

AFFORDABLE HOUSING: PROPOSALS FOR SPENDING FINANCIAL CONTRIBUTIONS IN 2014/5

Report of the: Chief Planning Officer

Status: For Decision

Key Decision: No

Executive Summary: The report sets out proposals for spending financial contributions received for affordable housing, allocating funds to specific projects within the general guidelines set out in the Affordable Housing SPD. It covers proposed expenditure in 2014/5 and beyond.

This report supports the Key Aims of safe and caring communities and a dynamic and sustainable economy.

Portfolio Holders Cllr Michelle Lowe and Cllr Robert Piper.

Head of Service Chief Planning Officer: Richard Morris

Recommendation to Portfolio Holders

That the proposals for expenditure in paragraph 3, be agreed.

Reason for recommendation: To ensure that financial contributions collected for affordable housing are spent on projects consistent with adopted policy in the Core Strategy and the Affordable Housing SPD.

1. Background

1.1 Core Strategy Policy SP3 makes provision for financial contributions to be collected for affordable housing on schemes for residential developments of one to four units where there is a net gain in the number of units. These schemes are too small to justify on site provision but the Affordable Housing Viability Assessment shows there is scope for them to make a financial contribution to off-site provision. The policy also allows for financial contributions from larger schemes where it is demonstrated that on-site provision is not achievable.

1.2 The Affordable Housing SPD includes details of how funds collected under the policy will be spent. Expenditure should fall under one of five headings:

- 1 Provision of new affordable housing in the District via a Registered Provider
- 2 Initiatives to make better use of the existing stock
- 3 Managing future needs for affordable housing including homelessness prevention

- 4 Assisting those in housing need to access low cost home ownership
- 5 Supporting the development of rural exception sites

1.3 The total amount of money collected to date is as follows:

2011/12	=	£206,144.00
2012/13	=	£356,032.39
2013/14	=	£1,351,111.39
2014/15 to date	=	<u>£451,129.78</u>
Total	=	£2,364,417.56

1.4 Expenditure to date is as follows:

2011/2	=	Nil
2012/3	=	£27,000
2013/4	=	£476,230.50
2014/5 (to date)	=	£175,666
Total	=	£678,896.50

1.5 This leaves a total of **£1,685,521.06** collected but not yet spent.

1.6 Some expenditure agreed through previous portfolio decisions has yet to be spent. This amounts to **£291,645.38**. Subtracting this from funds held leaves a total unspent and not yet allocated of **£1,393,875.68**.

1.7 Payments are generally due on commencement of development which is outside the control of the Council and means the Council has no control over when the money is collected. In addition there is no guarantee that payments specified in agreements will be received due to the possibility of developments not taking place or developers renegotiating agreements. In view of these uncertainties it is proposed to continue to limit spending allocations to funds already collected

2. Expenditure Agreed to Date

2.1 This section recaps on expenditure previously agreed to provide a context for the current recommendations. All expenditure has been agreed through portfolio decisions which are listed below.

Dec No: 16 (2012/3)	Refurbishment of Sevenoaks Almshouses
Dec No: 18 (2012/3)	General Proposals for Spending in 2012/3
Dec No: 01 (2013/4)	General Proposals for Spending in 2013/4
Dec No: 34 (2013/4)	Refurbishment of Sevenoaks Almshouses (2nd contribution)
Dec No: 53 (2013/4)	Financial contribution to the 'Small is Beautiful' under-occupation initiative and joint funding of the Under Occupation Officer post.

Dec No: 05 (2014/5)	Refurbishment of James Lance Cottages
Dec No: 12 (2014/5)	Contribution to Swanley housing needs survey

2.2 Actual expenditure by year is as follows.

2012/3

Refurbishment of one flat at Sevenoaks Almshouses	£27,000
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2013/4

Roof works and refurbishment of one flat at Sevenoaks Almshouses	£92,000
SDC/Moat Diyso (first three of four tranches)	£373,500
Vulnerable persons needs survey	£1,361.50
Older persons needs survey	£450
Funding for rural housing surveys	£3,000
Private sector payment in advance scheme	£6,000

2014/5

Funding for rural housing surveys	£3,000
Refurbishment of one flat at Sevenoaks Almshouses	£27,000
Refurbishment of James Lance Cottages	£3,085
Energy Efficiency/Fuel Poverty Grants	£18,000
SDC/Moat DIYSO (last of four tranches)	£124,500

2.3 The following projects have been agreed through previous portfolio decisions but funds have not yet been spent.

Top up funding for improving affordable housing in new developments	£100,000
Review of developers viability assessments	£5,000
Vulnerable persons needs survey (part not yet spent)	£4,638.50
Older persons needs survey (part not yet spent)	£9,550
Empty Homes Initiative	£45,000
Under Occupation Officer (contribution to funding for 13/14 and 14/5)	£30,430
Financial contribution to Small is Beautiful Initiative (2 years @ £20K)	£40,000
Private Sector Payment in Advance Scheme (part not yet spent)	£14,000
Accredited Tenants Scheme	£40,000
Swanley Housing Survey	£2,126.88

3. Proposals for 2014/5

- 3.1 There is scope to allocate a further £1,393,875.68 above existing commitments. In parallel with the initiatives outlined below the Council will give greater weight to identifying opportunities for additional new build developments that deliver affordable housing and add to the overall housing stock. This may involve working with partners to bring forward up to 100% affordable housing development on suitable sites thereby helping to increase the overall proportion of affordable housing in new development in the District. Where necessary to enable delivery the Council will consider the use of financial contributions to support such schemes.

3.2 Pot 1: Provision of new affordable housing in the District via a Registered Provider

SDC/Moat Shared Ownership (DIYSO 2) Scheme (also Pot 2.4): The original scheme is now approaching completion and on completion, will have enabled 12 properties to be purchased for shared ownership. This project has been funded jointly by Moat and SDC on a 60/40 basis with SDC's overall share at £498,000. A second phase has been discussed with Moat to purchase at least a further 12 properties. This would be on the same broad basis as the original scheme, but with a lower minimum share purchase requirement of 35% which will promote greater affordability and access. There would also be a higher purchase price limit for larger family homes. The result of these proposed amendments is that the cost to SDC is increased from £498,000 to **£888,000**, equivalent to £74,000 per property. Moat have already agreed to fund their share at a cost to them of £1,287,000. On 8 October 2014, the Housing & Community Safety Advisory Committee considered the continuation of the scheme and the variations proposed. The Committee endorsed the continuation of the scheme and supported the variations proposed. Because of the sums involved the final decision on this scheme will be made by Cabinet.

Securing additional affordable housing in private development schemes: Using the fund to "top up" affordable housing in private developments where it would not otherwise be viable to make full provision in accordance with policy has been seen as a major use of financial contributions from the time the policy was first drafted. The exact amount of money required each year will always be difficult to forecast because it is dependent on negotiations on planning applications. It had been envisaged that a substantial contribution would be needed to maintain affordable housing provision in the West Kent Cold Store scheme but in the end this has not been needed following agreement between the developer and a new affordable housing provider (Orbit). With additional funds available there is scope to significantly increase the £100,000 currently allocated and it is proposed to add **£250,000** to the reserve to give greater scope to fund additional affordable housing on site.

Review of developers' viability assessments. In accordance with policy most assessments are funded by the developer but a reserve fund is needed for instances where the developer does not pay. £5,000 was agreed in last years' report but was not drawn down and is carried forward to this year.

2.2 Pot 2: Initiatives to make better use of the existing stock

Housing Needs Surveys. It was agreed in 2012/3 to carry out two surveys to assess needs and provide a basis for future actions. A District-wide older persons needs survey was proposed in conjunction with West Kent Housing and Moat at a cost to the District of £10,000. Additionally a District-wide survey of housing requirements for vulnerable people is proposed at a cost to the District of £6,000. There was some expenditure on both in 2013/4 and the unspent residue is carried forward to 2014/5.

Empty Homes Initiative. Funding of £45,000 was agreed in 2013/4 to fund a homesteading scheme. This would provide loans of up to £15,000 to enable applicants who would not otherwise be able to afford to do so, to buy and refurbish empty homes for their own occupation. The existing KCC initiative "No use empty" does not allow for this, so a Council-led scheme would address an unmet area of need. Loans would be

repayable on sale of the home and then recycled within the empty homes initiative. It was not possible to take this forward last year so the project is being carried forward.

Under Occupation initiative. As per the agreed Under Occupation Action Plan 2012, funding of £15,215 was agreed in each of 2013/14 and 2014/15 for 50% of the costs of an under-occupation officer with WKHA. WKHA funds the other 50%. The officer works with older tenants and others seeking to downsize, providing a “hand holding” service to help tenants successfully downsize. The officer also manages the “Small is Beautiful” budget which provides a financial incentive for tenants to downsize. A sum of £20,000 was agreed in each of 2013/14 and 2014/15.

As at September 2014, WKHA advise only £6,500 remains in the Small is Beautiful budget whereas there are over 50 live applications. WKHA have agreed to fund an additional £20,000 in 2014 and are seeking approval to increase the budget to £40,000 in 2015/16. It is proposed that the Council should match this level of funding.

Funding of £20,000 is sought to provide additional funds to the Small is Beautiful budget in 2014/15.

Funding of £56,000 is requested to continue both elements of the under occupation initiative (hand holding officer and Small is Beautiful budget at the enhanced level) in 2015/16.

Energy Efficiency/Fuel Poverty Grants

Funding is sought to continue the previously approved scheme (October 2012) which provides energy efficiency/fuel poverty grants for hard to treat properties. So far £18,000 has been spent. **Further funding of £18,000 is requested to continue the scheme.**

2.3 Pot 3: Managing future needs for affordable housing including homelessness prevention

Private Sector Payment in Advance Scheme. This was agreed last year with a contribution of £20,000

The proposal is:

- A top up fund be created on a 1 year pilot basis to enable rents for households where the Council would have a homelessness duty who are on a low income or benefits to be topped to meet the calendar month charge.
- As a monthly rent top up contributes towards the landlord being paid in advance (an incentive for landlords) over the life of the tenancy, the final benefit payment is repaid to the fund to repay the loan wherever possible.
- This fund would be administered by Housing and sit alongside the PSL scheme.
- It is estimated that £20K will assist 8 households.
- Average cost of rent top up is £2.5K over a 6 month period as opposed to 6 months of B&B charges which total approx. £9K for a household with 2 children.

So far £6,000 has been spent leaving £14,000 to spend in 2014/5.

Accredited Tenants Scheme. This was agreed last year with a contribution of £40,000 but it was not possible to take the scheme forward in the financial year and it is now proposed for implementation in 2014/5.

The aim of this scheme is to train and support prospective private tenants to achieve a successful let whether this is in the social or private rented sector let. Housing advisors recognise that many people approaching the Council would benefit from this support; the aim is to make landlords more confident to accept tenants from the PSL scheme and to impact positively on preventing homelessness and sustaining communities.

Information sessions would be held regularly and delivered by West Kent Extra covering: finding accommodation, benefits, first impressions, landlord responsibilities, tenant responsibilities, tenancy deposit protection, landlord relationships, ending a tenancy, intentional homelessness, PSL Scheme and SPA Accreditation, controlling condensation. Level of Accreditation is low; those who attend would be presented with a certificate of attendance and would be able to provide feedback on the event: what was useful, what didn't work so well.

This scheme would then need to be promoted to both landlords and those seeking accommodation and would be offered as an extension to the successful existing HERO Project.

The proposal is:

- 1 FTE employed to set up scheme and deliver workshops based within West Kent Extra Cost £30K including on costs (contract for one year when it will be reviewed).
- £10K start up and publicity costs.

Private Sector Lettings Scheme Offer to Landlords

It is proving increasingly difficult to encourage private landlords to work with us whereas we need to generate more access into the private sector. The proposal is to provide a comprehensive "offer" to landlords which would assist in the alleviation of homelessness and reduce the use (and cost) of bed and breakfast hotels. The proposal entails:

- a pilot to fund rental insurance. The insurance guarantees rents for private landlords and funds eviction costs where necessary,
- a pilot "golden hello". We need to compete with other housing authorities who are offering substantial golden hello payments to persuade landlords to accept homeless families on benefits as tenants. We do not currently offer this and so we are finding landlords are preferring to work with others. The pilot would tie landlords into an agreement for a number of years to accept homeless tenants on benefits.
- additional bonds to top up the existing PSL budget. This would enable us to provide more bonds and cash deposits. We also need to encourage landlords to accept homeless families with pets. A pet bond could be funded to pay for properties to be professionally cleaned at the end of the tenancy.
- single persons' accommodation. We need to generate more accommodation for single people and are looking to target accommodation above food shops. A grant scheme would ensure the accommodation meets the decent homes standard. In

return for the grant, landlords would enter into an agreement with us over several years to take homeless households from our PSL scheme.

Funding of **£55,000** is requested.

2.4 Pot 4: Assisting those in housing need to access low cost home ownership

The shared ownership scheme outlined under Pot 1 will contribute to this objective.

2.5 Pot 5: Supporting the development of rural exception sites

Rural Housing Enabler service. Funding of £6,000 has previously been approved for the two year period 2013/14 and 2014/5 to fund the Council's contribution to the Kent-wide rural housing enabler service. The rural housing enabler carries out rural housing needs surveys that are used to establish the case for rural exception sites. To facilitate continuity of the rural housing enabler service, funding of **£6,000** is requested to fund the service for the next two year period 2015/16 and 2016/17.

3 Summary of Proposed Expenditure for 2014/5

Funds collected to date	£2,364,417.56
less funds spent to date	£678,896.50
Balance	£1,685,521.06

Previously allocated projects (currently unspent):

Top up funding for improving affordable housing in new developments	£100,000
Review of developers viability assessments	£5,000
Vulnerable persons needs survey (part not yet spent)	£4,638.50
Older persons needs survey (part not yet spent)	£9,550
Empty Homes Initiative	£45,000
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Private Sector Payment in Advance Scheme (part not yet spent)	£14,000
Accredited Tenants Scheme	£40,000
Swanley Housing Survey	£2,126.88
Total	£291,645.38
Balance	£1,393,875.68

Proposed allocations

DIYSO Phase 2	£888,000
Extra funding for improving affordable housing in new developments	£250,000
Under occupation top up (2104/15)	£20,000
Under-occupation (2015/16)	£56,000
Energy efficiency/fuel poverty grants	£18,000
Private Sector Lettings Scheme Offer to Landlords	£55,000
Rural Housing Enabler Service	£6,000
Total	£1,293,000

Unallocated	£100,875.68
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4. Allocation of Expenditure from Individual Developments

4.1 The Council needs to show how each individual developer contribution is spent to demonstrate that funds collected have been used for the purpose identified. It has previously been agreed that the exact apportionment of funds from individual schemes be delegated to Officers subject to the condition that Member approval would be required for the allocation of funds to any project not covered in this report.

5. Monitoring Expenditure

5.1 The Affordable Housing SPD states in para 6.13:

“The Council will record where funds have been allocated and spent. This information will be made available on request and will be published on an annual basis.”

Para 9.1 states:

“The delivery of affordable housing will be monitored and reported in the Local Development Framework Annual Monitoring Report which reports progress towards the objectives and policies of the LDF.”

Monitoring information on spending of financial contributions will be published alongside other monitoring information on affordable housing in the Annual Monitoring Report.

Key Implications

Financial. The report contains proposals for allocating funds received through developer contributions. It includes proposals to ensure funds are not committed before their receipt is certain and also to ensure funds are used for the purpose they are collected.

Community Impact and Outcomes The recommendations will assist in addressing the needs of those sections of the community who cannot afford market housing.

Legal, Human Rights etc. The report ensures that funds collected through S106 agreements are used for the purposes intended.

Resource (non-financial). Some staff time will be involved to ensure the proposals are implemented but no additional staff resources will be needed for projects in this year.

Equality Impacts The equality impacts of affordable housing policy have been considered as part of the Core Strategy Equality Impact Assessment. This report does not propose any change to policy.

Sustainability Checklist Not applicable as this report does not change existing policy.

Risk assessment statement.

The main risks in dealing with financial contributions under the policy are that funds received will not be spent in which case the money will have to be re-paid, or that spending commitments will be made that exceed funds available. The proposals in the report to limit expenditure to funds received will avoid these outcomes.

Background Papers:

Core Strategy (Feb 2011)

Affordable Housing Supplementary Planning Document (Oct 2011).

Contact Officer(s):

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