

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet
AUTHOR: Development Services Director

8 June 2006

NATIONAL AFFORDABLE HOUSING PROGRAMME 2006-2008

Purpose

1. To inform members of the outcomes of the Housing Corporation bidding round for the National Affordable Housing Programme (NAHP) next two years 2006-2008.
2. To advise on the possible implications for those schemes that have not received an allocation of funding through the NAHP 2006-2008.

Effect on Corporate Objectives

3.	Quality, Accessible Services	Increasing the supply of affordable will contribute to meeting the identified housing needs of the district. The provision of additional affordable housing will help sustain existing village communities.
	Village Life	
	Sustainability	
	Partnership	The Council is working in partnership with the Housing Corporation, Registered Social Landlords and developers to achieve its affordable housing targets.

Background

4. Following the demise of Local Authority Social Housing Grant (LASHG) from April 2003 the Housing Corporation is the primary source of public sector funding for new affordable housing.
5. In 2005 the Government announced that £200m would be made available for a National Partnerships in Affordable Housing (NPIH) programme. Whilst the programme was accessible by RSLs its primary purpose was to invite private developers to submit bids either independently or on partnership with an RSL.
6. In August 2005 the Housing Corporation invited bid submissions from their selected partner RSLs and developers for the NAHP 2006-2008.
7. The East of England Regional Housing Strategy (RHS) sets out the targets for new affordable housing over the period 2005-2010. The RHS suggests that resources should be allocated regionally by theme and sub-region as well as sub-regionally by theme. The Regional Investment Plan sets out the priorities for 2006-08 in terms of indicative allocations by theme and sub-region. The investment themes are defined in the RHS itself.
8. The estimated overall 'pot' available for the East of England was £450m but as a consequence of the Housing Corporations move to resource accounting the recently announced programme of £350m is the new investment being made available that should deliver between 10,000 and 10,500 new homes in the region.

9. The Cambridge Sub-region (CSR) indicative resource allocation was 15.8% of the regional pot and the CSR Investment Plan suggested a thematic distribution which was informed by details of pipeline schemes collected by the Housing Corporation from RSLs and Local Authorities as follows:

	%
Growth	45
Regeneration	2
Key Worker	10
Local	30
Rural (Market Towns)	0
Rural	11
Supported	2
BME	0

	100

Considerations

10. For South Cambridgeshire bids totalling £41m million to provide 1,028 new affordable homes across the District were submitted by the deadline of 21 October 2005. Within the CSR bids totalling over £120m were submitted that could deliver 3,733 units.
11. From these bids an allocation for South Cambridgeshire of £20.78 million that will enable the provision of 617 new homes was announced at the end of March this year. A list of the successful schemes is included in **Appendix 1** to this report.
12. The table below shows total allocations made for the Cambridge Sub-Region (CSR) through both the NPIH and NAHP funding streams. South Cambridgeshire schemes have received the highest grant allocation. However, this is not unexpected given that South Cambridgeshire had the highest level of bids and that growth was the primary investment theme for the CSR.

Local Authority	NAHP	NPIAH	Total Allocation	% Total	Total Units
Cambridge City	£5,777,000		£5,777,000	10.6%	224
East Cambs	£4,273,000	£1,061,000	£5,334,000	9.8%	232
Fenland	£6,442,625		£6,442,625	11.9%	208
Forest Heath	£720,000	£2,496,217	£3,216,217	5.9%	114
Hunts	£7,118,925		£7,118,925	13.1%	255
South Cambs	£20,776,965	£156,000	£20,932,965	38.6%	623
St Edmundsbury	£4,826,500	£648,000	£5,474,500	10.1%	216
Totals	£49,935,015	£4,361,217	£54,296,232	100%	1872

13. In addition an allocation of £8.7m for Open Market Homebuy (OMHBY) has been awarded for the Cambridge, Bedfordshire and Peterborough Sub-Regions of which £6.2m will be ring-fenced for Key Workers. The level of allocation for OMHBY has been influenced by the lack of bids for Newbuild Homebuy and the Governments target spend for the Key Worker Living Programme in the East of England.

14. The Housing Corporation is scheduling meetings this month to facilitate individual local authority feedback on bids as well as a CSR forum to discuss wider issues and implications of the approved programme.

Issues for South Cambridgeshire

15. The Housing Corporation's move to resource accounting has implications for the schemes that have been allocated funding. This is because the RSLs will be expected to deliver schemes according to the milestone dates provided with their bid submissions. Should any slippage occur then the Housing Corporation are not bound to fund such schemes and there will need to be some renegotiation over the grant allocation. In a worst case scenario the Housing Corporation could decide to switch funding to another scheme and this may not be in the same local authority area or even sub-region. A list of reserve schemes is being maintained by the Housing Corporation to ensure that expected spend can be achieved.
16. In practice it is considered unlikely that the Housing Corporation would withdraw support for schemes simply because dates may have to be amended it will be more important than before to demonstrate that the scheme can be delivered within acceptable timeframes and that any slippages are managed to safeguard funding allocations. For example where a site is in the Council's ownership then disposal should be expedited to avoid delays to planned schemes.
17. Other issues that Officers will have to consider on a site-by-site basis are set out below.

Tenure Mix

18. On schemes where free land can be provided RSLs can deliver affordable shared ownership housing without grant in many cases provided the infrastructure costs are not excessive. Hence, where little or no public subsidy is available, a higher percentage of shared ownership housing increases the financial viability of a scheme.

Council Owned Sites

19. For sites owned by the Council land will need to continue to be made available at a discounted if not nil cost. Even schemes that have received a funding allocation from the Housing Corporation have assumed contributions from the Council by way of free land without which it is unlikely that they would have been supported

Outright Sales

20. In order to retain a reasonable level of social rented housing on any site, some funding is required either in the form of grant; cross subsidy from shared ownership and/or open market sale. For example the Airey redevelopment at Elsworth is deliverable despite no grant allocation because of the open market sale provisions on this and the other sites that form part of the Airey redevelopment programme.

Key Workers

21. The Housing Corporation had a spending target of 17.7% for the key worker investment theme in the East of England. However, available evidence suggests that both the right location and the right product are important factors in determining demand from Key Workers for affordable housing. The local authorities in the CSR have therefore resisted pressure to deliver key worker rather than other forms of affordable housing unless this is considered to be appropriate based on evidence of need. Further, information from the Zone Agent suggests that Open Market Homebuy is the preferred product for most Key Workers seeking low cost home ownership options.

22. Some of the most attractive sites for provision of Key Worker housing have yet to come forward eg Southern Fringe so it is expected that a higher proportion of new homes funded from 2008 will be for Key Workers provided this remains a primary investment theme. In any event it is anticipated that many Key Workers will be eligible to be considered for New Build Homebuy schemes.

Council Resources

23. Many other local authorities including some in the CSR are making resources available to help grant fund affordable housing, whether on sites which are not funded by the Housing Corporation, or in specific partnership funding packages working with the Housing Corporation, English Partnerships and other lenders. This Council will be able to provide some financial support for affordable housing schemes with monies received through commuted sums following the adoption of a specific policy in June last year. However, no monies have yet been received so a programme cannot yet be agreed.

24. *Section 106 Sites*

Housing Corporation investment policy now states that s106 sites will not normally receive funding unless there is some added value from such investment eg if only shared ownership units can be achieved without grant and/or below target % of affordable housing can be achieved because of high land value and/or high infrastructure costs and/or community benefits that need to be derived from the development then they will provide gap funding to match provision to need.

25. The most significant s 106 site coming forward over the next 2 years for South Cambridgeshire is Northstowe and there are ongoing negotiations with the developers on the affordable housing provision. These negotiations involve EP as well as the Housing Corporation which should assist in determining the level of public investment that may be made available for the new town and thereby inform the debate on the level of affordable housing that can be achieved against the Council's current target of 50%.

RSL Selection

26. The RSLs who received the allocations were those invited to bid in partnership either as one of their preferred development partners or specialist providers. The local developing RSLs were all able to submit bids for schemes they have been working on in the district either in their own right or through Group structures/partnerships that have been formed partly to ensure they can access grant funding through the Housing Corporation.

Future Funding

27. As funding for all but supported housing schemes has now been allocated for the next two years, unsuccessful and new schemes coming forward during this period will need to be funded without grant, or from Housing Corporation slippage, if available or by this Council once sufficient monies have been received through the new commuted sums policy to develop a programme.
28. Alternatively schemes will have to wait until the next bidding round which, assuming the process remains unchanged, would be in the Autumn of 2007. However, with the Comprehensive Spending Review in 2007 it is by no means certain that the current level of investment in affordable housing will be sustained. At the same time many of the major sites in the CSR, particularly the urban extensions like Southern Fringe and also Northstowe, together with Cambourne and the numerous pipeline schemes in

our existing villages, will all be competing for what (limited) resources may be made available.

Investigation of Alternative Options

29. These include PFI and also private sector providers of affordable housing although the former has issues in terms of capacity, up front investment and timescales and the latter may only be an option in specific circumstances eg larger sites of 100 units or more.
30. However, there are some recent examples of successful non-HRA housing PFI initiatives and learning from their experiences could help in determining whether this route is a viable option. Cost and capacity issues could be addressed through partnership working within the CSR and through support of Cambridgeshire Horizons should this approach be worth further consideration.

Supported Housing

31. In the East of England the Housing Corporation have held back a cash reserve of £5m to enable a 'mini-bid round' for supported housing schemes to be held this summer. This is to enable a more sophisticated approach to developing new supported housing with the proposed development of a Regional Supporting People Strategy to allow a joint commissioning framework between the Housing Corporation and Supporting People.
32. As yet there is no bidding guidance available or any published timetable for the 'mini-bid round'. However, given the relatively short period of time available to work up new bids it is likely that it will in the main those bids that have already been unsuccessful that will be under consideration although for South Cambridgeshire we are working with Cambridge Housing Society on a supported housing project for young single people which may be sufficiently well developed to be submitted as a new bid.
33. It should be noted that there are a number of supported housing bids that did not receive an allocation including:
 - 21 units at Arbury Park for people with learning and/or physical disabilities
 - 6 units for the Papworth Trust in existing villages for people with physical disabilities and,
 - 2 extra care sheltered housing schemes, including one proposed for Flaxfields, Linton which involves the demolition of existing sheltered housing units.
34. However, there are ongoing discussions with the RSLs concerned on alternative options in the event of there being no grant funding. For example a mixed tenure development could enable the Flaxfields extra care scheme to be delivered without grant.
35. For all those schemes which have not received an allocation of funding negotiations with the RSLs concerned are ongoing. A full list of these schemes are also included in **Appendix 2** to this report.

Financial Implications

36. There is an assumption that the Council will provide public subsidy through the provision of at least discounted if not free land. This will impact on the level of capital receipts although it should be noted that disposals of land/property for affordable

housing purposes would be ring-fenced for housing purposes in order to avoid the national capital receipts pooling requirements.

Legal Implications

37. There may be implications for the wording of future section 106 agreements, to ensure affordable housing can be delivered with or without grant, and that it still remains affordable in perpetuity or at least in the longer term.
38. Where schemes have received a funding allocation and the mix provides for shared ownership units it will only be possible to restrict stair-casing to 100% ownership for schemes included in the Housing Corporations rural housing programme. The Council's policy seeks to restrict stair-casing to 80% particularly on rural exception sites schemes.
39. Where schemes are not grant funded there may be instances where the RSL will request no restrictions on stair-casing to 100% ownership in order to satisfy their lenders.

Staffing Implications

40. As can be seen from the information provided in respect of the bids there are a considerable number of pipeline schemes for South Cambridgeshire. Given we have a 50% funding shortfall there are challenges to be met in order to find delivery mechanisms for those without a funding allocation as well as enabling successful schemes to achieve their key milestones.
41. In addition to those schemes for which bids were submitted there are other pipeline and tentative schemes that are being worked up with partners including RSLs and Parish Councils. The workload is therefore considerable yet there is reduced capacity in the Housing Strategic Services team to manage the programme as a result of the loss of 2 posts due to C Tax capping and also a long term vacancy in another key post.
42. This resourcing issue is being addressed for the major sites through partnership working with Cambridge City Council and developing RSLs who have agreed to fund an additional post to support the delivery of affordable housing on these sites, which include Northstowe. It is anticipated that an appointment will be made through Cambridge City Council for this second joint funded post in the coming weeks/months. However, there will remain a capacity issue for progressing schemes within existing villages unless/until an appointment to the Development Officer post can be made.

Risk Management Implications

43. Whilst the NAHP 2006-08 allocation of £20m is good news this represents only 50% of the level of investment needed to deliver the schemes submitted for consideration. Further there are other pipeline schemes under development and these will need to have funding options agreed to enable them to be brought forward with any degree of certainty or they will have to await news of a further NAHP and compete for what resources are made available.

Consultations

44. In considering which schemes should be supported the Housing Corporation invited comments from Local Authorities. The scope of this consultation exercise included the following areas:
- **Strategic relevance**
How does the scheme fit in with Regional and sub regional priorities?
How does the scheme meet the LA priorities?
What supporting evidence does the council have that would lend weight to the scheme?
 - **Investment Theme**
Is the investment code indicated correct?
 - **Details of any s106**
What planning gain has been secured and what potential is dependant upon grant?
Is there a cascade of planning gain benefits, and if so what are the trigger thresholds?
 - **Section 106 Additionality**
Is the information provided by the bidder about what any proposed grant would deliver genuine and accurate?
Is the additionality considered value for money?
 - **Planning**
Has planning permission been granted if not what planning stage has the scheme progressed to.
Has the scheme been considered by the relevant planning authority and have they given any decision or guidance?
 - **Other Public Subsidy**
What other subsidies have/are being provided?
What is the value provided by LA or other public bodies? For example subsidised land, free land, other public subsidy (OPS)?
 - **Site Considerations**
Is any of the site designated as greenfield or not?
Is it a regeneration area?
What is the access to infra structure?
 - **Property type, Tenure mix and designated use**
Does the size of properties within the scheme match the local need?
Similarly does the tenure mix match need and is it sustainable?
Does the client group that the scheme is designated for match the local housing demand?
 - **Infrastructure and Sustainability**
Proximity to school, surgeries and shops?
What public transportation is available?
 - **Other LA comments**
45. In addition to consultation with individual LAs the Housing Corporation sought CSR level information on priorities for investment. Working in partnership the LAs in the CSR were able to provide recommendations on how resources should be distributed across the CSR and which schemes should be prioritised.

Conclusions/Summary

46. Of the South Cambridgeshire bids totalling £41m million to provide 1,028 new affordable homes an allocation of £20.93m will enable the provision of 623 units across the District.
47. Within the CSR bids totalling over £120m were submitted that could deliver 3,733 units. The CSR allocation was £54m that will fund 1,872 affordable homes. In addition a further £8.7m has been made available over the next 2 years for Open Market Homebuy in the Bedfordshire, Cambridge and Peterborough Sub-region of which £6.2m will be targeted at Key Workers.
48. Whilst South Cambridgeshire schemes have received the highest grant allocation this is not unexpected given that South Cambridgeshire had the highest level of bids and that growth was the primary investment theme for the CSR. It should be noted that some of the other districts proportionately received a higher percentage allocation than South Cambridgeshire.
49. The Housing Corporation has scheduled meetings during May to facilitate individual local authority feedback on bids as well as a CSR forum to discuss wider issues and implications of the approved programme.
50. Whilst the outcome of the NAHP 2006-08 should be viewed as good news for South Cambridgeshire the £20.93m allocation represents only 50% of the level of investment needed to deliver the schemes submitted for consideration. Further there are other pipeline schemes under development and these will need to have funding options agreed to enable them to be brought forward with any degree of certainty or they will have to await news of a further NAHP and compete for what resources are made available.
51. With the Housing Corporation's move to resource accounting it will be more important than before to demonstrate that the scheme can be delivered within acceptable timeframes and that any slippages are managed to safeguard funding allocations. For example where a site is in the Council's ownership then disposal should be expedited to avoid delays to planned schemes.
52. There are a number of issues and implications arising either directly from the outcome of the NAHP 2006-2008 or in relation to delivery of our affordable housing targets generally that Officers will have to consider on a site-by-site basis as illustrated in the report under each of the following headings:
53. *Tenure Mix* - where little or no public subsidy is available, a higher percentage of shared ownership housing can increase the financial viability of a scheme.
54. *Council Owned Sites* - land will need to continue to be made available at a discounted if not nil cost.
55. *Outright Sales* - to retain a reasonable level of social rented housing on any site, some cross subsidy from shared ownership and/or open market sale may need to be considered.
56. *Key Workers* - evidence suggests that both the right location and the right product are important factors in determining demand from Key Workers for affordable housing

57. *Council Resources* – this Council will be able to provide some financial support for affordable housing schemes once monies are received through commuted sums.
58. *Section 106 Sites* - s106 sites will not normally receive grant funding unless there is some 'added value' from such investment.
59. *RSL Selection* - local developing RSLs were all able to submit bids for schemes they have been working on in the district either in their own right or through Group structures/partnerships.
60. *Future Funding* - unsuccessful and new schemes coming forward during the next 2 years will need to be funded without grant, from Housing Corporation programme slippage, by this Council once sufficient monies have been received through the new commuted sums policy to develop a programme and will have to await the next bidding round. However, funding levels beyond 2006-08 will be subject to the Comprehensive Spending Review 2007.
61. *Investigation of Alternative Options* – these include non HRA housing PFI and also privates sector providers of affordable housing.
62. *Supported Housing* – there will be a further 'mini-bid round' for supported housing schemes this summer. It should be noted that there are a number of supported housing bids that did not receive an allocation including units at Arbury Park and in existing villages for people with learning and/or physical disabilities with the Papworth Trust and,2 extra care sheltered housing schemes, including one proposed for Flaxfields, Linton..
63. For all those schemes which have not received an allocation of funding negotiations with the RSLs concerned are ongoing.

Recommendation

64. To note the content of the report and the potential implications and ongoing issues for delivery of increasing numbers of affordable housing in South Cambridgeshire to meet identified local housing needs and those of the wider CSR.

Background Papers: the following background papers were used in the preparation of this report: None.

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