

Report to the Cabinet

Report reference: C/074/2006-07.

Date of meeting: 13 November 2006.



**Epping Forest
District Council**

Portfolio: Housing.

Subject: Provision of Social Housing Grant to Provide Affordable Housing - The Quarter, Chipping Ongar.

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Recommendations:

(1) That Social Housing Grant (SHG) of £710,000 be provided to London & Quadrant (L&Q) Housing Trust, funded from the unallocated budget for SHG within the Housing Capital Programme, to enable the rents of the 13 X 2 bedroom flats and 5 X 4 bedroom houses at The Quadrant, Chipping Ongar to be converted from market rents to affordable rents; and

(2) That further SHG totaling £290,000 be provided to L&Q Housing Trust when additional provision for SHG is made available within the Housing Capital Programme in the future, in order to convert the rents of the remaining 6 X 3 bedroom houses from market rents to affordable rents

Background:

1. At the meeting of the Cabinet on 10 April 2006, following a recommendation of the Housing Scrutiny Panel to increase the amount of affordable housing within the District, it was agreed that an additional one-off budget provision of £1million should be made within the Council's Capital Programme for 2006/7. It was agreed that £500,000 should be funded as additional expenditure to the existing Capital Programme and a further £500,000 funded by reducing the budget(s) of one or more existing projects within the Capital Programme. However, at the Cabinet meeting held on 9 October 2006, this £1million was reduced by £500,000, since no funding had been secured from other budgets to finance this expenditure.

2. In addition to the remaining £500,000 budget, a further £210,000 is currently available within the Housing Capital Programme to fund social housing grant(s) (SHGs). This funding has been secured through a variety of Section 106 Planning Agreements, whereby developers have been required to provide the Council with a payment (usually in lieu of providing affordable housing on a site), to be used to provide SHG to housing associations to provide affordable housing elsewhere within the District.

3. This total £710,000 has not yet been allocated. The reason for this is that the most prudent use of this funding is for it to be used to provide SHG for an affordable housing development which, for some reason, does not receive funding from the Housing Corporation; clearly it would be better for the District to attract as much SHG funding from the Housing Corporation as possible, rather than use its own resources.

4. It was also agreed by the Cabinet in April 2006 that, prior to the annual review of the Capital Programme, a formal annual review should be undertaken by the Cabinet to agree whether further budget provision should be included within the Capital Programme to fund social housing grants and, if so, how much should be included and when.

The Quarter, Chipping Ongar:

5. Earlier in the year, the Housing Corporation confirmed SHG funding for most of the affordable housing developments that were on stream within the District at that time. However, one of the schemes that has not received Housing Corporation funding is the proposed affordable housing scheme at The Quarter, Chipping Ongar (on the site of Shelley House, the former Highway's Depot). This is a scheme for which the Council negotiated the provision of 30% affordable housing through a Section 106 Agreement and has been working in partnership with London & Quadrant Housing Trust (L&Q) to deliver. The proposed affordable housing comprises 24 properties, as follows:

- 13 X 2 bedroom flats;
- 6 X 3 bedroom houses; and
- 5 X 4 bedroom houses.

6. As part of the Section 106 Agreement, in order to make the best use of the accommodation, it was agreed that, once the properties had been built, L&Q could let the properties to applicants on the Council's Housing Register *at market rents*, until such time as funding could be provided by the Housing Corporation to convert the rents to affordable levels. This was explained to the Council's applicants, who moved-in on this basis between December 2005 and February 2006. The market rents range from £157.50 to £196.73 per week, compared to affordable rents which, for this development, would range from £80.24 to £115.23 per week.

7. However, L&Q's bid for SHG funding from the Housing Corporation was not successful. This was because the Housing Corporation's Eastern Region changed its funding criteria after the closing date for bids, which had a significant effect on this scheme. The Eastern Region said that it would now only agree to fund schemes that are classified as "Very Good" under its Eco-Homes Standard. Prior to this, the required level was "Good", which was the standard adopted for the development at The Quarter. Unlike bids for most affordable housings schemes, which are not built in advance of funding being allocated, the development had already been built. It is therefore not possible to meet the "Very Good" level. Consequently, not only was the bid unsuccessful, it will not be funded by the Housing Corporation in the future.

8. As a result, the tenants will continue to pay market rents, and the proposed affordable housing scheme - which was always the intended and negotiated tenure - will be lost to the District, unless SHG funding can be provided from another source. One of the difficulties with this is that, although the majority of tenants are in receipt of full housing benefit, 5 tenants (20%) are not, because they work. These tenants are finding it increasingly difficult to sustain their tenancies, especially because they believed the rents would be converted to affordable levels in the near future. Moreover, the remaining tenants have found themselves in a "poverty trap", with no incentive to find work, even at low incomes. It is also likely that future nominees from the Council's Housing Register will only be those in receipt of housing benefit, since employed applicants on low incomes will be unable to afford the rents.

Proposed Use Of Unallocated Social Housing Grant:

9. For the reasons given above, a request for grant funding from the Council has been received from L&Q, and it is suggested that this new development is just the type of scheme for which the Council should utilise its unallocated SHG. The Total Scheme Cost for the 24 affordable properties is £3.3m, which would ordinarily require SHG of £1.83m (with the remaining costs funded by a loan). However, following discussions between the Head of Housing Services and L&Q, in order to convert the market rents to affordable rents in perpetuity, L&Q has offered to fund £827,000 of the costs from its own reserves, if the Council provided the remaining £1million SHG.

10. Since £500,000 has been withdrawn from the Capital Programme, there is no longer £1million unallocated SHG available. However, the available £710,000 within the Housing

Capital Programme that is unallocated could convert the market rents of the 13 X 2 bedroom flats and the 5 X 4 bedroom houses to affordable rents. The rents of the remaining 6 X 3 bedroom houses could then be converted to affordable levels when either the Council makes additional provision within the Capital Programme or when an additional £290,000 is received from developers in the future, in lieu of the provision of affordable housing on other sites – which is expected.

11. The agreement with L&Q would include a provision that part of the SHG must be repaid to the Council, pro rata, should any of the tenants exercise their Right to Acquire their property (which is similar to the Right to Buy for Council tenants, but less beneficial).

Statement In Support Of Recommended Action:

12. The provision of SHG for this development would be a prudent use of the Council's unallocated funding and, in due course, would enable all of the market rents for the properties to be converted to affordable rents in perpetuity.

Other Options For Action:

13. In addition to the recommended option, the Council could:

(a) decide not to provide any SHG - which would result in the potential for affordable housing being lost; the Council would also need to decide for which alternative types of schemes the budget provision for social housing grants should be used; or

(b) allocate less SHG, which would result in less rents being converted, and some properties continuing at market levels. This would not only result in less affordable housing, it would also be inequitable for those Council nominees at the developments whose rents continue at market levels.

Consultation Undertaken:

14. None.

Resource implications:

Budget provision: £710,000 unallocated SHG within the Housing Capital Programme, with a further £290,000 to be funded when additional budget provision is made.

Personnel: Nil.

Land: Nil.

Council Plan/BVPP reference: Meeting Housing Need.

Relevant statutory powers: Housing Act 1985.

Background papers: Housing Policy File H619.

Environmental/Human Rights Act/Crime and Disorder Act Implications: Nil.

Key Decision Reference (if required): N/A.