

Briefing Note for Members

RTB 1-4-1 spend

Background

The Council agreed in June 2012 to enter in to an agreement with the Secretary of State to retain 30% of RTB receipts and utilise in the provision of replacement housing, known as 1-4-1 receipts. The agreement was that the Council would spend this money within 3 years or would need to repay that amount with interest. This was always identified as a risk.

The Council has spent £7,736,000 of RTB 1-4-1 receipts to date. This equates to 30% of total spend i.e. a total spend of £25.79m of investment in affordable housing for the Borough.

This is a far better position than many Councils. The national picture showed that between July 2016 and June 2017, a total of 12,383 Council houses were sold with only 4813 being replaced. 32 Councils have failed to provide any replacement homes.

The Cabinet Member for Housing has written to the Housing Minister to request changes to the agreement as follows:

- Allow more flexibility in the time allowed for spending the receipts – our receipts are committed on existing schemes along with all available HRA funding.
- Allow the 1-4-1 receipts to fund shared ownership properties. This enables the Council's planning policy being 70/30 affordable rent and intermediate tenures to be realised with the 1-4-1 funding.

A response has been received which is encouraging and clearly in view of the national picture a revised agreement is needed to help Councils replace the stock lost through RTB.

Reasons for RTB 1-4-1 Underspend

a) Imposed rent reduction:

Starting in April 2016, and ending in March 2020, the Housing Revenue Account (HRA) is required to reduce all rents by 1% per annum, instead of increasing by CPI + 1% (or originally RPI + 0.5%). In 2018/19 this would have been 4%, so this is a loss of 5% for the HRA in this period.

This loss of revenue has had a dramatic impact on the HRA trajectory with the end result that the HRA simply does not have the available reserves to match the RTB 1-4-1 receipts with the required 70% capital funding. This is further compounded by the HRA debt cap that prevents any further borrowing, although we understand from the last budget announcement that the Council will be in the high value area and so will likely to be able to bid for an increased debt cap in 2019.

The enabling of Housing Associations is also a challenge with respect to the availability and timing of schemes that can be supported by RTB 1-4-1 funding, and made more challenging given that RSLs also have an equivalent form of funding, known as RCGF, which is accrued from shared ownership 'staircasing' and which they also need to spend within 36-months of being received.

b) No extension of time permitted:

An extract of the FAQs published on the DCLG website concerning any extension of time:-

Question: The current retention agreement is that the local authority has 3 years to incur expenditure on 1-4-1 replacement after it has received the receipts. For medium term business planning purposes it would be extremely helpful to know if this 3-year limit will be extended?

Answer: Ministers' original intention was that the expenditure should be incurred within two years of the receipt. As a result of the consultation with local authorities in January 2012, Ministers agreed to extend this deadline by one year. Because of the high priority given to replacing the housing stock as soon as possible, there is no scope whatsoever for extending this deadline even further. The time period reflects that given by the Homes and Communities Agency to recipients of its grant.

c) Limited Land Supply:

Crawley has a constrained land supply which limits the opportunity to commit the RTB funds. This creates greater dependency on the identified sites that are in the programme, making the timing of these schemes more critical, and restricting any option of being able to find substitute sites in the event of slippage in the programme.

d) Slippage of schemes:

The challenge has to do with the timing of schemes, and while initial trajectories indicated that RTB 1-4-1 funding could be utilised within the prescribed period, this depended entirely on the development forecast keeping within the suggested programme. There is always uncertainty in any development programme due to the number of variables involved.

Slippage has occurred as follows:

<p>Forge Wood Phase 1B 33 units</p>	<ul style="list-style-type: none"> • This phase has been delayed by the developer due partially to the risks of developing the commercial units, coupled to the high percentage of less viable affordable units.
<p>Forge Wood Phases 2B & 2C 34 units</p>	<ul style="list-style-type: none"> • These two phases are being delayed by the developer due again to the cost and associated risk of providing the commercial units necessary to provide a noise barrier from the adjacent Goods Yard.
<p>Goffs Park Depot 44 units</p>	<ul style="list-style-type: none"> • Unsuccessful contract negotiations with the original successful tenderer caused a delay due to concerns over value for money, resulting in a delay of approximately 4 months. • Discussions then took place with the second placed bidder but again value for money remained a concern. • A revised programme mitigated some of the delay by CBC continuing to progress the pre- construction phase. However the need to also re-procure a Contractor added a further process into the programme. • There was planning advice regarding an access route into the park, resulting in the pre-construction and planning period taking longer than had been planned.

	<ul style="list-style-type: none"> • Planning issues emerged during the consultation stage regarding noise concerns relative to the social club requiring a legal agreement and separate planning application, resulting in further delays.
<p>Kilnmead Car Park 37 units</p>	<ul style="list-style-type: none"> • Unsuccessful contract negotiations as Goffs Park above caused a delay due to concerns over value for money resulting in a delay period of approximately 4 months. • The project was then considered for inclusion within the town hall discussions, resulting in a delay of approximately 4 months. • There was a need to resolve a planning issue associated with site permeability and pedestrian access through the site. A resolution was obtained but the negotiations resulted in a delay of approximately 1.5 months. • Other causes for delays concerned the difficulty to finalise a legal agreement with the TA on the neighbouring land, a major stakeholder. Planning required a Draft Legal Agreement to be in place at the time of the planning committee.
<p>83-87 Three Bridges Rd</p>	<ul style="list-style-type: none"> • There was a delayed strategic decision on whether to keep or demolish the existing hostels, resulting in a delay of approximately 1-2 months. • There was a delay to allow for the exploration of alternative options on Three Bridges site regarding unit numbers, resulting in a delay of approximately 2 months. • There was a delay by the original successful tenderer not meeting their projected timescales for planning submission, causing a delay of approximately 1 month. • Planning Permission was refused in January 2017 leading to a delay whilst a decision was made how to proceed, resulting in a delay of approximately 3 months. • Once a decision was made on how to proceed there was a further delay whilst the scheme was amended and a revised planning application submitted, causing a further delay of approximately 6 months.
<p>Telford Place Approx. 70 units</p>	<ul style="list-style-type: none"> • The procurement exercise carried out between October 2016 and January 2017 attracted only one tender. Detailed negotiations were undertaken with the developer who then requested an 8 week period to refine their tender bid. The bid was subsequently withdrawn in April 2017. • There was then a need to re-evaluate the options for this site in terms of how to procure and also a re-visit of the scheme brief to respond to the lack of market interest due to the viability issues. A new procurement is currently underway with submissions from bidders to

	<p>be received at the end of January 2018 ready for approval by Cabinet and full Council in April 2018.</p> <ul style="list-style-type: none"> • The current procurement is following a similar timeline to the original procurement only a year later.
Dobbins Place 6 units	<ul style="list-style-type: none"> • This scheme was at concept programmed to be on site in July 2017. It is currently due to be on site in April 2018. The main issues have been with planning and design issues. Options were explored to maximise the site which would have achieved up to 10 dwellings. However due to this being a sensitive site it took longer than expected in the planning period. • The scheme was reduced in numbers and scale and following submission of a planning application the height of the flat block had to be redesigned and reduced in height. All of these changes had a significant impact on the Passivhaus calculations and therefore took longer to redesign than a normal scheme. A contractor has been approved by Cabinet.

Potential Future Issues

Providing that the deal on the College car park site is concluded this will provide a payment due before 31 March 2018. If this is delayed then further 1-4-1 funding is at risk.