

USE OF SECTION 106 AFFORDABLE HOUSING FUNDS

Cabinet Member: Councillor Mrs Julia Langley

Wards Affected: All

Officer contact: Brian Daly Ext:3601

Email:brian.daly@wycombe.gov.uk

RECOMMENDATION TO COUNCIL

That:

(i) funding of £1,051,200 be awarded to Buckinghamshire Housing Association on the terms set out in paragraph 20 below;

(ii) funding of £1,200,000 be awarded to the Hightown Housing Association on the terms set out in paragraph 21 below;

(iii) the funding is to be provided from accrued S106 Affordable Housing contributions;

(iv) the award to Buckinghamshire Housing Association is to be paid in instalments as each property is purchased, within 12 months of completion of a funding agreement between the Council and the association;

(v) the award to Hightown Housing Association is to be paid in instalments, the final payment to be upon handover of the completed homes which are subject to a funding agreement to be completed between the Council and the association; and

(vi) the Head of Environment be granted delegated powers to enter into the funding agreements on the basis of the terms set out in this report.

Reason for Decision

The use of these funds will provide 27 much needed additional affordable housing properties for rent in the District, by utilising accrued funds secured through S106 agreements in lieu of on-site affordable housing on previous developments, and within the required timescales required for use of the funding.

Corporate Implications

1. The Council has a statutory duty to operate a housing allocations scheme, publish a summary of it, and allocate housing in accordance with that scheme.
2. Financial contributions in lieu of affordable housing have been negotiated for some developments through section 106 agreements under the Town and Country Planning Act 1990 (as amended). These funds must be spent in accordance with the terms of the relevant section 106 agreements.

Executive Summary

3. Cabinet is requested to approve funding awards to Buckinghamshire Housing Association and Hightown Housing Association in exchange for 100% nomination rights in perpetuity for 27 additional homes available at social or affordable rents, such exclusive rights to be registered with HM Land Registry.

4. Buckinghamshire Housing Association has requested grant funding totalling £1,051,200 in return for nomination rights in perpetuity for 8 two bedroom units which will be purchased from the market.
5. These units will be refurbished to a decent lettable standard and then offered to applicants on WDC's housing register at **social rents**.
6. Hightown Housing Association has requested a grant of £1,200,000 in return for nomination rights in perpetuity for 19 units of affordable housing, comprising 7 one bedroom units, and 12 two bedroom units. All of these will be new build and will be let at **affordable rents** to applicants on the housing register. Further information is set out in exempt **Appendix A**.
7. Buckinghamshire Housing Association is seeking a higher contribution from the Council per unit as it does not have any Recycled Capital Grant Fund (RCGF) available and it will also be charging **social rents** which are significantly less than market rents.
8. The Council has secured financial contributions through S106 agreements in lieu of on-site housing provisions for a number of developments in the district. These funds can only be used for additional affordable housing delivery in the district and must be spent within 10 years of collection.
9. If Cabinet approves the recommendation, WDC will be able to access more affordable accommodation for applicants on the statutory housing register.
10. If approved, the recommendation will enable the allocation and effective use of a significant proportion of the accrued S106 developer contributions for the agreed purpose of facilitating the provision of affordable housing for rent.
11. Failure to use the accrued S106 funding within the agreed timescales (usually 10 years) may result in the Council making repayments to the developers with accrued interest. Handover is estimated to be the end of the financial year 2020/21.

Background to S106 Affordable Housing Funds

Table 1 – Total funds available for the provision of affordable housing.

<i>Date Funding Rec'd</i>	<i>Source of Funding (planning reference)</i>	
-	INTEREST ON SECTION 106 Funds	-£39,646.62
May 2012	10/05635/FUL 162-166 LITTLE MARLOW	-£160,000.00
Sept 2016	14/08128/FUL Ruskin Buildings Oakridge R	-£49,538.46
Feb 2017	GreenLife Properties Ltd S106	-£1,000,000.00
Jan 2013	07/06085 Great Marlow School Bobmore Ln	-£252,500.00
Mar 2013	09/06041 2,4 & 6 Wellington Rd PRisbo	-£419,000.00
April 2014	10/05413/FUL 37 - 43 GREEN STREET	-£48,900.00
Nov 2014	13/08109/FUL FORMER PARADE COURT, BOURNE	-£52,254.10
Feb 2015	14/05473/FUL FORMER CULVER GRAPHICS	-£87,811.00
June 2017	16/07349/FUL Greensleeves Aylesbury RdPR	-£400,000.00
Feb 2018	15/06860/FUL Careys New Homes	-£168,701.00
April 2018	Marlow Police Station, Dean Street, Marlow	-£491,416.00
	TOTAL	-£3,169,767.18

12. Members have previously allocated S106 funding spending £1m in 2017/18 to secure nomination rights in perpetuity on 8 properties. In this instance the Council funded a housing association to purchase the properties and completed in 2017.
13. The remaining S106 funds must be spent within 10 years from date of receipt, with the oldest funding being received in May 2012.
14. Legal Services have confirmed that these funds may only be used for additional affordable housing and cannot be used for any other purpose.
15. The appropriate Finance and Planning Officers have confirmed the availability of accrued unallocated funding totalling £3,169,767.18.

Sustainable Community Strategy/Council Priorities - Implications

16. This proposal aligns with the Council's People and Place priorities.

Background

Housing Need in the District

17. As at the end of September 2018, there were approximately 1,300 households on the housing register with varying degrees of housing need. Approximately 970 households were seeking general needs housing and 330 households were seeking accommodation designated for the over 55's (aged persons accommodation).
18. Nearly 75% of those awaiting general needs housing are considered to be overcrowded, lacking at least one bedroom, are sharing with other family members or residing in HMO type properties. Of those waiting for general needs housing (non-aged persons), 98% require either 1, 2 or 3 bedroom homes.
19. The number of units to be delivered by the proposed schemes will provide 27 homes made up of 7 one bedroom units and 20 two bedroom units.

Proposals

20. Buckinghamshire Housing Association has requested funding totalling £1,051,200 in return for nomination rights in perpetuity to 8 two bedroom units for letting at **social rents**.
21. Hightown Housing Association have requested a grant of £1,200,000 in return for nomination rights in perpetuity for 19 units comprising 7 one bedroom units, and 12 two bedroom units. All of these will be new build and will be let at **affordable rents**.
22. The above equates to awards of approx. £131,400 per unit for Buckinghamshire Housing Association and £63,000 per unit for Hightown.
23. The main reason for the difference in funding requested is that Hightown intends to charge affordable rents and these may be up to 80% of market rents. However, the rents will be capped at Local Housing Allowance (LHA) levels, as Hightown also plans to utilise recycled capital grant fund (RCGF) to cover some of the costs of the scheme.
24. Buckinghamshire Housing Association is seeking a higher contribution from the Council per unit as it does not have any RCGF available and it will also be charging **social rents** which are significantly less than market rents.

Table 2: Comparison between the average social rent in 2016/17 and current LHA levels (Chiltern LHA rate used)

Accommodation	LHA per week	Social Rent charged by Bucks Housing currently	Difference Between Social rent And LHA per week
1 bedroom self-contained	£145.43	£95 (flat) £100 (house)	Social Rent lower by £50.43 per week for flat and lower by £45.43 for a one bed house
2 bedrooms	£187.92	£105 (flat) £120 (house)	Social Rent lower by £82.92 per week for a flat and £67.92 per week lower for a house.
3 bedrooms	£236.34	£128	Social Rent lower by £108.34 per week
4 bedrooms	£344.05	£145	Social Rent lower by £199.05 per week

25. Therefore, the difference in funding levels requested per property should be considered in the context of the amount of rent to be charged for each unit by Hightown and by Bucks Housing Association. For two bedroom flats, Hightown will receive rent at a rate of £82.92 per week more than Bucks Housing.

Options

26. Cabinet may choose not to award funding to one or both parties, however Members need to be mindful of the time constraints in that the first deadline for spending the accrued S106 funds is May 2022.
27. Cabinet may choose to award the funding requested to both parties, thereby delivering additional affordable housing in the district.
28. Cabinet may await approaches from other Registered Providers of Housing (RP's) instead of awarding the funding requests, however Members need to be mindful that no other fully developed requests for funding have been received from the RP's despite the availability of funding being made known to Registered Providers operating in the district.

Conclusions

29. Officers recommend that Cabinet approves the funding awards to both Registered Providers as they offer good value, provide access to much needed affordable housing in the district, and will utilise the accrued funds for the intended purpose.

Next Steps

30. Should Cabinet approve funding for the Buckinghamshire Housing Association and Hightown Housing Association proposals for £1,051,200 and £1,200,000 respectively, officers will then enter into contractual arrangements with both parties.

Background Papers

None