

# CABINET

## Allocation of Affordable Housing S106 contributions to Guinness Northern Counties Housing Association

### INDIVIDUAL CABINET MEMBER DECISION COUNCILLOR KAREN LEYTHAM

#### Report of Chief Officer (Regeneration & Planning)

PURPOSE OF REPORT					
To obtain Cabinet Member approval to permit a grant application of £80,000.00 from the affordable housing section 106 commuted sum funds.					
Key Decision (delegated to Cabinet Member)	X	Non-Key Decision		Referral from Cabinet Member	
Date of notice of forthcoming key decision			N/A		
This report is public but contains an exempt appendix which is excluded from publication by virtue of paragraph 3 of Schedule 12a of the Local Government Act 1972.					

#### RECOMMENDATIONS OF CHIEF OFFICER (REGENERATION AND PLANNING)

- (1) To approve the allocation of £80,000.00 of section 106 monies to Guinness Northern Counties Housing Association to support the development of 18 units of affordable housing at Brindle Close, Lancaster.
- (2) That the Chief Officer (Resources) be authorised to update the General Fund Capital Programme to reflect the grant allocation to Impact Housing Association from the section 106 monies.

#### 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.

## 2.0 Background

### 2.1 Summary of S106 monies held and grants paid

<b><u>Monies in</u></b>		
<b><u>Scheme details</u></b>	<b><u>Amount</u></b>	<b><u>Date received</u></b>
Aldcliffe Road	£140,000.00	09/04/09
Aalborg Place	£385,400.00*	10/02/09
	£385,400.00*	19/02/10
Miscellaneous payments to date	£92,850.00	2011/12-2013/14
<b><u>Total in</u></b>	<b><u>£1,003,650.00</u></b>	
<b><u>Monies out</u></b>		
Windermere Road	£50,000.00	Paid Nov 2010
Marlborough Road	£90,000.00	Paid Dec 2010
Greyhound Bridge Road	£250,000.00*	Paid July 2012
<b><u>Total grants paid to date</u></b>	<b><u>£390,000.00</u></b>	
Less pending approvals		
Albion Mills	£260,000.00*	
Mossgate	£42,000.00	
<b><u>Total payments pending</u></b>	<b><u>£302,000.00</u></b>	
<b>Remaining unallocated balance</b>		<b>£311,650.00</b>

- 2.2 The monies received in respect of the scheme at Aalborg Place were received in two instalments with a requirement contained in the legal agreement that the monies must be spent within 5 years of receipt. Taking account of the monies received and grants paid to date or approved pending payments, there is an unallocated sum of £260,800.00\* that must be spent by February 2015.
- 2.3 On 16th September 2013, Planning Committee approved the proposed scheme at Brindle Close, Scale Hall Farm, Lancaster, which consists of 18 units of affordable housing. The site is currently in the ownership of Guinness, historically designated as an informal kickabout area at the edge of the estate but is not utilised.
- 2.4 The 18 units of affordable housing consist of 6 x 2 bedroom houses and 12 x 1 bedroom apartments. The proposed mix is to complement the existing

portfolio of properties already provided by Guinness at Scale Hall Farm (which is predominantly two bedroom flats) but also to respond to the recent welfare reforms.

- The Housing Needs Survey 2011 clearly demonstrates the unprecedented need for affordable housing in the Lancaster district, and recommends that future affordable housing provision should comprise of 50% one and two bedroom units and 50% three and four bedroom units. Given the area of land available and the sharp increase in demand for smaller units of accommodation, the type and mix of units proposed are in the greatest demand. The proposed scheme will be significantly valuable to the City Council for a number of reasons:-
- The Homes and Communities Agency fully support this development, and is providing grant funding to Guinness from a mixture of funding partly allocated through the Affordable Homes Programme (2011-2015) and partly from the new Affordable Homes Guarantees Programme (2013-2017). A condition of the HCA grant is that the Registered Provider must grant tenancies on an affordable rent. Affordable rents are set at up to 80% of market rents in the local area.
- Lancaster City Council will receive 75% nomination rights on initial lettings and 50% on subsequent vacancies. Guinness need to retain some nomination rights given that, as a social housing provider, they need to have some ability to manage the impact of welfare reform and assist their own tenants by providing some degree of internal transfers. However, the nomination rights will greatly assist the City Council in meeting its own statutory duties and those in the most housing need.
- A high proportion of units are one bedroom apartments, which are in extremely high demand. The flats are own entrance, and due to the way in which they have been structurally designed can be converted into three bedroom houses, should demand change over time.

### **3.0 Scheme Costs**

- 3.1 The scheme costs associated with the proposed development are summarised in Appendix 1.

### **4.0 Details of Contract**

- 4.1 An agreement will be compiled to confirm the grant
- 4.2 The Council will receive 75% of initial lets and 50% subsequently.
- 4.3 The grant will be awarded to Guinness upon notification of start on site, which is scheduled for December 2013 with practical completion anticipated within a twelve month period.

### **5.0 Risk Assessment**

- 5.1 The grant from the commuted sum funds will need to be paid to Guinness upon notification of a start on site having been achieved. Whilst it would be normal practice to pay the grant upon practical completion and handover of the scheme, the monies must be allocated before February 2015, otherwise the funds must be returned to the developer. Therefore, a condition of the

grant will be that Guinness must achieve a start on site by no later than December 2014. The anticipated start on site is a year earlier, and is scheduled for December 2013. Although there is some flexibility with the Homes and Communities Agency funding, part of the funding is from the Affordable Homes Programme, which requires all sites to be completed by no later than March 2015. Therefore, Guinness needs to start on site imminently in order to meet the HCA's funding requirements.

## **6.0 Details of Consultation**

6.1 None

## **7.0 Options and Options Analysis (including risk assessment)**

	<b>Option 1:</b> Provide a grant of £80K to Guinness Northern Counties	<b>Option 2:</b> Do not approve the grant and identify alternative sites to allocate the grant
Advantages	It will support the delivery of 18 units of affordable housing and contribute towards the district's annual housing requirements. The scheme already has a planning consent in place with two other sources of funding secured.	None
Disadvantages	The S106 monies will not be available should other schemes come forward, however this would be unlikely in the required timescales.	A valuable affordable housing scheme in the centre of Lancaster may not be delivered.
Risks	The grant will need to be paid to Guinness before the scheme reaches practical completion.	Although there are some alternative sites that might come forward, there is less certainty that they could come forward within the required timescale. The council may be required to return some of the monies held to the developer.

## **7.0 Officer Preferred Option (and comments)**

7.1 The officer preferred option is option 1.

7.2 Option 1 removes any potential challenge that the monies have not been spent in accordance with the legal agreement entered into by the Council, the land owner and the developer. Paying the grant to Guinness in full at the commencement of the development will be more favourable to the Registered Provider and gives them some financial certainty. Assisting Guinness Northern Counties to deliver this scheme will provide an opportunity to provide much needed affordable housing and should therefore be supported. The scheme is entirely suitable for the payment of the section 106 commuted sum funds, and represents good value for money for the Council in achieving

a total of 18 new units of affordable housing with all of the units adhering to the Homes and Communities Agency's Design and Quality Standards.

## **8.0 Conclusion**

- 8.1 The proposed scheme at Brindle Close, Scale Hall Farm, Lancaster, being brought forward by Guinness Northern Counties is welcomed given the increasing pressures and need for affordable housing in the district, which is clearly evidenced by the Housing Needs Survey 2011 and the high number of applicants currently registered through the Council's Choice Based Lettings Scheme. The scheme will provide an opportunity for the Council to continue to discharge its statutory rehousing duties and assist tenants directly affected by the recent welfare reforms, and strengthen the strong partnership in place with Guinness. As a result of this, the proposal should be supported.

### **RELATIONSHIP TO POLICY FRAMEWORK**

Corporate Plan 2013-2014: Continuing work to improve the quality and availability of housing, and enhanced quality of life of local residents through access to good quality housing, increasing the number of affordable homes, a reduction in the number of homeless people and a reduction in the number of people sleeping rough.

Core Strategy 2008 SC4: To meet the district's housing requirements by achieving 400 dwelling completions annually and providing 60 affordable housing completions annually.

Housing Strategy and Housing Action Plan 2012-2017: to use Section 106 funds to bring forward additional affordable housing completions.

Housing Strategy and Housing Action Plan 2012-2017: To bring forward and support affordable housing schemes through the use of Section 106 commuted sums funds.

### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)**

Questionnaires were issued to every tenant on Scale Hall Farm regarding the proposed development on the site identified and existing/future recreational facilities on the estate, given that the proposed development removes some public open space. Statutory consultation also took place to determine the planning application. The proposed development will increase the portfolio of much needed affordable housing, most of which will be allocated in a transparent way in accordance with the Council's agreed scheme of allocation through Ideal Choice Homes. All units will meet code level 3 of the Code for Sustainable Homes.

### **LEGAL IMPLICATIONS**

The Council has an approved policy which sets out the criteria in which section 106 commuted sum funds are allocated. A written agreement will be drawn up between Lancaster City Council and Guinness Northern Counties Housing Association regarding the payment of the grant setting out the requirements in relation to the conditions of the grant payments and the arrangements of the allocation of the properties including nomination rights.

### **FINANCIAL IMPLICATIONS**

Taking into account monies received for Aalborg Place and grants either paid out or

allocated to date, there is an unallocated balance remaining of £260,800, which must be spent by February 2015. If this deadline is not met the unspent monies have to be returned to Persimmon Homes.

The allocation of £80,000 to Guinness Northern Counties Housing Association would enable the City Council to utilise the S106 funds in the proper manner. It should be further noted that there is a separate Individual Cabinet Member Decision proposing to allocate a further £32,400 to another Housing Association to support the development of affordable housing at the Riverview Hostel, Lancaster and together these will reduce the balance of unallocated funds to be spent by February 2015 to £148,400.

The City Council contribution of £80,000 will be 100% funded from the S106 commuted sum reserve. The site at Brindle Close will be the property of Guinness Northern Counties Housing Association so there will be no further costs or future liabilities arising for the City Council in the development of the site or on completion.

If approved, the General Fund Capital Programme will need to be updated to reflect the allocation to Guinness Northern Counties Housing Association, subject to there being a nil impact on the Council's resources outside the allocated commuted sum.

#### **OTHER RESOURCE IMPLICATIONS**

**Human Resources:**

None

**Information Services:**

None

**Property:**

None

**Open Spaces:**

None

#### **SECTION 151 OFFICER'S COMMENTS**

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

#### **MONITORING OFFICER'S COMMENTS**

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

#### **BACKGROUND PAPERS**

None.

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