Agenda Item 4a

SOUTH EAST ENGLAND
REGIONAL HOUSING BOARD

Date: 5 December 2007

Subject: **2007/2008 National Affordable Housing Programme Progress**

Report of: South East Field Director
Housing Corporation

Recommendations:

It is recommended that the Regional Housing Board note the report.

Purpose of the Report:

To report to the South East Regional Housing Board on performance against targets in 2007/08 for the Housing Corporation's 2006-08 National Affordable Housing Programme. This report is based on the position as at the end of September 2007.

1 Introduction

1.1 Although Ministerial approval was given in March 2006 for a two year programme (2006/07 and 2007/08), the Housing Corporation is still required to manage its programme to achieve annual targets for each of the two years. These annual targets are in terms of expenditure and completions with separate targets for rent and low cost home ownership. Information is also supplied for starts on site for which a target exists for 2007/08 (but not in 2006/07), the rural programme for which there is a target for the 2-year programme and the region's Growth Areas. This is followed by a commentary on the issues impacting on programme delivery.

2 Expenditure

2.1 Achievement against the targets for 2007/08 is shown in the table below. The targets are derived from the Regional Housing Pot proposals put forward by the Regional Housing Board for £733m to be spent on affordable housing over the two years.

Table 1: 2007/08 Expenditure to End of September 2007 (£ million)

Programme	2007/08 Target (£m)	Expenditure	%	2006/07 Actual (£m)
Social Rented	295.1	37.3	12.6	284.1
Intermediate *(1)*	90.0	17.8	19.8	87.0
Other *(2)*	1.3	0.9	68.9	4.0
TOTAL	**386.4**	**55.9**	**14.5**	**375.1**

(1) 'Intermediate' includes all newbuild and open market Homebuy products, plus the Intermediate Rent programme (includes Key Worker Living programme)

(2) 'Other' includes remodelling works, major repairs and aids and adaptations to RSL stock

2.2 As can be seen progress to date in 2007/08 has been slow with just under 15% of the programme spent. It should be emphasised that slower programme take up in the first half of any year, compared to the second half, is not unusual.

3 Completions

3.1 Annual targets and achievement to the end of September 2007 are shown in the table below. The targets represented here are those agreed at the start of the year.

Table 2: 2007/08 Completions to End of September 2007 (homes)

Programme	2007/08 Target	Actual	%	2007/08 Newbuild	2006/07 Actual
Social Rented	4,779	966	20.4	906	4,130
Intermediate *(1)*	3,321	1,015	31.3	601	3,991
of which KWL	*1,106*	*328*			*1,576*
TOTAL	**8,100**	**1,981**	**24.8**	**1,507**	**8,121**

(1) 'Intermediate' includes all newbuild and open market Homebuy products, plus the Intermediate Rent programme

3.2 The above shows that, as with expenditure, progress up to September 2007 has picked up from Quarter 1 with 25% of the target for the year achieved. Over the two years we expect to have delivered over 16,000 affordable homes, approximately 14,000 of which will have been either newbuild or conversions from non-residential property.

3.3 The target for larger homes completions on the social rented programme for the year is 807 homes, representing 17% of the overall target. To the end of September 150 social rented homes of 3-bedrooms or more had been completed, with an additional 32 intermediate homes of 3-bedrooms or more.

(Note: actual completions by local authority to date in 2007/08 are shown on a map at the end of this report, together with the total for the two years 2006/07 and 2007/08 combined)

4 Start on Sites

4.1 Although there was no firm start of year target for start on sites in 2006/07 a target has been introduced for 2007/08. Start on sites remain a vital area to be monitored closely to identify any particular issues (geographically or with individual affordable housing providers) and to assist in forecasting future completions and expenditure.

4.2 The table below shows that almost 10,000 of the (approximate) 14,000 start on sites in the 2006-08 programme were achieved in 2006/07, leaving just 4,000 for the current year which is a reflection of the high level of deliverability of the schemes allocated in 2006-08.

Table 3: 2007/2008 Start on Sites to End of September 2007 (newbuild homes)

Programme	2007/08 Target	2007/08 Actual	%	2006/07 Actual
Social Rented	2,950	587	20	6,496
Intermediate	1,050	362	34	3,323
TOTAL	**4,000**	**949**	**24**	**9,819**

(Note: actual new build start on sites by local authority to date in 2007/08 are shown on a map at the end of this report, together with the total for the two years 2006/07 and 2007/08 combined)

5 Rural Programme

5.1 For settlements of less than 3,000 population a two-year target of a minimum of 720 homes (in terms of scheme approvals) was identified in the current Regional Housing Strategy for 2006-08. To ensure that this target would be met a total of 784 homes in small rural settlements was allocated at the start of year.

5.2 At the end of September 2007 a total of 648 homes had received project approval, representing 83% of the two year allocations made.

6 Growth Areas

6.1 Actual start on sites and completions to the end of September 2007 in the three Growth Areas in the South East are shown in the table below.

Table 4: 2007/08 Actual Start on Sites and Completions (homes) to the End of September 2007 in the South East's Growth Areas

Growth Area	2007/08 SOS Actual	% of Reg. Total	2006-08 SOS Total	2007/08 Comps. Actual	% of Reg. Total	2006-08 Comps. Total
Ashford	18	1.9	86	9	0.5	90
MK/SM	38	4.0	599	69	3.5	559
Thames Gateway	121	12.8	735	178	9.0	719
TOTAL	**177**	**18.7**	**1,420**	**256**	**12.9**	**1,368**

Note: for ease of analysis whole local authorities have been included as Growth Areas

7 Issues Impacting on Programme Delivery

7.1 As the tables above show progress on expenditure, completions and start on sites to the end of the second quarter has been slow. Whilst completions have kept in line broadly with what was forecast at the start of the year, the number of start on sites on both the rent and low cost home ownership programmes have been lower than forecast. Although there continues to be a lower than forecast take up of the Open Market Homebuy scheme, it is the shortfall in start on sites that is resulting in the slow rate of expenditure to date.

7.2 The Housing Corporation South East has spent a lot of time understanding the reasons for this through meetings with housing associations, local authorities and developers. From the discussions the principle reason identified by all the groups is planning at a general level, although with different aspects to it.

7.3 Housing associations comment that planning negotiations are extremely protracted particularly with regard to Section 106 agreements. Along with local authorities some have commented that one reason is that having already obtained planning permission developers are then seeking to increase the density, which requires a new planning permission. In addition, some developers with sites have been selling land on to other developers or house builders who then seek to increase the density of developments. Thus where sites seemed deliverable at funding stage start on sites dates are slipping.

7.4 Local authorities have also commented that developers have been slow in fulfilling conditions attached to planning permissions which have delayed start on sites. Conversely developers have said that some local authorities attach too many conditions to planning permissions and attempt to be too prescriptive on the type of homes to be built.

7.5 There have been few comments that the slow progress of the programme has been due to market conditions, although all are aware of the national picture of a slowdown in housing starts.

7.6 In terms of the Key Worker Living programme the new Open Market Homebuy product - a Government only loan of 17.5% in addition to the scheme offering grant loans from a combination of Government funding and lenders - has increased the number of people interested in buying properties but this has not yet resulted in an increase in take up in terms of actual purchases. At present, we do not expect there to be sufficient take up of these Open Market Homebuy products to enable us to meet our Key Worker Living target completions figure. It follows that this has also had an effect on the rate of expenditure to date.

7.7 The Housing Corporation has been working pro-actively with providers and local authorities to boost take up of the programme in all areas in the first half of the year. We expect this to translate into delivery on the ground in the second half of the financial year.

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16 November 2007

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