

REPORT TO	DATE OF MEETING
Cabinet	7 September 2016

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SUBJECT	PORTFOLIO	AUTHOR	ITEM
Affordable Housing Commuted Sum Policy	Strategic Planning and Housing	Strategic Housing Manager	

SUMMARY AND LINK TO CORPORATE PRIORITIES

Commuted sum payments for affordable housing are made to the Council when delivering on-site provision is either not possible, or is not recommended. This report details the policy approach to how the Council will spend these monies on affordable housing projects. This will form part of the Housing Capital Programme to support the delivery of the South Ribble Housing Framework, which was approved by Cabinet in March 2016.

The contents of this report supports the Corporate Priorities of “A Strong South Ribble in the heart of a prosperous Central Lancashire” and “Creating Strong and Healthy Communities”.

RECOMMENDATIONS

It is recommended that Cabinet:

- a) Note the contents of this report and approve the Affordable Housing Commuted Sum Policy.

DETAILS AND REASONING

Introduction to Commuted Sums for Affordable Housing

Planning policy (in the Central Lancashire Core Strategy) advises that developers in South Ribble must provide 30% affordable housing on sites of 10 units or more. (This figure rises to 35% on rural sites, and 100% on rural exception sites i.e. greenbelt sites).

In most cases, the affordable housing is provided onsite. However, in some circumstances, it is either not possible, or not recommended to provide affordable housing onsite. In these cases, a commuted sum payment is made to the Council in lieu of the affordable housing. The commuted sum payment may only be used for affordable housing. The exact details dictating how the commuted will be spent (i.e. the area and timescales) are included within the particular section 106 agreement.

This payment allows the Council to support the provision of affordable housing, to ensure the same levels of affordable housing are delivered, as if all were to be delivered onsite.

It is important to note that these monies are separate from other commuted sum payments, and may only be used for affordable housing. It should also be noted that if the commuted

sum monies are not spent within the timescales stated within the section 106 agreement, they must be returned to the developer who made the payment.

Commuted Sums for Affordable Housing: Current Position

The current level of commuted sums is at £4,201,971.91. This has been secured from 6 developments across the borough. (At this point, there are no commuted sum payments that are due for repayment in the imminent future.)

From this amount, £1,890,770.91 has been allocated in the Housing Capital Programme to deliver affordable housing over the three year period of the South Ribble Housing Framework. It is expected that more commuted sums will be paid over the period of the City Deal. Whilst an exact amount cannot be predicted, it is estimated that £14m could be paid to the Council during this time. This figure has been based on the sites within the Local Plan, the number of units to be delivered on-site, the level of off-site provision recommended (if any) for each site, and the average commuted sum payment.

The South Ribble Housing Framework 2016-19 highlights the delivery of quality new homes, including affordable housing, as a priority. It also identifies the production and approval of an Affordable Housing Commuted Sum Policy as an action for 2016/17.

Affordable Housing Commuted Sum Policy

Appended to this report is the proposed Affordable Housing Commuted Sum Policy (Appendix 1).

The Affordable Housing Commuted Sum Policy has two main functions:

- To determine the ways the commuted sum monies can be spent.
- To determine how decisions will be made regarding the expenditure of monies.

Whilst the commuted sum monies must be spent on affordable housing, there is a range of ways in which they can be used. For example, the Council can use the monies itself to acquire land for affordable housing or to develop housing directly themselves. Alternatively, it can be provided as a grant to another organisation such as a Registered Provider (also known as housing associations).

The policy includes the different ways in which the monies can be used to give flexibility and choice to the Council, so the monies can be spent most effectively given current policy context and the available opportunities.

Given this policy is concerned with the expenditure of public monies, it is essential that all decisions are made in accordance with the details outlined in the policy. This will ensure the consistency, effective and proper use of the monies, ensuring value for money is achieved. It will also minimise any risk associated with the expenditure of the monies. Cabinet approval for internally commissioned projects will be required on a scheme by scheme basis. The same approach will also apply for funding applications made by external organisations. In these cases a maximum grant level of £40,000 per unit or 30% of the total development scheme costs will be applied. This will support the risk management approach.

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of

these. The risk assessment which has been carried out forms part of the background papers to the report.

FINANCIAL	<p>In the approved capital programme £ 1,890,000 s106 receipts have been allocated to the delivery of affordable housing. A further £2,311,970 in s106 receipts for affordable housing is currently available but not yet allocated.</p> <p>Approval for capital expenditure on affordable housing initiatives will be the subject of a further report to Cabinet in accordance with financial regulations.</p>
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LEGAL	<p>The terms on which particular sums of money can be spent will be set out in the relevant section 106 agreement.</p> <p>The Legal Services team endeavour to allow some flexibility in such agreements in terms of precisely how those monies should be spent but in broad terms it must be for the furtherance of the provision of affordable housing in the borough.</p> <p>One must always be mindful of timescales within those agreements for when those sums must be spent.</p>
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RISK	<p>This risk when utilising commuted sum payments is detailed within the policy, and includes a robust application and assessment process; a financial appraisal of schemes by a Chartered Surveyor to ensure value for money; a maximum grant level for external organisations; and a mandatory grant agreement for external organisations to sign up to if they are successful in their application for funding.</p> <p>This risk of not utilising commuted sum monies effectively and within the given timescales as stated within the section 106 document could mean they are repaid back to the developer, losing an opportunity to deliver affordable housing.</p>
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THE IMPACT ON EQUALITY	<p>An equality impact assessment has been undertaken for the Strategic Housing service and there is a neutral impact on the protected characteristic groups. Depending on the nature of the properties developed with commuted sum monies there could be a positive impact on individuals with a physical disability and</p>
OTHER (see below)	

<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

BACKGROUND DOCUMENTS

South Ribble Strategic Housing Framework 2016/2019.

Financial Strategy, Budget and Council Tax 2016/2017 (Cabinet 10th February 2016)

Appendix 1



South Ribble Borough Council Affordable Housing Subsidised Sums Policy

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South Ribble Borough Council

Affordable Housing Commuted Sums Policy

1. Introduction

South Ribble Borough Council is committed to enabling the development of affordable housing across the borough. It recognises the importance good quality, affordable housing can play in the development of sustainable communities; supporting the local economy; and improving the health and wellbeing of local residents. A key mechanism in which affordable housing can be delivered is through the planning system, and use of commuted sums. This policy outlines South Ribble Borough Council's approach to allocating commuted sums to support the delivery of affordable housing.

2. Aim and Scope of Policy

The aim of this Policy is to effectively direct the expenditure of commuted sum monies for affordable housing within South Ribble.

The policy does not apply to other commuted sum payments.

3. Definition of Affordable Housing

At the time of writing this Policy, there are proposals to amend the definition of affordable in light of the publication of the Housing and Planning Act 2016, and the introduction of Starter Homes. For the benefit of this policy affordable housing is defined as:

“Housing for people whose needs are not met by the commercial housing market.”

This can include:

- Affordable or social rented housing.
- Affordable home ownership housing such as shared ownership or discounted open market value homes.
- Starter Homes

It does not include low cost housing, or equity loan schemes.

4. Commuted Sums

Policy 7 of the Central Lancashire Core Strategy requires that affordable housing will be provided on developments of more than 15 units (or 5 dwellings in rural areas) to ensure each development has a mix of housing. Targets of 30% and 35% affordable housing for urban and rural sites respectively has been set. (This figure rises to 100% for rural exception sites, which are sites within or adjoining existing rural communities which may be subject to policies of restraint such as Green Belt sites, and which would not otherwise be released for housing, but may only be developed in order to provide affordable housing to meet local needs in perpetuity). It is expected that this affordable housing provision is delivered on-site (i.e. a part of the main housing development). However, this is not always possible, in these cases a commuted sum (or payment in lieu) can be made to meet all or some of the affordable housing requirement.

A commuted sum is an amount of money, paid by a developer to the Council, where the size or scale of a development triggers a requirement for affordable housing, but it is not possible, or deemed inappropriate to provide on-site provision.

Where a commuted sum is payable, the Affordable Housing Supplementary Planning Document will provide the most up-to-date detail on how this will be calculated. An estimate of the sum can be provided prior to submission of a planning application based on the site location and number of dwellings to be provided (market and affordable).

5. Eligible Projects for Use

Commuted sums generated in-lieu of the on-site provision of affordable housing, must be spent on affordable housing. Each section 106 agreement may stipulate additional requirements relating to how monies are spent, including location and timescales for expenditure.

Approved ways in which commuted sums can be used for affordable housing projects are shown below:

- Financial support for Registered Providers (RP) for both the development and acquisition of affordable housing, as defined within this policy (for both general needs and supported use). (Monies should not be used to fund an affordable housing requirement in a planning application, either on or off-site). Funding will only be considered, where a RP has demonstrated that a scheme could not proceed without financial assistance from the Council.

This will be demonstrated through a financial assessment framework tool produced by a Chartered Surveyor (a member of Royal Institute of Chartered Surveyors), to determine if the scheme is value for money and financially unviable without grant.

Non-RPs (such as charities and developers) may apply for funding, if they can evidence experience of delivering and managing affordable housing schemes. This evidence may include previous affordable housing scheme information and references from other local authorities.

- Purchase and/or repair of existing market housing (including empty properties) for occupation as affordable rented housing.
- Development of affordable housing by the Council.
- Purchase of land (or assets) by the Council to facilitate the provision of affordable housing.
- Administration of affordable housing activity by the Council, such as officers working with organisations on an affordable housing scheme.

(It should be noted that following the Large Scale Voluntary Transfer in 1994, the Council no longer owns or manages any social housing stock, and as such does not have an open Housing Revenue Account (HRA). Whilst at the time of writing this policy, there are no plans to reopen the HRA, this policy does allow the Council to access commuted sum monies to develop affordable housing, if it so wishes. If this option is taken forward, it is likely that the units would be transferred to another organisation rather than be owned and managed by the Council, which would mean that the HRA would not need to be reopened. Specific details of any transfer of developed units would need to be approved with the wider scheme proposals).

In all cases, any expenditure must be in line with the Council's Affordable Housing Priorities Document which will outline the priorities for affordable housing development annually based on local housing need; housing policy and initiatives; demographic change; and regeneration priorities. These will be agreed by the Director for Development, Enterprise and Communities and the Cabinet Member for Strategic Planning and Housing communicated to partner agencies. It is important that there is strategic approach to the

investment of commuted sums to ensure they are used effectively and address housing need.

6. Directly Commissioned Projects

The Council may wish to use the funding for an affordable housing project it will own and manage/sell itself. In these cases, a project proposal will be presented to the Director of Development, Enterprise and Communities and the Cabinet Member for Strategic Planning and Housing. This will include the financial appraisal strategic fit information. It will also be accompanied by professional advice from Legal, Finance and a Chartered Surveyor. If the proposal is supported it will then go to Cabinet for approval. A project management approach will be used for the scheme.

7. External Organisation Projects

Advertisement of Funding

The availability of the commuted sum monies and the associated strategic housing priorities will be communicated to housing partners through the quarterly Affordable Housing Forum. In addition, the Council will work with the HCA to ensure that the funding opportunity is made available to a wider range of potential affordable housing partners.

Application Process

Below states how external organisations may apply for commuted sum monies to support the development of affordable housing. It should be noted that the maximum that an external organisation may apply for is 30% of the total development costs or £40,000 per unit, inclusive of land acquisition costs. Organisations will be informed of the total level of commuted sum monies available so no application are made in excess of this.

Initial Request

If an external organisation wishes to apply for commuted sum monies from the Council to fund an affordable housing project, they will first need to make an initial request. This will provide an overview of the project. This will be assessed by the Strategic Housing Manager, with a recommendation made to the Director of Development, Enterprise and Communities and the Cabinet Member for Strategic Planning and Housing, who will approve or reject the recommendation. If the project meets the criteria below then the organisation will be invited to make a full application.

- Organisation has experience of delivering and managing affordable housing. (This may include previous affordable housing schemes and/or references from other local authorities).
- The proposal is identified as meeting one of the priorities Affordable Housing Priorities Document.
- The proposal meets housing need.
- The commuted sum requested is within an acceptable level (i.e. at 30% of total development costs or a maximum of £40,000 per unit inclusive of land acquisition costs).
- Evidence to support the deliverability of the scheme which must include at least 3 of the below:
 - Internal Board Support from applicant organisation. (Evidence to include Board report and associated minutes)
 - Confirmation of other scheme funding in place. (Evidence to include funder's letter or bank statement).
 - Scheme is located on site identified in Local Plan or has planning permission.

- Site in ownership of applicant organisation.

If the applicant is a RP, they must also have minimum Governance and Viability ratings of G2 and V2 respectively from the Homes and Communities Agency. For non-RPs, a copy of the most recent year end accounts will be required instead. These will be checked by the Council's Shared Financial Services to approve financial standing of organisation.

Where an organisation does not meet the above criteria, they will be informed by the Strategic Housing Manager that they will not proceed to a full application. They will be given feedback on the decision made, and be able to reapply if they are able to meet the criteria in the future.

Full Application

If invited to apply for commuted sum monies, an organisation will be required to complete fully and comprehensively an application form. If any information is missing or incomplete, the form will be returned to the applicant. In some cases additional information and documentation will be requested. This must be provided by the applicant for the application to be considered. In addition to the application form, the following information will be required:

- Detailed Financial Scheme Appraisal
- Evidence of external funding (Where an application to the HCA has been submitted full details, must be provided. If an application has not be submitted for an eligible scheme to the current funding programme, details must be provided, why this has not been the case.)
- Viability and Governance rating from the HCA for RPs
- End of Year Accounts for the past 3 years
- Development / Financial Appraisal Strategy (or equivalent document)
- Current Development Programme

Assessment of Bids

Once received, the application will be assessed by the Council's Strategic Housing Manager. The assessment will focus on the following areas:

- **Non-Financial Assessment**
 - Strategic fit and housing need
 - Deliverability
 - Design and sustainability
- **Financial Assessment**
 - Funding requested
 - Reasons for commuted sum requirement
 - Financial standing of organisation

The Strategic Housing Manager will use the financial assessment framework tool developed by a Chartered Surveyor to ensure that value for money is achieved. Commuted sums monies are public funds, so every step must be taken to ensure that are spent effectively.

Once an assessment has taken place, a recommendation will be made on whether the application will be recommended for approval. In order for the scheme to be approved, it must pass both parts of the assessment.

All assessment information will be initially discussed with the Cabinet Member for Strategic Planning and Housing and Director for Development, Enterprise and Communities. A final decision will then be made about whether an application can be recommended for approval by Cabinet.

If an application is not recommended for approval, applicants will be contacted and informed of the decision not to proceed with the application and the reasons why. There will be no appeal process. However, applicants may resubmit amended applications if recommended by the Strategic Housing Manager.

Approval of Application

The Strategic Housing Manager will produce a report to Cabinet recommending the approval of the application, together with detailed reasons for the recommendation. The report will include assessment information from the financial appraisal framework tool, which will provide confidence in the financial implications of the decision.

Applicants will be informed of the decision within 10 working days of the Cabinet meeting.

Payment of Monies and Grant Agreement

Following approval, a grant agreement must be produced and signed by the Council and applicant. The grant agreement will contain detailed provisions including clauses relating to the payment of the monies in defined tranches. No monies will be paid until the completion of the grant agreement.

The Strategic Housing Manager will determine the payment tranche provisions for each application in liaison with the applicant. Each payment tranche will be subject to the applicant satisfactorily meeting the criteria set out in the grant agreement, with evidence provided for certain key stages of the development (e.g. start on site and practical completion). This will be confirmed by the Strategic Housing and Planning Teams through their existing monitoring procedures.

The grant agreement will also include provisions regarding nomination rights for the Council on the properties that have received financial assistance.

Schemes that will offer social rented or affordable rented homes will have 100% nomination rights from the Select Move choice based lettings scheme (or any successor scheme) in perpetuity. The purchaser criteria for affordable home ownership schemes (with the exception of Starter Homes) will be subject to the approval of the Strategic Housing Manager.

8. Risk Management

As this policy concerns itself with the expenditure of public funds, every step needs to be taken to ensure risk is managed and minimised. This will involve identifying, controlling and reviewing risk throughout the implementation of this policy.

For directly commissioned projects, the Council will produce a risk management log to accompany the associated project management documents. All relevant professional advice will be sought prior to any directly commissioned project being approved.

Where monies have been provided to an external organisation (such as an RP), it will be necessary for the Council to undertake a rigorous assessment of the application and other activity to ensure that any financial grant is protected:

- An assessment of the deliverability of the scheme during the application process.
- A maximum grant level to ensure the main financial risk is on the recipient organisation.
- The completion and signing of a grant agreement with mutually agreed payment tranches.
- Regular liaison meetings with the recipient organisation, to monitor progress of the scheme.

9. Equality Impact Assessment

This Policy has been subject to an equality impact assessment. It was found to have a positive impact on the protected group of disability and a neutral impact on other protected groups.

10. Review

This Policy was approved and implemented in September 2016 and will be reviewed every three years by the Strategic Housing Manager, or if sooner if required due to policy or legislative changes.

