

Selby District Council

REPORT

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Item 7 - Public



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Title: S106 Affordable Housing Commuted Sum Allocation

Summary:

This report presents an outline proposal for the allocation of s106 commuted sums for affordable housing. The majority is currently anticipated for the Redrow/Persimmon and Macgay Wayne developments in Sherburn in Elmet and whilst this report uses these sums to illustrate the principles, it is intended that these apply to any affordable housing sums received.

The report proposes that £99k p.a. of the s106 receipts received be allocated to bringing empty homes back into use as affordable homes with the remainder of the receipts allocated to the Council's affordable homes programme.

The report proposes a sum of up to £30k per property for empty homes and up to £50k for new builds within SDC's affordable homes programme. Basing the calculation on the Sherburn receipts, at least 33 additional affordable homes could be brought back into use over the next 10 years, along with a minimum 151 new build affordable homes.

Recommendations:

It is recommended that subject to availability of receipts, s106 funding be allocated as follows:

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- i) **£99k p.a. over the next 10 years for bringing empty homes back into use as affordable homes with a maximum award of £30k per property;**
- ii) **that a proposal is brought forward within the next 3 months to establish a practical way forward for the additional funding;**
- iii) **the remainder of the funding available be allocated to SDC affordable homes programme to a maximum of £50k per property.**

Reasons for recommendation

To provide a funding framework to enable scheme forward planning.

1. Introduction

- 1.1 This report presents an outline proposal for the allocation of s106 commuted sums for affordable housing. The majority is currently anticipated for the Redrow/Persimmon and Macgay Wayne developments in Sherburn in Elmet and whilst this paper uses these sums to illustrate the principles, it is intended that these apply to any affordable housing sums received.
- 1.2 The s106 agreements for Sherburn in Elmet provide for a commuted sum of £8,540,251.80 in total for the provision of affordable housing in the District, (based on 108 affordable homes off-site at an average of £79,076.40 per unit).
- 1.3 In considering a potential programme it is proposed that a proportion of the funding is used to bring existing long term empty homes back into use for affordable homes.
- 1.4 It is anticipated that the average amount required to bring an empty home back into use will be less than that required for a new build home and therefore delivery can be maximised beyond the 108 provided for by the s106 agreements.
- 1.5 In considering an appropriate split of funding, consideration needs to be given to the desired outcomes and outputs to be achieved along with likelihood of delivery.
- 1.6 Any proposed funding allocation will need to be kept under close review to ensure delivery is maximised and we will need to be ready to flex our plans to match demand/delivery of our homes on the ground.

2. The Report

Empty Homes

- 2.1 The Council's Empty Homes Strategy identifies the challenges of long term empty homes and identifies a range of measures the Council will take to bring homes back into use.
- 2.2 Assuming a maximum grant of £30k per empty home brought back in to use as an affordable home, with an annual target of a minimum of 3-4 homes per annum over a 10 year period - £1m of the s106 funding could be diverted towards empty homes.
- 2.3 Currently £100k is allocated from the 'Programme for Growth' for this work and therefore an additional £100k p.a. over 10 years represents a significant increase.
- 2.4 Given the number of empty homes within the district it is considered that this level of empty homes work is achievable but further work to assess deliverability will be needed. A growth bid for additional revenue resources to support this work was approved within the Executive's budget proposals for 2015/16.
- 2.5 A delivery framework will be required to ensure the funding can be used effectively within the time limits specified by the s106 agreement. Access Selby have been commissioned to administer the current £100k funding and it is suggested that **a proposal is brought forward within the next 3 months to establish a practical way forward for the additional funding.**
- 2.6 As part of this work a district profile will be drawn up to prioritise the works and it is proposed that, given the s106 receipts will be generated by house building in Sherburn, this area is targeted for the first phase of any work.

New Build Delivery

- 2.7 A number of existing registered providers operate within Selby district and deliver new build affordable housing through the s106 process. Registered providers can access HCA funding for their development and therefore it is not currently considered that using s106 receipts to subsidise their builds or acquisitions would increase the number of additional affordable homes in the District. However the recent announcements regarding right to buy and rent capping in that sector may result in the RPs being unwilling to commit to this model of delivery so options should remain open to allow the Council to purchase these developer delivered homes or to provide grant funding to enable the Trust to acquire them.

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- 2.8 The Council has an established new build delivery programme within the Housing Revenue Account and General Fund (via Selby and District Housing Trust). Commuted sums provide an opportunity to also support delivery of the Council's own affordable housing programme. The programme is currently reliant on the use of council owned garage sites and other land/assets. The nature of the Council's existing assets means that scheme viability is likely to be challenging without some level of subsidy.
- 2.9 Our viability model allows for market housing to cross subsidise affordable homes and this will continue to be considered when assessing the feasibility of particular schemes, as overall value for money on the affordable homes will need to be demonstrated. However the ability to provide 'grant' funding to directly support the programme is an important part of our model.
- 2.10 The extent to which the s106 receipts will be used to support the Council's own HRA stock will depend upon the schemes delivered within the programme although in accordance with the Council's affordable housing development strategy these schemes are expected to be shared broadly on a 50:50 basis between the HRA and GF(SDHT). Where possible it is proposed that HCA funding is pursued. However, due to recent Government announcements on the extension of Right to Buy to registered Social Landlords and restrictions on rent levels, SDHT have withdrawn their application for registration with the HCA and consequently they will not be eligible for HCA funding.
- 2.11 The affordable homes for rent delivered by SDHT through the Council's development programme are classed as 'intermediate rent' which falls within the requirement of the s106 agreement although SDHT will have to commit to charging below market rents in perpetuity on dwellings supported by this funding.
- 2.12 It is anticipated that the level of subsidy required per unit for the Council's development programme will be less than the £79k sum per unit included within the s106 agreements which will enable a greater number of homes to be delivered. The latest outline business cases for the Council's affordable homes programme shows a subsidy level of up to £50k per unit is needed (average HRA £20k and average SDHT £34k) although the level of subsidy going forward will be dependent upon the costs and rental income potential of the individual schemes.
- 2.13 Applying an indicative subsidy level of up to say £50k per unit at least 151 affordable new build homes could be supported over the next 10+ years and an average of £30k per unit could support 251 new build homes. This is in excess of the number homes targeted within the current affordable homes development programme to 2019 and therefore the programme will be reviewed at an appropriate point and extended as necessary.

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- 2.14 Should the future programme identify alternative opportunities and/or need (for example using the receipts to buy or fund affordable homes delivered by private developers) then such proposals will be brought back to the Executive.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

- 3.1.1 The s106 receipts must be spent in accordance with the parameters set in the agreements or the Council will be in breach of its covenants.

3.2 Financial Issues

- 3.2.1 The latest estimated profile and timing of s106 receipts is:

Redrow Persimmon

No. properties delivered each		Redrow £	Persimmon £	Total £
40 th property	2016	584,997.26	584,997.26	1,169,994.52
80 th property	2017	584,997.26	584,997.26	1,169,994.52
120 th property	2018	584,997.26	584,997.26	1,169,994.52
160 th property	2019	584,997.26	584,997.26	1,169,994.52
200 th property	2020	584,997.26	584,997.26	1,169,994.52
240 th property	2021	584,997.26	584,997.26	1,169,994.52
250 th property	2022	146,249.34	146,249.34	292,498.68
Total		£3,656,232.90	£3,656,232.90	£7,312,465.80

Macgay Wayne

45 th property	Sep-17	£613 893.00
81 st property	Sep-19	£613 893.00
Total		£1,227,786.00

- 3.2.2 This outline proposal suggests that the s106 funding is split between empty homes and new build delivery. Applying an indicative sum of up to £30k per property for empty homes and up to £50k for new builds within SDC's programme, and basing the calculation of the Sherburn receipts at least 33 additional affordable homes could be brought back into use over the next 10 years, along with a minimum 151 new build affordable homes.

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	Max Amount per Unit £000	10 Year Min. Target Number of Homes	10 Year Funding £000
Empty Homes (additional)	30	33	990
SDC Affordable Housing Development	50	151	7,550
Total		184	8,540

3.2.3 The s106 agreements require the sums to be spent within 5 years of receipt of the final payments (or it is repayable with interest at base rate +2%) and therefore a plan is required to deliver an achievable programme which secures the funding.

4. Conclusion

- 4.1 The s106 commuted sums the Council anticipates receiving over the next 7 years for affordable housing provide a significant opportunity to support our affordable homes programme and bring much needed empty homes back into use.
- 4.2 It is anticipated that the average amount required to bring an empty home back into use will be less than that required for a new build home and therefore delivery can be maximised beyond the 108 provided for by the s106 agreements.
- 4.3 Any proposed funding allocation will need to be kept under close review to ensure delivery is maximised and we will need to be ready to flex our plans to match demand/delivery of our homes on the ground.

5. Background Documents

None

Appendices

None

Contact Details

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