

GROWTH, ENVIRONMENT AND RESOURCES SCRUTINY COMMITTEE	AGENDA ITEM No. 9
7 NOVEMBER 2018	PUBLIC REPORT

Report of:	Simon Machen, Corporate Director of Growth and Regeneration	
Cabinet Member(s) responsible:	Cabinet Member for Growth, Planning, Housing and Economic Development	
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AFFORDABLE HOUSING NEED AND DELIVERY IN PETERBOROUGH

RECOMMENDATIONS	
FROM: Simon Machen, Corporate Director of Growth and Regeneration	Deadline date: N/A
It is recommended that the Growth, Environment and Resources Scrutiny Committee review and comment on the report.	

1. **ORIGIN OF REPORT**

This report is presented in response to a request from the Growth, Environment and Resources Scrutiny Committee for an update on the current Affordable Housing position in Peterborough.

2. **PURPOSE AND REASON FOR REPORT**

2.1 This report is being presented to the Committee to provide a current picture of affordable housing need and delivery in Peterborough against the backdrop of any significant policy, legislative or funding developments that have occurred since the adoption of the Housing Strategy in April 2017.

2.2 This report is for the Growth, Environment and Resources Scrutiny Committee to consider under its Terms of Reference Part 3, Section 4 - Overview Scrutiny Functions, paragraph No. 2.1 Functions determined by Council:

5. Economic Development and Regeneration including Strategic Housing and Strategic Planning

2.3 The report links to the following corporate priorities:

Driving growth, regeneration and economic development and
Keeping all our communities safe, cohesive and healthy

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

Legislative updates relevant to the delivery of affordable housing

The revised National Planning Policy Framework (NPPF) published on 24 July 2018 has introduced two measures relevant to the delivery of affordable housing. The framework has provided an updated definition of affordable housing and set a new threshold for the delivery of affordable home ownership tenure dwellings.

The new definition of Affordable Housing

The new definition is much wider than the definition in the 2012 NPPF and identifies and defines the following four categories of affordable housing products;

1) Affordable Housing for Rent includes 'social rent', 'affordable rent' but expands the category to include 'affordable private rent'. The definition for social rent and affordable rent tenures remains the same as set out in the previous 2012 definition which provides that social rents have 'target rents' which are set through the national rent regime, and affordable rents are set at a minimum of 20% below the local market rents. The revised NPPF states that the new tenure, affordable private rent, is expected to be the normal form of affordable housing provision for Build to Rent schemes. This tenure is essentially the same as affordable rent in that the same requirements apply for determining the rent level, excepting that the product is not provided by a local authority or RP. A Build to Rent scheme is purpose built housing usually funded through private institutional investment which is 100% rented out.

2) Starter Homes are now included as a category, but secondary legislation is still required to set out financial eligibility for households for this product. What constitutes a starter home is set out in the Housing and Planning Act 2016. To qualify, it must be:

- a new dwelling;
- available for purchase by qualifying first-time buyers. To be a qualifying first-time buyer, the purchaser must be between 23 and 40 years old;
- sold at a discount of at least 20% of market value; and
- sold for less than the price cap (£450,000 in Greater London; £250,000 outside Greater London).

3) Discounted market sales housing is included and is defined as housing that is sold at a discount of at least 20% below local market value. Eligibility for this product is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.

4) Other affordable routes for home ownership includes shared ownership and rent to buy and other low cost homes for sale that should also be made available at a price equivalent to at least 20% below market value, although how this differs from discounted market sales housing is unclear.

From a developer's perspective the expansion of the definition of Affordable Housing offers greater flexibility in respect of the composition of the Affordable Housing that is to be provided on a qualifying scheme. The difficulty however from the perspective of a local authority, is whether such tenures are acceptable as affordable housing in their administrative area and whether such tenures will meet the local need. Peterborough's approach to ensuring the mix of affordable tenures delivered best meet identified need is set out under the policy update section below.

The new threshold for delivering affordable home ownership tenure dwellings

The new threshold for the delivery of affordable home ownership tenure dwellings in the revised

NPPF, provides that where a development of 10 or more dwellings is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership. An exception to this is where the 10% threshold would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified housing needs of specific groups (such as older persons accommodation or rural exception sites). There is also an exemption to the 10% requirement where the proposed development provides solely for Build to Rent homes.

While Peterborough, like all other local authorities in England is bound by this requirement, we will aim to ensure that the affordable home ownership tenures delivered in Peterborough are best suited to meeting local needs. Our approach is set out in the policy update section below.

Policy updates relevant to the delivery of affordable housing

Paragraph 62 of the revised NPPF states that where a need for affordable housing is identified, planning policies should specify the type of affordable housing required using the revised definition of affordable housing.

The Housing Needs policy in the existing adopted Core Strategy 2011 sets out that the council will seek 70% as rented tenure and 30% as intermediate tenure for the tenure mix of affordable housing. While this policy pre-dates the provisions in the revised NPPF, the Housing Needs policy in the emerging Local Plan (which is currently at the examination stage) also considers the tenure mix for affordable housing provision. This policy is less prescriptive and states that "the exact tenure mix on each site will be a matter for negotiation, informed by the latest evidence of housing need. The council's preference and starting point for negotiations, as informed by the latest need assessment, is for a greater part of affordable housing to be for affordable rent". The supporting text to the policy explains that where the policy refers to a 'greater proportion' being affordable rent, the target is a 70%/30% split in favour of affordable rent, though this should not be applied prescriptively on all schemes.

The tenure split in both the adopted and emerging Plans is informed by evidence in the SHMA and the feasibility analysis set out in the Local Plan Viability Assessment. The function of a Viability Assessment is to ensure that all Local Plans are deliverable, and that the policy obligations within them does not threaten the viability of development and delivery of Local Plan objectives.

The SHMA identifies a net need for 19% intermediate housing and 81% social-affordable rent in Peterborough based on affordability.

The Viability Assessment however, assumes a tenure split of approximately 70% affordable rented tenure and 30% intermediate in the form of shared ownership in order to ensure that affordable housing remains viable and deliverable. Therefore this modified tenure split is applied within the Housing Needs policy.

In terms of the delivery of affordable home ownership tenures as described in the revised NPPF, the 2017 SHMA update considered the role for starter homes and discounted market sales housing in response to the proposals set out in the then Housing White Paper 2017. The findings of the SHMA concluded that there is likely to be sufficient demand for 10% of all housing to be provided as affordable home ownership tenures including starter homes or other discounted sales products. It does, however, highlight that the affordability of starter homes and discounted market sales housing products remains an issue in the Housing Market Area as "the income levels required to access such housing are above those typically required to access other market housing as currently available." Shared ownership tenure, which is included in the affordable home ownership tenures, is referred to as "an already established and more flexible

affordable home ownership product".

In view of the evidence from the SHMA and Viability Assessment, and in accordance with existing and emerging policy, the council will continue to seek a tenure mix on affordable housing schemes that provides 70% affordable rented tenure and 30% shared ownership tenure. The significant rise over the last two years in the number of homeless households placed in temporary accommodation which the council has a statutory duty to assist with re-housing, means that this council has an ongoing pressure to maximise the number of affordable homes for rent that can be allocated through the housing register to help with alleviating this pressing need. The capacity of shared ownership housing to cater for a wider range of household incomes by varying the initial share required to enable access to home ownership means that the council will continue to prioritise the delivery of this tenure to meet the need for affordable home ownership products in Peterborough.

Meeting Affordable Housing need and demand in Peterborough

Need and demand The SHMA 2017 update indicates that an additional 559 affordable homes are required each year to fully meet current and arising need in Peterborough. The Housing Register provides a specific indication of the demand for rented affordable homes in Peterborough. There are currently 2,777 households on the housing register and 382 households including 519 children in temporary accommodation.

Delivery It is anticipated that 106 affordable homes will be delivered in Peterborough during 2018/19. This includes 23 units that have received funding from the Combined Authority Affordable Housing Delivery Programme. The tenure split for the new homes is 73 for affordable rent and 33 for shared ownership tenure and therefore largely reflects the tenure split as set out in the Housing Needs policy in the Local Plan.

In 2017/18 120 affordable homes were delivered. The tenure split for these homes was 88 affordable rented and 32 shared ownership homes.

Medesham Homes

The council's housing joint venture with CKH, Medesham Homes, is working to increase the provision of affordable housing in Peterborough, and to help bridge the gap between supply and demand. Medesham Homes are currently on site at Midland Rd to deliver a wholly affordable housing scheme of 29 units for affordable rent. These homes are expected to complete during 2018/19 (and therefore form part of the 106 affordable homes that will be delivered this year).

Another 100% affordable scheme is planned for Potters Way, Fengate which aims to be on site by January 2019. This scheme will deliver 18 flats and it is expected that the units will complete during 2019/20

They also have a pipeline of schemes in place that are expected to deliver approximately a further 250 homes over the next 2-3 financial years.

Evera Homes

Flagship, Hyde and Cross Keys Homes, Longhurst, Flagship and Hyde has formed a joint venture of registered providers to deliver new homes in the Cambridgeshire and Peterborough combined authority area. The partnership will aim to tackle the shortage of homes of all tenures across the area and plan to achieve the start on site of 2,000 new affordable rent properties and homes for sale by 2023. Evera Homes was officially launched on 12 September and will provide a further vehicle for delivering affordable homes in Peterborough. The Council are now working with them to try and identify sites that may be suitable for the delivery of homes in Peterborough.

Funding affordable housing in Peterborough

Homes England has a range of national funding programmes aimed at enabling the development of new homes. These programmes include loan and grant initiatives and depending on the terms of the funding initiative, can be accessed by Registered Providers, Local Authorities, and large and small scale commercial developers. This funding has supported many of the affordable homes delivered in Peterborough over the years and will continue to play an important role in aiding delivery. However, the council's own capital programme to support local affordable housing provision and more recently, the funding secured by the Combined Authority through the Devolution deal for the delivery of affordable housing in Peterborough and Cambridgeshire has provided more opportunities to secure funding for affordable housing schemes in Peterborough that may otherwise not have come forward.

Combined Authority capital funding

In March 2017 the Combined Authority Board agreed the business case for £100m to enable an additional 2,000 new affordable homes to start on site in the Combined Authority area during the five year period commencing 1 April 2017. The £100m fund will be deployed in the local authority districts and Peterborough. Cambridge City has received a separate ring-fenced grant fund.

The Board has so far approved a total allocation of £9.075m. Within this allocation is funding for one Peterborough scheme that has since withdrawn and one South Cambridgeshire scheme that is at risk of not proceeding.

Funding has however, been awarded for 3 Peterborough schemes which will proceed and will deliver a total of 87 units. The total funding secured for these affordable homes is £2,755,000 which averages at a grant rate of £31,667 per unit. This is slightly above the average grant rate awarded of £30,461.

Peterborough City Council capital funding

Since 2004 when the council transferred its housing stock to Cross Keys Homes, capital receipt funds that have been paid to the council by CKH from income generated from qualifying 'Right to Buy' (RTB) sales, have been reserved to deliver affordable housing in Peterborough through third parties. As part of budget approval decision by Full Council for 2016/17 that agreed to the creation of a Medesham Homes, it was also agreed that the £14.6m accumulated from capital receipts received from Cross Keys Homes would be directed to the housing company to build new affordable homes in Peterborough.

Since then this RTB funding combined with Combined Authority funding, has helped to support the delivery of the scheme at Midland Rd.

Another capital funding stream that serves to support affordable housing delivery is the commuted sum payments received from developers via Section 106 planning obligations in lieu of on-site affordable housing provision. These funds are available to providers to enable delivery of affordable homes in Peterborough and in April 2017 the council approved the award of £900,000 from this pot to Cross Keys Homes to enable the refurbishment of vacant units at Elizabeth Court to provide 53 accommodation units. This has enabled 53 homeless households to be offered self-contained accommodation at an estimated annual saving of £800,000 to the Council when compared against the equivalent costs of relying on 53 hotel rooms to provide a temporary accommodation offer over the course of a year. It has also helped to mitigate the most unsettling effects of homelessness by providing a suitable accommodation offer to families for the period that the council requires to find a suitable permanent home. The award of grant to Cross Keys Homes was made on terms that would not only assist with the current high demand for temporary accommodation, but also with the provision of

permanent affordable homes in the longer term. The council has entered into an arrangement with Cross Keys Homes to lease the temporary accommodation units for a five year period and at the end of this period (subject to review), for the site to be redeveloped to provide 100% affordable homes. To safeguard this arrangement, a condition has been attached to the allocation of grant for the refurbishment works, to allow for the grant to be repayable on a pro rata basis in the event that 100% affordable housing is not achieved on the new development.

An important element of affordable housing provision is the need for a buffer stock of suitable temporary accommodation to help households at risk of homelessness. In order to lessen the Council's reliance on B&B accommodation for this group, a housing supply group has been set up and is preparing to acquire around 50 private homes for use as temporary accommodation. A further 50 homes are being leased from the private rented sector for this purpose. These initiatives are part of an Invest to Save programme using funds identified in the budget for alleviating pressures arising from the growing demand for affordable housing.

Conclusion

Concerns about the provision of an adequate housing supply of not just affordable housing but also wider market housing, have been expressed both nationally and locally for some time and the housing shortage has been described by Government as a housing crisis. More and more local authorities are now engaging in the provision of housing through a wide range of mechanisms in response to the housing shortages they are experiencing in their localities. Medesham Homes has enabled the council to take on an enabling role that can directly influence delivery, and the advent of a new regionally focussed joint venture to deliver affordable homes in the CA area will provide further opportunities to increase the supply of affordable homes locally. The options to access funding for Peterborough affordable housing delivery from a range of sources that includes the CA funding should help to accelerate delivery and enable schemes where viability issues would previously have affected the delivery of our policy requirement for 30% affordable homes on schemes of 15 or more dwellings to achieve policy compliance going forward.

5. CONSULTATION

5.1 There is no requirement for formal consultation in relation to this report

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 It is anticipated that this report will provide the Committee with an overview of the key considerations that have informed this update on the current affordable housing position in Peterborough.

7. IMPLICATIONS

Financial Implications

7.1 There are no new Financial Implications arising from the recommendations of this report. The Financial implications arising from affordable housing services to Peterborough are largely salary costs. The funding for affordable housing provided via S.106 commuted sums is received from Developers in lieu of on-site affordable housing delivery and the RTB receipt funds ring-fenced to affordable housing provision is payments received from CKH under the terms of the stock transfer.

Legal Implications

7.2 There are no legal implications in relation to this report

Equalities Implications

7.3 N/A

Rural Implications

7.4 N/A

10. BACKGROUND DOCUMENTS

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

10.1 The NPPF Published July 2018

11. APPENDICES

11.1 None.

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