

 COTSWOLD DISTRICT COUNCIL	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	COUNCIL – 14 JULY 2021
Report Number	AGENDA ITEM 07
Subject	AFFORDABLE HOUSING SCHEMES - EXPENDITURE OF S106 COMMUTED SUMS
Wards affected	ALL
Accountable member	Cllr Lisa Spivey Cabinet Member for Housing and Homelessness Email: lisa.spivey@cotswold.gov.uk
Accountable officer	Claire Locke, Group Manager - Commissioning Tel: 01285 623427 Email: claire.locke@publicagroup.uk Anwen Hughes, Strategic Housing Manager Tel: 01285 623121 Email: anwen.hughes@publicagroup.uk
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
Recommendation/s	<p>That Council, as recommended by Cabinet:</p> <p>a) notes the current position on Section 106 commuted sums as shown in Annex A</p> <p>b) approves the allocation of a capital grant of £550,000 to redevelop a site of 24 existing homes to provide 28 new social rented homes in Moreton in Marsh as detailed in paragraph 2.3. 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>b) 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.</p> <p>Responding to the challenges presented by the climate change emergency</p>
Key Decision	YES
Exempt	NO
Consultees/ Consultation	<p>Cabinet Member for Housing and Homelessness / Cabinet Member for Climate Change and Forward Planning</p> <p>Ward members</p> <p>Senior Officers</p>

1. 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 - March 2021

- 2.2. Annex A provides a position statement as at March 2021 on the Section 106 Agreements relating to affordable housing commuted sums.

Proposals for Expenditure of Section 106 Commuted Sums received

2.3. Stockwells, Moreton-in-Marsh

- 2.3.1. Stockwells is a residential cul-de-sac located to the east of Moreton-in-Marsh town centre. At the southern end are 24 homes of prefabricated “Cornish” construction, built in the 1950s, owned by Bromford Housing Association. The houses along the northern end of the cul-de-sac are privately owned and have been built to a more traditional design in a buff brick, reflecting the wider locality.
- 2.3.2. The “Cornish” non-traditional construction is prone to deterioration and the properties are not energy efficient. After considering customer and future maintenance requirements, Bromford, subject to Planning Consent, intends to regenerate the area by demolishing the 24 existing homes and replacing them with 28 modern, energy efficient homes which are affordable for tenants to run.
- 2.3.3. Bromford have undertaken a consultation exercise with their customers and the one homeowner affected by the proposals and is helping them to move into suitable alternative accommodation to enable the redevelopment of the site.
- 2.3.4. To support the Council to meet its Climate Emergency Strategy, Bromford has been working on how the introduction of Modern Methods of Construction (MMC) can support the move towards delivering net zero homes today. The Stockwells regeneration scheme represents an opportunity for Cotswold District Council and Bromford to create the first social rented, MMC net zero homes within the District.
- 2.3.5. The new social rented homes will be built to a high fabric specification, using an off-site manufactured system, reducing heating bills, carbon emissions and increasing indoor comfort. The homes will be precision engineered around a galvanised steel frame in a dry, clean workspace, delivering reliably consistent, high standard homes, fast.
- 2.3.6. Factory-built homes are helping to tackle the UK’s growing housing shortage by delivering high-quality, energy efficient homes with fewer defects, in half the time of traditional methods. Building high quality homes in factories will enable the upscaling of delivery of affordable housing, as the UK looks to kick-start the construction industry’s recovery in the wake of the Covid-19 pandemic. Subject to Planning Consent, this project will test the suitability of factory-built affordable housing for Cotswold District.

- 2.3.7 With funding support from Cotswold District Council, Air Source Heat Pumps will replace traditional gas boilers, reducing CO2 emissions from heating and hot water by around 80%. The move away from fossil fuel heating and hot water also improves indoor and local air quality by avoiding the generation of combustion gases.
- 2.3.8 In addition, the introduction of a large solar PV system will reduce net operational regulated carbon emissions to zero across identified house types. Typically only 30% of the energy generated by the solar panels is used by the house and by introducing a battery storage system this will complement the whole house carbon saving as typically twice as much of the solar energy can be used by the occupant, further reducing their annual energy bills.
- 2.3.9 With the consent of tenants, homes will be monitored to assess performance and the financial and health benefits, to inform future projects.
- 2.3.10. Bromford intends to submit a planning application for the redevelopment of its homes in Stockwells in July with the aim of commencing work on site Autumn 2021.
- 2.3.11. It is proposed that the sum of £550,000 is transferred to Bromford Housing Association for the regeneration of 28 social rent homes at Stockwells, Moreton-in-Marsh. This grant would comprise commuted sums received and due to the Council as detailed in Annex A.

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

- 2.4. Any remaining whole or part commuted sums not allocated within this report will be set aside for future sites.

3. 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 scheme 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.

4. 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 agreed environmental and sustainability standards.

5. 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. The scheme 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 the scheme not proceed.

6. 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.

7. CLIMATE CHANGE IMPLICATIONS

- 7.1. The scheme at Stockwells 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, helping to reduce the risk of fuel poverty and enabling low-income tenants to live comfortably in their homes
- 7.2. 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.

8. ALTERNATIVE OPTIONS

8.1. Stockwells, Moreton-in-Marsh

- 8.1.1. The Council could choose not to invest in the development. Subject to Planning Consent, Bromford could seek to deliver the scheme with the same or varied tenure mix as required by Local Plan Policies, which simply meet Building Regulations standards.

9. BACKGROUND PAPERS

9.1. None.

(END)