

Report to Cabinet

Subject: Allocation of capital funding for affordable housing

Date: 16 October 2014

Author: Service Manager, Housing & Localities

Wards Affected

St James

Purpose

- To seek approval to draw down and allocate £114,000 of the commuted sums held for affordable housing development by way of a grant to Nottingham Community Housing Association to support redevelopment of the site of the Cavendish public house, Cavendish Road, Carlton.
- To set out the background to the proposal.
- To itemise the considerations officers have taken into account when developing the proposal.

Key Decision

This is not a Key Decision.

Background

- 1.1 The Council has a defined approach to support the delivery of affordable housing in the borough. This process identified the potential for two sites – The Grove (a former public house at Daybrook) and a former play area on Dunstan Street in Netherfield – to be tendered to the Council's selected developer partners in a mini competitive process to identify the best outcome for the Council's resources. The decision was also taken to tender £152,700.00 of the Council's £458,700.00 commuted sum as part of this process.
- 1.2 The developer partners were invited to tender for one, two or all of the options, and two of the developers made submissions, each for all three options.
- 1.3 This report details the commuted sum. Two further reports, for the Portfolio

Holder for the Environment, will also be written seeking permission to transfer the two sites to the successful tenderer.

- 1.4 With regard to the Council's commuted sums, on three occasions since 2010, the Council has accepted financial contributions from residential developers *in lieu* of providing affordable housing on site as a planning obligation under section 106 of the Town and County Planning Act 1990. The Supplementary Planning Document on Affordable Housing sets out the Council's policy in this regard. These contributions are known as "commuted sums".
- 1.5 Commuted sums are subject to a legal agreement with the developers concerned under s. 106 of the Act, requiring that the Council must use them to fund the development of affordable housing in the Borough. The Council does not have discretion to use the money for any other purpose. The agreements stipulate that any sums not spent by the Council within 10 years of receipt must be repaid with interest. The first commuted sums would fall due for repayment in 2020.
- 1.6 The commuted sums held by the Council are as follows:

Date received	Site	Value	Date repayment due
28 Jan 2010	Parry Court, Mapperley	£180,000	28 Jan 2020
18 May 2011	Parry Court, Mapperley	£84,735	18 May 2021
3 Aug 2011	Chapel Lane, Ravenshead	£50,000	2 Aug 2021
8 May 2013	Spring Lane, Mapperley	£318,000	8 May 2023

£174,035 of the commuted sums received was committed to the purchase of the former Grove public house, Daybrook, in March 2013. The total remaining balance is therefore £458,700. Members will recall that at the Cabinet meeting on 15 January 2014, it was agreed to tender the commuted sums to fund housing associations to build affordable housing. Options on how best to use the remaining commuted sum are currently being appraised.

- 1.7 On 2nd April 2014, the Corporate Director authorised a process to select two or more Registered Providers of Social Housing as development partners, to be eligible to receive grant funding and land at nil cost for affordable housing. Adverts were placed in Inside Housing magazine and on the Source Nottinghamshire procurement website, and all Registered Providers with stock in the Borough were contacted directly.

- 1.8 On 21st July 2014, the Leader of the Council approved the appointment of Gedling Homes, Derwent Living and Nottingham Community Housing Association (NCHA) as the Council's development partners, and also approved a tender process for the disposal of the Grove, former play area on Dunstan Street and allocation of existing commuted sums. Partners had the opportunity to tender for the commuted sums, along with the site of the former Grove public house, and land at Dunstan Street, Netherfield, with the option to tender for any one of the three elements on offer, or any two, or all three.
- 1.9 Two compliant tenders for use of the commuted sums were received, from Gedling Homes and from Nottingham Community Housing Association (NCHA).
- 1.10 The proposal from NCHA was to use £114,000 of commuted sums as a part-contribution to a development of 38 new homes on the site of the former Cavendish public house, Cavendish Road, Carlton. 31 units would be for Affordable Rent and 7 for shared ownership. Plans for this development are well advanced, and a full planning application has been submitted (2014/0559), which is scheduled to be determined in October 2014.
- 1.11 The tender document set out the criteria that would be used to assess the proposals. Following assessment, the proposal from NCHA scored higher than that from Gedling Homes for the following reasons:
- a. It represented better value for money, supporting 38 units for £114,000, at a grant rate of £3,000 per unit.
 - b. Development could commence sooner, with a projected start on site date of January 2015.
 - c. It is projected to create more benefit in terms of work experience placements, apprenticeships and skills.
 - d. Projected rents for the new homes are lower and within Local Housing Allowance rates.
- 1.12 The Council's proposed contribution represents only a small part of the project cost, with the bulk of the funding coming from the Homes & Communities Agency (HCA) and NCHA's own borrowing. However, it is a vital contribution, as the HCA funding was secured on the basis that the commuted sums would be available as match funding, and could thus be at risk should the Council decide not to proceed.
- 1.13 For the avoidance of doubt, officers provided clear advice to NCHA that commuted sums would be allocated through a competitive process and subject to member approval, and therefore they should not rely on them being available. This message was repeated to the HCA when the Council were consulted about NCHA's funding bid. NCHA have therefore bid for

HCA funding, and the HCA have allocated it, in full knowledge of the situation.

1.14 The benefits of the proposed scheme are:

- Affordable Rent homes provided for up to 97 people from the Council's Housing Register, allowing the Council to meet its duties under Part VI (allocation of accommodation) and Part VII (homelessness) of the Housing Act 1996 more quickly.
- Shared ownership homes provided for 7 households who would not otherwise be able to afford to own their own home, housing a maximum of 21 people.
- Accords with the priorities of the Gedling Plan 2014/15 and the Housing Delivery Plan to provide more affordable homes.
- Investment of £4 million in construction and professional fees, which will benefit local businesses and secure jobs, along with safeguarded work for four apprentices and potential for school workshops, 16+ work experience placements and training to be provided to the workforce.
- Reputational benefit to the Council in bringing a derelict and neglected site back into productive use.

The payment of the funding would only proceed after planning permission had been granted for an affordable housing development.

2.1 Proposal

The proposal is that the Council should allocate £114,000 from the commuted sums held to Nottingham Community Housing Association to support the affordable housing development described in this report. The funding will be subject to a grant agreement with NCHA. The section 106 commuted sum will need to be drawn down in support of this project and a budget required in the capital programme.

3.1 Alternative Options

The commuted sums held cannot be expended for any purpose other than the development of affordable housing in Gedling.

Housing associations rely on public subsidy towards the capital cost of building affordable housing. There is a large need for affordable housing in Gedling, and the Council has very limited other options as to how to meet this need.

The only alternative to making a grant to a housing association would be for the Council to spend the money directly on procuring properties that it would then own and potentially manage. For the commuted sums currently available, this would not represent value for money. It is estimated that a

maximum of one unit could be procured for the £114,000, rather than supporting the development of 38. This would be a significant change in the Council's approach to housing provision, and is beyond the scope of this report.

A further option would be not to award NCHA any commuted sum.

4.1 Financial Implications

The proposal has no cost to the Council. The commuted sum funding held cannot be used for a purpose other than the development of new affordable housing.

The proposed development would provide 38 new affordable homes, which would attract New Homes Bonus plus an additional 25%.

5.1 Appendices

Appendix 1 – site plan

Appendix 2 – site photos

Appendix 3 – indicative development layout and artist's impression

Background Papers

6.1 Report to the Leader of the Council on the delivery of affordable housing, 14 July 2014.

7.1

Recommendation

THAT approval is given to:

- a) Draw down £114,000 of the commuted sums held for affordable housing development in support of this project; and**
- b) allocate it to Nottingham Community Housing Association, subject to the terms of a grant agreement.**

Reasons for Recommendations

7.1 To secure the development of new affordable homes in the Borough, in accordance with the aims of the Gedling Plan 2014/15 and the Council's Housing Delivery Plan.

To secure best value for the capital funding available.

Further information on the subject of this report is available from:

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Appendix 1 – site plan



Appendix 2 – site photos



Extracted from plan by Pelham Architects. Do not use as definitive.



aerial view of proposed development

Extracted from submission by Pelham Architects. Do not use as definitive.