

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO HEALTH & HOUSING COMMITTEE

Agenda Item No. 7

meeting date: THURSDAY, 6 JUNE 2019
title: REQUEST FOR APPROVAL TO PURCHASE PROPERTIES IN
LONGRIDGE USING COMMUTED SUM MONIES
submitted by: NICOLA HOPKINS, DIRECTOR OF ECONOMIC DEVELOPMENT AND PLANNING
principal author: RACHAEL STOTT, HOUSING STRATEGY OFFICER

1 PURPOSE

- 1.1 To set out a proposal to Members for the commitment of commuted sum monies received from a development at Barnacre Road Longridge for the purchase of 2 affordable properties in Longridge.
- 1.2 Relevance to the Council's ambitions and priorities
 - Community Objectives – Address affordable housing needs in Longridge.
 - Corporate Priorities - Be a well-managed and efficient Council
 - Other Considerations – To make best use of commuted sums received from a development site.

2 BACKGROUND

- 2.1 Committee have in the past considered options for the use of commuted sums (monies received in lieu of on-site provision of affordable housing). Commuted sum money must be invested in the provision of affordable housing in the locality of where the money is derived and should increase local provision. Therefore the commuted sum monies from the Barnacre Road site, Longridge must be used in the Longridge area to deliver affordable housing.

3 ISSUES

- 3.1 The option proposed is the purchase of 2 properties in Longridge; and to then renovate these properties should any works be required and then rent them at an affordable rent level. The project would be financed utilising the commuted sum monies only. For the management and ongoing maintenance and repair of the properties it is proposed that the Council enter into a lease agreement with a Registered Provider to undertake this role. The ownership will remain with the Council.
- 3.2 Moss Care St Vincent's (MSV) are a Registered Provider with a long record of working in partnership with the Council, they have stock in Longridge and are the second largest stock holder registered provider in the borough. They have agreed to consider entering into a lease agreement with the Council once the properties are purchased. MSV would have all day to day management and repair responsibilities. A business lease agreement to secure this arrangement has been drafted by the legal department and although this is still in draft form is attached as Appendix 1. A meeting has been held with MSV to discuss the operation process, the procedure for

handover and the content of the agreement. Other RP's active in the borough were asked if they could offer a management service however there was no other interest.

3.3 Seven potential properties were inspected in Longridge with a view to purchasing two units. Two properties suitable for the scheme were identified and the proposal is that on completion, the Local Housing Allowance rate for Longridge would be charged as the affordable rent level.

3.4 MSV will provide a full breakdown of management, maintenance, void and relet costs using their standard formula for management of property. As RVBC do not intend to hold a sinking fund for any repairs required to the property, we have asked that the contract includes full maintenance of both planned and all major works.

3.5 If through the agreement we enter into an agreed % split of the rental income, this would result in an annual rental income for each of the properties. It is proposed that the lease agreement is an agreement for 15 or 20 years with a possible 5 yr break clause.

3.6 This would be the first pilot scheme in Longridge with a view to replicate this similar scheme both in Longridge and other parishes across the borough as and when commuted sum monies are received.

3.6 Going forward the plan to progress this project:

- Agree a management and maintenance arrangement with MSV and to set this out in a lease agreement
- Check if registration of the property with MHCLG is required
- Prior to purchase, a full inspection and costing of the identified works would be undertaken along with MSV surveyor.
- MSV would be consulted on the type and address of the property to be purchased
- Finalise purchase costs see Appendix 2
- On completion of purchase, RVBC carry out all identified works before handing over to MSV under the lease arrangement
- At the point of handover the property will then be let within the same week or as soon as possible

3.7 Within the management arrangement, there would be included a fixed rental level which would be set in line with the local housing allowance for Longridge and the Borough Council would retain 100% nomination rights.

4 RISK ASSESSMENT

4.1 The approval of this report may have the following implications

- Resources – The commuted sum monies will fund the project, the total commuted sum collected from Longridge is £234,000. Appendix 1 sets out more detail of the capital scheme.
- Technical, Environmental and Legal – The lease agreement will be drawn up by the legal department and will be considered by both parties.

- Political – The Council purchasing in the lower Council Tax bands in Longridge and creating additional affordable housing for local people is a positive investment and an appropriate use of commuted sums.
- Reputation – The scheme will demonstrate the Council is taking steps to deliver affordable housing.
- Equality & Diversity – Additional affordable housing provision in Longridge address a local need for affordable rented accommodation.

5 **RECOMMENDED THAT COMMITTEE**

- 5.1 Agree the principle of the purchase and delegate authority for the Chief Executive to negotiate the purchase 2 units in Longridge utilising the commuted sum.
- 5.2 Agree that Moss Care St Vincent's will be the management partner subject to approval of a lease agreement to be delegated to Chief Executive to allow the management and maintenance of the properties to be provided by a Registered Provider (MSV) in return for an agreed percentage share of the rental income.
- 5.3 Approve this model as an option for future use of commuted sum monies across the borough and that the project is monitored and Committee are kept informed as appropriate.

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For further information please ask for Rachael Stott, extension 3235.

Service Area: Housing and Regeneration

Submitted by: Colin Hirst

Brief Description of the Scheme: The purchase of 2 properties in Longridge to be rented out as affordable rental units .To utilise commuted sum monies to purchase the properties and all the associated costs. The proposal is to purchase 1 x 3 bed and 1 x 2 bed property in the town centre. The Council will have 100% nomination rights and the rent will be capped at LHA rate.

Revenue Implications (INITIAL ESTIMATES):

One-off non-recurring costs utilising the commuted sum monies received from another site in Longridge .The initial capital cost estimates are set out in the table below.

On-going annual income and expenditure the property will be insured by the Council and then MSV will be recharged.

Timescale for Completion: Purchase the property before Sept 2019

Any Risks to Completion: Failure to secure a property at the agreed price

Capital Cost (INITIAL ESTIMATES):

	2019/20 £
Purchase of two bedroom property	95,000
Purchase of three bedroom property	118,000
Valuation fees on two properties	400
Stamp duty on two properties(aim to purchase 2 units under £125k and therefore no stamp duty)	nil
Land registry fees on two properties	200
Works to two properties to bring up to a decent standard	7,000
Utility safety checks and EPCs	500
Sub-Total	221,100
5% contingency	11,055
Total	232,155