

Item:

Investing in Affordable Housing



To:

Councillor Kevin Price, Executive Councillor for Housing

Report by:

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Wards affected:

Abbey, Arbury, Castle, Cherry Hinton, Coleridge, East Chesterton, King's Hedges, Market, Newnham, Petersfield, Queen Edith's, Romsey, Trumpington, West Chesterton

Not a Key Decision

1. Executive Summary

- 1.1 The purpose of this report is to set out the way in which commuted s106 funds, paid by developers in lieu of affordable housing, can be spent.
- 1.2 The council's existing policy on spending housing related s106 developer contributions dates back to 2005. The policy needs to be updated so that any available funds can be spent appropriately to meet strategic priorities.
- 1.3 This report proposes that the Council utilises housing capital receipts to increase the supply of affordable housing. The sums received should be made available, initially, to provide new affordable housing via Council's own new-build programme.

2. Recommendations

The Executive Councillor is recommended to:

- 2.1 Agree that decisions around spending of developer contributions earmarked for new affordable housing are generally made based on the following order of priority:
- A) To help fund new affordable housing as part of the council's own house building programme;
 - B) To enable the council to purchase new homes to meet affordable housing needs;
 - C) To help fund affordable housing to be developed by other Registered Providers.
- 2.2 To agree that exceptions to recommendation 2.1 may apply in specific circumstances – e.g. if a home is needed for a disabled applicant and it can be provided more appropriately or cost-effectively by another Registered Provider; subject to Executive Councillor approval.

3. Background

Page: 2

- 3.1. The Council's current policy for off-site spend was approved by the Executive Councillor for Housing & Health back in 2005.
- 3.2 The current policy allows for off-site contributions to be provided as grant to approved development partners to develop new housing, and to be used for the direct purchase of properties to meet specific needs.
- 3.2 Since then, the provision of affordable housing has changed significantly. For example:
- 3.2.1 Council priorities have changed and the council now has its own development programme.
 - 3.2.2 Councils can now spend a proportion of Right to Buy receipts on new Affordable Housing, although there are restrictions. For example: no more than 30% of the cost of a new home can be paid for through Right to Buy receipts; they cannot be used in combination with Homes England (formerly Homes &

Communities Agency) grant; they need to be spent on new supply rather than replacing existing homes; and they have to be used within three years of receipt.

3.2.3 With Local Plan policy requiring most affordable housing to be delivered on site, rather than through commuted sums, the council is now less likely to receive contributions in lieu of Affordable Housing than might have been the case previously. On the other hand, the council has started to include other ways of securing funding from developers through s106 agreements. E.g. through 'overage' payments, where the anticipated developer profit from a site has been exceeded because of a rapidly increasing housing market.

3.3 Section 106 contributions have already been used to fund the building of Jane's Court as part of the council's development programme. Approval of the recommendations in this report would provide a stronger framework for decision-making going forward.

3.4 Whilst officers are recommending that the council's own development programme should take first priority – including where funding is needed to replace homes demolished as part of the programme - there may be circumstances where other use is more appropriate, for example:

3.4.1 Where the terms of the s106 are such that the funding has to be spent within a certain period of time, and it is unlikely that the council will be in a position to make best use of the funds in a timely manner.

3.4.2 Where factors restricting the use of a combination of different funding sources will affect funding decisions.

3.4.3 Where specialist accommodation –e.g. for an identified disabled person - could be provided more easily or cost-effectively by another Registered Provider.

3.4.4 Where a Registered Provider is planning a scheme which would not be viable without the council contributing financially, or where keeping rents at or below Local Housing Allowance levels would

present viability issues. In these circumstances the council would need to be adequately satisfied as to the non-viability of the scheme; and the scheme would have to clearly meet the council's strategic housing objectives.

- 3.5 Resources will be identified in the twice-yearly council budget setting reports, and decisions on spending of contributions on the council's own programme will form part of the formal decision making process for each development.
- 3.6 Any proposals for allocating funding to other Registered Providers would need to be approved by the Executive Councillor on a case by case basis as part of the Housing Scrutiny Committee cycle.
- 3.7 The funding currently available to the Council for spending on affordable housing amounts to £1.75m, received as an 'overage' payment in relation to development on Rustat Road. There is no requirement to spend this within a particular period of time, which gives the council time to consider how to make best use of it. No further receipts are currently anticipated in the short term.
- 3.8 Officers will actively monitor developer contributions and ensure that arrangements are in place for them to be allocated appropriately and in a timely manner.

4. Implications

(a) Financial Implications

There are no additional financial implications.

(b) Staffing Implications

There are no staffing implications.

(c) Equality and Poverty Implications

The recommendations support the provision of affordable housing for those on low incomes. Also for those with disabilities who need bespoke accommodation to meet their needs.

(d) Environmental Implications

There are no direct environmental implications

(e) Procurement Implications

There are no procurement implications.

(f) Community Safety Implications

There are no community safety implications.

5. Consultation and communication considerations

No consultation or communication has been carried out.

If approved, Registered Providers operating locally will be advised of the arrangements.

6. Background papers

Investing in Affordable Housing – report to Executive Councillor for Housing & Health, July 2005 Community Services Scrutiny Committee cycle.

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Julian Adams, Growth Projects Officer, tel: 01223 457617, email:

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