

Report for: Leader Signing – 19th January 2018

Item number: 4

Title: Allocation of Right to Buy Receipts and Capital funding towards the delivery of Affordable Rented Housing and Infrastructure at Monument Way

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Ward(s) affected: Tottenham Hale

**Report for Key/
Non Key Decision:** Key Decision

1. Describe the issue under consideration

- 1.1 The Council has identified the Monument Way site as a key site for the delivery of affordable rented homes in the Tottenham Area Action Plan and has worked with Newlon Housing Trust, a Registered Provider, to enable the delivery of 54 affordable rented homes on this site.
- 1.2 In March 2016, Cabinet agreed to allocate Right to Buy (RTB) funding of up to £5 million for the initial scheme of 44 units based on 30% of the eligible scheme costs and subject to Newlon Housing Trust entering into a funding agreement and 100% Nominations Rights. The scheme will now deliver 54 units and these additional 10 units have raised the overall scheme costs. On the 5th October 2017 Cabinet Member for Housing, Regeneration and Planning agreed a further allocation of £800,000 making a total RTB funding allocation of £5.8m to the scheme. A funding agreement with Newlon and the Council was signed on the 21st December 2017 for the allocated amount of £5.8 million.
- 1.3 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 dwellings) and finalisation of scheme costs by Newlon Housing Trust as the project progresses. The delivery of 100% affordable rented housing presents particular viability challenges even with these funding supports in place. The Council and

Newlon have agreed in principle for the Council to cover 30% of scheme costs for this project in line with the rules governing the allocation of funding from RTB receipts. This report seeks authority to allocate additional funding from RTB Receipts to Newlon Housing Trust, to cover 30% of verified scheme costs of the Monument Way scheme, up to a limit of £6.5m, which would result in an increase of up to £700,000 in addition to the £5.8m already allocated to the scheme. The agreed sum will be conditional with Newlon Housing Trust providing the necessary cost information. Unless the Council uses this RTB funding for this scheme, the funding will need to be handed back to the Department for Communities and Local Government (DCLG).

- 1.4 The delivery of the Monument Way scheme depends on the realignment of Fairbanks Road in order to release developable land, creating end of terrace units within the Chesnut Estate. Housing Zone funding for this project was agreed initially in 2015, and the GLA agreed to assign funding for the revised allocation of £1.3m earlier in 2017. However, in November 2017 the GLA advised the Council that they were no longer able to proceed with Housing Zone funding for this project. This was due to an irreconcilable issue regarding the allocation of housing outputs attributable to the intervention, and this £1.3m was instead reallocated to the Station Square – Bus Station project. Cost estimates for the road realignment of the Monument Way scheme have now increased to £1.328m, and a previous Leader’s Decision taken in February 2017 has already delegated authority to the Director of Regeneration, Planning and Development to enter into a funding agreement with Newlon for up to £1.5m for this project.

2. Cabinet Member Introduction

- 2.1 The Council has identified the Monument Way site as a key site for the delivery of affordable rented homes in the Tottenham Area Action Plan and has worked with Newlon Housing Trust, a Registered Provider, to enable the delivery of 54 affordable rented homes on this site.
- 2.2 This report seeks to allocate additional Right To Buy funding to Newlon Housing Trust in order to deliver much needed affordable rent homes to be allocated in priority to residents on the Council’s Housing Register. The Council have worked closely with Newlon Housing Trust to provide a high quality scheme contributing to Tottenham Hale’s vision to become London’s next great affordable neighbourhood of choice, with a thriving district centre with new places to live, work, shop and enjoy.

3. Background information

- 3.1 Tottenham Hale is a major growth area in the Upper Lea Valley, and was identified as London's first Housing Zone.
- 3.2 The Monument Way site plays a significant role, having been identified since 2014 in the Tottenham District Centre Framework (DCF) and the Tottenham Area Action Plan (AAP) as a key site for the delivery of larger, affordable rented homes as part of the mixed and balanced portfolio of sites coming forward at Tottenham Hale. It is currently owned by Haringey Council and will be disposed of to Newlon Housing Trust to enable the delivery of these new affordable homes. The delivery of this scheme is a priority for the Council and the Council has been working very closely with the GLA, Newlon and TfL to secure its delivery.
- 3.3 In 2015, Haringey Council entered into a Housing Zone Overarching Borough Agreement (OBA) with the Greater London Authority (GLA) to deliver a programme of investment in Tottenham Hale to support the delivery of affordable homes in the area. The Council has also made significant efforts to align its own resource investments to ensure the best overall outcome in terms of the delivery of affordable homes and in terms of delivering a successful place. The Monument Way Scheme was identified as an optimal site to deliver much-needed affordable rented housing for families on the Council's waiting list, with the Housing Zone funding being used to fund wider infrastructure and public realm works in the vicinity, and with the Council's RTB funding receipts being used to fund the affordable rent units as part of the mix.
- 3.4 On 15th March 2016, Cabinet agreed to dispose the Monument Way site to Newlon Housing Trust and grant a sum of a maximum of £5,000,000 from right to buy receipts to Newlon Housing Trust as a contribution towards the provision of a minimum of 44 affordable rented units and subject to Newlon Housing Trust entering into a funding agreement and 100% Nominations Rights for those homes.
- 3.5 The Council have carried out significant local engagement with the residents in Chesnut Estate and Members through the development of the District Centre Framework and through subsequent engagement by Newlon as part of the current planning application. Through this process a number of priorities for residents have been identified in relation to the scheme and have been embedded within Newlon's planning application for the site. Key priorities for residents were around the affordability of the new homes and the height of the scheme being limited as well as wider improvements of the estate environment. The Monument Way scheme, along with other landscape projects progressed by the Council around the Chesnut Estate will result in a much improved environment for existing residents of the Chesnut Estate.

3.6 An outline planning permission for the scheme was recommended for approval by planning committee on 13th February 2017. The grant of outline planning permission is subject to a section 106 agreement. This agreement was entered on 21st December 2017 when the Council entered into the Agreement for Lease with Newlon to dispose of the Monument Way site. At the time of writing, Newlon were intending to submit the Reserved Matters application imminently. It is intended to secure a Reserved Matters planning determination by March 2018, with a view to starting on site later in 2018, with completion of the scheme in 2020.

4. Recommendations

3.1 The Leader:

- (i) Approves the further additional allocation of a sum of up to £700,000 of RTB receipts as top up to the £5.8m of grant funding (previously approved by Cabinet on 15th March 2016 and the Cabinet Member for Housing, Regeneration and Planning on 5th October 2017) making a total grant funding from RTB receipts of up to £6.5m subject to such funding being capped at a maximum of 30% of the total development costs to be provided by Newlon Housing Trust and subject to the Council having 100% Nominations Rights for the 54 affordable rented units.
- (ii) Grants delegated authority to the Director of Regeneration after consultation with the Cabinet Member for Housing, Regeneration and Planning, the Chief Finance Officer and the Assistant Director of Corporate Governance to agree the final amount, the terms and conditions for providing the Right to Buy grant funding capped at a maximum of 30% of the verified development costs.
- (iii) Notes the existing authority delegated to the Director of Regeneration, Planning and Development after consultation with the Cabinet Member for Housing, Regeneration and Planning, the Chief Operating Officer and the Assistant Director of Corporate Governance to agree the final amount, the terms and conditions for providing the grant funding up to a value of £1.5m, as agreed by the Leader on 14th February 2017, and to note the allocation of a sum of £1.328m to fund infrastructure works as set out in paragraph 4 of this report, as agreed at Capital Board and subject to the Council's budget setting process being concluded within this specified budget.

5. Reasons for decision

Right to Buy Funding

- 5.1 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 Right To Buy (RTB) receipts to grant fund up to 30% of total development costs will help address this shortage by enabling a higher proportion of affordable rented homes to be developed than may otherwise be the case.
- 5.2 The Monument Way site sits within the Tottenham Housing Zone. The Council considers the site suitable for affordable rented homes. The site can be delivered relatively quickly and independently of other sites in the Housing Zone.
- 5.3 The Council are not in a position to undertake the development themselves due to insufficient resources and have been working with Newlon Housing Trust, as a strategic Registered Provider partner, to take forward the development as they have the development capacity and expertise to efficiently deliver housing and the financial capacity to provide the necessary 70% match-funding. The Council holds the freehold of the all land within the Monument Way site and has agreed to lease the land to Newlon Housing Trust to undertake the development.
- 5.4 For the reasons highlighted above, the Council has agreed to provide a grant funding to Newlon Housing Trust from Right To Buy receipts subject to the parties entering into a funding agreement and the council securing 100% Nominations Rights for the 54 affordable rented units.
- 5.5 The Council has sufficient retained RTB receipts to part-fund this development project. RTB receipts that are retained by the Council and not used within 3 years to provide replacement affordable rented dwellings have to be returned to DCLG with interest at 4% above the Base Rate.

Infrastructure Funding

- 5.6 The delivery of the Monument Way scheme depends on the realignment of Fairbanks Road in order to release developable land, creating end of terrace units within the Chesnut Estate. This realignment was noted within the Council's Tottenham Hale District Centre Framework and Tottenham Area Action Plan, as a critical intervention needed to unlock comprehensive local development in Tottenham Hale. This was previously estimated as requiring a £1m infrastructural investment, however project delays and refined cost estimates following detailed design work and Newlon's submission for outline planning permission has resulted in an increased cost of £300,000 reaching a total infrastructure cost of £1.3m. Housing Zone funding for the project was initially agreed in 2015, and the GLA had agreed to cover this revised allocation of £1.3m earlier in 2017.

- 5.7 In November 2017, the GLA advised the Council that it could no longer provide Housing Zone funding to this infrastructural project, due to the allocation of housing outputs within their programmes. It was therefore agreed at Capital Board on 7th December 2017 that Council capital funding would be allocated to this project instead, subject to confirmation of funding sources at Full Council in February 2018. Capital Board also agreed a small increase in the amount required, according to latest cost estimates, to £1.328m.
- 5.8 Delegated Authority has already been granted to the Director of Regeneration, Planning and Development after consultation with the Cabinet Member for Housing, Regeneration and Planning, the Chief Operating Officer and the Assistant Director of Corporate Governance to agree the final amount, the terms and conditions for grant funding of the infrastructural element of the Monument Way scheme, at a figure up to £1.5m, by Leader's Signing on 14th February 2017. The Leader is therefore asked to note existing authorities and to note the change in funding source for this intervention.

6. Alternative options considered

- 6.1 The alternative option is to not give additional RTB funding to Newlon Housing Trust and return net RTB Receipts to DCLG with a penalty interest rate of 4% above Base Rate applicable. Newlon Housing Trust have raised the risk of not being able to deliver 54 affordable rent units if the scheme is not supported up to 30% of the cost. This would result in not achieving 54 new affordable rented residential accommodation in Tottenham Hale.
- 6.2 Infrastructural funding could be withheld for the Monument Way scheme, with Newlon Housing Trust left to find £1.328m independently. However, they have indicated to the Council that as the viability for this scheme is very marginal they would not be able to source this extra funding, and as a result a scheme delivering 54 much-needed affordable rent units would not proceed.
- 5.3 In March 2016, Cabinet agreed the Heads of Terms for the lease agreement with Newlon. This included a commitment from the Council to indemnify Newlon for their up-front costs in connection with obtaining planning consent for the Monument Way scheme, up to a maximum of £500,000, in circumstances where the Council decides to withdraw from the scheme, thereby causing a financial loss to Newlon. Without the Council working with Newlon to put in place a funding strategy that enables the scheme to proceed there is a risk that this Indemnity Agreement could be triggered.

7. Contribution to strategic outcomes

7.1 The Delivery of new homes on Council owned estate Infill sites falls within Priority 5 of the Council's Corporate Objectives:

"Create homes and communities where people choose to live and are able to thrive"

7.2 The Council's Housing Strategy 2017-2022 builds on the Corporate Plan 2015-2018 vision and objectives. The Council's vision for housing is:

"Housing is about people and communities, not just bricks and mortar. This means mixed and inclusive neighbourhoods where residents can lead happy and fulfilling lives"

7.3 This proposal will contribute to the following strategic objectives:

Strategic Objective 1 - Achieve a step change in the number of new homes built
Strategic Objective 3 - Drive up the quality of housing for all residents

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 Haringey to contribute towards replacing homes. Right to Buy receipts must be utilised within 3 years of receipt and cannot exceed 30% of the cost of acquisition of a new home, hence a minimum of 70% of the cost of acquisitions are funded by the Council or a Registered Provider.

8.2 Any unused receipts not utilised by the Council within the 3-year window would need to be returned to DCLG and the money lost to the Council. It is critical that the Council therefore brings forward works which are eligible expenditure under the agreement dated 24th September 2012 between the Council and the Department for Communities & Local Government (DCLG) to fully utilise these receipts. The Council had £9.991m of retained right to buy receipts as at the 31st December 2017.

8.3 The Council has allocated £5.8m to the scheme so far and if the recommendations in this report are accepted then the total allocation would be £6.5m of RTB receipts. The overall scheme cost is currently estimated at £20.3m. The additional allocation is to allow for flexibility should the indicative cost plan not be met.

8.4 Accounting for the previous allocation and this allocation the Council will have £3.491m of retained receipts available. Officers are confident that the Council will have incurred sufficient eligible expenditure such that the balance of retained

receipts will be zero. There is however a risk that the Council's auditors may take a different view as to the eligibility of the expenditure in which case it is possible that the expenditure will be deemed ineligible and the funding (plus interest) will need to be remitted to the DCLG. In addition, should this happen, alternative funding would need to be made available to the recipients (as the Council has given irrevocable undertakings to fund the scheme) which would impact on the resources available to the Council's capital programme.

- 8.5 The report is also recommending that, due to a change of approach at the GLA, additional Council resources are applied to the infrastructure element of the scheme (such works not being eligible expenditure and therefore not capable of being funded through retained receipts). This recommendation is subject to the Council's budget setting process and the inclusion of this item in the overall capital programme budget. The proposed funding approach for this additional infrastructure element was approved at Capital Board in November 2017.

Procurement

- 8.6 To note, Newlon Housing trust has appointed their contractor through a framework under OJEU conditions.
- 8.7 Strategic Procurement notes the contents of this report and has no objections to the recommendations made herein. Strategic Procurement confirms there are no procurement regulatory requirements that would prevent the recommendation in this report being implemented.

Legal

- 8.8 The Council is proposing to grant a further sum of £700,000 from the RTB receipts making a total of £6.5m to Newlon Housing Trust and in return Newlon will construct a minimum of 54 of affordable rented units on the Monument Way site. That funding must be no more than 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 Newlon 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.
- 8.9 Public infrastructure funding is excluded from state aid rules if the monies are used to fund infrastructure that is not meant to be commercially exploited. The infrastructure must be made available for public use without any consideration. Legal advice must therefore be obtained as to the terms of any funding agreements to be entered into with regards to this funding.

Equality

8.10 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and 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.

8.11 The three parts of the duty applies 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.

8.12 This decision should benefit residents on lower incomes by enabling them to access housing in Tottenham at below- market cost. It both allocates additional Right to Buy receipts, and releases LBH Capital Funding for infrastructure, to facilitate the development of 54 affordable rented housing units by the local housing association Newlon Housing Trust. Without this additional funding this 100% affordable rent scheme would be significantly less likely to proceed. RTB receipts can only be spent on replacement affordable housing within three years, or the funds have to be returned with interest to DCLG. This would further limit the Council's ability to build additional housing available for below- market cost.

8.13 As set out in the Housing Strategy 2017-22 there is both a shortage of overall housing supply, and especially affordable housing for those who struggle to afford to access housing on the open market. In Haringey households in the east of the borough are more likely to have a lower than average income, making market rents unaffordable under Haringey's definition. Additionally, residents on Haringey's Housing Register could benefit from this development going ahead by increasing the housing options available. Women and residents from BAME communities are disproportionately represented across both circumstances in the borough. These issues and the impacted residents are outlined in greater detail in the Council's Housing Strategy 2017- 22 and the EqIA accompanying the Intermediate Housing Policy Statement.

9. Use of Appendices

Cabinet report for disposal of land in Monument Way and grant RTB funding-
<https://www.minutes.haringey.gov.uk/documents/s84368/Cabinet%20Monument%20>

[Way%20land%20March%202016%20Part%20A%20legalItem%2013%20v1%20CLEAN.pdf](#)

Member signing report for additional RTB -

<https://www.minutes.haringey.gov.uk/documents/s96568/RTB%20Grant%20Allocations%20-%20Cabinet%20Member%20signing%20Sept%2017%20003.pdf>