



Council name	<b>COTSWOLD DISTRICT COUNCIL</b>
Name and date of Committee	<b>COUNCIL - 17 MARCH 2021</b>
Report Number	<b>AGENDA ITEM 13</b>
Subject	<b>AFFORDABLE HOUSING SCHEMES - EXPENDITURE OF S106 COMMUTED SUMS</b>
Wards affected	ALL
Accountable member	Cllr Lisa Spivey Cabinet Member for Housing and Homelessness Email: <a href="mailto:lisa.spivey@cotswold.gov.uk">lisa.spivey@cotswold.gov.uk</a>
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Summary/Purpose	To update Council on the Section 106 commuted sums for affordable housing and to seek Council approval for proposals for expenditure of unallocated funds.
Annexes	Annex A - S106 Commuted Sums for Affordable Housing Annex B - Davies Road Cost Analysis (Exempt) Annex C - The Sunground Cost Analysis (Exempt)
Recommendation/s	That Council, as recommended by Cabinet: a) notes the current position on Section 106 commuted sums as shown in Annex A b) approves the allocation of a capital grant of £478,500 to develop 15 social rented homes in Moreton in Marsh as detailed in paragraph 2.4.4. The award of the capital grant to be included within the Council's capital programme and funded from the Section 106 commuted sums.

	<p>c) approves the allocation of a further capital grant of £102,000 to enhance the environmental sustainability of 15 social rented homes in Moreton in Marsh as detailed in paragraph 2.4.5. The award of the capital grant to be included within the Council's capital programme and funded from the Section 106 commuted sums.</p> <p>d) approves the allocation of a capital grant of up to £400,000 to deliver affordable housing at The Sunground, Avening. The award of the capital grant to be included within the Council's capital programme and funded from the Section 106 commuted sums.</p> <p>e) grants delegated authority to the Chief Executive, in consultation with the Cabinet Member for Housing and Homelessness to approve the final amount of grant to the Registered Provider for The Sunground, Avening scheme up to £400,000.</p> <p>f) grants delegated authority to the Chief Finance Officer to update the Capital and Treasury Management Strategies accordingly</p>
Corporate priorities	<p>Providing good quality social rented homes. Responding to the challenges presented by the climate change emergency</p>
Key Decision	YES
Exempt	NO but Annex B and Annex C exempt
Consultees/ Consultation	<p>Cabinet Member for Housing and Homelessness / Cabinet Member for Climate Change and Forward Planning Ward members Senior Officers</p>

## **I. BACKGROUND**

- 1.1. In accordance with Cotswold Local Plan policy for affordable housing, in exceptional circumstances, the Council may opt to enter into a Section 106 Agreement with the developer to make a payment to the Council in lieu of the provision of on-site affordable housing. These funds are known as Section 106 commuted sums. The Section 106 Agreement specifies the amount of the commuted sum, the date for payment, the time by which the sum is to be spent, how the sum may be spent and where the affordable housing may be provided with the use of the sum.
- 1.2. A key focus of central government housing policy in recent years has been on the overall supply of housing. The focus on Affordable Rent and affordable home ownership products has meant that new supply of homes for social rent has declined. Under the affordable rent model, housing associations can offer tenancies at rents of up to 80% of market rents within the local area. The additional finance raised is available for reinvestment in the development of new affordable housing, replacing the previous model of capital grant subsidy.
- 1.3. While supporting increases in supply, the affordability of rents at up to 80% of market rents is challenging in high cost areas such as Cotswold District. Social rented housing has historically delivered rents at around 50% of market rates, delivering housing that is genuinely affordable to improve living standards and address housing deprivation. This has been given new impetus with evidence pointing to connections between inadequate housing and poor health outcomes in the context of Covid-19.
- 1.4. In 2019, the Council identified the delivery of good quality social rented homes as a key focus in delivering its Corporate Plan. Social rented housing is that which is owned by Local Authorities or Private Registered Providers and is provided at a rent which is typically lower than Affordable rent. The Corporate Plan sets out a number of actions against this.
- 1.5. The Council aims to deliver additional social rented and affordable housing, which would not be brought forward without the Council's intervention and has identified a strategy for doing this against which potential schemes can be evaluated, which was adopted at Cabinet on 8th February 2021.

## **2. MAIN POINTS**

- 2.1. In order to deliver against its Housing priority the Council is working in partnership with Developers and Registered Providers to deliver additional social rented housing and actively encouraging carbon neutral or low carbon homes for people on low incomes. This is currently through negotiation and work to embed carbon reduction requirements within a development policy framework through updating the Council's Local Plan.

### **Commuted Sums Position Statement - January 2021**

- 2.2. Annex A provides a position statement as at January 2021 on the Section 106 Agreements relating to affordable housing commuted sums. This report deals with the fourteen commuted sums which have been received or are due from developers (shown in Annex A) to provide affordable housing off-site.

- 2.3. The balance of Section 106 commuted sums held by the Council is £998,973 received with £166,727, subject to interest and indexation where applicable, due for payment (as at 31st January).

#### **Proposals for Expenditure of Section 106 Commuted Sums received**

##### **2.4. Land West of Davies Road, Moreton-in-Marsh**

- 2.4.1. Outline planning consent (ref: 19/04749/OUT) has been granted under delegated authority, subject to completion of a S106 agreement, for the demolition of 2 existing dwellings and the erection of 15 new dwellings. The proposed development will provide 6 affordable units which is in accordance with the 40% affordable housing requirement set out in Local Plan Policy H2. The affordable housing will be a mix of 1, 2 and 3 bedroom social rented units, to be secured under a S106 legal agreement.
- 2.4.2. The site, owned by Central Government, is being sold on the open market by Homes England and, following a tender process, a preferred Developer and partner Registered Provider (Cottsway Housing Association) have been selected. Following discussions with Homes England and their preferred Developer and Registered Provider, there is an opportunity to deliver the scheme as a 100% social rented scheme, subject to grant funding, meeting the Council's key priority of providing good quality social rented homes.
- 2.4.3. The current planning consent includes 9 x 4 bedroom market homes. Local housing needs evidence has shown insufficient demand for 4 bedroom homes so a revised planning application would be submitted by the developer to amend the market homes to 9 x 3 bedroom social rented homes. The mix for the 6 affordable homes currently proposed would remain unchanged.
- 2.4.4. It is proposed that the sum of £478,500 is transferred to Cottsway Housing Association for the development of 15 social rent homes at Davies Road, Moreton-in-Marsh. This grant would comprise Sums 1-4 and part of Sum 8, as detailed in Annex A. Subject to allocation, this would secure a substantial investment of £1,200,000 from Homes England for social rented housing in Cotswold District as set out in Option 1 of Annex B.
- 2.4.5. It is proposed that, in addition to delivering 100% social rented housing, a further £102,000 is transferred to Cottsway Housing Association to deliver enhanced environmental and sustainability standards above the requirements of Building Regulations as set out in Option 5 of Annex B. This would ensure lower running costs for future occupiers and deliver against the Council's Climate Emergency priority. Subject to allocation, this would secure an additional investment of £75,000 of Homes England funding in Cotswold District as set out in Annex B.
- 2.4.6. Subject to planning and the allocation of grant funding from both Homes England and the Council, the anticipated completion date for the scheme is March 2023.

#### **Proposals for Expenditure of Remaining Section 106 Commuted Sums received/due**

- 2.5. Commuted Sum 5 (Annex A) is currently restricted to delivery within the surrounding area from where it originated. As this is a departure from the Council's standard requirements, an amendment will be sought to alter delivery to the original parish, the surrounding area and the administrative area of Cotswold District.

- 2.6. Commuted Sums 10-14 (Annex A) are due for payment by the Developers as the trigger points have been reached. Indexation and interest (where applicable) is being calculated and invoices sent out.
- 2.7. Any remaining whole or part commuted sums not allocated within this report will be set aside for future sites.
- 2.8. Parcel of Land at The Sunground, Avening, GL8 NW
  - 2.8.1. This agricultural site has planning permission as a rural exception site, granted in November 2020, for 14 homes, comprising 9 social rented units and 5 shared ownership units (ref: 19/04221/FUL). Subject to grant funding, this development would provide 3 x 2 bedroom and 6 x 1 bedroom social rented units and 4 x 2 bedroom and 1 x 3 bedroom shared ownership units.
  - 2.8.2. As noted at the time of the planning application and in the Council's Affordable Housing Delivery Strategy, approved by Cabinet on 8th February 2021, grant funding is required to deliver this rural 100% affordable housing site.
  - 2.8.3. The site will be developed by Bromford Housing Association on behalf of Gloucestershire Rural Housing Association through Bromford's Strategic Partnership funding agreed with Homes England.
  - 2.8.4. Tenders for the construction of The Sunground scheme have been sought and are currently being assessed by the Registered Provider.
  - 2.8.5. Homes England Strategic Partnership funding is negotiated by partner Registered Providers at a fixed grant rate. To facilitate the delivery of this site at the fixed grant rate, which is challenging in high value areas, additional Homes England grant has been offered for the enhanced sustainability options (see Annex B), subject to formal allocation, for the Davies Road site as noted in paragraph 2.4.4. This means that less of the Council's commuted sums are required to fund the enhanced options for the Davies Road site, enabling the Council to increase its match funding to deliver The Sunground, Avening site.
  - 2.8.6. It is proposed that, subject to availability, the remainder of Commuted Sum 8 and Commuted Sums 9 to 14 and part of Commuted Sum 5 plus any accumulated interest or indexation, as noted in paragraphs 2.5 to 2.7, up to the sum of £400,000 is transferred to Gloucestershire Rural Housing Association/Bromford Housing Association for the development of 9 social rented units and 5 shared ownership units at The Sunground, Avening. Subject to allocation, this would secure a substantial investment from Homes England for social rented and shared ownership housing in Cotswold District as set out in Annex C.

## **2. FINANCIAL IMPLICATIONS**

- 3.1. The Council is able to support development projects financially using its existing community-led housing grant and commuted sums generated from off-site contributions for affordable housing from previously delivered sites. The funds are available to help community groups and Registered Providers deliver affordable housing across the district. This report seeks to commit funding from commuted sums only.

- 3.2. There is a time limitation on the use of some S106 commuted sums. Failure to spend within the time limit requires the return of the funding to the developer. Allocating commuted sums to the above schemes will ensure that the funding is spent within the time parameters.
- 3.3. Further commuted sums have been negotiated in S106 agreements (see Annex A) but are yet to reach trigger points for payment by the Developer. Should payment be received, the commuted sums will be available for development of future affordable housing schemes to meet the Council's priorities. The Council's existing community-led housing grant is also available for community-led developments.
- 3.4. The Council considers assessed housing needs (Local Housing Needs Assessment 2019) and Local Plan allocated sites, where developer-led affordable housing is already being brought forward, before identifying sites for utilising commuted sums, such as Davies Road and The Sunground, to deliver additional affordable housing against unmet need within the District.
- 3.5. Following discussions with Homes England, match funding will be sought by the Registered Providers for the delivery of affordable housing through Homes England's general Affordable Homes Programme and Strategic Partnerships Funding.
- 3.6. To achieve acquisition of the Davies Rd site prior to the end of the 2020/21 financial year, a critical milestone for delivery, a bid for Homes England match funding will need to be made in principle by the Registered Providers prior to Cabinet and Council approval. Should a Homes England funding allocation be made for the above schemes and the Council does not financially match-support these schemes, the Registered Providers would need Council support to identify alternative affordable housing schemes within the District to utilise the Homes England funding.

### **3. LEGAL IMPLICATIONS**

- 4.1. Grant funding for the delivery of affordable housing will be subject to a legal agreement with appropriate terms for recycling of funding for affordable housing provision and, subject to the Council allocating the additional grant to the Davies Road scheme as highlighted in paragraph 2.4.5, agreed environmental and sustainability standards.

### **4. RISK ASSESSMENT**

- 5.1. There is a time limitation on the use of some S106 commuted sums. Failure to spend within the time limit requires the return of the funding to the developer. Alternative affordable housing schemes will need to be sourced to utilise grant funding. Timescale for use of each commuted sum is set out in Annex A.
- 5.2. There is a risk that high level costs set out in this report are subject to change due to factors such as market forces or unforeseen costs. Officers will monitor the projects and report on material changes.
- 5.3. Schemes may not proceed if planning permission is not granted, full funding requirements cannot be met or other factors constrain development. Any grant allocation from the Council will be subject to a legal agreement containing appropriate terms and conditions for repayment of grant should schemes not proceed.

## 5. EQUALITIES IMPACT

- 6.1. An Equalities Impact Assessment has been carried out. This highlights that the delivery of housing is aimed at meeting the identified needs of local people, based principally on the Local Housing Needs Assessment. Housing provision will be tailored to meet these specific needs and have regard to demographics such as age, income and disability. This report seeks to allocate funding to address the shortfall in affordable housing provision for those in housing need.

## 6. CLIMATE CHANGE IMPLICATIONS

- 7.1. Environmental and sustainability implications of affordable housing are considered in accordance with the Local Plan. The current Local Plan and related policy does not require housing to deliver to environmental standards that exceed Building Regulations standards.
- 7.2. The scheme at Davies Road has regard to and seeks to deliver directly against the Climate Emergency Strategy, seeking to reduce carbon from the development of Social and Affordable homes. This will support tenants on lower incomes, as long term running costs from gas and electric will be lower helping to reduce the risk of fuel poverty and enabling low-income tenants to live comfortably in their homes.
- 7.3. Inclusion of carbon reducing technology and construction of new build homes using better energy efficiency standards is more cost efficient than retrospectively fitting carbon reduction measures.
- 7.4. The additional carbon reduction measures proposed at Davies Road are Air Source Heat pumps, increased insulation and solar photovoltaics; a breakdown of the carbon benefits of each measure and the cost implications are included in Annex B. This is considered to be the standard Carbon reduction that should be achieved through these measures. Efforts will be made during the detailed design stage to maximise the carbon reduction that is achieved.

## 7. ALTERNATIVE OPTIONS

### 8.1. Land West of Davies Road, Moreton-in-Marsh

- 8.1.1. The Council could choose not to invest in the development however only the required 40% affordable homes would be delivered on the site.
- 8.1.2. The Council could choose to invest in delivering 100% social rented homes and invest reduced additional funds to deliver lower reduction in their carbon impact, partially reducing living costs and comfort for future tenants, as set out in Annex B.
- 8.1.3. The Council could choose to invest a reduced level of grant to deliver a 100% affordable housing scheme as a mix of affordable rent and social rent which simply meet building regulations standards, or with additional funds, deliver 100% affordable homes with a reduction in their carbon impact as set out in Annex B. As affordable rented units attract a lower grant rate from Homes England, this would result in a reduction in the corresponding level of funding for the scheme from Homes England.

8.2. Parcel of Land at The Sunground, Avening, GL8 NW

8.2.1. The Council could decide not to invest in the development and the scheme would not go ahead, as the maximum level of grant from Homes England under Strategic Partnership funding has been reached.

8.2.2. The Council could decide not to invest in the development and, subject to a revised planning application, market homes could be introduced to cross-fund the development. This would result in corresponding loss of affordable homes and the scheme would not be eligible for any Homes England funding. A planning application for a mix of 5 market homes and 6 affordable homes was previously granted consent on this site, however it was determined to be unviable by private developers, requiring additional market homes and fewer affordable homes to be deliverable.

**9. BACKGROUND PAPERS**

9.1. None.

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