

BABERGH DISTRICT COUNCIL

FROM: Project and Programme
Executive and
Head of Community Development

REPORT NUMBER: **H105**

TO: STRATEGY COMMITTEE

DATE OF MEETING: 18 September 2008

**POLICY FOR ALLOCATING CONTRIBUTIONS SECURED UNDER SECTION 106
OBLIGATIONS FOR AFFORDABLE HOUSING**

1. PURPOSE OF REPORT

- 1.1 This report sets out proposals for the allocation of financial contributions secured for affordable housing purposes pursuant to section 106 of the Town and Country Planning Act 1990 (as amended) from certain housing developments.
- 1.2 One of Babergh District Council's Strategic Plan Objectives relates to providing quality homes that local people can afford. The desired outcome from this objective is that there will be enough good quality homes which meet high environmental and sustainability standards to meet the needs of the people of Babergh. This report aims to establish a clearer procedure as to how and where monies from Section 106 Agreements are used in increasing the number of affordable homes in the district to help the Council achieve its target of 700 new affordable homes by 2010.

2. RECOMMENDATION

- 2.1 That the Head of Community Development, in consultation with the Housing Panel, be delegated power to determine, in accordance with the priorities set out in 2.2 below, where financial contributions, which have been secured through an Obligation under section 106 of the Town and Country Planning Act 1990 (as amended) shall be allocated, if the Obligation permits the sum to be spent within the district council's area.
- 2.2 That the priorities for allocating sums secured under 2.1 above shall be as follows:-
- (a) To spend the sum raised on specific sites within the parish or town area where the sum originated.
 - (b) If it is not possible to bring forward an affordable housing site under (a) then, subject to the terms of the Section 106 Obligation, the sum to be spent elsewhere in the district with an emphasis on it being spent as close to the source parish as possible.

3. FINANCIAL IMPLICATIONS

- 3.1 This report involves no additional financial implications as the proposals can be implemented through existing staff resources and will utilise money secured under legal agreements from housing developers.

4. **RISK MANAGEMENT**

- 4.1 This report is most closely linked with the Council's Significant Business Risk No.3 (Strategic Partnerships) and the related priority to increase the supply of housing that local people can afford to rent or buy. Key risks are set out below:-

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
Money received is not spent within the time period set out in the Section 106 Obligation.	Very low	Marginal	A flexible system to ensure money received is utilised efficiently and within the timeframe agreed.

5. **KEY INFORMATION**

- 5.1 The context for this issue is set out in the Babergh Local Plan (Alteration No.2) which was adopted in July 2006 and introduced the following policy:-

Policy HS09

On windfall sites in settlements in rural areas with a population of 3,000 or fewer, the Council will seek to negotiate on a site to site basis an element of affordable housing of up to 35% of the total provision, having regard to the up to date Housing Needs Survey, market and site considerations and the sustainability of the proposed development.

If a developer cannot provide the affordable housing on site, a commuted sum will be required in line with the prevailing charges set out by the district council in order to provide subsidised affordable housing on an alternative site.

- 5.2 Under this policy the council gives priority to subsidised affordable housing on site and this will usually be achievable on large housing developments. However, where this is not practical or desirable, a commuted sum may be acceptable to fund affordable housing on another site through new build or the purchase of open market housing by a registered social landlord.
- 5.3 The Section 106 Obligation will state whether the sum of money to be invested in affordable housing is to be spent within the village where the development subject to the Obligation is taking place or, in other circumstances, that the sum may be spent within the district council's area.
- 5.4 Regard must also be had to Government circular 5/05 which governs the way in which contributions can be secured (arising from the impact of a development) and spent. The "tests" contained in this national advice must be strictly adhered to. These require obligations to make financial contributions to be necessary and relevant, directly related to the proposed development, fairly related in scale and kind to the development and reasonable in all other respects.
- 5.6 The issue for members to consider is the use of payments secured under Section 106 Obligations where the terms of that Obligation allow for the contribution to be utilised within the district.

- 5.7 Members are asked to consider agreeing to commuted sums being used to enable delivery of new affordable housing across the district as follows:-
- (a) The first priority will be to spend the sum raised on specific sites within the parish or town area where the sum originated.
 - (b) If it is not possible to bring forward an affordable housing site under a) then the second priority will be for the sum to be spent elsewhere in the district with an emphasis on it being spent as close to the source parish as possible.

With annual monitoring of the collection and expenditure of these S106 payments being undertaken by Development Committee and Overview and Scrutiny Committee (Community Services).

- 5.8 Proposals could range from the acquisition of existing houses, the development of existing Babergh owned land, acquiring specifically built housing or supporting a rural exception site. As each case will need to be dealt with on its merits it is suggested that the Head of Community Development, in consultation with the Housing Panel, be delegated power to use sums in accordance with the priorities set out in paragraph 5.6 above.
- 5.9 For members information payments that can be utilised in accordance with the proposed policies have recently been received from developments in Great Cornard (£320,000), and East Bergholt (£77,000) with a further sum of £112,000 becoming available shortly from a development in Shotley.
- 5.10 This matter was considered by the Housing Panel at its meeting on 25 July 2008 and they support the proposals contained in this report.

6. **APPENDICES**

None.

7. **BACKGROUND PAPERS REFERRED TO:**

None.

**CONTACT: Tim Mutum
Ian Tippett**

**EMAIL: tim.mutum@babergh.gov.uk
ian.tippett@babergh.gov.uk**