

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	14 July 2020		
Title	Allocation of Commuted Sums Funds to Lune Valley Community Land Trust				
Report of	Director for Economic Growth and Regeneration				
Purpose of Report					
<p>To seek approval to award commuted sums funds (Section 106 Developer Contributions) to Lune Valley Community Housing Trust to bring forward a new scheme of affordable housing in Halton and to amend the existing policy on the allocation of commuted sums.</p>					
Key Decision (Y/N)	Y	Date of Notice	15 June 2020	Exempt (Y/N)	N

Report Summary

In September 2019, Cabinet approved the allocation of £267K funding from the council's Community Housing Fund towards the pre-development costs of the scheme proposed by Lune Valley Community Land Trust, on a site identified at Mill Lane, Halton. The initial grant provided the necessary financial resources to allow the group to enter into a binding option agreement for the land and to allow the scheme to progress to planning stage. As initially set out in the previous report approved by Cabinet, members are now being requested to approve the final payment of commuted sum funds to bring this project into fruition. The proposed scheme will provide 20 new affordable homes and will be the first scheme of affordable housing in Lancaster district meeting full Passivhaus certification standard.

Recommendations of Councillor Caroline Jackson

- (1) To amend the existing commuted sums policy to allow community groups to receive grant funding as well as other social housing providers
- (2) To award a commuted sums payment of £375K to Lune Valley CLT for the acquisition of a site in Mill Lane Halton, subject to confirmation that the scheme qualifies for the required level of capital grant funding and being granted planning permission.
- (3) That all future allocations of commuted sums payments are approved through Individual Cabinet Member decision by the Cabinet Member for Housing in accordance with the original Cabinet decision in 2009, and within any limits on Cabinet members' spending powers as stated in the constitution.

Relationship to Policy Framework

Council Plan – has the potential to directly contribute to the council’s approved priorities which includes a Sustainable District, an Inclusive and Prosperous Local Economy and Happy and Healthy Communities.

Local Plan – will directly contribute to increasing the supply of housing in Lancaster district on an allocated housing site and will contribute towards the increase of affordable housing to meet a local need.

Will directly contribute to the Housing Strategy 2020-2025 (currently being drafted) by increasing the provision of affordable housing through community led models.

Conclusion of Impact Assessment(s) where applicable

Climate	Wellbeing & Social Value
Digital	Health & Safety
Equality	Community Safety

There should be no adverse impact of this proposal should the report be approved and provides the potential for positive impacts on climate, equality and wellbeing & social value.

Details of Consultation

Lune Valley CLT has engaged in a series of consultation with the Community Land Trust Network, Registered Providers, Homes England and solicitors specialising in community led housing models. A series of consultations have also been carried out to engage with Halton parish residents and a parish survey was commissioned with postal questionnaires being issued to Halton and surrounding parishes.

Legal Implications

There are no direct legal implications stemming from this report. Legal Services will need to be involved in the drafting of any agreement between the Lune Valley CLT and the Council in terms of the payment of the commuted sum and the conditions to be satisfied.

There is a related issue of the Council seeking to collect monies for affordable housing via s106 Agreement in respect of the Halton Mill site. However, it is not thought to be a relevant issue for the determination of the allocation of commuted sums to the Lune Valley CLT.

Financial Implications

The Community Housing Fund allocation of £267K referred to in the summary, whilst fully committed, has only contributed £37K towards the pre-development costs to date. The remainder of this funding is currently held within the Revenue Grants Unapplied Reserve balance and spend is expected within 2020/21.

Committed Sums Reserve (S106 Affordable Housing) was last utilised in 2016/17 and currently has a balance of £559K. If the £375K allocation is approved this would leave

a balance of £184K.

As the spend is not defined to a specific timescale, officers will continue to liaise with Finance to ensure financial records are accurate and up to date.

Any potential updates or changes should also be communicated, and subject to there being a nil impact on the Council's resources the General Fund Revenue Budget will be updated.

Other Resource or Risk Implications

The council has a dedicated officer resource approved by Cabinet on 6th November 2018 to support Community Led Housing developments. The officer post is currently fixed term until November 2021.

Section 151 Officer's Comments

The issues associated with this scheme have been well documented and considered by Cabinet on several previous occasions.

Following consideration of legal advice and balancing the risks and rewards associated with the payment I would support the recommendations to enable the scheme to proceed to the benefit of all parties.

Monitoring Officer's Comments

The Monitoring Officer has no further comments.

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Links to Background Papers

1.0 Introduction

- 1.1 In November 2009, Cabinet agreed a process of allocating affordable housing Section 106 commuted sum funds, and that the determination of allocations of monies could, in the future, be delegated as an Individual Cabinet Member Decision by the Portfolio Holder for Health and Housing. Section 106 commuted sums are funds generated from market housing schemes that are ring fenced monies held by the city council that can only be allocated towards the provision of affordable housing within Lancaster district, normally where there is a shortfall in funding that could render a scheme unviable. The Cabinet report and subsequent Meeting Housing Needs Supplementary Planning Document both assume that grants will only be paid to Registered Providers of social housing.

- 1.2 In 2016/17, Lancaster City Council received £707K Community Housing Fund grant from central government, which has allowed the council to provide direct support and grant funding to community groups to bring forward community led housing projects, and these are vehicles which can now directly receive grant funding from Homes England – the main funding provider of affordable homes grant.
- 1.3 As part of the emerging Local Plan, new Policy DM12 (Self-Build, Custom Build and Community Led Housing) recognises community groups as providers of housing either in their own right or through partnerships with Registered Providers.
- 1.4 Cabinet approval is being sought to provide consistency and flexibility within the existing framework of planning and housing policies to allow commuted sum payments to community groups as well as Registered Providers of social housing, and that future grant applications will be approved as Individual Cabinet Member Decision.

2.0 Proposal Details

- 2.1 In September 2019, Cabinet approved a grant payment of £267K to Lune Valley Community Land Trust to fund the expected pre-development costs to allow the scheme to progress to planning stage. An agreed phasing plan for the grant payments was agreed and implemented and it was resolved that an application would be brought back to Cabinet to approve the commuted sum payment when the scheme was sufficiently progressed.
- 2.2 Members are reminded that the delivery model for this scheme is that Lune Valley Community Land Trust will purchase the proposed site at Mill Lane Halton, and will grant a lease of 150 years to with their chosen Registered Provider Partner South Lakes Housing which meets the requirement of Homes England affordable homes grant funding and fulfils the definition of a community led housing scheme and which will allow the affordable homes to be kept affordable in perpetuity.
- 2.3 South Lakes Housing is taking the lead role on the preparation and submission of the planning application but continuing to work very closely with Lune Valley CLT. As previously stated, the proposed scheme will provide 20 affordable homes being presented as follows :-

Affordable Rent

- 5 x 2-bedroom houses
- 2 x 3-bedroom houses
- 2 x 4-bedroom houses
- 4 x 1-bedroom apartments

Shared Ownership

- 3 x 2-bedroom houses
- 4 x 3-bedroom houses

2.3 The tenure mix and units selected have been formulated taking into account the findings of the parish survey undertaken in 2019 aiming to meet the widest possible range of housing need locally and existing supply of social and affordable housing in Halton. The space standards proposed exceed Nationally Described Space Standards by 5%. The homes will meet the full Passivhaus certification standard through a system of high insulation, airtightness and mechanical ventilation with hot water powered by electricity/provision of PV panels. Running costs should achieve a 75% reduction in space heating requirements with data from the Lancaster Co-Housing scheme suggest a reduction of 84% and zero carbon emissions. This is an exemplar scheme being the first development of affordable housing to achieve such high design and quality standards in Lancaster district.

2.4 The indicative development costs and funding requirements are set out below:-

Table 1

Funding Provider	Funding Source	Project Element	Amount £000
Lancaster City Council	Community Housing Fund	Pre-development	£267
Lancaster City Council	Commuted Sums	Site acquisition	£375
Homes England	CHF/AHP Programme Grant	Construction Costs	£1,270
South Lakes Housing	Own Finance/Borrowing	Construction Costs	£2,266
Total scheme costs			£4,178,000

2.5 South Lakes Housing submitted a capital grant bid to Homes England in January this year. It was anticipated that Homes England would be announcing their new funding programme after the budget announcement in March set out a pledge from government to commit £12B funding for affordable housing nationally, but due to the pandemic the new programme has been delayed. However, there has been considerable engagement with Homes England's North West Team who have confirmed in principle support for this development and the final confirmation of grant will be sought as soon as the new programme is in place with an announcement expected imminently. Until then, should Cabinet approve the report, the commuted sums payment would be conditional upon formal confirmation of Homes England grant funding also being approved.

3.0 Commuted Sums Fund

3.1 Table 2 below is a summary of all commuted sums received by Lancaster City Council and Table 3 provides details of all commuted sums paid to Registered Providers to date: -

Table 2

Financial Year	Total £
2008/2009	385,390
2009/2010	525,390
2011/2012	19,132
2012/2013	29,713
2013/2014	61,918
2014/2015	208,539
2015/2016	60,952
2016/2017	59,734
2017/2018	122,023
2018/2019	211,303
2019/2020	0.00
Total	1,684,094

Table 3

Units	RP	Amount	Scheme	Date paid
10	Impact	£50,000	Windermere Road Carnforth	Nov-10
23	Adactus	£90,000	Marlborough Road Morecambe	Dec-10
30	Adactus	£250,000	Greyhound Bridge Lancaster	Jul-12
26	Impact	£300,814	Albion Mills Lancaster	May-15
	Great			
21	Places	£42,000	Mossgate Heysham	Feb-14
18	Guinness	£80,000	Brindle Close Lancaster	May-14
53	Adactus	£132,400	Langdale Road Lancaster	Jul-14
18	Guinness	£180,000	King Street Morecambe	Aug-16
Total		£1,125,214		

3.2 The balance of commuted sums held is £559K, which if approved and the grant to Lune Valley CLT be awarded, will leave a remaining balance of £184K. Members should note the fluctuations in commuted sum payments since 2008/09 and that the council can no longer require affordable housing contributions for schemes under 10 units (except in AONB areas) since the ministerial statement in 2015 and existing policy seeks to secure on-site affordable housing on schemes over 10 units wherever possible.

4.0 Options and Options Analysis (including risk assessment)

Option 1: Approve the request for grant funding and amend the existing commuted sums policy

Advantages: The grant will enable Lune Valley CLT to bring their scheme into fruition and create a suitable community led housing model. It will result in a further 20 units of affordable housing being provided to meet a local need. Supporting this scheme will encourage other community groups to bring schemes

forward and provides an additional source of funding if required if monies are available. The scheme will achieve exemplar standards and contribute positively towards the council's priorities around climate change.

Disadvantages: The grant funding could be used to support other affordable housing schemes not yet identified.

Risks: The risks to the council would be minimal if sufficient controls are placed on the allocation of the commuted sum payment. A binding agreement would be entered into between Lune Valley and Lancaster City Council which sets out how the commuted sum payment must be used, and the payment will only be made when all other conditions are satisfied. An Exclusivity Agreement/Heads of Terms were entered into between Lune Valley CLT and South Lakes Housing in March 2020 which reduce any perceived risks of the scheme not proceeding as intended. As long as schemes are delivering affordable housing (with additional controls through the planning consent), there should be no additional risks in awarding commuted sums to community groups.

Option 2: Do not approve the grant funding and do not alter the existing commuted sums policy

Advantages: The funding could be used to support other affordable housing schemes being brought forward by Registered Providers only.

Disadvantages: The council has already committed £267K Community Housing Fund to support the delivery of this project. If the commuted sums payment was not approved, the scheme would ultimately be at risk and may not be delivered. This would be a significant loss of opportunity, with some reputational damage. If the policy is not amended, it limits the funding available to support community led housing developments.

Risks: Whilst there is usually no set time limit placed upon the council to spend commuted sums funds, there is a general expectation that the monies are put to good use by councils and allocated within a reasonable period of time to minimise the risk of any future challenges being made.

4. Officer Preferred Option (and comments)

4.1 The officer preferred option is Option 1. If the grant is approved, it will allow Lune Valley CLT and South Lakes Housing to bring this community led housing development into fruition as outlined within the report. In order to minimise any perceived risk, that the grant funding will only be paid when the conditions set out in recommendation 2 have been satisfied.