

Item No. 7.	Classification: Open	Date: 4 September 2012	Meeting Name: Planning Committee
Report title:		Approval for transfer of £2,600,000 from the S106 Affordable Housing Fund to provide new affordable housing units at Land bounded by Wadding Street and Stead Street, London SE17	
Ward(s) or groups affected:		East Walworth and Cathedral wards	
From:		Housing Regeneration Initiatives Manager	

RECOMMENDATION

That the Planning Committee authorises:

1. The expenditure of £2,600,000 from the Section 106 (S106) Affordable Housing Fund being monies collated from the following s106 Planning Obligations:-
 - a) £1,259,456 - Castle House, 2-20 Walworth Road (Strata) 05/AP/2502 A/n 291
 - b) £1,002,000 - Elephant Road (Oakmayne) 08/AP/2403, A/n 397
 - c) £290,494.71 - Ewer Street 10/AP/3316, A/n 594
 - d) £48,049.29 - Former Paragon Centre, Searles Road. SE1, 97/AP/0782, A/n 096

towards the provision of new affordable housing units for a development at Land bounded by Wadding Street and Stead Street, London SE17.

BACKGROUND INFORMATION

2. Approval in respect of S106 funds over £100,000 for matters of strategic importance is a matter reserved to planning committee. Planning obligations under s106 of the Town and Country Planning Act 1990 are used to address the negative impacts caused by a development and contribute to providing infrastructure and facilities necessary to achieve sustainable communities. The council can enter into a legal agreement with a developer whereby the developer agrees to provide planning obligations. These obligations can take the form of financial contributions and can cover a range of facilities including the provision of affordable homes.
3. The council expects affordable housing to be provided by developers on-site. In exceptional circumstances where a developer has justified, in accordance with the council's planning policy requirements, that the affordable housing cannot be built on-site, the affordable housing is secured by way of an in-lieu payment. All in-lieu payments received by the council in this way are combined to form the Affordable Housing Fund. This fund is ring-fenced to help finance social housing providers build new affordable housing schemes in the borough. The council's housing regeneration initiative team manages this fund and identifies appropriate schemes. The funding of this particular scheme at Wadding Street and Stead Street is part of a long-term commitment in the Elephant & Castle area.

4. The affordable housing contributions in respect of the Strata and Elephant Road have been earmarked to create developments that would assist with rights to return in respect of former Heygate tenants and the decanting of tenants in relation to the regeneration of the Aylesbury Estate.

KEY ISSUES FOR CONSIDERATION

5. This scheme referenced 12-AP-1455 which would be developed by the Guinness Partnership received planning consent on the 17 July 2012 and comprises:

Bedroom Number	Social Rent	Private Sale	Total
1	11	8	19
2	45	40	85
3	25	7	32
4	3	1	4
Total:	84	56	140

6. The affordable housing represents 64.4% of the residential provision calculated by habitable room and 60% by units. The social rented units would be funded by the £2,600,000 from the Affordable Housing Fund, £5,494,000 grant funding from the Greater London Authority, £1,008,000 internal subsidy provided by Guinness and lastly a cross-subsidy from the sale of market units. These units will be made available at social rents which are set by the Homes and Communities Agency and determined by the level of local wages, the value of the home and the number of bedrooms. These rents would amount to approximately 40% of market value. The provision of a total of 28 three and four bed dwellings is particularly valuable in meeting housing need.
7. The funding of the affordable housing provision of 84 units would be broken down as follows:
 - 18 units would be financed from the council's S106 Affordable Housing Fund
 - 40 units would be financed from the Greater London Authority
 - 7 units would be financed by internal subsidy provided by the Guinness Trust
 - 19 units would be financed by cross-subsidy from the sale of private units

All the above figures are approximate.

8. If Members do not approve the release of funds they will be retained in the Affordable Housing Fund until such time as approval is sought for the funding of future schemes.
9. A development agreement will be entered into between the council and the Guinness Partnership. This agreement will address the quality of the scheme including specification of standards, a building timetable, the phasing of payments and monitoring of development. A council project officer will arrange regular liaison meetings with Guinness and ensure compliance with the terms of the agreement. The association will also be required to meet the standards and criteria set out in the following documents:

- The Mayor of London’s Funding Standards Framework
 - Homes and Communities Agency’s Design and Quality standards
 - Code for Sustainable Homes Level 4
 - Joseph Rowntree Lifetime Homes standards
10. The council’s nomination rights in respect of the social rented units would be in accordance with SOUHAG (Southwark Housing Association Group) nominations agreement: 100% to all initial lets and thereafter 75% of 2+ bed and 50% of 1 bed units.

Policy implications

11. The LPA seeks to secure, a provision of at least 35% affordable housing for all new housing within private developments in the Urban and Suburban Density Zones in relation to schemes of 15 units or more or on sites larger than 0.5 hectares. The allocation of funds the subject of this report would secure a provision over and above the required 35% level.
12. Paragraph 3.10 of the Affordable Housing SPD provides that all in-lieu payments received by the council are pooled together to form an affordable housing fund. This fund is ring-fenced to help fund the provision of affordable housing by social housing providers in the borough.

Community impact statement

13. The Wadding Street and Stead Street scheme contains dwellings for which there is a particular need: 28 three and four bed units at social rents. Thus the development would increase the supply of suitable accommodation for borough residents and enable rights of return in respect of former Heygate residents and the decanting of Aylesbury residents.
14. The provision of this housing is in line with community needs and will create stronger communities. This in turn will improve the quality of life of people in Southwark and encourage community cohesion.

Resource implications

15. The proposed expenditure of £2,600,000 from the affordable housing fund would be financed from developers’ s106 Agreement contributions as follows:

Scheme	Amount £
Castle House, 2-20 Walworth Road (Strata). SE1 05/AP/2502 A/n 291	1,259,456
Elephant Road (Oakmayne) 08/AP/2403, A/n 397	1,002,000
Ewer Street 10/AP/3316, A/n 594	290,494.71
Former Paragon Centre, Searles Road. SE1 97/AP/0782, A/n 096	48,049.29
Total	2,600,000.00

16. These amounts have or are in the process of being paid into the affordable housing fund. Strata and Oakmayne contributions have a stated priority for

provision within the Elephant and Castle area. All these donor schemes are located in the Borough, Bankside and Walworth Community Council area.

Consultation

17. The proposed scheme at Stead Street has been subject to the normal planning consultation process and any comments from Bankside, Borough and Walworth Community Council will be reported in the addendum report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

18. Paragraph 6 of Part 3F of the Constitution which details the roles and functions of planning committee states that planning committee can consider the expenditure of s106 monies. Under matters specifically reserved for decision by planning committee paragraph 2 states that planning committee can consider the expenditure of funds over £100,000 for matters of strategic importance secured through legal agreements under s106 of the Town and Country Planning Act. The approval of affordable housing funds would therefore satisfy the strategic importance criteria and the sum of £2,600,000 is over the £100,000 threshold.
19. The £2,600,000 which is coming from the affordable housing fund is made up of s106 contributions from 4 s106 agreements. Each s106 agreement specifies the manner in which the contribution can be applied. Taking each s106 agreement in turn I can report that:-
 - a) The Castle House s106 specifies an affordable housing contribution in the amount of £1,300,000 to be used towards the provision of Affordable Housing in the Borough or paid into a managed pool of funds. There is specific reference to the contribution being used in the Elephant & Castle regeneration area and on the early housing sites. The total affordable housing contribution was offset in the agreement by the Non-Potable Green Water provision. As a result only £1,259,456 is available for spend as an affordable housing contribution. The allocation of these monies to this Wadding Street and Stead Street scheme would be in accordance with the provisions of this particular s106 agreement.
 - b) The Elephant Road s106 Agreement secured an affordable housing contribution of £1,000,000 exactly to be allocated in a similar manner to the Castle House s106 Agreement, save for there being no reference to an offset. Due to indexation there is an increased amount totaling £1,000,002 which can lawfully be used on the Wadding Street and Stead Street scheme.
 - c) In the Ewer Street scheme the developer submitted a s106 Unilateral Undertaking at appeal which specified an affordable housing contribution up to and including the amount of £1,270,000. In reaching his decision in respect of the appeal the Inspector stated that a lower affordable housing contribution of £615,000 need only be paid. It is therefore this amount which is in the affordable housing fund of which only £290,494.71 is being put towards this scheme. The unilateral undertaking submitted by the developer allocates this contribution quite widely towards the construction or provision or delivery of new affordable housing in the borough or to be paid by the council into a managed pool of funds for the construction of affordable housing. The allocation of £290,494.71 from this s106 unilateral undertaking towards this scheme is therefore in accordance with the terms of this particular s106.

d) The Former Paragon Centre s106 Agreement secures an affordable housing payment of £200,000 of which £48,049.29 is being allocated towards this scheme. There are no requirements or limitations in the s106 agreement as to where this contribution can be applied therefore the allocation of part of this contribution to this scheme is lawful.

19. Subject to taking account of the above considerations, members are advised to approve the expenditure which would be consistent with the terms of the individual S106 agreements and the legal and policy tests relating to validity and expenditure of S106 contributions.

Section 106 Manager

20. Castle House, 2-20 Walworth Road, SE1 (Strata), 05/AP/2502, a/c 291 secured £1,452,000 over which all has been paid, with £1,259,456 for affordable housing in E&C or the Early Years Sites, which is available.
21. Elephant Road (Oakmayne) 08/AP/2403, A/n 397, secured £1.8 million and just over £1 million has been paid, with £1m of it for affordable housing in E&C or the Early Years Sites.
22. Ewer Street 10/AP/3316, A/n 594, £537,455 including £307,500 toward affordable housing has been paid and is available.
23. Former Paragon Centre, Searles Road. SE1, 97/AP/0782, A/n 096, secured £200,000 plus £11,336.29 interest. £163,287 has previously been allocated to Montreal House, Surrey Quays Road. This leaves £48,049.29 for affordable housing.
24. The proposed allocation of £2.6m for the proposed scheme represents an acceptable off site provision off affordable housing, which is close to the funding sites.

Investment implications

25. It is proposed to fund elements of this affordable housing scheme through S106 contributions already received from developers. This contribution to the scheme will form part of and be monitored through the Housing General Fund capital programme, and will form the council's only financial commitment to the scheme. There are no wider implications for the Housing Investment Programme.

Strategic Director of Finance and Corporate Services (SDFCS)

26. This report recommends that the Planning Committee approves the expenditure of various S106 monies from the Affordable Housing Fund to provide new affordable housing units at Land bounded by Wadding Street and Stead Street, London SE17.
26. The SDFCS notes the resource implications contained within the report. Officer time to effect the recommendation will be contained within existing budgeted revenue resources.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Affordable Housing Fund Spreadsheet	Housing Regeneration Initiatives 5 th Floor 160 Tooley Street London SE1 2QH	Richard Burgess 020 7525 1209

AUDIT TRAIL

Lead Officer	Maurice Soden , Housing Regeneration Initiatives Manager	
Report Author	Richard Burgess, Project Officer	
Version	Final	
Date	16 August 2012	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
S106 Manager	Yes	Yes
Cabinet Member	No	No
Date final report sent to Constitutional Team		16 August 2012