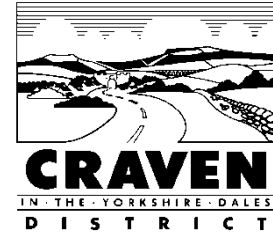


Policy Committee – 3rd March 2015



AFFORDABLE HOUSING COMMUTED SUMS – PREFERRED OPTIONS FOR EXPENDITURE

Report of the Director of Services

Ward(s) affected: All

1. **Purpose of Report** – To approve preferred options for the use of affordable housing commuted sums and the process for agreeing annual expenditure on individual schemes.
2. **Recommendations** – Members are recommended to:
 - 2.1 Approve the list of preferred options for the use of affordable housing commuted sums set out at section 4 of this report.
 - 2.2 Approve the submission of an outline programme for the use of affordable housing commuted sums to Policy Committee as part of the Council's approval of the annual Capital Budget.
 - 2.3 Give delegated approval (subject to 2.2 above) for the specific expenditure of affordable housing commuted sums in line with the list of preferred options and the approved capital budget to the Director of Services in consultation with the Lead Member (Housing) and Council's Section 151 Officer

3.0 BACKGROUND

- 3.1 Under Section 106 of the Town and Country Planning Act 1990 (s106), the Council can, in appropriate circumstances, seek a legal agreement as part of the planning permission for a development. The Local Planning Authority must ensure that an s106 obligation meets the relevant tests set out in the Community Infrastructure Levy Regulations 2010. It must be satisfied that the obligation is necessary to make the development acceptable in planning terms, directly related to the development and fairly and reasonably related in scale and kind. Requirements may vary depending on site specific conditions, but could include making a contribution to open space, affordable housing, or educational facilities. This can either be physical provision on site or a commuted sum in lieu of provision.
- 3.2 Government guidance on affordable housing commuted sums is set out in the National Planning Policy Framework (NPPF). NPPF strongly recommends that affordable housing contributions be satisfied by building

the homes on-site, however where there is 'robust justification', off-site provision (including by commuted sum) may be agreed. Any financial contribution should be of 'broadly equivalent value' and used to help create mixed and balanced communities. Options for its expenditure should be explicitly set out in the agreement. Locally, the Council's planning practice with regard to commuted sums reflects national guidance and is set out in its 'Interim Approach to Negotiating Affordable Housing Requirements' (adopted 29 May 2012).

- 3.3 On-site provision has been the approach taken in nearly all cases in Craven for a number of years. Sometimes however, a commuted sum may represent the best solution in circumstances where the type of housing proposed does not meet local need or (as is more likely in Craven District), in respect of a flatted development where high service charges will render day to day living unaffordable. The Council currently holds £210,000 in uncommitted commuted sums, following development at Gargrave House in 2012 and by McCarthy and Stone, earlier this year.
- 3.4 Planning applications which include off-site provision are considered on a case by case basis by housing and planning officers to ensure that this route is only recommended where there is robust justification in accordance with national guidance. The final decision is made by Planning Committee.
- 3.5 Currently this Council has no formally agreed process in place for the utilization of commuted sums for affordable housing and this report seeks to establish the preferred options and the process for agreeing annual expenditure on individual schemes. Members are requested to approve a list of preferred options (as set out in section 4.3 of this report) and for an annual programme for the use of affordable housing commuted sums to be agreed as part of the process for the approval of the annual capital budget.

4.0 OPTIONS FOR EXPENDITURE OF COMMUTED SUMS

- 4.1 The amount of affordable housing commuted sums and the timing of their payment is completely unpredictable. Both are subject to the type and timing of developments which are in the control of private developers. Nonetheless, following the reduction in the Council's affordable housing thresholds in April 2012, a general increase in the number of residential sites coming forward and recognition of the role of commuted sums in NPPF, an increase in commuted sums is anticipated such that their use will make an impact on affordable housing locally. Members are therefore asked to note the position and approve the list of potential options for expenditure at 4.3 below.
- 4.2 In normal circumstances, the Council has five years from the date of the planning decision to use the commuted sum on affordable housing provision and there are a number of ways in which commuted sums can be used to secure additional affordable housing, either in partnership with Registered

Providers (RPs, also known as housing associations) or directly by the Council. An RP may approach the Council with a development proposal and a request for funding. Alternatively, the Council itself could identify a scheme that requires subsidy. Commuted sums, which are developer contributions and therefore private finance, can be used in combination with grant from the Homes and Communities Agency. Reserves or borrowing (whether Council, RP or both) may also be used. Where the homes are provided by an RP, however, it is anticipated that the Council's contribution will be in the form of a refundable equity stake, as opposed to a non-refundable grant.

4.3 Options for expenditure of affordable housing commuted sums include, but are not limited to, the following (other options may be presented to Policy Committee for approval as part of the annual capital expenditure programme, should opportunities arise):

- a) The purchase and improvement of existing open market dwellings (including empty properties)
- b) The purchase of new build affordable homes on mixed tenure sites
- c) The purchase and conversion of existing buildings to residential use
- d) Support for the provision of affordable housing to meet a specific need e.g. accommodation for people with learning disabilities
- e) Support for specific initiatives to regenerate the existing housing stock, e.g. empty property grants/loans which give the council tenancy nomination rights
- f) Funding new affordable homes built on Council owned sites
- g) Funding viability shortfalls on development sites or securing more affordable homes than are required under planning policy (where the developer is willing)
- h) Provision of additional subsidy to secure the delivery of a scheme funded through Homes and Communities Agency (HCA) grant
- i) Funding a first time buyer and/or mortgage rescue equity loan scheme
- j) Improving affordability by changing affordable tenure, e.g. (shared ownership to rent)
- k) Bridging the gap between affordable and market value on council owned sites developed as 100% affordable housing

5. MECHANISM FOR EXPENDITURE OF COMMUTED SUMS

5.1 It is proposed that an outline programme for the use of affordable housing commuted sums held by the Council in any one year, be submitted to Policy Committee for approval as part of the Council's annual budget process. The programme will draw from the list of approved options at 4.3 and expenditure on one or more of these options will be recommended e.g. '£80,000 on x no. empty property loans'. It is further proposed that approval of scheme specific detail and its delivery (e.g. property address, amount and terms of grant), should be delegated to the Strategic Manager - Financial Services and the Environmental Health & Housing Services Manager in consultation with the Lead Member (Housing).

- 5.2 Should new opportunities for the expenditure of commuted sums present themselves, these will form part of the outline programme presented to Policy Committee annually.
- 5.3 Monitoring to ensure commuted sums are being used in accordance with the s106 agreements is carried out by the Council's s106 Monitoring Officer. It is possible to use commuted sums to assist with the administrative and/or technical costs of providing affordable housing provided it is specified within the s106 agreement

6. IMPLICATIONS

- 6.1 **Financial and Value for Money (vfm) Implications** -The financial receipts from affordable housing s106 agreements can only be used for affordable housing provision. These sums are not budgeted for and therefore provide an additional source of funding to finance new projects. There is no cost to the council, other than the staff resources required to secure them and develop proposals for their use. This cost is necessarily incidental to affordable housing provision and may therefore be met from commuted sums (subject to specific inclusion within the agreement).

There is £210k currently held in affordable housing commuted sums that is uncommitted. It is intended to set out how this sum will be utilised as part of the annual capital programme setting process to be approved by Members in February 2015.

- 6.2 **Legal Implications** – These are detailed in the body of the report.
- 6.3 **Contribution to Council Priorities** – This framework directly contributes to the Council's priority of an *'Enterprising Craven'*
- 6.4 **Equality Analysis** – An Equality Impact analysis has been undertaken and there is no negative impact resulting from the Council adopting the framework for the use of affordable housing commuted sums.
7. **Consultations with Others** – Financial and Legal Services. Strategic Manager (Planning and Regeneration), Director of Services
8. **Author of the Report** – Jenny Wood, Affordable Housing Development Officer; telephone 01756 706433.

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

