

# DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
DEVELOPMENT SERVICES DIRECTORATE	FINANCE AND DEMOCRACY COMMITTEE	21 MARCH 2016	7

## REQUEST FOR ADDITIONAL SECTION 106 FUNDS KWIK SAVE SITE

### PUBLIC ITEM

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

#### SUMMARY

The former Kwik Save Site in St Annes was provided by Kensington Developments to meet the affordable housing provision on a market housing scheme they developed at Hastings Point in Lytham. The site was transferred to Great Places Housing Group and a Section 106 payment of £300,000, paid to the Council to help with the costs of that development, which was then paid to Great Places following full Council approval on the 30<sup>th</sup> March 2015.

The scheme is progressing well and due to be handed over in February 2016. Since Great Places entered into contract and commenced development at the site at Kwik Save, the Government's July Budget announced a 1% rent reduction to all affordable rent tenure properties. This has had significant impact on the financial appraisal of the scheme, from having a positive outturn at year 40, the new rent assumptions mean the financial appraisal makes a loss at year 40 of £146,030. To get back to a break even position at year 40 the scheme requires additional funding of £150,000.

Great Places have approached Fylde BC to request allocating further S106 funding to the scheme at the former Kwik Save site to mitigate against the full losses the scheme will incur, £150,000 OR any additional funding that may be available if the full amount is not acceptable.

#### RECOMMENDATIONS

The committee is requested to consider the:

- 1) Approval of an additional £75,000 fully-funded revenue budget increase in 2015/16 to be met from a Section 106 contribution (Agreement Ref: 03/0157 - Queen Mary School Development) held by the council paid under planning obligations for affordable housing of the same amount, to offset half of the losses Great Places will incur on delivering affordable housing on the Kwik Save site, following the impact of 1% rent reduction to all affordable rent tenure properties announced in the Government's July Budget.

#### CORPORATE PRIORITIES (delete V which are not relevant)

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**

### **30<sup>th</sup> March 2015 – Full Council**

RESOLVED to approve the fully-funded revenue budget increase in the sum of £300,000 in 2015/16 to meet the payment to Great Places Housing Association to assist the provision of affordable housing at the former Kwik Save site in St Anne's.

### **10th February 2016 – Development Management**

RESOLVED to recommend to the Finance and Democracy the approval of an additional £75,000 fully-funded budget increase in 2015/16 to be met from a Section 106 contribution (Agreement Ref: 03/0157 - Queen Mary School Development) held by the council paid under planning obligations for affordable housing of the same amount, to offset half of the losses Great Places will incur on delivering affordable housing on the Kwik Save site, following the impact of 1% rent reduction to all affordable rent tenure properties announced in the Government's July Budget.

1. The former Kwik Save Site in St Annes was provided by Kensington Developments to meet the affordable housing provision on a market housing scheme they developed at Hastings Point in Lytham. The site was transferred to Great Places Housing Group and a Section 106 payment of £300,000, paid to the Council to help with the costs of that development, which was then paid to Great Places following full Council approval on the 30<sup>th</sup> March 2015.
2. The transfer of the Kwik Save site and the Section 106 payment were, as part of the planning process, secured by a legal agreement under the Town and Country Planning Act 1990. The council is a signatory to this agreement. This agreement restricts the use of the site to the provision of affordable housing and also restricts the use of the Section 106 monies to the provision of affordable housing at that site.
3. Full planning permission was granted for 15 affordable houses, 7 two bedroomed houses and 8 three bedroomed houses all of which are to be provided at an affordable rent and Great Places entered into an agreement with Fylde BC for the payment of grant for the development of the former Kwik Save Site.
4. The scheme is progressing well and on programme to handover all of the 15 family homes in February/March 2016. Since Great Places entered into contract and started development of the site, the Government's July Budget announced a 1% rent reduction to all affordable rent tenure properties. This has had significant impact on the financial appraisal of the scheme, from having a positive outturn at year 40, the new rent assumptions mean the financial appraisal makes a loss at year 40 of £146,030. To get back to a break even position at year 40 the scheme requires this additional funding.
5. In response to these changes, Great Places have investigated various options to mitigate the impact. A request was made to Fylde BC in July 2015 to convert the tenure of some units from affordable rent to shared ownership as these generate a better financial return and would mitigate the losses in the financial appraisal. Concern was expressed as there is within St Anne's significant need for affordable rented accommodation, secured by an RSL. Great Places were asked to explore alternative options to mitigate against the predicted loss.
6. Since that request was made in July 2015 Government have published the Housing and Planning Bill on the 13<sup>th</sup> October 2015. The bill marks the start of to the Government's proposals to transform "generation rent" into "generation buy" sending a clear signal that the government wish to kick start a "national crusade to get 1 million homes built by 2020".

7. On the 30<sup>th</sup> November 2015 Great Places approached Fylde BC to request allocating further S106 funding to the scheme at Kwik Save to mitigate against the full losses the scheme will incur, £150,000 OR, if the full amount is not acceptable to the council, any additional funding that may be available.
8. As a result of Government's push for home ownership, Great Places were requested in January 2016 to look at the potential to sell some units for shared ownership to mitigate against the losses detailed in the financial appraisal of the site. They have responded by advising:
  - a. There is insufficient time to prepare for sales launches, show homes, adapting specifications and it is no longer as straightforward to just instruct them to sell properties on the site, when they are selling increased numbers of units on sites across the North West already.
  - b. Great Places would have to deal with long void periods from handover to eventual sales and occupation with associated risks and additional costs.
  - c. They have re-profiled their group business plan, submitted this for approval to the HCA, re-forecast their HCA development programme which has been approved and reported to their Board. Development targets have been reset and risks re-profiled.
  - d. There is also the matter of revising the S106 agreement to reflect shared ownership affordable housing provision on the site
9. Great Place's preference would be to continue with the 15 units being for affordable rent.
10. The original amount of £300,000 had been received specifically for the purpose of securing the delivery of affordable housing at the former Kwik Save site.
11. Your officers consider that it would not be appropriate to meet the predicted shortfall in full but to instead offer a sum of £75,000 towards this.
12. It is requested, therefore, Finance & Democracy Committee approve the additional £75,000 fully-funded revenue budget increase in 2015/16 to be met from a Section 106 contribution (Agreement Ref: 03/0157 - Queen Mary School Development) held by the council paid under planning obligations for affordable housing.
13. This additional funding would be provided on the understanding the properties are available to be let as affordable rented units.

IMPLICATIONS	
Finance	This report requests that the Finance & Democracy Committee approve a fully funded revenue budget increase in 2015/16 of £75,000 to be met from a Section 106 contribution of the same amount to offset half of the losses Great Places will incur on delivering affordable housing on the Kwik Save site.
Legal	The legal implications are outlined in the report above.
Community Safety	None
Human Rights and Equalities	None
Sustainability and Environmental Impact	None
Health & Safety and Risk Management	None

LEAD AUTHOR	TEL	DATE	DOC ID
Kirstine Riding	01253 658569	10/02/2015	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Document name		Council office or web address
Council	30/3/15	<a href="https://fylde.cmis.uk.com/fylde/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/411/Committee/33/Default.aspx">https://fylde.cmis.uk.com/fylde/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/411/Committee/33/Default.aspx</a>
Development Management Committee	10/2/16	<a href="https://fylde.cmis.uk.com/fylde/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/117/Committee/20/Default.aspx">https://fylde.cmis.uk.com/fylde/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/117/Committee/20/Default.aspx</a>