

REPORT TO	ON
CABINET	18/03/20



TITLE	PORTFOLIO	REPORT OF
Station Road, Bamber Bridge Site Conversion to Affordable Rented Accommodation.	Finance Property and Assets	Director of Planning and Property

Is this report a <b>KEY DECISION</b> (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	<b>Yes</b>
Is this report on the <b>Statutory Cabinet Forward Plan</b> ?	<b>Yes</b>
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council?	<b>No</b>
Is this report confidential?	<b>No</b>

## PURPOSE OF THE REPORT

1. The purpose of this report is to seek Cabinet approval to enter into a legal agreement with Community Gateway Association (CGA) to manage the affordable housing accommodation at the Station Road site in Bamber bridge once the conversion work is completed.

## PORTFOLIO RECOMMENDATIONS

2. To enter into a legal agreement/contract with Community Gateway Association (CGA) for them to manage the property at a cost of 9% management fee, 5% allowance for void and bad debts and £500 per property per annum for maintenance and repairs for an initial lease term of 7 years, with an option to extend the lease.

## REASONS FOR THE DECISION

3. The previous report dated the 17<sup>th</sup> October 2017 approved the conversion and to enter into an agreement to lease the converted building to Methodist Action. The new recommendation is due to Methodist Action going into liquidation in October 2019.
4. Consequently, potential options have been explored in order to ensure the financial and/or social value of the asset is maximised. The preferred option of converting to residential use would enable us to meet key corporate aspirations for housing.

## EXECUTIVE SUMMARY

5. The Council has key corporate aims to meet housing needs in the Borough and make efficient use of its assets. The property at Station Road is currently vacant and provides an excellent opportunity for conversion to meet housing need. The Council currently retains significant

commuted sums to use towards providing affordable housing. This is an excellent opportunity to provide such accommodation which the market is not delivering.

## CORPORATE PRIORITIES

The report relates to the following corporate priorities:

Excellence and Financial Sustainability	X
Health and Wellbeing	
Place	X

Projects relating to People in the Corporate Plan:

People	
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## BACKGROUND TO THE REPORT

6. The Council's Corporate Plan identifies the implementation of the Housing Framework as a key priority. The revised Housing Framework was adopted in January 2018. Key aspirations are ensuring that housing meets the needs of the South Ribble and that the council develop its own homes. A Housing Investment Strategy is currently being developed however the opportunity at Station Road is a current asset problem that can provide an immediate response to meeting housing needs in the Borough. Within the area of Bamber Bridge there are currently 153 active applications on select move. There is therefore a clear housing need in this locality.
7. The Council receives commuted sum payments where it has been agreed that a developer will provide financial contribution in lieu of providing affordable housing on site. Any commuted sum monies received are to be reinvested in affordable housing provision within the borough in accordance with the section 106 agreement.
8. Commuted sum monies were allocated to the provision of Affordable Housing in the Capital Programme as part of the 2016/17 budget-setting process. There is currently a total of £4.478m available in commuted sums due to additional monies being received during 2016/17 and 2017/18. Any such monies received by the Council are restrictive in that the payee can request for them to be repaid after a certain period of time as agreed within the section 106 agreement if they are not spent.
9. As the Station Road property was rendered unusable due to flooding, an opportunity arose to review the potential future options for the asset. In light of identified housing need, and the commuted sums available as above, it was considered beneficial to explore the merits of converting the property to provide affordable 1 & 2 bedroom flats, potentially including commercial space on the ground floor to be used as office space.

## PROPOSALS (e.g. RATIONALE, DETAIL, FINANCIAL, PROCUREMENT)

10. Officers have reviewed options for making best use of the asset at Station Road to contribute towards meeting housing needs. To that end informal discussions have been held with three Registered Providers to gauge their level of interest in renting the property from us following conversion works. Two of the providers have provided detailed costings, a third showed interest but provided no costings.

11. It is recommended the council enters into a maintain and lease agreement with Community Gateway Association on completion of the conversion work for a period of 7 years with an option to extend.
12. At the end of the lease term, the properties would be returned to the council vacant and in the original condition minus wear and tear.

#### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

13. Dispose of the building at auction or open market - This option would realise a capital receipt and eliminate on-going revenue liabilities associated with management and maintenance of an asset which is not considered fit for purpose and does not represent an acceptable return as an investment property. It would however not support delivery of affordable housing nor utilise the commuted sums fund.
14. Refurbish the existing building and continue to market it as a commercial letting. This option is not recommended as the costs of refurbishment are considered to outweigh the income it would generate.

#### **FINANCIAL IMPLICATIONS**

15. Based on the new flat combination of 7 x 1 bed flats and 2 x 2 bed flats, the agreement with CGA would be based on a full repair and lease basis which will provide a guaranteed rental income for the term regardless of the property being occupied or void. The property would be returned to its original condition on termination of the lease.

#### **16. Rental Income**

Annual Income - £33,282.00  
7 Year Income - £232,974.00

#### **LEGAL IMPLICATIONS**

17. Any contractual documentation to be entered into will be thoroughly checked by Legal Services. Due diligence will be carried out. We will ensure that the council's best interests are protected.

#### **AIR QUALITY IMPLICATIONS**

18. The development is to ensure it is completed to meet all insulation requirements and meet building regulation with affordable heating to be installed.

#### **HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS**

19. None.

#### **ICT/TECHNOLOGY IMPLICATIONS**

20. None.

#### **PROPERTY AND ASSET MANAGEMENT IMPLICATIONS**

21. These are fully explained in the main report.

## **RISK MANAGEMENT**

22. There is a potential risk that the selected managing organisation may not renew the lease after the 7 year period, this will then require the council to select a new managing agent or to dispose of the accommodation and receipt the funds.

## **EQUALITY AND DIVERSITY IMPACT**

23. The Affordable Housing Commuted Sums Policy has previously 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.

## **RELEVANT DIRECTORS RECOMMENDATIONS**

24. Funding of £582,965 was given to the scheme by Cabinet in October 2018 in order to provide much needed affordable housing in the borough. The scheme will be managed by Community Gateway Association (CGA) with a management cost of 9% with an initial lease term of 7 years, with an option to extend the lease. The total lease period, in order to break even on the investment would need to be for a period of 17.5 years.

## **COMMENTS OF THE STATUTORY FINANCE OFFICER**

25. The capital cost of the conversion can be met from existing affordable housing s106 receipts held by the council.
26. The potential £33,282 net annual income from the proposed development following the conversion compares favourably with the commercial rental of £20,000 previously charged for the property. The council would retain responsibility for the costs associated with external maintenance and repair and insurance cover but there would be more certainty in relation to annual income as the risk of voids would be transferred to Community Gateway Association (CGA).

## **COMMENTS OF THE MONITORING OFFICER**

27. There are no fundamental concerns with what is proposed. There are extensive Section 106 monies that can pay for the costs of the conversation. We shall ensure that appropriate contract documentation is entered into with the new Association.

## **BACKGROUND DOCUMENTS**

28. Previous Cabinet Report dated 17<sup>th</sup> October 2018

Appendix A - Location Plan

Appendix B - Site Layout

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