



Report Reference Number: E/20/42

To: Executive
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Ward(s) Affected: All
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Title: S106 Affordable Housing Commuted Sum Allocation

Summary:

This report presents an outline proposal for a revision of the allocation of s106 commuted sums for affordable housing. Delivery of the programme has been frustrated by rising house prices and there is a risk that the funding will not be spent within the timescales set out in the s106 agreements. The report proposes a sum of up to 80% of market value per property towards delivery of SDC's affordable homes programme. Based on the approved programme budget, latest market values for properties and indicative spread of property types, it is estimated that £3,376k could be spent over the next year with a further report required to extend the programme into 22/23. Whilst this will reduce the number of units that can be supported by this funding and will deliver less homes than would have been delivered on site, it means that delivery can be maximised within the funding timeline.

Recommendations:

It is recommended that subject to availability of receipts, the maximum receipts of s106 funding applied to financing the Council Affordable Homes programme be revised to up to £80% of market value per unit

Reasons for recommendation:

To provide a more flexible funding framework to enable scheme forward planning and delivery within the necessary timescales.

1. Introduction and background

- 1.1 This report presents a proposal for the removal of the maximum sum allocations per unit of s106 commuted sums for affordable housing – currently £30k per unit for empty homes and council house buybacks and £50k for new builds/acquisitions, and replace with a maximum equivalent to 80% of market value for all unit types.
- 1.2 The majority of receipts received to date relate to developments in Sherburn in Elmet but this proposal relates to any affordable housing commuted sums received. The original report is attached at **Appendix A**.
- 1.3 The funding allocations will need to be kept under close review to ensure delivery is maximised going forward and we will need to be ready to flex our plans again to match demand/delivery of our homes on the ground should this be necessary.

2. Delivery to Date

- 2.1 To date circa £9m s106 affordable housing commuted sums have been received and just over £1m has been spent. These receipts are subject to a '5 year rule' which means that the sums must be used within 5 years of receipt or they are returned to the developer.
- 2.2 Of the sums received to date the 'used by dates' are as follow:

Development	£000's	Use by date
Carousel Walk Sherburn in Elmet	812	14/02/2024
Low St Sherburn in Elmet	7,184	03/04/2025

- 2.3 The sums used to date were over a period of 3½ years and if this pace of delivery continues it is likely that a significant proportion of the funding will expire.
- 2.4 Delivery of the affordable homes programme has been frustrated for a number of reasons, but rising prices and associated scheme viability have had the greatest impact.
- 2.5 Given rising prices and competition within the market, the level of subsidy required per unit for the Council's development and acquisitions programme is greater than originally anticipated. The transfer value included within the Sherburn s106 agreements is circa £79k per unit. It is proposed that the amount available for allocation per unit is changed to 80% of market value in order to accelerate use of the funding available. 80% is the benchmark for affordable housing rent.

- 2.6 Applying the revised subsidy levels of up to 80% of market value per unit, at least a further 54 affordable new build homes could be supported over the next 4 years. This will reduce the number of homes ultimately supported but will enable the revised targets to be achieved within a realistic but tighter timescale.

3. Alternative Options Considered

An increase in the fixed sum threshold was considered but given the relatively wide variation in market values across the district a percentage is considered more appropriate.

4. Implications

4.1 Legal Implications

- 4.1.1 The s106 receipts must be spent in accordance with the parameters set in the agreements or the Council will be in breach of its covenants.

4.2 Financial Implications

- 4.2.1 The table below presents an indicative programme for 21/22 the final year of the current approved programme (Housing development and Empty Homes combined). This is based upon the latest Housing Economic Needs Assessment (HENA) and identified need across the Council's own HRA stock. In summary the revised maximum could achieve the following:

	No of Units	Average Property Price £000's	Weighted Split of Capital Programme	Indicative Capital Programme Allocation £000's	S106 Allocation (Max 80%) £000's	Capital receipts, HE grant, borrowing £000's
1 Bed	7	138	24%	1,012.8	810.2	
2 Bed	12	153	45%	1,899.0	1,519.2	
3 Bed	2	198	11%	464.2	371.4	
4 Bed	2	353	20%	844.0	675.2	
	23			4,220.0	3,376	844

- 4.2.2 The s106 agreements require the sums to be spent within 5 years of receipt of the final payments (or it is repayable with interest at base rate +2%). Extension of the programme will be required to ensure all of the funding is used and a further bid for 22/23 will be brought forward as part of the MTFs/budget. Based on the indicative allocations above a further 31 acquisitions could be supported by the current s106 funds in 22/23.

4.2.3 Demonstrating value for money will remain fundamental to any acquisition and independent valuations will be required to ensure that this funding does not fuel further price rises. Councillors should also note that acquisitions at market value will be recognised at lower, affordable housing values, on the Council's balance sheet.

4.3 Policy and Risk Implications

The proposals in this report support the Council's strategies and policies regarding housing delivery, the Housing Revenue Account Business Plan and Medium Term Financial Strategy. There is a risk that despite the proposals to increase the allocations per property the market is unable to provide the properties required. In order to mitigate this risk and maximise delivery, early discussions with developers will seek to secure 'bulk' purchases where appropriate and progress will be monitored closely. Further reports will be brought to Executive/Council as necessary to ensure delivery is maximised.

4.4 Corporate Plan Implications

Application of s106 affordable housing commuted sums will help to support delivery of affordable homes – one of the Council's stated priorities.

4.5 Resource Implications

Resources to deliver the Affordable Homes programme are within the approved budgets.

4.6 Other Implications

There are no other implications to highlight as a result of this report.

4.7 Equalities Impact Assessment

There are no direct equalities implications as a result of this report – the report seeks to maximise delivery of the approved affordable homes programme within the timeline for s106 commuted sums.

5. Conclusion

5.1 Delivery of the affordable homes programme is behind schedule and there is a risk that based on s106 used to date, a significant proportion of the funding available could expire.

5.2 Price rises and scheme viability have challenged delivery and therefore increased subsidy levels are required.

5.3 Whilst this will reduce the number of units that can be supported by this funding it will ensure delivery can be maximised within the funding timeline.

6. Background Documents

None

7. Appendices

Appendix A – Executive report - s106 Affordable Housing Commuted Sum Allocation 5 November 2015

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