

	OFFICER KEY DECISION
	Report to the Strategic Director Community Wellbeing
Peabody Right To Buy Grant Application	

Wards Affected:	Alperton
Key or Non-Key Decision:	Key Decision
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Paul Schafer – Housing Supply & Partnerships 020 8937 3353 Paul.schafer@brent.gov.uk

1.0 Purpose of the Report

1.1 Cabinet agreed on the 14 October 2019 to continue to retain Right to Buy (RTB) receipts, as part of the Brent Retention Agreement (2012) with the Secretary of State for Ministry of Housing Communities and Local Government (MHCLG) until 31 March 2024. This was done as part of delivering the Housing strategy, which includes the following;

- To award local authority grant to external providers to provide new affordable housing, leveraging significant investment;
- To invest RTB receipts in the direct delivery of council-owned to provider new affordable housing, reducing overall council borrowing;
- To continue the existing acquisition programme to provide new affordable housing, integrated with the Councils wider market acquisitions programme;

- To support investments in the Housing Zones to acquire development in order to facilitate and accelerate development and the provision of affordable housing; with a view to align use of retained RTB receipts with the council strategic housing target to deliver.
- 1.2 Cabinet on 14 October 2019, further agreed to continue to grant retained RTB receipts to external partners for the provision of affordable homes for rent in line with the agreed procedure and delegated authority to the Strategic Director for Community Wellbeing in consultation with the Director of Finance and Operational Director for Housing to approve the criteria for grant funding, to approve criteria for evaluation of bids and to approve the allocation of such grants on acceptable terms.
 - 1.3 The council has received a grant application from Peabody Trust to deliver affordable housing at the Bridgewater Road site in Alperton and this report seeks authority to allocate grant to Peabody Trust.

2.0 Recommendations

That the Strategic Director Community Wellbeing, in consultation with the Director of Finance and Operational Director for Housing:

- 2.1 Approves the allocation of retained Right to Buy receipts to a maximum sum of £5,875,000 to Peabody Trust on the Council's standard terms of grant to deliver affordable housing at the Bridgewater Road site in Alperton in accordance with its grant application.

3.0 Detail

- 3.1 Cabinet on 14 October 2019 agreed to grant retained RTB receipts to external partners for the provision of affordable homes for rent in line with the agreed procedure. Pursuant to Cabinet authority, the Strategic Director for Community Wellbeing in consultation with the Director of Finance and Operational Director for Housing subsequently approved the criteria for grant funding and criteria for evaluation of bids.
- 3.2 A grant application has been received from Peabody Trust ("Peabody") to deliver affordable housing at the Bridgewater Road site in Alperton that Officers have evaluated and consider meet the criteria for grant funding. The application details that the site has the potential to provide 1600 new homes with a Master Plan being drawn up currently by Peabody. Peabody have been offered assistance by the GLA in acquiring key strategic assets in this zone, and the GLA are willing to provide grant to further phases of the development.
- 3.3 The application made by Peabody is for an affordable housing development consisting of 124 Homes. Peabody acquired two sites and combined these for the proposed development of 124 new homes, all of which will be affordable. These will consist of two blocks. Block A will consist of affordable rented units (47) and block B, shared ownership (77). With communal roof terraces at podium, 8th and 11th floor. Block C will provide industrial units.
- 3.4 Peabody have applied for grant for block A, the 47 rented units, at a grant rate of £125,000 per unit. This application has been discussed at length with Peabody in advance of its submission. As a result, Peabody have adjusted their

application to reflect the need to provide additional shared ownership on the site to cross subsidise the affordable. Peabody's total grant application is now for £5,875,000 to supply 47 social rent properties.

3.5 Peabody will be supplying a mix of rented units broken down as follows:

	Number of homes
1 Bedroom	14
2 Bedroom	18
3 Bedroom	14
4 Bedroom +	0
Total number of homes	47

3.6 The Council's current needs analysis requires larger family homes from 2+ bedrooms to assist with reducing its temporary accommodation costs. The scheme provides a good split of family homes (32) to one bedroom units due to the grant rates agreed with Peabody. New one-bedroom units across Brent's new homes portfolio have unlocked a significant demand in Brent for elderly downsizers whom are happy to downsize into newly built properties now their children have left home.

3.7 Block B is made up of shared ownership units, which also addresses a key demand for affordable homes for first time buyers in Brent and contributes to the Council's target of 5000 affordable homes over the next 5 years. The Shared Ownership units on this site will help create a balanced and mixed community for this development, creating a sense of ownership across the wider development and overall master plan for the Alperton site.

3.8 The granting of £125,000 per unit for 47 units enables Peabody to increase the amount of affordable rent in the scheme to 38%, with the remaining 62% being shared ownership and involving no private sale. Should the Council decide not to award this grant, the affordable rent would reduce to below 10% (approx. 10-12 units), albeit the scheme will remain compliant with planning policy. The cost of purchasing the site and today's current construction costs would also require Peabody to include private sale and more shared ownership for the site to be viable for development.

3.9 Housing associations do not have the same access to the GLA grant levels as local authorities currently have. They are able to access £28,000 for shared ownership and £38,000 for affordable rent. Local authorities under the Building Council Homes for Londoners Programme have access to subscription rates of £38,000 per unit for shared ownership and £100,000 for London Affordable Rent. This makes the RTB receipts grant an attractive support proposition.

Application Criteria

- 3.10 Peabody meet the criteria set out in the Council's grant funding manual. Peabody have met the following initial provider criteria and have demonstrated they:
- (i) Are a not-for-profit Registered Provider (RP) and registered as such with the Regulator of Social Housing.
 - (ii) Have a long-term commitment to making Brent a place that people choose to live, work and enjoy.
 - (iii) Able to demonstrate a long-term commitment to providing and managing homes in Brent.
- 3.11 Peabody have also met the evaluation criteria for funding by:
- (i) Providing a scheme within the borough of Brent that is entirely affordable.
 - (ii) Providing additional new housing
 - (iii) Providing a project that has affordable social rent
 - (iv) Owning the freehold title on the land that is being developed
 - (v) Developing a site of strategic significance for the London Borough of Brent just outside the councils designated housing zone.
 - (vi) Financially demonstrating the change that grant will have on the tenure mix of the development, i.e. how many additional social rented properties this grant will help supply.
- 3.12 Peabody have met the criteria under Chapter 15 of the Grant Funding Manual by:
- (i) Meeting the affordability criteria by setting the rent at a social rent level
 - (ii) Building correct size properties in line with London Plan space standards
 - (iii) Agreeing to a 100% nominations agreement

Options Appraisal

- 3.13 Officers carried out an options appraisal when considering the grant application. Below are the options considered;
- (i) Option 1: Provide the funding required for the scheme, this would supply the council 47 additional affordable rented units.
 - (ii) Option 2: Do not provide the funding, which will provide the Council with only 12 additional affordable rented units.
 - (iii) Option 3: External Grant through the GLA. This would not provide any additional affordable rented units, as level of grant available to Peabody means the scheme would not be viable.
- 3.14 Option 1 is recommended, namely approval of the Peabody grant application. In addition to gaining an extra 47 affordable rented homes on this scheme, Peabody's relationship with the Council on this site will enable access to further developments and the opportunity to convert more properties to affordable rent, whilst maintaining a mixed community across the Alperton development area.

4.0 Financial Implications

- 4.1 Brent has accumulated £9.10m of RTB retained receipts, between financial years 2017/18 and 2018/19, that can be utilised towards grant funding Registered Providers (RP's).
- 4.2 Grant funding Registered Providers using RTB retained receipts provides them with an incentive to build social housing in Brent, as opposed to the Council directly building new homes and increasing borrowing levels to fund development.
- 4.3 The Council will gain nominations rights to new homes in return for grant funding Peabody. This will allow the Council to re-house tenants currently in expensive temporary accommodation, and help to ease budget pressures in the General Fund.
- 4.4 The Council will not be open to the risk of scheme overspends, as the grant allocation to Peabody is set at a maximum of £5,875,000. The final allocation could reduce, depending on performance indicators that will need to be agreed and monitored going forward. Under performance could also result in the grant offer withdrawn and payments claimed back.
- 4.5 Grant payments from Brent will be made quarterly to Peabody, after expenditure has been incurred on the provision of social housing. The payment amount will be limited to 30% of the total expenditure, as per MHCLG funding criteria for the use of RTB receipts. The grant application from Peabody provides a draft profiling of future grant payments, however the payment timings will be subject to revisions due to several elements of uncertainty that are expected in the early stages of large-scale development schemes.

5.0 Legal Implications

- 5.1 The decision to continue the delegation of spending RTB receipts was agreed by Cabinet in October 2019. The criteria for grant funding and for evaluation of bids have been approved by the Strategic Director for Community Wellbeing in accordance with the Cabinet report dated October 2019. The criteria for grant funding and for evaluation of bids is set out within the council's Grants to Fund Housing Projects Guide to the council's procedures (5th Version) dated 7 November 2018
- 5.2 The decision to approve the allocation of grant was also delegated by Cabinet in October 2019 to the Strategic Director for Community Wellbeing in consultation with the Director of Finance and Operational Director for Housing. As indicated in paragraph 3.2, Officers have evaluated the Peabody application and consider it meets the criteria for grant funding
- 5.3 The general power of competence in Section 1 of the Localism Act 2011 may be utilised to give grants to external housing providers, provided there is a good reason to do so. MHCLG guidance specifically refers to the option to grant fund housing providers.
- 5.4 The council has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having

regard to a combination of economy, efficiency and effectiveness. By making use of council resources to fund external housing providers in the delivery of affordable homes, interest is not paid to the government due to unspent receipts.

- 5.5 The council has powers under section 24(1) of the Local Government Act 1988 to provide any person with financial assistance for the purposes of, or in connection with, the acquisition, construction, conversion, rehabilitation, improvement, maintenance or management (whether by that person or by another) of any property which is or is intended to be privately let as housing accommodation. Although this power is subject to consent from the Secretary of State for the purposes of section 25 of the Local Government Act 1988, in 2010 the Secretary issued a general consent under section 25 and that general consent allows, amongst other things, a local authority to provide any person with any financial assistance (other than the disposal of an interest in land or property) for the purposes of or in connection with the matters mentioned in section 24(1) of the 1988 Act.
- 5.6 The funds available to create affordable housing in Brent and the grant documentation refers to definitions of affordable (and social) housing as set out in Sections 68 – 71 of the Housing and Regeneration Act 2008. Affordable housing is regarded as one of the ‘Services of General Economic Interest’ which is one of the State Aid exemptions. In the circumstances, it is not considered that the proposed arrangements breach State Aid laws.
- 5.7 As a contracting authority, the Council is itself bound by the Public Contracts Regulations 2015 (PCR) and will need to be careful that any arrangements that it enters into with Registered Providers in respect of the delivery of affordable housing do not amount to a "public works contract" which should otherwise have been procured. For a public works contract to exist, there needs to be a decisive influence by the contracting authority over the design, enforceable obligations to carry out that work and some form of economic benefit. In this instance, the council is proposing to enter into a funding agreement with Peabody to deliver affordable units. If there is a failure to deliver then the only consequences for Peabody is that the funding will be returned.
- 5.8 As part of the funding agreement, the council will enter into a full nominations agreement and agree a payment schedule with Peabody.

6.0 Equality Implications

- 6.1 The Peabody Trust development will provide 47 much needed socially rented properties. Peabody Trust are a well-established social housing provider in Brent and will comply with the council’s planning policy in terms of mix, lifetime home requirements and adaptable properties. Funding this development not only helps unlock 47 additional social rented opportunities with this initial block, it also unlocks a key strategic site for Brent where further social rented homes will be built.
- 6.2 Peabody Trust will sign a full nominations agreement which will be in line with the councils Housing and allocations policies, both of which have had extensively debated Equality Impact Assessments done to ensure they are fair and representative.

7.0 Consultation with Ward Members and Stakeholders

7.1 A report was presented to Cabinet in October 2019 to agree the delegation. The Strategic Director as part of regular update meetings will inform and update the Cabinet Member for Housing on a regular basis.

8.0 Human Resources/Property Implications (if appropriate)

8.1 There are no human resource implications. The council will gain a full nominations agreement to the additional homes supplied as part of the grant agreement.

Related Documents:

[Cabinet report – Affordable Housing Supply Programme – Right to Buy 2015 – 2019](#)

Cabinet report – Continued Use of Retained Right to Buy Receipts – October 2019

Report sign off:

***Phil Porter
Strategic Director, Community and
Wellbeing***