

GROWTH, ENVIRONMENT AND RESOURCES COMMITTEE	AGENDA ITEM No. 5
13 JUNE 2019	PUBLIC REPORT

Report of:	Adrian Chapman Service Director Adults and Communities; Dave Anderson Interim Development Director	
Cabinet Member(s) responsible:	Cabinet Member for Housing, Culture and Recreation	
Contact Officer(s):	Dave Anderson, Interim Development Director	Tel. 452468

RESPONSE TO CALL-IN OF EXECUTIVE DECISION FOR APPROVAL OF FUNDING FOR THE PROVISION OF ACCOMMODATION TO REDUCE HOMELESSNESS. MAY19/CMDN/01

R E C O M M E N D A T I O N S

FROM: Cabinet Member for Housing, Culture and Recreation

Deadline date: N/A

It is recommended that the Growth, Environment and Resources Scrutiny Committee:

1. Notes that Peterborough City Council is facing major pressures on its revenue budget due to the growing demand for affordable rented housing in the city and the high volume of applications it is receiving from households at risk of homelessness.
2. Notes that as at 3 June 2019 there were 392 households in temporary accommodation in the city including 98 in Bed & Breakfast which has an average cost to the Council of £386 per week.
3. Notes the actions being taken by the Council, as set out in this report, to improve the supply of affordable housing and reduce the cost pressures of temporary accommodation on the Council's budget.
4. Notes that the proposal to allocate £6,199,950 to Medesham Homes will enable Medesham to take on a private development at Eye Green and provide 35 new homes for affordable rent.
5. Notes that the proposed retrospective replacement of £1,015,000 of Right to Buy receipts for the Midland Road development, with S106 monies is an internal accounting transaction. This will have a zero net impact on the Council's budget. It will however, protect Right to Buy funds which offer the Council some flexibility for use as match funding to Combined Authority and other funding sources.
6. Supports the Cabinet Member's decision to allocate £6,199,950 to Medesham Homes to enable the Crowland Road Eye Green project to proceed.

1. ORIGIN OF REPORT

- 1.1 This report follows a call in request of the Cabinet Member Decision Notice report of May 2019 titled "Approval of funding for the provision of accommodation to reduce homelessness". The original report was drafted for Cllr David Seaton, then Cabinet Member for Resources, prior to the changes in Cabinet which saw responsibility for housing and homelessness matters transfer to Cllr Steve Allen.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The report is being presented following a call in request by Councillors Fower and Robinson.
- 2.2 This report is for the Growth, Environment and Resources Scrutiny Committee to consider under its Terms of Reference No. Part 3, Section 4 - Overview and Scrutiny Functions, paragraph 3, Scrutiny, sub paragraph 3.3 Hold the Executive to account for the discharge of functions in the following ways:
- (f) By exercising the right to call-in, for reconsideration, decisions made but not yet implemented by the Executive or key decisions which have been delegated to an officer;
- 2.3 The report is linked primarily to the Council's priorities for growth and regeneration.
- 2.4 There is no direct link to the Children in Care Pledge. However, the report will bring about additional affordable housing and help to alleviate the pressures faced by families living in temporary accommodation in B&B and hostel units.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

- 4.1 Peterborough City Council is experiencing major financial pressures as a result of rising demand for affordable rented accommodation in the city. There are over 3,500 applicants on the Council's Housing Register and 392 households currently in temporary accommodation. The cost burden on the Council is substantial and needs to be addressed by boosting the long term supply of new affordable housing to bring it closer in line with demand. The proposed Crowland Road, Eye Green scheme will provide 35 new homes saving the Council around £700k in costs that might otherwise require to be spent on B&B accommodation.
- 4.2 This report responds specifically to the 'call in' request for scrutiny of the proposal to grant £6,199,950 funded from Right to Buy receipts for 35 new affordable homes at Eye Green; it also deals with the separate proposal in relation to the Midland Road Scheme (JAN18/CAB/78) to replace £1,015,000 of Right to Buy receipts with an equivalent budget from S106 Affordable Housing funding (a commuted sum).
- 4.3 The proposal for the Council to provide funding from historic right to buy receipts to enable the development of 35 homes for affordable rent at Crowland Road, Eye Green relates to Cabinet decision JUL16/CAB/43 to support new affordable housing development in Peterborough through Medesham Homes the Council's 50:50 Joint venture housing development company with Cross Keys Homes that was set up in November 2016. That report established Medesham Homes as a delivery route for developing new affordable homes drawing upon right to buy receipts and S106 planning contributions. Medesham Homes has subsequently developed a pipeline of new affordable housing units.
- 4.4 29 units were completed at Midland Road towards the end of 2018. Developments are also in progress including Belle Vue, Stanground where the Combined Authority has now approved a grant contribution £35k per unit for 21 homes and at Bretton Court. The planned development at Eye Green is an opportunistic acquisition by Medesham Homes of a private housing scheme that had already received detailed planning approval and gone through the full normal public consultation process. The opportunity to acquire the development and convert it to a 100% affordable rent scheme was identified following discussions between Council Officers and the developer Lodge Park. Crowland Road Eye Green is a location in which there is already mixed tenure with established affordable housing in locality, managed by Cross Keys Homes.

- 4.5 Medesham Homes was invited to appraise the opportunity at the Crowland Road site in Eye Green and to make appropriate changes to ensure the final specification was suitable for the affordable rent market. A commercial agreement on the terms of potential acquisition was reached between Medesham Homes and Lodge Park ensuring good value for money. Once this had been agreed, Medesham Homes contacted the Council to seek the investment of historic right to buy receipts as set out in the Cabinet report.
- 4.6 The use of right to buy receipts to support the delivery of new affordable homes is part of a multi stranded approach to the delivery of additional affordable housing in the city. Other initiatives include the acquisition of suitable homes from the open market for use as temporary accommodation from a £10m invest to save budget approved for this purpose in August 2018. 51 homes have subsequently been purchased in a range of locations across the city. Further acquisitions will be made from the remaining £1.4m budget.
- 4.7 Approval was also granted for the Council to take on 5 year lease agreements from private landlords for use as temporary accommodation.. To date, 35 leased units have been acquired for this purpose.
- 4.8 In addition the Council is using 9 properties that were acquired on Cromwell Road as part of land assembly planning for the regeneration of North Westgate as temporary accommodation pending the commencement of work on that scheme. The Council also has a range of agreements in place to lease accommodation through property companies and landlords e.g. at St.Michael's Gate and Elizabeth Court.
- 4.9 Despite the efforts made by the Council to boost the supply of affordable rented accommodation in the city demand has continued to rise. The supply of new units through choice based lettings from Registered Providers and delivered by private developers through S106 affordable housing obligations has fallen in recent years against a background in which Peterborough is experiencing steady population growth. The city's population is forecast to rise from just under 200,000 to around 230,000 by 2036. The new local plan anticipates a need for 17,600 new homes over this period.
- 4.10 The shortage of affordable housing in the city is placing a serious strain on the Council's revenue budget. As at 3 June 2019 there were over 3,500 people on the Council's Housing Register and 388 households in temporary accommodation, of which 97 were in B&B accommodation; this form of accommodation averages over £380 per household per week and places a significant cost pressures on the Council's revenue budget using up resources that could fund other Council services.
- 4.11 The development of 35 new affordable family homes at Crowland Road, Eye Green will provide a modest boost to housing supply in the city ensuring new units that can remain in the affordable rented sector of the market over the long term adding to the city's current stock of 17,222 homes in that sector.
- 4.12 The decision at Crowland Road, Eye Green was a binary choice: either to acquire the homes for use as affordable rented units or enable the scheme to progress as a private development. Had the Council not intervened and sought to involve Medesham Homes to deliver an affordable housing development most of the homes would have sold on the open market excluding those delivered through the S106 obligation. The do nothing option would have produced only 5 units for affordable rent and a further 5 shared equity units. However, as noted above the Council is pursuing a wide range of options for improving the supply of affordable housing across the city. Officers are also currently appraising the business case for reintroducing a Housing Revenue Account.
- 4.13 In relation to Recommendation 3 of the May 2019 CMDN report - the proposed replacement of Right to Buy receipts at Midland Road with S106 Affordable Housing Commuted Sums - this proposal was made to protect the available Right to Buy pot. Right to Buy monies offer greater flexibility than S106 commuted sums in that they can be used as match funding in the case of

applications for grant funding from the Combined Authority. A grant application had been made to the Combined Authority for the Midland Road scheme. The Business Case anticipated the use of Right to Buy receipts if CA grant funding was available but also allowed for the use of S106 commuted sums. In the event the Combined Authority was unable to provide match funding for the Midland Road scheme due to a legal technicality around the definition of the term affordable rent which has a specific meaning in relation to Homes England grant funding. The Combined Authority has since resolved this problem by working with the Ministry of Housing, Communities and Local Government to effect necessary legislative changes to enable it to support schemes for affordable rent which it has now done in the case of Medesham Homes Belle Vue Stanground proposals. The preservation of Right to Buy receipts for future match funding purposes will enable the Council to support further affordable rent schemes developed by Medesham and has no impact on the Council's overall resources.

5. CONSULTATION

- 5.1 Both the Crowland Road, Eye Green and Midland Road schemes were subject to detailed planning applications which entailed the public consultation process required for such developments. There was no specific additional consultation with ward members as any issues that emerged in the course of consultation were dealt with in the course of the planning process.
- 5.2 In the event that local members wish to receive further information about the Crowland Road Eye Green proposals a meeting can be arranged with representatives of Medesham Homes. There have been no external changes to the houses but some minor modifications internally to ensure greater flexibility e.g. for wheelchair users.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 The proposal to develop Crowland Road Eye Green will provide 35 much needed affordable rented homes for Peterborough. The proposal to substitute Right to Buy receipts at Midland Road with S106 commuted sums for affordable housing is an accounting treatment that has no net impact on the Council's budget but will allow greater flexibility in the use of Right to Buy receipts to support grant applications for future affordable housing schemes.

7. REASON FOR THE RECOMMENDATION

- 7.1 The reason for the recommendations remain as set out in para 6.1 of the May 2019 CMDN report.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The only alternative option at Eye Green is to do nothing. This option was ruled out as it would only produce 5 units for affordable rent.

The only other option in relation to Midland Road would be to retain Right to Buy receipts in the budget for that scheme. This would reduce the Council's flexibility in the use of funds to make grant applications for future affordable housing schemes.

9. IMPLICATIONS

Financial Implications

- 9.1 The financial implications are set out in para 8.1 of the May 2019 CMDN report.

Legal Implications

- 9.2 The legal implications and the Council's ability to advance monies to Medesham Homes for such developments are set out in para 9.2 of JAN18/CAB/78 and remain as set out in para 8.2 of the May 2019 CMDN report.

Equalities Implications

- 9.3 There are no adverse equalities implications relating to these proposals.

Rural Implications

- 9.4 New housing at Crowland Road Eye Green will help support the sustainability of an existing semi-rural settlement.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1 Executive Decision: Approval Of Funding For The Provision Of Accommodation To Reduce Homelessness - MAY19/CMDN/01

11. APPENDICES

- 11.1 None

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