

Crawley Borough Council

Report to Overview & Scrutiny Commission 16 March 2015

Report to Cabinet 18 March 2015

Tenure Determination for Council Housing Sites

Report of the Head of Strategic Housing and Planning Services – **SHAP/45**

1. Purpose

- 1.1 A strategic approach to affordable housing delivery was approved by Full Council on 17 December 2014 on the recommendation of Cabinet. This approval also provided for delegated powers to officers to approve new schemes and funding arrangements for both the Council's own-build and enabling programmes in consultation with the Cabinet Member for Housing and, where such schemes include a private market element generating a capital receipt, the Cabinet Member for Planning and Economic Development.
- 1.2 Authority to determine tenure mix for new developments involving Council owned sites is not delegated and therefore rests with Cabinet.
- 1.3 A decision is now required by Cabinet in respect of two specific development sites on Council owned land to enable these schemes to be taken forward under delegated powers.

2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

That the Commission consider the report and decide what comments, if any, it wishes to submit to the Cabinet.

- 2.2 To the Cabinet

The Cabinet is recommended to:

- a) Agree that, on balance, having taken account of the considerations set out in 5.1.1, the Goffs Park Depot site should provide 100% social rented housing.
- b) Approve the application of the tenure approach taken in respect of Phase 1 of the Breezehurst Drive development to Phase 2 of this development providing the indicative tenure mix set out in 5.2.4.
- c) Agree that officers should seek to secure HCA grant funding for Phase 2 of the Breezehurst Drive development in accordance with the approach set out

in 5.2.6 in the first instance. In the event that this bid is unsuccessful the Head of Crawley Homes, in consultation with the Head of Strategic Housing & Planning, Head of Finance, Revenues and Benefits and Cabinet Members for Housing and Planning & Economic Development, has delegated authority to approve the use of HRA reserves and RTB one-for-one funding to take forward this development.

3. Reasons for the Recommendations

- 3.1 A decision is required on the tenure mix in respect of two specific development sites on Council owned land to enable these schemes to be taken forward by officers under delegated powers. This decision is not delegated and rests with Cabinet.
- 3.2 The Council holds investment partner status with the Homes and Communities Agency and as such is able to bid for grant to provide an alternative and additional funding stream for its own build programme to increase the financial resources available to deliver new affordable housing. This approach was used for Phase 1 of the Breezehurst Drive development and could be applied to Phase 2.

4. Background and description of issue to be resolved

- 4.1 Following the report to Cabinet on 12 November 2014, and the approval of Cabinet's recommendations to Full Council on 17 December 2014, officers have been progressing land acquisition, scheme feasibility and procurement arrangements for the sites identified within this programme under approved delegated powers in consultation with the Cabinet Member for Housing and, where schemes involve a market element of housing and associated land value, the Cabinet Member for Planning and Economic Development.
- 4.2 The authority to determine tenure mix for new developments on Council owned sites has not been delegated. A Cabinet decision is now required in this regard in respect of two sites forming part of the strategic housing delivery programme – the Goffs Park Depot site and Phase 2 of the Breezehurst Drive site.

5. Information and analysis supporting recommendation

5.1 Goffs Park Depot site

- 5.1.1 This site has capacity for some 30 new homes. Given that the site is in Council ownership the Council has discretion to determine whether to follow the planning policy that would apply to privately owned sites or to vary this in favour of a different tenure mix. The matter as to whether to include an element of private market housing for a site of this scale is one to be determined on balance as there is no overriding strategic planning or housing rationale for determining the approach that should be taken. The following are considerations in reaching a decision
 - (i) Planning policy would provide for 40% affordable housing if this site were to be in private ownership
 - (ii) As landowner the Council, while needing to be mindful of sustaining a balanced community approach, has discretion to vary the tenure mix
 - (iii) There remains a high level of need for affordable housing in the Borough evidenced through the Housing Register, rising rents in the private rented sector and levels of homelessness

- (iv) The evidence base underpinning the Council's Local Plan shows that the Council is unable to meet its objectively assessed housing need given land constraints and therefore must look to the wider housing market area to meet the shortfall. While providing for more market housing to meet the Borough's needs within neighbouring authorities, this approach will not enable the Council to secure affordable housing or nomination rights to this. This can only be achieved through a negotiated approach.
- (v) There is, therefore, justification for the Council seeking to use its land assets to increase the supply of affordable housing.
- (vi) Given the scale of the site a development comprising 100% affordable housing would not be considered inappropriate in terms of balance and an appropriate mix for occupation could be achieved through a local lettings plan
- (vii) The location of the site and anticipated land value make this a prime location for higher end market housing and land supply constraints limit such opportunities in the Borough
- (viii) The inclusion of market housing on the site would yield a capital receipt for the Council. The level of this would be subject to the outcome of a tendering process and therefore cannot be provided at this stage.

5.1.2 Given housing demand and land supply constraints, together with the financial resources the Council currently has available to deliver new affordable housing, it could be considered that on balance the need for affordable housing outweighs the need for a capital receipt. This approach would be consistent with Government expectations that local authorities should use their assets to increase the supply of affordable housing in tackling homelessness.

5.2 Breezehurst Drive site – Phase 2

- 5.2.1 Phase I of this development is providing 60% affordable housing. The tenure breakdown is 58 homes for affordable rent, 10 shared ownership and 44 private market homes. This represents a high ratio of affordable housing across a relatively large scheme.
- 5.2.2 70% of market sales have been to first time buyers through the HomeBuy initiative demonstrating that the development has been successful in meeting the housing needs of entry-level buyers.
- 5.2.3 The tenure mix model adopted is therefore considered to be meeting housing need for both applicants on the Council's Housing Register and those looking for entry-level access to homeownership.
- 5.2.4 The adoption of this same approach for Phase 2 which is expected to deliver an additional 70 new homes would increase the Council's stock by 40 new affordable homes and provide for an additional 30 homes for private market sale. The take up would again be expected to be mainly entry-level buyers.
- 5.2.5 Given the scale of this development and the contribution made by Phase 1 in meeting housing need, there is a strong rationale for replicating this approach for Phase 2. This would also yield a capital receipt for the Council which may, in part, be required to offset any development of, or improvements to, sports pitches specified by Sport England as a condition of support for the development.
- 5.2.6 As part of the funding arrangements for Phase 1 the Council secured £1m grant funding through the Homes and Communities Affordable Homes Investment Programme to deliver 40 new Council homes at affordable rents. The Council has the opportunity to bid for further funding during the 2015-18 investment period. Taking this approach would provide an alternative funding stream to the HRA and

the Right-to-Buy one-for-one replacement funding. Given uncertainty over future funding through Right to Buy sales it may be considered advantageous to continue to use opportunities to lever in grant funding to maximise investment available to the Council in continuing to twin track an own-build and an enabling programme to deliver new affordable housing. Based on current modelling it is estimated that this approach would release of the order of £600k RTB one-for-one funding plus £350k from the HRA which could be channelled into other development opportunities. Initial discussions with the HCA regarding the likelihood of securing funding have been positive.

5.2.7 In adopting this approach the Council would be tied to the same grant conditions required by the Homes and Communities agency for Phase 1 of the development which include a requirement to set affordable rather than social rent levels. It may be considered an advantage to have this consistency across the two phases of the development.

5.2.8 Alternatively the Council could use HRA and RTB one-for-one replacement funding for this development. This would retain the freedom to set rents at the lower social rent level at the cost of reducing these budgets and their capacity to fund other affordable housing opportunities. This would also result in inconsistencies in the level of rents being charged to tenants by the Council across the two phases of the scheme and a reduction in the rental stream that would be achieved which would in turn impact the payback period for Phase 2. It does, however remain an option. While inconsistency in rent levels across the two phases of this development may give rise to questions and challenges from applicants and tenants, based on current lettings trends there is no specific evidence to suggest that this differential would adversely impact lettings.

6. Implications

6.1 Staffing

There are no staffing implications associated with this report

6.2 Financial

The financial implications are set out in Section 5 of this report

7. Background papers

Strategic Approach to Affordable Housing Delivery 2015-2025 – report to Cabinet 12 November 2014

Minute 70 Full Council 17 December 2014

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