



Report To: Housing Portfolio Holder
Lead Officer: Director of Housing

21 October 2015

Spending Programme for Commuted Sums

Purpose

1. The purpose of this report is to set out the planned spending programme to ensure that commuted sum money, received in lieu of affordable housing, is spent within specified time limits for the provision of affordable housing.
2. This is not a key decision but has been brought before the Housing Portfolio Holder to approve in principle the process for funding affordable housing using commuted sum money.

Recommendations

3. It is recommended that the Housing Portfolio Holder approves Option A to:
 - a) note the current position of the commuted sum budget
 - b) agree that the default position for future funding should be to contribute to the Council's own new-build programme.
 - c) agree that where monies cannot be spent within the set timescale, the funding shall be offered to housing associations where a need for additional resources is required to make an affordable housing scheme viable. This can be offered in conjunction with unspent Right to Buy receipts.

Reasons for Recommendations

4. The 1% rent reduction per year over the next four years will have a significant impact on the Council's ability to invest in its own new-build programme to provide new affordable housing. Therefore, the default position that future allocations of commuted sum money should be to invest into the Council's own new build programme will provide an alternative funding stream to support delivery as set out in the Council's New Build Strategy 2015-18.
5. The option to fund other schemes where it is unlikely that the money will be spent by the Council within the set timescales will ensure that we can meet our obligations towards the provision of affordable housing and are not required to return monies to the developer. Likewise, it is recommended that Right to Buy receipts that cannot be used to match fund Council developments, should be offered to housing associations to ensure funds are redistributed within the District to provide affordable housing, rather than returning back to Government with the potential of increased interest charges applied.

Background

6. Since 2006 the Council have received commuted sum payments where approval has been granted as part of the planning decision to receive payment in lieu of affordable housing. Typically payment has been received on smaller private schemes where no registered provider wishes to take on 1 or 2 units for affordable housing due to management and viability considerations.
7. As well as the smaller schemes where a commuted sum is acceptable, the Council have received a large payment relating to a scheme at Papworth for just over £2m.
8. Since 2006, just under £3.9m in total has been received, of which £1.28m has been spent to support housing development in the District, mainly providing grant funding to registered housing providers and contributing to an officer post within Housing Strategy. Each request for funding has been considered on its merits and approved by the Housing Portfolio Holder.

Considerations

9. There is currently £2.65m in the commuted sums budget that needs to be spent by varying timescales up to 2025, with an estimated potential for a further £2.8m awaiting payment as part of planning decisions.
10. With the exception of a payment received of £53,000 that has to be spent by April 2017 specifically in the village of Little Wilbraham, all other payments received can be spent across the District.
11. The following table outlines the timelines for money to be spent, schemes that have been committed to receive grant funding and potential schemes identified for funding.

Year to be spent	Money Received	Balance
2016/17	£407,174	£407,174
2017/18	£450,828	£858,003
2018/19	£509,258	£1,367,261
2019/20	£553,736	£1,920,997
2020/21	£71,302	£1,992,300
2021/22	£57,500	£2,049,800
2022/23	£131,087	£2,180,887
2023/24	£199,093	£2,379,980
2024/25	£57,013	£2,436,994
2025/26	£219,619	£2,656,613

Committed Funding			
Year of Payment	Scheme Details	Amount	Cumulative Total
2015/16	Whaddon – New Farm	£500,000	£500,000
2016/17	Cambourne – Tranche 1	£410,000	£910,000
2017/18	Cambourne – Tranche 2	£410,000	£1,320,000
2015-2026	Development Post contribution	£200,000	£1,520,000
Potential Schemes to be Funded (subject to planning/PFH Approval)			
2016/17	Great Eversden OSP 148	£100,000	£1,625,000
2016/17	Emmaus	£100,000	£1,720,000
2016/17	Almshouses in Little Gransden	£100,000	£1,820,000

12. By 2017/18, £858,000 must be spent on the provision for affordable housing if the money is not to be returned to the developer. Given that the schemes at Whaddon and Cambourne are likely to require funding by the year end 2016/17 amounting to £910,000, we are confident that all monies can be spent.
13. From the money currently held, taking into account the committed and potential grant funding, £836,613 remains uncommitted, with the potential for an additional £2.8m available over the next 10 years, giving a potential 10 year capital programme of £3.6m.

Options

14. **Option A:**
To note the current position of the commuted sum budget and, notwithstanding the committed and earmarked schemes, agree that the default position for future funding should be to contribute to the Council's own new-build programme. Where monies cannot be spent within the set timescale, funding to be offered to other housing providers where a need for additional resources is required to make a scheme viable. This may be offered in conjunction with unspent Right to Buy receipts, to ensure funds are redistributed within the District and not returned to Government. This is the recommended option as it will provide an alternative funding stream to support the delivery of new council homes as set out in the Council's New Build Strategy 2015-18 or help to fund additional affordable homes in the District by working with registered providers.
15. **Option B:**
To note the current position of the commuted sum budget and agree that all future funding other than where it is already approved should be to contribute to the Council's own new-build programme. This option is not recommended as the potential schemes earmarked may become unviable.
16. **Option C:**
To note the current position of the commuted sum budget and agree an annual bidding round for housing providers, including the Council, to bid for funds. This option is not recommended as the amount of commuted sum money available is insufficient to be able to proportionately fund the provision of affordable housing across the District resulting in the Council not able to meet the expectations of housing providers.

17. **Option D:**
To note the current position of the commuted sum budget and continue to consider requests on an ad hoc basis. This does not provide clarity on the allocation of commuted sum monies with the risk that monies not spent will have to be paid back to the developer.
18. For all of the above options it is proposed that Housing Portfolio Holder approval will still be sought scheme by scheme.

Implications

19. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Financial

20. The Council will benefit from having the option to use commuted sums and Right to Buy Receipts and will be able to use this to build a small number of new affordable homes. Where the Council is unable to spend the Right to Buy Receipts within the required timeframe a clear process of allocating that money to housing associations will ensure that the investment is not lost to the District.

Legal

21. None

Staffing

22. None.

Risk Management

23. There is a risk that without a clear process on the allocation of commuted sum monies that the receipt will have to be returned to the developer. Although there is a robust monitoring system in place, having clarity and consistency on the process will ensure that expenditure is kept on track.

Equality and Diversity

24. The commuted sums money and the Right to Buy receipts will still be used to build new affordable housing so there is no adverse affect on equalities arising from this proposal.

Consultation responses (including from the Youth Council)

25. None.

Effect on Strategic Aims

Aim 1 - Partnerships

26. Build new council homes to provide affordable accommodation to meet the needs of local communities.

Background Papers None

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