

Affordable Housing Commuted Sums Expenditure Hornbeam Avenue

For Cabinet on 24 June 2021

Summary

Lead Member: Councillor Andrew Fairweather Portfolio Holder for Housing

Lead Director: Paul Taylor Director of Change & Communities

Head of Service: Gary Stevenson Head of Housing, Health & Environment

Report Author: Sarah Holmes Housing Register & Development Manager

Classification: Public document (non-exempt)

Wards Affected: Southborough/High Brooms

| Approval Timetable | Date |
|---|--------------|
| Management Board | 27 May 2021 |
| Portfolio Holder | 27 May 2021 |
| Communities and Economic Development Cabinet Advisory Board | 9 June 2021 |
| Cabinet | 24 June 2021 |

Recommendations

Officer / Committee recommendations as supported by the Portfolio Holder:

1. That the Cabinet agree the release of Section 106 funding for affordable housing totalling £292,250 held by the Council in lieu of affordable housing provision on the site known as 'Barretts 66-68 Frant Road, (Planning permission TW/17/01608/FULL applies) to Town and Country Housing Group; and
2. That the Cabinet authorise the Head of Housing, Health and Environment, in consultation with the Head of the Legal Partnership, to enter in to a grant agreement and all associated legal documentation with Town & Country Housing to facilitate the delivery of five 2 bed social rented houses at Hornbeam Avenue, Southborough using the Section 106 funding released.

1. Introduction and Background

- 1.1 This report seeks approval use affordable housing commuted sums held by the Council to assist in the delivery of five two bedroom houses for social rent at Hornbeam Avenue, Southborough.

The need for Social Rented Housing in Southborough

- 1.2 There are currently 971 households on the Housing Register in need of affordable rented social housing in the Borough. Southborough/High Brooms is a particularly high demand area for many people and no new affordable homes have been delivered in the area over recent years. The last affordable housing project was at Andrew Road in 2011.
- 1.3 There are 422 households who have stated that they want to live in Southborough, 139 of these households require a two bedroom property and 41 households have a specific local connection to Southborough.

2. The Hornbeam Avenue Site and Perfect Homes

- 2.1 The developer, (Perfect Homes), bought land at Hornbeam Avenue, Southborough from the Council with outline planning permission for 15 homes.
- 2.2 Perfect Homes' detailed planning application, (20/01807/FULL) for the site is now being determined to provide the 15 homes including the affordable housing. Due to the small number of affordable homes on site, (5), the developer has failed to find an affordable housing Registered Provider partner, (RP), who will take the affordable units to be built as part of the permission.
- 2.3 The original outline permission obtained by the Council included 5 affordable housing units to be provided as a mix of affordable rent and shared ownership homes.
- 2.4 It is worth noting that Perfect Homes are an SME small builder. Small and medium sized builders are being promoted by the Government to deliver housing schemes. In January 2020 the government launched a £1 billion loan guarantee scheme to provide funding to assist SME builders. Perfect Homes are using one of the government loans administered by Homes England through this scheme.

- 2.5 Perfect Homes bought the site at Hornbeam Avenue from the Council with permission for 10 market homes, (a mix of two and three bed houses), and would have expected at least 70% of the open market value for the affordable housing. This is also the basis on which Perfect Homes are receiving a loan from Homes England as an SME builder.
- 2.6 The original affordable housing mix 2 x 2 bed shared ownership flats and 3 x affordable rent flats met with the Council's affordable housing policy.
- 2.7 However due to the mixture of shared ownership and affordable rent tenure for the flats which were granted permission, together with the small number of affordable homes, the developer has been unable to obtain any interest for the housing from our Registered Provider, (RP), Partners. This has necessitated a change to the affordable housing for it to be all one tenure so as to be most attractive to the RPs.
- 2.8 After lengthy negotiations with the Council's affordable housing partners, we have managed to negotiate with Town and Country Housing that they would assist in the affordable housing provision by acquiring the five two bedroom homes for social rent.
- 2.9 Due to the low value of social rented housing however the offer proposed by Town and Country Housing to Perfect Homes is insufficient financially for Perfect Homes to proceed.
- 2.10 To secure the delivery of 5 x two bed houses for social rent this report seeks approval to fund the gap between Town & Country Housing's offer to Perfect Homes and the value required by them to proceed with the development using S106 funds already collected. This will also allow them to begin development and utilise their Homes England loan.
- 2.11 The Council will have nomination rights to all five homes when constructed through the Housing Register.
- 2.12 Currently the sum of £583,500 is being held in lieu of affordable housing being provided on site at Barnetts former Care Home, 68 Frant Road.
- 2.13 The affordable housing contribution purpose for the above contribution is 'for the provision or facilitation of access to housing for persons in housing need within the Borough Council's administrative boundary'.
- 2.14 Housing need is defined as either a person registered on the Borough Council's housing register or with the Help to Buy Agent for shared ownership. The use of the commuted sum is therefore consistent with the use it was collected for.

3. Options Considered

- 3.1 'Do nothing'-There may be other projects the Council could use this S106 affordable housing commuted sum on in the future. However the Hornbeam Avenue site has detailed planning permission and is therefore deliverable and result in five social rented homes and there are no other affordable housing projects requiring subsidy at this time. Without subsidy the scheme will proceed with the five affordable homes being available for shared ownership.
- 3.2 Look for alternative sources of funding to subsidise these homes. Homes England is the main source of public subsidy for affordable housing in England. However their subsidies are not available where there is a Section 106 securing affordable housing in place as is the case for the Hornbeam Avenue site.

4. Preferred Option and Reason

- 4.1 The developer has demonstrated that the Hornbeam Avenue site is not financially viable without capital funding subsidy. Unfortunately the current grant subsidies available through Homes England can't be used for affordable housing that is provided on Section 106 sites so the use of commuted sums is the only route through which 'grant' funding can be obtained. The use of the subsidy equates to £58,450 per 2 bedroom home and represents good value for money to secure five social rented homes with our main RP Partner, Town and Country Housing.
- 4.2 The commuted sum to be released (£292,250), will be used in accordance with the terms of the affordable housing Section 106 Agreement in place.

5. Consultation on Options

- 5.1 No formal consultation has been undertaken but the report is subject to the scrutiny of Communities and Economic Development Cabinet Advisory Board.

Recommendation from Cabinet Advisory Board

- 2.1 The Communities Cabinet Advisory Board were consulted on 9 June 2021 and agreed the following:

Insert text from Cabinet Advisory Board minute, or request text from Democratic Services Officer.

6. Implementation

- 6.1 Should Cabinet agree to the proposals outlined in this report then the capital sum of £292,250 would be released to Town & Country Housing to subsidise their offer to Perfect Homes for the five x two bed social rented homes
- 6.2 A 'grant agreement' will secure that the Section 106 monies will be used for affordable housing and in accordance with the Cabinet approval.

7. Appendices and Background Documents

There are no appendices or background documents

8. Cross Cutting Issues

A. Legal (including the Human Rights Act)

The funding held for affordable housing is through a Section 106 Planning Obligation Agreement and the report demonstrates that the funds will be used in accordance with the agreement for the housing at Frant Road. The use of the funds will provide for social rented housing in accordance with the current Section 106 Agreement for Hornbeam Avenue

Susan Mauger, Senior Planning Lawyer 1 June 2021

B. Finance and Other Resources

The £292,250 S106 contribution enables 5 additional social housing properties to be built. Should the properties ever be sold by Town & Country Housing to tenants under the “Right to Acquire” scheme, the grant conditions will require Town & Country to pay to the council, the proportion of the proceeds commensurate with the proportion of the property cost they are providing from this S106 funding.

Jane Fineman, Head of Finance, Procurement and Parking 1 June 2021

C. Staffing

There are no additional staffing requirements

D. Risk Management

This matter is not featured in the Risk Register. The risks of the project would be that the scheme doesn't get built. These risks will be minimised by the grant agreement with Town & Country.

E. Environment and Sustainability

There are no implications because Hornbeam Avenue already has planning permission where environmental and sustainability factors are taken into account.

F. Community Safety

There are no implications under the Crime and Disorder Act 1998.

G. Equalities

Affordable Housing will have a positive influence on equalities as it will meet the housing needs of poorer households and could assist in meeting the needs of households in more disadvantaged groups.

H. Data Protection

There are no data protection issues.

I. Health and Safety

There are no health and safety implications.

J. Health and Wellbeing

Providing affordable housing for families can have a positive impact on their mental health.

Hornbeam Avenue is situated in a sustainable area provided with buses, local shops and schools which means that households can make healthy lifestyle choices by walking to local shops, schools and using public transport. It is also situated in an area of deprivation.

The projects will improve the living conditions of residents who need access to more affordable homes.