

Committee: Cabinet

Date: 15th September 2014

Wards: Lavender Fields Ward

Subject: Allocation of s.106 monies for affordable housing

Lead officer: James McGinlay, Head of Sustainable Communities

Lead member: Councillor Andrew Judge, Cabinet Member for Environmental Sustainability and Regeneration

Contact officer: Tim Catley

Recommendations:

- A. To authorise the allocation of £80,000 S.106 funding towards the delivery of new affordable housing in the borough, specifically at the development at 191-193 Western Road, Mitcham.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to seek authorisation of Cabinet to allocate £80,000 of S.106 funding towards delivery of 21 affordable housing units as part of the development at 191-193 Western Road, Mitcham. These funds come from the S.106 monies received by London Borough of Merton for the purpose of delivering new affordable housing.
- 1.2. It is Council procedure that any addition of £50,000 or more to the Capital Programme must be authorised by decision of Cabinet.

2 DETAILS

- General S.106 Considerations
- 2.1. S.106 of the Town & Country Planning Act 1990 (as amended) permits Local Planning Authorities to enter into agreements with applicants for planning permission to regulate the use and development of land. This may involve the payment of a financial contribution for off site works. The Council currently has £365,643.20 made up of S.106 contributions for affordable housing from housing developments throughout the borough. This is separate from the S.106 fund from housing schemes of 9 units or less.

- 2.2. The Community Infrastructure Regulations 2010 require that a planning obligation must be
- i. Necessary to make the development acceptable in planning terms
 - ii. Directly related to the proposed development
 - iii. Fairly and reasonably related in scale and kind to the proposed development

Allocation of monies towards new affordable housing

- 2.3 The project that is the subject of this report is the provision of additional affordable housing units as part of a development at 191-193 Western Road Mitcham.
- 2.4 The proposed housing development (planning application reference number 14/P1241) which involves the Demolition of the existing buildings (940 square metres of B8 floor space) and the redevelopment of the site for residential purposes (48 residential units in three and four storey buildings comprising 11 one bedroom flats; 21 two bedroom flats, 14 three bedroom houses and 2 four bedroom houses).
- 2.5 Policy CS8 of the council's adopted Core Planning Strategy requires developments involving 10 or more residential units to provide of an equivalent of 40% of those dwellings as affordable onsite. The policy states that in seeking affordable housing provision the council will have regard to site characteristics such as site size, site suitability and economics of provision such as financial viability issues
- 2.6 The London Plan requires that negotiation on sites should take account of their individual circumstances including development viability and the availability of public subsidy.
- 2.7 The applicant's financial viability appraisal in relation to the scheme was independently assessed on behalf of the Council. The assessor concluded that 40% could be generated from the scheme in viability terms. However, the applicant has contended that this would not be feasible as it would involve the mix of affordable and market housing in one of the blocks of accommodation (40% in viability terms would require the provision of 8.2 shared ownership units and 1.8 open market units in Block C), which because of associated servicing and maintenance difficulties would not be a feasible option for a registered affordable housing provider.
- 2.8 The independent assessor has agreed that a public grant would be required to facilitate the transfer of the whole block of accommodation to the registered provider with the grant being equivalent to the loss of value attached to the transfer of what would have been market housing to the registered provider for affordable housing. Following discussions with the registered provider the amount of grant that is considered necessary to secure this transfer would be £80,000.

- 2.9 This level of S.106 funding would be no more in value terms than the shortfall between achieving 21 affordable housing units on the site in two affordable housing blocks and what can be viably provided by the development without a contribution from the Council. The terms of the grant will require the provision of 21 affordable housing units and 100% nomination rights to the council as far as nominating persons to take up the affordable housing dwellings delivered as part of the development is concerned.
- 2.10 Planning Applications Committee resolved at its meeting on 21 August 2014 to grant planning permission for the development subject the completion of a S106 agreement, with the provision of 21 affordable housing units on-site, subject to confirmation that Cabinet had approved the grant of support funding by 16 September 2014. The fall-back resolution, was for 11 affordable rented units together with an off-site financial contribution equivalent to on site affordable housing provision or that which is possible as part of a viable development as confirmed by the independent third party assessor. The recommendation to members is to accordingly approve the allocation of the S.106 monies.

3 ALTERNATIVE OPTIONS

- 3.1. If Cabinet was not to authorise the allocation then the opportunity to secure on site provision of 10 shared ownership units would be lost.
- 3.2. The alternative option (i.e. the fall-back resolution of Planning Applications Committee set out in paragraph 2.10) for a payment in-lieu with onsite provision of the remaining 11 affordable rented units. The payment in lieu, which would be £100,000, has been calculated to be the equivalent in value terms to the impact upon development viability for the provision of the 8.2 shared ownership units in Block C. This payment in lieu would be paid to the council for provision of affordable housing elsewhere in the borough.
- 3.3. The aim of the S.106 funds is to increase the amount of affordable housing in the borough.
- 3.4. There is a limited supply of deliverable housing schemes in the near future, and targeting the S.106 funds at the Western Road scheme would provide a deliverable solution.
- 3.5. The types of sites for which might be available to spend the payment in lieu of £100,000 are not certain, and it is considered that the number of affordable housing units that could be delivered with that sum is unlikely to come close to the 8.2 units that would be delivered on this site. This is particularly the case given that the funds are used to purchase additional units on sites for affordable housing that would otherwise have been sold on the open market and which would not attract an alternative public subsidy.
- 3.6. While the amount of CIL revenues would be larger with the alternative option (initially estimated as £131,000 higher), given the CIL relief that is available to affordable housing units, this is not considered to be significant enough together with the £100,000 payment in lieu to offset the value gained by on-

site provision of 10 shared-ownership units with the £80,000 investment recommended to Cabinet.

- 3.7. The allocation of £80,000 that is subject of this report is therefore considered a good value for money investment.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. The planning application followed the requisite statutory public consultation procedure, and the proposal has been approved by the Planning Applications Committee.
- 4.2. The council's Housing Development Team were consulted prior to Planning Applications Committee and have confirmed their support for this proposal.

5 TIMETABLE

- 5.1. As set out in paragraph 2.13.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. The S.106 funds referred to in this report have been received by London Borough of Merton and are available to be spent in the manner agreed by Council, subject to any restrictions contained in the agreements.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The Council would have 100% nomination rights for both schemes in perpetuity.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. The planning application was considered in the light of the Human Rights Act. The S.106 contribution was secured towards community benefits to mitigate the impact of the development granted planning permission. The proposed allocations would be in strict accordance with the terms of the S.106 Agreement. As a consequence, equalities and community cohesion implications are taken into account.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. There would be no crime and disorder implications associated with the allocation of the above contribution.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. The proposed expenditure of the S.106 monies is towards the general purposes specified in the respective S.106 agreements and would enable

new affordable housing to be built in the borough to meet housing need in the absence of any external grant funding from the GLA or any other grant funding bodies. Therefore this proposal is considered sound from a risk management perspective. There are no health and safety implications.

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

12 BACKGROUND PAPERS

12.1. None

This page is intentionally left blank