

Date 17 September 2015

Report of	Head of Commercial Services	Author	Daniel Cameron
Title	Affordable Housing Contributions Report		
Wards Affected	All		

This report sets out the current level of the Affordable Housing contributions received/secured by Colchester Borough Council in lieu of delivery on site.

1. Decision Required

- 1.1 Members are asked to note the contents of the report.
- 1.2 The report examines the current level of Affordable Housing contributions held by Colchester Borough Council as well as future contributions secured within existing Section 106 agreements but not yet received. Furthermore, it also outlines the proposed methods for spend to ensure maximum benefit is received by the Borough from the contributions.
- 1.3 Members are invited to provide any feedback on the report; including whether it would be helpful for similar reports should be provided on more regular basis and what further information Members might require in future reports.

2. Reasons for Decisions

- 2.1 Members indicated at recent Officer-led training exercises as well as when discussing recent Planning Applications at Committee that they would like to be presented with a clearer understanding of the level of Affordable Housing contributions currently held.
- 2.2 This report is presented for consideration to ensure that Members are informed of:
 - The current position of the Affordable Housing contribution levels;
 - The likely contribution levels in the near future; and
 - The current options for spending these contributions.

3. Affordable Housing

Policy Background

- 3.1 The National Planning Policy Framework states at paragraph 50 that Local Planning Authorities are required: "where they have identified that affordable housing is needed, to set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time."

- 3.2 Within the current Adopted Core Strategy (2008 updated July 2014), policy H4 sets out the Council's policy stance towards securing affordable housing. It states: "The Council will be seeking to secure 20% of new dwellings (including conversions) to be provided as affordable housing (normally on site)... In exceptional circumstances, where high development costs undermine the viability of housing delivery, developers will be expected to demonstrate an alternative affordable housing provision... The Council will require developments to integrate affordable housing and market housing, with a consistent standard of quality design and public spaces, to create mixed and sustainable communities."

Affordable Housing Contributions

- 3.3 Currently our planning policy requires Affordable Housing delivery to be normally provided on-site by the developer. This is to be scattered (called 'pepper potting') across the site in a tenure-blind manner and the mix of properties to be delivered should be reflective of the overall mix of properties being built.
- 3.4 Where developers are unable to deliver Affordable Housing on site, commuted sums are sought to enable the delivery of Affordable Housing within the area so that housing needs can still be met.
- 3.5 There are currently eleven sites with Planning Permission within the Borough which should provide commuted sums for Affordable Housing in lieu of on-site provision. These are spread across the borough and potentially secure a hypothetical total of just over two million pounds. This total is subject to change given that contributions will only come forward and be paid to the Council if the specific trigger points within the Section 106 Agreements securing the relevant contributions are met. Should these developments not progress and permission lapses, or the specific trigger point is not met, no contributions will be forthcoming which would reduce this potential total. Further, if the agreement is re-negotiated and a lower affordable housing contribution secured, then a lower sum could be paid to the Council.
- 3.6 A number of recent agreements also contain provision to make monetary contributions towards the provision of Affordable Housing within the Borough. The Section 106 documents securing these sums have not yet been completed. Accordingly, these have not been taken into account within the figures presented within this report, largely for the same reasons as outlined above. Regular reporting would allow Members to see progress of these agreements.
- 3.7 Of the amounts currently agreed within Section 106 Agreements, the Council has received £616,030.50 from four of the 11 sites mentioned above.
- 3.8 Contributions forming part of the funds received to date do contain expiry clauses. We therefore need to allocate the funding to a specific project to deliver Affordable Housing within the Borough, or risk losing the contribution as they will otherwise need to be returned to the developer.
- 3.9 At present, of the sums currently held by the Council, there are no prohibitive clauses within the Section 106 Agreements restricting the scope or area of the potential spend. The only restriction is that the contributions be used to provide affordable housing at either affordable or intermediate levels of rent.

Delivering Affordable Housing

- 3.10 Commuted sums can be used to secure additional affordable housing through a number of routes. Colchester Borough Council has normally used them only where Homes and Communities Agency grant is unavailable and/or to purchase additional units on a scheme or to assist in bringing forward development on another site. Commuted sums are not used to provide funding for affordable housing that can be provided as part of the policy requirement for affordable housing.
- 3.11 Commuted sum funding has been provided to Registered Providers in the form of a grant in exchange for 100% control of the nominations rights over the affordable housing delivered. When making these arrangements the Council tests value for money, that the homes meet current housing needs and are deliverable.
- 3.12 Recent commuted sum spend on affordable housing is shown at Appendix 1.
- 3.13 Delivery of off-site affordable housing has become more challenging in recent years. Registered Providers have been outbid by private developers when seeking to purchase land and the purchase of open market units to serve as affordable units has not been good value for money.
- 3.14 The Council is in the process of inviting Registered Providers to express an interest in delivering additional affordable homes in Colchester. This will potentially involve the use of commuted sum funding. If successful, the Council may use this process in the future.

4. Financial implications

- 4.1 As outlined in paragraph 3.8 if we fail to spend contributions before their expiry date then the funds revert to the developer. This would harm the provision of Affordable Housing within Colchester through the loss of potential funding.

5. Equality, Diversity and Human Rights Implications

- 5.1 The provision of affordable homes helps to promote equality regardless of economic status and therefore contributes towards promoting diversity through improved access to housing unrelated to the individual's ability to compete in the open market.

6. Publicity Considerations

- 6.1 No public consultation is required.

7. Risk Consideration

- 7.1 The timely spend of contributions received will avoid the risk of such fund becoming 'timed out' and returned to the developer. This requires appropriate schemes to be brought forward.

8. Strategic Plan References

8.1 The Strategic Plan has four headline themes. Under the 'Prosperous' theme, the plan inter-alia seeks to:

- Provide opportunities to increase the number of homes available including those that are affordable for local people and to build and refurbish our own Council houses for people in significant need
- The provision of affordable homes through the use of commuted sums is one method of delivering this strategic aim.

9. Community Safety Implications

9.1 The proposed changes do not directly affect community safety.

10. Background Papers

10.1 The National Planning Policy Framework is available on the Gov.uk website. Colchester Borough Council's Strategic Plan and Core Strategy are available on the website.

Appendix 1: Historical spend of commuted sums to deliver affordable housing, 2009-14.

Capital programmes for RSL's				
Year		Balance		Units provided
2009/10	Balance	£688,900		
	Spent	-£492,000	£407k Colne	
			£85k East Thames (Old Swan)	4 units
	Remaining	£196,000		
2010/11	S106	£458,600		
	Spent	-£458,600	Hythe Hill (Castle Keep)	52 units
	Remaining	£196,900		
2011/12	Remaining	£196,900		
2012/13	Remaining	£196,900		
2013/14	S106	£550,000		
	Spent	-£550,000	Colne (Brook Street)	18 units
		-£105,000	Home (Hawkins Rd)	5 units
	Remaining	£91,900		
2014/15	S106	£60,000		
	Spent	-£60,000	Colne (Brook Street)	2 units
	Remaining	£91,900		