

Chichester District Council

THE CABINET

7 March 2017

Allocation of Commuted Sum to Fund Affordable Housing

1. Contacts

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2. Recommendation

- 2.1. That the Cabinet approves the allocation of an additional £51,000 commuted sum monies to The Hyde Group to fund partly three affordable rented housing units at Parsonage Estate Rogate.**

3. Background

- 3.1. The Housing Strategy 2013-2018 sets a target to deliver 700 affordable homes, 150 of which are to be delivered through registered provider redevelopment opportunities and through council funding.
- 3.2. The recently approved Housing Strategy Review considered the use of affordable housing commuted sums received in lieu of affordable housing. It was agreed that these could be used:
- to convert shared ownership to rented units;
 - to attract investment to meet specific local needs, e.g. bungalows, disabled units, redevelopment of outdated or difficult to let housing;
 - to make small schemes viable, e.g. rural schemes, those with high design costs or with additional amenity requirements;
 - where grants would reduce rents to affordable levels, particularly in the case of larger family rented homes.
- 3.3. In May 2016 Cabinet approved the allocation of commuted sum monies to fund 43 affordable rented housing units, including £140,000 towards four units to be developed by Hyde at Parsonage Estate, Rogate. Planning permission has since been granted for only three units and Hyde has advised that the scheme is no longer financially viable without additional grant funding. Factors include:
- revenue lost through the rent reduction of 1% on all affordable rented tenancies;
 - increased building costs;
 - additional drainage costs to meet planning conditions.
- Hyde has advised that it now requires a total contribution of £191,000 to enable the scheme to be built out.

4. Outcomes to be Achieved

- 4.1. Delivery of one one-bedroom bungalow and two two-bedroom houses for affordable rent. These will meet the needs of local people and contribute to the council's housing strategy target and five year housing supply.
- 4.2. Investment from the Homes and Communities Agency (HCA) of £97,500 and from Hyde of over £400,000. As this site will be developed as 100% affordable rented housing there will be no cross-subsidy from shared ownership or market homes so the additional council funding is required to secure grant funding from the HCA.

5. Proposal

- 5.1. To allocate an additional £51,000 of commuted sums (total £191,000) to The Hyde Group to deliver three affordable rented homes. This is needed as without financial support from the council these units cannot be delivered. This is a small rural site which is relatively expensive to deliver compounded by the government's rent reduction policy. There are also issues of contamination, extensive drainage works and escalating build costs which contribute to the need for additional grant.

6. Alternatives considered

- 6.1. Grant from the HCA is on a fixed per unit basis and so without additional grant The Hyde Group is unlikely to deliver the affordable homes.

7. Resource and Legal Implications

- 7.1. The council currently holds £435,000 in commuted sums still to be allocated which can be used for this purpose. A further £1,230,000 of commuted sums is expected from current section 106 agreements. Monies must be spent on affordable housing delivery within the specified timescales stated in the section 106 agreements of the donating sites. If a deadline is missed the developer may apply to have the agreement varied and the contributions returned.

8. Consultation

- 8.1. The Housing Strategy Review considered the future use of commuted sums following discussions with the Chichester Housing Delivery Partnership, the corporate management team and at a Cabinet strategic briefing day. Consultation included the housing operations, planning policy and, economic development teams and other relevant officers.
- 8.2. On 12 January 2016 the Overview and Scrutiny Committee considered the Housing Strategy review. It recommended that Cabinet supports the options for future housing delivery and for capital investment.

9. Community Impact and Corporate Risks

- 9.1. An equalities impact assessment has been undertaken for these proposals and concludes that they will have a positive impact. The proposals will increase the

supply of, and access to, affordable housing, particularly to local households unable to access the market due to low family incomes.

- 9.2. The grant will be paid on completion of the units and following the submission of evidence of the contract sum and contractual completion to ensure probity.
- 9.3. All commuted sum spending is monitored by the council's Planning Obligations Monitoring and Implementation Officer. Progress of projects and expenditure are reported to Corporate Governance Committee annually.

10. Other Implications

Crime and Disorder		None
Climate Change		None
Human Rights and Equality Impact see paragraph 9.1 above	Yes	
Safeguarding and Early Help		None

11. Appendix

None

12. Background Papers

None