

Crawley Borough Council



Report to Cabinet 7 October 2015

Affordable Housing Enabling: Langley Green Primary School Site

Report of the Head of Strategic Housing & Planning Services and the Portfolio Holder for
Housing
Report Number SHAP/51

1. Purpose

- 1.1. Cabinet is requested to recommend to Full Council the approval of £1.5m funding from the Right-to-Buy 1-4-1 Budget to enable Raven Housing Trust ("Raven") to deliver the 30 residential housing units at Langley Green Primary School all for Affordable Rent, with rents discounted to 65% of open market rent values.

2. Recommendations

- 2.1. To the Cabinet

The Cabinet is requested to recommend to Full Council:

- a) To approve the allocation of £1.5m from the RTB 1-4-1 Budget for the provision of 30 Discounted Affordable Rent units presently under construction at the Langley Green Primary School site.
- b) To grant delegated authority to the Head of Strategic Housing and Planning Services, the Head of Legal and Democratic Services and the Head of Finance Revenues and Benefits, in consultation with the Portfolio Member for Housing, to conclude a Funding Agreement with Raven to deliver this scheme as proposed.

3. Reasons for the Recommendations

- 3.1. The Council works with Housing Association partners to enable affordable housing delivery within the Borough as part of a comprehensive development strategy, and in this instance the Council is presented with the enabling opportunity to achieve significant affordable housing gains with increased Nomination Rights over what would otherwise have been achieved.
- 3.2. These gains are being achieved both in terms of securing additional housing units for Affordable Rent Tenure, as well as achieving discounted rentals on all of the units offering an improved level of affordability mid-range between Social Rent levels and typical Affordable Rent levels (that are usually set at 80% of market rent).
- 3.3. The mix of unit types meets Crawley's housing needs, offering 10 flats and 20 houses, in the form of 6 one-bed flats, 4 two-bed flats, with 8 two-bed houses and 12 three-bed houses, providing a scheme predominantly suited for family accommodation that is in close proximity to all necessary amenities.

- 3.4. In addition, the scheme is presently on-site and therefore also offers the Council quick gains and assured delivery without any associated risks.

4. Background

- 4.1. The Langley Green Primary School site was acquired by Croudace Homes who secured planning permission for 30 residential units (CR/2014/0046/FUL), with a S106 planning obligation to provide 40% affordable housing comprising 9 affordable rent and 3 shared-ownership units.
- 4.2. Raven subsequently negotiated to block-purchase the scheme from Croudace Homes, with the intention of providing 40% of the scheme as Affordable Rent and a mixture of Private Market Rent and Shared-Ownership intended for the remaining 60% of the scheme.
- 4.3. Working in partnership with the Council, Raven agreed to remodel the scheme within the parameters of the RTB 1-4-1 Funding regulations, summarised in 6.1 and 7.1 below, to establish the extent of additional gains that could be achieved.
- 4.4. In the first instance, with £1m funding from the RTB 1-4-1 Budget, Raven could deliver the whole scheme as Affordable Rent with rentals set at 80% of open market rent levels. However, it then became evident that the rent levels of the two- and three-bed house types (previously scheduled to be predominantly private sale or private market rental units) exceeded Local Housing Allowance (LHA) rates and would require remodelling.
- 4.5. As a result, the whole scheme was remodelled to keep RTB 1-4-1 Funding to within 30% of total scheme costs, which subsequently resulted in the rents across all of the Affordable Rent units being discounted down to 65% of open market rent values, requiring an allocation of £1.5m from the RTB 1-4-1 Budget.
- 4.6. For information, although Social Rent does not use open market rents in its formulation it does however range between 40% and 50% of open market rent levels, and remains the preferred tenure, but requires much higher levels of subsidy that in this instance would exceed the RTB 1-4-1 Funding parameters. While any rentals set above Social Rent levels, and up to 80% of market related rent levels, are defined as Affordable Rent. For the purpose of this proposal Affordable Rent set at 65% of market related rent levels is regarded as 'Discounted' Affordable Rent.

5. Description of Issue to be resolved

- 5.1. The opportunity to enable this scheme as all Affordable Rent, and at discounted rent levels, has been reported in the Affordable Housing Programme as an enabling opportunity, and has been widely supported by the Strategic Housing Group and the Housing Portfolio Member.
- 5.2. With the scheme now being at an advanced stage of construction, Raven are requiring the Council to enter into a Funding Agreement to secure the scheme as proposed, and the Council is requested to grant delegated authority to the relevant Heads of Service to conclude this Funding Agreement with Raven.

6. Information & Analysis Supporting Recommendation

- 6.1. This proposal remains compliant with RTB 1-4-1 Funding Regulations, whereby the RTB capital contribution does not exceed 30% of the scheme costs, with £1.5m amounting to 29.8% of the total scheme cost of £5,035,762. In addition there is no Homes and Communities Agency (HCA) grant-funding, and the scheme is delivering new affordable housing for rent, and below market rent levels.
- 6.2. With an average unit cost of approximately £168k, which includes the cost of acquiring the land in a competitive market, and with a discounted rental stream to support the scheme, the Council's contribution of £50k per unit, with secured nomination rights, is considered good value for money.
- 6.3. The Funding Agreement with Raven Housing Trust is presently proposed to be structured on the same terms as the HCA's Funding Agreement. Using the HCA's formulae, the value of the capital grant contribution diminishes over about a 40-year period, and in the event of Right-to-Acquire being exercised, the remaining value of the grant funding will be ring-fenced to be used in Crawley within a three-year period, after which time the capital will be refunded to the Council if not re-applied within that period.
- 6.4. The discounted rent will be set at 65% of market related rent levels at the point of first-letting, after which the rental will be subject to annual adjustment within national rent regulations, usually restricted to RPI + 1%, although current regulations requires a 1% annual reduction until 2019.
- 6.5. The agreed rent levels will remain with the property, regardless of any future changes of tenants, and nomination rights will remain within the Council's standard Nomination Agreement which Raven has signed up to.
- 6.6. The Housing Portfolio Member and the Langley Green Ward Members are in support of this scheme being delivered for affordable housing.

7. Legal and Financial Implications

- 7.1. As part of the RTB 1-4-1 Funding regulations, the Council is required to commit and spend these receipts within a prescribed 36-month period from having being received, and this scheme presents an opportunity to help ensure that no penalties will be incurred for not meeting this requirement.
- 7.2. While Right-to-Buy sales appear to have slowed down in the current financial year, this does not detract from the Council's undertaking to commit the RTB funds accrued from previous financial years. In this regard, if this £1.5m of RTB funds is not allocated to the Langley Green Primary School scheme, this would not allow any latitude for slippage of other schemes within the Council's own-build programme and would place potential risk of an underspend by June 2016 if any slippage were to occur, which would incur the associated financial penalties.
- 7.3. As a Raven scheme without a capital contribution the Council would only receive nominations for 12 Affordable Rent units at 80% rent levels, but with the suggested contribution of £1.5m the Council will achieve nominations for 30 Affordable Rent units with rents discounted to 65% of market related rent levels.
- 7.4. The proposals in this report would give effect to the Council's power to assist in its provision of affordable housing.

7.5. The Council's conditions to ensure the delivery of the scheme as proposed will be incorporated in the Funding Agreement to be concluded with Raven.

8. Background Papers

8.1. None

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