

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Scrutiny and Overview Committee 16<sup>th</sup> December 2004  
**AUTHOR/S:** Chief Executive

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### Affordable Housing - Best Value Review

#### Purpose of the Report

1. The purpose of the report is to enable the Scrutiny and Overview Committee to approve a Best Value review of affordable housing and the resulting proposals for improvement. Implications for the Corporate Objectives are given below:-

2.	Quality, Accessible Services	The proposals in this report are aimed fully at improving the supply of affordable housing which contributes directly to quality village life. One of the main means of achieving this is through partnership. Wherever possible the housing provided should support the Council's objectives of addressing climate change and sustainability.
	Village Life	
	Sustainability	
	Partnership	

#### Progress of the review

3. The review was initiated more than a year ago. The work of the review has been interrupted by staffing changes, the CPA and other developments. The interim conclusions were included in the Continuous Improvement Plan which was considered the Scrutiny Committee in November 2003. These proposals also led to the appointment of two additional officers to support this function.
4. The proposals in this report were considered and approved by a meeting of the review team on 17<sup>th</sup> September. The review team consisted of:-

Councillors: Bard, Cathcart, Heazell and Williamson  
John Ballantyne, Greg Harlock, David Hussell, Denise Lewis and Caroline Hunt.

#### Scope of the review

5. Initially, the team considered the range of ways in which a council can increase the supply of housing – eg:-
  - (a) Maximising the use of the existing stock through adaptations, conversions and redeveloping property
  - (b) Reviewing and redeveloping land holdings
  - (c) Minimising void times
  - (d) Matching supply and demand (eg schemes to address under-occupation)
  - (e) Enabling people to remain in their own homes through Supporting People – eg HIA, floating support and other initiatives such as Village Warden schemes.
  - (f) Bringing private sector dwellings into use by working with landlords, grants, Empty Homes strategy and use of environmental health regulatory powers

- (g) Securing the provision of new affordable homes through planning policies for new development.
  - (h) Enabling and promoting the building of new affordable homes by working with RSLs, developers and other partners and through rural exception sites.
6. The review team focused almost exclusively on (g) and (h) for a number of reasons:-
- a) The Council is already pursuing a number of relatively small scale schemes to increase the stock through redevelopment and conversion – including .the redevelopment of sheltered bedsits and non-traditional housing eg Airey properties, Windmill Estate.
  - b) A Best Value review has already addressed the issue of void times and progress has been made.
  - c) The Supporting People strategy and implementation is subject to a separate review programme eg County-wide Best Value Review of Sheltered Housing.
  - d) In terms of Private Sector housing, the Council has recently produced and launched an empty homes strategy; a Private Sector stock condition survey has been undertaken; and the Home Improvement Agency service is enabling more people to remain in their own homes. There is a recognition that private sector housing has not been prioritised by the Council and there is a need for an overall strategy covering relevant activities in the housing and environmental health services. The team felt that it would not be effective to review this area until further progress had been made. A private sector housing renewal strategy is to be developed later this year which should address these issues.
7. The overall objective for the review team was therefore:- **to identify ways of maximising the number of housing units achieved through the planning process, partnership and effective working and use of resources, in a way which most reflects the need for housing in South Cambridgeshire.** Potential outcomes that the review could deliver were seen to be:-
- a) An increase in the annual number of affordable houses completed from the current level of 200 – 250 pa towards the 500-600 pa envisaged in the regional housing strategy.
  - b) New housing meeting local needs
  - c) Improved partnership working
  - d) Increased resources from the Government for affordable housing in South Cambs.
  - e) Affordable housing with a good quality of design and meeting the Council’s aims for sustainability and community safety – eg for new developments to meet “Secured by Design” criteria.
  - f) A fully corporate approach with clear objectives, leadership and effective joint working across the Council

### **The Need for Affordable Housing**

- 8. The 2002 district wide Housing Needs survey identified a net affordable housing requirement of 4,355 new affordable houses over the next five years, representing a requirement of 871 per annum.
- 9. It was estimated that 65% of all affordable housing needed to be 1 or 2 bedroom houses. Low cost market housing with a discount of 25% from market values would not be “affordable” to people on average incomes in the South Cambs context because of high property values. Also, shared ownership was likely to be accessible

to only 6.4% of households in need. The primary requirement was for social rented housing.

10. The Housing Needs survey and the Key Worker study 2001 commissioned jointly with Cambridge City Council also identified the need for Key Worker housing. The Cambridge Sub-Region Housing Needs survey (2003) also supported the District Housing Needs survey results.
11. The adopted Local Plan 2004 was prepared in the context of the 1998 Housing Needs Survey and has affordable housing targets of 30% in larger villages, with 50% in smaller villages
12. The Housing Needs Survey 2002 recommends that a target of 50% be included in the Local Development Framework (LDF) and this higher target has been put forward in the Preferred Options documents that have recently been the subject of public participation. The actual target for inclusion in the draft LDF will be agreed by Members in the early part of 2005 in the light of representations received.
13. Policy should be based on up to date survey information and the Housing Needs Survey is likely to need to be updated before the LDF Examination in Public in 2006.
14. Affordable housing repeatedly comes up as a priority of the public and is one of the Council's top priorities. The supply of housing has a wide ranging impact - for example on the Council's ability to respond to homelessness and homelessness PIs; health, transport, economic vitality, sustainable travel patterns, recruitment into public services etc.

### **Mechanisms for Providing Affordable Housing**

15. Currently, affordable housing is provided through the following means:-
16. **Planning policies** –the local plan includes policies to secure the provision of affordable housing. This is achieved through the two mechanisms of rural exception site policies and targets and thresholds for residential development.
17. Last February the Council adopted the revised local plan. The key policies for affordable housing are:-
  - A requirement of approximately 30% affordable housing for developments of more than 10 units in villages with a population greater than 3,000
  - A requirement of up to 50% in villages with a population up to 3,000
18. As Members will be aware, the Council is currently consulting on Preferred Options reports for the Local Development Framework (LDF) which contains the following relevant options:-
  - (a) A target of approximately 50% affordable housing with the precise percentage being determined by factors relating to the development, but with high priority being given to affordable housing.
  - (b) Continuation of the thresholds in the 2004 Local Plan – ie more than 10 dwellings in settlements > 3,000 and 2 dwellings in settlements of 3,000 or less.
  - (c) Two possible options relating to the funding of affordable housing where there are insurmountable subsidy problems: option 1 is to negotiate a lower proportion of built units on site; option 2 is to accept a financial contribution for off-site

provision (for example for rural exception sites or re/development of the Council's own sites).

19. **Development control** – the application of the planning policies through the development control process, normally through S106 agreements.
20. **Partnership with RSLs and developers** –for example, the Cambourne partnership (with Cambridge City, 3 RSLs and private developers); and partnership of RSLs and Cambridge City. Up to April 2003 the Council had provided financial support to RSLs through Local Authority Social Housing Grant (LASHG) and had also attracted central funding through bids for Approved Development Programme (ADP) funding and other sources – eg Challenge Fund and the Starter Homes Initiative. However, LASHG has been discontinued and recent allocations under the ADP have not made up the difference. (See **Appendix 1**)
21. **Partnerships with other authorities and providers:** Infrastructure Partnership; Development Partnership with Cambridge City; Sub-Regional Affordable Housing Implementation group.
22. South Cambs, East Cambs, Fenland, Huntingdonshire, Forest Heath and St Edmundsbury and is one of nine working in the Eastern Region. A sub-regional housing strategy has been recently approved and the following are some of the major proposals to improve the supply of affordable housing:-
  - (a) Agree roles and accountabilities with the Infrastructure Partnership
  - (b) Participate in the delivery of the Infrastructure Business Plan
  - (c) Participate in the emerging co-ordination structures for the London-Stansted-Peterborough growth corridor.
  - (d) Establish and monitor annual targets for different forms of affordable housing in the seven local authority areas
  - (e) Share best practice on models for funding different forms of affordable housing
  - (f) Deliver 290 homes without grant as set out in the LPSA
23. Involvement in sub-regional working is an effective, but time-consuming, means of improving our performance on affordable housing.
24. **Rural Exception Sites** – work with ACRE, Housing Corporation, Countryside Agency, parish councils and RSLs to identify and develop rural exception sites.
25. Progress on rural exception sites depends on two factors: land availability and financial resources. On the question of land, there have been problems of supply as landowners have retained land in the hope of market housing development. However, it is expected that the new LDF will introduce greater realism, in view of the channelling of new housing to the major settlements. There is also an issue of applicants for residential permission on smaller sites applying for a single dwelling rather than two dwellings in order to avoid requirements for affordable housing. One approach would be a requirement for a commuted sum. A more flexible S106 framework is being introduced by the Government and the team supported making use of this when available.
26. Financial resources to undertake development on rural exception sites are the bigger problem, particularly following the loss of LASHG and owing to the fact that government funding is directed more to the major developments that can contribute to the growth agenda.

27. **Development /redevelopment of our own land /property.** The Council has undertaken some schemes to increase or improve the housing stock by this approach. The team are keen to explore more rigorously the identification of potential back land and other sites for housing development to meet local needs. This type of development could be made more financially feasible and likely to attract government funding, if the Council makes the land available for such schemes at nil cost.

**How well are we doing?**

28. Progress and targets against the main PIs:-

		Actual		Targets	
		03/4	04/5	05/6	06/7
SH311	Affordable housing completions – all tenures	227	247*	297*	317
SH321**	Affordable housing permissions as % of all residential permissions.	NEW for 04/5	Establish baseline		

\*These are the figures in the Performance Plan. These figures have been subsequently revised to 172 (for 04/05) and 364 (for 05/06). The total for the two years is about the same, but the division between the years is changed.

\*\* The review team felt that the PI should reflect the different targets on different types of site (30% on sites of more than 10 dwellings in settlements > 3,000 and 50% on sites of more than one dwelling in settlements <= 3,000)

29. In greater detail, completions in previous years have been:-

	2000/01	2001/02	2002/03	2003/04	Total
LA dwellings	0	0	2	7	9
RSL rented dwellings	94	74	86	167	421
RSL shared ownership	9	12	10	72	103
Affordable 'other' private sector dwellings (outright sale or discounted)	0	60	26	0	86
Total affordable dwellings	103	146	124	246	619

30. An affordable housing Performance Indicator (The number of affordable housing units supplied without public grant – with a County target of 290) will also be included in the County wide Local Public Service Agreement (LPSA).

31. Unfortunately, there are currently no national performance indicators in relation to affordable housing and we have no systematic way of comparing our performance with other councils nationally. However, the government is currently consulting on the possible introduction of the following national indicators:-

- BV (X13)** Percentage difference between basket of dwelling prices in local authority area compared to national average.
- BV (X14):** Number of homes built for outright sale at market price as a % of (a) all new housing and (b) cumulative development plan target.
- BV (X15):** Average density of new housing major developments

32. New monitoring systems are being developed which should provide better future performance management.
33. Over the last year there have been a number of reviews or assessments of our activities in relation to affordable housing. Overall, our performance and working practices have been seen to be good, but a number of areas to be addressed have emerged. These are identified below:-
34. **Balancing Housing Markets – CPA Diagnostic** The following were issues identified in our self assessment and in the CPA report:-

	<b>Issue identified</b>	<b>Current Position</b>
(a)	The need to agree post LASHG approach and decide the level of financial provision in the Medium Term Financial Strategy	Currently under consideration as part of the Medium Term Financial Strategy
(b)	Better, more pro-active, working with developers	Being addressed through the sub-regional housing group and improved working in the major developments.
(c)	Co-ordination within the Council .	Regular meetings in place with development control officers
(d)	Improved working with RSLs and Housing Corporation to improve ADP submissions in terms of value for money	All future planned schemes now reported to the Housing Corporation to improve planning and co-ordination. This information is to be updated on a bi-monthly basis.
(e)	Stronger planning policies to ensure the right mix of housing between large and small units.	Under consideration in the development of the LDF
(f)	Review the Council's capacity to deliver affordable housing.	Carried out as part of the review and new posts approved and filled.
(g)	Review the priority of the allocation of the Council's resources to affordable housing.	Currently under consideration as part of the Medium Term Financial Strategy
(h)	Consider how it will be possible to increase the financial resources for affordable housing	Currently under consideration.
(i)	Maximise the effectiveness of our partnerships	Participating in sub-regional partnership with RSLs. Beacon Council submission has been made at sub-regional level based on the affordable housing theme.
(j)	Improving joint working between development control and housing/planning policy.	Done as part of restructuring of the Council and by regular meetings with development control officers.
(k)	Combine affordable housing targets	Done

35. The Best Value review team compared South Cambs with the best practice recommended by the Audit Commission in a number of Best Value Inspection reports and in a report from the ODPM "Best Practice in Delivering Affordable Housing Through Planning Policy". The Council compared well against the recommended best practice and there were no additional major areas where the team felt that further action was required.

### **Recent Developments**

36. Staff capacity issues have been addressed in the last year by:-

- the inclusion in the budget (from 2004/05) of two new posts: a joint Project Manager appointment with Cambridge City Council and a new post of Housing Strategy Manager.
  - the bringing together of strategic housing and planning within the departmental structure
37. As a result the Strategic Housing team now consists of:-
- Head of Housing Strategic Services
  - Housing Strategy Manager
  - Development Manager
  - Partnership Projects Officer
  - Development Officer
  - Policy Officer
  - Housing Services Officer
  - Admin post (shared with the Major Developments Team)
38. This, together with the relocation of strategic housing to the new Development Services department, is now seen as providing an appropriate team in terms of skills and numbers.
39. However, it is envisaged that there will be a need for a further project officer (possibly shared with Cambridge City Council) to provide necessary project management to deliver affordable housing for Northstowe. This need is being built into the Medium Term Financial Strategy report to Cabinet.
40. Earlier in the year the Council received notification of the outcome of the Housing Corporation (HC) bidding round for Approved Development Programme (ADP) monies for affordable housing for the two years 2004-2006.
41. Grant bids totalling £58 million to provide 1142 new affordable homes across the District were submitted. Of these only £10.28 million providing 253 new homes received grant funding. This is a disappointment in terms of the overall number and the lack of funding for certain projects – in particular the Cambridge Northern Fringe. The approvals fall short of those which would have applied under the LASHG scheme and the resources required to achieve the overall levels required to address need. A copy of the Cabinet report giving the outcome is attached as **Appendix 1**.
42. The full Council considered a motion to allocate £3million revenue balances over three years to affordable housing in November 2003, but the motion was not carried.
43. For the current year, affordable housing is a Council priority. The following milestones for affordable housing are included in the Performance Plan. Progress on these milestones will be reported quarterly to Cabinet. M20 is particularly relevant to the issues before this meeting.

#	Action	By When
M15	Start on site for demolition of six sheltered bedsit flats and replacement with 5 new sheltered bungalows at Flaxfields, Linton	April 04
M16	Start on site for demolition of 12 sheltered bedsits and construction of new home for people with learning	May 04

#	Action	By When
	difficulties at Bassingbourn	
M17	Completion of 8 general needs homes at Linton	Aug 04
M18	Start on site at Arbury Camps to provide 900 new homes (270 affordable)	Dec 04
M19	Commence a new five year rolling programme of parish housing needs surveys	Dec 04
M20	Review the capital financing the Council is prepared to make available to support affordable housing	Feb 05
M21	Include housing policies in the LDF submitted to the Secretary of State to require 50% affordable housing	March 05*
M22	Completion of 36 new homes at Sawston	Mar 05
M23	Completion of 100 affordable housing units of all tenures at Cambourne	Mar 05
M24	Agree with other local authorities in the Cambridgeshire sub-region a common Section 106 agreement and Supplementary Planning Guidance (SPG) for affordable housing	Mar 05**
M25	Agree affordable housing provision for Northstowe	Mar 05*
M26	Monitor performance of RSLs with a view to a review of the preferred partner list and set PIs for RSLs	Mar 05

\* To be changed to June 2005 in the light of the revised LDF timetable.

\*\* Date to be reviewed to bring into line with revised LDF timetable.

44. An LPSA (Local Public Service Agreement) is being negotiated by the County Council with the ODPM. One of the themes will be affordable housing and a target (290) will be the number of affordable houses provided without public funding. This will provide a considerable stimulus to try to develop ways of providing affordable housing in the post-LASHG environment.

#### **Conclusions of the Review Team on areas to be addressed**

45. The Council has a good record in the provision of affordable housing. However, the needs, opportunities and framework in which the Council now has to operate are greatly changed. In this new context, the following are the main areas which the review team feel the Council should address to improve affordable housing provision.
46. **Allocation of Resources by the Council.** It is now important for the Council to decide whether it will allocate capital resources to affordable housing in the light of the withdrawal of the LASHG scheme and the lower level of funding received so far from ADP. The CPA assessment reminded the Council that it had not yet resolved this issue and also pointed out the lack of a medium term financial strategy – to which this issue would be an important contributory factor. There are various ways in which the Council could increase the resources it allocates to affordable housing, taking into account the priority given to this need – eg:-
- (a) Allocate provision from capital receipts. The Council had **£26.601million** of usable capital receipts at 31<sup>st</sup> March 2004. The rate at which receipts are replenished (and therefore the capital receipts available) will diminish as the Council has to contribute to a national pool an increasing proportion of its capital receipts up to a level of 75%. Previous policy has been to use capital receipts mainly for the HRA housing maintenance programme. However, the Cabinet recently provisionally agreed to use capital receipts to support General Fund



capital expenditure and supported the need for further discussions on how to increase funding for affordable housing.

- (b) Make capital contributions to affordable housing directly from General Fund revenue reserves. This approach was not accepted earlier in the year when a proposal was put to Council to use £3m of revenue reserves over a three year period to grant aid housing associations.
  - (c) Reprioritise within capital spending. As mentioned above, about £1m of capital expenditure is currently met from the revenue budget. It would be possible to re-prioritise some of this expenditure to affordable housing. There is a case for doing this in the light of the priority given to affordable housing by the public.
  - (d) Borrow to finance capital investment in affordable housing However, in August the Council re-affirmed its policy of remaining debt-free.
  - (e) Release land at nil value for affordable housing. For schemes to develop or redevelop Council owned land and property to increase or improve affordable housing, the Council could make a contribution by making the land available at no cost.
47. The benefits of this approach is that free land will make affordable housing schemes more deliverable with or without grant. For example, in certain cases the public subsidy provided by free land will enable low cost home ownership such as shared ownership to be provided without grant. In some other instances a mixed tenure scheme could be achieved with the intermediate tenures helping to cross-subsidise social rented units. Some other schemes can also proceed without grant, albeit with the inclusion of some market housing. Even if grant is still desirable in order to achieve an appropriate tenure mix – eg a higher proportion of social rented housing - the fact that land has been made available free of charge will increase the chances of any bid for such funding to the Housing Corporation being successful. It should be noted that any proceeds from the sale of non-Right to Buy housing assets are ring-fenced for housing purposes under a current Council resolution.
48. This resolution enables 100% of such capital receipts to be retained by the Council, whereas in the absence of such a resolution, a percentage of any capital receipts from the sale of land /property would have to be pooled in accordance with current legislation. While potentially such a policy could impact on the overall Housing Capital Programme and to the Decent Homes programme there are often compensatory benefits for the HRA Business Plan – eg disposal of the Airey properties provides estimated savings of between £40,000 and £50,000 per unit in planned maintenance costs and the redevelopment of the sheltered bedsits will remove difficult to let units from the housing stock.
49. The Council has already begun to adopt this approach. On 28<sup>th</sup> October the Council approved proposals to enable sites at the following locations to be provided at no cost for housing schemes:
- Airey properties on sites at Sawston, Coton, Teversham and Elsworth (32,975,000)
  - Schemes at Duxford, Linton and Meldreth (£554,000)
  - Scheme at Sawston (£130,000)

50. The decision as to whether to allocate further resources to affordable housing is a difficult one. In practice the most likely means would be to allocate capital receipts for this purpose. But to do this would be to direct resources away from competing purposes such as the HRA housing repair and maintenance programme and supporting the General Fund.
51. In approximate terms, each £1m invested in affordable homes by way of grants to housing associations might lead to the construction of an additional 20 – 35 affordable homes. The number would depend on a range of factors, including the tenure and grant rate. This compares with an annual target of 247 for 2004/5 and 297 for 2005/6. How does this compare with the benefits to be derived from using a similar sum for housing maintenance or the general fund? It could be argued that given changes in LASHG and the fact that affordable housing is a national priority, greater scope to achieve change lies with national government and sub-regional bodies such as the Infrastructure Partnership. On the other hand affordable housing continues to be a priority of the public and it may be seen as appropriate for the Council to take a lead on this issue – possibly providing additional resources to finance local schemes which would not be financed by the government.
52. Whatever the level of resources made available by the Council, it is important that the targets for the provision of affordable housing should be adjusted accordingly and for there to be clear policies and outcomes for the use of the resources. The area most favoured by the team was to use the Council's resources to fund rural exception sites to meet local needs, as these sites are least likely to receive ADP funding.
53. **Other means to maximise resources or maximise affordable housing provision within the resources available.** Possibilities include:-
- a) Accepting a higher level of shared ownership on appropriate affordable housing sites in order to cross subsidise social rented housing. This can be achieved on some sites although often this will also require land to be made available free or at low cost – eg rural exception sites. Such mixed tenure developments will contribute to more balanced and sustainable communities, but there is an issue with regard to retaining shared ownership properties as affordable in perpetuity, as “staircasing” up to 100% ownership may have to be permitted, particularly in villages with a population of 3,000 or over.
  - b) Accepting that some housing on affordable sites may need to be sold at full market value in order to cross subsidise rented housing. This will restrict the number of affordable housing units that could be achieved, but will ensure delivery of schemes. This is possible in certain circumstances only – eg not on rural exception sites (see PPG3) and the level of market housing that can be provided will be limited by the Council's own planning policies in relation to affordable housing.
  - c) Accepting a lower percentage of built units on S106 sites. For example accepting 20% developer built houses, instead of 30% requiring public subsidy. This would require changes to existing planning policy and is something that has been included in the preferred options on the LDF which is currently out for consultation. Any interim changes would have to be by way of a Supplementary Planning Document (SPD). If this approach is accepted, there would need to be further consideration as to the timing of the preparation of such a document, taking into account the timetable for the LDF.

- d) Accepting a financial contribution in lieu of on site provision of affordable housing on S.106 sites. This could be useful in *exceptional* circumstances. For example, the 2-4 unit sites which may otherwise not go forward and in villages with particular circumstances that would make additional affordable housing provision inappropriate in sustainability terms because of current level of such provision. Any contributions could be ring-fenced for non S.106 sites elsewhere in the district – eg rural exception sites or redevelopment of existing housing. . This has also been included in the preferred options on the LDF which are currently out for consultation.
54. **Maximise the use of Council land and property assets.** The review team are keen to ensure that the Council had fully explored the use of its own sites such as backland, garage sites, the redevelopment of sites and hard to let or non-traditional stock etc. It was agreed that a bid should be put forward to finance a comprehensive survey to identify any such sites. This would cost relatively little in relation to the possible benefits.
55. **Effective Planning Policies.** The policies being put forward in the LDF (both core policies and for new settlements such as Northstowe) should maximise the requirements for affordable housing, consistent with the aims of sustainable communities and are supported. In settlements of less than 3,000, the lower threshold of 2 or more dwellings should be looked at, possibly with a view to a commuted sum for off-site affordable housing in the case of 2 dwelling developments. Policies on density and dwelling size also need to support housing need. Need to ensure up to date information on housing need, possibly to be updated prior to the Public Examination in 2006, and possibly on a sub-regional basis.
56. **Clear, Supported Objectives.** It is felt to be important to have clarity about the Council's objectives for affordable housing and to gain support across the Council for them. The objectives might be:-
- a) To achieve the completion of a minimum of 300 affordable dwellings (of appropriate tenures) per year in South Cambridgeshire over the next five years to meet local need.
  - b) The above target to continue to include an element from rural exception sites or developments on the Council's own land.
  - c) To make an appropriate contribution to the County wide target for affordable homes built without government subsidy under the LPSA .
  - d) To ensure that the affordable housing completed, meets the Council's objectives of quality village life and sustainability.
57. The team also felt that it was important to convey to all Members the importance of affordable housing and its impact on other Council policies (such as quality village life, transport, sustainability, the local economy etc) and to counter the mistaken belief that affordable housing increases the cost of market housing. This could be done at a briefing, possibly in connection with the LDF.
58. Currently, responsibility and leadership for affordable housing is clear at officer level and lies with the Development Services Director. At Portfolio level, responsibility is divided between the Housing portfolio and the Planning and Economic Development

portfolio. This was not seen to be a problem and it was not felt to be necessary to make any changes in this area for the time being.

59. **Partnership.** Partnership and sub-regional working is essential to enable the Council to achieve its affordable housing objectives. The Review Team therefore supports ongoing work to contribute to sub-regional working and partnerships with the LSP, RSLs and the Infrastructure Partnership and the staff resource that this involves.
60. **Capacity.** With the additions to the Strategic Housing Team approved last year, staff resources and capacity are currently sufficient. However, there will be future needs, as the new developments at Northstowe and subsequently around Cambridge reach the stage where the need for partnership and project work intensifies.
61. **Processes.** Maximise co-ordination and joint work within the Council - particularly to enable DC officers to have a greater awareness of housing policies and enable housing and DC officers to work well together. Improve and speed up the processes for planning and delivering new housing, including standard S106 Agreements and common approaches to SPDs for affordable housing.
62. **Improved Information and Focus.** The Council needs to continue to improve the availability, co-ordination and use of research data and to monitor the effect of its policies. This also includes maintaining the rolling programme of parish housing needs surveys and the use of the information to prioritise rural exception site policy, as far as this is possible.

#### **Performance Indicators**

63. Performance Indicators are given at **Appendix 2**. Views are invited on whether these performance indicators would give the Council an effective means of measuring its progress on affordable housing.

#### **Conclusions and Recommendations**

64. Overall, the Council has a good record in the provision of affordable housing and has been in the forefront in the development of planning policies and other means to address this issue. However, the loss of the LASHG mechanism; the challenges arising from the new settlement and urban extensions to Cambridge; the growing need for affordable housing as property prices increase; and the new opportunities for partnership create a new situation and new challenges for the Council in this area.
65. The main needs for the Council in addressing the need for affordable housing are:-
  - (a) A supportive framework of planning policies
  - (b) Clarity on the part of the Council on its objectives and the resources available.
  - (c) Flexibility in terms of planning policies, use of resources and approval procedures to be able to maximise affordable housing provision on a site by site basis.
  - (d) Joint working within the Council and with external partners and the resources to make those partnerships effective.
66. The review team recommend the Scrutiny and Overview Committee and the Cabinet:-
  - a) To approve the objectives at paragraph 56

- b) To recommend that in principle the Council should make additional resources available for affordable housing by making land available at no cost **and/or** approving the use of capital receipts. The amount to be made available should reflect other demands on capital receipts, the Council's priorities and the wide ranging impact of affordable housing - such as on economic vitality; recruitment to public services; sustainable travel; and quality of village life. If capital receipts are made available for affordable housing, the priority for the use of these resources should be to support local village schemes.
- c) To support the principle of maximising flexibility to enable affordable housing schemes to be financed and, to this end, to support delegated authority to be given to the Housing and Environmental Services Director and Development Services Director to approve making land/ property available at nil cost for affordable housing schemes and to use the mechanisms in paragraph 53, subject to:-
- the approval of the portfolio holders for Housing and Planning/Economic development and appropriate local member/s;
  - an annual limit of £1m for land/ property made available at nil cost, without reference to Cabinet *in accordance with the Constitution*;
  - compliance with current planning policies and the available General Consent for disposal of land to RSLs under Section 25 of the Local Government Act 1988.
- d) To recommend approval of the following bids:-
- one-off bid of £24,000 in 2005/6 to make a temporary appointment to enable a survey of all potential Council land where affordable housing could be provided to be undertaken.
  - a further post of Housing Project Officer to begin in 2006/7 for the Northstowe development, subject to it not being funded by the Infrastructure Partnership (Cambs Horizons)
  - a bid of up to £10,000 to improve the council's research capacity.
- e) To request the Chief Executive and Development Services Director to arrange a briefing for all Members on affordable housing and its importance.
- f) To support the inclusion of policies in the LDF which will provide support for affordable housing and flexibility to maximise affordable housing.
- g) To support a commitment to work with other authorities in the sub-region including, the production of standard S106 agreements and a common approach to Supplementary Planning Documents.
- h) Approve the performance indicators and targets in Appendix 2

**Background Papers:** A range of background papers have been used including Housing needs studies; key worker needs reports; sub-regional strategies; structure and local plan documents; Government guidance; best value inspections of other local authorities etc. These are already all published on the web or elsewhere.

**Contact:** Denise Lewis (01954 713351) and Paul Swift (01954 713017)

**REPORT TO CABINET - 20<sup>TH</sup> MAY 2004**  
**APPROVED DEVELOPMENT PROGRAMME FOR AFFORDABLE HOUSING**

**Purpose**

1. To inform members of the outcomes of the Housing Corporation (HC) bidding round for Approved Development Programme (ADP) monies for affordable housing for the next two years 2004-2006.
2. To alert members to possible implications of the lack of funding available for traditional forms of affordable housing.

**Effect on Corporate Objectives**

3.	Quality, Accessible Services	
	Village Life	
	Sustainability	Affordable housing is essential to sustainable communities to support a broad social mix
	Partnership	ADP funded housing is delivered in partnership between the HC and RSLs. Future funding for affordable housing is likely to be negotiated through the Infrastructure Partnership

**Background**

4. Following the curtailment of LASHG, the Housing Corporation Approved Development Programme is the prime source of funding for traditional forms of affordable housing.
5. In Autumn 2003, the HC invited bid submissions from RSLs. Historically allocations have been made on an annual basis but, for the first time, bids were invited for a two-year programme. A small number of large RSLs were invited to bid on a partnering basis.
6. Grant bids totalling £58 million to provide 1142 new affordable homes across the District were submitted. Of these only £10.28 million providing 253 new homes received grant funding. A list of schemes, which have received funding, is shown in the **Appendix**.
7. The table below shows allocations made to all Cambridgeshire Districts. Cambridge City have received a higher grant allocation for a comparable number of homes, despite bidding for only 60% of the units we bid for. Significant factors, which may have influenced this, are:
  - Land value on council owned sites (City land offered free whereas SCDC bids assumed a land value)
  - Tenure mix, especially with regards to key workers (City sites included higher levels of KW provision)
  - Urban/ rural bias in HC allocations, especially with regards to smaller rural schemes and rural regeneration schemes

	Amount bid for (£)	No of homes bid for	Amount awarded (£)	Number of homes awarded (inc. Homebuy)
City		729	12,678,486	262
South Cambs	£57m	1142	10,276,796	253
Fenland	£7m	196	1,997,774	55
Hunts DC	£16m	453	6,014,710	165
East Cambs	£9,476,619	406	6,567,599	235

8. For those schemes which have not yet received funding, negotiations with the RSLs concerned are ongoing. Issues that officers have to consider on a site-by-site basis are set out below.

### ***Issues affecting funding***

9. *Mix*: on schemes where the land is provided free, RSLs can deliver affordable shared ownership housing without grant, if the infrastructure costs are not excessive. Hence, where little or no grant is available, a higher percentage of shared ownership housing increases the financial viability of a scheme. Officers need to explore with members options for increasing shared ownership options in villages.
10. *Council sites*: For sites owned by the DC, land needs to be made available at nil value. Historic SCDC practice has been to assume a receipt for the land – at below open market value – but this is not common practice and the HC will not normally fund sites where the funding is required to support purchase of public land.
11. *Outright sale*: In order to retain a reasonable level of social rented housing on any site, some funding is required either in the form of: ADP; other grant (e.g. from local authority); cross subsidy from outright sale of dwellings at full market value. Officers need to explore the potential legal and political implications of allowing open market sale on: sites owned by the DC, s106 sites.
12. *Key workers*: for this bid round, the HC have a spending target for key workers which has increased pressure to deliver key worker rather than other forms of affordable housing. Whilst this policy may change in future, it is likely that to attract funding, many sites will include an element of key worker housing and a consequent reduction in social rented housing.
13. *Council resources*: many other councils are making resources available to part fund affordable housing, whether on sites which are not ADP funded, or in specific partnership funding packages working with the HC, EP and other funders. Cambridge City, Hunts DC and Fenland have all made policy provisions for this; Fenland have allocated a budget whilst the others are considering the extent of resources at present.
14. *Section 106 sites*: Housing Corporation investment Policy now states that s106 sites will not normally receive funding. Negotiations with developers should assume nil funding, but where exceptional circumstances can be demonstrated – e.g., very high land value, very high infrastructure costs or community benefits – then HC funding may be available. Officers are currently negotiating funding for the CNF(W) site from HC reserves on this basis and will update members in due course. In future, this needs to influence 106 negotiations.

15. *RSL choice:* the RSLs who received the largest allocations were those invited to bid in partnership – locally BPHA are the largest partnering RSL. Partnership funding may allow RSLs themselves to move funding between sites and increase flexibility in delivery. If this happens, future schemes may need to be delivered primarily by partnering rather than local RSLs.
16. *Future funding:* as funding has now been allocated for the next two years, schemes coming forward during this period will need to be funded without grant, or from HC slippage, if available. There is as yet no guidance on what bidding systems will be in place at that point, but the Regional Housing Board have indicated an intention to move to allocations on a sub regional rather than district basis, in which case the sub regional housing strategy and infrastructure partnership will assume increased significance.

### **Financial Implications**

17. If Council land were offered free to RSLs seeking to deliver affordable housing, there would be a loss of receipts to the Council.
18. If affordable housing is to be delivered in the future, the Council may need to reconsider its position on use of Council resources in partnership with others.

### **Legal Implications**

19. There may be implications for the wording of future section 106 agreements, to ensure affordable housing can be delivered at very low grant levels or without grant, and that it still remains affordable in perpetuity.

### **Staffing Implications**

20. None.

### **Risk Management Implications**

21. Access to affordable housing is a key priority for the Authority. The implications of this report will be considered further at the next meeting of the Risk Management Group
22. Lack of funding for affordable housing could also delay the delivery of market housing to meet targets.

### **Consultations**

23. Consultations with the RSLs who made unsuccessful bids are in progress, and will continue for some months. Discussions with the Housing Corporation are due to take place shortly.
24. Members have not yet been informed of the implications for individual parishes, as we still hope to bring forward a number of unfunded schemes more or less to the original timetable. A development newsletter outlining site funding position and progress on existing sites will be issues shortly to all members.



## Conclusions/Summary

25. The Housing Corporation allocation of £10M ADP to schemes in South Cambridgeshire will bring a welcome addition of 253 affordable homes to the district. However, given the level of need in the district, it is a disappointing level of funding for two years, and below what would have been spent under the previous LASHG regime.
26. The lack of funding for CNF(W) is particularly disappointing, and negotiations with all parties involved are underway to secure some grant for this site, and prevent delays to overall development. However, changes to the tenure mix risk setting dangerous precedents for other larger developments, e.g. at Northstowe.
27. In order to ensure that affordable housing is delivered in South Cambridgeshire, officers will continue to negotiate mix and costs on individual sites. Policy decisions may be required from members on:
  - ***Releasing land at nil value for affordable housing***
  - ***Accepting a higher level of shared ownership housing on sites, to cross subsidise rented housing***
  - ***Accepting a higher level of key worker housing on sites, to induce the HC to fund entire site***
  - ***Accepting that some housing on affordable housing sites may need to be sold at full market value in order to cross subsidise rented housing***
  - ***Dedicating some council resources/ reserves to the funding of affordable housing in partnership with others***
28. The majority of these decisions could be taken on a site-by-site basis by the Portfolio Holder but the direction of policy needs to be agreed and may need to be incorporated into housing and planning policy documents. Resources will require further discussion and it is recommended that this take place as part of a wider review of resources available for affordable housing before the next budget round.

## Recommendations

29. To note the content of the report.

## Appendix

### APPROVED SCHEMES FOR DEVELOPMENT 2004-2006

Village	Number of homes	Grant Received £
<b>Granta Housing Society</b>		
Oakington, Cambridge Road	3	72,980
Willingham, Manor Farm	22	618,512
Balsham, High Street	2	93,635
<b>Nene Housing Society</b>		
Over, Cox's End	5	381,250
<b>Circle 33 Partnership</b>		
Cambourne, site GC20	26	1,194,734
<b>Flagship Partnership (Cambridge Housing Society)</b>		
Melbourn, Norgetts Lane	5	310,000
Melbourn, New Road	20	420,000
Duxford, Laceys Way	6	270,000
Lt Wilbraham, Rectory Farm	3	120,000
Fowlmere, Rectory Lane	4	220,000
Fowlmere, Thriplow Triangle	10	280,000
Fen Drayton, Manor Farm	4	155,000
<b>The Guinness Trust</b>		
Swavesey, Whitton Close	20	724,161
<b>100 Houses Society</b>		
Bourn, Rockery Farm	9	628,000
Linton, Chalklands phase 2	10	550,000
<b>Bedfordshire Pilgrims Housing Association</b>		
Papworth, South Park	36	1,424,000
Steeple Morden, Jubilee Close	10	581,725
Oakington, Coles Lane	11	459,000
Bassingbourn, Knutsford Road	10	705,000
Papworth, Leonard House (Key Worker)	13	374,000
Papworth, B4 site (Key Worker)	8	50,000
Papworth, South Park (Key Worker)	4	66,570
Homebuy scheme	12	575,000
<b>Schemes which were not successful in ADP round</b>		
Airey redevelopment, phase 1 (5 sites)	85 units	
Cambourne, Phase 2	206 units	
Cambridge Northern Fringe (West)	135 units/ 270 inc CCC units	
Comberton, Barton Road	7 units	
Coton, Silverdale Avenue	15 units	
Cottenham, Rampton Road	6 units	
Duxford, Hunts Road	7 units	
Girton, Wellbrook Way	42 units	

Guilden Morden	3 units
Great Chishill, Heydon Road	14 units
Histon, Kay Hitch Way	12 units
Linton, Flaxfields	4 units
Linton, Flaxfields, Extra care scheme	33 units
Little Wilbraham, Rectory Farm	3 units
Longstowe, Haddows Close	1 unit
Meldreth, Elin Way	10 units
Sawston, Lynton Way	26 units
Waterbeach, Waddelows Road	1 unit
Whaddon, Pickering Farm	8 units
Willingham, Wilford Furlong	1 unit

## AFFORDABLE HOUSING - PERFORMANCE INDICATORS

#	Description	03/04 Target	03/04 Actual	Annual Targets			Who
				04/05 Target	05/06 Target	06/07 Target	
SH 311	Affordable housing completions – all tenures	364	227	247	297	317	D. Lewis
SH321	Affordable housing permissions as % of all residential permissions	New for 2004/5		Establish baseline			G. Jones
	(a) In villages of 3,000 or more (developments > 10 dwellings)	Reformulated for 2005/6			-	-	G. Jones
	(b) In villages of less than 3,000 (developments > 1 dwelling)				-	-	G. Jones
SH308	Average days to relet local authority dwellings	35	42	35	30	25	K. Greaves
BV X13	Percentage difference between a basket of dwelling prices in South Cambs compared with national average (*)	Draft national PIs. If approved, will come into effect from 2005/6			Establish baseline	-	G. Jones
BV X14	Number of homes built for outright sale at market price as a % of :-					-	
	(a) all new housing (*)					-	G. Jones
	(b) cumulative development plan target (*)					-	G. Jones
BVX15	Average density of new housing major developments (*)					-	G. Jones
?	LPSA indicator: number of affordable housing units provided without grant in South Cambs (**)	New for 2005/6				-	D. Lewis

(\*) All draft national PIs for 2005/6. Awaiting government confirmation.

(\*\*) Suggested new PI.