

TRAFFORD COUNCIL

Report to: Executive
Date: 17th September 2018
Report for: Decision
Report of: Executive Member for Housing and Communities

Report Title

Trafford Affordable Housing Fund

Summary

This report proposes the establishment of a 'Trafford Affordable Housing Fund' using Section 106 Commuted Sum monies. It identifies the priorities of the Fund and the process for utilising the Fund in partnership with Registered Providers.

Recommendation(s)

It is recommended that the Executive approves the establishment of a Trafford Affordable Housing Fund financed by S106 Commuted Sum monies, and the approach for approving applications to the Fund as set out in paragraph 6.3.

Contact person for access to background papers and further information:

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Appendix One: Affordable Housing S106 Contributions Schedule (*contributions received*)

Appendix Two: S106 Affordable Housing Spend Research

Background Papers: None

Implications:

Relationship to Policy Framework/Corporate Priorities	The establishment of the 'Trafford Affordable Housing Fund' will meet the following Corporate Objectives: <ul style="list-style-type: none"> • Economic Growth and Development • Services Focused on the Most Vulnerable People <p>In addition, the 'Trafford Affordable Housing Fund' will meet the requirement as detailed within the Trafford Housing Strategy Action Plan 2018-2023.</p>
Relationship to GM Policy or Strategy Framework	The GM Strategy 'Our People, Our Place' commits to the provision of safe, decent and affordable housing across GM. The establishment of the 'Trafford Affordable Housing Fund' enables the Council to co-ordinate the spend of S106 Commuted Sum monies to increase the supply of 'safe, decent and affordable housing' in Trafford, and therefore contributes to the GM commitment. The Fund will also complement the emerging GM Housing Strategy.
Financial	The proposed 'Trafford Affordable Housing Fund' will be financed from S106 commuted sums monies and will therefore adhere to any geographical and other conditions as identified in the S106 agreements.
Legal Implications:	None as a consequence of this report.
Equality/Diversity Implications	None as a consequence of this report.
Sustainability Implications	None as a consequence of this report.
Resource Implications e.g. Staffing / ICT / Assets	The management of the 'Trafford Affordable Housing Fund' will be undertaken within existing resources.
Risk Management Implications	None as a consequence of this report.
Health & Wellbeing Implications	None as a consequence of this report.
Health and Safety Implications	None as a consequence of this report.

1.0 Background

- 1.1 The Council secures commuted sum contributions for affordable housing via Section 106 (S106) Agreements, the policy framework of which is set by the Core Strategy and Supplementary Planning Guidance 1 – Planning Obligations (SPD1). Commuted sums are negotiated between the Council and developers where the provision of affordable housing on-site is not deemed to be financially viable or appropriate by the developer. Depending on the S106 Agreement entered into, the utilisation of commuted sums contributions for affordable housing can vary from being for a specific locality linked to the development site, or within the borough as a whole.
- 1.2 The total amount of S106 monies held by the Council for the provision of affordable housing is currently c£1.56m and is broken down as follows:

Area to receive S106 affordable housing contributions	Total Affordable housing balance available per area after commitments
Within Administrative Boundary of Trafford	£224,121
Altrincham	£1,286,613
Sale	£45,600
Total S106 affordable housing contributions across all areas	£1,556,334

- 1.3 A Schedule on what the S106 monies can be spent on and by when, for each area, is attached as Appendix 1. As can be seen, the majority of the s106 monies are area/site specific, however it is worth noting that c£655k of the monies for Altrincham could be used for affordable housing provision outside the area if schemes are unable to come forward. It is also worth noting that two S106 Agreements for Altrincham totalling c£500k expire in 2020.
- 1.4 In addition to the monies received, additional S106 monies are due /due once certain trigger points have been met which currently equates to c£2.8m. However the Council cannot be certain whether this full amount will be received as some developments may not come forward, while some have overages upon the affordable housing contribution meaning that until the S106 trigger is met and any required viability assessments have been undertaken, it is not possible to guarantee that the full affordable housing contribution will be received. Also, some developments will only be required to provide the affordable housing contribution if onsite/offsite affordable housing units are not provided.

2.0 S106 Commuted Sums Research

- 2.1 Research has been undertaken to determine how GM authorities and other LAs utilise their S106 commuted sums (see Appendix 2).
- 2.2 In summary the majority of LAs are utilising S106 commuted sums monies for the following:
- (i) Delivering new social and affordable housing directly by Registered Provider (RP) partners.
 - (ii) Delivering new social and affordable housing through Joint Ventures with private and public sector companies.

3.0 Strategic Context

- 3.1 The Council is committed to increasing the provision of affordable housing in the borough to meet the needs of local residents. The establishment of the Fund will play a key part in this and complements government initiatives such as the Shared Ownership and Affordable Homes Programme (SOAHP), which is a Homes England grant that provides funding to increase the provision of affordable homes with Registered Providers in England. In the current 2016-2021 programme, Trafford has been allocated c£7.6m in grant funding from Homes England to provide 301 units of affordable accommodation up to 2021.
- 3.2 The Fund meets the Corporate Objectives of 'Economic Growth and Development' and 'Services Focused on the Most Vulnerable People', contributes towards the Trafford Vision 2031 complements the Greater Manchester Strategy and the emerging

Greater Manchester Housing Strategy. The Fund is also a key initiative as identified within the Trafford Housing Strategy 2018-2023.

4.0 Affordability Issue in Trafford

- 4.1 Trafford has excellent transport links, schools, parks, quality of homes and improving town centres which means the borough is a popular location to live in and a strong attraction for families. Due to its high demand, there is an affordability 'gap' since the ratio between average incomes and average property prices is 8.35, which far exceeds the ratio of 3.5 times the average salary, which mortgage companies base their lending criteria on. Based on average wage levels and the average costs of properties, households in Trafford need an additional income of £25,000 to be able to buy a property. Trafford's housing market, in effect, acts like a 'southern borough' compared to the rest of GM.
- 4.2 Trafford also has a lack of supply, particularly in terms of social and affordable housing with only 5% of the total stock in GM. The largest numbers of social and affordable housing are in Old Trafford and Partington, which accounts for around 40% of all tenures in these areas. There is therefore a disparity in the spread of social and affordable housing which coupled with a lack of supply, further compounds affordability issues particularly for those residents living in the southern areas of the borough. Trafford also has a relatively small private rented sector and over the last 16 years it has grown at around half the rate compared to the rest of GM. Average rentals are £750 per month and due to the costs of accessing home ownership, demand is high and prices will increase.

5.0 A New Approach for Utilising S106 in the Borough

- 5.1 It is proposed that the Council utilises its S106 Commuted Sums monies to create a 'Trafford Affordable Housing Fund' which will be a grant for new build social rented accommodation across the borough. It is proposed that social rented accommodation is the priority; however in areas where the housing market needs to be balanced with intermediate affordable housing products, such as Rent to Buy and Shared Ownership, these types of affordable products maybe be considered. The focus on new build social rented accommodation is compliant with the S106 Schedule (Appendix 1).
- 5.2 The Council has excellent working relationships with the RP's in the borough and all key RP's are represented on the Strategic Housing Partnership (SHP). It is proposed to use this group as the proactive mechanism for promoting the Fund and calling for schemes. Schemes will have to comply with the requirements set out in the conditions of the S106 monies received in terms of geographic area etc. as detailed in Appendix 1. This approach is comparable to that adopted by other local authorities Working with the RPs will be essential to deliver new build social rented affordable homes as they have the knowledge and development expertise in this sector. The Council therefore has the opportunity to take a more proactive and leadership approach to use the Fund to lever in additional investment from RP's to deliver new social rented schemes. The Fund will enable the Council to stimulate the supply of social rented homes and meet priorities as set in the Trafford Housing Strategy 2018-2023.
- 5.3 The Fund will be allocated in the form of a grant and will track the grant rate set by Homes England for social rented housing which is £50k per unit. Based on a Fund 'pot' of £1,556,334, this grant rate would deliver 31 new social rented units. RP's will bid into the Fund and since the grant rate will be set at a maximum of £50k per unit, it is anticipated that schemes coming forward will vary in the grant rates required which

will enable the Fund to be spread wider and potentially deliver more units. In lieu of the anticipated S106 monies to be received by the Council identified in 1.3 above, the Fund should have the ability to over programme depending on the timeframe of schemes.

- 5.4 The Fund will not be used to ‘top up’ existing RP’s schemes; such as those grant funded from the Homes England Shared Ownership and Affordable Homes Programme (2016 to 2021), it will be used for the provision of new social rented units to meet the severe affordability gap the borough is facing. The Fund will also be used to secure wider socio-economic benefits as grants will be intrinsically linked to the delivery of job, apprenticeship, training and other social value benefits.

6.0 Allocating the Trafford Affordable Housing Fund

- 6.1 RP’s will be required to submit a formal application to access the Fund which will be based on the Homes England grant application form and a business plan/business case identifying the following:

- Number of units being delivered.
- Programme and certainty of delivery
- Type, size and tenure of units being delivered.
- Costs
- Funding required from the Trafford Affordable Housing Fund.
- RP financial contribution towards the scheme.
- Other funding secured for the scheme.
- Details and evidence to support the delivery of Trafford’s Housing Strategy 2018-2023.
- Evidence of meeting local housing need.
- Wider socio-economic benefits / social value (i.e. jobs, apprenticeship, training, work experience opportunities etc.).

- 6.2 RPs awarded monies from the Fund will be subject to the Council’s Nominations Agreement, where 100% of the new build properties, on first let, will be to those applicants on the Council’s Housing Register. The priority of the applicants will be determined by the Trafford Housing Allocations Policy.

- 6.3 In terms of the approval process, it is proposed that an internal project group comprising the Head of Strategic Growth, Housing Strategy Manager, Strategic Planning Manager and a representative from Finance and Legal carries out an initial review and shortlisting of applications to ensure compliance with S106 conditions. These will then be sent to the Corporate Director for Place for sign-off and submitted to CLT for consideration. Following this, the Corporate Director, in consultation with the Executive Member for Communities and Housing will then formally approve the applications. Allocations made from the Fund will also be reported as part of the Capital Programme monitoring process. Day to day management of the Fund will be carried out by the Strategic Housing Team.

7.0 Future S106 Agreements for Commuted Sums

- 7.1 Trafford has a major affordability issue caused by a lack of supply as highlighted in section 3.0 which affects all parts of the borough. Section 106 Agreements for affordable housing should therefore take full account of this and where practicable and

through negotiation, commuted sums monies should not be as specific and complex as to hinder the provision of affordable housing. Rather, they should support the provision of affordable housing throughout Trafford as a whole as a general principle. The current process for securing S106 commuted sums for affordable housing will therefore be reviewed with Development Management and Legal to determine if this principle can form the basis of S106 agreements going forward.

8.0 Other Options

8.1 An option would be not to establish the Trafford Affordable Housing Fund which could result in the S106 Commuted Sums monies not being spent and having to be returned to developers. Also without the Fund, the Council would not be able to stimulate the supply of social rented homes and meet the priorities as set in the Trafford Housing Strategy 2018-2023.

9.0 Consultation

9.1 A meeting was held with developer RP's on 9th August 2018 to inform them of the proposals to establish the Trafford Affordable Housing Fund and to stimulate discussions on a pipeline of schemes. The Fund was received positively by the RP's and ongoing discussions will take place to identify potential schemes.

10.0 Reasons for Recommendation

10.1 It is recommended that the Executive approves the establishment of a Trafford Affordable Housing Fund to increase the supply of social rented accommodation which is needed in the borough. The Fund will enable the Council to take a proactive role in working with RP's, and meet Corporate priorities to tackle the severe affordability issues that Trafford is facing to benefit local residents..

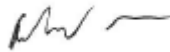
Key Decision: Yes

If Key Decision, has 28-day notice been given? Yes

Finance Officer Clearance ...PC.....

Legal Officer ClearanceCK.....

CORPORATE DIRECTOR'S SIGNATURE



To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

APPENDIX 1 - Affordable Housing S106 Contributions Schedule (Conditions for Spend)

The following tables show details of the current S106 affordable housing contributions available by the places in which they can be spent (as per the places identified in the Trafford Local Plan: Core Strategy adopted January 2012). Further detail of how and where each S106 contribution can be spent is set out in the individual S106 Agreements.

Please note that figures do not add up exactly due to rounding of figures.

Development Address	Area Receiving the S106 Contribution	Planning Agreement Number	Affordable housing balance available after commitments	Date of Receipt	Expiry Date	S106 details of how contribution can be spent	S106 details of where contribution can be spent
WITHIN THE ADMINISTRATIVE BOUNDARY OF TRAFFORD (BOROUGHWIDE)							
St John the Baptist Church, Thorley Lane, Timperley	Boroughwide	82704/FUL L/2014	£202,746	21/01/2016	21/01/2021	Affordable housing is defined by the Agreement as 'housing for people in housing need who cannot afford to rent or buy accommodation generally available on the open market'.	To be used on affordable housing located within the administrative area of the Council but not within the site.
Yew Tree Farm, Davyhulme Road, Flixton	Boroughwide	85566/FUL/15	£21,375	25/09/2018	25/09/2033	To use towards the delivery of off-site affordable housing provision.	To be used off-site.
TOTAL FOR BOROUGHWIDE			£224,121				

Development Address	Area Receiving the S106 Contribution	Planning Agreement Number	Affordable housing balance available after commitments	Date of Receipt	Expiry Date	S106 details of how contribution can be spent	S106 details of where contribution can be spent
ALTRINCHAM							
The Willows Stamford Brook, Altrincham	To be used in Altrincham but if unable to do so can be spent within the Borough of Trafford	H/55673	£284,397	Apr-12	Apr-20	Council covenants to use reasonable endeavours to ensure that all payments received will be used and expended towards the provision of affordable housing for persons in housing need.	To be used in the locality of the site but in the event it is unable to do so then such payments shall be used towards the provision of affordable housing for persons in need in the Borough of Trafford.
The Willows Stamford Brook, Altrincham	To be used in Altrincham but if unable to do so can be spent within the Borough of Trafford	H/55673	£249,763	21/08/2012	21/08/2020	Council covenants to use reasonable endeavours to ensure that all payments received will be used and expended towards the provision of affordable housing for persons in housing need.	To be used in the locality of the site but in the event it is unable to do so then such payments shall be used towards the provision of affordable housing for persons in need in the Borough of Trafford.
The Acorns, Stamford Brook, West Timperley	Altrincham	81630/ FULL/2013	£67,248	22/02/2016	22/02/2031	To be used for affordable housing provision in accordance with the provisions of Revised SPD1.	To be used in Altrincham

Development Address	Area Receiving the S106 Contribution	Planning Agreement Number	Affordable housing balance available after commitments	Date of Receipt	Expiry Date	S106 details of how contribution can be spent	S106 details of where contribution can be spent
Old Laundry Nurseries	Altrincham	87303/FUL	£468,825	10/04/2017	10/04/2029	To be used specifically towards schemes to provide new affordable housing schemes, programmes for bringing vacant properties back into use as affordable housing and improving or converting existing housing to make it suitable as affordable housing in the local area.	To be used in the local area of the development.
Hartington Road / Manchester Road	Altrincham	90138/FUL/2016	£95,000	11/10/2017	11/10/2032	To be used specifically towards schemes to provide new affordable housing schemes, programmes for bringing vacant properties back into use as affordable housing and improving or converting existing housing to make it suitable as affordable housing.	To be used in the local area of the development.
Jubilee Way / Land at Norman Road	Altrincham	82014/FUL/2013	£92,400	02/02/2018	02/02/2028	To be used for the provision of off-site affordable housing including the provision of new affordable housing, the purchase of land for the construction of affordable housing; and extensions adaptations alterations and	The Council will use its best endeavours to ensure that all such purposes are within the Altrincham area of the Borough of Trafford but if this is not possible to be

Development Address	Area Receiving the S106 Contribution	Planning Agreement Number	Affordable housing balance available after commitments	Date of Receipt	Expiry Date	S106 details of how contribution can be spent	S106 details of where contribution can be spent
						improvements to existing Affordable Housing.	within the administrative boundaries of the Council.
12 Janson Place	Altrincham	82014/FUL/13 & 87226	£28,980	06/06/2018 & 08/06/2018	06/06/2028 & 08/06/2028	To be used for the provision of off-site affordable housing including the provision of new affordable housing, the purchase of land for the construction of affordable housing; and extensions adaptations alterations and improvements to existing Affordable Housing.	The Council will use its best endeavours to ensure that all such purposes are within the Altrincham area of the Borough of Trafford but if this is not possible to be within the administrative boundaries of the Council.
TOTAL FOR ALTRINCHAM			£1,286,612				

Developm ent Address	Area Receiving the S106 Contribution	Planning Agreement Number	Affordable housing balance available after commitments	Date of Receipt	Expiry Date	S106 details of how contribution can be spent	S106 details of where contribution can be spent
SALE							
Fairburn House Ashton Lane Sale	Sale	86034/FUL/ 2015	£45,600	11/05/2017	11/05/2032	To be used specifically towards schemes to provide new affordable housing schemes, programmes for bringing vacant properties back into use as affordable housing and improving or converting existing housing to make it suitable as affordable housing in the local area.	To be used in the local area of the development
TOTAL FOR SALE			£45,600				

APPENDIX 2 - s106 Affordable Housing Spend Research

Organisation	Comments
Bolton	<p>Used S106 funds for affordable housing to facilitate the delivery of new affordable housing as part of a joint programme with Bolton at Home. Bolton transferred the Council's housing stock and associated land in 2011 to Bolton at Home. The Council took a decision to invest s106 monies alongside New Homes Bonus to support the development of new affordable housing on this land. The s106 and NHB monies sat alongside Homes England funding and Bolton at Homes investment, which in total enabled them to deliver 397 units over 6 years. Bolton intended to use this funding for surveys, demolition and remediation to de-risk some of their sites and bring them forward for delivery.</p>
Wigan	<p>Wigan historically had very little in s106 commuted sums paid. Wigan use the money to contribute towards their Local Authority Mortgage Scheme (LAMS). At the time it was a cash backed scheme and Wigan placed £1m, part of which was s106 monies, to secure 52 LAMS mortgages.</p> <p>Wigan are also currently working on a proposal to undertake a purchase and repair scheme on a cluster of empty properties in a particular area of the borough. In addition, Wigan are looking at acquiring some bungalows from the private sector to address a shortage of this type of property in the social sector.</p>
Birmingham	<p>Birmingham's 106 sums are directed to the Birmingham Municipal Housing Trust scheme, which is the brand name for the Council's new build programme.</p> <p>The Trust builds homes for social/affordable rent, market sale and PRS. S106s go towards funding the cost of building new Council homes.</p>
Islington	<p>In Islington, any affordable housing s106 funds the Council's new build programme. In the majority of cases the Council insists on affordable housing on site rather than a commuted sum. The Council insists on a contribution of £50K per unit on small sites (under 10 units) which is also included in the new build programme.</p>

Wakefield	<p>Wakefield has used s106 commuted sums money to bring empty homes back into use through two RPs.</p> <p>There is a need to provide more specialist and supported homes in the Wakefield District and as such they have used some of the commuted sum to assist with funding the two officer posts to deliver this.</p>
Craven	<p>In Craven, they have spent s106 commuted sums on developing a few sites the Council own for shared ownership housing (Craven is a non-stock holding authority). These sites are former garage sites and they have used sums (along with Homes England grant) towards build costs.</p> <p>The Council have also used commuted sums towards conversion costs of our homeless hostel into self-contained flats; again alongside grant.</p>
Wokingham	<p>Wokingham are using s106 commuted sums monies for the following:</p> <ul style="list-style-type: none"> • Fund regeneration of existing Council affordable housing in the borough. • Fund a Registered Provider or Wokingham Housing Limited (a Council owned subsidiary) to purchase properties on the open market for social, affordable, intermediate rent or for affordable home ownership options. • Fund a Wokingham Borough specific Equity Loan Scheme. • Fund purchase of land for development by a Registered Provider or Wokingham Housing Limited. • Make grant contributions to a Registered Provider or Wokingham Housing Limited towards site development and / or construction costs on land already owned by the Council or Registered Provider - to bring forward development and/or improve tenure mix and enhance affordability for rental and affordable home ownership options. • Create Tenants Incentive Schemes and other opportunities to promote targeted voids in existing Council stock, for re-letting to families (thus creating a cascade of voids in smaller units). • Fund a Registered Provider or Wokingham Housing Limited to purchase suitable completed new build units 'off the shelf' from a developer for rental / affordable home ownership.
Waverly	<p>Waverly are using s106 commuted sums monies for the following:</p> <ul style="list-style-type: none"> • To support the new build development of affordable housing or create additional, larger or a different tenure mix within the existing stock. • To provide 'top up' subsidy on schemes in order to make it

	<p>possible for a higher proportion of affordable homes for social rent.</p> <ul style="list-style-type: none"> • To fund extra units of affordable housing on alternative sites. • To contribute to forward funding / kick-starting of schemes or to reducing funding gaps within pipeline / current affordable housing schemes and other similar initiatives according to scheme circumstances and the funding climate.
Northumberland	<p>Northumberland are using s106 commuted sums monies for the following:</p> <ul style="list-style-type: none"> • Building new affordable homes. • Improvement to existing homes to make them affordable and sustainable. • Initiatives that will help to support the development of sustainable, long-term affordable homes. • Funding the affordable element of supported housing schemes. • Buying houses offered to the council under the Right of First Refusal, related to the 'Right to Buy' provisions to be let at affordable rent. • Buying land for affordable housing.
Ribble Valley	<p>Ribble Valley are using s106 commuted sums monies for the following:</p> <ul style="list-style-type: none"> • Support for a registered provider to develop accommodation to meet the specific needs of older people in the borough. • Support for registered providers for both the development and acquisition of affordable housing including facilitating any necessary works of improvement or repair. • Purchase of affordable units to meet an identified need. • Support for specific initiatives to regenerate the existing housing stock, eg empty property grants. • Support for specific schemes which are developed to provide permanent/temporary homes to meet an identified need, eg affordable accommodation needs single young people. • Purchase of land by the Council to facilitate the provision of affordable housing. • Support the development of community land trusts across the borough.