

Item No. 7.	Classification: Open	Date: 6 March 2018	Meeting Name: Planning Committee
Report title:		The release of £40,000,000 from two S106 agreements to deliver affordable housing.	
Ward(s) or groups affected:		Borough wide	
From:		Director of Asset Management	

RECOMMENDATION

1. That Planning Committee approves the release of £40,000,000 of section 106 funding from the legal agreements detailed in paragraph 16 to deliver affordable housing across Southwark.

BACKGROUND INFORMATION

2. Planning obligations under Section 106 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 contributions toward affordable housing.
3. The council expects affordable housing to be provided by developers on-site. In exceptional circumstances where a developer has justified, in accordance with both the council's planning policy requirements and the London Plan, that the affordable housing cannot be built on-site, the affordable housing should be provided off-site. If this is not possible then the council may allow a contribution to be 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. As required in paragraph 3.74 of the London Plan, this fund is ring-fenced to help finance new affordable housing schemes in the borough.
4. The planning committee considered a report on the council's direct delivery housing programme in September 2013 and noted the proposals for building new council homes. The report identified a number of sites for inclusion in the first phase of the programme; including some of the schemes noted in this report. These units will deliver new affordable homes and contribute towards the council's commitment to build 11,000 new council homes by 2043 and the initial target of delivering 1,500 of these homes by 2018.

KEY ISSUES FOR CONSIDERATION

5. The release of S106 funding will enable the council to support the cost of delivering affordable homes included within the council's housing investment programme which are currently at various stages of development. The projects on site and with planning approval are as follows:

Development	Stage	Expected number of affordable homes
Sumner Road	On site	50
Lakanal shops new build	Planning approval	7
Daniels Road car park	Planning approval	19
Ivy Church Lane garages	Planning approval	21
Pelier Street	Planning approval	17
Meeting House Lane	Planning approval	29
Haddonfield garages	Planning approval	14
Tenda Road car park	Planning approval	12
35-41 Nunhead Lane	Planning approval	12
Goschen estate	Planning approval	17

6. The programme of delivery also comprises 'Hidden Homes'. This element is aimed at providing new residential units for social rent in redundant or underused spaces within blocks on existing housing estates. To date 28 new units have been completed and let. Ten of these units were funded through a mix of S106 AHF monies and GLA Building the Pipeline Grant funding.
7. The next wave of 13 units to be delivered through the Hidden Homes Programme and for which S106 funding is sought is as follows:
 - 23a Bew Court, Lordship Lane Estate (14/AP/1569) – a ground floor 2 bed/4 person flat
 - 210a Jamaica Road, New Place Square Estate SE16 (14/AP/4102) – a 3 bed/5 person flat
 - 28-33 Falcon House, Pelican Estate, SE5 (15/AP/0915) – six units comprising of 3 x 1 bed/two person units and 3 x 3 bed/5 persons units.
 - 5a Greystoke House, Priory Estate, SE15 (15/AP/0661) – a ground floor 1 bed/2 person flat
 - 61a Rowland Hill House, Nelson Square Gardens, SE1 (15/AP/0595) – a ground floor, 1 bed/2person flat
 - 45 Mortlock Close, Cossall Estate SE15 (15/AP/2389) – a ground floor 3 bed/4 person flat
 - 10 Swan Mead, Swan Mead Estate, SE1 (15/AP/3271) – a ground floor 3 bed/4 person flat
 - 1 Juniper House, Pomeroy Street, SE14 (15/AP/2833)– a ground floor 3 bed/5 person flat
 - 28-33 Falcon House, Pelican Estate, SE15 (15/AP/0915) – 3 x 1 bed/3 persons flats and 3 x 3 bedroom/5 persons flats.
8. It is anticipated that all of the S106 funds released through this report will be fully utilised in contributing towards the cost of delivering projects already approved by Cabinet for new affordable homes within the Housing Investment Programme.

Policy implications

9. 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 (AHF). This fund is ring-fenced to help fund the provision of affordable housing in the borough.

10. These projects will help deliver our Fairer Future Promises by making Southwark a more connected and sustainable borough to live in.
11. The projects meet specifically the following Fairer Future Promises:
 - Promise 1: Value for money.
 - Promise 3: Quality affordable homes
 - Promise 9: Revitalised neighbourhoods.

Community impact statement

12. The proposal to increase the supply of affordable homes in the borough will benefit households in housing need from all Southwark's communities.
13. All of the social rent units will be subject to a local letting policy which will ensure that 50% of all new homes on an individual site will be available for letting to tenants on the estate or nearby, and the remainder released generally to other housing applicants within the borough, through Homesearch.
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.
15. For projects not yet underway, a full equalities impact assessment will be carried out with the development partner prior to commencement of works. This is to ensure that there is no disproportionate or discriminatory impact on groups with protected characteristics.

Resource implications

16. The development agreements shown below were secured towards the provision of affordable housing of which £40,000,000 is currently unallocated and available.

Account	App Ref	Ward	Balance
560	10/AP/1935	Riverside	£11,000,000
665	12/AP/1784	Cathedrals	£29,000,000
Total			£40,000,000

17. The use of S106 funds included in this report and approved for release will contribute towards projects for the delivery of affordable homes already approved by Cabinet and contained within the Housing Investment Programme. The delivery of affordable homes will be funded through the housing investment fund which is a combination of S106 funds, right-to-buy receipts and other capital resources.
18. The released S106 funds can only be spent on affordable housing in accordance with the terms and conditions of the associated development agreements.
19. The expenditure of all the S106 funds will be subject to Gateway Reports under the council's procurement processes.

Consultation

20. Depending on its stage of development, each site has or will be subject to the usual planning consultation process and assessed as being acceptable, with planning permission being granted for each site. Similarly, the chair and vice-chair of the local community council and the local ward councillors will be consulted.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

21. The proposal is to utilise a total of £40,000,000 (Forty Million Pounds) from two section 106 Agreements. The first relates to One Tower Bridge and the second at One Blackfriars.
22. The Agreement at One Tower Bridge was entered into on 21 April 2011. A payment of £10,510,000 subject to indexation was required which was paid once occupation of 77 dwellings had been reached. The contribution was made for the construction, provision, or delivery of affordable housing within the Borough.
23. The section 106 Agreement for One Blackfriars was entered into on 14 December 2012. There was an Affordable Housing Contribution of £29,000,000 subject to indexation which was to provide residential accommodation on attainable terms for those households who could not afford to buy or rent anywhere in the Borough. The monies were to be used for the construction of affordable housing or paid into a managed pool of funds for the construction, provision or delivery of new affordable housing in the Borough. The Contribution was paid in four equal annual instalments with the first being on the implementation date.
24. Section 106 monies must be expended in accordance with the terms of the specific planning agreements and in accordance with the tests set out in regulation 122 of the Community Infrastructure Levy Regulations. In these cases the relevant obligations relate to projects which make the original developments acceptable in planning terms in that they secure the delivery of new affordable housing within the Borough.
25. The individual section 106 Agreements have been carefully checked to ensure that the contributions are being spent in accordance with the CIL tests.
26. The decision to approve the expenditure of section 106 monies exceeding £100,000 is reserved to members of the Planning Committee in accordance with the council constitution. Members are advised that if they consider the releases to be appropriate, the expenditure would be consistent with the section 106 Agreements and also the CIL tests.

Strategic Director of Finance and Governance (CAP17/110)

27. This report requests the planning committee to approve the release of £40,000,000 Section 106 Affordable Housing Fund (AHF) from the agreements listed at paragraph 16, towards the delivery of council's affordable housing programme.
28. The director of planning confirms the agreements have been checked, and the proposed allocation accords with the terms of the agreements.

29. The strategic director of finance and governance notes the resource implications at paragraphs 16-19, confirms the council has received the related funds, and they are available for the purposes outlined in the body of this report.
30. Staffing and any other costs associated with this recommendation are to be contained within existing budgets.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Copies of S106 Legal Agreements	Planning Division, 160 Tooley Street, London SE1 2QH	Jack Ricketts 020 7525 5464
New Homes Delivery Programme Item 14 – 9 May 2017	Housing and Modernisation, 160 Tooley Street, London SE1 2QH	Tim Bostridge, Development Delivery Manager 020 7525 1222
Link (please copy and paste into your browser): http://moderngov.southwark.gov.uk/documents/s68306/Report%20New%20Homes%20Delivery%20Programme.pdf		
Capital Monitoring Report Item 13 – 6 February 2018	Finance and Governance 160 Tooley Street London SE1 2QH	Jennifer Seeley, Director of Finance Finance and Governance
Link (please copy and paste into your browser): http://moderngov.southwark.gov.uk/documents/s73745/Report%20Policy%20and%20Resources%20Strategy%20Capital%20Monitoring%20report%20including%20Capital%20Programme%20Update.pdf		

APPENDICES

No.	Title
None.	

AUDIT TRAIL

Lead Officer	Dave Markham, Director of Asset Management		
Report Author	Alistair Huggett, Planning Projects manager		
Version	Final		
Date	19 Feb 2018		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments included	
Director of Law and Democracy	Yes	Yes	
Strategic Director of Finance and Governance	Yes	Yes	
Director of Planning	Yes	Yes	
Cabinet Member	No	No	
Date final report sent to Constitutional Team		22 February 2018	