

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
DEVELOPMENT SERVICES DIRECTORATE	ENVIRONMENT, HEALTH AND HOUSING COMMITTEE	3 NOVEMBER 2020	4
REQUEST FOR SECTION 106 FUNDING FOR BUY BACKS FROM PROGRESS HOUSING ASSOCIATION OF STOCK SOLD UNDER THE RIGHT TO BUY			

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.

In March 2020 Progress Housing Association submitted an EOI to request Section 106 funding for two buybacks, from existing stock sold under the Right to Buy, which was approved by this Committee. Fylde Council have not previously used S106 funds for the buy-back of properties sold under the Right to Buy or Right to Acquire. However, the funds can be used for facilitating affordable housing provision, which can include purchasing the buy-back of such units.

The proposals for both units would give Progress Housing Association greater control in the management of the housing stock in each area. Property 1 (P1), 1 Preesall Close in St Annes agreed purchase price is £85,000. Property 2 (P2), 5 Everest Court in Wesham agreed purchase price is £82,200. These purchases are from private sellers who have contacted Progress Housing Association direct.

The purpose of this report is to present the full application for section 106 funding from Progress Housing and request approval for 36% of the purchase cost of P1 and 33% P2 (totalling £57,500) and inclusion to the Capital Programme in 2020/21 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.

RECOMMENDATIONS

Committee is requested to:

1. Recommend to the Finance and Democracy Committee approval of a fully funded addition to the Capital Programme for 2020/21 in the sum of £57,500 in respect of the 'Progress Housing Buy Backs' scheme as set out in this report, to be met from a portion of S106 developer contributions for affordable housing currently held by the Council for this purpose (schemes: P1, 1 Preesall Close, St Annes, £30,500 to be met from Agreement ref: 03/157, St Marys School, St Annes and P2, 5 Everest Court, Wesham, £27,000 to be met from Agreement ref: 13/0386 Land South of Cartford Lane, Little Eccleston); and
2. Subject to approval of 1, above, to authorise the required expenditure for the capital grant payment in 2020/21 to Progress Housing Association, totalling £57,500 after regard and consideration of the compliance with the financial regulations covered within the body of the report.

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.

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.

Environment, Health and Housing Committee, 17th March 2020

It was RESOLVED;

1. Approve the Expression of interest by Progress Housing for the use of Section 106 funds for the two units available as buy backs into social housing stock in Fylde; and
2. To invite Progress Housing Association to submit a full application for S106 funding, to include a financial appraisal with purchase price and the property inspection report.

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	✓

Report

Request for Section 106 funding for buy backs of existing stock sold under the Right to Buy from Progress Housing

1. 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.
2. 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 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.
3. In March 2020 this Committee resolved to approve the EOI and to invite Progress Housing Association to submit a full application for S106 funding, to include a financial appraisal with purchase price and the property inspection report.
4. Fylde Council have not previously used S106 funds for the buy-back of properties sold under the Right to Buy or Right to Acquire. However, the funds can be used for facilitating affordable housing provision which can include purchasing the buy-back of such units.
5. The proposals for both units would give PHA greater control in the management of the housing stock in each area. Property 1, 1 Preesall Close in St Annes, would give Progress Housing Association control of a block of 4 cottage flats where other 3 are in PHA ownership, therefore the acquisition would allow them control of the block. The proposal for Property 2, 5 Everest Court in Wesham is in a block of terraced houses where the majority of which are owned by PHA.
6. The purchases of both properties are from private sellers who have contacted Progress Housing Association direct.
7. The EOI was approved by this Committee in March 2020 for Section 106 funding towards 36% of the purchase price for P1 and 33% for P2. The remaining funding is to be met from internal funding and Progress would have all management and repairing responsibilities going forward.
8. The properties will be subject to the Right to Acquire. This is where the property has been built or bought by a housing association after 31st March 1997 or transferred from a local council to a housing association after 31st March 1997. This is a government scheme introduced in 1997 that allows housing association tenants who meet the qualifying criteria to buy the home if they have been renting with a public sector landlord for 3 years. Discounts available range from between £9,000 and £16,000 on the price of the property.
9. Progress Housing Association will be required to enter into a funding agreement with Fylde Council where funding can be applied for when contracts for the purchase of the properties have been exchanged.
10. **PROPERTY 1**
Preesall Close, St Annes.
This unit is a two-bedroom flat, ex local authority owned stock on the Heyhouses estate a substantial amount of which is owners and managed by PHA since the transfer from New Fylde Housing. The unit is in a block of 4 cottage flats and the other 3 are in PHA ownership, therefore the acquisition would allow them control of the block and so increase their presence in the area. The Housing Management team

have confirmed there is high demand for units of this type in the area. A financial appraisal has been completed, the property has been inspected and the current owners has accepted a conditional offer.

Property 1: Site location	1 Preesall Close, St Annes FY8 3PN
Brownfield Site	Yes
Local regeneration outcomes – environmental, economic and social wellbeing that will lead to community sustainability	Bringing this unit back into PHA's ownership will allow us to have control of the block which makes it easier for improvement works to be carried out if necessary.
Number of units and size of units	1 x 2 bedroom flat 83m2
Tenure of units	Affordable Rent
Purchase price	£85,000
S106 Funds required	£30,500 (36%)
Internal funding	£54,500
Homes England funding	£0

11. PROPERTY 2

Everest Court, Wesham. This unit is a 3 bedroom house, ex local authority stock and a substantial amount of properties in the area are still owned and managed by PHA since the transfer from New Fylde Housing. PHA's Housing Management team have confirmed there is high demand for units of this type in the area. The unit is in a block of terraced houses, the majority of which are owned by PHA so this acquisition would allow us control of the block and to further increase our presence in the area. A financial appraisal has been completed, the property has been inspected and the current owners has accepted a conditional offer.

Property 2: Site location	5 Everest Court, Wesham PR4 3BD
Brownfield Site	Yes
Local regeneration outcomes – environmental, economic and social wellbeing that will lead to community sustainability	Bringing this unit back into PHA's ownership will allow us to have control of the entirety of Everest Court which makes it easier for improvement works to be carried out if necessary.
Number of units and size of units	1 x 3 bedroom terraced house 79m2
Tenure of units	Affordable Rent
Purchase Price	£82,200
S106 Funds required	£27,000 (33%)
Internal funding	£55,200
Homes England funding	£0

The method and cost of financing the scheme

12. The request is for Fylde BC to contribute section 106 funds for the purchase of two units of properties as buy backs. The request is for Section 106 funding towards 36% of the purchase price for P1 and 33% for P2, totalling £57,500.
13. Progress Housing Association have arranged internal funding totalling £109,700. Total purchase price for the two units is £167,200.

The future revenue budget impact

14. There are no additional revenue or capital implications to this proposal as the two units will be owned and managed by Progress Housing Association. A funding agreement will be in place where funding can be applied for when contracts for the purchase of the properties have been exchanged.

Relevant value for money issues

15. 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 total request from Section 106 funding for the two units is £57,500, from a purchase price of £167,200 (£85,000 and £82,200). The request for Section 106 funding equates to 34% of the total purchase costs, therefore the proposal does provide value for money.

Risk Assessment

16. Grant funding will be paid when contracts have been exchanged on both units. The risks associated with letting and managing the properties will be Progress Housing Association responsibility.
17. An agreement for the payment of grant will be entered into to protect Fylde BC investment and ensure the properties remain as affordable housing within Fylde, in perpetuity.
18. All properties will be allocated via MyHomeChoice Fylde Coast, the Choice Based Lettings Scheme for the Fylde Coast with priority for occupants with a local connection to Fylde.

Viable alternatives

19. In respect of both P1 and P2 that Progress are requesting section 106 funds towards, the purchase would result in the association owning the whole block or terrace of properties. This will give them full management control of the block or terrace and increase our presence in the area. There are no other viable alternatives that would enable this scenario to happen.

Objectives, outputs and outcomes

20. This proposal would provide two additional units of affordable rented accommodation, one unit in St Annes, the other unit within Wesham.

Conclusion

21. Committee is requested to approve and recommend to Finance and Democracy Committee:
 - a. A fully funded addition to the Capital Programme – ‘Progress Housing Buy Backs’ in the financial year 2020/21 for £57,500 to be met from a portion of S106 developer contributions for affordable housing currently held by the Council for this purpose from P1, 1 Preesall Close, St Annes, £30,500 to be met from Agreement ref: 03/157, St Marys School, St Annes and P2, 5 Everest Court, Wesham, £27,000 to be met from Agreement ref: 13/0386 Land South of Cartford Lane, Little Eccleston;
 - b. Authorise the required expenditure for the capital grant programme in 20/21 to Progress Housing Group for the total amount of £57,500.

IMPLICATIONS	
Finance	This reports proposes that the committee recommend to the Finance and Democracy Committee approval to a fully funded addition to the Capital Programme for 2020/21 in the sum of £57,500 in respect of the 'Progress Housing Buy Backs', to be met from a portion of S106 developer contributions for affordable housing currently held by the Council for this purpose; and Subject to approval of 1, above, to authorise the required expenditure for the capital grant payment in 2020/21 to Progress Housing Association, totalling £57,500 after regard and consideration of the compliance with the financial regulations covered within the body of the report.
Legal	Financial 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	CONTACT DETAILS	DATE
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BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
MyHomeChoice Fylde Coast Consistent Assessment Policy	2021	MyHomeChoice Fylde Coast