

Committee: Cabinet

Agenda Item

Date: 16 February 2016

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Title: Affordable Housing Contributions

Portfolio Holders: Cllr Susan Barker, Cllr Simon Howell and Cllr J Redfern

Key decision: **No**

Summary

1. This report considers the allocation of contributions for the delivery of affordable housing.
2. The funding has been secured from planning obligations instead of on site affordable housing provision.
3. The recommendations are made to enable two schemes to progress towards delivery. In relation to the Chrishall scheme, which is ready to start on site, grant is essential or the scheme will no longer be viable for the housing association.

Recommendations

3. That Cabinet approves the allocation of £112,000 towards the delivery of a rural exception scheme in Chrishall; and
4. Cabinet confirms that it remains open to granting £100,000 towards a learning disability scheme in Saffron Walden, but a firm allocation would be premature until funding by East Thames Housing Association and Essex County Council is clarified.

Financial Implications

5. The Council, through Section 106 legal obligations, has received £718,000 in payments in lieu of on site provision of affordable housing on 5 developments during the last 4 years. These payments are for the provision of additional affordable housing within the district. £500,000 of this pot was allocated on 15th January 2015 by Cabinet to the extra care scheme at Radwinter Road, Saffron Walden. The remaining receipts enable the council to allocate the £112,000 urgently required to enable a scheme to be delivered.
6. A further £950,000 is due to be paid to the council when planning permissions are implemented (across 10 sites). A report will be brought to Cabinet in the coming months to establish policy to determine future allocations of collected monies to the provision of additional affordable housing schemes. This will address the respective priorities of using S106 funding for the council's own new build programme and housing association projects.

Background Papers

None.

Impact

7.

Communication/Consultation	Local residents, Parish/Town Councils (Chrishall and Saffron Walden), key partners.
Community Safety	N/A
Equalities	A supported housing scheme will meet housing needs of those with a disability.
Health and Safety	N/A
Human Rights/Legal Implications	None
Sustainability	The developments will provide thermally efficient homes for local people or those with a learning disability.
Ward-specific impacts	Littlebury, Chesterfords and Wenden Lofts, and Saffron Walden
Workforce/Workplace	Staff resources are dedicated to enabling housing delivery.

Situation

Housing on Rural Exception Sites.

8. During the last 25 years, the Council have successfully worked in partnership with housing providers to deliver housing on rural exception sites. These have been funded through Homes and Communities Agency (HCA) grant, the borrowing capacity of our providers, some recycled capital grant (RCGF) and the assumed rental income from the properties.
9. Grant rates have reduced over the years and grant has been fully withdrawn by the HCA in the last few weeks on all affordable rented schemes in the short term. This means that our programme of rural housing development needs to be reviewed.
10. Many of our current schemes are being submitted for planning with a small amount of market homes to ensure that the scheme is viable. This approach was approved by the planning committee at Manuden and more recently

Wimbish. Both of these parishes supported the market homes on the scheme to ensure that the housing needs of the community could be met. Manuden also benefitted from a community building on the scheme and this scheme was led and championed by the village.

11. Another scheme that has recently been approved by Planning Committee achieved HCA grant funding and also growth area funding so this will progress during 2016/17 providing 34 much needed affordable homes in Newport. This scheme did not need market housing to make it viable due to the funding already secured.
12. A scheme in Chrishall is not so fortunate. It had not been put forward for grant funding to the HCA before the funding was withdrawn.
13. The scheme was delayed due to some newt mitigation work that needed to be carried out. This has now been completed and work needs to begin on site before the newts try to return in the Spring. The fixed price tender is only guaranteed until the end of February so the scheme needs to progress quickly. If it had to be retendered is likely that costs would rise. The scheme is already high cost because of the long connections required for services and the high energy efficiency specification which formed part of local consensus on which this particular rural exception scheme depends. It provides 4 affordable rented units in Chrishall and a transfer of the freehold of the playing field to the Parish Council which they currently only lease. Any further increase in costs is likely to render the project not viable for the housing association
14. A housing needs survey has been carried out in both villages and a proven need shown for the homes. The Council has been working for a number of years with both communities and it would be disappointing for them to see the scheme stall due to lack of funding.
15. Hastoe, the Register Provider delivering the scheme, has provided the following figures to show how the schemes were to be funded:

Chrishall

Anticipated grant	£28,000 per unit (Total £112,000)
Recycled capital grant	£60,000.
Hastoe loan	£590,793
Total scheme cost	£762,793

16. As can be seen above, the scheme at Chrishall is £112,000 short due to the withdrawal of HCA grant.
17. The Council has received £718,000 in payments in lieu of on site provision of affordable housing on 5 developments during the last 4 years. £500,000 of this pot was allocated on 15th January 2015 by Cabinet to the extra care scheme at Radwinter Road, Saffron Walden. Part of the receipts could enable the council to fund a £112,000 contribution to the Chrishall scheme detailed above. It is

essential to the viability of the scheme and maintains the council's partnership with Hastoe to deliver a programme of rural housing in our villages.

Housing for those with a Learning Disability

18. Officers have been working with Essex County Council and two registered providers over the last ten years to provide a learning disability scheme in Saffron Walden. A site was identified in Everitt Road, Saffron Walden and East Thames, one of our partner housing associations, will deliver the scheme (as they specialise in supported housing).
19. The Housing Board agreed to provide £100,000 towards the scheme through the HRA Business Plan however this funding is now needed to contribute to the Council's house building programme and has been redirected.
20. This scheme is a priority in the Housing Strategy, meets a significant housing need locally and helps residents with learning disabilities live independently. The scheme has recently gained planning permission. However negotiations between East Thames and Essex County Council over funding are continuing and have not yet reached the position where the project meets the county council's criteria for capital funding.

Conclusion

21. This affordable housing pot will continue to grow as small sites are given planning permission and funds collected towards the provision of additional affordable housing within the district.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
RSLs have alternative sources of funding to asking for grant from the council	1 – Like stock holding authorities RSLs will have to bear the costs of the mandatory 1% reduction in rents. This has reduced capacity for internal subsidy. Hastoe has had to put	3 – Support for RSLs reduces funds that may be needed to maintain the council's own new build programme for delivering additional	Future schemes still in feasibility/ design stage will need to explore cross subsidy from market housing as an element of the development

	some recycled capital grant funding into the Chrishall scheme but has insufficient to cover this scheme and a project for Lt Hallingbury which is also in the local programme pipeline	homes	
Changes to government housing and planning policy on affordable housing lead to off site contributions declining	2 – Enabling provisions in Housing and Planning Bill. Uncertainty will exist until Regulations come into force and revised policy issued	2 – Affordable housing will be targeted at different sector of those in housing need	Alternative financial models will need to be developed and schemes reviewed

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.