

# DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
DEVELOPMENT SERVICES	ENVIRONMENT, HEALTH AND HOUSING COMMITTEE DEVELOPMENT MANAGEMENT COMMITTEE	8 SEPTEMBER 2015 16 SEPTEMBER 2015	6

## AFFORDABLE HOUSING PROVIDED THROUGH PLANNING OBLIGATIONS

### PUBLIC ITEM

This item is for consideration in the public part of the meeting.

#### SUMMARY

The report proposes a review to the way that newly provided affordable housing is provided and let in Fylde Borough.

#### RECOMMENDATION

For Environment, Health and Housing Committee 8<sup>th</sup> September 2015

1. That the Development Management Committee be recommended to agree that future Sn 106 agreements entered into by Fylde Borough Council to secure affordable housing should reflect the occupancy restrictions as set out in the local lettings policy and that this be reviewed after a period of 5 years.

For Development Management Committee 16<sup>th</sup> September 2015

2. That future Sn 106 agreements entered into by Fylde Borough Council to secure affordable housing should reflect the occupancy restrictions as set out in the local lettings policy and that this be reviewed after a period of 5 years.

#### CORPORATE PRIORITIES

To Promote the Enhancement of The Natural & Built Environment ( <b>Place</b> )	√	To Encourage Cohesive Communities ( <b>People</b> )	√
To Promote a Thriving Economy ( <b>Prosperity</b> )	√	To Meet Expectations of our Customers ( <b>Performance</b> )	√

#### SUMMARY OF PREVIOUS DECISIONS

None in relation to this issue.

## **REPORT**

### **Background information**

1. The affordable or social housing stock in Fylde represents around 7% of the total housing stock and numbers approximately 2,500 dwellings. The social housing stock is predominantly rented stock with a very small number of shared ownership dwellings.
2. Over the past six years or so around 300 additional affordable dwellings have been added to the social housing stock through the planning process. These dwellings are secured through the use of planning obligations under the provisions of section 106 of the Town and Country Planning Act 1990 (s106 agreements). This additional stock represents about 12% of the current total stock of social housing. It can be seen therefore that the social housing stock comprises about 2,200 dwellings of established stock and about 300 dwellings of newly provided stock. Approximately 88% of total provision is established stock.
3. It is important to distinguish between established and newly provided stock when considering the current arrangements on how they are offered and let to future occupants.

### **Current letting arrangements**

4. The letting arrangements for the majority of the stock, the established stock, are governed by the Local Lettings Plan. The Local Lettings Plan is a policy document that is considered and approved by members on a yearly basis and was most recently approved in March 2015.
5. The letting arrangements for the minority of the stock, the newly provided stock, are governed by the provisions of individual s106 agreements agreed between the council and the developer as part of the planning process.
6. Both arrangements have common provisions in that in every case where a vacancy arises the dwelling is always made available to a person with a connection to the Fylde Council area and as described in the local lettings plan or s106 agreement.
7. There are then differences in the way in which the letting processes continue. In the case of the majority of the stock, let under the terms of the local lettings plan, dwellings are initially made available to applicants with a Fylde connection through the priority bands A to F. If after a reasonable time an applicant with a Fylde connection is not readily available for the dwelling it can then be offered to an applicant with a wider Fylde Coast connection (Blackpool and Wyre authorities).
8. In the case of the minority of the stock, let under the terms of the relevant s106 agreement, dwellings are made available to applicants with a Fylde connection through the priority bands A to F. However, if an applicant with a Fylde connection is not readily available for the dwelling provision is not normally made in the agreement to offer the dwelling to an applicant with a wider Fylde Coast connection.
9. This more restrictive letting pool for affordable housing provided under section 106 agreements is increasingly making it difficult to attract social landlords to accept such stock, as set out below. The practice of imposing these tighter restrictions on affordable housing provided under section 106 agreements is not underpinned by any formal policy of the council, but rather reflects preferences expressed by members of the committee some years ago. This report invites the committee to reconsider its practice for future section 106 agreements in the light of the circumstances set out below.

### **The issue**

10. The social housing stock in the area is owned and managed by Registered Providers of housing (RP) which are regulated by the Homes and Communities Agency. A typical RP is a multi-million pound organisation with a significant annual turnover. Their operations, particularly new

development activity, are heavily reliant on borrowings. Their borrowings are generated from the market place and are funded in the most part by income from rents.

11. As with any organisation that requires such funding it is essential that a robust business plan is put in place. The business plan will satisfy both the organisation and its funders that it is able to manage its income and debt and mitigate any risks highlighted in the plan. A robust business plan will also enable the RP to borrow at a more competitive rate.
12. The majority of an RP's income comes from the rents received from tenants. Any potential disruption to the rental income will, therefore, be highlighted as a significant risk in the business plan. Any barrier to the ease of letting a property and continuing to receive rental income will therefore be seen as a risk of disruption of income. Such a risk will need to be recognised in the business plan and mitigated against. If mitigation is not possible, such as is currently the case in Fylde with the restrictions in place in s106 agreements, the RP is more likely to prioritise its new development activity in areas where the risks are mitigated.
13. In recent times the financial pressure on the RPs active in Fylde has required a greater awareness of the potential risks of their business plans and their willingness to take on further development has lessened. The council's ability to deliver the necessary affordable housing is being significantly and adversely affected by the perceived risk attached to the restrictive nature of the s106 agreements currently in use.
14. At the time of writing there are at least 6 developments with planning permission and for which a RP cannot be found ready and willing to take the affordable housing to be delivered on the site. This situation is expected to worsen.
15. A modest number of intermediate or shared ownership affordable dwellings currently exist in Fylde. An additional number of such dwellings are planned for the future and it is likely that this purchased form of affordable housing will become more common. All of the issues discussed above will be applicable to this type of dwelling because they are normally provided in partnership with a RP or similar organisation.
16. There will, though, be additional concerns about the restrictive nature of the current s106 agreements that will impact on the purchasers of shared ownership type dwellings. The purchaser of the dwelling will require a mortgage to fund the proportion of the dwelling to be bought. The mortgage market is becoming increasingly aware not only of the financial means of the borrower but also of the potential risks to the security of its lending in the event of a default of the borrower. It is likely that the lender will see the restrictive nature of the current s106 agreements as a potential barrier to its ability to recover its monies and may be less inclined to lend.
17. If the mortgage market becomes less willing to lend against dwellings subject to a s106 agreement the future onward sale by a current occupier may also be adversely affected. This could result in an occupier becoming effectively trapped in the dwelling when needing to move.
18. The most recent budget announcement by the government has significantly changed the rent structure to be applied to the affordable housing sector. The announced rent reduction of -1% per annum needs to be compared to the previous formula of an inflation +1% position. The announced changes are to apply for 4 years and will lead to a minimum 12% decrease in forecast rental income. This change is very significant and RPs are actively reassessing their business plans in the light of the changes. The issues described above in relation to the restrictive nature of s106 agreements will only add to the pressure on RPs to prioritise their development activity into places with the lowest risk.

## **Conclusion**

19. The only policy position in relation to allocation of affordable housing in the council area is as detailed in the Local Lettings Plan that is approved by members. The last approval to the plan was

in March 2015. The more restrictive nature of the s106 agreements has been developed through custom and practice through the planning process at the Development Management Committee.

20. It should be possible to adopt a position where all affordable housing, however provided, should be offered and allocated in accordance with the currently adopted Local Lettings Plan. The s106 agreements would be drafted to reflect this position. This would result in a single policy position applicable to all affordable housing. It is proposed that this single policy position would apply for a period of five years which would then be reviewed.

IMPLICATIONS	
Finance	The report recommends a review of the Council's policy which governs the letting (by registered providers) of the affordable housing which has been secured as part of planning permissions granted. There are clear indications from such providers that if the policy is not reviewed the provision of affordable housing will be less attractive to them and consequently the provision of affordable housing is likely to reduce or cease in the future.
Legal	There are no direct legal implications arising from the report
Community Safety	There are no direct community safety implications arising from the report
Human Rights and Equalities	There are no direct human rights and equalities implications arising from the report
Sustainability and Environmental Impact	There are no direct sustainability and environmental implications arising from the report
Health & Safety and Risk Management	There are no direct health and safety or risk management implications arising from the report

LEAD AUTHOR	TEL	DATE	DOC ID
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LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Cabinet agenda/minutes	25 <sup>th</sup> March 2015	<a href="http://www.fylde.gov.uk/meetings/details/1192">http://www.fylde.gov.uk/meetings/details/1192</a>
Policy Development Scrutiny Committee	12 <sup>th</sup> March 2015	<a href="http://www.fylde.gov.uk/meetings/details/1219">http://www.fylde.gov.uk/meetings/details/1219</a>
Fylde Borough Council Area Lettings Plan 2015-16	March 2015	<a href="http://www.fylde.gov.uk/council/planning-policy--local-plan-/local-development-framework/evidence-base/housingstrategy/">http://www.fylde.gov.uk/council/planning-policy--local-plan-/local-development-framework/evidence-base/housingstrategy/</a>