of supply has taken the form of Extra Care Housing.

Apart from Rosalind Court, there were no other Specialised Housing schemes completed last year. Long-term such schemes have only formed a small proportion of overall supply.

## 2.3 What was the origin of supply?

### → What we monitor and why

We record whether new affordable homes are new build properties or are sourced by other means, for example the conversion of old buildings. This data is important because, it tells us which mechanism are more – or less – effective in delivering new homes.

### → What the data tells us

All but one of the new homes provided last year were **new-build** properties (the one exception being an existing building converted to a bungalow).

### → Other useful information

The conversion and re-use of old buildings can offer important environmental, heritage and other social benefits. However, the economics of developing new affordable homes rarely make this a viable option.

## 2.4 What tenures were provided?

### → What we monitor and why

Affordable housing comprises a range of different tenure products. We monitor the range of tenures provided. Ensuring an appropriate balance between different tenures is crucial to maintaining the effectiveness of the Council's development programme in meeting housing needs.

### → What the data tells us

69% of the homes provided last year were for **rent**. These homes comprise two distinct tenure products:

- Social Rent (259 homes) and
- Affordable Rent (80 homes).

**Affordable home ownership** products accounted for the balance (31%) of supply. Again, there were two distinct products on offer:

- Shared Ownership housing (135 homes)
- Fixed Equity Sale housing (11 homes).

### → Other useful information

**Social Rent** homes are let at rents set in accordance with a nationally determined formula reflecting local income levels and, as such, are considered to provide the best proxy for genuine affordability.

**Affordable Rent** homes, in contrast, are a more recent tenure product, where rents are based on a proportion (up to 80%) of local market values. As such, they tend to be more expensive.

**Shared Ownership** housing is a well-established and popular product within the District; whereas **Fixed Equity Sale** housing (sometimes known as discounted market sale housing) is a relatively recent addition to the range of affordable home ownership products (properties are sold directly to eligible purchasers at a discount (normally 40%) to their market value).

## 2.5 What was the status of the sites on which the new homes were built?

### → What we monitor and why

National and local planning policy puts great emphasis on the re-use and redevelopment of previously-developed (or “brownfield”) land. We therefore monitor the status of sites that come forward for development.

### → What the data tells us

Over 60% of homes were built on “**greenfield**” sites. The remainder were developed on “**brownfield**” (or previously developed) land.

## 2.6 What was the delivery mechanism?

### → What we monitor and why

The term “delivery mechanism” refers to the primary means by which sites and properties are accessed or released, to provide affordable homes.

This data is important because, amongst other things, it tells us which mechanism are more – or less – effective in delivering new homes.

### → What the data tells us

As might be expected from a programme comprising almost entirely new build properties), the majority of homes (93%) were delivered under a range of **planning policy mechanisms**.

Another notable feature of last year’s programme was that the balance, of 37 homes, were delivered as “**off the shelf**” **purchases** of newly-built homes. These represent homes developed in addition to those homes provided by house-builders under planning obligations (S106 Agreements).

### → Other useful information

In line with the trend of recent years, no affordable homes were provided as a result of purchases of **existing properties** on the open market. This is rarely a cost-effective option.

## 2.7 Where were they built?

### → What we monitor and why

Ensuring homes are built in the right places is crucial to meeting housing need effectively. The location of new homes is classified in accordance with the settlement hierarchy established in the Core Strategy.

### → What the data tells us

Last year:

- 26% of homes were provided in the ‘Main Town’ (**Stratford-upon-Avon**).

- 46% of homes were provided in some of the District's 'Main Rural Centres'.
- 29% of homes were provided either in 'Local Service Villages' or other rural locations.

### → Other useful information

The above distribution is broadly in line with the District's existing population distribution.

## 2.8 What were their sizes?

### → What we monitor and why

Ensuring a balanced mix of property sizes are provided is another aspect of ensuring housing needs are effectively met. Size data is recorded in terms of the number of bedrooms per home.

### → What the data tells us

Last year, **two bedroom** properties accounted for the majority (52%) of the homes provided.

The next most common house types by size comprised **one bedroom** (23%) and **three bedrooms** (22%) respectively.

**Four bedroom** properties accounted for less than 4% of homes provided. No properties larger than this were developed.

## 2.9 What type of properties were built?

### → What we monitor and why

Ensuring a balanced mix of house types over time is another critical factor in ensuring the housing needs of different types of households are met, and that new affordable homes are effectively integrated with surrounding development.

### → What the data tells us

Almost two-thirds of affordable homes developed last year were **houses**.

The next most common property type was **flats or maisonettes**, accounting for just over one-third of the homes provided.

The balance of homes (3%) were provided as **bungalows**.

## 2.10 How were the homes funded?

### → What we monitor and why

Normally, the provision of affordable homes is financed by Registered Providers and others on the basis of borrowing capacity and the use of reserves generated by rental and sales income. However, it is useful to identify the lead funding stream used to enable delivery.

### → What the data tells us

Almost two-thirds of homes were developed **without public subsidy**: usually on Market-led ('S106') sites.

Of the remaining homes, the vast majority were supported with **Homes England** grant.

One community-led scheme (at Great Alne) was supported with both Homes England and **District Council** grant.

### 3. What can we expect this year (2020-21)?

#### → What we monitor and why

In addition to data about completed schemes, we also maintain estimates of supply during the current and future years. This is to ensure efficient and effective programme management, and enables us to identify emerging trends.

#### → What the data tells us

We expect well **in excess of 400** new affordable homes to be developed in the **current (2020-21) financial year**, across 26 schemes. These figures are, of course, subject to change.

At the time of writing, some of the homes had already been completed and construction of the remainder is generally well advanced.

It is instructive to note that all the above schemes have resulted from planning permissions granted on various dates between 2010 and 2019: the majority during 2015 and 2016.

It would be misleading to publish forecasts **beyond the current financial year** as the programme is very changeable.

### 4. What factors will affect delivery in the longer term?

#### → What are the key issues?

**Overall**, the picture around both actual delivery and development capacity is very fluid for a range of reasons, although in part attributable to the impact of the COVID-19 pandemic. Key issues include:

- The level of demand for **open market** property purchases.
  - This impacts on the rate at which house-builders seek to build-out market-led 'S106' sites.
- The level of demand for **Shared Ownership** properties.
  - This directly affects the financial capacity of the Council's partner Registered Providers to develop new homes. Partners' business plans reflect assumptions about sales income from such properties (and, in some cases, from the sale of open market properties too).
  - 'Land led' and community-led schemes are also affected; as will be the scale of delivery under the Government's recently-announced **Affordable Homes Programme 2021-26**.

- Where schemes were not already in contract at the start of the pandemic, some providers sought to renegotiate terms.

**Nationally**, there are uncertainties about housing, social and planning policy and delivery.

- The **sale of homes** under Voluntary Right to Buy and the proposed sale of existing rented affordable homes as shared ownership.
- The cumulative impact of **rising rent arrears**. If anticipated income from rent is reduced, providers must borrow more on the markets.
- **Future levels of housing and other benefits** (which in turn affect prudent rent setting).
- **Impaired capacity** due to providers setting aside large capital sums (that would have been used for development) to pay for post-Grenfell remedial work on their stock.
- The impact of implementation of the Government’s proposed **reforms to the planning system**. Those proposals were the subject of consultation during 2020, and on which the Council has submitted comments. Final decisions on those proposals are awaited.
- Similarly, the long-delayed outcome of the Government’s proposals to **reform funding for social care**. This has and will affect the delivery of specialised housing schemes.
- There is also evidence to suggest that supplies of **building materials** could be disrupted in the event of a “no deal” departure from the European Union. This will result in delays and additional costs.

**Locally:**

- The District Council is currently preparing its **Site Allocations Plan**, which is intended to maintain continuity and stability in housing land supply especially in the medium term.
- The District Council will also shortly start work on a **review of the Core Strategy**, which will take the form of a joint local plan with Warwick District Council. The Plan will determine the overall scale and distribution of new housing and the terms under which new affordable homes are secured.
- Increasing **concern about the small size and quality of affordable homes** on offer on some s106 sites. Some big associations will not take on what they perceive to be sub-standard homes.

### → Are there any opportunities to provide additional affordable homes?

Yes. More positively, to avoid stalling sites, some developers on market-led (“S106”) sites are offering unsold market homes to providers. This is not a completely new trend, but has accelerated during lockdown.

Before the pandemic most such additional homes would have been for Shared Ownership but are now both for rent and Shared Ownership.

Some caution is, however, required because:

- By their very nature, such opportunities are short-term. As these are market units already in the pipeline (and in some cases already built but not sold) there is little flexibility around the type and size of additional affordable homes that can be provided in this way.

- These additional homes skew the overall tenure and size profile of the negotiated and completed affordable homes
- Purchases are dependent on the availability of Homes England grant and the financial models under which providers operate.
  - Note that Homes England will, quite properly, only fund additional purchases *over and above* supply already secured as part of “S106” packages.

In addition, there have also been some recent opportunities presented to develop **100% affordable** (‘package deal’) schemes and so-called **land-led schemes** (on sites acquired outright by Registered Providers).

- A feature of such schemes is that they normally comprise a mixture of rent and Shared Ownership. This is in order to create balanced communities and provide a means to access home ownership for those households willing and able to do so.



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