

APPENDIX 1 – DRAFT POLICY

Babergh and Mid Suffolk Commuted Sums Spending Policy

1. Introduction

‘Our vision is for residents to live in affordable and high-quality homes that enable them to build settled, safe and healthy lives, within sustainable and thriving communities’

- Babergh and Mid Suffolk Joint Homes and Housing Strategy

1.1 In line with national policy, the Councils require that major housing schemes provide affordable housing as an integral part of the development. Sometimes development schemes are not suitable for affordable housing on site, and so make provision via a financial contribution for us to spend on new affordable housing elsewhere. These funds are known as Commuted Sums.

1.2 This policy provides guidance for Officers on how Commuted Sums money should be prioritised and spent on delivering new affordable housing through our Affordable Housing Delivery Programme or by external partners in support of our objectives. It also explains how eligible external organisations can request funding to support their affordable housing projects in Babergh or Mid Suffolk.

1.3 The amount of funds available will fluctuate over time, and there will be times when all funding is already committed or spent. Officers can provide information on the funds available upon request. No guarantee can be made that funding is available or will be made available.

2. How this policy works

2.1 We will use this policy to make decisions about which schemes to support with commuted sums, and how much to spend. It operates as a two-step process.

2.2 The first set of criteria deal with eligibility. All proposals must meet all Eligibility Criteria in order to be assessed.

2.3 The second set of criteria relate to the justification of the scheme. Proposals must score positively against the Scheme Justification Criteria in order to be funded, and the level of funding will depend on the extent of the benefits shown to be demonstrated against these criteria.

2.4 We hope that proposals will demonstrate a benefit against all criteria, but it is understood that this will not be possible in all cases. Where criteria cannot be met, the justification for not doing so will be considered. For example, the

Council is bound by Right to Buy legislation and so cannot guarantee that homes will be affordable in perpetuity. If proposals do not meet all of the justification criteria satisfactorily, the proposal will still be assessed, but may not receive funding.

2.5 Where Officers are aware of more than one proposal, they will use these criteria to judge the relative merits of each proposal and prioritise the spend of funds.

2.6 Decisions will be made by the Council's Director for Housing, in consultation with the relevant Cabinet Member for Housing.

3. Eligibility Criteria

3.1 Applicants seeking Commuted Sums funding must demonstrate the following:

(i) Additionality

Proposals must deliver additional affordable housing units¹ which contribute to new supply in the District. Additionality might also be demonstrated by showing that the funding would be used to convert the tenure of new affordable housing to a more affordable tenure (such as conversion from affordable rent to social rent), or a type of specialist affordable housing which is undersupplied (such as Temporary Accommodation). Commuted sums will not be used to fund the refurbishment of homes or the outright purchase of affordable housing secured through planning obligations, although funds could be used to convert the tenure of Section 106 units to something more affordable.

(ii) The proposal meets a demonstrated housing need

We need to prioritise the use of these limited funds in locations where it is most needed. This can often be demonstrated through work with Council officers to understand demand as expressed through the Housing Register, compared to supply.

A properly conducted Local Housing Need Survey could also be used to help identify hidden needs, not expressed through the Housing Register.

(iii) High levels of environmental performance

¹ In almost all cases proposals will be required to meet the definition of affordable housing as set out in national planning policy. For the avoidance of doubt, this can include different forms of housing, including general needs affordable housing, temporary accommodation, housing with care or provision for Gypsies and Travellers, as long as the proposal meets the planning definition of affordable housing. Other forms of housing are unlikely to be funded due to the restrictions on the funding and the way in which it is secured.

Schemes will be expected to exceed minimum environmental performance standards as set out in national Building Regulations and local planning policies.

Higher standards can mean significantly lower running costs for the people living in these homes. But it is also recognised that the cost of exceeding minimum standards might mean that fewer affordable homes will be built, or that the homes will be of less affordable tenures.

Our aspiration is to meet the Zero Operational Carbon target in all new developments funded with commuted sums, with every new home built to meet the Passivhaus Standard or equivalent and an EPC A or B rating². Where this is not practical, or if meeting this standard would have a significant impact on the number of homes delivered or the affordability of those homes, Passivhaus might not be required, as long as minimum requirements have been exceeded.

We will use our own New Homes Technical Specification to assess the environmental credentials of new homes³.

(iv) *The proposal represents value for money*

Schemes will be subject to financial appraisal in order to demonstrate a positive Net Present Value⁴.

Schemes can demonstrate value for money by showing that the additional housing to be funded would deliver homes that would not otherwise be delivered by the Market.

Proposals might support other types of additional social value which would be considered beneficial. This can be recognised but the primary purpose of the funding is to meet housing needs.

Housing which is delivered to a specification which reduces the operating costs for residents will be considered a benefit. The Councils' own Housing Design Guide can be used as a way of judging the technical specification of the scheme.

(v) *Deliverability*

² 15kWh/m².yr is the figure required to meet Passivhaus Classic, it is the recommended limit for meeting Net Zero Carbon in the RIBA 2030 Pledge and the LETI Climate Emergency Design Guide

³ See:

<https://baberghmidsuffolk.moderngov.co.uk/documents/s27654/New%20Homes%20Technical%20Specification.pdf>

⁴ In the case of schemes to be delivered by external organisations, the financial appraisal to be supplied must be deemed appropriate and proportionate by the Council.

Proposals must demonstrate that they are deliverable. This means:

- Either having all relevant consents in place (planning permission etc.) or demonstrating that there is a clear route to and plan for achieving them.
- Similarly, a complete funding package must be in place or be capable of being in place, with a deliverable plan for securing it.
- Land being in the ownership of the body delivering the scheme, or having an option agreement to purchase the land in order to deliver the scheme.

Funding may be provisionally committed where delivery is not certain but there is a reasonable prospect of delivery. Where funding is committed, it will not be released unless and until all relevant funding and consents are demonstrated to be in place.

(vi) Project Management and Project Controls

Proposals must demonstrate that they are subject to robust project management processes.

(vii) Appropriate Housing Management Arrangements

We will expect to see appropriate management arrangements in place. Subject to the tenure of the housing, this will usually mean management by a Registered Provider of Social Housing with an operational base (for neighbourhood and maintenance services) within 1 hour's drive time of the proposal.

(viii) Good Governance

Any grant funding recipients will be expected to be a properly constituted body, such as a Registered Provider or a Community Benefit Society.

4. Scheme Justification Criteria

4.1 These criteria will be used to demonstrate and assess the benefits of the proposal. In order to receive funding, a proposal will need to demonstrate a positive impact against the following criteria. As set out above, it is recognised that not all schemes will meet all criteria, but the justification for not doing so will be considered.

4.2 The criteria are not listed in any order of priority.

4.3 Where officers are aware of more than one proposal seeking limited funding, these criteria will be used to judge which scheme may be prioritised for funding.

4.4 Where the Council is inclined to fund a scheme, the range and extent of the benefits against these criteria will be used to determine the amount of funding to be granted.

- (i) *Is the scheme is located in an area with worse affordability than the District average?*

The affordability of housing to be assessed against the best available data on local salaries and house prices / rental values.

- (ii) *Has the relevant parish missed out on affordable housing due to use of a Commuted Sum instead of provision on site?*

It may be appropriate and beneficial to spend funds within a community which has not realised the affordable housing that would normally have been delivered on site as part of the Planning process. This will be balanced against the assessment of housing need; i.e. it will be considered to be of reduced / limited benefit if the area already has a sufficient supply.

- (iii) *How affordable is the tenure proposed?*

Different tenures of affordable housing offer different levels of affordability. More affordable tenures would provide a greater benefit, and could be a justification for providing more funding. An assessment could be provided to show the additional funding which would be required to deliver the homes to a more affordable tenure.

- (iv) *Would Commuted Sums funding leverage other funding?*

Commuted Sums are unlikely to represent the entirety of the funding for any scheme. It will be considered a benefit if proposals lever in funding from other sources, such as Homes England funding or responsible borrowing by external organisations.

- (v) *Would the homes be affordable in perpetuity?*

This is not an absolute requirement, as homes delivered by the Council or by Registered Providers are subject to legal requirements which cannot be overridden. But if a proposal can deliver homes which are exempt from the Right to Buy or Right to Acquire, for example by virtue of being owned by a Community Land Trust or being delivered on a Rural Exception Site, this will be considered a benefit.

- (vi) *Does the proposal have demonstrable community support?*

This could be proven by way of recorded public consultation, surveys (including Local Housing Need Surveys), petitions or neighbourhood plan policies/objectives.

- (vii) *Would the funding benefit a Community Land Trust, and so help enable further future investment?*

Subject to the Community Land Trust being a properly constituted body, with the homes to be managed by a Registered Provider.

- (viii) *Would the homes be allocated to local people?*

The Council will expect to see all rental units allocated through the Gateway to Homechoice. This is to help us ensure that equality and diversity requirements are met. In exceptional circumstances other methods of allocation may be considered, but proposals would have to be assessed by officers and an Equality Impact Assessment would be required.

The Council's preference would be for the units to be allocated in line with the Council's Allocations Policy, unless the units are retained by a Community Land Trust and / or delivered on a Rural Exception Site. In those cases a local connection to the relevant parish would be acceptable, accompanied by a cascade mechanism.

- (ix) *Does the scheme deliver standards of accessibility which exceed minimums?*

This means, in effect, parts M4(2) and M4(3) of the Building Regulations.

- (x) *Does the scheme meet or exceed the Nationally Described Space Standard?*

As set out in National Guidance.

5. Grant Funding Agreements and Monitoring

5.1 Any grant funding awarded to bodies outside the Council will be subject to a grant funding agreement to ensure spending takes place in accordance with requirements.

5.2 As part of these agreements there will be monitoring requirements in order that it can be demonstrated that the requirements of planning legal agreements have been met.