

# DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
DEVELOPMENT SERVICES DIRECTORATE	COUNCIL	4 JULY 2016	10
<b>APPROVAL FOR S106 FUNDED SCHEME FROM THE AFFORDABLE HOUSING PROJECT - SUNNYBANK MILL, KIRKHAM</b>			

## PUBLIC ITEM

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

### SUMMARY

This report provides details of an affordable housing scheme at Sunnybank Mill, Kirkham and recommends inclusion to the Capital Programme in 2016/17 and 2017/18 to be fully funded from a portion of the balance of S106 developer contributions for affordable housing currently held by the Council for this purpose. The Environmental, Health and Housing Committee on 7th June 2016 agreed the scheme and request to Council the inclusion of a fully funded addition to the Capital Programme to deliver the scheme.

### RECOMMENDATIONS

To approve:

- 1) A fully funded addition to the Capital Programme - "Affordable Housing Scheme Sunnybank Mill, Kirkham" phased over two financial years (2016/17 and 2017/18) to be met from a portion of the balance of S106 developer contributions for affordable housing currently held by the Council for this purpose totalling £865,155.44, and a further £54,844.56 when funds become available. Totalling £920,000 and detailed as follows:
  - i) A total capital grant contribution of £865,155.44, and a further £54,844.56 when funds become available to deliver 23 units for affordable rent at Sunnybank Mill, Kirkham payable to ForViva Housing Association (£460,000 payable in 2016/17 and £460,000 payable in 2017/18).
- 2) And, to authorise the required expenditure for the two capital grant payments (£920,000 in total - £460,000 payable in 2016/17 and £460,000 payable in 2017/18) to ForViva Housing Association after regard and consideration of the compliance with the financial regulations covered within the body of the report.

### SUMMARY OF PREVIOUS DECISIONS

Minutes of Cabinet, 26<sup>th</sup> November 2014

1. To approve the use of S106 monies to facilitate the appointment of the temporary project officer/consultant on the terms outlined in the report;
2. To approve the appointment of a temporary project officer/consultant for a maximum period of 6 months to produce a deliverable S106 funded Affordable Housing Programme for the Borough; and
3. To approve a fully-funded revenue budget increase for the total sum of £25,000 (£16,000 in 2014/15 and £9,000 in 2015/16) to fund the costs of the temporary project officer/consultant for a

maximum period of 6 months to be met from the S106 Affordable Housing receipts in respect of the agreements as identified at Appendix 2 of the report.

Minutes of Environmental, Health and Housing Committee 7<sup>th</sup> June 2016

After full consideration it was RESOLVED to recommend to full Council:

1. A fully funded addition to the Capital Programme - “Affordable Housing Scheme Sunnybank Mill, Kirkham” phased over two financial years (2016/17 and 2017/18) to be met from a portion of the balance of S106 developer contributions for affordable housing currently held by the Council for this purpose totalling £865,155.44, and a further £54,844.56 when funds become available. Totalling £920,000 and detailed as follows:
  - i) A total capital grant contribution of £865,155.44, and a further £54,844.56 when funds become available to deliver 23 units for affordable rent at Sunnybank Mill, Kirkham payable to ForViva Housing Association (£460,000 payable in 2016/17 and £460,000 payable in 2017/18) and;
2. To authorise the required expenditure for the two capital grant payments (£920,000 in total - £460,000 payable in 2016/17 and £460,000 payable in 2017/18) to ForViva Housing Association after regard and consideration of the compliance with the financial regulations covered within the body of the report.

<b>CORPORATE PRIORITIES</b>	
Spending your money in the most efficient way to achieve excellent services <b>(Value for Money)</b>	√
Delivering the services that customers expect of an excellent council <b>(Clean and Green)</b>	√
Working with all partners <b>(Vibrant Economy)</b>	√
To make sure Fylde continues to be one of the most desirable places to live <b>(A Great Place to Live)</b>	√
Promoting Fylde as a great destination to visit <b>(A Great Place to Visit)</b>	

REPORT

BACKGROUND

1. Members had previously approved the temporary appointment of an external housing consultant, specifically to identify affordable housing development opportunities within Fylde. These opportunities were to be worked up to an advanced stage and specific RSL partners engaged to deliver the projects. These would be available to meet Housing Need within the Borough with a priority being given to schemes within Lytham St Annes.
2. This project sought to enable affordable homes to be delivered which would be grant funded using existing S106 fund reserves of circa £2.4m.
3. In addition to the S106 funds currently held, a further £963,991 in Affordable Housing S106 funds is currently ‘in the pipeline’ awaiting invoice to developers. These relate to private housing schemes across the Borough currently under construction where payments have been agreed as a condition of Planning in lieu of Affordable Housing being provided ‘on-site’. These are subject to completed legally binding S106 Agreements and await invoice by the Council, once development triggers have been reached.

4. S106 funds arise where developers may be required to make 'off-site' affordable housing provision in lieu of provision 'on-site'. This is normally achieved by S106 fund contributions towards the provision of affordable homes in areas of higher need. S106 funds may be used to meet all the Affordable housing required or part of the total required with some being delivered on site. Additionally, in the early stages of a large scale development, S106 funds may be taken in lieu, until infrastructure is put in place as the development progresses i.e. schools, roads, shops and transport links.
5. The proposed development opportunity at Sunnybank Mill, Kirkham has been identified and detailed scheme worked up. The scheme is considered to be achievable with land available; a Housing Association has been identified willing to commit to developing the site and a scheme design worked up ready to be submitted to Planning subject to funding being confirmed.
6. The project has specifically sought to identify 'Brownfield' development opportunities in order to make best use of available land resources and achieve localised regeneration as well as providing low cost homes for local people.
7. Off-site grant rates per unit are £50,000 provided by the developer, and this amount is then recycled into affordable housing projects at a grant rate of up to £50,000 per unit. This request is for £40,000 per unit, therefore is below the normal grant rate.

#### SUNNYBANK MILL, KIRKHAM - SCHEME DETAILS

##### GRANT REQUIREMENT £920,000

8. This new build housing scheme would provide a mix of 13 two and three bed family houses (7 two bed and 6 three bed) and 10 two bedroom apartments for affordable rent. Sunnybank Mill is a relatively poor quality former textile mill, which has been for sale for a number of years. The premises previously failed to sell at auction. It is situated between a small light industrial estate and smaller low cost Victorian terraced housing.
9. ForViva HA working with local contractor RP Tyson to acquire the site and deliver the scheme. The scheme would require £920,000 in S106 grant subsidy of £40,000 per unit which compares very favourably with other recent and pipeline S106 grant funded schemes. Average grant rate is £10k per unit less than typical S106 payments made by developers per unit in lieu of providing affordable housing on private sector developments.
10. The Fylde Coast Strategic Housing Market Assessment 2014<sup>1</sup> places Kirkham/Wesham & Freckleton/Warton as having a current total housing need of 34, the second highest level within the borough, with Lytham and St Annes being 82.
11. Current S106 funding for Affordable Housing schemes outside of Lytham St Annes totals £865,155.44,
12. The proposal, in addition to providing much needed affordable homes, would locally regenerate this part of Kirkham. The scheme is ideally located close to all local facilities and served by excellent public transport links.
13. Local contractors RP Tyson Construction have secured an option to purchase the site from its current owners, with ForViva Housing, a recent addition to the Fylde RSL Partnership, to deliver the scheme and manage the accommodation. As with the previous schemes, all homes would be available only to applicants with a strictly controlled local connection.

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<sup>1</sup> Fylde Coast Strategic Housing Market Assessment 201, page 143, <http://www.fylde.gov.uk/council/planning-policy--local-plan-/local-development-framework/evidence-base/fylde-coast-strategic-housing-market-assessment/>

14. It is intended that the scheme would use local labour, local contractors and consultants to contribute to the local economy of Fylde.
15. A proposed scheme lay-out plan and elevations is attached at Appendix 1.
16. A consultation event was held on the 15<sup>th</sup> June 2016 with the local community and local Councillor's. Croft Goode Architects, ForViva Housing Association, Tyson Construction and Fylde BC were in attendance to talk residents through the scheme and gather their views and concerns regarding the scheme.

#### A COST BREAKDOWN OF THE SCHEME

Cost Heading	Description	Net Figure (£)
Fylde BC S106 contributions	Scheme funded from Fylde BC S106 funds at a grant rate of £40,000 per unit.	£920,000
ForViva income streams	Borrowing capacity and rental income.	£1,905,640
<b>Total Project Costs</b>		<b>£2,825,640</b>

#### THE METHOD AND COST OF FINANCING THE SCHEME

17. The request is for Fylde BC S106 funds to fund the 23 unit scheme which equates to a grant rate of £40,000 per unit.
18. ForViva Housing Association have provided the following information on the method and cost of financing the scheme;

*Our 30 year Business Plan including our full Development Programme (inclusive of this scheme) is funded through a number of income streams, the main ones being rental income from our 14,500 property portfolio and £130m loan facility. Our current £130m loan facility is on a syndicated basis with Barclays and RBS with the Business Plan being reviewed and approved on an annual basis.*

*The 30 year Business Plan is also submitted to the our regulator, the HCA, on an annual basis in order to asses our Financial Viability with our latest rating being the highest score of V1.*

*Sunnybank is a development of 7no 2 bed houses, 6no 3 bed homes and 10no 2 bed mews style apartments. The total cost of the scheme is £2,825,640.00, of which £40,000 per unit is being requested to be funded by the Local Authority and the remainder from the various income streams indicated above.*

19. The scheme will be funded from the following development projects which provided S106 funds as 'off-site' provision of affordable housing contained in Appendix 2 of this report.

#### THE FUTURE REVENUE BUDGET IMPACT

20. There are no additional revenue implications to this proposal as the scheme on completion will be owned and managed by ForViva Housing Association. A S106 planning obligation will be in place, as a requirement of planning, to ensure the affordable housing will be available in perpetuity.

#### RELEVANT VALUE FOR MONEY ISSUES

21. Fylde BC receive off site grant rates of £50,000 per unit of affordable housing required on a site. Therefore the grant rate for affordable units delivered using S106 funds is up to £50,000 per unit. This scheme requires a grant rate of £40,000 per unit which totals £920,000 for 23 units of affordable housing.

22. ForViva Housing Association will be investing £1,905,640 into the scheme.

#### RISK ASSESSMENT

23. Grant funding will be paid in two stages; 50% when the scheme is on site and 50% on completion. The risks associated with letting and managing the properties will be ForViva Housing Association responsibility.

24. An agreement for the payment of grant will be entered into to protect Fylde BC investment and ensure the properties remain as Affordable Housing in perpetuity.

25. The proposal is on a brownfield site and would locally regenerate this part of Kirkham. The scheme is ideally located close to all local facilities and served by excellent public transport links.

#### VIABLE ALTERNATIVES

26. Historically two other housing associations have shown interest in the site, but could not get the scheme to progress.

#### PROCUREMENT PATH (AND ANY DELEGATIONS AS REQUIRED)

Not applicable.

#### OBJECTIVES, OUTPUTS AND OUTCOMES

27. The S106 project specifically sought to:

- a. Identify 'Brownfield' development opportunities in order to make best use of available land resources and achieve localised regeneration as well as providing low cost homes for local people,
- b. develop an Affordable Housing Programme funded from existing and anticipated S106 monies held by the Council

28. This new build housing scheme would provide a mix of 13 two and three bed family houses and 10 two bedroom apartments for affordable rent.

29. The scheme is on a brownfield site, Sunnybank Mill in Kirkham. The site is a relatively poor quality former textile mill, which has been for sale for a number of years.

30. 'A great place to live'

- a. deliver housing that meet the need in all communities
- b. Ensure high standards of housing across all markets
- c. Approve development that enhances the community

#### DRAWINGS AND PLANS

See Appendix 1.

#### CONCLUSION

31. The scheme has been identified as a result of the S106 project and will provide 23 units of affordable housing on a brownfield site, formally a textile mill.

IMPLICATIONS	
Finance	<p>Council is requested to approve:</p> <p>1) A fully funded addition to the Capital Programme - "Affordable Housing Scheme Sunnybank Mill, Kirkham" phased over two financial years (2016/17 and 2017/18) to be met from a portion of the balance of S106 developer contributions for affordable housing currently held by the Council for this purpose totalling £865,155.44, and a further £54,844.56 when funds become available. Totalling £920,000 and detailed as follows:</p> <p>i) A total capital grant contribution of £865,155.44, and a further £54,844.56 when funds become available to deliver 23 units for affordable rent at Sunnybank Mill, Kirkham payable to ForViva Housing Association (£460,000 payable in 2016/17 and £460,000 payable in 2017/18).</p> <p>2) And, to authorise the required expenditure for the two capital grant payments (£920,000 in total - £460,000 payable in 2016/17 and £460,000 payable in 2017/18) of £920,000 to ForViva Housing Association after regard and consideration of the compliance with the financial regulations covered within the body of the report.</p>
Legal	S106 planning obligation when planning is sought that ensures properties remain as affordable housing in perpetuity. Agreement for the payment of grant.
Community Safety	None arising directly from this report
Human Rights and Equalities	None arising directly from this report
Sustainability and Environmental Impact	None arising directly from this report
Health & Safety and Risk Management	None arising directly from this report

LEAD AUTHOR	TEL	DATE	DOC ID
Kirstine Riding	01253 658569	18/05/16	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
None		

#### Attached Documents

Appendix 1 - SunnyBank Mill Layout drawing

Appendix 2 - Development projects which provided S106 funds as 'off-site' provision of affordable housing

## Appendix 2

Ward/Parish	Application Number/Location	Suggested for Kirkham AH project
Clifton	03/0288 Clifton House, South Park, Lytham	£9,986.00
Clifton	03/1128 Land Rugby Club, Blackpool Road, Lytham	£67,750.00
Ansdell	05/0658 Edenfield, 2a Clifton Drive, Lytham	£297,000.00
Clifton	09/0525 24 Station Road, Lytham	£8,400.00
Weeton	09/0661 Meadow View, Singleton Road, Weeton	£8,040.00
Weeton	09/0661 Meadow View, Singleton Road, Weeton	£2,750.00
Park	07/1225 17 Tuxford Road, St Annes	£600.00
Warton	09/0732 Eden Farm, Bryning Lane, Warton	£12,000.00
Freckleton	09/0034 Raikers Farm, 115 Kirkham Road, Freckleton	£3,200.00
Clifton	08/0635 45 East Beach, Lytham	£6,000.00
Ashton	07/0187 76 North Promenade, St Annes	£20,000.00
Lytham	09/0525 24 Station Road, Lytham	£3,700.00
Ashton	07/0187 76 North Promenade, St Annes	£10,000.00
Warton	10/0340 Land Tennyson Avenue, Warton	£27,400.00
Freckleton	09/0034 Raikers Farm, 115 Kirkham Road, Freckleton	£800.00
Freckleton	08/0124 11 Lytham Road, Freckleton	£1,700.00
Freckleton	07/935 Lamaleach Caravan Park, Freckleton	£6,408.44
Ashton	11/0312 Aldi Store, St.Annes	£97,940.00
St Leonards	08/0455 - Land Richards Way, Lytham st Annes	£7,500.00
Warton	10/0340 Land Tennyson Avenue, Warton	£5,600.00
Staining	13/0470 Jubilee Gardens, Staining	£50,000.00
Westby	12/0135 - Keepers Cottage/Meadow View, Bridge Farm, Ballam Road, Westby	£25,000.00
Elswick	08/0829 - Land at Elswick Trading Park	£140,000.00
Westby	13/0391 - land formerly Hollywood Nurseries, Westby	£50,000.00
Clifton	08/0242 – Land rear Woodville Terrace, Clifton	£3,381.00
<b>Total collected</b>		<b>£865,155.44</b>