

Background Papers, if any, are specified at the end of the Report

AFFORDABLE HOUSING IN CHILTERN – REVIEW OF COUNCIL ACTIVITY

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RECOMMENDATIONS

That:

- 1. The report is noted**
- 2. Officers proceed with a detailed assessment of the affordable housing delivery options set down in the report and present the findings to Members in the annual Strategic Housing Framework update**
- 3. Members identify any specific areas of affordable housing delivery that they wish officers to investigate as part of their assessment**

Relationship to Council Objectives

- 1. Efficient and Effective Customer Focussed Services*
- 2. Safe, Healthy and Cohesive Communities*
- 3. Conserve the environment and promote sustainability*

Implications

- (i) Not a key decision*
- (ii) Within the policy and budgetary framework*

Financial Implications

This report is not putting forward any specific spending proposals. The report does highlight areas which may have financial implications and which would need to be taken forward in separate discussions.

Risk Implications

The Council has identified the shortage of affordable housing locally as a corporate risk. This report looks at how the Council can make the best use of its resources to maximise the delivery of affordable housing in Chiltern.

Equalities Implications

This report does not have any specific equalities implications

Sustainability Implications

Maximising affordable housing provision across Chiltern District will contribute towards achieving sustainable communities

Report

Introduction

1 In 2012, Chiltern DC adopted an Affordable Housing Action Plan that sits within the Council's Strategic Housing Framework document. The overall objectives within the plan include:

- (i) Maximise Delivery of Affordable Housing through Core Strategy
- (ii) Maximise Delivery of New Affordable Housing Development on site.
- (iii) Make the best use of the Council's resources to support the delivery of Affordable Housing

2 With the above in mind, this report:

- summarises the latest position regarding the receipt and allocation of Affordable Housing Contributions (i.e. contributions paid via the planning process in lieu of on-site affordable housing),
- summarises the position of current and "pipeline" new build affordable housing schemes in Chiltern, and
- assesses the options for the future delivery of affordable housing (including how to best utilise future Affordable Housing Contributions as effectively as possible)

In accordance with the Core Strategy for Chiltern District, "Affordable Housing" is defined as "Housing, whether for rent, shared ownership or outright purchase, provided at a cost considered affordable in relation to incomes which are average or below average, or in relation to the price of general market housing."

AHCs (Affordable Housing Contributions) – The Latest Position

3 As at 30th December 2013, the overview of the AHCs (Affordable Housing Contributions) was as follows:

Source		Sum
1.	Housing Sites granted planning permissions since Policy CS8 was adopted	£1,157,256
	Of which:	

	(i) Payment received	£521,444
	(ii) Payment pending	£635,812
2.	Schemes allowed on appeal	£470,000 (One scheme that pre-dates Policy CS 8)
3.	Schemes agreed in principle and awaiting completion of a legal agreement	£210,650
TOTAL		£1,837,906
Of which total payments received		£991,444

- 4 The Core Strategy Policy CS8 requires that an AHC is payable on any new developments where there is a net gain of 1 to 4 dwellings (unless it can be demonstrated that is not financially viable to do so). The majority of the Council's AHC income to date has come from these small developments. However, Members should note that the Chancellor's Autumn Statement advised that the Government would be consulting on plans to introduce a ten unit threshold for Section 106 affordable housing contributions. In effect this could mean that any developments below 10 units would not be required to incorporate any affordable housing on site or to pay an AHC. Consequently, if these plans are introduced it could significantly reduce the Council's income from AHCs. Officers will advise Members on this further when the consultation paper is published.
- 5 To date, the Council has agreed to allocate AHC receipts to support two housing schemes:

Scheme	Cost
Paradigm Housing Group - Acquisition of 15 properties in Chiltern District to be let as Affordable Housing	£375,000 (total) (= £25,000 per unit)
Hightown Praetorian and Churches Housing Group - Proposal to convert empty office accommodation into 21 flats for letting as affordable housing (subject to planning permission)	£500,000 (= £23,700 per unit (approx.))

- 6 The progress of both schemes is as follows:

i) Paradigm – Acquisition of 15 properties

Paradigm commenced this purchase programme in June 2013 following approval from the Homes and Communities Agency.

CDCs Housing Options Team provided Paradigm with a report detailing our preferred requirements (location, property type etc.) and Paradigm commenced market research. This research subsequently identified that it would be difficult to fulfil all of the Council's preferred requirements due to high market prices in certain locations (particularly for larger family homes). The Council revised its requirements accordingly. Purchases are now progressing and 8 purchases have been confirmed at the time of writing (i.e. completed or offer accepted):

- 3br House (Chesham)
- 2br House (Chalfont St Giles)
- 2br House (Chalfont St Peter)
- 2br House (Little Chalfont)
- 2br Flat (Hyde Heath)
- 2 x 2br Flats (Chesham)
- 2br Maisonette (Chesham)

Paradigm is on track to confirm or complete 15 purchases by the end of 2013/14.

ii) Hightown Praetorian and Churches – Empty Office Conversion to Residential Use (21 flats)

The allocation of up to £500,000 was made subject to Hightown identifying an opportunity for a conversion of office to residential accommodation in Chiltern and securing planning permission.

Hightown has identified an empty office building at The Chequers, St Marys Way, Chesham as an opportunity for a conversion to flats. The proposals would require the conversion of the existing office accommodation (first and second floor) to flats and the construction of 4 new flats on the ground floor.

Hightown proposed that the conversion of the offices on first and second floors would be done as a General Permitted Development (using the new permitted development rights introduced in May 2013) and submitted Prior Notification to the CDC Planning Section on 17th July 2013. This application for Prior Notification was refused due to an existing planning condition (restricting use of premises to User Class B1) attached to the original development. Hightown submitted an application for the removal of the planning condition and this has been agreed. Hightown also submitted and subsequently withdrew a planning application to construct 4 new flats on the ground floor.

Officers are monitoring this proposed scheme and are liaising with Hightown. In the event that Hightown:

- cannot progress the scheme proposal in a timely fashion and/ or

- is unable to secure planning permission for the scheme, then the Council will review the allocation of £500,000 to Hightown and identify alternative options for utilising the funds.

New Build Affordable Housing – The Latest Position

- 7 The Council's Core Strategy (adopted November 2011) introduced policies to secure an element of affordable housing on any new residential development with a net gain of dwellings. This is secured through either on-site affordable housing provision or AHCs (Affordable Housing Contributions) in lieu of on-site provision (AHCs will normally apply on small sites with a net gain of 1 – 4 dwellings). The Core Strategy sets a target of 500 affordable dwellings to be completed between 2011 and 2026 (an average of 33 per annum).
- 8 Over the three years 2009/10 to 2011/12, a steady stream of new developments delivered an average of 38 new affordable homes per annum in Chiltern. The most recent financial year 2012/13 saw the delivery of 102 new build affordable homes in Chiltern for rent or sale (shared ownership). This represented the highest annual net gain of new build affordable housing since the Council undertook stock transfer in 1988.
- 9 Current projections estimate that 17 new build affordable homes will be completed in Chiltern in 2013/14. While this is a drop compared to recent years, this will be augmented by the programme of 15 Paradigm purchases (see above) which will give a total of 32 affordable homes delivered in the district.
- 10 Looking ahead, a significant number of new affordable homes are due to be delivered on sites allocated for housing in the Core Strategy. Specifically, the current position of these allocated sites is as follows:
 - (a) Former Amersham & Wycombe College - Chesham Campus**
 - 52 dwellings (including 20 affordable) – Planning application refused and appeal to be heard on 21st/22nd January 2014
 - Planning application submitted for 45 dwellings (including 18 affordable)– Planning Committee (12/12/13) “Minded to grant conditional permission”
 - (b) The Grange / Holy Cross Convent Chalfont St Peter –**
 - The outline permission for 198 dwellings (which includes a nominal 70 affordable homes) has been granted and expires on 22 December 2013
 - Application for detailed planning permission (pursuant to outline permission) was refused in July 2013 and Appeal is in progress (194 dwellings (68 affordable – 35%))
 - Second application for detailed planning permission (pursuant to outline permission) submitted and decision pending (187 dwellings (66 affordable – 35%))

- Core Strategy allocation and outline permission still subject of legal challenge

(c) Donkey Field Burtons Lane Little Chalfont

- Planning application for 47 dwellings - withdrawn
- Planning application for 45 dwellings (including 18 affordable) – Planning Committee (31/10/13) deferred to approve subject to legal agreement

(d) Lincoln Park Amersham

- Planning application submitted for 35 dwellings (including 14 affordable) – Planning Committee (12/12/13) refused permission

(e) Newlands Park Chalfont St Peter

- Planning application pending consideration

- 11 In addition to the “allocated” sites above, there is also the continued delivery of new build affordable housing on other sites where (i) the Core Strategy requires that a proportion of the development be affordable housing and/or (ii) where a Registered Provider has secured a site and is undertaking development. For example, during 2013/14, Paradigm Housing has completed 6 new homes in Upper Belmont Road in Chesham and has commenced the development of a further 17 affordable homes across two more sites (in Bellingdon and off Berkhamsted Road, Chesham). In addition, the forthcoming Draft Delivery DPD (Development Plan Document) will also include a number of Housing Proposal Sites that could deliver more new affordable housing.

Delivering More Affordable Housing - Options

- 12 The number of new build affordable dwellings in Chiltern District over recent years has broadly been in line with the Council’s target of 33 affordable homes per annum. The adoption of the Core Strategy in November 2011 has had a significant impact in securing new provision and generating income from AHCs (Affordable Housing Contributions). However, there continues to be significant pressure on the existing affordable housing stock. Consequently, the Council needs to ensure that it is maximising the availability of affordable housing within the district in order that it can address local housing needs and prevent and relieve homelessness where possible. The following paragraphs look at some of the options that can potentially achieve this:

- (a) Increasing the level of new build affordable housing
- (b) Acquiring existing properties
- (c) Supporting residents to become home owners
- (d) Other options

(a) Increasing the level of new build affordable housing

13 From the late 1980s onwards, the construction and management of new affordable housing has mainly been undertaken by Registered Providers (formerly known as housing associations). Changes to Government financial regulations since 2009 have resulted in some local authorities taking the decision to start directly building and managing residential property. The authorities that have started building their own homes have normally been stock owning authorities in metropolitan areas (e.g. London boroughs) who have significant financial holdings (including borrowing capacity) and access to land (including brownfield regeneration sites). From the Chiltern District Council viewpoint, it is more suitable to work in partnership with Registered Providers to deliver new build affordable housing because:

- Registered Providers already possess the in-house expertise and infra-structure to acquire land and undertake developments. The Council's expertise and capacity in these areas is limited and would require the Council to "buy-in" the necessary expertise and skills.
- New build costs are significant. Registered Providers have experience and expertise in securing loan funding and subsidy to help meet build costs. Although the Council is now generating income from AHC (Affordable Housing Contributions), this will not be sufficient to secure more than a small number of new build properties. Therefore, the Council would need to consider borrowing funds in the same way that other developing authorities have done. On an overall cost-per-property basis, it represents better value for the Council to provide grant funding support to a Registered Provider rather than to directly undertake and pay for a development itself.
- New build properties will need to be managed after they are built. A Registered Provider will have an in-house management team that will simply take on the properties after they are completed. The Council does not currently own and manage any housing accommodation. If the Council wished to directly build affordable housing, it would then need to make arrangements to manage that accommodation. This would involve either establishing an in-house management team (with consequent staffing costs) or outsourcing the housing management and paying a third party to deliver it. In either event, the Council would have an on-going financial commitment associated with the development.

14 If the Council is not directly building properties, it can still play a role in securing and assembling potential sites for affordable housing development. However, if the Council intended to directly purchase potential sites for this purpose, this would raise many of the same

issues as highlighted in paragraph 13 above. How would the Council identify potential site assembly opportunities? Would the Council have the necessary in-house expertise to undertake a review of site opportunities, assess values and negotiate with land owners? Alongside this, high local land costs are an issue. Although the Core Strategy is generating a steady stream of income from AHCs, high land costs in Chiltern mean that this income could soon be fully committed on just one or two site acquisitions. Potentially, it is better value for money to support Registered Providers to identify and bring forward development opportunities rather than the Council directly acquiring sites.

- 15 The Council does have land in its ownership. The CAMG (Corporate Asset Management Group) has asked officers to review the sites in the Council's ownership and identify any sites that could be developed for affordable housing. Potentially, sites in the Council's ownership could be brought forward as affordable housing development opportunities (either individually or "packaged" together) for disposal to Registered Providers. The Council could then provide funding to support the development (e.g. funded by AHCs). An advantage of this approach is that the Council can directly control the site disposal and secure 100% affordable housing on site if it wishes.
- 16 With any proposed site disposal to a Registered Provider, the Council would need to provide some form of assurance to the Provider that the development of the site would receive planning permission. Otherwise, a Provider is unlikely to take on a site where there is a risk of a development not taking place.
- 17 Another area where the Council can actively support bringing forward affordable housing sites is "exceptional" developments on land adjoining (or closely related to) existing town or village settlements. This relates to Core Strategy Policy CS9 which sets down the conditions for such developments (including meeting an established local need for affordable housing). These are commonly referred to as rural exception schemes. The Council can play a key role in supporting Town and Parish Councils in bringing forward development opportunities within their area which meet the requirements of Policy CS9. In recent years, the Council has seen two such schemes delivered in Winchmore Hill and Chalfont St Giles. A third is underway in Bellingdon.
- 18 In addition to identifying new build opportunities and sites, the Council could also seek to improve or increase the affordable housing provision on other new developments. Where the Core Strategy requires the developer to deliver an element of affordable housing on site, the expectation is that the developer will agree terms with a RP (Registered Provider) that will allow the affordable housing to be delivered with no subsidy required. Therefore, any request for grant subsidy for a "Section 106 Affordable Housing scheme" needs to be

carefully scrutinised to ensure that the Council is not simply helping the developer to secure a higher land/development cost etc. from the RP. However, there may be cases where the Council could provide subsidy (funded by AHCs) to improve the affordable housing outcomes on a Section 106 site, such as:

- ***Help to address viability issues***

If it is demonstrated that it is not financially viable for a development to meet the Core Strategy affordable housing requirements, the Council could consider providing grant subsidy in order to remove or reduce the viability gap.

- ***Increase the number of affordable homes on site***

Grant subsidy could support a RP to secure additional dwellings on site over and above the Core Strategy requirements

- ***Create a more suitable property/tenure mix to meet local needs***

Grant subsidy could be used to secure a higher proportion of larger family homes and/or rented units within the affordable housing scheme

(b) Acquiring Existing Properties

19 As shown above, Paradigm is currently undertaking a programme of property purchases in Chiltern. This is the first CDC-supported purchase programme for over 10 years and mirrors a similar programme that has been operating in South Bucks DC for several years whereby the Council supports L & Q to acquire properties for letting. This approach provides a fast track method to bring through additional affordable housing for letting. It also provides the flexibility to deliver types and locations of properties that may be hard to provide through re-lets or new build. However, high local property prices mean that purchases in some locations are not feasible without significant grant subsidy.

20 The purchase programme represents the quickest way to generate additional affordable housing in Chiltern. Therefore, it will be beneficial to have an ongoing programme of purchases utilising the AHCs. However, as indicated above, there are some limitations in the type and location of property that can be delivered.

21 There may also be opportunities to work with an RP to acquire properties that could then be converted and let as HMOs (Houses in Multiple Occupation). This could provide more affordable housing opportunities for single persons who cannot access market housing.

(c) Supporting Residents to Become Home Owners

22 South Bucks DC has utilised AHCs to work in partnership with Catalyst Housing to deliver YourChoice which replicates the former Government

“my choice Homebuy” scheme and assists people to buy a property on the open market on a shared ownership basis. The former Government scheme had some limited success in Chiltern before it ceased and we could look at operating something similar again. However, the Government has launched a number of national Help-To-Buy products to support house purchases and we would need to ensure that we had a product that met a need not covered by the Government scheme. It should also be noted that the most recent new build shared ownership scheme in Chiltern (Turners Field, Little Chalfont) had to be marketed for a considerable time before all of the units were sold. This suggests that there may be a limited demand for some new build shared ownership dwellings.

- 23 It will be beneficial to carry out research to identify what barriers local people may be facing in accessing mortgages and home ownership. Is the problem just affordability or are mortgage lenders simply reluctant to lend regardless of incomes? Is the new Help-to-Buy scheme having a positive impact yet? When the Council has a stronger understanding of these issues, it can then identify if there is anything more that can be done to help more residents become home owners.

(d) Other Options

- 24 Other options include

- **Incentives to move**

South Bucks DC utilises AHCs to support existing social housing tenants to move on by paying a cash incentive. We can explore this option with Paradigm if we have specific property types or locations that we want to target. However, the level of cash incentive required is likely to be high compared to the grant per property associated with a new build or purchased property. In turn, this means that Council funding of cash incentives would not represent good value for money compared to funding new build or acquisitions.

- **Improvements to Stock**

Some councils utilise AHCs to help fund regeneration projects, stock improvements or works targeted at specific property types (e.g. empty homes). Generally, this funding will be linked to a requirement that the properties concerned are then made available as affordable housing. This ensures that the Council can demonstrate that the original developer contribution has been used to deliver additional affordable housing elsewhere (and avoid any subsequent challenge which may result in the developer seeking to re-claim the contribution because it has not been used appropriately). Improvements to existing affordable housing stock could potentially be justified if it can be demonstrated that the stock would otherwise be hard-to-let or lost entirely. Funding of

adaptation works with AHCs would be more difficult to justify as it would not be delivering additional affordable housing. However, there may be a case for funding specific adaptations on a case by case basis if a household has complex needs that would otherwise require them to have to move out to a social housing tenancy

- **REITs (Real Estate Investment Trust)**

A REIT is a company that owns and manages rented housing and commercial property. Investors can put their funds into the REIT and receive a dividend linked to the Trust's income (e.g. rental income). Income profits and capital gains are exempt from Corporation Tax. To date, there have been very few REITs in the United Kingdom that have operated and manage only rented housing. This is because rented housing has previously generated a low yield that has been insufficient to attract investors. The BTVLEP (Bucks and Thames Valley Local Economic Partnership) is currently working with Paradigm and other interested parties (including local employers) to find out if there is potential to establish a REIT in order to increase the provision of rented housing. It would probably not be possible for the Council to utilise AHCs to invest in a REIT. This is because a REIT will deliver private market rent housing and this would not be deemed to be affordable housing. In any event, it would be difficult to make a direct link between an AHC investment and the specific properties delivered by that investment

- **Housing Initiatives – Key Workers/Homelessness etc.**

AHCs could be used to fund specific initiatives to support, say, key workers or homelessness prevention. However, again, we will need to demonstrate clearly how this has contributed to increasing the provision and availability of affordable housing.

Other Capital and Revenue Funding

25 As highlighted above, any use of AHCs has to demonstrate that it is directly increasing the provision and availability of affordable housing. If any AHC expenditure cannot demonstrate this, it leaves the Council open to the risk of challenge from the developer who made the original payment.

26 However, the Council also has the option of utilising other funding from its capital and revenue reserves. This provides opportunities to both:

- top-up AHC contributions to increase the available funding for schemes and
- fund initiatives which may meet housing needs without directly increasing the provision and availability of affordable housing (i.e. not fulfilling the requirements for AHC expenditure)

27 Initiatives that meet housing needs without directly increasing the provision and availability of affordable housing could include:

- (i) Supporting RPs to deliver additional private rented accommodation (e.g. via private sector leasing schemes, Real Estate Investment Trusts etc.)
- (ii) Delivering additional home improvement grants and loans to help householders carry out essential maintenance and repairs and remain in their own homes
- (iii) Undertaking and supporting initiatives to tackle and prevent homelessness (e.g. outreach work with rough sleepers, prevention fund etc.)

Summary

28 Overall, the key points in this report can be summarised as follows:

- (i) AHCs (Affordable Housing Contributions) of approximately £991,000 have been received to date. Most of this has been committed to the Paradigm property acquisition programme and the Hightown Praetorian empty property initiative.
- (ii) The Paradigm programme is proceeding well. The Hightown initiative has identified a potential scheme and is currently subject to planning permission.
- (iii) Approximately £846,000 of AHC income is pending (schemes either granted planning permission or agreed in principle).
- (iv) The level of new build affordable housing in recent years has exceeded the annual target in the current Core Strategy. Although completions in 2013/14 will be down on previous years, there are a number of identified sites in the Core Strategy that could deliver significant numbers of additional affordable dwellings in the future. The forthcoming Draft Delivery DPD (Development Plan Document) will also include a number of Housing Proposal Sites.
- (v) Although some local authorities have started to directly build new affordable housing, this is not appropriate for Chiltern District Council in view of issues around costs and expertise.
- (vi) The Council could potentially take a more pro-active view in assembling potential affordable housing sites. Again, it would need to consider issues including cost and expertise. Officers are currently reviewing the Council's land assets to identify any potential affordable housing sites. For both (v) and (vi) it is likely to be more cost effective for the Council to work in partnership

with Registered Providers to deliver sites and new development rather than for the Council to directly undertake this.

- (vii) There may be other opportunities to bring forward affordable housing sites through sites owned by (or known to) local Town and Parish Councils. Towns and Parishes were consulted in an open question in the public participation version of the Delivery DPD (spring 2013) for suggestions for other housing sites. However, there is scope to look into this further and the proposed Housing Summit for Town and Parish Councils will provide an opportunity to do this. In particular, possible rural exception schemes will only have a significant chance of delivery if supported by the relevant Town or Parish Council.
- (viii) Any potential initiatives to support homeownership should reflect local conditions and barriers to first time buyers. They should target persons who cannot be assisted by the Government Help-to-Buy initiatives.
- (ix) AHCs could be utilised in a number of other ways, but we need to be aware that any use must be seen to be “increasing the provision and availability of affordable housing” (as stated in the Affordable Housing SPD) and we will need to demonstrate this if challenged by a developer. CDC could make use of other capital and revenue reserves to top up AHCs and to fund other housing initiatives that may not be appropriate for AHC funding.
- (x) The experience in other authorities (including South Bucks DC) indicates that it is good practice to utilise AHCs to support a mix of schemes and housing initiatives. This strikes a balance between (i) schemes that can deliver an immediate supply of affordable housing (e.g. purchase of existing properties) and (ii) schemes that can deliver affordable housing in the longer term (e.g. funding to support new build schemes).

29 It is proposed that Officers will now carry out a more detailed assessment of the options set down in this report and identify the most appropriate ones to take forward in Chiltern. These will then be incorporated within the revised and updated Affordable Housing Action Plan that will be presented to Members in the annual Strategic Housing Framework update.

Background Papers: None
