

PERTH AND KINROSS COUNCIL

Enterprise and Infrastructure Committee – 7 November 2012

**APPLICATION FOR THE USE OF AFFORDABLE HOUSING DEVELOPER
CONTRIBUTION COMMUTED SUMS AT MUIRTON, PERTH FOR A
DEVELOPMENT OF AFFORDABLE HOUSING**

Report by Depute Director (Environment)

Abstract

This report recommends the approval of an application by a Registered Social Landlord (RSL) for the use for affordable housing developer contribution commuted sums in the Perth Housing Market Area (HMA).

1. RECOMMENDATION

1.1 The Committee is asked to

- i) Approve the Caledonia Housing Association's application for the use of £250,000 from affordable housing developer contributions to enable the delivery of 25 affordable houses at Muirton, Perth.

2. BACKGROUND

2.1 A comprehensive affordable housing policy was approved by the Enterprise & Infrastructure Committee on 24 August 2005 (Art.05/508). Subsequent to this an Affordable Housing Guide was produced and the Enterprise & Infrastructure Committee agreed on 29 August 2007 (Art.07/551) that this would be adopted as additional guidance on the interpretation and implementation of the affordable housing policy.

2.2 The Enterprise & Infrastructure Committee on 17 January 2007 (Art. 07/72) agreed to delegate powers to the Executive Director (Environment) to approve grants to meet the need for affordable housing as outlined in the report up to a maximum of £200,000 per site. Where a grant application submitted by registered Social Landlord (RSL) is for over £200,000 the power to approve these applications is with the Enterprise & Infrastructure Committee.

2.3 The Committee agreed that commuted sums collected in accordance with the affordable housing policy will be spent either in addressing the need for affordable housing through development or in assisting in the implementation of the affordable housing policy. The Committee further agreed a number of specific uses for commuted sums and these are used as a basis for setting out the criteria against which applications for funding from the commuted sums account will be assessed.

2.4 Criteria for assessing applications for funding

2.4.1 Applications for funding should meet at least one of the following criteria:

- 2.4.2 To enable an RSL to purchase a higher percentage of a site than that required by the Affordable Housing policy in order to increase the number of affordable houses that would otherwise be provided on the site
- 2.4.3 To enable an RSL to compete with the private sector to acquire a whole site for affordable housing
- 2.4.4 To support an RSL in meeting previously unidentified exceptional infrastructure costs or development costs associated with developing the site, for example drainage works, roads infrastructure, or decontamination works (costs must be unexpected – this criterion will not serve as a substitute for the exercising of due diligence in site investigations)
- i) To support an RSL in meeting known and exceptional infrastructure or development costs associated with a site in order to enable the RSL to purchase the site for affordable housing. However, the Council's agreement must be confirmed in writing before an offer is made to purchase the site
- 2.4.5 This list is not exhaustive and proposals for funding which are outwith the criteria above will be considered against the following:
- a. whether the proposal addresses a need for affordable housing; or
- b. whether the proposal assists in the implementation of the affordable housing policy
- 2.4.6 In the majority of cases applications for grant aid from commuted sums will require to be submitted and approved prior to site purchase or the commencement of development on site.
- 2.4.7 Applications for commuted sums are assessed in consultation with Housing & Community Care and the following factors are taken into account:
- i) Whether the affordable housing could be delivered without subsidy from the commuted sum fund
- ii) Need for affordable housing in the area – both the settlement and the wider HMA
- iii) Whether enough commuted sums have been collected in the HMA to cover the amount sought in the application
- iv) Whether the proposal delivers value for money – as a guide the amount sought per plot in the application should not exceed the value of the commuted sum for the HMA. This is to ensure as far as possible that for each commuted sum paid by a developer in lieu of affordable provision on site, an affordable house is provided elsewhere in the HMA.

3. PROPOSALS

- 3.1 Caledonia Housing Association in partnership with Fairfield Housing Association has submitted a grant application for £250,000 from the affordable housing developer contributions fund.
- 3.2 This grant is to aid the development of 25 affordable houses in the next phase of development (Phase 5A) at Muirton in the Perth Housing Market Area. The dwellings will be for social rent.
- 3.3 The criteria against which this application has been assessed is outwith the main criteria as described earlier, the assessment is based on whether the proposal addresses a priority need for affordable housing. Its highlighted the proposal does meet a priority need in the Perth HMA and that the proposal can not be delivered for the Council's priority social rent tenure without the use of the commuted sums.
- 3.4 The Perth HMA commuted sums fund currently has circa £350,000 available to spend on the delivery of affordable housing, it is therefore confirmed there are enough funds in the HMA to enable this proposal.
- 3.5 Justification for funding:
 - 3.5.1 The Scottish Government's recent policy document 'Homes Fit for the 21st Century', together with its 'Strategy and Action Plan for Housing in the next Decade: 2011-2020' highlighted that new ways need to be found to provide affordable housing with reduced Scottish Government funding. Scottish Government grant funding for affordable housing has been reduced substantially and the grant funding available to RSLs for a 3 person equivalent size house is £43,000. This has led to a shortfall in funding for RSLs to develop social rented housing and has made it necessary for additional funding to be found to enable the projects identified as meeting a priority need for the Council to be developed.
 - 3.5.2 The additional £10,000 per unit is felt to be reasonable in order to enable the RSL to keep the rents at the level required for social rent tenure, without the funding it would be necessary for the RSL to increase rents to mid market rent tenure level in order to finance the full cost of borrowing for the construction of the units. The use of this funding therefore facilitates the units to be delivered as social rented tenure which is the Council's priority housing need.
 - 3.5.3 Perth City has a high affordable housing need. Details from Housing & Community Care evidence there is significant demand for social rented units at Muirton with in the region of 100 applicants (with Muirton as their first area of choice) on the waiting list and only 8 available lets in the past year. This confirms the need for affordable housing and specifically social rented units at Muirton in meeting some of the housing need in Perth City.

3.6 Date funds are to be payable:

- 3.6.1 The funds will be required to be transferred to Caledonia Housing Association in March 2013, this corresponds with the Council's Strategic Local Programme (SLP) and the Housing Association Grant (HAG) funding which will be paid by the Scottish Government to the project.

4. **CONSULTATION**

- 4.1 This application had been discussed with Housing & Community Care and is jointly recommended for approval by both Services. The Head of Finance and the Head of Legal Services have been consulted in the preparation of this report.

5. **RESOURCE IMPLICATIONS**

- 5.1 There are no resource implications for the Council arising directly from the recommendations in this report. The affordable housing developer contributions are provided by developers as part of the affordable housing policy and are held in a ring-fenced account to be spent on the delivery of affordable housing in the HMA that the planning application they are related to is based in.
- 5.2 At 31 March 2012, there was £1.188m in the ear-marked reserve.

6. **COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012**

- 6.1 The Council's Corporate Plan 2009-2012 lays out five Objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:-
- (i) A Safe, Secure and Welcoming Environment
 - (ii) Healthy, Caring Communities
 - (iii) A Prosperous, Sustainable and Inclusive Economy
 - (iv) Confident, Active and Inclusive Communities

7. **EQUALITIES IMPACT ASSESSMENT (EqIA)**

- 7.1 An equality impact assessment needs to be carried out for functions, policies, procedures or strategies in relation to race, gender and disability and other relevant protected characteristics. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new and existing policies.
- 7.2 The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:
- i) Assessed as **not relevant** for the purposes of EqIA

8. STRATEGIC ENVIRONMENTAL ASSESSMENT

- 8.1 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS).
- 8.2 The matters presented in this report were considered under the Environmental Assessment (Scotland) Act 2005 and no further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

9. CONCLUSION

- 9.1 This report recommends the approval of the application for grant funding from the affordable housing developer contributions fund to provide additional affordable housing within the Perth HMA.

**BARBARA RENTON
DEPUTE DIRECTOR (ENVIRONMENT)**

Note: Disclaimer/declaration regarding background papers:

The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (and not containing confidential or exempt information) were relied on to a material extent in preparing the above report.

Report to Enterprise & Infrastructure Committee 24 August 2005 – Affordable Housing Policy (Art: 05/508)

Report to Enterprise & Infrastructure Committee 17 January 2007 – Affordable Housing Developer Contributions (Art: 07/72)

Report to Enterprise & Infrastructure Committee 29 August 2007 – Affordable Housing Guide (Art: 07/551)

Perth & Kinross Council Affordable Housing Guide August 2007

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