

CABINET – 10 JULY 2003

AFFORDABLE HOUSING FUNDING

1. Introduction

1.1 Developers Contributions

1.2 On occasions, where affordable housing has been negotiated through the planning process in conjunction with the granting of permission for market housing, a financial contribution has been agreed in lieu of on-site provision.

1.3 This report seeks Members' confirmation that the unallocated developers' contributions that have been collected be used to fund affordable housing schemes through the allocation of Local Authority Social Housing Grant (LASHG).

1.4 Additional Spending Power

1.5 As a result of an audit of the final grant cost of a recently developed affordable housing scheme at Dreamland, Hythe, £38,293 of LASHG / additional spending power has been returned to the Council. This report seeks Members' agreement to reuse this spending power for the provision of additional affordable housing.

2. Financial Implications

2.1 Currently the "developers' contributions fund" contains £140,500.

2.2 The final-grant costs for the Dreamland site means that £38,293 of spending power is potentially available for new affordable housing.

2.3 If Members agree to allocate the above resources to LASHG, and the recommendations as set out in reports elsewhere on this agenda (*Disposal of Land at Faircross Close, Holbury and Burnt House Lane, Sopley, and 7 Affordable Dwellings At Lime Kiln Lane, Holbury*), then a total of £189,409 will remain to fund new affordable housing projects in 2003/4.

2.4 Members will be aware that the Government has recently removed the reimbursement process for LASHG. Any grant paid by the Council is no longer reimbursed from the Housing Corporation. Any new schemes approved in 2003/4 using the Council's remaining spending power will need to be funded from its own resources

2.5 The Government has set aside resources to reimburse local authorities for lost interest as a result of the payment of grant in 2003/4. This is subject to the total resources available from Government being sufficient to cover all the claims submitted by local authorities throughout the country. From 2004/5 there will be no refund of lost interest.

- 2.6 Should resources set aside by Government not be sufficient to satisfy all grant claims then the Council would have to bear the interest loss. At a notional rate of 4% interest costs (on £189,409) would exceed previously planned expenditure by £7,580 p.a.
- 2.7 Any other use of the resources would however lead to the same costs, whilst not offering the potential reimbursement by Government in this financial year.

3. Considerations

- 3.1 There is a high need for affordable housing throughout the District with 2800 households currently on the Homeseach Register. The use of developers' contributions and the spending power will assist in providing additional affordable homes to meet this need.
- 3.2 The use of the Council's spending power for affordable housing does not, have any worse financial impact than the use of the spending power for any other capital investment.
- 3.2 The Portfolio Holder for Housing will determine the specific projects that the resources will support under his delegated powers.

4. Environmental Implications

- 4.1 There are no implications arising directly as a result of this report.

5. Crime and Disorder Implications

- 5.1 There are no implications arising directly as a result of this report.

6. Consultations

- 6.1 Portfolio Holder for Housing's comments:
- 6.2 One of the key priorities of the Council is to ensure an adequate supply of affordable housing. The use of developers' contributions as outlined in this report is purely formalising the intended future use of funds to plough into affordable homes in any event.
- 6.3 Since the surprise removal of LASHG, by the Government just a few weeks ago this Council has been put in the impossible position of having to commit to building projects to get our people into homes, but only by underwriting some of the costs. Cumulatively these costs will amount to a yearly commitment of some £88,000 by 2005/6.
- 6.4 However, if we stop funding we could have no more new affordable homes at all being built in our district this year, let alone achieve our target of 100 new homes a year. I support the recommendations, however, we cannot go on doing this as we will simply just run out of

money. We are unclear at present how we will be able to fund any affordable housing in the next financial year.

7. Other Options

- 7.1 The developers' contributions have been secured through planning agreements for the provision of affordable housing. It would not be legitimate to commit the resources to other capital or revenue projects.
- 7.2 The Housing Corporation has recently asked the James Butcher Housing Association for a repayment of Social Housing Grant relating to 2001/02 based on a reassessment of their grant entitlement. This has no cash impact on the Council as the payment is between the James Butcher Housing Association and the Housing Corporation. At the time the transaction did, however, have to be supported through the use of the Council's credit approvals and the return of the money frees up the credit approval for any alternative capital investment. The benefit of using it for affordable housing purposes would be that the Council could take advantage of the transitional LASHG arrangements and may get the interest costs for the first year reimbursed.
- 7.3 With the exception of developers' contributions the Council's spending power could be used to support other capital projects.

8. Conclusions

- 8.1 The confirmation that developers' contributions and spending power be used to support affordable housing schemes will help meet the District's high need for affordable housing.

9. Recommendations

- 9.1 That £140,500 of developer's contributions be used to enable the provision of new affordable housing.
- 9.2 That the £38,293 of spending power (available due to the final grant cost of Dreamland, Hythe) is used to enable the provision of new affordable housing.

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Background Papers:

Finance & Forecasting
2003/4 (contains some
exempt information)