



**Corporate Policy &
Resources Committee**

**Thursday 23rd September
2021**

Subject: S106 Funding for Capital Programme

Report by:	Assistant Director Homes and Communities
Contact Officer:	Sarah Elvin Homes, Health and Wellbeing Team Manager sarah.elvin@west-lindsey.gov.uk
Purpose / Summary:	Agree the capital budgets for four projects to be funded from S106 affordable housing contributions held by WLDC.

RECOMMENDATION(S):

1. Approve new capital budgets and expenditure of £268,250 (£42,000 P3, Rough Sleeper Accommodation Programme (RSAP) and £226,250 Ongo, Stow Park Road Marton), funded from S106 contributions.
2. Approve expenditure of £1,600,000 and amendments to the existing capital schemes: £100,000 LEAP, Supported accommodation project; amendment from 10 properties to be purchased to 7 and £1,500,000 Lace Housing; extra Care Housing was being delivered by Lace at Linelands Nettleham, this is to be amended to Prebend Lane, Welton.

IMPLICATIONS

Legal:

Grant funding agreements will need to be in place for each project where S106 funding is allocated. These will be drafted by Legal Services Lincolnshire but the undertaking will be accepted by the partner receiving funding.

(N.B.) Where there are legal implications the report MUST be seen by the MO

Financial : FIN/70/22/B/JA

The Council holds £3,905,123.87 of S106 contributions, of which £3,771,594.73 is required to be spent on the delivery of affordable housing, £2,500.00 for Public Open Space and £131,029.14 held for health on behalf of NHS.

Affordable housing off site contributions received through S106 agreements are to be allocated and spent by WLDC to deliver affordable housing across the district.

The proposal requests a Capital Budget and approval to spend for the Affordable Housing Programme of new schemes totalling £268,250 (Section 6) and approval to spend existing budgets within the Capital Programme of £1,600,000 for the schemes set out in the report (Section 7)

After taking account of this expenditure, the balance of unallocated S106 contributions, for the delivery of affordable housing is £1,949,742.93.

Staffing :

None

Equality and Diversity including Human Rights :

Delivery and allocation of affordable housing is non discriminating and covered through the WLDC Home Choice Policy.

Data Protection Implications : None

Climate Related Risks and Opportunities :

The properties within two of the projects will improve the energy efficiency of the homes that are being brought back into use.

Section 17 Crime and Disorder Considerations :

None

Health Implications:

Housing affects health and health inequalities through cost, condition and security of tenure. Delivery of affordable housing can assist with ensuring we provide housing solutions offering choice, independence and security of tenure for our most vulnerable residents which will impact positively on their health.

Title and Location of any Background Papers used in the preparation of this report:

Wherever possible please provide a hyperlink to the background paper/s
If a document is confidential and not for public viewing it should not be listed.

Risk Assessment :

Not required

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

x

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

x

1. Introduction

- 1.1 S106 agreements are used within the planning process to mitigate the impacts of development and ensure that West Lindsey's infrastructure needs are fully met.
- 1.2 Those infrastructure needs are established at an early stage within the Local Plan making process. Evidence is gathered, publically consulted upon and then used to develop planning policy. Those policies are then also publically consulted upon and ratified by committee, before an Examination in Public. All consultation responses are agreed by Prosperous Communities Committee and all final Local Plan Policies are agreed by the Central Lincolnshire Joint Strategic Planning Committee.
- 1.3 It is these policies contained within the Central Lincolnshire Local Plan 2017, which provide the framework for S106 contributions to be requested, specifically LP11 Affordable Housing and LP12 Infrastructure. There is also a Supplementary Planning document, which provides additional detail and specifies calculations for contribution where appropriate. These policies and the Supplementary planning document can be found at this link - <https://www.n-kesteven.gov.uk/central-lincolnshire/>
- 1.4 What contributions are secured on each individual development is made by applying those policies to the development site. The final decision on those contributions is made by Planning Committee, either through a delegated decision in line with the constitution or by Planning Committee itself.
- 1.5 Obligations which can be secured using S106 agreements include:
 - Site-specific financial contributions - these are secured and must be used for defined purposes; for instance, the provision of education facilities, traffic and transport/highways related works, open space provision and affordable housing contributions (where accepted in lieu of on-site provision).
 - Provision of on-site affordable housing; and
 - Non-financial obligations, including requirements such as employment and skills strategies, construction management plans and travel plans.
- 1.6 It is important to note that as well as the obligation aligning with Local Plan Policy the contribution itself must also meet the three tests, as set out in the Community Infrastructure Levy Regulations 2010 (as amended). Where the request does not meet these tests, it cannot be secured as part of a S106 agreement. The tests are:
 - Necessary to make the development acceptable in planning terms
 - Directly related to the development

- Fairly and reasonably related in scale and kind to the development

- 1.7 In most circumstances, obligations secured within a S106 agreement are either delivered on site or result in commuted sums being paid to the Local Education or Highways Authority, in this case Lincolnshire Country Council; or are collected by WLDC on behalf of the NHS. The decision on what these projects are, are guided by the County Council or NHS are based on the need arising from the associated development.
- 1.8 Ordinarily, the only commuted sums West Lindsey District Council receive through s106 agreements are in relation to Affordable Housing. This report will explain the affordable housing contributions, the approach to spend of those and recommend the committee approve the capital budget for four projects requiring affordable housing commuted sums.
- 1.9 As of 31/07/2021 WLDC currently holds £3,771,594.73 required to be spent on affordable housing, £2,500 for Public Open Space and a further £131,029.14 is held on behalf of the NHS.

2. Affordable Housing Commuted sums

- 2.1 The preference for the delivery of affordable housing is on site provision. This ensures the delivery of a mixed tenure development designed to meet the needs of the population. However, there are times where on site delivery is not possible.
- 2.2 This can be due to the type of development, the style of housing or location. Equally, there are instances where the onsite affordable housing is secured within the S106 but for a number of reasons it cannot be delivered. The S106 agreements always require the developer to demonstrate best endeavours to deliver on site and support is provided to facilitate that delivery. However, because the challenges of delivery on site are very often driven by external factors and funding sources outside of the Councils' control it is not always possible to enable the delivery of on-site provision.
- 2.3 West Lindsey District Council has, over the last two or three years, noticed an upturn in the number of developers approaching us to support with the delivery of affordable housing on their sites. The current S106 precedent wording requires developers to approach a minimum of four registered providers and then sets out a process when they cannot obtain an RP to take on the affordable units, to move to a commuted sum in lieu of on-site delivery. This is a pre-agreed mechanism for acceptance of an off-site contribution as agreed by Prosperous Communities Committee through the approval of the WLDC S106 precedent.
- 2.4 As such, the Council is receiving an increasing amount of S106 commuted sums in lieu of on-site delivery of affordable housing. This

specific situation is reflective of the challenging and changing environment in relation to affordable housing delivery generally.

- 2.5 Until recently, it was possible to secure some grant funding through Homes England towards the purchase of S106 housing units but this has since changed. This removal of grant funding has led to a reduction in Registered Providers capital programmes and therefore greater reluctance to take on these units. Where offers are made by RP's for affordable housing units they are usually a much reduced 'offer' price presenting viability issues for developers in an already challenging market.
- 2.6 In light of the increase in receipt of commuted sums in lieu of onsite provision, it has been recognised that a more structured approach to the use of this money needs to be established to ensure transparency and provide a clear process for all registered affordable housing providers to access funding.
- 2.7 Work has been undertaken with our finance team to establish a procedure, which includes an application form and grant funding agreement (GFA). This allows a full and robust assessment of the proposal, ensuring that the proposal accords with the requirements of the S106 in which the funding was secured from, alongside establishing why the funding is necessary, that the proposal meets West Lindsey's Corporate Priorities and most importantly how the proposal will meet the evidenced housing needs of West Lindsey.
- 2.8 This process also incorporates the financial due diligence necessary for the application to progress and gives key detail about the project seeking funding.
- 2.9 As a relatively new process, work continues to be undertaken to ensure that it provides the required level of transparency to allow the responsible committee to allocate spend appropriately and be comfortable that the projects meet the terms of the S106 agreement from which the funding is allocated. Spend of S106 monies is not a decision that the committee can refuse as the parameters for spend have already been agreed through a committee decision on the S106 requirements for developments and the S106 precedent wording. Nonetheless, the understanding and review of these procedures by committee is important for meeting financial rules and regulations, transparency and audit.

3. Infrastructure funding statement

- 3.1 Greater transparency and accountability for the collection and spend of S106 monies is a high priority for Government, who last year made it compulsory for each Local Authority in receipt of S106 monies and monies from Community Infrastructure Levy to produce and publish an Infrastructure Funding Statement.

- 3.2 The report provides a summary of financial contributions the Council has secured through S106 agreements and Community Infrastructure Levy receipts (collectively known as developer contributions) from new developments for the provision of infrastructure and affordable housing within the defined financial period.
- 3.3 The requirement is that Infrastructure Funding Statement (IFS) is published by the 31st December and cover the previous financial year. West Lindsey published their first IFS in 2020, which covered the financial period 2019/20. The document can be found by clicking this link: <https://www.west-lindsey.gov.uk/resources/assets/attachment/full/0/109607.pdf>
- 3.4 There is no specific format for these statements, only that they summarise monies secured, collected and spent as detailed within the ledger. However, Infrastructure Funding Statements can also be used to reiterate corporate priorities and provide the link between the objectives of the corporate plan and the physical delivery of projects on the ground.
- 3.5 As West Lindsey receives more affordable housing commuted sums through S106 agreements it is considered appropriate to ensure the capital programme for spend, the delivery of affordable housing and the Infrastructure Funding Statement are aligned and focussed on the delivery of both the Council's Corporate Plan Priorities and evidence gathered as part of the Local Authorities Housing Needs Assessment.

4. Current S106 off site contributions for affordable housing held

- 4.1 Below is a summary of the monies currently held by West Lindsey District Council for the purposes of delivering affordable housing.
- 4.2 The restriction on spend is already detailed within the S106 agreements. Monies must therefore be used to provide or enable affordable housing, which meets evidenced need. Housing needs evidence is collated through a number of sources, however the key document is the Housing Needs Assessment which is an independent assessment of need usually undertaken as part of the development of Local Plan Policy.
- 4.3 As well as restricting what the commuted sum can be spent on, the S106 can also either require the commitment or spend of monies to take place within a defined timescale. If monies are not spent within that timescale, they will be required to be returned to the developer.

4.4

S106 Affordable Housing funding overview	
Total AH commuted sum held	£3,771,594.73
of above, amount restricted to area	£494,373.20
AH commuted sum allocated in GFA	£448,975.00
AH Commuted sum provisionally allocated (pending GFA)	£1,868,250
Total remaining of which;	1,454,369.73
AH commuted sum available restricted	494,373.20
AH Commuted sum available unrestricted	959,996.53

5. Restricted sums

- 5.1 Some S106 funding held is restricted based on the terms set out in the s106 agreement. Below is a breakdown of the S106 monies held that have restrictions in place and what those restrictions are.

Amount held	Restriction on spend
£276,114.99	to be spent in Cherry Willingham
£218,258.21	to be sent within 5 miles of Faldingworth, and needs allocating by 28 th April 2022

6 New Capital Schemes requiring approval through the use of S106 Funding.

- 6.1 The Committee is asked to approve the following new capital schemes funded by S106:

£42,000 P3, Rough Sleeper Accommodation Programme (RSAP)
 £226,250 Ongo, Stow Park Road Marton

- 6.2 Further details on both of the projects can be found at section 8 and 9.

7 Amendments to existing Capital Schemes funded by S106.

- 7.1 The Committee is asked to approve amendments to the following approved capital schemes funded by S106:

£100,000 LEAP, Supported accommodation project. Amendment from 10 properties to be purchased to 7

£1,500,000 Lace Housing. Extra Care Housing was being delivered by Lace at Linelands Nettleham, this is amended to Prebend Lane, Welton.

- 7.2 Further details on these projects can be found at section 10 and 11

New Capital Schemes

8 P3 – Rough Sleeper Accommodation Project (RSAP)

8.1 Funding Overview

Current project status	Financial due diligence underway
Capital S106 spend requirement	£42,000
Other project funding	Homes England £237,000 P3 £195,000
Financial year for S106 spend	2022/2023

8.2 Project overview – P3 in partnership with West Lindsey applied and was successful in securing Homes England funding to deliver a Rough Sleeper Accommodation Project. As part of this project, Homes England require match funding from the applicants. P3 as the property owners are providing the bulk of the funding with S106 funding topping up to the amount required. The aim is that P3 will purchase and refurbish 6 units of accommodation providing a mix of one bedroom self-contained accommodation and two bedroom shared accommodation.

8.3 The accommodation will be available to people nominated by WLDC who are currently rough sleeping, have a history of rough sleeping within the district or are at risk of rough sleeping if alternative accommodation is not secured.

8.4 P3 will provide intensive link worker support to the tenants focussing on stability, maintenance of the tenancy and personal development. This project is one of a number of projects, which provide a pathway from rough sleeping or at risk of rough sleeping to long term settled accommodation through the Viable Housing Solution. When people are ready to move on from the high level of support offered within the RSAP properties, accommodation can be secured through the Viable Housing Solution. This will allow them to put roots down within the area and receive lower levels of support required to maintain their tenancies and enable them to start to build successful lives and thrive within their community.

9. Ongo – Stow Road, Marton

9.1 Funding overview

Current project status	Application for S106 funding awaiting Ongo board approval
Capital S106 spend requirement	£226,250
Other project funding	Ongo £850,000
Financial year for S106 spend	2022/2023

- 9.2 Project overview - E5 Living (housing developer) are delivering a market housing scheme at Stow Park Road, Marton. The scheme has a S106 affordable housing contribution for 10 affordable units to be delivered on site. E5 Living have been working with an Affordable Housing consultant to engage with a Registered Provider (RP) to take on the S106 units.
- 9.3 Ongo made an offer to deliver all of the units on the site as affordable rented. This offer did not match a higher offer made by the RP Rent Plus.
- 9.4 Following some 'soft-marketing' undertaken by the providers of the Rent Plus product, it was agreed that there was not a strong market for this tenure on the proposed house type, which is 1 and 2 bedroom bungalows. There has been little or no affordable housing delivered in Marton over the last 10yrs, despite the fact it is a relatively well-connected village. Due to this, it is important to try to secure on site delivery as opposed to a further commuted sum, which was unlikely to result in the delivery of Affordable Housing in Marton.
- 9.5 As such, it has been considered necessary to enable the delivery of affordable rented housing through brokering a partnership with Ongo and E5 Living utilising S106 monies to ensure the delivery of a tenure in a location where a high level of need can be demonstrated, through the Housing Needs Assessment and the housing register (below.)

Marton housing register information 6th January 2021				
One bedroom	Total	Of total, those over 55	Of total, those with a local connection*	Of total over 55, those with a local connection over 55
1 bed	55	21/55	53/55	23/21
2 bed	32	4/32	29/32	3/4
3 bed	17	1/17	14/17	1/1
4 bed +	3	1/3	2/3	0/1
Total	107	27	98	27

- 9.6 Due to the above, officers propose, based on a robust appraisal of the site, to enable the delivery of this much-needed rural affordable housing by funding the gap between the Ongo offer and the Rentplus offer.
- 9.7 This offer will use S106 funding to deliver affordable rented accommodation where there is an identified need for it and where it would otherwise be difficult to deliver in that location.

Open market value of the 10 properties	£1,750,000
Rentplus offer for the 10 properties	£1,076,250 (61.5% of OMV)
Ongo offer for the 10 properties	£850,000
Difference	£226,250

Existing Capital schemes

10. LEAP – South West Ward Regeneration Project

10.1 The capital scheme of £100,000 was agreed at CP&R committee on 22nd July 2021 (Fin ref 3322.) The project has been amended due to property values and the current housing market from a ten property project to a seven property project. The project still requires the same level of funding from S106 funding.

10.2 As part of accepting additional funding would be required per property as part of this project, WLDC Technical Officer visited the property purchased by Leap to ensure that the level of works required at the property were adequate to increase the funding. This determined over £30,000 of work was required to bring the property up to a decent homes standard.

10.3 It was expressed at the committee that more detail would be helpful to understand the project and this can be found below.

10.4 Funding overview

Current project status	Financial due diligence completed, Grant funding agreement being drafted.
Capital S106 spend requirement	Up to £100,000 which equates to £14,250 per property
Other project funding	LEAP – shortfall of funding dependent on refurbishment costs Resilience Relief Loan Fund (RRLF) - £500,000
Financial year for S106 spend	£20,000 2021/2022 £80,000 2022/2023

10.5 Project overview – LEAP aims to purchase 7 properties in poor condition predominantly in the geographic area of the Southwest Ward of Gainsborough, close to their community hub, and to refurbish them to decent homes standard. The properties they acquire will be those that require complete refurbishment with a focus on long-term empty properties.

10.6 The project aims to purchase and refurbish up to seven properties and create both multi occupancy supported housing for vulnerable single

people or couples and family homes for families who require additional support.

- 10.7 Most referrals will be received from WLDC Home Choices team. Tenants are likely to have a variety of complex needs, which has resulted in their homelessness with many suffering from mental health issues and or debt, preventing them for securing and maintaining a tenancy in the private sector.
- 10.8 This project provides a different offer to the RSAP and Viable Housing Solution by meeting a different housing need but all contribute to the aforementioned pathway.
- 10.9 LEAP have already purchased two properties for the project and are in the process of completing the required refurbishment works. The property addresses are 10 and 18 Dickenson Terrace, Gainsborough and they are due to be completed by October 2021.

11. Lace Housing Extra Care Scheme – Prebend Lane, Welton

- 11.1 The capital budget of £1,500,000 funded by S106 is included in the Capital Programme 2021/22 for the purpose of Extra Care Housing Project at Linelands, Nettleham. WLDC have been working with LCC and Lace Housing on the site at Linelands. The site is adjacent to a conservation area and due to planning constraints around this, the massing required and subsequent viability challenges; the site is no longer being brought forward as Extra Care Housing by Lace Housing.
- 11.2 WLDC has continued to work with Lace Housing and LCC to look at other options for delivery of Extra Care Housing in the district. Prebend Lane, Welton was identified as a potential site for delivery and work is continuing on that site to work up a deliverable scheme. Further details on the project are below.

11.3 Funding overview

Current project status	Application for S106 funding received, awaiting due diligence to be undertaken
Capital S106 spend requirement	£1,500,000
Other project funding	Lace Housing Homes England Lincolnshire County Council All figures yet to be determined as project is in design phase.
Financial year for S106 spend	2022/2023 – 2024/2025 Amounts per year to be determined through Grant Funding Agreement

- 11.3 Extra care Housing consists of self-contained apartments for people who require care, which is delivered through on-site care and support staff providing personal care and domestic services. The

accommodation also comprises communal space for residents to utilise and offers opportunity for people to remain as independent as possible in their own homes while care and support is available to ensure they can age in place.

- 11.4 There is currently no Extra Care Housing provision in West Lindsey. LCC have identified a level of need for Extra Care Housing detailed below, this shows a high need for such accommodation across West Lindsey over the next 20 years.

	Need 2020	Need 2030	Need 2040
West Lindsey	274	377	464

- 11.5 Liaison between WLDC, LCC and Lace Housing has led to an opportunity for the much-needed Extra Care Housing provision to be explored at an alternative site within West Lindsey at Prebend Lane, Welton. The site has existing outline permission for a scheme of this nature where the constraints around massing have already been mitigated.
- 11.6 Prebend Lane is a sustainable location for an Extra Care Housing Scheme with its central Village location and within walking distance of shops, Dr's and other community amenities. Lincolnshire County Council have offered in principle support for the scheme to be moved to his location. LCC will be providing capital funding which will secure them nomination rights to 20 of the extra care units. LCC are taking this financial commitment to their committee for final approval in September.
- 11.7 As the project is still in its infancy, the financial appraisal for the scheme is not yet available. Delivery of Extra Care Housing is costly and often has viability challenges. West Lindsey are proposing to offer Lace Housing the £1.5m allocated to the Linelands scheme to bring forward an Extra Care Housing scheme in Welton.

12. Project rationale and future S106 projects

- 12.1 The projects are all different in their nature but all contribute to meeting evidenced need and delivering the Strategic Objectives as set out within the West Lindsey Corporate Plan 2019-2023 including:
- Ensure housing solutions provide choice and support
 - Improve homes and transform places
 - Improved quality and choice across the local housing market
- 12.2 Delivering affordable housing with S106 funding is challenging in West Lindsey. This is due to West Lindsey not being a stockholding authority and as such relies on external partners to deliver the affordable housing across the District. Whilst the Council has clear priorities to deliver housing that meets evidenced needs, very often opportunities are presented by Registered Providers based on their programmes of work.

- 12.3 The positive utilisation of S106 contributions on projects such as the four detailed within this report, bolsters the positive relationships between RP's and WLDC and helps secure a project pipeline for the future, which meets needs and supports the delivery of our corporate priorities.
- 12.4 A piece of work is to be undertaken which looks at the need for affordable rented properties across the whole of the district so work can be targeted in those areas to deliver affordable locations where there is an unmet need. This can assist with ensuring rural inequalities are addressed alongside funding being utilised cross the whole district.

13. Recommendations

- 13.1 Approve new capital budgets and expenditure of £268,250 as detailed in section 6 of this report, funded from S106 contributions.
- 13.2 Approve expenditure of £1,600,000 and amendments to the existing capital schemes as detailed in section 7 of this report.