

## CABINET

<b>Date of Meeting</b>	Tuesday 14 <sup>th</sup> March 2017
<b>Report Subject</b>	Commuted Sums and Shared Equity Redemption Payment Policy
<b>Cabinet Member</b>	Cabinet Member for Housing
<b>Report Author</b>	Chief Officer (Community and Enterprise)
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

Previously a report to consider the use of commuted sums derived for the purposes of affordable housing, was taken to Housing Overview and Scrutiny Committee in October 2014 and approved by the Cabinet in June 2015. The report recommended:

- That Members support the process for the acceptance, calculation and use of commuted sums as outlined in Local Planning Guidance Note No.9; and
- That a further review of the Policy should be undertaken in April 2016.

This report reviews the use of commuted sums and provides updated recommendations in the context of recent Section 106 agreements and the Council's commitment and priority to building affordable homes across Flintshire through the Strategic Housing and Regeneration Programme (SHARP).

This paper also provides an overview of the Shared Equity redemption payments and how it could be used to deliver affordable housing across Flintshire.

### RECOMMENDATIONS

1	<p>It is recommended that Cabinet agree that:</p> <ul style="list-style-type: none"> <li>i. Where a commuted sum is paid to the Council in lieu of on-site affordable housing provision, these monies must be prioritised for the relevant Community Council area;</li> <li>ii. Where a commuted sum is received and on site affordable housing has been provided as part of the Section 106 agreement, the monies can be utilised as part of the Council's priority for developing affordable homes across Flintshire through SHARP.</li> </ul>
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2	It is recommended that Cabinet support the approach to the Shared Equity redemption payments, as set out below.
3	It is recommended that Scrutiny receives an annual monitoring report on the Commuted Sums and Shared Equity redemption payments:

## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE COMMUTED SUMS AND SHARED EQUITY REDEMPTION PAYMENTS</b>			
1.01	<p><b>Commuted sums - current approach to agreeing commuted sums</b></p> <p>In relation to delivering affordable homes through market led schemes and where the threshold for affordable housing provision is triggered (25 units or more / one hectare), the Developer is expected to provide 30% affordable units on site. However, in exceptional circumstances, where on site provision is not feasible the developer can provide off site provision, and where this is not possible and subject to approval, the developer can provide a commuted sum to the value of the 30% on site provision.</p> <p>Planning Policy Technical Advice 2 Planning and Affordable Housing states: The strong presumption is that affordable housing will be provided on the application site so that it contributes to the development of socially mixed communities.</p> <p>However, on some of the larger sites, the preferred approach is that the developer provides a mix of shared equity units, affordable rent and a commuted sum. The rationale for this approach is to ensure a mix of affordable tenures, including social rented properties delivered through the SHARP.</p>			
1.02	<p><b>Update of commuted sums already received</b></p> <p>The table below outlines the commuted sums received to date.</p>			
	<b>Area of development</b>	<b>Balance as per journal as at November 2016</b>	<b>Area of use / Restrictions as per S106</b>	<b>Comments</b>
	Ewloe	£88,781	Flintshire	Subject to Community Council agreement, looking to use towards an adapted property to house someone on the Specialise Housing Register

Northop	£116,950	Flintshire	To consult with Community Council on spend.
Penyffordd/ Penymynydd	£262,107	Flintshire	Working with Local Members to introduce Homebuy for local residents.
Hawarden	£58,656	Hawarden area CC	To consult with Community Council on spend.
Broughton	£210,000	Broughton area CC	Working with Local Member on potential scheme to be delivered through the SHARP.
<b>Total</b>	<b>£736,494</b>		

Although the majority of Section 106 pertaining to affordable housing provision state the use as Flintshire wide, currently there is an expectation that the monies are spent in the same Community Council area where the monies were generated. This was put in place when a commuted sum was paid in place of the provision of affordable homes in a community and as such it is justified to seek alternative sites or mechanism for the delivery of the properties for local people. However, in more recent instances the commuted sum has been provided on sites where there is on site affordable provision (shared equity / affordable rent), and as such the commuted sum would not necessarily be needed in that particular community as local need will be met.

1.03

**Proposed use of commuted sums going forward**

The Council has agreed that commuted sums are used in a number of ways and require flexibility to do so, and this approach is reflected in the Section 106 agreement. Further to this it is proposed that:

- i. Where the Council is in receipt of a commuted sum in lieu of any affordable housing being provided on site, then the money should be prioritised to be spent in the Community Council area of the development. Affordable housing provision could be delivered through models such as Homebuy or contribute to a wider affordable housing scheme being delivered in the area through the Council's Strategic Housing And Regeneration Programme (SHARP) or a partner Housing Association. The options for provision must align with those set out in Flintshire's Local Planning Guidance Note (LPGN) No.9.

Where the commuted sum forms part of a combination of on-site provision (e.g. shared equity and affordable rent) and a commuted sum for off-site provision, then it is justifiable for the commuted sum to contribute towards the Council's wider affordable housing programme SHARP.

The rationale for this approach to commuted sums would:

- provide the most efficient use of the funding as it would enable the Council to maximise the SHARP funding;
- ensure affordable housing is delivered in areas of greatest need; and deliver homes in areas that are less attractive for market led development or on sites which are harder to develop (such as brownfield sites owned by the Council).

1.04

**Shared Equity redemption payments**

As part of the planning process (LPGN No.9) a developer can provide onsite affordable housing provision through a Shared Equity model, with the eligible person from the Affordable Housing Register purchasing 70% of the market value and the Council retaining 30% equity in the property by way of legal charge. ***The conditions for the delivery of shared equity properties and any redemption payments received, are set out in a Marketing Strategy, which forms part of the legal agreement (Section 106).***

If the purchaser/individual owner pays back the equity loan in full at any time, including upon subsequent disposal, the purchaser/individual owner is entitled (in perpetuity) to sell or otherwise dispose of the unit on the open market free from restriction as to sale price or purchaser.

On redemption of the equity loan the Council receives a payment to the value of 30% of the open market value of the property at point of sale (less reasonable charges). As set out in the Marketing Strategy, such funds are to be used towards the future provision of affordable housing including:

- Match funding schemes being delivered either through the Council's Strategic Housing and Regeneration Programme (SHARP) or the Social Housing Grant programme (RSLs);
- Purchasing existing property for applicants on the Specialist Housing Register;
- Acquiring and refurbishing empty homes.
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The following table outlines the amounts received to date by the Council in relation to shared equity redemption payments. These amounts could be used to contribute towards the delivery of NEW Homes Schemes, or Housing Revenue Account Schemes (none of which currently receive any Welsh Government subsidy)

Shared equity redemption payments from individuals where 100% of property purchased	£218,869
Shared equity redemption payments from Developers	£457,738

1.05

**Management and Monitoring Process**

The Housing Programmes Team is consulted on all of the planning applications in relation to housing need, tenure and mix, and in negotiation with the Developer and the Planning Officer, makes a recommendation in relation to the on-site affordable housing requirement. The Housing

	<p>Strategy Officer monitors the numbers, in particular the units provided for NEW Homes (affordable rent).</p> <p>Where there is a commuted sum the Planning Enforcement Team is responsible for monitoring any triggers for payment and notifying Finance and Housing Programmes when a payment is due.</p> <p>Where a commuted sum is to be spent within a particular Community Council area, it is the role of Housing Programmes Team to liaise with the Local Members and, if necessary, the Community Council to identify the most appropriate and efficient use of the commuted sum monies in the area.</p> <p>In terms of Shared Equity, the Legal Team and Housing Programmes work closely with Flintshire Council's 'nominated agent' Grwp Cynefin Housing Association, to nominate people to the properties. On receipt of any redemption funding the Legal Team notifies Housing Programmes and the Finance Team who keep records of finance received.</p> <p>It is proposed that oversight and monitoring of the expenditure of both the Commuted Sums and Shared Equity redemption monies is done through the Housing and Regeneration Programme Board, with an annual report on expenditure and outcomes to the Scrutiny Committee.</p>
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	The Council is in receipt of financial contributions for affordable housing arising through Section 106 obligations. The Council currently holds £736,494 of commuted sums and £676,607 of shared equity redemption payments which are held separately from Council funds.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	The report has been presented to and supported by Community and Enterprise Scrutiny in January 2017.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>The key risks are:</p> <ul style="list-style-type: none"> <li>i. Not spending the commuted sums and shared equity redemption payments income on affordable housing – The income is used for the provision of affordable housing giving access to a home for those who may not otherwise be in a position to afford one. The Housing Programmes Team is responsible for monitoring and managing this process and the recommended process will mitigate this risk.</li> <li>ii. Not meeting local affordable housing need - The provision of affordable housing ensures that all of the County's residents have a</li> </ul>

	<p>greater opportunity access their own home. If we do not meet this need, homelessness will increase impacting on the Council's budget.</p> <p>iii. Not maximising the impact of the income in addressing the affordable housing shortage in Flintshire – The Council has its own delivery mechanism (SHARP) to ensure efficient delivery of affordable housing in areas of greatest need, providing both social rent and intermediate rent. By using the income through the SHARP delivery vehicle we are maximising the impact of the income and therefore providing better value.</p> <p>iv. The environmental impact - This is considered and mitigated during the construction phase. All affordable homes built meet modern standards for energy efficiency and the Flintshire Housing Standards.</p>
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<b>5.00</b>	<b>APPENDICES</b>
5.01	None.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<p>None.</p> <p><b>Contact Officer:</b> Lesley Bassett, Housing Strategy Officer  <b>Telephone:</b> 01352 701433  <b>E-mail:</b> <a href="mailto:Lesley.Bassett@Flintshire.gov.uk">Lesley.Bassett@Flintshire.gov.uk</a></p>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Section 106</b> – a legal agreement setting out a planning obligation i.e. the provision of affordable homes.</p> <p><b>Commuted Sums</b> – In exceptional circumstances, where the provision of affordable housing is not feasible on site the developer can provide off site provision, and where this is not possible and subject to approval, the developer can provide a commuted sum to the value of the 30% on site provision.</p> <p><b>Affordable Housing</b> – a range of different tenures (set out below) for housing available to people who are unable to meet their own housing needs.</p> <p><b>Shared Equity</b> – the purchase can buy 70% of the property and 30% is owned by the Council by means of a legal charge. When the 30% is paid to the Council this is the <b>redemption payment</b>.</p> <p><b>Social Rent</b> – Below market and affordable rent charged on houses provided through the Council or Housing Associations.</p>

**Affordable rent (also known as Intermediate Rent)** – around 80%-90% of market rent charged on properties provided through NEW Homes or on some Housing Association properties.

**Housing Associations** – organisations that build, rent and manage social and affordable homes. In Flintshire the 4 Housing Associations are: First Choice; Grwp Cynefin; Pennaf/Clwyd Alyn; and Wales and West.

**Strategic Housing and Regeneration Programme (SHARP)** – Flintshire County Council House Building Programme which will build 500 new homes, of which 200 are to be Council (Social Rent) and 300 are to be affordable rent (also known as Intermediate Rent) through NEW Homes.

**North East Wales Homes, (NEW Homes)** - is a Housing company based in Flintshire and owned by Flintshire County Council. NEW Homes owns, leases and manages properties across Flintshire. The company was established to increase the quantity and quality of affordable housing available across the county; increasing housing choice for those who may not qualify for social housing but for whom market housing is unaffordable or difficult to access.