

Bath & North East Somerset Council

MEETING/ DECISION MAKER:	Cabinet	
MEETING/ DECISION DATE:	11th June 2014	EXECUTIVE FORWARD PLAN REFERENCE:
		E 2663
TITLE:	Funding Approval for Indicative Affordable Housing Programme	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1: List of Indicative Schemes (Exempt Document)		

1 THE ISSUE

- 1.1 The Council has made available capital funding to support the delivery of affordable housing. This report provides the indicative Affordable Housing programme for 2014-15 and the evolving pipeline programme for 2015-18. It outlines proposals for determining the affordable housing projects for funding and seeks to agree an effective and robust delegated authority for funding approval decisions.

2 RECOMMENDATION

That Cabinet:

- 2.1 That Cabinet gives approval to spend the £1.015m Affordable Housing Capital budget for 2015-18, as detailed within Appendix 1.
- 2.2 Agrees that the Director of Place, in consultation with the Cabinet Member for Homes & Planning, is delegated to approve allocations of Affordable Housing Grant and Commuted Sums for developments falling within the scope of the indicative 2014-15 programme.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 In February 2014 Council gave provisional approval to the £1.015m Affordable Housing budget in the Budget Report. This is funded by Corporately Supported Borrowing.
- 3.2 The construction of homes facilitated by the awarding of these grants will attract New Homes Bonus to the Council

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1 The National Planning Policy Framework requires local authorities to assess the need for all types of housing, including affordable housing, and to ensure that their Local Plan meets the full assessed need. However, site viability may negatively affect the delivery of policy compliant affordable housing numbers. As such, and to ensure that assessed affordable housing targets are met, local authority subsidy can be used.
- 4.2 The Housing Act 1996 gives the Council the power to provide funding by way of grants or loans to Registered Providers to enable the delivery of affordable housing.

5 THE REPORT

- 5.1 The Council delivers new affordable housing provision through 2 main routes:

- a) planning gain on sites meeting the planning policy threshold; and
- b) affordable housing led sites brought forward by our Registered Providers (RPs)¹ partners.

- 5.2 Planning policy requires affordable housing delivery on s106 sites to be delivered without the need for public subsidy. However, where site specific viability issues adversely affect the delivery of affordable housing public subsidy may be required. This can come from the Council and/or the Homes and Communities Agency as part of the National Affordable Homes Programme (NAHP).

- 5.3 Therefore to support the delivery of affordable housing Council agreed, on the 19th February 2013, to:

'Investment of £550k per annum in 2013/14 & 2014/15 is included for Provisional Approval subject to the provision of a detailed project plan and business case.

This provision is for supporting work on tackling empty homes, increasing the delivery of affordable housing and associated costs. Such provision will contribute towards attracting inward investment through the New Homes Bonus and help achieve aims within the Council's Core Strategy and the Housing and Well-being Strategy. Political and Corporate approval will be sought for each spending proposal to ensure value for money and purpose of outcome'

¹ Registered Providers – often referred to as Housing Associations
Printed on recycled paper

5.4 Council, on the 18th February 2014, reaffirmed this budget and agreed the carry forward of the unspent funding from 2013/14. Funding for 2014/15 is therefore £1.015m.

5.5 We are currently in the final year of a 4 year programme of delivery of 610 affordable homes. By the end of 2013/14 we had delivered 513 new affordable homes of which 335 have been delivered without local authority grant. This is largely attributed to the successful negotiation of subsidy free affordable housing delivery through the planning system but also because our RP partners brought forward 100% affordable housing schemes through the HCA 2011-2015 NAHP as part of their 'contract' with the HCA to deliver an agreed number of homes.

5.6 The 2015-18 HCA programme is not being run in the same way and this leaves much more scope for RPs to bring forward developments for funding outside the HCA programme, using cross-subsidy from open market development and/or Local Authority funding to deliver upon local housing priorities.

5.7 Housing Services are working with the Council's RP partners to develop an indicative pipeline of new affordable housing developments that require funding support from the Council. This programme maximises available s106 delivery, delivers both district-wide and local strategic housing priorities and is responsive to new opportunities. The indicative 2014-15 Programme can be found in Appendix 1 and begins also to form the 2015-18 development pipeline.

5.8 It is anticipated that as these schemes progress, and perhaps other development opportunities present themselves, the Council will be able to fully allocate the affordable housing budget. How much of this capital will be claimed depends upon planning and "build out" decisions by the developers and RPs. Progress will be monitored through the current reporting system and updates to the Cabinet Member for Homes & Planning.

5.9 Any affordable housing development seeking subsidy from the Council is scrutinised by Housing Services to ensure that the proposal:

- Fulfils strategic, Corporate aims and objectives taking into regard:
 - The Sustainable Communities Plan
 - Corporate Strategy
 - Health & Wellbeing Strategy and emerging Economic Strategy
 - Core Strategy/SPD
 - Other relevant strategy documents or delivery plans
- Represents good value for the Council's money
- Reduces funding commitments from other Corporate or public budgets.
- Is helping secure other housing funding
- Delivers local priorities or meets a very specific targeted housing need.
- Delivers an affordable product in relation to the local housing market
- Meets the Council's expectations on design standards

5.10 As with all development activity, there are risks to bringing projects forward when predicted and the detail and costs identified at the outset will invariably change. To this end, the Affordable Housing Programme is indicative of the type and scale of development we expect to see come forward this year and into 2015-18. The exact funding requirement and final details of each scheme will be subject to

amendment up until the point at which a detailed capital funding submission is submitted by the RP.

5.11 The indicative 2014-15 Affordable Development programme currently shows a potential pipeline of 92 affordable homes requiring £1.2m of Local Authority funding. These schemes are very varied and comprise of:

- (1) potential for 75 homes provided by RP led developments requiring a mix of HCA and LA subsidy to ensure scheme viability;
- (2) 2 bespoke and specialist disabled commissions for high priority rehousing cases;
- (3) potential for 15 homes achieved by seeking additionality on developer led sites.

5.12 It is acknowledged the development pipeline exceeds the £1.015m capital budget. In the unlikely event that all these schemes come forward for confirmation of funding in 2014/15 then existing commuted sums, ring fenced for spend on new delivery, can be used to meet any shortfall. It should be noted that slippage in and out of the programme is to be expected during the financial year as projects are taken through the development process.

5.13 The Council does not often accept commuted sums in lieu of on-site affordable housing, but when it does these sums are often large and will be ring fenced for the delivery of affordable housing in the District. These sums are not usually restricted in any other way, but if they are, the s106 requirements will take precedence over other plans or proposals for spend. Spend of these sums is not usually time limited and spend is monitored by the Council's Planning Monitoring Officer. It should be noted that Affordable Housing Commuted Sums are sums held by the Council as a result of developer contributions, they do not form part of the Council's Corporate budgets and attract no service borrowing cost. It is proposed however, that the spend and approvals of commuted sums mirrors that of the Corporate budget but that as these sums are not time limited, priority is given to the spend of the affordable housing capital allocation. At present this sum is in the region of £620k.

5.14 The Council's current capital funding approvals process is an appropriate framework for the scrutiny of development funding proposals. It is proposed that individual development projects are taken through the Capital Strategy Group (CSG) process. Having regard to the outcome of CSG the scheme funding would then be approved by the Director of Place in consultation with the Cabinet Member for Homes and Planning

5.15 Concern has been expressed about the cost of the HCA Affordable Rent Tenure (ART) product. The affordability of the housing products enabled by the Council is of key importance to both officers and members. Each housing proposal will therefore be scrutinised by officers to determine how the scheme meets affordability targets for the proposed client group and in relation to its location and the local market. When considering the total affordability of housing costs we will consider:

- Rent and, for intermediate housing, mortgage costs
- Service charges - social rents do not include service charges whereas ART rents are inclusive of service charges.

- Utility bills (gas, water, electric) – research² confirms that new homes should cost anywhere between 68-86% less to run than an existing build, thus typically saving an occupier in excess of £600 p.a. The Council requires all affordable homes to be built to a minimum of Code 3, which not only considers energy efficiency but also reducing water consumption, further reducing overall housing costs.

5.16 It is therefore important to recognise that due to the above factors an ART product is not automatically unaffordable. Furthermore given that ART is related to local private rents, and includes service charges, it may, depending upon locality not be higher than social rent. As such each proposal for Council funding support will consider this detail and a clear position statement made on affordability for consideration by the Director of Place and Cabinet Member for Homes & Planning when making decisions on the allocation of funding.

6 RATIONALE

6.1 Council has established the parameters for the spend of the Council's Affordable Housing budget which have been further clarified in this report.

6.2 Our RPs have been selected based on their demonstrable ability to deliver good quality affordable homes and their registered status means that their development functions are closely regulated and audited by the HCA.

6.3 The use of the PID/CSG framework provides an auditable trail of decision making on funding recommendations.

6.4 Working within the framework of the indicative programme, the Director of Place, in consultation with the Cabinet Member for Homes and Planning, is able to provide a responsive and flexible response to requests for funding approvals that will fulfil the timescales surrounding RP decision making.

7 OTHER OPTIONS CONSIDERED

7.1 Cabinet or Single Member approval of each housing development scheme within the programme. This was rejected as it does not provide a decision-making process that is flexible or responsive enough to deal with rapidly changing scheme details or opportunities.

8 CONSULTATION

8.1 Housing & Major Projects Policy Development and Scrutiny Panel; Section 151 Finance Officer; Monitoring Officer; Cabinet Member

8.2 Given that the recommendation relates to internal controls, wider and external consultation was neither necessary nor appropriate.

9 RISK MANAGEMENT

9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

² Refer to www.sustainablehomes.co.uk

9.2 The Council's PID format considers risk and risk mitigation and will be completed as part of each scheme funding appraisal. It should be noted that the risk element of development will lie with the RP partner and not the Council. The established process behind allocating and paying affordable housing grant ensures the Council's capital funding is not at risk.

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Background papers	None
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