

DECISION ITEM



REPORT OF		MEETING	DATE	ITEM NO
DEVELOPMENT SERVICES DIRECTORATE	ENVIRONMENT, HEALTH AND HOUSING COMMITTEE		21 FEBRUARY 2017	4
REQUEST FOR S106 FUNDS TO COVER REFURBISHMENT OF 93 ST ALBANS ROAD, ST ANNES				

PUBLIC ITEM

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

SUMMARY

This report considers S106 grant funding amounts and arrangements to monitor scheme costs, for conversion of 93 St Albans Road, St Annes from a single dwelling over three floors to a two self-contained affordable housing units.

The Council acquired the property through a compulsory purchase order on the 2 June 2016. The statement of reasons that supported the CPO contemplated that the Council would transfer the property to New Progress Housing Association and work with New Progress Housing Association to bring it forward for conversion into 2 or 3 self-contained flats, which New Progress Housing Association would operate.

On the 10th February 2017 Progress Housing advised based on the cost estimate they received that the works estimate that the grant available, of £147,890, is too low to make their proposal economically viable and they have now withdrawn their interest as a result. Consequently it is proposed that officers be instructed to approach alternative Registered Providers of Affordable Housing within Fylde to identify a replacement partner that would be willing to refurbish 93 St Albans within the grant levels available.

RECOMMENDATIONS

The Committee is requested to consider the proposal and recommend to Council:

1. That officers be instructed to approach Registered Providers of Affordable Housing within Fylde, who would be willing to refurbish 93 St Albans within the grant levels available;
2. An addition to the Capital Programme in the sum of £147,890 - "Affordable Housing Scheme at 93 St Albans Road" for 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 £75,950 from Agreement Ref: 03/0157 Queen Mary School Development, and a further £71,940 when funds become available) to deliver 2 units for affordable rent at 93 St Albans Road, St Annes to a Registered Provider of Affordable Housing;
3. To authorise expenditure in a sum not exceeding £147,890 (includes a 5% contingency allowance of £7,040) to a Registered Provider of Affordable Housing in relation to the scheme as described within the report after due regard and in compliance with the financial regulations as covered within the body of the report; and
4. That, in the unlikely event that sufficient Section 106 payments to cover the costs of all committed affordable housing schemes are not received by the date that the release of funding falls due, alternative means of funding the shortfall in S106 funding will be sought.

SUMMARY OF PREVIOUS DECISIONS

On **4th July 2012**, the Portfolio Holder for Finance and Resources in consultation with the Portfolio Holder for Planning and Development approved the following:

- 1. The portfolio holder agrees to the request from New Fylde Housing for s106 affordable housing monies to support the purchase of 93 St Albans Rd St Annes as phase one of a comprehensive scheme of improvement to the property.*
- 2. The portfolio holder approves a revenue budget increase for 2012-13 of £85,000 to fund the payment to New Fylde Housing fully funded from the s106 affordable housing monies held by the council.*

Cabinet, **25 June 2014**:

- 1. Seek further to engage with the property owner with a view to acquiring the property voluntarily as mandated by previous decisions*
- 2. If a voluntary sale is not achieved within a reasonable time, make a compulsory purchase order to acquire 93 St Albans Road, St Annes for the purposes of part II of the Housing Act 1985 for redevelopment to deliver 2/3 affordable housing units.*

Environment, Health and Housing Committee, **5 January 2016**:

- 1) Recommend to the Finance & Democracy Committee a fully funded addition of £105,000 to the Councils 2015/16 Capital Programme for the compulsory purchase of 93 St Albans Road 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.*
- 2) Approve, subject to the Finance and Democracy Committee having accepted recommendation 1), the making of a general vesting declaration in respect of the property and the onward transfer of 93 St Albans Road to New Fylde Housing Ltd (or another company in the Progress Housing group) for nil consideration.*

Finance and Democracy Committee, **25th January 2016**:

- 1) The Committee RESOLVED to approve a fully funded addition of £105,000 to the Council's 2015/16 Capital Programme for the compulsory purchase of 93 St Albans Road to be met from a Section 106 contribution (agreement ref:03/0157 – Queen Mary Development) held by the Council paid under planning obligations for affordable housing of the same amount.*

CORPORATE PRIORITIES

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

REPORT

COMPULSORY PURCHASE ORDER

1. Following a compulsory purchase order ("CPO"), the council owns 93 St Alban's Road, Lytham St Annes.
2. The CPO was intended to bring the property back into use as affordable housing, as set out in the council's statement of reasons in support of the CPO:

"The Council's proposals are intended to secure that the Order Land provides one or two net additional units of affordable housing accommodation. The Order Land, which is unoccupied and in an extremely poor state of repair, does not presently contribute towards meeting the acknowledged shortfall in both market and affordable housing provision in the Council's district. The Council proposes to transfer the Order Land to an identified Registered Provider of Social Housing, which will repair and improve the house to provide two or three 1 and 2-bedroom affordable flats."

Further:

"The Council will work with Progress, a registered provider of social housing, to bring forward the Order Land for conversion into 2 or 3 self-contained flats, which Progress will operate. To that end, the council will purchase the Order Land and transfer it to Progress."

THE PROPERTY AND ITS POTENTIAL

3. The property, which has been secured and cleared is currently set out as a single dwelling over three floors. Council officers have worked with Progress Housing Association to bring forward proposals for the provision of affordable housing. The preferred option is to create two self-contained flats, a one bedroom two person flat to the ground floor and a two bedroom four person flat over the first and second floors. The two flats would be accessed via the main front door with communal hall and staircase. There would also be access to the rear yard from the ground floor hall.
4. An option to create three units of accommodation was not taken forward because the top floor flat could not achieve compliance with design guide standards. Floor plans of the two-unit scheme are available in Appendix 1.

RECENT DEVELOPMENTS AND THE WAY FORWARD

5. Progress has now indicated that they do not consider that the scheme fits with their financial model and have withdrawn their interest. Officers will now seek to work with other registered providers of social housing to bring the scheme forward.
6. Though Progress had estimated the cost of the scheme to be £211,750, officers have obtained an alternative costing from another registered provider of £147,890. Both costings are broken down in table 1, rounded to the nearest pound.

Table 1: Quotes for total scheme costs 93 St Albans Road

Quote	Cost breakdown of the scheme
Two Bedroom Unit	
Progress Housing Association	Measured works (MW) £161,884.40 Provisional Sums (PS) £13,480.00 (8.3%) Preliminaries @ 15% (MW + PS) £26,304.66 Total works costs (excluding fees and VAT) £201,670 Contingency @ 5% = £10,080 Total scheme costs = £211,750
Comparison quote	Measured works (MW) £113,090.00 Provisional Sums (PS) £9,386.47

	Preliminaries @ 15% (MW + PS) £18,371.47 Total works costs (excluding fees and VAT) £140,850 Contingency @ 5% = £7,040 Total scheme costs = £147,890
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7. There is a cost difference of £63,860.00 between the two proposals. Based on the comparison quote, officers are confident that the scheme can be provided for considerably less than the costs estimated by Progress, and that there would be interest from alternative registered providers.
8. Members are asked to instruct officers to approach other registered providers active in the area to ascertain their interest in taking the project forward and the level of grant funding that would be required, and to report back to the committee at a future meeting.

SECTION 106 FUNDS AVAILABLE

9. Appendix 2 provides details of the current position of Affordable Housing S106 funds. There is currently non-committed funds of £75,950 available. If grant requirement for the refurbishment of 93 St Albans Road was based on the comparable quote £149,890, this would leave a funding shortfall of £71,940.
10. Of the commitments detailed for Section 106 funds in Appendix 2; Sunnybank Mill, Church Road Methodist and Keenan's Mill, all have planning applications submitted and schemes are expected to start on site by the 1st April 2017. Fifty per cent of payments will be required on-site and 50% on project completion. YPAD YMCA has started on site with an expected finish date of September 2017. The commitment of £105,000 for the purchase of St Albans has not been made as no formal claim for compensation has been lodged.
11. Croft Goode Architects have confirmed possible start dates and contract periods for Keenan's Mill, Sunnybank Mill and Church Road Methodist and each of these schemes will be over a 52 week period. Therefore the final request for 50% payment for these schemes is not expected until the beginning of 2018.
12. At this point it is expected further S106 funds will have been received, but there will be a risk that funding will not have been received and it is proposed that, if this is the case, alternative means of funding the shortfall in S06 funding will be sought.
13. Given the considerable investment of resources that has already taken place, initially in seeking to address concerns expressed by the local community regarding the adverse impact that this property was having on the local area and more recently in acquiring the property through CPO in order to resolve these issues, it is considered that the benefits associated with moving this project forward outweigh that risk.

THE FUTURE REVENUE BUDGET IMPACT

14. There are no additional revenue implications to this proposal as the units on completion will be owned and managed by a Registered Provider.

RELEVANT VALUE FOR MONEY ISSUES

15. Fylde Council receive off site S106 contribution rates of £50,000 per unit of affordable housing required on a site. Therefore the capital contribution rate for affordable units delivered using S106 funds is usually up to £50,000 per unit or 50% of the total scheme cost, however, this is not set in policy and the council can approve a higher percentage subsidy.
16. Costs for conversion into flats are always higher than simply de converting into a house as there is a need to consider sound proofing to walls and floors and the provision of additional utilities. Insulation levels and associated costs are also high to comply with Building Regulations.
17. The capital contribution rate requested on this site is for £74,000 per unit.

18. Seeking competitive proposals from registered providers operating in the area will ensure that the project delivers value for money for the grant funding committed to it.

RISK ASSESSMENT

19. It is proposed that the capital contributions will be paid in two stages; 50% when the scheme is on site and 50% on practical completion.
20. The risks associated with letting and managing the properties will be the responsibility of the Registered Provider.
21. An agreement for the payment of a capital contribution will be entered into to protect Fylde Council's investment and ensure the properties remain as Affordable Housing in perpetuity.

VIALE ALTERNATIVES

22. Until the scheme works are commenced, the building continues to be empty and unsightly and a magnet to fly-tipping.

OBJECTIVES, OUTPUTS AND OUTCOMES

23. The conversion works will contribute towards the improvement of the local area and provide affordable homes for local people.
24. The conversion works will enable the Order Land, which is unoccupied and in an extremely poor state of repair, to be brought into use to meet the acknowledged shortfall in affordable housing within the borough.

IMPLICATIONS	
Finance	This report proposes an addition to the Capital Programme of £147,890 for the conversion work at 93 St Albans Road to create affordable housing units from the property that the Council owns as a result of the compulsory purchase of the property. To date there are uncommitted S106 sums that can be used for the scheme of only £75,950. However a significant amount of the S106 monies already committed for other affordable housing schemes will not be expended for some time due to the stage of development of each project and it is anticipated that before all payments are due further S106 monies for affordable housing will have been received. In the unlikely event that other S106 monies are not received within the required timescale alternative means of funding the shortfall in funding will be sought.
Legal	S106 planning obligation when planning is sought to convert the property from a single to a two unit property that ensures the property remains as affordable housing in perpetuity. Agreement for the capital contribution will be in place.
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	10/02/2017	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection

ATTACHED DOCUMENTS

Appendix 1 – Conversion design for 93 St Albans Road two units of affordable housing.

Appendix 2 – Affordable Housing S106 Funds Summary – 01/02/2017

Appendix 2

Affordable Housing S106 Summary at 01/02/16

		Total Affordable Housing		Queen Mary		Other Sites
S106 Income Received		5,562,909.44		3,000,000.00		2,562,909.44
Section 106 Expenditure:						
New Fylde Housing	182,250.00					182,250.00
Richard Dunbreck Trust Singleton	300,000.00					300,000.00
F2F YMCA	299,999.57			299,999.57		
GPHG - re 451 Clifton Drive North	250,000.00			250,000.00		
NFH (Heyhouses) Pilling Ave development	416,000.00			416,000.00		
Explore first time buyers scheme	3,000.00					3,000.00
NFH - 50% payment towards purchase of 17 Hunter Road	21,500.00					21,500.00
NFH _ 2nd payment 50% towards purchase of 17 Hunter Road.	21,500.00					21,500.00
NFH - St Davids Roads Depot. First contribution of 50%	307,507.00					307,507.00
NFH - St Davids Road Depot, second contribution of 50%	307,506.00			297,000.00		10,506.00
Great Places- Former Kwik Save Site	300,000.00					300,000.00
106 project officer payment	12,680.72					12,680.72
	12,319.28					12,319.28

		Total Affordable Housing		Queen Mary		Other Sites
Great Places Housing Association	75,000.00			75,000.00		
Ypad YMCA - Council 12/10/15	450,157.60			450,157.60		
		2,959,420.17		1,788,157.17		1,171,263.00
S106 Monies Remaining		2,603,489.27		1,211,842.83	-	1,391,646.44
Commitments:						
St.Albans Rd - F&D Committee 25/01/16	105,000			105,000.00		
Ypad YMCA - Council 12/10/15	112,539			112,539.40		
Sunnybank Mill - Council 04/07/16	920,000					920,000.00
Church Rd Methodist Church, St.Annes	550,000			550,000.00		
Keenans Mill, Lord Street, St Annes	840,000			444,303.43		395,697.00
		2,527,539.40		1,211,842.83		1,315,697.00
Monies Available for Future Projects		75,949.44		0.00		-75,949.44
		-75,949.87		00.0		- 75.949.44