Hackney is Building: Delivering Affordable Homes and the Role of Section 106 Financial Contributions

January 2018

Hackney Council published the Submission Draft Local Plan (LP33) for consultation in November 2018. It sets out planning policies to increase housing supply (Draft Policy LP12) for affordable housing (Draft Policy LP13). Draft Policy LP13 includes requirement for affordable housing to be provided in schemes of less than 10 units. A financial contribution in lieu of provision on site will be expected from these scheme equivalent to 50% of the net housing delivered as affordable housing. Section 106 payments secured through this policy could play a vital role in the delivery of genuinely affordable homes built by the Council and its partners as set out in this paper.

Hackney is Building

Since 2010 the Government has provided no government funding to build Council housing, and although some funding is now available, it is barely a fraction of what is needed to build the thousands of genuinely affordable Council homes that we need most. But, despite the challenges facing us, Hackney is building. Our cross-subsidy approach will directly deliver nearly 2,000 new homes in 4 years between 2018 and 2022. These are built, owned and managed by the Council, with any homes that we need to sell to pay for these done in-house through our sales and marketing team, Hackney Sales.

More than half of these will be genuinely affordable Council homes for social rent and shared ownership, partly paid for by building and selling some homes for outright sale. Whether social rent homes for those who need them most, or low cost home ownership options for those struggling to get on the housing ladder, these homes put Hackney residents first.

Overall our estate regeneration programme is building 3,000 homes, with the consent and deep and regular involvement of local communities. It is now being complimented by a new programme of Council in-house development on empty and underused land – where we are increasingly focused and aim to deliver 70% Council homes for genuinely affordable social rent and low cost home ownership.

When regeneration is done well it can provide high quality, modern new homes for existing residents, much-needed homes for homeless families as well as new jobs, new community spaces and massive improvements to the poor public spaces that can be a feature of some badly laid out existing estates.

Helping others to Build
As well as building homes directly, we also help housing associations and other providers to build new homes - whether through the 5,500-home regeneration of the Woodberry Down Estate, or through grants made up of money from homes sold under Right to Buy to help make smaller schemes more affordable.

Since 2011, more than 1,500 homes have been completed at Woodberry Down - with more than half for social rent and shared ownership. We predict another 900 homes will be built there, or by providing grants for schemes elsewhere, between 2018 and 2022.

**Pipeline delivery**

Hackney remains one of, if not the, biggest direct deliverer of genuinely affordable homes in London. In October 2018 Hackney was allocated £45.5m by the Mayor of London as part of a £1 billion grant programme for local authorities across London known as Building Council Homes for Londoners (BCHfL).

After a long period of successfully delivering council homes in Hackney with little or no external funding, this is a significant investment and will help us deliver council homes for social rent and shared ownership as part of our estate regeneration and housing supply programmes.

In addition to the availability of new grant funding the removal of the Housing Revenue Account debt cap will allow for greater borrowing flexibilities for Councils that are seeking to unlock capacity for additional development. However it is important to note that it does not allow unconditional borrowing to build affordable housing, and the primary focus will be ensuring that schemes remain financially viable.

It is within this context that S106 funding received through payment in lieu contributions (including those from small site contributions) could play a vital role in supplementing the on-going delivery of genuinely affordable housing in the borough. It would be used as a cross-subsidy element alongside grant funding and borrowing flexibilities meaning that Hackney could flip properties currently identified within our programme for outright sale or shared ownership to social rent. The ability to expand our delivery of social rented homes helps address the area of greatest housing need in the borough, providing homes for Hackney residents currently on our housing waiting list.

The indicative overall tenure mix to be delivered across current and future programmes is illustrated in the table below:

<table>
<thead>
<tr>
<th></th>
<th>Social rent</th>
<th>Shared ownership</th>
<th>Outright sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCHfL bid</td>
<td>500</td>
<td>447</td>
<td>668</td>
</tr>
<tr>
<td>Housing Supply Programme 2</td>
<td>300</td>
<td>200</td>
<td>300</td>
</tr>
<tr>
<td>Housing Supply Programme 3 (from 2025)</td>
<td>400</td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Total</td>
<td>1,200</td>
<td>1,047</td>
<td>1,368</td>
</tr>
</tbody>
</table>

Further detail on the Council’s direct delivery building programme can be found below at [https://hackney.gov.uk/building](https://hackney.gov.uk/building)