

Item No. 6.	Classification: Open	Date: 16 February 2012	Meeting Name: Bermondsey Community Council
Report title:		Report on transfer of £1,137,500 from the Affordable Housing Fund to finance a scheme at 120-150 Ivydale Road.	
Ward(s) or groups affected:		Riverside and Grange Wards	
From:		Housing Regeneration Initiatives Manager	

RECOMMENDATION

1. That the Community Council comments upon the following proposal to be considered at the Planning Committee meeting of the 31 January 2012:
 - The Planning Committee will receive a recommendation that £1,137,500 from the Affordable Housing Fund partially finances a scheme at 120-150 Ivydale Road

BACKGROUND INFORMATION

2. Approval in respect of funds allocated for affordable housing over £100,000 is a matter reserved for decision by Planning Committee. Planning obligations 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 contributions 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, to the council's satisfaction, 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 put together to form the Affordable Housing Fund. This fund is ring-fenced to help finance social housing providers build mostly or 100% affordable housing schemes in the borough. The council's Housing Regeneration Initiative team manages this fund and identifies appropriate schemes to finance in the borough in accordance with the following criteria as determined by the Investment Programme Group. Schemes must meet housing need as defined by the housing strategy; Meet the Homes and Communities Agency's Design and Quality and Joseph Rowntree Lifetime Homes standards; The RSL is able to submit a planning application within four months; Meet planning requirements of 10% wheelchair provision. The units funded from the Affordable Housing Fund would form part of larger schemes that would meet a Housing Strategy objective of increasing the supply of larger homes. This scheme was selected under the current mechanism i.e. it would have been financed by the HCA had resources permitted. A new procedure for selecting schemes AHF funded schemes will be proposed in the future. This will involve registered providers bidding for funds to develop schemes drawn from the

housing development database. Any scheme would have to meet the criteria set out above. .

4. The social rented units would be designed and built in accordance with the Homes and Communities Design and Quality standards and Joseph Rowntree Lifetime Homes standards.
5. The financing of developments built by social housing providers with funds derived from developers as part of financial obligations contained within legal agreements is not regarded as public subsidy funding. These contributions are treated as private sector contributions. The proposed development set out below would replace a previously proposed scheme at 122-148 Ivydale Road for which the Planning Committee approved the release of AHF funds in February 2010. That proposal did not receive planning consent.

KEY ISSUES FOR CONSIDERATION

6. This scheme received planning consent in December 2011 and would comprise:
 - 5x4 bed, 7 person houses for private sale
 - 2x3 bed, 5 person houses for shared Ownership
 - 5x3 bed, 5 person houses (including a wheelchair unit) for social rent
 - 2x1 bed, 2 person flats for social rent
7. The affordable housing represents 42% of the residential provision. The 7 social rented units would be part funded by the £1,137,500 from the Affordable Housing Fund. These units will be made available at social rents and comprise two 1 bed flats, four 3 bed houses and one 3 bed wheelchair house. The provision of 5 social rented three bed dwellings is particularly valuable in meeting housing need. Social rents 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 will amount to approximately 35% of market value and are made possible on this site by the grant funding from the council's affordable housing fund. If the rented units were grant funded by the Homes and Communities Agency rents would be set at the new "Affordable Rent" rent levels of up to 80% of market rents. Members are advised that the implementation of the scheme is subject to land disposal by the council.
8. The council's housing committee made a decision in 1998 that any tenants of prefabs in Ivydale Road who wished to move would be rehoused in any scheme on this site if it would free up another site for development. Thus it is envisaged that a local prefab tenant will be considered for rehousing in one of the social rented dwellings.
9. The funds currently sought will not be put towards the cost of seeking planning consent. If Members do not approve of 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. A development agreement will be entered into between the council and Family Mosaic Housing Association and address all the requirements set out in paragraphs 11 and 12 below. The agreement will specify the stages of the scheme's development, subject to audit, at which the council funding will be made available. Members are advised that a council project officer will arrange regular liaison meetings with the Association and ensure compliance with the terms of the agreement.

10. If Members do not approve of 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.
11. A development agreement will be entered into between the council and Family Mosaic Housing Association. This agreement will address the quality of the scheme including specification of standards, a building timetable, the phasing of payments and monitoring of development. The association will also be required to meet the standards and criteria set out in the following documents:
 - The Homes and Communities Agency's Design and Quality standards
 - Lifetime Homes and Secure by Design standards
 - Code for Sustainable Homes Level 4
 - Joseph Rowntree Lifetime Homes standards
12. The Association will also be required to demonstrate how the quality standards set out above have been incorporated into the procurement and design process. The agreement will specify the stages of the scheme's development, subject to audit, at which the council funding will be made available. Members are advised that a council project officer will arrange regular liaison meetings with the Association and ensure compliance with the terms of the agreement.
13. Given the council's part funding of the social rented units it will have 100% nomination rights to all initial lets and thereafter 75% of 2 beds and 50% of 1 beds.
14. Developing this site will provide a land receipt for the council. The funding towards the 7 rented units (including a three bed wheelchair unit) represents a grant rate of £39,224 per person housed which is comparable to typical grant rates for HCA grant funded schemes with affordable units made available at target rents. The unit sizes in terms of floor area exceed council requirements. The provision of 5 social rented three bed units in such a small development is made possible by the grant funding.

Policy Implications

14. The LPA seeks to secure, as part of private developments, at least 35% of all new housing as affordable within the Urban and Suburban Density Zones on schemes of 15 units or more or on sites larger than 0.5 hectares.
15. 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

16. The scheme contains dwellings for which there is a particular need: five 3 bed houses to be let at social rents including one wheelchair unit. Thus development would increase the supply of suitable accommodation for borough residents
17. 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

18. The proposed expenditure of £1,137,500 from the Affordable Housing Fund will be financed from developer's contributions as follows:

Scheme	Amount (£)
London Bridge Tower	750,000
151 Tower Bridge Road	387,500
Total	1,137,500

19. These amounts have been paid into the Affordable Housing Fund. There are no geographical or other conditions regarding the expenditure of the monies.

Consultation

20. The proposed scheme at 120 -150 Ivydale Road has been subject to the normal planning consultation process.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director for Communities, Law & Governance (NS20120103)

21. This report is brought to Members in accordance with Part 3F, paragraph 2 of the Constitution under the heading 'matters reserved for decision' which requires that Members consider planning matters concerning the proposed expenditure of funds over £100,000 from receipts secured by section 106 agreements.
22. The report recommends that the Planning Committee authorises the proposed expenditure of funds totaling £1,137,500 from the Affordable Housing Fund in respect of a number of legal planning agreements listed in paragraph 18 of the report, for the purposes of delivering a scheme at 120-150 Ivydale Road. The S106s monies must be expended in accordance with:
- (a) the terms of the specific S106s; and
 - (b) the relevant policy tests set out in Circular 2005/05 and the first three being legal tests below which are now enshrined in Regulation 122(a) of the Community Infrastructure Levy Regulations in that they must be: -
 - (i) relevant to planning purposes;
 - (ii) necessary to make the developments on the respective sites acceptable in planning terms by mitigating adverse impacts;
 - (iii) directly related to the respective developments;
 - (iv) fairly and reasonably related in scale and kind to the respective developments; and
 - (v) reasonable in all other respects.
23. In the case of Affordable Housing contributions, these are pooled contributions and can be expended borough wide. There is no restriction on expenditure within the vicinity of the development site. The release of funds complies with the obligations as set out in the legal agreements.

S106 Finance Officer

24. The S106 agreements and sums received for commuted payments for borough wide Affordable Housing purposes are as follows:
 1. S106 Agreement for London Bridge Tower (The Shard) reference 01-AP-0476 account 190 has received £750,000 being 50% of the Affordable Housing commuted sum payable to date.
 2. S106 Agreement for 151 Tower Bridge Road reference 030-AP-2184 – account 314 has received £400,000 as the full Affordable Housing commuted sum payable.
 3. Both of the contributions are intended for Borough Wide provision of Affordable Housing and the amount of £1,137,500 may therefore be applied for the purposes of the above project. The S106 contributions in accordance with established practice have been transferred to the Affordable Housing Fund account and this report is to note the proposed use of these funds which are under the control of the Housing Department.

Investment Implications

25. The proposed use of Affordable Housing Fund resources for this development by a Registered Provider was approved by the Investment Programme Group on 22 September 2011, subject to the necessary consent by Planning Committee. The council's funding towards the scheme will be fully funded from planning gain contributions. The use of Affordable Housing Fund contributions therefore has no wider implications for the housing investment programme.

Finance Director (Financial Implications)

26. Approval by Planning Committee to release £1,137,500 from the Affordable Housing fund as detailed in this report, would provide financial assistance supporting delivery of seven social rented units located on Ivydale Road, the total development comprising fourteen mixed-tenure units.
27. The scheme must gain planning consent and none of the funds discussed in this report will be used to defray the cost of obtaining this consent. In the event that the release of the sum is not approved by the Committee, it will be retained in the Affordable Housing Fund pending future approval for use.
28. Subject to consent being given the council will enter into a Development Agreement with Family Mosaic Housing Association. This will govern the requirements for the scheme, set out applicable standards and timelines and ensure that S106 funds are released and used in a manner consistent with the requirements of any planning permission.
29. The contributions for this sum have already been paid into the fund by Developers with the originating schemes identified in this report. No geographical or other conditions restrict the use of the contributions in this case.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Report to Investment Programme Group : Allocation of Affordable Housing Fund Grant to 120-150 Ivydale Road	Housing Regeneration Initiatives 160 Tooley Street London SE1	Richard Burgess 7525 1209
Affordable Housing Fund Spreadsheet	As above	As above

APPENDICES

No.	Title
Appendices	None

AUDIT TRAIL

Lead Officer	Maurice Soden , Housing Regeneration Initiatives Manager	
Report Author	Richard Burgess, Project Officer	
Version	Final	
Date	5 January 2012	
Key Decision	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director for Communities, Law and Governance	Yes	Yes
Finance Director	Yes	Yes
List other officers here		
Cabinet Member	No	No
Date final report sent to Community Council	11 January 2012	