

CABINET

DATE	30 th September 2020
REPORT OF	Councillor Fenty Portfolio Holder for Regeneration, Skills and Housing
RESPONSIBLE OFFICER	Clive Tritton Interim Director of Economy and Growth
SUBJECT	Policy for spending.s.106 Affordable Housing Commutated Sums
STATUS	Open
FORWARD PLAN REF NO.	CB 07/20/03

CONTRIBUTION TO OUR AIMS

This Policy supports all Strategic Housing Strategy objectives and contributes toward the Council's aims to create sustainable communities and support the Health & Wellbeing of residents. This enables the development of well designed, warm, economic homes, where people feel safe and are safe. Increased development, which support the Council's housing delivery programme, increases income from Council tax and contributes toward New Affordable Homes bonus figures and develops more opportunities for local residents to learn construction skills and enter this sector for employment.

EXECUTIVE SUMMARY

The policy document establishes the process by which the Council will operate going forward when spending s.106 Affordable Housing Commuted Sums that are received from Housing Developers as part of their Planning Obligations: accepted as an exception on developments which are deemed not suitable for onsite delivery of s.106 Affordable Housing built units.

RECOMMENDATIONS

It is recommended that:

1. Cabinet approve the Policy for the spending of s.106 Affordable Housing Commuted Sums.
2. Cabinet delegates responsibility to the Director of Economy and Growth to approve Enabling Viability Grant funding proposals, in consultation with the Portfolio Holder for Regeneration, Skills and Housing.

REASONS FOR DECISION

The highest identified Housing need in North East Lincolnshire is for Rented Social Housing, with more than 3000 households on the Council's Housing Register at any given time. However, this is the most challenging tenure to deliver, with financial challenges specific to low rental value areas.

The viability of developing social housing can be very challenging and the reality is that Affordable Housing Commuted Sum funds are sometimes required to bridge the gap between market value of a property being built/offered to a registered housing provider and price the registered housing provider is permitted to pay for a property.

Offering a Viability Enabling Grant (money from s.106 commuted sums) is a key incentive offered to encourage new investment in Rented Social Housing stock in North East Lincolnshire. The Local Authority has had four Preferred Partners over several years but, due to recent year on year rent reductions for social housing providers and subsequent stock rationalisation by all Registered Providers, one has withdrawn their commitment to investing in new stock development in North East Lincolnshire.

1. BACKGROUND AND ISSUES

- 1.1 This policy highlights the process for spending s.106 Affordable Housing Commuted Sums.
- 1.2 State Aid implications have been considered and this Policy provides evidence of a transparent and compliant approach to spending which meets the requirements of State Aid whilst also taking into account the requirements for Affordable Housing outlined in the National Planning Policy Framework (NPPF) and in the Local Plan.
- 1.3 The Policy also supports the Government's 5-year commitment to delivering more Rented Social Housing to meet a National housing need and reduce Homelessness.
- 1.4 S.106 Commuted Sums for Affordable Housing are secured in a legal planning agreement, s.106 Agreement. To enable the delivery of Affordable Housing within North East Lincolnshire, they include.
 - Phased payments based on the practical completion of a fixed number of units, which varies according to the number of houses being delivered on the whole site.
 - There is a spending deadline imposed on the Council and included in the s.106 Agreement. If not met the Commuted Sum must be repaid to the Developer, with interest.
 - Few s.106 Affordable Housing Commuted Sums are agreed and, as payments are reliant on sales rates on a development, payments are relatively small, ad hoc, and must be spent before deadline.
 - The irregularity of the stream of payments and restrictions on spending does not support forward planning.
- 1.5 Over time it has been established that providing a grant to Registered Providers of Rented Social Housing to bridge the development viability gap is:
 - a Best Value for Money approach to spending the s.106 Affordable Housing Commuted Sum money,
 - a process which is compliant with National and Local Policy, enabling the delivery of Affordable Housing which would not be delivered without the

support of additional grant funding from the Council.

- 1.6 The amount of grant provided per unit varies according to the need of individual schemes and Council service need. Since 2013, Council grants have enabled the delivery of 114 Affordable Housing units.
- 1.7 If Council officers are aware of opportunities to deliver Affordable Housing then, with the approval of the developer, they will ensure that all potential schemes are brought to the attention of eligible providers of Affordable Housing who are operating in the area and have contacted the Council asking to be sent such updates.

2. RISKS AND OPPORTUNITIES

- 2.1 This policy enables the spending of s.106 Affordable Housing Commuted Sums in line with the restrictions and requirements set out in the NPPF and Affordable Housing guidance and addresses the risk of repaying unspent Council Planning Gains to developers if spending deadlines are not met.
- 2.2 Providing grant support to Rented Social Housing development, in a low value area with challenging viability, will enable Registered Providers operating in North East Lincolnshire to deliver additional Affordable Housing, and support efforts to attract new Registered Provider investment in the area.
- 2.3 Utilising s.106 sums to encourage rented social housing development in low value /challenging and/or uneconomical sites will improve neighbourhoods and quality of life for residents.

3. OTHER OPTIONS CONSIDERED

- 3.1 **Do nothing by not providing a Viability Enabling Grant** would result in Rented Social Housing being unviable to develop, as there is no other incentive to support existing Registered Providers or attract new Registered Providers to invest in our financially challenging area. This would encourage an ad hoc spending with no set purpose. This would risk losing Council Planning Gains as unspent Commuted Sum money would be repaid to developers.
- 3.2 **Using s.106 Affordable Housing to purchase individual dwellings**, new build or renovation, does not secure an equivalent number of additional Affordable Housing units and may not achieve value for money but may deliver regeneration and social benefits to a neighbourhood. In the event that the time for payment of money back to the developer is close and no scheme is in place then it may then be the option pursued by the Council.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

- 4.1 The Policy will have a positive impact on the Council's reputation as it demonstrates to Registered Provider partners active support for the delivery of housing to address local housing need.
- 4.2 Supporting Affordable Housing delivery with grant funding improves the housing offer for residents and provides housing of a type for which there is a high unmet

need.

- 4.3 Approval also evidences Council support for the Housing Strategy, and delivery of those aims.

5. FINANCIAL CONSIDERATIONS

- 5.1 The NELC Enabling Viability Grant Scheme is self-financing through Council Planning Gains received under Planning Policy, which are ring fenced to enable the delivery of Affordable Housing in North East Lincolnshire.
- 5.2 There is no requirement for additional Capital funding, and this policy does not call on Council reserves.
- 5.3 Support from Council grants will enable the delivery of dwellings which would not be delivered or brought back into use: Rented Social Housing delivery generates additional Council Tax, counts toward the Council's annual delivery figures, cumulative New Homes Bonus and New Affordable Homes Bonus - an additional £350 premium per unit.

6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

Rented Social Housing development meets or exceeds modern building standards required on new build dwellings. Registered Providers are encouraged to adopt new and innovative methods of construction, and heating etc. which reduce emissions and impact on the environment, often acting as a lead for the private housing market.

7. CONSULTATION WITH SCRUTINY

This report has been to Economy Scrutiny and has been agreed in consultation with the Portfolio Holder for Housing.

8. FINANCIAL IMPLICATIONS

The effective utilisation of s.106 sums for affordable housing can help enable the delivery of affordable housing in the area. Additional housing also comes with additional council tax revenues as well as additional responsibilities for providing council services.

9. LEGAL IMPLICATIONS

Planning obligations under Section s.106 of the Town and Country Planning Act 1990 (as amended), commonly known as s.106 agreements, are a mechanism which make a development proposal acceptable in planning terms. They are generally focused on site specific mitigation of the impact of development. s.106 contributions can be flexibly used for a range of matters including the securing of affordable housing, specifying the type and timing of this housing; and to secure financial contributions to provide infrastructure.

10. HUMAN RESOURCES IMPLICATIONS

There are no direct HR implications contained within this report.

11. WARD IMPLICATIONS

The Policy will be effective Borough wide and may impact on all Wards.

12. BACKGROUND PAPERS

None

13. CONTACT OFFICER(S)

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**DEPUTY LEADER AND PORTFOLIO HOLDER FOR
REGENERATION, SKILLS, AND HOUSING**