

Report of the Director of City Development

Report to Executive Board

Date: Wednesday 21st September 2016

Subject: Investment of Affordable Housing Planning Obligation Funding

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): All		
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number: Appendix number: Not applicable		

Summary of main issues

1. The provision of new Affordable Housing is a priority for the Council and is outlined within the Best Council Plan; providing enough homes of a high standard in all sectors. Alongside this, there is a requirement to ensure that housing growth is delivered to meet the needs of the city. This is set out within the Core Strategy for 70,000 new homes to be developed in the period up to 2028 through sustainable growth and underpinned by the Housing Growth and High Standards in All Sectors Breakthrough Project.
2. As part of the 70,000 housing delivery target, there is an affordable housing delivery target of 1,152 per annum. The delivery of the target will be supported by the investment of planning obligation funding as outlined within the report.
3. The activity being delivered as part of the housing growth agenda and through affordable housing delivery supports the Leeds ambition of a Strong Economy and Compassionate City.

Recommendations

4. The Executive Board is requested to:
 - I. Note the content of the report;
 - II. Provide authority to spend for the schemes listed at 3.9 of the report.

1 Purpose of this report

- 1.1 The purpose of the report is to provide the Executive Board with an overview affordable housing planning obligation funding (Commuted Sums) and to seek approval for the investment of this funding into a range of new supply affordable housing schemes.

2 Background information

- 2.1 City Development Directorate currently holds an unspent balance of Affordable Housing Section 106 monies paid by developers in order to fulfil respective planning obligations in lieu of the provision of Affordable Housing units on site, as per policy H5 of the Core Strategy.

Policy Context

- 2.2 National Planning Policy Framework, and prior to this Planning Policy Guidance 3 (PPG3) (Housing), defines affordable housing as including “social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market”. It goes on to define social rented and intermediate housing as follows:

- *Social rented affordable housing is rented housing owned and managed by local authorities and registered social landlords (i.e. Housing associations) for which guidance target rents are determined through the national rent regime (the Housing Corporation).*
- *Intermediate affordable housing is housing at prices and rents above those of social rent, but below market price or rents. These can include shared equity/ ownership, low cost homes for sale and intermediate or submarket rent.*

- 2.3 Through the use of planning obligations (section 106 agreements), the Council will look to secure affordable housing contributions from developers where the threshold is met. A development of 10 or more residential units, dependent upon the affordable housing zone, will be expected to provide an affordable housing contribution in line with the Council policy.

- 2.4 Developer contributions towards affordable housing can be delivered in three ways:

- *On Site Provision – where affordable housing is provided on the development site by the developer;*
- *Off Site Provision – where affordable housing is provided on an alternative site by the developer;*
- *Provision of planning obligation funding (Commuted Sums) – a financial contribution paid to the Council instead of the developer providing affordable housing on site to be used for new affordable housing elsewhere within the Council’s area*

- 2.5 Planning obligation funding can be used for the provision of new affordable housing for the purposes defined in NPPF and can include new build properties and bringing empty homes back into use. It can be used to offer a number of tenures including social and affordable rent and intermediate home ownership such as Shared Ownership or equity loan. The acquisition of land within the Council’s area to be used in perpetuity for Affordable Housing could also be explored.

2.6 It is also to be noted that the Housing & Planning Act 2016 will have implications on the provision of affordable housing and future generation of funding, given the introduction of Starter Homes and impact of the suggested requirement of 20% of new homes to be provided as starter homes on sites above a specified size.

2.7 Alongside this, the Council is expecting to receive planning obligation funding payments in relation to a number of City Centre Private Rented Sector (PRS) / Build-to-Rent schemes which are currently at initial development proposal or planning application stage. It is suggested that any sums generated from such developments are utilised to unlock development sites and support the delivery of a mix of tenures on other major developments, for example, Hunslet Mill.

Criteria for spend

2.8 From a Planning Policy perspective there are several requirements for a proposed scheme to be eligible for planning obligation funding:

- *To provide additional affordable housing units;*
- *Proposals must fall within the definition of affordable housing;*
- *The housing must remain affordable in perpetuity;*
- *Sums should not be used to fulfil any of the roles which RPs and the local Housing Authority should be fulfilling anyway;*
- *On some occasions, there are restrictions in terms of spatial location on where the monies should be committed these will need to be factored into the process.*

Previous approvals and spend to date

2.9 Planning obligation funding used to date and approved via the Directors Delegation Scheme, was for £200,000 to bring seven long term empty properties into use as affordable housing via an interest free loan facility to a third sector housing provider.

Current planning obligation funding balance and location of spend

2.10 Generally, resources can be spent within the Council's administrative area and do not have to be spent within the area/Ward in which generated since the justification for provision is based on evidence of housing need for the whole of Leeds housing market area.

2.11 In some instances, through the planning approval process, Members have expressed a preference for the sums to be used in a particular way or in a specific locality. In these historical cases, the spending of funding is restricted to the area where the sum was generated. In some instances, it has proven difficult to identify available sites or schemes within a specified geographical area that meet the criteria for spend. Sometimes the sums accrued are relatively small and need to be pooled with other funding in order to generate sufficient resources necessary to deliver a scheme.

2.12 This funding enables investment to be made in schemes across the city that that can support the delivery of major regeneration initiatives, for example, Hunslet Mill, and assist with undertaking interventions at scale. Further work is currently being undertaken on identifying investment opportunities and a report presenting potential options will be submitted to the Executive Board at a future date.

3 Investment of Affordable Housing Planning obligation funding

- 3.1 Through the Housing Growth and High Standards Breakthrough Project, a strategic investment approach is taken to the identification of site specific opportunities for the provision of new affordable housing, as well as co-ordinated investment in major regeneration schemes and neighbourhood regeneration framework activity.
- 3.2 Work has been undertaken to highlight a number of opportunities for investment in affordable housing to support both general needs and specialist housing provision. This will augment funding already secured through the Homes & Communities Agency and Right to Buy Replacement Programme providing additional properties.

Additionality to Council Housing Growth Programme (CHGP)

- 3.3 Planning obligation contributions to the CHGP, which is primarily funded through the Housing Revenue Account and the Homes & Communities Agency's Affordable Housing Programme, will allow the resources to go further and provide additional units to the existing programme. The proposals set out at point 3.9 requests approval to allocate £1.511m of funding which will contribute towards the delivery of 117 units
- 3.4 It will also provide an opportunity for resources with historic restrictions on where they can be spent to be committed and support the delivery of key strategic schemes within the programme, such as Extra Care housing, which falls within the definition of affordable housing.

Bespoke Properties

- 3.5 The Council has identified a lack of housing for families with specific needs, where a family member has a physical or learning disability and requires a property built to Part M Accessibility Building Regulations with some specific additions made to meet that family's requirements. An initial pilot of 10 bespoke properties is intended to be developed on sites identified in areas of demand based on data provided by Children's Services and Adult Social Care.
- 3.6 Registered Providers will take forward the development of bespoke properties through their own resources. The Council can also make funding available for up to 30% of these individual scheme costs through its Right to Buy Replacement programme, which enables recycling of receipts from sales of Council homes under the right to buy programme. Alongside this, it is intended that planning obligation funding will be set aside to assist in any shortfall in development costs due to the significantly higher development cost when compared to a standard general needs property.

Gypsy & Travellers Provision

- 3.7 At City Plans Panel on 28th July 2016, support was given to a temporary planning permission for a period of 10 years for pitches at Kidacre Street, with a project team working up proposals for a development at the location. There is currently a lack of provision of pitches across the city, which has been identified in the Core Strategy, and therefore the development constitutes as affordable housing in accordance with the definition provided. A 10 year permission has been granted

due to the site being located along the proposed HS2 route. The proposed scheme would provide eight modular units including a kitchen and bathroom. The rationale behind provision of modular units is to enable their relocation when required, thereby ensuring the benefit of the investment made in the affordable housing units after the 10 year temporary permission expires. As per the criteria for utilisation of planning obligation funding, the money invested in the ground works at the site will be recovered through the sale of the land for HS2. This will ensure that the funding can be recovered and re-invested into other schemes which will provide Affordable Housing in perpetuity.

Other schemes

- 3.8 For future Affordable Housing provision, the Housing Growth Team will continue to identify opportunities for strategic use of funding on key sites, unlocking regeneration opportunities that may have otherwise been unable to proceed. The Housing Growth Board will maintain an overview of planning obligation funding balances and will lead the discussion regarding future strategic investment proposals.

Scheme specific proposals

- 3.9 The table below sets out the proposed scheme specific contributions of planning obligations towards a range of housing growth developments which will support the provision on new housing. The table outlines the details of the scheme, the amount requested and whether the scheme is to utilise any Ward specific contributions:

Scheme	Ward	No. of Units	Tenure	Planning obligation funding	Scheduled Completion
The Garnets, Beeston	Beeston & Holbeck	25 x 2 and 3 bed houses	Council – affordable rent	£373,360 utilising City & Hunslet Ward specific sums	Autumn 2017
Westerton Walk, Tingley	Ardsley & Robin Hood	60 x 1 and 2 bed Extra Care apartments	Council – affordable rent and shared ownership	£162,500 utilising Ardsley & Robin Hood Ward specific sums	Summer 2018
Broadleas, Bramley	Bramley & Stanningley	24 x 2 and 3 bed family homes	Council – affordable rent	£192,000	Autumn 2017
Cardigan Green (former Lord Cardigan PH), Bramley	Bramley & Stanningley	Acquisition of 8 units for Council housing (70% contribution)	Council – affordable rent	£784,000	Autumn 2016
Bespoke properties programme	City-wide; locations to be identified	10 properties, a mix of	RP – affordable rent	£500,000	Summer 2017

	with services.	bungalows and semi-detached properties			
Kidacre Street, Hunslet	City & Hunslet	Provision of 8 pitches for Gypsy and Travellers	G & T pitches	£742,250	Summer 2017

3.10 Alongside the use of the planning obligation funding, the Council and Registered Providers will also be utilising an additional £22.3m towards the above developments; so for every £1 allocated, £8 will be invested from other funding sources.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.2 Executive Members for Regeneration, Transport & Planning and Communities have been consulted as part of the drafting of this report via the Housing Growth Elected Members Steering Group and are supportive of the investment proposals outlined.

4.1.3 Ward Member consultation has been undertaken on site specific proposals and regular updates will continue to be provided throughout scheme development and delivery.

4.1.4 Where there is an intention to use Ward specific planning obligation funding, correspondence has been sent to Ward Members to request their views on the investment proposals. At the time of writing this report, feedback hasn't been received from all Ward Members and any views received subsequently will be reported at Executive Board as appropriate.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 The Equality and Diversity/Cohesion and Integration screening document has been completed to ensure due regard to equality issues. This is attached for reference at Appendix 1.

4.2.2 The recommendations in this report have a number of positive equality outcomes. The primary focus is to provide additional Affordable Housing which will have a beneficial impact for socio-economic equality groups. Alongside this, investment into specialist housing will also have positive impacts for older people, people with disabilities and carers.

4.3 Council policies and the Best Council Plan

4.3.1 The proposals outlined within the report supports the delivery of the 2016/17 Best Council Plan priority of providing enough homes of a high standard in all sectors and contributes towards the delivery of the Best Council Plan outcome of everyone in Leeds to live in good quality, affordable homes within clean and well cared for places.

4.3.2 Delivery of new affordable housing is an integral part of the Housing Growth and High Standards in all Sectors breakthrough project.

4.3.3 The delivery of affordable and specialist housing across Leeds underpins the Council ambition for Leeds of a Strong Economy and a Compassionate City.

4.4 Resources and value for money

4.4.1 Additional New Homes Bonus payments will be generated through the construction of the new housing which planning obligation funding will be supporting. Alongside this, additional Council Tax payments will be received by the Council, as well new rental income from the properties being developed as part of the Council Housing Growth Programme.

4.4.2 It is also to be acknowledged that the investment of the Planning obligation funding will be utilised alongside HCA, HRA and Right to Buy Replacement grant funding totalling c£22.3m.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The use of planning obligation funding monies will be in accordance with the National Planning Policy Framework and can only be used for affordable housing purpose, and in line with the requirements set out in the section 106 agreements.

4.5.2 There is no exempt or confidential information contained within this report.

4.5.3 This report is classed as a key decision and is subject to Call In.

4.6 Risk Management

4.6.1 It is considered that the recommendations in this report will have no adverse risks to the Council as all schemes that will benefit from the investment of planning obligation funding be compliant with the criteria for spend outlined at 2.7.

5 Conclusions

5.1 The utilisation of planning obligation funding outlined as proposed within the report provides the opportunity to create additionality to Affordable Housing schemes which are already proposed to be delivered as part of the new supply activity. Moving forward, there is a clear strategy for investment of new sums which will support strategic regeneration priorities and further underline the Council priority of providing enough homes of a high standard in all sectors.

6 Recommendations

6.1 The Executive Board is requested to:

I. Note the content of the report;

II. Provide authority to spend for the schemes listed at 3.9 of the report.

7 Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.