



DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
DEVELOPMENT SERVICES DIRECTORATE	PLANNING COMMITTEE	10 MARCH 2021	4

EXPRESSIONS OF INTEREST AND REQUEST FOR SECTION 106 FUNDING FOR 25 VICTORIA ROAD, ST ANNES - Y-PAD SCHEME FROM FYLDE COAST YMCA

PUBLIC ITEM

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

SUMMARY

In June 2019 Fylde Council developed a strategic approach to the targeting on S106 funding from developer contributions towards affordable housing delivery within Fylde. Future S106 funds are to be targeted on marginal brown-field sites that will provide local regeneration, whilst at the same time providing much needed affordable homes, on a small scale, in areas of priority need. Registered Providers are required to submit an Expressions of Interest (EOI) for consideration for S106 funding, prior to submitting a full detailed funding application that could be unsuccessful.

Fylde Coast YMCA have submitted an EOI for the refurbishment of 25 Victoria Road, St Annes. YMCA Housing works across the Fylde Coast and North West providing high quality and effective housing services including supported accommodation schemes, rental accommodation, housing advice, financial advice and community provision for young people and families who require assistance in bringing about stability and security in their lives.

The scheme proposes the refurbishment of an existing property of 5 self-contained flats one-bedroom flats, owned by Fylde Coast YMCA into 5, one-bedroom Y-Pad apartments for the benefit of young people aged 18-25 in training or employment. The scheme will be managed along the same lines as Patterson House, a Y-Pad scheme of 12 one bed apartments funded by S106 funds in October 2015. The units are let at affordable rents in line with Local Housing Allowance levels on an Assured Shorthold Tenancy.

The purpose of this report is to request committee consider and approve an EOI for £200,000 from Fylde Coast YMCA to support the re-development of 25 Victoria Road and recommend to Finance and Democracy approval for this scheme for S106 funding and inclusion to the Capital Programme. The scheme will be phased over two financial years (2021/22 and 2022/23) with 25% (£50,000) being paid at start on site and confirmation that internal funding and Homes England Grant Funding has been received and the remainder 75% (£150,000) on project completion once the units are allocated. The scheme will be fully funded from a portion of the balance of S106 developer contributions for affordable housing currently held by the Council for this purpose (from Agreement Ref: 12/0717 Moss Farm, Cropper Road, Westby).

RECOMMENDATIONS

Committee is requested to consider and:

1. Approve the Expression of Interest by Fylde Coast YMCA for the use of Section 106 funds for the refurbishment of 25 Victoria Road, St Anne's for the delivery of 5 Y-Pad one-bedroom apartments for the benefit of young people aged 18-25 in training or employment.
2. Recommend to Finance and Democracy Committee approval of a fully funded addition to the Capital Programme – "25 Victoria Road Fylde Coast Y-Pad Scheme" for £200,000 phased over two financial years (2021/22 - £50,000 and 2022/23 - £150,000) to be met in full from a portion of S106 developer contributions for affordable housing currently held by the Council for this purpose (from Agreement Ref: 12/0717 - Moss Farm, Cropper Road, Westby); and
3. To authorise drawdown of the expenditure (subject to approval by Finance and Democracy to the addition to the Capital Programme) phased over two financial years (2021/22 and 2022/23) for £200,000 (25% in 21/22 (£50,000)) being paid at start on site and confirmation that internal funding and Homes England Grant Funding has been received and the remainder (75% in 22/23 (£150,000)) on project completion once the units are allocated to Fylde Coast YMCA, after regard and consideration of the compliance with the financial regulations covered within the body of the report.
4. That a condition of the grant is that an agreement is put in place with the YMCA to:
 - (a) Ensure ongoing provision of the affordable housing units, as set out in the funding request; and
 - (b) That a restriction is placed on the registered title of the site to prevent disposal without the written consent of Fylde Borough Council to protect the council's investment and ensure the provision will provide affordable housing in perpetuity for 80 years.

SUMMARY OF PREVIOUS DECISIONS

Cabinet 26th November 2014

It was RESOLVED:

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.

Full Council 12th October 2015

It was RESOLVED:

1. that the Council approve a fully-funded revenue budget increase for 2016/17 in the sum of £562,697, to be met from a portion of the balance of S106 developer contributions for affordable housing currently held by the Council for this purpose in the total sum of £2.4m, in respect of the proposed development of 11 self-contained flats in St Annes by the YMCA. £562,697 was a 50% contribution towards the total scheme costs; and
2. That a condition of the grant is that an agreement is put in place with the YMCA to:
 - (a) Ensure ongoing provision of the affordable housing units, as set out in the funding request; and
 - (b) That a restriction is placed on the registered title of the site to prevent disposal without the written consent of Fylde Borough Council to protect the council's investment.

Environment, Health and Housing Committee 7th June 2016

Information Item - Outcome from Section 106 Affordable Housing Project

The purpose of the information report was to update members on progress regarding the use of existing and

future Affordable Housing commuted sum reserves. Attached as an appendix to the report was the outcomes from the Section 106 Affordable Housing Project which had been delivered by way of a 6 month temporary appointment of an external housing consultant with a particular background in the development and delivery of Affordable Housing. The objectives of the contract were set out in the report together with details of the background to the project, the changing national situation and the positive outcomes of the S106 project.

Environment, Health and Housing Committee, 11th June 2019

Decision Item - It was RESOLVED

1. To note the contents of the report; and
2. To approve the adoption of a strategic approach to the allocation of future S106 funds by requesting Registered Providers of Affordable Housing submit Expressions of Interest prior to full funding submissions being made.

CORPORATE PRIORITIES	
Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	

Expression of interest and request for S106 funding to support the refurbishment of 25 Victoria Road, St Annes into Y-Pad accommodation for the benefit of young people aged 18-25 in training or employment.

1. Fylde Coast YMCA is a key partner with the council and has been providing housing related services to Fylde residents for over 20 years. YMCA Housing works across the Fylde Coast and North West providing high quality and effective housing services including supported accommodation schemes, rental accommodation, housing advice, financial advice and community provision for young people and families who require assistance in bringing about stability and security in their lives.
2. Fylde Coast YMCA have submitted an EOI for the refurbishment of 25 Victoria Road, St Annes. The scheme proposes the refurbishment of an existing property of 5 self-contained flats one-bedroom flats, owned by Fylde Coast YMCA into 5, one-bedroom Y-Pad apartments for the benefit of young people aged 18-25 in training or employment.
3. The young people will not require or be eligible for supported housing because they will be in work or training. The low rents made available through this project with an assured shorthold tenancy will support the young people to become fully independent members of the community. The scheme will provide low rent affordable housing to a market segment where there is an identified need
4. On the 12th October 2015 Full Council approved S106 funding of £562,697 for the first Y-Pad scheme in St Annes at Patterson House, St Albans Road. Twelve one-bedroom apartments for 18 to 25 year olds in work or on an apprenticeship. This accommodation provides young people in work with a positive path to aspirational, high quality and affordable accommodation.
5. 25 Victoria Road is within walking distance of local shops, transport links, restaurants and amenities, an ideal location for a young person in work. Each tenant will have free access to YMCA Gym's as part of the YMCA's commitment to health and well-being.

EOI S106 funding proposed Scheme

Site location	25 Victoria Road, St Annes,
Allocation of properties via MyHomeChoice Fylde Coast	<p>The properties will not be allocated via MyHomeChoice Fylde Coast. Fylde Coast YMCA will follow local eligibility criteria as defined under MyHomeChoice Fylde Coast, Consistent Assessment Policy:</p> <p>Qualifying tenants must live, work or have a family connection to Fylde, specifically one of the following must apply, in no particular order:</p> <ul style="list-style-type: none"> • They are permanently employed in the Borough of Fylde; • They have been offered permanent employment in the Borough of Fylde; • Or in the opinion of the Council has some other sufficiently long-standing connection with the Borough of Fylde; • They have lived in the Borough of Fylde consecutively for the last 3 years; • Have a close family association (a parent, adult child, brother or sister) who has lived in the Borough of Fylde consecutively for the last five years; • Tenants are required to live in the property as their main and only residence.
Current delivery in Fylde	<p>Patterson House – 12 x 1 bed Y-Pad apartments at affordable housing rent levels on assured shorthold tenancies. Developed using S106 funding in 2015 to secure affordable accommodation for the benefit of young people aged 18-25 in training or employment.</p> <p>16 owned properties located in Fylde mainly 1 and 2 bedroom flats and one three bedroom house at affordable rent levels on assured shorthold tenancies.</p> <p>17 one-bedroom apartments leasehold sheltered accommodation for individuals aged 60 and over.</p> <p>12 one bedroom, supported housing accommodation for young people aged 16-25 on excluded license agreements at Harbour House, Lytham.</p>
Brownfield site	Yes. Refurbishment of an existing building
Number of units, size and tenure	<p>100% Affordable Rent</p> <p>5 no. 1 bed apartments</p>
Local regeneration outcomes	Property is currently empty and in need of upgrading
S106 Funds required	£200,000 (£40,000 per unit)
Internal funding	£104,650 (£20,930 per unit)
Homes England funding	£200,000 (bid not yet submitted) (£40,000 per unit)
Stage the proposal is at	No funding in place for the scheme as the property needs to be transferred to the registered provider arm of Fylde Coast YMCA to access Homes England Grant funding.

6. The property is currently owned by the Fylde Coast YMCA with an outstanding mortgage of £207,000 attached to it with the Royal Bank of Scotland (RBS). The model of development will be YMCA Fylde Coast selling the property to Y:Housing for 200k. Y:Housing (YMCA Blackburn) is a registered provider developed by YMCA Fylde Coast to support the development of social housing on behalf YMCAs who are not registered providers. The purpose of the relationship between the two YMCAs is to maximise funding and reduce borrowing, thus enabling an affordable rent to be charged.
7. Y:Housing would develop the scheme and secure all necessary funds. Once refurbished the unit would be given back to YMCA Fylde Coast to manage. YMCA Fylde Coast would also have an option to purchase the property at any time in the future.
8. Appendices 1 and 2 provide the existing and proposed floor plans for the scheme.
9. The rent level needs to be low enough for a young person to pay the monthly rent on a minimum wage. This is the same principal as Paterson House. The rents are to be set at £85 per week plus a service charge of £5 per week. This is above Local Housing Allowance for single people aged under 35, who are entitled to the shared room rate of £65 per week. The client group will need to be in training or employment to be eligible for the scheme and the majority would not be eligible for housing benefit. If they were to lose their employment the tenants would need to find an additional £25 per week towards their housing costs.
10. The proposal is to move five units of private sector accommodation, currently unoccupied, out of the private rented sector into the social rented sector, providing supported secure accommodation for the benefit of young people aged between 16-25 in employment or training.
11. Officer recommendation is to approve the EOI for Section 106 funding.

Request for Section 106 funding

12. 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 of on site provision, until infrastructure is put in place as the development progresses e.g. schools, roads, shops and transport links.
13. In June 2019 Fylde Council developed a strategic approach to the targeting on S106 funding from developer contributions towards affordable housing delivery within Fylde. Future S106 funds are to be targeted on marginal brown-field sites that will provide local regeneration, whilst at the same time providing much needed affordable homes, on a small scale, in areas of priority need. Registered Providers are required to submit an Expressions of Interest (EOI) for consideration for S106 funding, prior to submitting a full detailed funding application that could be unsuccessful.
14. Fylde Council currently holds £2,435,443 Section 106 funding available. The majority of which there is no payback date if the funds have not fully spent within a certain period.

The method and cost of financing the scheme

15. The request is for Fylde BC S106 funds to contribute to the overall scheme the sum of £200,000 which equates to a capital contribution rate of £40,000 per unit.
16. Project costings for the scheme are detailed below. The funding is to be met from £200,000 request for S106 funding; £200,000 to be applied for from Homes England once the property has been sold to Y:Housing and; £103,990 from internal funding to be raised by Y:Housing.

	Cost	Vat	Gross
Land Purchase	200,000		200,000
Refurb, Fitting & Fixtures	225,000	11,250	236,250

Professional Fees	46,750	9,350	56,100
Legal fees	9,700	1,940	11,640
totals	481,450	22,540	503,990

17. In 2017 25 Victoria Road was valued at £225,000. The valuation is part of a larger document that values all YMCA properties. An up to date valuation of the property will be required prior to the house being sold to Y:Housing.
18. The proposed scheme would be taking properties out of a market tenure into a social rented tenure. The units have been empty for some time. An explanation provided by the YMCA is that they have planned to move the properties into the social rented sector, improving quality of the property through investment and this has taken time to relocate the current residents.
19. In addition, by being empty for 2 years means that the VAT element can be reduced to 5% from 20%. Reducing the cost, therefore making the rent more affordable to young people.
- Flat 1 – 10/06/2019
 - Flat 2 – 13/08/2019
 - Flat 3 – 22/06/2018
 - Flat 4 – 28/11/2018
 - Flat 5 - 1/06/2019
20. An outline basic cashflow for the scheme once built is provided overleaf which includes an element for voids and bad debts are set at 5%. The scheme will have a net cashflow on average of £2,323 per annum over the first three years.

Outline basic cashflow projection once built			
	Year 1	Year 2	Year 3
Income			
Rent	£22,100	£22,542	£22,993
Service charge	£2,630	£2,682	£2,736
Total	£24,730	£25,224	£25,729
Expenditure			
Voids / bad debt (5%)	£1,105	£1,127	£1,150
Management & repairs	£6,950	£7,089	£7,231
Y:housing	£2,588	£2,639	£2,692
Other	£4,000	£4,080	£4,162
Total	£14,643	£14,936	£15,234
Net	£10,087	£10,289	£10,495
Loan repayments	£7,967	£7,967	£7,967
Net cashflow	£2,120	£2,322	£2,528
Opening balance	£0	£2,120	£4,442
Closing balance	£2,120	£4,442	£6,969

The future revenue budget impact

21. There are no additional revenue or capital implications to this proposal as the scheme on completion will be owned by Y:Housing and managed by Fylde Coast YMCA.
22. A funding agreement will be in place, as a requirement of any request for S106 funding, to ensure the affordable housing accommodation will be available in perpetuity, which for legal purposes is set as 80 years.

Relevant value for money issues

23. The proposed scheme would be taking properties out of a market tenure into a social rented tenure.
24. Off-site S106 funding for affordable housing are usually in the region of £50,000 per unit, and this amount is then re-cycled into affordable housing projects at a capital contribution rate of up to £50,000 per unit or 50% of the total scheme costs. The capital contribution requested for total scheme costs to enable the refurbishment of 5 units of accommodation is £200,000. Unit funding requested is £40,000 per unit, which equates to 40% of total refurbishment. Therefore, the schemes provides value for money for S106 funding.

Risk Assessment

25. The scheme will be phased over two financial years (2021/22 and 2022/23) with 25% (£50,000) being paid at start on site and confirmation that internal funding and Homes England Grant Funding has been received and the remainder 75% (£150,000) on project completion once the units are allocated.
26. 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, for legal purposes this is 80 years.
27. The funding agreement will include a condition of the grant is that an agreement is put in place with the YMCA to:
 - (a) Ensure ongoing provision of the affordable housing units, as set out in the funding request; and
 - (b) That a restriction is placed on the registered title of the site to prevent disposal without the written consent of Fylde Borough Council to protect the council's investment and ensure the provision will provide affordable housing in perpetuity for 80 years.

Viable alternatives

28. The property is currently in the ownership of the YMCA and all 5 units are empty. The scheme would be taking properties out of a market tenure into a social rented tenure.

Objectives, outputs and outcomes

29. The strategic approach to the targeting on S106 funding from developer contributions towards affordable housing delivery within Fylde prioritises marginal brown-field sites that will provide local regeneration, whilst at the same time providing much needed affordable homes, on a small scale, in areas of priority need.
30. The scheme proposes the refurbishment of an existing property of 5 self-contained flats one-bedroom flats, owned by Fylde Coast YMCA into 5, one-bedroom Y-Pad apartments for the benefit of young people aged 18-25 in training or employment.
31. The property is currently empty and within the private rented sector. Once refurbished the unit will be within the social rented sector and provide secure and affordable accommodation, with an element of support for young people. The refurbishment will locally regenerate this area of St Anne's.

Conclusion

32. Approval of the Expression of Interest by Fylde Coast YMCA for the use of Section 106 funds for the refurbishment of 25 Victoria Road, St Anne's for the delivery of 5 Y-Pad one-bedroom apartments for the benefit of young people aged 18-25 in training or employment.
33. Recommend to Finance and Democracy Committee approval of a fully funded addition to the Capital Programme – "25 Victoria Road Fylde Coast Y-Pad Scheme" phased over two financial years (2021/22 and 2022/23) for

£200,000 to be met from a portion of S106 developer contributions for affordable housing currently held by the Council for this purpose (from Agreement Ref: 12/0717 - Moss Farm, Cropper Road, Westby); and

34. The Developer agreed to pay the Council, in lieu of affordable housing provision on site, commuted sums to be used to facilitate the provision of Affordable Housing in the administrative area of Fylde Borough Council.
35. To authorise drawdown of the expenditure (subject to approval by Finance and Democracy Committee to the addition to the Capital Programme) phased over two financial years (2021/22 and 2022/23) for £200,000 with 25% being paid at start on site and confirmation that internal funding and Homes England Grant Funding has been received. The remainder 75% on project completion once the units are allocated to Fylde Coast YMCA, after regard and consideration of the compliance with the financial regulations covered within the body of the report.

IMPLICATIONS

Finance	This report recommends to the Finance and Democracy Committee approval of a fully funded addition to the Capital Programme – “25 Victoria Road Fylde Coast Y-Pad Scheme” for £200,000 phased over two financial years (2021/22 - £50,000 and 2022/23 - £150,000), to be met in full from a portion of S106 developer contributions for affordable housing currently held by the Council for this purpose; and requests approval to the drawing down of the expenditure (subject to approval by Finance and Democracy to the addition to the Capital Programme).
Legal	Agreement for the payment of the grant Ensure ongoing provision of the affordable housing units, as set out in the funding request and a restriction is placed on the registered title of the site to prevent disposal without the written consent of Fylde Borough Council to protect the council’s investment and ensure the provision will provide affordable housing in perpetuity for 80 years.
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

CONTACT DETAILS

DATE

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14/08/2020

BACKGROUND PAPERS

Name of document	Date	Where available for inspection
Fylde Coast YMCA, Patterson House, St Albans Road, St Annes	2015	http://ymcahousing.org.uk/paterson-house/
MyHomeChoice Fylde Coast Consistent Assessment Policy	2021	MyHomeChoice Fylde Coast

Attached Documents

Appendix 1 – Existing Floor Plan

Appendix 2 – Proposed Floor Plan