

Report for: Cabinet Member Signing 13th March 2018

Title: Allocation of Right to Buy receipts to identified development Projects to part –fund delivery of affordable rented housing

Report authorised by: Helen Fisher Interim Strategic Director for Regeneration, Planning and Development

Lead Officer: Alan Benson, Head of Housing Strategy and Commissioning

Ward(s) affected: **Tottenham Hale and Stroud Green**

Report for Key/

Non Key Decision: Key Decision

1. DESCRIBE THE ISSUE UNDER CONSIDERATION

- 1.1 On 3 November 2014 and subsequently in November 2015, Cabinet authorised the use of retained Right to Buy (RTB) receipts to part fund a Council acquisition programme of former Council properties sold under the RTB. Cabinet approved the principle of grant funding to preferred Partner Registered Providers (RPs) via an acquisitions and/or new build programme delegated to the Director of Regeneration, Planning and Development up to the approved limit of £500,000.
- 1.2 This report aims to allocate RTB funding to the Hornsey Housing Trust Affordable Housing development programme in Haringey. Hornsey Housing Trust is a Haringey based housing association that delivers affordable homes with an emphasis on elders and those in need of support.
- 1.3 The schemes detailed in this report (below) require funding in excess of the delegated authority limit of £500,000, therefore Cabinet Member approval is required.
- 1.4 In accordance with Ministry of Housing, Communities & Local Government (MHCLG) rules local authorities can use RTB receipts to fund up to 30% of the development costs to cross subsidise development schemes providing units for affordable rent.
- 1.5 Council officers have identified a development pipeline of affordable rented units and propose the allocation of RTB receipts to fund up to 30% of the development costs on a number of development sites across the Borough.
- 1.6 The level of funding proposed in this report is based upon the current available information regarding tenure mix and cost estimates based upon Hornsey Housing Trust's procurement exercise. The final amount of RTB funding to be allocated is still under negotiation and will be subject to the planning process approving the number of rented units per scheme and further justification of scheme costs by the Hornsey Housing Trust. The amount of grant which will be allocated is commercially sensitive, because it illuminates the costs and values that sit within the housing association's development programme and this is included within Part B which is exempt.
- 1.7 The Council has sufficient net RTB receipts to fund the allocation proposed within this Report.

2. CABINET MEMBER INTRODUCTION

- 2.1. The Council's Corporate Plan includes objectives to increase the supply of new affordable housing which is also reflected in our Housing Strategy.
- 2.2. The provision of affordable rented homes will be encouraged by the Council funding up to 30% of scheme costs via re-cycling of RTB receipts as grant to RPs and to the Council with the benefit of nomination rights to the borough. These receipts would have to be returned to Central Government with interest, were they not employed to enable replacement homes.
- 2.3. In this way the Council is demonstrating its commitment to further the development of high quality, well insulated affordable rented homes for local people.
- 2.4. The RTB receipts allocated to these small schemes will deliver social rented units across the borough with some in the west of the borough where Social Rented Homes are exceptionally under provided. The RTB funding in this case assists the financial viability of projects including social rented homes, to promote a more mixed and balanced community. RTB funding is particularly needed in schemes that deliver homes at near council rent levels as GLA grant is often not sufficient to deliver these genuinely affordable homes. The borough will receive nomination rights to all funded homes.

3. RECOMMENDATIONS

- 3.1. It is recommended that the Cabinet member approves:
 - a) The allocation of RTB receipts as grant funding to Hornsey Housing Trust, to fund the projects designated in the table at paragraph 6.5 below up to the funding amounts detailed in Part B exempt of this report.
 - b) The delegated authority be given to the Interim Strategic Director of Regeneration, Planning and Development after consultation with the S151 Officer to agree the final amount of grant allocated to this project provided that the amount of funding allocated to these projects does not exceed the figure indicated in these projects within part B (exempt) of this report and to agree the terms of the funding agreement.

4. REASONS FOR DECISION

- 4.1. There is an acute shortage of housing supply, particularly of affordable housing, in Haringey. The borough has engaged with Registered Providers and identified a development pipeline of sites where input of RTB receipts to grant fund up to 30% of scheme costs will help address this shortage by enabling a higher proportion of rented homes to be developed than may otherwise be the case.
- 4.2. Recommendation 3.1 is proposed to ensure the Council continues to take all opportunities to increase the borough's affordable housing stock and help to meet the significant need for affordable housing within the borough. This is in addition to contributing to the Council's strategic objective to "Achieve a step change in the number of new homes being built."
- 4.3. The Council expects the dwellings on these sites to be delivered within a reasonable timescale, approximately two years. All recipients of RTB grant funding will enter into a RTB Funding Agreement with the Council prior to receipt of funding. This funding agreement will require reimbursement of the RTB grant should there be unreasonable delay due to the RPs not progressing development proposals in a timely manner. The

Council will receive 100% nomination rights to these affordable rented units in perpetuity.

- 4.4. The Council has sufficient retained RTB receipts to part-fund these development projects. RTB receipts that are retained by the council and not used within 3 years to provide replacement affordable rented units will have to be returned to MHCLG with interest at 4% above the Base Rate.

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1. To return net RTB receipts to MHCLG:

The Council is accumulating significant sums in RTB receipts and is allowed to re-invest this income to provide new rent affordable units. If the proposed receipts were to be returned to MHCLG rather than allocated to development projects, the supply of rented homes delivered and nominations to the Council would reduce given the adverse effect on financial viability resulting from the absence of this subsidy.

- 5.2. To fund alternative Registered Provider schemes in the borough: No appropriate scheme has come forward recently that will match the quality and quantity of the Hornsey Housing Trust social rented offer

6. BACKGROUND INFORMATION

- 6.1. In April 2012 the Government raised the cap on RTB discounts and confirmed that receipts from the additional sales generated could be used to fund replacement stock on a one-for-one basis.
- 6.2. In order to retain these additional RTB receipts locally, the Council entered into an agreement with the Secretary of State for Communities and Local Government in September 2012 committing:
 - a) to use all the receipts for the provision of social housing (i.e. not shared ownership or market sale);
 - b) that the receipts will constitute no more than 30% of total investment in such homes (net of any contribution from another public body); and
 - c) that if, after three years, any of the receipts are not used as set out above, it will pay the unused sums - plus interest at base rate plus 4% - to the Secretary of State.
- 6.3. On 9 July 2015 Cabinet extended the Director of Regeneration, Planning and Development's existing delegated authority for the approval of grant funding using RTB receipts beyond the Council's Preferred Partner RPs to now include all RP's developing in the borough up to the approval limit of £500,000, subject to grant approval being given after consultation with the Assistant Director (Finance) and in accordance with the Council's Financial Regulations.
- 6.4. Hornsey Housing Trust is a Haringey based housing association that delivers affordable homes with an emphasis on elders and those in need of support. The funded schemes extend and enhance existing schemes. HHT has 382 residential units with 362 of these in Haringey. The Trust was established in 1933 to support old age pensioners and they have retained their specialism of housing older people. As a small, niche, community-based provider of housing for older people, the Trust is in a unique position to provide quality management services for haringey residents,

6.5. Projects proposed for RTB grant funding

Project	Organisation	Affordable rented units	Planning application
Abyssinia Court, Weston Park, N8	Hornsey Housing Trust	6	HGY/2015/3487 approved permission 5.02.2015
Norah Clegg House, Oakfield Rd N4	Hornsey Housing Trust	2	HGY/2016/0951 approved permission 23.02.2016
Palm Tree A, Factory Lane N17	Hornsey Housing Trust	5	HGY/2015/1343 approved permission 14.10.2016
Palm Tree B, Factory Lane N17	Hornsey Housing Trust	6	HGY/2015/1169 approved permission 14.10.2016

7. CONTRIBUTION TO STRATEGIC OUTCOMES

- 7.1. These proposals support the objectives in the Corporate Plan and the Housing Strategy 2017-2020.

Corporate Plan

- 7.2. Priority 5: Sustainable Housing Growth and Employment - Create homes and communities where people choose to live and are able to thrive. The Council is keen to delivery new homes for the resident of Haringey, as there is an acute shortage of new homes in the borough.

Housing Strategy

- 7.3. In November 2016, the Council adopted a new Housing Strategy 2017-2020 with Key Objective 1: "Achieve a step change in the number of new homes being built," Objective 3: "Drive up the quality of housing for all residents," and Key Objective 4: "Ensure that housing delivers wider community benefits" which will be achieved by ensuring policy exists that promotes good quality of all housing and adheres to statutory standards.
- 7.4. Increasing affordable housing supply
A significant number of new affordable homes will come from privately owned sites and the Core Policies of the Local Plan states that we will aim for a borough wide affordable housing target of 40%. On a site-by-site basis, we will seek the maximum reasonable proportion of affordable housing on all sites with a capacity of ten or more homes and will prioritise the provision of family housing on suitable sites.
- 7.5. Improving the quality and management of homes owned by the council
Ensure that we continuously engage with tenants and leaseholders ensuring we convey our expectations to deliver quality of repairs and improvement to the highest standards.
- 7.6. Promoting independence, health and wellbeing
Ensure that our investment in council-owned homes makes an important contribution to the health and wellbeing of council tenants and leaseholders.

8. STATUTORY OFFICERS COMMENTS (CHIEF FINANCE OFFICER (INCLUDING PROCUREMENT), ASSISTANT DIRECTOR OF CORPORATE GOVERNANCE, EQUALITIES)

FINANCE

- 8.1. Right to buy retained receipts are available for the Council to utilise in one for one replacement of homes. Right to buy receipts must be utilised within 3 years of receipt and cannot exceed 30% of the scheme cost, hence a minimum of 70% of the scheme cost are funded by the Council or a Registered Provider.
- 8.2. Any receipt not utilised within 3 years of receipt is returned to the MHCLG. It is vital that the Council therefore brings forward eligible works to fully maximise these receipts. As at 1st January 2018, the Council has £13.16m RTB retained receipts available to spend. £902,982 of this has to be spend by 31st March 2018.
- 8.3. This report recommends the approval of allocation of RTB retained receipts as grant funding to Hornsey Housing Trust. The project to be funded consist of 19 affordable rented units. The council will get 100% nomination right in perpetuity in return for a maximum of £1.42m grant funding.
- 8.4. The proposed funding, if completed by the 31st March 2018, will guarantee that the Council will not have to return the £902,982 due by this date, plus interest at base rate plus 4%.

LEGAL

- 8.5. The Council is able to make the grant pursuant to section 24 of the Local Government Act 1988 ("Act"). The Council is proposing to grant a maximum sum as set out in the exempt part of this report to Hornsey Housing Trust and in return the registered provider will construct a minimum of affordable rented units as set out in this report. That funding must be no more that 30% of the development costs (as defined in the Agreement with the Secretary of State for Communities and Local Government dated 27 June 2012 (as subsequently varied on 14 June 2013) pursuant to Section 11(6) of the Local Government act 2003. In order to protect that funding Hornsey Housing Trust must enter into a funding agreement that is acceptable to the Council and the Council will be able to nominate tenants for these units through a nominations agreement.
- 8.6. Under section 25 of the Act the giving of such financial assistance is subject to the consent of the secretary of state however the Council will be able to rely on the General Consent (Consent C) issued under that section.
- 8.7. The Grant funding to be provided must be state aid compliant and comply with the SGEI requirements for funding the affordable housing.

EQUALITY

- 8.8. The Council has a public sector equality duty under the Equality Act (2010) to have due regard to the need to:

- Tackle discrimination, harassment and victimisation based upon the protected characteristics;
 - advance equality of opportunity between people who share those protected characteristics and people who do not;
 - foster good relations between people who share those characteristics and people who do not.
- 8.9. The protected characteristics are: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 8.10. The contribution of RTB grant funding will enable development of a higher proportion of affordable rented housing which will be targeted at local people who cannot afford to rent on the open market.
- 8.11. Rents will be in accordance with the borough's Housing Strategy and the affordable housing will be targeted at priority groups in compliance with borough housing policy.
- 8.12. The provision of additional affordable housing to own and rent will have a positive impact for groups with the protected characteristics, in particular younger residents, ethnic minorities and lone female parents, who we know have a disproportionately greater need for affordable housing.
- 8.13. 10% of the properties will be wheelchair accessible in accordance with our planning policy, increasing suitable stock of housing for people with physical disabilities.
- 8.14. The homes will be constructed to Code 4 equivalent for high-insulation homes to combat fuel poverty, known to disproportionately impact on households with low incomes, older people and people with young children.
- 8.15. The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment, victimisation, and any other conduct prohibited under the Act.
 - Advance equality of opportunity between people who share those protected characteristics and people who do not.
 - Foster good relations between people who share those characteristics and people who do not.
- 8.16. The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 8.17. This report aims to provide a clear and transparent process for delivering affordable housing units that will benefit borough residents by ensuring each new development helps create diverse communities where a range of people and families can live.

9. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

