

SUSTAINABLE GROWTH AND ENVIRONMENT CAPITAL SCRUTINY COMMITTEE	Agenda Item No. 6
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Report of the Executive Director of Operations

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AFFORDABLE HOUSING CAPITAL FUNDING POLICY

1. PURPOSE

- 1.1 The primary purpose of this report is to enable the committee to scrutinise recommendations to be put before Cabinet on 25 March 2013, with the primary recommendation being the suspension of any further grant allocations from the council's Affordable Housing corporate resources part of the Capital Programme until a thorough review of the council's policy on funding schemes from this source is undertaken. Such a review is considered necessary to ensure the council gains maximum benefit and value from the use of its capital programme resources.

However, the report to cabinet will recommend that schemes that discharge obligations to provide affordable housing in accordance with individual Section 106 agreements will still be considered, and Section 106 receipts will continue to be applied to fund such schemes in accordance with the 2011 Policy framework.

2. RECOMMENDATIONS

- 2.1 The purpose of this report is to obtain committee's view on the issues raised in this agenda report before it is presented to Cabinet on 25 March 2013. Committee's views will be orally reported to Cabinet in order to assist Cabinet in reaching a decision.

3. LINKS TO THE SUSTAINABLE COMMUNITY STRATEGY

- 3.1 Affordable housing provision relates directly to the Sustainable Community Strategy (SCS), especially around the priorities of achieving sustainable growth and of creating strong and supportive communities.

4. BACKGROUND AND KEY ISSUES

Introduction

- 4.1 The Affordable Housing Capital Funding Policy (adopted by Cabinet in February 2011) sets out the rules and procedures which the council will adopt when awarding grants to Registered Providers (RPs) (sometimes known as Registered Social Landlords (RSLs)), with such grants awarded to help enable the continued supply of new affordable housing in Peterborough. Such capital schemes are funded through two sources, Section 106 receipts and the affordable housing corporate resources part of the capital programme, the latter of which is supported by 'Right to Buy' receipts.

- (i) **capital receipts** (£13m uncommitted) arise as a result of the sale of the council's housing stock to Cross Keys Homes and in accordance with the stock transfer agreement which requires payments to the council as a percentage of Cross Keys Homes' income following subsequent right to buy sales to its tenants; and
- (ii) from **Section 106 agreements with developers** (£3m uncommitted), with such agreements arising through developers and the council agreeing to the provision of off-site affordable housing as part of the developers scheme rather than affordable housing provision directly on-site (see paragraphs 4.6-4.9 for a detailed explanation of this).

4.2 In general terms the Policy is working appropriately. However, many issues have arisen since February 2011 which is prompting the recommendation that a review of the Policy is undertaken, namely:

- Grant uptake has been relatively low, perhaps as a result of the fairly constrained bidding criteria within the Policy.
- The finances of the council have, in general terms, become even tighter; there is therefore a need to review whether best value is being achieved from this funding policy.
- Adult Social Care has been brought back into the council; there is therefore a need to review whether the Policy should be revised to complement the council's amended Adult Social Care duties.
- The council has some particular areas it wishes to target investment, such as the continued transformation of the city centre; there is therefore a need to review whether the Policy should be amended to complement these priority areas.
- The council continues to support the growth of the city, including new homes, but recognises the difficult economic conditions the house building industry faces; there is therefore a need to review the Policy to see if amendments to it could further stimulate the house building market.

Proposed suspension of spend

4.3 It is therefore proposed to recommend to Cabinet that committing any further new spend from the Affordable Housing corporate resources part of the Capital Programme is suspended. It is recommended that the suspension remains in place whilst a thorough review of the Policy is undertaken and until a revised Policy is adopted by Cabinet (target date for consideration by Cabinet being its September 2013 meeting). There are no known legal impediments to agreeing to such a temporary suspension, and funding will remain allocated to the Affordable Housing corporate resources part of the capital programme prior to any agreed amendments to the Policy.

Scope of potential policy amendments

4.4 A number of options for Policy amendments have provisionally been explored, and it is in the following areas which Cabinet is to be asked to endorse officers to investigate:

- (i) investigate whether the scoring criteria within the Policy be amended so as to favour bids in specific priority locations, such as the city centre and rural areas;
- (ii) investigate whether priority can be given to those bids which assist the council in meeting its children and adult social care duties;
- (iii) investigate whether it is legally possible, and would offer better value, if the funds are made available as a loan rather than a grant, or a mixture of the two;
- (iv) investigate whether the funds can be made available to the wider house building market, rather than, as is the case with the current Policy, just Registered Providers;
- (v) investigate whether the current definition of 'affordable housing' used in the Policy can be widened so that other forms of low cost housing become eligible for funding; and
- (vi) investigate whether the Policy could be amended so as to better link with wider growth and investment possible initiatives of the council, such as a Local Housing Company, other joint ventures or making the best use of our own land and property portfolio.

4.5 The investigation of these issues will require a thorough review of the original terms of the stock transfer agreement as well as a discussion with a number of departments within the council (legal, property, housing and planning, and finance). It is also considered appropriate to discuss possible amendments with Registered Providers to ensure they understand and can see benefits for them in any possible changes to the Policy.

Section 106 Funds

4.6 As noted above, one of the sources of funding which enables the Council to help deliver new affordable homes is Section 106 funding from Developers. The council holds this funding on behalf of developers for spend on the provision of affordable housing.

4.7 Developers make Section 106 contributions in respect of affordable housing when it has been agreed between the developer and the council that less affordable housing is provided on their

development site ('on-site') than would otherwise be required in accordance with the council's planning policy and instead a commuted sum be passed to the council to enable the council to provide affordable housing elsewhere within the district (i.e. 'off-site'). The precise terms as to what sum is passed to the council, how it can be spent, and by when, varies in each individual Section 106 agreement. Ultimately, if the council fails to spend the money in accordance with each individual Section 106 agreement then it must return the funds to the developer.

- 4.8 In deciding how to allocate this funding to schemes, the council uses a two-step process. First, it ensures spend is in accordance with the Section 106 agreements. Second, where flexibility exists in a particular Section 106, it uses the Policy as discussed in this agenda report to further guide spend.
- 4.9 Due, therefore, to the more restrictive nature of Section 106 funds, it is recommended that grant allocations are still considered, where funded from this source. This is so that the council can:
 - (a) continue to fulfil its legal obligations arising from individual Section 106 agreements
 - (b) continue to allocate some funding during the Policy review period on any high quality schemes which require funding support; and
 - (c) acknowledge the fact that very few, if any, of the list (i) – (vi) in paragraph 4.4 above is likely to be able to be applied to the funds held in this second pot (and therefore suspension would be futile)

5. IMPLICATIONS

- 5.1 **Financial implications:** the suspension of new allocations from the Affordable Housing corporate resources part of the capital programme to, probably, September may mean less of the funds are spent within the 2013/14 financial year than anticipated. However, this is uncertain because there will be allocations made from the Section 106 contributions during this period and the review period is only likely to last until September. Any financial implications arising from the amendment of the Policy as a result of the review will be reported in that Cabinet paper accompanying those recommended Policy changes.
- 5.2 **Community implications:** potentially, though highly unlikely, some short term negative implications arising from the suspension (due to the theoretical possibility that less affordable homes being brought on stream), but this is only likely to occur if the suspension is protracted beyond the anticipated six months. In the long term, the suspension could have positive community benefits due to the better focussing of fund spend on priority schemes which most meet community needs.
- 5.3 **Legal Implications:** any recommended policy amendments will be made in consultation with the council's Legal Department. There are no known impediments to agreeing to the suspension proposed in this report.

6. CONSULTATION

- 6.1 Committee's views on this paper will be reported to Cabinet to help inform their decision. If Cabinet agree to the recommendations in the report, then detailed investigation and consultation will take place across council departments as well as with Registered Providers. No wider public consultation is proposed on the policy changes.

8. NEXT STEPS

- 8.1 It is anticipated that the Committee will offer comments on the content of this agenda paper and any comments will be presented to Cabinet (25 March).

9. BACKGROUND DOCUMENTS

- 9.1 Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985
The current adopted policy is available at:
<http://www.peterborough.gov.uk/pdf/housing-%20Aff%20Housing%20Policy%20Adopted%207%20Feb%202011.pdf>

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