

**South Bucks District Council
Health and Housing Policy Advisory Group (19/2/15)**

SUBJECT:	<i>Commuted Sums Update – Affordable Housing</i>
REPORT OF:	<i>Councillor Jennifer Woolveridge – Portfolio Holder for Health and Housing</i>
RESPONSIBLE OFFICER	<i>Martin Holt</i>
REPORT AUTHOR	<i>Michael Veryard – Housing Manager (01494 732200 mveryard@chiltern.gov.uk)</i>
WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

The purpose of this report is to update Members on the Council's commuted sum income and expenditure relating to affordable housing and to make recommendations for funding allocations for future schemes.

RECOMMENDATION

1. The PAG is asked to advise the Portfolio Holder to recommend to Cabinet that:

- (i) the additional sum of £800,000 is allocated to support the continuation of the Property Acquisition programme by London and Quadrant Housing,**
- (ii) that the Council will contribute up to £80,000 per acquisition to support the Property Acquisition programme by London and Quadrant Housing**
- (iii) the existing allocations of funding to support the Your Choice scheme and the “Downsizing – Incentive to Move” scheme are left unchanged, and**
- (iv) the “Incentive to Purchase” scheme is brought to a close and the uncommitted scheme funds of £40,000 are re-allocated to support the Property Acquisition programme in (i) above.**

2. The PAG is asked to advise to Portfolio Holder to recommend to Cabinet either that:

- (i) working households should be prioritised for 50% of vacancies generated via the Property Acquisition scheme or**
- (ii) working households should be given no additional priority for vacancies generated via the Property Acquisition scheme.**

2. Executive Summary

Not required

3. Reasons for Recommendations

The recommendation is intended to ensure that the Council can continue to secure a supply of additional affordable housing via the Property Acquisition scheme and can ensure that it is making the best use of all funding allocations that are utilising the Affordable Housing Contributions.

4. Content of Report

4.1 The position (as at 13th January 2015) for commuted sums received by South Bucks District Council since January 2011 is as follows:

Sum received	=	£4,931,259.13
Sum spent	=	£3,126,642.00
Committed funds (not yet spent)	=	£585,358.00
Uncommitted funds	=	£1,219,259.13

4.2 The above summary is broken down further in Appendix 1 in the receipt and expenditure spreadsheet for commuted sum payments.

4.3 In the previous Commuted Sum Update Report to the Policy Advisory Group in September 2014, Members were advised that officers would be reviewing the current schemes that have been allocated commuted sum funding. These schemes are as follows:

Current schemes utilising Commuted Sum funds			
Scheme	Sum allocated	Sum Spent	Remaining Sum (Committed funds not yet spent)
Property Acquisitions (L&Q) – Phase 2	£1,545,000	£1,200,000	£345,000
YourChoice (Catalyst)	£1,060,000	£766,500	£293,500
Existing Tenants – Downsizing	£60,000	£14,172	£45,828
Existing Tenants – Incentive to Purchase	£80,000	£40,000	£40,000

4.4 Officers have reviewed these schemes and have set down proposals for each in the “Options” section below.

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4.5 It should be noted that on 28th November 2014 the Government announced changes to NPPG (National Planning Policy Guidance) which came into effect on the same date. The main changes can be summarised as follows:

- For schemes of 10 units or less, and which have a maximum combined gross floor space of 1,000 square metres, affordable housing and tariff style contributions should not be sought.
- In areas of Outstanding Natural Beauty and designated rural areas under Section 157 of the Housing Act 1985, authorities may choose to implement a lower threshold of 5-units or less (and if an authority chooses to do this then payment of affordable housing and tariff style contributions on developments between 6 and 10 should be sought as a cash payment only and be commuted until after completion of units within the development)
- Changes in national planning policy will not apply to rural exception sites.

4.6 From an affordable housing standpoint, there will be significant implications if the Council can no longer generate AHCs from sites of 10 units or less. This will significantly reduce the overall income that the Council generates from AHCs.

5. Consultation
Not applicable

6. Options

Property Acquisitions

6.1 L & Q has completed 20 purchases to date in its current programme of property acquisitions in South Bucks. The remaining sum of £345,000 will fund a further 4 to 5 more purchases before the funding allocation is fully committed. This acquisition programme has been extremely valuable to the Council. It has delivered a steady stream of additional affordable properties to let during the course of the year at a time when new build affordable housing completions are very limited. Without these purchases, the Council would have been almost solely reliant on re-lets within the existing social housing stock to provide vacancies for households in need.

6.2 Officers have been liaising with L & Q with regard to continuing the acquisition programme after the current funding allocation is fully spent. L & Q have confirmed that it wishes to continue the programme, but has highlighted that rising property prices in South Bucks mean that the Council will need to contribute up to £80,000 per acquisition to support the programme (particularly the acquisition of larger homes for families). This compares to an average contribution to date of £60,000 per acquisition. The balance of the acquisition cost and associated works (e.g. pre-letting repairs) is met directly by L & Q from its internal funds. L & Q does not receive any Government grant funding to support the scheme.

6.3 Officers have reviewed the options for acquisition schemes. It is noted that Registered Providers elsewhere have delivered acquisition programmes with a lower Council financial contribution per purchase. However, such schemes have often been part funded by receipts generated by the Registered Provider from the sale of other properties in its stock. It must also be noted that South Bucks has some of the highest property prices in the country and this has to be reflected in the level of funding that Registered Providers require to undertake acquisitions. From a practical viewpoint, L & Q already has significant existing housing stock within South Bucks and this means that it already has the necessary management structures in place to deal with additional acquired properties. This may not be the case with a Registered Provider that is based elsewhere.

6.4 In view of the above, Officers propose that a further £800,000 should be allocated to L & Q from the uncommitted funds to support the continuation of the property acquisition programme. Based on a potential contribution of £80,000 per purchase this will potentially support the acquisition of a further 10 properties. However, the final total will depend on the properties and costs concerned. Officers will be liaising with L & Q to review where properties are most needed by the Council and how these can be delivered.

6.5 When Members approved the original acquisition programme in 2011 they

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requested that 50% of the properties made available by the scheme (i.e. directly or by generating re-lets) should be offered to households who are in work. Officers have been keeping the scheme under review and can confirm that broadly 50% of lettings have gone to working households through letting via the normal processes (i.e. via Bucks Home Choice) and without the need specifically apply the “working household” priority. If Members approve the continuation of the programme then they are also requested to confirm whether or not they wish to apply a specific requirement that 50% of the vacancies generated should be prioritised for working households.

Your Choice

6.6 The Your Choice scheme operated by Catalyst Housing has supported 19 households to date to become first time buyers through the provision of equity loans. However, there have been no completed purchases since December 2013. Officers are working with Catalyst Housing to review the operation and publicity of the scheme (including the use of the Bucks Home Choice website to promote the Your Choice option). This will potentially give rise to an increase in enquiries and more purchases. As stated above, the sum of £293,500 remains unspent from the Council’s original allocation to the Your Choice scheme. It is proposed that this sum of £293,500 is retained for the scheme in order to support any additional purchases that arise from the renewed publicity. Officers will keep this under review and will make further funding recommendations on the future of the Your Choice scheme when the impact of the renewed publicity has been assessed.

Existing Tenants – Downsizing – Incentive to Move

6.7 The Incentive to Move scheme offers existing Registered Provider tenants an incentive payment of up to £10,000 to downsize to smaller accommodation. To date, 6 tenants have taken up the incentive and have moved on. However, (as with Your Choice) there has been no recent take up of the scheme. In view of the ongoing demand for larger properties, Officers are currently reviewing the scheme to identify in there are any opportunities to re-launch it and secure any further moves that will free up family accommodation. It is proposed that the unspent allocation of £42,828 for the Incentive to Move scheme is retained until Officers have completed this work and identified any further interest.

Existing Tenants – Downsizing – Incentive to Purchase

6.8 The Incentive to Purchase scheme offers existing Registered Provider tenants a cash grant to buy a property on the open market and vacate their tenancy. However, to date there has only been one tenant who has taken up this scheme. Officers have reviewed the scheme and concluded that the increasing property prices mean that it is unlikely that the scheme will attract any further interest. Existing tenants who are looking to move into home ownership can still get assistance through the Your Choice scheme (see above) or the Government’s Help to Buy Scheme. Consequently, officers are proposing that the unspent allocation of £40,000 for the Incentive to Purchase scheme should be re-allocated to support the proposed continuation of the

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Property Acquisition scheme.

6.9 Officers will continue to monitor ideas and opportunities to develop new incentive schemes to support tenants to move into home ownership. If officers identify a scheme model that they believe may be successful in South Bucks then they will submit a further report to Members accordingly.

Overview

6.10 If the proposals set down in the Options section are agreed, then the overview table in Paragraph 4.1 would be amended as follows:

Sum received	=	£4,931,259.13
Sum spent	=	£3,126,642.00
Committed funds (not yet spent)	=	£1,345,358.00
Uncommitted funds	=	£459,259.13

6.11 This will leave £459,259.13 of receipts that are uncommitted at present. In view of the recent changes to National Planning Policy Guidance (see Paragraph 4.5) officers consider that it is appropriate to retain some uncommitted funding for now until the impacts of the NPPG changes can be fully assessed and a view can be taken on how to make the best use of this funding.

7. Corporate Implications

7.1 Financial

The spending proposals in the report are within the level of the available funding secured from Affordable Housing Contributions.

7.2 Legal

This report does not have any legal implications.

7.3 Sustainability

This report highlights the continued allocation of Affordable Housing Contributions secured via Section 106 agreements.

8. Links to Council Policy Objectives

The report and proposals are linked to the Council's Policy Objective "We will work towards safer and healthier local communities" which includes "Work to support the local economy through broadband roll out, affordable homes and the introduction of a local economic plan."

9. Next Step

If the recommendation is agreed then the Council will (i) liaise with L & Q to put in place the continuation of the Property Acquisition scheme with an allocation of £800,000, (ii) liaise with Catalyst to put in place new publicity arrangements for the Your Choice scheme and monitor the outcome, (iii) review the "Downsizing – Incentive to Move" scheme and identify any new opportunities to encourage downsizing and (iv) cease to operate the current "Incentive to Purchase" scheme and monitor potential models for any future incentive schemes.

Background Papers:	None
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