

CABINET

Allocation of Affordable Housing S106 contributions to Impact Housing Association Individual Cabinet Member Decision

(Cllr Kerr)
29 January 2010

Report of Head of Planning Services

PURPOSE OF REPORT				
To agree a grant application for £50k from the affordable housing S106 commuted sums.				
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input checked="" type="checkbox"/>	Referral from Cabinet Member
Date Included in Forward Plan				
This report is public				

RECOMMENDATIONS

- (1) To grant Impact Housing Association £50k to ensure the development of affordable housing at Windermere Road, Carnforth is financially viable.
- (2) That the Head of Financial Services is authorised to update the General Fund Capital Programme to reflect the grant allocation to Impact Housing Association from the Section 106 programme.

1.0 Introduction

- 1.1 A report was presented to cabinet on 10 November 2009 to agree the process for allocating grants from the fund of Affordable Housing S106 commuted sums.
- 1.2 Cabinet members approved an approach whereby the determination of allocations of the monies will be made by Individual Cabinet Member Decision by the portfolio holder for Health and Wellbeing.
- 1.3 This is the first application that has been made by a Housing Association to enable the development of 10 rented houses in Carnforth. Without the grant the development would not be viable resulting in the development not proceeding.

- 1.4 There is an element of urgency on the agreement of this grant. The developer expected to commence the development in summer 2009 but due to the financial appraisal shortfall and Homes and Communities grant process it has been delayed by 6 months. They are therefore keen to sign the contract with the Association and commence the development within the next few weeks.
- 1.5 The Housing Association is unable to sign the development contract until there is confirmation of the grant from the S106 monies.

2.0 Background

- 2.1 The development is at Windermere Road, Carnforth and will provide 10 affordable homes. These will be social rented properties in the form of 2 and 3 bed houses.
- 2.2 This site was originally presented to the City Council by Maple Developments who had chosen to work with Impact Housing Association on a fully rented scheme. The previous owner of the site had originally looked at providing some rent and some shared ownership properties.
- 2.3 The new owner and Impact Housing are offering all units for rent. The site meets our affordable housing objectives by providing 10 houses for rent. Council housing have confirmed that there is a waiting list for this type of property in Carnforth.
- 2.4 Impact housing originally applied for a grant to cover the full amount from the Homes and Communities Agency (HCA) however they have been informed by the technical officer that they will not support a grant rate of more than £65k per unit, which is a total reduction of £50k across the scheme.
- 2.5 The Association is not able to make any significant savings on the contract as there are a reasonable amount of extra costs, mainly relating to meeting the code for sustainable homes and addressing flooding issues.
- 2.6 Following discussions with the HCA Impact have also had to reduce the rents they had forecast and are currently in a position where the scheme no longer stacks up financially due to the reduction in grant.
- 2.8 For this reason Impact Housing Association have requested that the Council help to finance the scheme by funding the shortfall of £50k.

3.0 Proposal Details

- 3.1 The Management Team supports the application and recommends that Cllr Kerr approves the grant.

4.0 Details of Contract

- 4.1 A contract will be compiled to confirm the grant.
- 4.2 The Council will receive 100% nomination rights to the properties in perpetuity.
- 4.3 The money will be awarded to the Association on site completion by way of a letter from the Association requesting to draw down the grant.

- 4.4 The Association must liaise with the Council on any change of use or adaptation to the management of the properties that would impact on the original use and nomination rights.

5.0 Risk Assessment

- 5.1 The money will only be granted following completion of the development.
- 5.2 The contract will ensure that the Council will receive 100% nomination rights to the properties in perpetuity.

6.0 Option and Options Analysis

- 6.1.1 **Option 1:** Provide Impact Housing Association with a Grant of £50k to support the development of 10 Affordable Homes in Carnforth by making the development proposal financially viable.

Option Analysis: Making this grant available to the Impact Housing Association will make this proposal financially viable and lead to the delivery of 10 much need Affordable Homes. Use of the Section 106 Monies in this way is precisely the intended purpose of negotiating and managing this money.

- 6.1.2 **Option 2:** Do not provide Impact Housing Association with a Grant of £50k to support the development of 10 Affordable Homes in Carnforth by making the development proposal financially viable.

- 6.1.3 **Option Analysis:** Not making this grant available to the Impact Housing Association will make this proposal financially unviable and lose the opportunity to secure the delivery of 10 much need Affordable Homes. If the Section 106 Monies are not distributed as intended, to proposals such as this, then the money will have to be returned to the contributing developers.

Officer Preferred Option

- 6.1.4 Option 1 is the Preferred Option. Supporting Impact Housing Association to deliver this scheme will lead to the delivery of much needed affordable housing and should therefore be supported. Use of the monies in this way is precisely the intended purpose of managing the Section 106 Commute Sums Fund.

7.0 Conclusion

- 7.1 In order that this proposal is named financially viable and so development of 10 much needed affordable homes can occur a grant of £50k is needed from the Council. This proposal and request from Impact Housing Association should be welcomed and supported.

RELATIONSHIP TO POLICY FRAMEWORK

Corporate Plan 2009-2012 Objective 6 of is to improve the standard, availability and affordability of housing in the district to meet local needs. This is measured by Key Target NI155 - Number of affordable homes delivered (gross) and is addressed by Key Action 6.1 in the Lancaster District Local Strategic Partnership's Health & Well Being Thematic Group action plan – "Provide affordable housing in accordance with the Housing Strategy and Local Development Framework".

Housing Strategy priority 2 target is to produce a protocol for spending commuted sums and deliver affordable homes in partnership with the Housing Corporation (now the Homes and Communities Agency).

Core Strategy Meeting the affordable housing requirements of the district is set out in Policy SC4 and informed by the housing needs study endorsed by the planning policy cabinet liaison group on 14 February 2008.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Equality, Diversity and sustainability implications have been taken into consideration in the production of the housing needs study which will be used to inform the type and tenure of housing to be funded.

All RSLs are committed to ensuring that the allocations of affordable housing are in accordance with their equality and diversity policies.

FINANCIAL IMPLICATIONS

The allocation of £50K grant to Impact Housing Association will be 100% funded from the Section 106 Programme. Officers from the Forward planning Team will be responsible for ensuring that the grant is used in accordance with conditions set out in the relevant Section 106 agreement to reduce the risk of money being returned to the original developer.

Financial management of the funding programme will be further supported via regular reporting by the Head of Planning Services and in liaison with the Programmes & Funding Manager.

If approved, the General Fund Capital Programme will need to be updated to reflect the allocation to Impact Housing Association from the Section 106 Funding programme, subject to there being a nil impact on the Council's resources outside the allocated commuted sums.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no comments to make on the proposal.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

1. Development Financial Appraisal
2. Letter from Impact Housing confirming financial position
3. Impact Financial Accounts

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