

# **PROCEDURE FOR ALLOCATION OF FINANCIAL CONTRIBUTIONS IN LIEU OF AFFORDABLE HOUSING FUNDING**

## **INDEX**

	<b>Page number</b>
<b>1. Introduction and definition of Affordable Housing</b>	<b>1</b>
<b>2. Priorities for allocating funds</b>	<b>2-3</b>
<b>3. Application process and promotion of funds</b>	<b>3-4</b>
<b>4. Approval of and process for spending funds</b>	<b>4</b>
<b>5. Consultation, review, contacts and Equal Opportunities</b>	<b>5</b>
<b>6. Financial contributions process map</b>	<b>6</b>

## **1. Introduction:**

The Council, as the Planning Authority makes every effort to ensure that 30% affordable housing is delivered on-site in new housing developments, or off-site if this is not possible. However, in some limited circumstances where neither of these alternatives are possible, a financial contribution in lieu of on-site provision can be accepted under Section 106 of the Town and Country Planning Act 1990. Such circumstances may include:

- The provision of the affordable housing elsewhere in the locality would provide a better mix of housing types.
- Management of the affordable dwellings on site would not be feasible, due to a lack of registered provider interest.
- It would be more appropriate to bring back existing vacant housing into use as affordable units which may also bring about regeneration benefits.
- There are specific and unusual constraints of the site prevent the provision of the size and type of affordable housing required in the area.

The Council receives payments from developers, in lieu of the on/off-site provision having entered into legally binding agreements (S106 agreements) which contain obligations on the Council to use the financial contributions in accordance with the provisions of each particular legal agreement, to enhance development opportunities throughout the borough.

This procedure relates specifically to the obligations as they relate to affordable housing provision in the S106 agreements, in order to facilitate the delivery of high quality affordable housing that meets the needs of the whole community and stimulates the housing market.

The Council is contractually bound by the terms of the S106 agreements and so can only apply the criteria set out in the procedure, in so far as it does not conflict with the specific terms found in each S106 agreement, such as restrictions on the geographical area that a financial contribution can be spent.

### **1.1 Definition of Affordable Housing:**

The National Planning Policy Framework 2021, Annex 2 (NPPF) defines affordable housing as, in summary:

‘housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following: affordable housing for rent, starter homes, discounted market sale housing and other affordable routes to home ownership’, e.g. shared ownership, shared equity and rent to buy.

First Homes are not addressed in the NPPF or referred to in the definition of affordable housing set out in Annex 2. National planning policy for First Homes is contained in a Written Ministerial Statement made on 24 May 2021. The Ministerial Statement states that a home meeting the criteria of a First Home will also be considered to meet the definition of affordable housing. This is

restated in the national planning guidance on First Homes published alongside the Ministerial Statement.

## **2. Priorities for allocating funds:**

In some cases, the S106 agreements are prescriptive, e.g. limited by geographical area or ward and funds can only be distributed in accordance with the specific terms and timescales set out in each individual S106 agreement.

In other S106 agreements the terms are not so rigid, and the funds received will be pooled and allocated for the delivery of affordable housing across the whole of the borough. This allows the Council discretion in deciding how to allocate the funds available, to ensure the creation of mixed tenure affordable housing that meet the needs of communities.

Where the Council does have discretion in deciding how financial contributions are allocated for affordable housing, we will use them to:

- Purchase land and create new affordable housing schemes, where a need has been established.
- Provide funding to secure more affordable homes on specific developments in addition to those secured under the S106 agreements.
- Reduce funding gaps to help enhance developments, where a scheme will provide additional affordable housing.
- Invest in existing affordable housing stock within Crewe to raise the quality of accommodation (in accordance with Cheshire East Local Plan policy SC5 'affordable homes' – justification 12.51)

In addition, we will prioritise the housing needs of residents highlighted in the Council's Housing Strategy 2018-2023, including the development of:

- The right mix of affordable housing needed by the community.
- Additional temporary accommodation for people who have become homeless.
- Empty properties to bring them back into use.
- Specialist housing, e.g. for families with disabilities or for older people.
- Rural accommodation to enable people to continue to reside within their local communities.

In order to do this, we will apply the following priorities:

### **2.1 First Priority:**

Consideration will be given to whether the terms of the legal agreement (S106) will allow the funds to be used to bring forward Council owned sites and property for redevelopment, where appropriate, through the new Housing Development Framework or another

appropriate procurement route, to commission the development of mixed tenure affordable housing provision, to meet identified housing needs. This also includes the ability to use funds to purchase land for the development of affordable housing schemes, which will be developed via the Housing Development Framework or another appropriate procurement route. This will need to be achievable in the timescales (if applicable) outlined in the S106 agreement, in the geographical areas intended under each agreement.

## **2.2 Second Priority:**

All planning applications will be checked to establish whether it would be appropriate to provide funding to purchase more affordable homes, whether this is on developments providing 30% affordable housing or on sites where the level of affordable housing provided is below 30%, because of viability issues. In addition, consideration will also be given to smaller developments, perhaps even those falling below affordable housing thresholds, in key areas where a particular need has been identified, e.g. rural areas to help meet the needs of the local community.

## **2.3 Third Priority:**

If no Council led developments are possible and there are no outstanding planning permissions which would be appropriate for use of the funds then we will liaise with Town and Parish Councils and Registered providers on an **annual basis**, using their local knowledge and community ties to develop specific housing sites that have been highlighted in Neighbourhood Plans or those that maybe coming onto the market in the near future, that we may not otherwise be aware of, to bring forward affordable housing in high priority areas, e.g. empty properties, specialist housing and other identified requirements, that have not already been met through the affordable housing provision in previous S106 agreements.

In addition, in certain circumstances, where the criteria of specific S106 agreements are not met by applying the other priorities and financial contributions remain unspent then advertisements will be placed in suitable media to attract applications which do meet the criteria.

In applying its' discretion and the above criteria the Council will do so in deference to the terms of each individual agreement at each stage of the process.

## **3. Application Process:**

To assess the viability of requests for funding, all applicants will be invited to complete a Financial Contribution Application form (Appendix 1). Applications will be received and considered in date order and a record of the submission and nature of the applications kept.

On receipt of a completed Application form and all relevant supporting documentation the **Strategic Housing team** will undertake a verification process which will include a credit check on the applicant, inspection of site ownership and planning status documents and project plan.

Once applications have passed these checks and are being actively considered for funding the proposal will be assessed by the **Head of Housing** and **Finance Management Officer** to determine whether the proposal is financially viable; that it meets not just the criteria set out in the specific S106 agreement(s), but the key priorities and objectives for affordable housing in the borough, highlighted in section 2 (above) and the Housing Strategy 2018-2023.

If the application is successful, but no financial contribution funding is available for allocation then it will remain on the list of live funding applications and as financial contributions become available for distribution then it will be considered against the terms of the particular S106 agreement and the Council's criteria (where discretion can be exercised).

In the event of there being more than one successful application for funding which meets the criteria specified in the S106 agreement, the following factors will be considered in order to decide which application should take priority:

- The project offers value for money and meets the identified needs of residents in 'high priority' areas, such as older people, the homeless and people with disabilities.
- It offers family homes to meet the needs of existing families and those moving into the area for work.
- The scheme can start on site within 3 months of being advised that the bid for funding has been successful.
- The applicant can demonstrate that the funding will be spent within the timescales set out in the S106 agreement.

**Please note:** Where the Council feels that an application doesn't sufficiently meet housing needs or provide value for money, it reserves the right to refuse the application.

The Council must, in order to fulfil its function as the Planning Authority and its obligations under the individual legal S106 agreements, monitor the use of the financial contributions in lieu of affordable housing and obligations may be imposed on any recipient regarding provision of evidence, as to how the money is used, regardless of when the money is received.

The Council must also account for its use of the money to the developers who paid the financial contribution and remain in control of the use of and dissipation of the financial contributions.

In the event of a dispute the case will be referred to the **Director of Growth and Enterprise** whose decision shall be final.

## **5. Approval for allocation of funds**

Approvals to allocate funds to projects will be made in accordance with the approval limits for supplementary estimates as outlined in the constitution.

## **6. Process for spending Funds:**

Following approval payment will only be made on production of evidence that the specific works have been carried out in line with the original proposal and offer letter, and an invoice from the Developer or Registered Provider is received.

## **7. Consultation:**

The Planning, Legal and Financial departments have all been involved in the development of this procedure.

### **7.1 Review:**

This Procedure will be reviewed annually by Cheshire East officers when agreed. An update report will be provided to the Economy & Growth Committee on an annual basis.

### **7.2 Contacts:**

Housing Strategy Team  
Cheshire East Council  
Westfields  
Sandbach  
CW11 1HZ

Tel: 01270 685 912

Email: [housingpolicycec@cheshireeast.gov.uk](mailto:housingpolicycec@cheshireeast.gov.uk)

### **7.3 Equal Opportunities:**

An Equality Impact Assessment has been carried out in respect of this procedure to ensure we serve the whole borough, tackle inequality and allocate affordable housing fairly and objectively.

## Financial contribution Agreement

## Distribution of funds

## Approval Process

Planning decision results in a financial contribution in lieu of on-site affordable housing

**Priority 1:** Council-owned or Council-led developments in the borough through the Housing Development Framework or another appropriate procurement route.

**Priority 2:** Relevant planning applications checked to determine suitable sites to bring forward for affordable homes.

**Priority 3:** Liaison with Town and Parish Councils and Registered providers to bring forward affordable housing in high priority areas.

**\*\*The only exception to this process is where a financial contribution is prescriptive in where and how it must be spent**

Application form (Appendix 2) and all other supporting documentation received.

Application approved and added to list of live funding applications (in date order of receipt).

If/when financial contribution is available, suitable applications provisionally allocated the funding.

Offer letter sent to applicant stating specific terms and timescales for use of the funds.

Funds paid following provision of evidence (invoice) of completion.

Verification process carried out by Strategic Housing Team, including:

- Credit check on applicant
- Inspection of site ownership
- Proof of planning application status
- Review of Project plan and timescale for development

Key priorities and financial viability assessed by Head of Housing and Financial Management Officer.

Approval sought for funds to be spent as outlined within the Council's Constitution

