

# Affordable Housing Commuted Sums Expenditure at Homewood Road and Hop Pocket Inn

For Cabinet on 23 September 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:** Langton Green, Paddock Wood and Culverden

Approval Timetable	Date
Management Board	Wednesday 18 <sup>th</sup> August
Portfolio Holder	Monday 2 <sup>nd</sup> August
Communities and Economic Development Cabinet Advisory Board	Wednesday 8 <sup>th</sup> September
Cabinet	23 September 2021

## Recommendations

Officer / Committee recommendations as supported by the Portfolio Holder:

1. That Cabinet agree to release Section 106 funding for affordable housing totalling £648,000 held by the Council in lieu of affordable housing provision at the Former Kent & Sussex Hospital site (Planning permission 12/02547)
2. That the Head of Housing, Health and Environment, in consultation with the Head of the Legal Partnership, enters into a grant agreement and all associated legal documentation with Town & Country Housing to facilitate the delivery of fourteen social rented homes, Ten x 1 and 2 bed flats at Hop Pocket Inn site in Paddock Wood and 4 flats at Homewood Road, Langton Green.

# 1. Introduction and Background

- 1.1 This report seeks approval to use affordable housing commuted sums held by the Council to assist in the delivery of fourteen homes for social rent at two sites through our partners at Town & Country Housing, (TCH).

## The need for Social Rented Housing

- 1.2 There are currently approximately 950 households on the Housing Register in need of affordable rented social housing in the Borough.
- 1.3 In more detail and in support of the recommendations in this report there are 90 households registered for 1 bed properties and 85 households for two bed housing in the Langton Green area. There are 94 households waiting for 1 bed housing and 76 waiting for 2 beds in the Paddock Wood area.

# 2. Subsidy Request by TCH at Homewood Road, Langton Green and Hop Pocket Inn, Paddock Wood

- 2.1 The Homewood Road scheme, already owned by TCH, currently provides four outdated studio bedsit flats that are no longer fit for purpose.
- 2.2 The redevelopment of the block will re provide the four units as 3 x 2 bed 3 person flats and one x 2 person flat. This will provide accommodation more suitable for single and family households waiting on the housing register and as detailed in 1.3.
- 2.3 The amount of subsidy required for this scheme is £248,000. At £62,000 per unit this is higher than the request for Hop Pocket Inn per home. TCH have informed me that this is due to the cost of an awkward regeneration scheme requiring demolition with fewer units provided at the end of the process.
- 2.4 The accommodation will be updated to meet current building regulation and TWBC planning policy requirements and will be built to achieve an EPC rating above C.
- 2.5 Both the Council and TCH are concerned at new build affordable housing being let at higher affordable rents. Social rented housing is much more affordable to our households waiting on the Housing Register and allows them to seek employment

rather than having to rely on benefits and be less likely to fall into arrears with their rent or other household bills.

- 2.6 The subsidy will reduce rents per week from £124 per week, (affordable rent for a 1 bed flat) to £95 per week for a social rented one bed flat. For a two bed flat the affordable rent is £151 per week and a social rent is £110 per week.
- 2.7 TCH have provided a spreadsheet, (Appendix 1), appraisal of the Homewood Road scheme. The appraisal shows that, even at an affordable rent there is a negative NPV, (net present value) of -100.920 to TCH.
- 2.8 The second spreadsheet has the same scenario but with lower rents and the subsidy of £248,000 included. Whilst the scheme still shows a negative NPV of -105,192, TCH are prepared to build the scheme out
- 2.9 The Board at TCH will not approve a negative NPV for affordable rent schemes under their current internal policies. However, as stated at 2.4, TCH are committed to providing homes at social rent.
- 2.10 TCH Board will agree to a scheme to go ahead with a small negative NPV, in this case -105,192, if the scheme provides social rented homes.
- 2.11 TCH have informed me that they have approached Homes England for subsidy for the scheme. Grant was refused however due to there being no net increase in homes on the site.
- 2.12 TCH have confirmed that, should the subsidy from the Council not be forthcoming, they will have to sell the block meaning that it is likely to be lost as social housing.
- 2.13 The Hop Pocket Inn in Paddock Wood has had planning permission for redevelopment to housing for many years. Clarus Homes are now on site and building two blocks of flats, Planning permission, TW/16/505613/FULL applies.
- 2.14 The affordable housing is in one block and consists of 6 x 1 bed 2 person flats and 4 x 2 bed 3 person flats.
- 2.15 The subsidy request from the Council is for £400,000 equating to £40,000 per unit.
- 2.16 Due to the small number of affordable housing units the developer struggled to find an RP willing to take the scheme. This was partly due to the affordable homes being of mixed affordable rent and shared ownership tenure.

- 2.17 Mixed tenure schemes with some flats being shared ownership and some for rent can be difficult to manage for RP's. Town & Country Housing were the only RP prepared to offer and only for homes as social rent. As outlined above TCH have concerns over the affordability of affordable rented homes.
- 2.18 Social rent is the preferred affordable housing tenure of the Council which best meets housing need.
- 2.19 Rents for a 1 bed affordable rent flat in Paddock Wood are £130 per week and £170 per week for a 2 bed. The same flats are £94 and £110 per week respectively at a social rent level.
- 2.20 TCH have a 'turnkey' contract with the developer at Hop Pocket Inn meaning that they do not have to enter into contract for the units until the homes are complete. If the subsidy is not granted TCH have said that they will not complete on the purchase. This would leave the developer with no RP for the affordable housing so potentially these units too would be lost as social housing.
- 2.21 Both schemes are highly deliverable. The Hop Pocket Inn flats should be available in September 2021 and Homewood Road in March 2022.

### **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. These projects are deliverable this financial year and therefore be available for households on the Housing Register waiting for one and two bed accommodation
- 3.2 TCH look for alternative sources of funding to subsidise these homes. Homes England is the main source of public subsidy for affordable housing in England. Their subsidies are not available however where there is a Section 106 securing affordable housing in place as is the case for the Hop Pocket Inn site and Homes England have confirmed to TCH that funding is not available for the Homewood Road scheme.
- 3.3 Clarus Homes may be able to find another RP partner to buy the 10 homes at Hop Pocket Inn. If they do this will be at an affordable rent or as shared ownership which will not best meet housing need on the Register.

### **4. Preferred Option and Reason**

- 4.1 TCH have demonstrated that both schemes are not financially viable for social rented housing without subsidy. As there are no grant subsidies available through Homes England, the use of commuted sums is the only route through which 'grant' funding can be obtained. The subsidy equates to £46,286 per home across both

schemes and represents good value for money to secure fourteen social rented homes with our main RP Partner, Town and Country Housing.

- 4.2 The commuted sum to be released (£648,000), will be used in accordance with the terms of the affordable housing Section 106 Agreement in place for the former Kent & Sussex site.

## 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

- 5.2 The Communities Cabinet Advisory Board were consulted on Wednesday 8<sup>th</sup> September 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 £648,000 would be released to Town & Country Housing. £248,000 would be used to subsidise four units at Homewood Road, Langton Green and £400,000 for ten homes at the Hop Pocket Inn, Paddock Wood.
- 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

Appendix A TCH summary of viability appraisal for Homewood Road

Appendix B TCH summary of viability appraisal for Hop Pocket Inn

## **8. Cross Cutting Issues**

### **A. Legal (including the Human Rights Act)**

The Town and Country Planning Act 1990, section 106(1) enables any person with an interest in land in the area of a local planning authority to enter into an agreement known as a planning obligation with the LPA. Such an agreement may relate to the delivery of affordable house or the payment of a commuted sum to enable the Council to deliver affordable housing within the Borough. The agreement referred to under recommendation 1 of this report is in accordance with the requirements of S106 of the TCPA.

The Council should ensure that the terms of the S106 agreement relating to the former Kent & Sussex Hospital site (Planning permission 12/02547) are adhered to when expending the sums for the proposed purpose.

Approval of the expenditure is a function that can be discharged by Cabinet.

### **B. Finance and Other Resources**

### **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 or not by TCH. These risks will be minimised by the grant agreement with Town & Country.

### **E. Environment and Sustainability**

'In July 2019 Full Council declared a "climate emergency" agreeing an ambition to be carbon neutral by 2030 (FC29/19). However, whilst the Council declared a climate emergency, there is also a clear need for social rented housing and finite resources to support this provision. Although the proposed homes are not carbon neutral, they meet the current planning requirements as set out in the national planning policy framework and building control regulations and meet the energy performance certificate standard of EPC C.'

## **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.

Both schemes are 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.

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