

<b>CABINET</b>	<b>AGENDA ITEM No. 5</b>
<b>25 MARCH 2013</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Cllr Marco Cereste, Portfolio Holder for Growth, Strategic Planning, Economic Development, Business Engagement and Environment Capital Cllr Peter Hiller, Portfolio Holder for Housing, Neighbourhoods and Planning	
Contact Officer(s):	Anne Keogh – Housing Strategy Manager, Operations Richard Kay – Group Manager: Strategic Planning, Housing and the Environment, Operations	Tel. 863815 863795

### **AFFORDABLE HOUSING CAPITAL FUNDING POLICY**

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM</b> : Director of Operations	<b>Deadline date 25 March 2013</b>
<p>That</p> <ol style="list-style-type: none"> <li>1. Cabinet agrees to suspend any new allocations from the council's Affordable Housing corporate resources part of the Capital Programme until a review of the council's Affordable Housing Capital Funding Policy (Feb 2011) is agreed by Cabinet (scheduled for September 2013); and</li> <li>2. Cabinet agrees that the scope of the policy review should cover an investigation of the options listed in paragraph 4.4 of this agenda report; and</li> <li>3. Cabinet agrees 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.</li> </ol>	

#### **1. ORIGIN OF REPORT**

- 1.1 This report is submitted to Cabinet by Cllr Cereste and Cllr Hiller, both of whom have portfolios which cut across the issue of delivering affordable housing across the Peterborough area, and following consideration by the Sustainable Growth and Environment Capital Scrutiny Committee at its meeting of 20 March 2013.

#### **2. PURPOSE AND REASON FOR REPORT**

- 2.1 The primary purpose of this report is to recommend 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 as to how such funds should be spent is undertaken. Such a review is considered necessary to ensure the council gains maximum benefit and value from the use of such funds. Second, the report recommends that Cabinet agrees 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.
- 2.2 This report is for Cabinet to consider under its Terms of Reference 3.2.1 'to take collective responsibility for the delivery of all Strategic Executive functions within the Council's Major

Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services'.

### 3. **TIMESCALE**

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	
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### 4. **AFFORDABLE HOUSING CAPITAL FUNDING POLICY**

#### **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 recommended that committing any further new spend from the Affordable Housing corporate resources part of 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 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, 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 to be 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 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. CONSULTATION

- 5.1 Sustainable Growth and Environment Capital Scrutiny Committee are scheduled to consider the issues raised in this agenda report at its meeting on 20 March 2013. An oral update of Scrutiny's views will be given at the Cabinet meeting.
- 5.2 If Cabinet agree to the recommendations in this report, then detailed investigation and consultation will take place across council departments as well as with Registered Providers.

## 6 ANTICIPATED OUTCOMES

- 6.1 Cabinet is anticipated to agree to the recommendations set out in this agenda report, and to subsequently receive a second report at its meeting in September 2013.

## 7 REASONS FOR RECOMMENDATIONS

- 7.1 Suspending new allocations from the Affordable Housing corporate resources part of the Capital Programme and undertaking a review of the Policy will ensure the council is achieving best value for the funds.

## 8 ALTERNATIVE OPTIONS CONSIDERED

- 8.1 To not suspend new allocations from the Affordable Housing corporate resources part of the Capital Programme This option is rejected because it may be the case that the funds could be used in the next 6 months or so on schemes which meet the current adopted Policy but which do not necessarily achieve best value for the council.

## 9 IMPLICATIONS

- 9.1 **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 part of the Affordable Housing Programme funded from 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.
- 9.2 **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.
- 9.3 **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.

## **BACKGROUND DOCUMENTS**

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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