

## **Member Information Briefing Note on Affordable Housing Tenure Split at Clay Farm on the Southern Fringe.**

### **Purpose of the Briefing Note**

To explain why it was agreed in 2011 that the Affordable Housing tenure split at Clay Farm is 60% Affordable Rent and 40% Shared Ownership as opposed to the preferred split of 75% Affordable Rent and 25% Shared Ownership.

### **Executive Summary**

This paper looks at the delivery of the Affordable Housing programme for the Strategic Growth Site of Clay Farm in the recent changing economic environment. As context, the Homes and Communities Agencies Affordable Housing Programme (AHP) capital spend for the 2008/11 was £8 billion to deliver 185,000 new Affordable Homes. In contrast, the 2011/15 National Affordable Housing Programme (NAHP) capital spend was reduced to £4 billion to deliver 150,000 new Affordable Homes.

Cambridge City Council and Bedfordshire Pilgrims Housing Association (BPHA) and the Homes and Communities (HCA) worked together using the cascade clauses in the section 106 planning agreement for the Clay Farm site to look at flexing the Affordable Housing tenure that would support a successful and viable capital funding bid by bpha to the HCA. The bid achieved a balance between keeping rents under the new Affordable Rent regime capped at the Local Housing Allowance rate and reflected the reduced capital grant funding.

Flexibility within the Affordable Housing tenure split has enabled the Local Authority to maintain the overall requirement for development to provide 40% Affordable Housing delivery across all of the Clay Farm housing parcels in line with the City Council's Affordable Housing Supplementary Planning Document (SPD) Adopted 2008.

### **National Picture**

- Country fell into economic recession and housing delivery largely came to a halt.
- Coalition Government came to power spring 2010
- The new Government's first Comprehensive Spending Review (CSR) significantly reduced government department's budgets in order to reduce public spending.
- Following the CSR, Government significantly reduced the HCA capital grant funding for affordable housing funding programme from £8 billion in 08/11 to a £4 billion funded programme for 11/15.
- Introduction of Affordable Rents allowed Registered Providers (RP's) to set rents at up to 80% of Open Market Value (OMV) to compensate for the reduction in capital grant funding.
- HCA confirmed no funding was available for section 106 sites for the 2011/15 programme

### **Local Picture**

- Major house building schemes were delayed due to the economic recession.

- Being mindful of growth sites taking 5 to 15 years to deliver and the ongoing economic challenges as well as the HCA capital grant funding changes and the introduction of Affordable Rent, the Strategic Growth site section 106 agreements were worded in such a way to allow the Council to be flexible with the tenure upon achieving certain criteria.

Extract below of signed Clay Farm section 106 agreement part 3 Affordable Housing (Clauses page 126) 6<sup>th</sup> August 2010

- 2.4 *Not to seek to vary the Affordable Housing Scheme other than in accordance with the following provisions:*
- 2.4.1 *If HCA funding is not available or following a change to the HCA funding for the provision of the Affordable Housing Units on a Phase the Approved AHP considers that provision of the Affordable Housing Scheme for a phase (as originally approved) is no longer financially viable; and*
- 2.4.2 *Submission by the Approved AHP to the City Council of a statement together with appropriate evidence and financial appraisals explaining the need for the variation; and*
- 2.4.3 *Submission by the Approved AHP to the City Council of any further information they require in order to determine such variation; and*
- 2.4.4 *The city Council shall be under no obligation to agree to vary or change an affordable housing scheme for a Phase with will mean that less than 50% of the Affordable Housing Units will be used for Social Rented Housing and;*
- 2.4.5 *Before the Owner or Approved AHP submits the application referred to above it will first have satisfied the City Council that it has used all reasonable endeavours to provide the Affordable Housing Units on that Phase in the percentages in the Affordable Housing Scheme for that phase as originally approved and;*
- 2.4.6 *Subject to paragraphs 2.4.1 to 2.4.5 and in accordance with their general statutory function, the City Council's approval will not be unreasonably withheld.*

### **What happened next?**

- Rents at 80% of OMV are high in the Cambridge region and exceed the Local Housing Allowance (LHA) cap for Housing Benefit payments.
- Despite the HCA confirming no funding would be available for section 106 sites, following lengthy negotiations between Cambridge City Council (CCC), South Cambridgeshire District Council (SCDC) and bpha the HCA agreed to provide capital grant funding for the Southern Fringe sites for the 2011/15 programme. However, not at the originally higher grant rates that would support the Affordable Housing SPD tenure split of 75% rented and 25% intermediate. (Note – bpha is the HCA, CCC and SCDC preferred provider of Affordable Housing for the strategic growth sites including Northstowe and was selected through the 'Cambridge Challenge' in 2007/08.)
- Discussions at a senior level between BPHA, Council Officers (Housing) from both CCC and SCDC and the HCA took place early in 2011 to find a solution for delivering the Affordable Housing on strategic sites with reduced grant rates and rents no greater than LHA rates, BPHA demonstrated that the Clay Farm schemes would not be viable with a 75% Affordable Rent and 25% Shared Ownership tenure split. To ensure rents no greater than LHA rates were charged, in conjunction with the lower capital grant rates it was essential to consider the ability to flex the tenure to ensure a viable scheme build that would meet the needs of the local housing market.
- BPHA provided financial appraisals to the City Council Housing Strategy team on a number of scenarios including varying rent levels, varying grant levels

and varying tenure levels in order that they would be able to submit a grant application to the HCA for the 2011/15 funding programme that would be acceptable within the new capital grant regime.

- HCA funding round was for a four year period 2011/2015. This required Affordable Housing Providers to submit to the HCA a 4 year Affordable Housing development programme of deliverable affordable housing schemes even though some of those schemes may not be delivered until much later.
- Agreement was reached by Council Officers (Housing), BPHA and the HCA, that allowed capital grant to be secured, and rents in line with LHA to be charged. However, this could only be achieved with a tenure split of 60% Affordable Rented and 40% Shared Ownership.

Table below confirms the tenure split changes agreed across the site, on a parcel by parcel basis.

<b>Parcel</b>	<b>Developer</b>	<b>Number of Affordable Rent 60%</b>	<b>Number of Shared Ownership 40%</b>
1A, 3 & 4	Skanska/Crest	66	44
1B, 2 & 5	Countryside	55	37
6 & 7	Countryside	40	26
8A & 8B	Countryside	TBA	TBA
9a & 9b	Cala	Pre- app	Pre- app
10, 11 & 12 B & C	Countryside	73	49
12A, 13 and 14	Countryside	32	22
15, 17 & 18	Bovis	71	47
16 & pt 17	Bovis	25	16
19 & 20	Skanska	31	20

#### **Potential issues into the future**

- Grant rates have not risen for the 2015/18 HCA funding programme and Affordable Housing Providers are expected to maximise their assets, including disposal, to financially support delivery of new homes.
- HCA continuing not to grant fund section 106 sites
- LHA rates locally have not increased in line with the high Cambridge rental market and 80% rents at OMV still exceed the LHA rates.
- Greater demand for mixed tenures as working households are priced out of the Cambridge housing market.

End

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