

Healthy Communities PAG Cabinet

SUBJECT:	<i>Commutted Sums Update – Affordable Housing</i>
REPORT OF:	<i>Councillor Paul Kelly – Portfolio Holder for Healthy Communities</i>
RESPONSIBLE OFFICER	<i>Martin Holt – Head of Healthy Communities</i>
REPORT AUTHOR	<i>Melissa Sparks – Housing Enabling Officer (01494 732200) msparks@chiltern.gov.uk</i>
WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

To provide an update of the affordable housing schemes delivered through the Housing Commuted Sums derived from developers and to consider future opportunities to deliver affordable housing

RECOMMENDATION

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

- I. That Members agree to the continued operation of the Acquisition, EquityShare and Downsizing schemes within current allocated funding levels and to cease the Incentive to Purchase scheme.
- II. That Members agree to delegate to the Chief Executive in consultation with the Leader and Portfolio Holder for Healthy Communities agreement to finalise the level of financial support from Commuted Sums for partnership projects which will increase the delivery of affordable rented accommodation.
- III. That Members agree to allocating the available £1.4M Affordable Housing Contributions (commuted sums) for opportunities that arise by working in partnership with registered Providers, other public bodies and or developers to provide grant funding to deliver affordable rented properties on site.

2. Reasons for Recommendations

The recommendation is intended to ensure that the Council can continue to secure a supply of additional affordable housing and can ensure that it is making the best use of all funding allocations that are using the Affordable Housing Contributions (Commuted Sums).

2.1. Content of Report

The Core Strategy adopted in 2011 and the Affordable Housing Supplementary Planning document adopted 2013, introduced a commuted sum policy allowing developers to make a financial contribution in-lieu of on-site provision of affordable housing. Since 2011, no affordable rented housing has been delivered on site through private developer section 106 planning obligations so the affordable housing delivery has been dependant on this funding.

2.2. In 2011 the Cabinet approved four schemes to deliver affordable housing units through the use of commuted sums.

- A.** The **Acquisition** programme delivered by L&Q, to buy back ex-social housing, to increase the supply of affordable rented accommodation. This scheme has provided a steady supply of affordable housing with 31 properties acquired since 2011. In the past year however only 1 property has been acquired and 2 properties awaiting purchase. The current subsidy per property acquired is £80K. It is recommended to continue with this scheme as it provides continued opportunities to increase the number of affordable rented properties in the District. However in the current climate it is possible that the scheme may only deliver 3 or 4 properties/annum.
- B.** The provision of **YourChoice Equity Loans** delivered by Catalyst Housing enables first time buyers access to an equity loan to purchase housing on the open market, the loan is repayable to the Council on sale of the property. This scheme has enabled 22 households to access accommodation, but only three loans have been made since February 2015. It is recommended to continue with this scheme pending a review of the impact of the governments Starter Homes product.
- C. Downsizing** – The ‘Incentive to Move’ scheme offers existing Registered Provider tenants an incentive payment of up to £7k to downsize to smaller 1 bedoomed accommodation. This scheme does not add to the supply of affordable rented units but attempts to make better use of the existing social housing stock by freeing up larger properties. Whilst a useful incentive, only two tenants have used the scheme since February 2015, which may be a result of L&Q restricting the availability of 1 bedroomed property to enable the transfer of sheltered housing tenants in to alternative accommodation. It is recommended to continue to offer this scheme to existing social housing tenants seeking to downsize.
- D. Incentive to Purchase** – A cash incentive of £40K to enable existing housing association tenants to move from the rented market into home ownership. Due to the very limited uptake of this scheme it is proposed to end the scheme and reallocate the budget in to alternative proposals.

2.3. As at 31st May 2016, since January 2011 the Council has received the following commuted sums

Commutted Sums	£
Sum Received	£6,041,038
Sum Spent	£3,454,592
Committed Funds (not yet spent)	£1,509,828
Uncommitted Funds	£1,076,618

2.4 The position (as at 31st May 2016) for expenditure and delivery for each of the following approved schemes since 2011 is as follows:

Scheme	Sum	Sum Spent	Committed	Delivery since 2011
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	Allocated		Funds (not yet spent)	
Property Acquisitions Phases 1,2 &3	£3,145,000	£2,080,000	£1,065,000	31 affordable rented properties
Your Choice	£1,060,000	£922,500	£137,500	22 equity loans
Downsizing – existing tenants	£60,000	£27,672	£32,328	8 existing family sized properties made available for re-letting
Incentive to Purchase – existing tenants	£80,000	£40,000	£40,000	1 existing family sized property made available for re-letting
Former SGT Site	£235,000	£0	£235,000	Approved by Cabinet awaiting development
L&Q Garage site (Hanbury Close)	£160,000	£160,000	£0	3 properties were converted to affordable rented from market sale in a garage site redevelopment by L+Q
Total	£4,740,000	£3,230,172*	£1,509,828	

* the sum spent figure in this table does not include internal charges or valuation fees

2.5 A further **£372,178K** in commuted sums is currently awaiting payment to the Council which is available for the delivery of Affordable Housing

2.6 The delivery of Affordable housing has been limited by the financial viability of sites in South Bucks which has limited the commuted sums being provided to the Council as part of developers' obligations. During the financial year 2015/16 there was no new build affordable housing delivered through the planning system and only 4 units delivered through the Acquisition and Your Choice schemes.

2.7 The recent Court of Appeal decision to support the Government's plan to exempt sites of 10 units and under from an affordable housing obligation will further reduce the funding the Council receives from developers. The introduction of Starter Homes as a requirement on new development sites brought in via the Housing and Planning Act will reduce the ability of the Council to secure new affordable rented homes through the planning system further still.

3. Options

3.1 In order to secure additional affordable housing the following options are available.

- A. Continue with the Acquisition, EquityShare and Downsizing schemes as outlined above

Alternative Opportunities

B. To allocate commuted sums to support the delivery of affordable rented accommodation on site through section 106 agreements.

This approach was used in relation to the L&Q garage development opportunity to increase affordable rented accommodation on site by converting market sale properties to rent. A similar opportunity has been taken with the SGT site enabling 12 affordable rented properties to be developed. With the increasing challenge by developers as to the viability of delivering affordable housing this presents an opportunity to deliver on site affordable housing.

C. To support RP development of sites within the district for Affordable Housing.

The Homes & Communities Agency is no longer providing grant to Registered Providers for the delivery of affordable rented properties. This means RPs will increasingly need to use market housing sales to cross-fund the delivery of the affordable. L&Q have advised that this will be the case for any future redevelopment of its garage sites or sheltered schemes. Commuted sums could be used to replace grant previously obtained from the HCA.

D. Partnership working with other public bodies – Officers are currently working Thames Valley Police and Bucks County Council on sites in their ownership which are due to be sold. Both organisations are required to maximise the receipts on disposals however there is a will to work collaboratively to maximise the opportunities for affordable housing. Officers are currently working with RPs to maximise the potential for the development of a police station site. A proposal is likely to suggest the use of commuted sums which would deliver affordable housing above the policy requirement. However the Council could explore a model to purchase the land and sell it on to an RP at a discount. This would allow an RP to use re-cycled capital grant funding towards the development costs of the scheme. Due to the timescales involved for an RP to make an offer to TVP it is proposed to delegate authority to the Chief Executive in consultation with the Portfolio Holder for Healthy Communities to finalise the level of financial support from Commuted Sums.

E. Private investment in affordable housing – Officers are currently investigating various models that could access private investment to deliver affordable housing alongside market sale and private rental use. Based on information supplied to-date this could require a financial commitment for the Council to lease properties over a 20-40 year period and contract out the management arrangements to an RP. Current information would appear to show all costs are met through the level of rents charged on the properties and through market sale and rent to enable development.

4. Corporate Implications

4.1 Financial – the Council has received just over £6M in the Affordable Housing Contributions (commuted sums) of which £1.4M is currently unallocated. It is proposed that the £1.4M is kept aside for opportunities that arise by working in

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partnership with registered Providers, other public bodies and or developers to provide grant funding to deliver affordable rented properties on site.

4.2 Legal – the Council may provide Housing Grant to support the delivery of affordable housing

4.3 And where appropriate; Crime and Disorder, Environmental Issues, ICT, Partnership, Procurement, Social Inclusion, Sustainability – the delivery of affordable housing will assist the Council in meeting some of its affordable housing obligations. The situation faced by South Bucks District Council is unprecedented in that there is significant rising demand for affordable housing however at the same time the government is removing many of the tools the Council has used to increase the affordable housing supply the Council has had to increasingly utilise emergency accommodation out of the district to accommodate those in most need, currently the council has a waiting list on Bucks Home Choice of 443 and has over 66 in emergency accommodation.

5. Links to Council Policy Objectives

This 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 economy through affordable homes and the introduction of an economic plan".

6. Next Step

Background Papers:	It is a legal requirement that we make available any background papers relied on to prepare the report and should be listed at the end of the report (copies of Part 1 background papers for executive decisions must be provided to Democratic Services)
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