

SUBJECT:	Application to allocate section 106 funding
REPORT OF:	<i>Cllr Paul Kelly , Portfolio Holder for Healthy Communities</i>
RESPONSIBLE OFFICER	<i>Martin Holt Head of Healthy Communities</i>
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WARD/S AFFECTED	

1. Purpose of Report

Application to allocate up to £160,000 of the section 106 funding allocated for affordable housing delivery to L&Q, in support of the delivery of two x 3 bedroom properties for use as affordable accommodation

RECOMMENDATION

That the Head of Healthy Communities be authorised to negotiate with L&Q to offer between £55K and £80K per property, to convert two 3x bedroom properties to a rented tenure. The grant to be subject to;

- a. a repayment clause should the properties be acquired by the tenant and
- b. a clause to protect the future use of the property for affordable rental accommodation.

2. Reasons for Recommendations

To support the delivery of affordable housing in South Bucks assisting the Council to discharge its statutory homeless duties or providing a housing option for local people with an assessed housing need.

3. Content of Report

In April 2015 L&Q obtained planning consent for a pair of semi-detached three bedroom houses as part of its South Bucks garage site development programme. The properties are scheduled for completion in March 2017.

Although there is no planning obligation to provide these properties as Affordable Housing, L&Q had designated the units as an intermediate product in the form of Shared Ownership (part buy part rent).

L&Q's decision on ownership tenure was driven by the necessity for schemes to be viable by way of cross-funding and particularly in the light of national policies to:

- a) withdraw Homes & Communities Agency (HCA) funding for Affordable Rent
- b) impose a 4-year 1% annual rent reduction on housing associations from 2016

Shared Ownership properties are highly unlikely to be a workable solution for applicants who have been accepted as homeless or applicants on the Council's Housing Register. As such this new build supply will be ineffective in tackling the Council's priorities in terms statutory homeless duties or providing a housing option for local people with an assessed housing need.

Potential Business Case:

L&Q has approached the Council with an opportunity to subsidise the conversion of these 2 properties. The level of grant requested by LQ is £80K per unit, making a total request for £160K in return for nomination rights to two affordable rented 3 bedroom properties. There may be some flexibility on this dependent on whether HCA funding can be secured from a new allocation of grant for Affordable Rent confirmed by Government this month. However, it is doubtful that HCA grant can be secured for the first two properties in the delivery time frame.

The Head of Healthy Communities has consulted with the Portfolio Holder for Healthy Communities who is in favour of supporting the proposal to subsidise the conversion of tenure to an affordable/social rented product.

Evidence of Need

There is an urgent need for affordable housing in South Bucks with 415 applicants currently registered on the Housing Register and the average waiting time for a property over the last 2 years ranging from; 16 months for a 1 or 2 bed property, to 22 months for a 3 bedroomed property. Allocating 3 bed properties to be occupied by persons on the housing register would produce churn in the housing stock releasing a smaller property to be re-let to those in housing need.

There are also currently 15 households accommodated in emergency housing in need of three or four bed properties, of these 10 households are currently in B+B accommodation. The annual cost of B+B provision to the Council is between £237,250 and £346,750. Whilst a significant proportion is covered by Housing Benefit payments, these larger families will be impacted by the cuts to benefits. Providing two x 3 bedroomed properties through this approach could reduce the current use of B+B and costs by £70k/annum.

Providing an increased supply of affordable/social rented housing would reduce the financial risks to the Council through unpaid rental costs to B+B providers.

It is important to note that L&Q's Affordable Rented properties are delivered at less than 80% of market rent in order to keep within the Local Housing Allowance, enabling these properties to be let to those on low incomes reducing the risks associated with the letting of the properties.

Previous support

Section 106 money was used to convert L&Q new build properties on the garage site in Hanbury Close, Burnham in April 2012. The agreement for financial assistance was for £160,000 to convert 3 properties from outright sale to Affordable Rent. This equated to £53,333 per property although the agreement spread the funding over all 6 properties on the site (ie £26,666 each). The agreement also has the following provisions:

- (ix) **Not to change the type of tenure or rent of the affordable housing comprising the Scheme, as set out in the Schedule, without the Council's prior written consent.**
- (x) **Upon a disposal to a Protected Tenant the Association shall at the Council's option either repay to the Council the relevant part of the Funding applicable to such affordable housing dwelling (£26,666.66 per dwelling) or utilise such sum for the re-provision of affordable housing within the Council's administrative area**

Budget provision

The Council has £2.1M unallocated section 106 funds available, and can use this funding to provide a grant of £160k to provide two affordable rented properties.

Additional properties

L+Q has further advised that it may consider the conversion of tenure from a further 5 x three bedroom properties for use as affordable/social housing. This may require the allocation of an additional £400k from the existing section 106 funding, however funding for these properties is being sought from the Homes and Communities Agency. A further report will be presented to the Healthy Communities PAG should these properties require subsidy from the Council.

4. Consultation

Not Applicable

5. Options

- 1) To provide financial support to L+Q to enable the change of tenure from shared ownership to affordable rented, assisting the council to address housing need in the district*
- 2) To decide not to subsidise L+Q in the delivery of affordable rented accommodation in the district.*

7. Corporate Implications

7.1 Financial - The Council has £2.1M unallocated section 106 funds available, and can use this funding to provide a grant of £160k to provide two affordable rented properties.

7.2 *Legal* - the Council as local housing authority has powers to make funding available to registered providers for provision of affordable housing

8. Links to Council Policy Objectives

Promote healthier communities - Address the needs of the elderly and those who are vulnerable

Promote local communities - Work to support the economy through affordable homes

9. Next Step

To negotiate with L+Q the arrangements to deliver the recommendation

Background	None other than referred to in this report
Papers:	