

REPORT TO	ON
CABINET	25 <sup>th</sup> January 2018

September 2017



TITLE	PORTFOLIO	REPORT OF
Chorley Community Housing Application for Commuted Sum Monies	Development, Enterprise and Communities	Jonathan Noad

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>

## 1. PURPOSE OF THE REPORT

- 1.1 This report presents to Cabinet detail of the Council's first policy compliant application for commuted sum monies made by Chorley Community Housing (part of Adactus Housing Group) for the delivery of affordable housing within the borough.

## 2. PORTFOLIO RECOMMENDATIONS

- 2.1 To approve the application for grant funding of affordable housing commuted sum monies to Chorley Community Housing.
- 2.2 To approve capital expenditure of £499,664.40, funded from affordable housing s106 monies.

## 3. CORPORATE PRIORITIES

The report relates to the following corporate priorities:

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire	X	Efficient, effective and exceptional council	

## 4. BACKGROUND TO THE REPORT

- 4.1 The Council receives commuted sum payments where it has been agreed that a developer will provide financial contribution in lieu of providing affordable housing onsite. Any commuted sum monies received are to be reinvested in affordable housing provision within the borough in accordance with the section 106 agreement.
- 4.2 A total of £1.345m in commuted sum monies was 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 £4.466m 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.

- 4.3 South Ribble Borough Council introduced a commuted sums policy to determine how such monies are to be spent and which projects would be eligible for such funding. The maximum an external organisation can apply for is 30% of the total development costs or £40,000 per unit. This was adopted at Full Council on 5<sup>th</sup> October 2016.
- 4.4 The application to be considered is the first policy compliant application the Council have received for commuted sum monies.
- 4.5 The commuted sums policy requires a financial and non-financial assessment to be carried out on any bids submitted.

## **5. PROPOSALS**

- 5.1 Chorley Community Housing are a housing association who are part of Adactus Housing Group. The group own and manage over 13,000 properties across the North West of England and are extremely keen to develop in the South Ribble area and work with us more widely in the future.
- 5.2 Chorley Community Housing currently operate in the neighbouring areas of Preston and Chorley and are a partner of the Choice Based Lettings allocation scheme Select Move. Select Move is used to allocate affordable rented housing in the areas of Chorley, Preston and South Ribble.
- 5.3 The application is for commuted sum monies to enable the delivery of 34 units available for affordable rent on the former Expac Site, Dunkirk Mill, Dunkirk Lane, Moss Side, Leyland.

### The Site

- 5.4 Expac, Dunkirk Mill is a site allocated for housing in the Local Plan (Policy D1). It was originally granted outline planning permission in 2009 for the development of 35 units including 4 affordable units. The permission was later renewed and renewal permission was granted on 31.03.2015.
- 5.5 The site has been sat vacant for a number of years meaning the adjacent site known as the Rear of Dunkirk Mill, Slater Lane, Leyland has not come forward. Any development of the Expac site must make provision for unrestricted access to the adjacent site.

### The Application and Assessment

- 5.6 The application seeks a total of £510,000, which equates to £15,000 per unit towards the overall development costs of the scheme. Chorley Community Housing's development proposal is for general needs accommodation, offering 19 two bedroom houses, 11 three bedroom houses and 4 one bedroom flats.
- 5.7 In addition to Commuted Sum monies, Chorley Community will finance the development through internal subsidy, long term loan and Homes and Communities Agency grant funding of which their bid has been approved.

### **Non-financial Assessment**

- 5.8 A non-financial assessment has been carried out and the application scored 9 out of 12 on the scoring matrix, so has passed this assessment (see appendix B)

- 5.9 The non-financial assessment focused on strategic fit and housing need, deliverability, and design and sustainability as detailed below:
- Strategic Fit and Housing Need – The proposed scheme meets key priorities identified in the Housing Framework and meets current and future identified housing need
  - Deliverability – Identified site has outline planning permission and is identified as Housing Land in the South Ribble Local Plan, a land agreement is in place to secure the land and Chorley Community Housing are an established housing association with experience of developing and managing affordable housing
  - Design and Sustainability – Following development, properties will be managed by Chorley Community Housing's existing in house lettings team with energy efficiently and space standards meet current building regulation standards.

### **Financial Assessment**

- 5.10 A financial assessment is also required which focuses on funding requested, reasons for commuted sum requirement and financial standing of the organisation. An assessment of the financial standing of the applicant was carried out by the finance team who concluded that, based on the annual statements of accounts provided, Chorley Community Housing has an acceptable financial standing.
- 5.11 The Council's retained viability consultants, Keppie Massie have been commissioned to carry out additional financial assessment looking at the overall viability of the scheme including the consideration of value for money. Keppie Massie are qualified Chartered Surveyors and are experts on residential and commercial development and have been advising South Ribble for around 2 years. They are retained by many North West authorities for such work and also work for private developers across the country so have a detailed knowledge of viability from both sides.
- 5.12 Keppie Massie have considered the application carrying out assessment on total scheme costs and total scheme revenues and are satisfied that the assumptions made by the applicant are reasonable in regard to the application proposals.
- 5.13 Two area were identified in which potential savings could be made as considered below:
- a) **s106 Commuted Sum**  
The applicant has included a provisional sum within their costs to allow for a potential section 106 contribution required by the Council. This would be determined at the planning application stage as to whether a section 106 contribution would be formally required. Therefore no adjustment is required at this stage.
  - b) **Land Cost (Inc. acquisition costs)**  
Keppie Massie conclude that the land cost is considered to be high compared to the norm in this area of the Borough. The land cost is around £99,000 above the norm therefore a proportionate saving could me made here
- 5.14 As a result of the report findings from Keppie Massie, it is recommended that the grant application be approved at an amount of £499,664.40 to take in to consideration a proportionate reduction due to the reported high land costs. The applicant has commented that they are satisfied they have not paid too much for the land following their instruction of an independent land valuation.
- 5.15 Recommendation for approval will enable the Expac site to be brought forward for development, but will also bring forward the adjacent site by enabling access. Both sites have laid undeveloped for some time and would provide a significant contribution to the delivery of housing in the Borough. Approval will enable a 100% affordable housing scheme to be developed to meet the housing need of the borough and bring in a new registered provider

partner into the borough. Chorley Community Housing have confirmed they would not be able to continue with the scheme without the grant funding through the Affordable Housing Commuted Sums Policy.

## **6. CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION**

- 6.1 The site is allocated for housing in the South Ribble Local Plan. Prior to the adoption of the Local Plan full public consultation and assessment was carried out to ensure appropriate land allocations.
- 6.2 Outline planning permission was granted on the site in 2009 with permission renewed in 2015. During both planning application processes, consultation was carried out through letters to neighbouring properties, site notices, and press notices. Statutory bodies (i.e. County Highways, Environmental Health, United Utilities Drainage and Electricity North West) were also consulted for comment.
- 6.3 A reserved matters application has now been submitted to the Council for the development of 34 affordable units on the site. Following submission of this application, letters have been issued to neighbouring properties and site notices located around the site area. Statutory bodies have been consulted as part of the planning application process and a press notices published.

## **7. OTHER OPTIONS CONSIDERED**

- 7.1 Recommend for full approval  
Approval of the full £510,000 would enable the scheme to go ahead but would contribute towards the high land value as reported by Keppie Massie. It is not felt, however, that the Affordable Housing Commuted Sum funding should contribute to higher land values
- 7.2 Refuse the application  
Refusal of the application would mean refusal of a policy compliant scheme and a loss of 34 affordable units to meet the housing needs of the borough. It would also mean two sites would not be able to come forward which would otherwise provide an important contribution to housing delivery in South Ribble. Two other schemes submitted have not reached this stage as they were not compliant with the policy this one meets it and has been thoroughly tested. There are also time limits on the spend for commuted sums monies so it is essential that we start to use this funding effectively otherwise it could be lost.

## **8. FINANCIAL IMPLICATIONS**

- 8.1 There is currently a total of £4.466m available in commuted sums for the purposes of providing Affordable housing. 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.
- 8.2 If the application is recommended for approval then Cabinet will be asked to approve capital expenditure of £499,664.40, funded from affordable housing s106 monies.

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

None

## **10. ICT/TECHNOLOGY IMPLICATIONS**

None

## **11. PROPERTY AND ASSET MANAGEMENT IMPLICATIONS**

None

## **12. RISK MANAGEMENT**

- 12.1 The Affordable Housing Commuted Sums policy concerns itself with the expenditure of public funds. As an external application, an assessment has been carried out to consider the deliverability of the scheme, and Keppie Massie have further carried out assessment. If approved, a grant agreement will be completed and signed with mutually agreed payment tranches and regular liaison meetings will be held with Chorley Community Housing to monitor progress of the scheme.
- 12.2 Commuted sum monies received by the council are time restricted and repayment can be demanded by the payer after a five year period. If such monies have not been spent, the Council will be required to repay upon demand, thereby losing the affordable housing contribution.

## **13. EQUALITY AND DIVERSITY IMPACT**

- 13.1 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.

## **14. RELEVANT DIRECTORS RECOMMENDATIONS**

- 14.1 The application submitted by Chorley Community Housing is the Council's first policy complaint application for affordable housing commuted sum monies. The scheme proposes 34 units for affordable rent to meet the affordable housing need of the borough. Approval of this grant will enable a vacant site to come forward for housing development but will also enable the adjacent site to come forward for future development opportunities.
- 14.2 Chorley Community Housing have applied for £510,000 towards the cost of the development. The application has been considered to meet non-financial and financial assessments, although Keppie Massie have identified a potential saving due to the high land value. It is felt that this can be addressed by proportionality reducing the grant amount whilst still enabling the development to proceed subject to planning permission.

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

- 15.1 The application has been subjected to both internal and external assessment and found to be of acceptable financial standing.
- 15.2 S106 funding received has been earmarked for this scheme. If Council give approval to the proposal and once a legal agreement is in place, arrangements will be made for it to be paid over to Chorley Community Housing (CCH) as a capital contribution to the development.

## **16. COMMENTS OF THE MONITORING OFFICER**

- 16.1 In appropriate cases where there is a requirement for the provision of affordable housing with regard to a particular planning application this may be provided by the payment of a commuted sum as opposed to the actual delivery of the affordable units. The council has generated significant receipts in this way. Such monies must be paid towards the delivery of affordable housing in the borough – the respective terms are set out in the relevant section 106 agreement.

- 16.2 If Cabinet approves this scheme then Legal Services will draw up the necessary agreement with Chorley Community Housing to protect our position.

**17. BACKGROUND DOCUMENTS (or there are no background papers to this report)**

Appendix A – Site Plan, Dunkirk Mill

Appendix B – Non-financial Assessment – Scoring Matrix Overview

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