


<b>Grants Determination Sub Committee</b>	 <b>TOWER HAMLETS</b>
6 June 2018	
<b>Report of:</b> Ann Sutcliffe, Acting Corporate Director Place	<b>Classification:</b> Unrestricted
<b>Affordable Housing Grant Programme – Mulberry Housing Society</b>	

<b>Lead Member</b>	<b>Councillor Rachel Blake, Cabinet Member for Strategic Development and Waste.</b>
<b>Originating Officer(s)</b>	Alison Thomas
<b>Wards affected</b>	Limehouse Ward
<b>Key Decision?</b>	Yes
<b>Forward Plan Notice Published</b>	4th May 2018
<b>Reason for Key Decision</b>	To enable Mulberry Housing Society to purchase S106 units
<b>Community Plan Theme</b>	<b>Great Place to live</b>

### **Executive Summary**

In February 2017, the Mayor in Cabinet approved £9M of retained RTB to be made available for Mulberry Housing Society in order to purchase affordable homes.

### **Recommendations:**

The Grants Determination Sub Committee is recommended to:

1. Authorise the Corporate Director Place to award Right To Buy receipt grant funding of £2.3m to Mulberry Housing Society; in addition, allow 10% uplift to the agreed amounts to take account of potential increases in acquisition costs.
2. Authorise the Corporate Director Place to enter into a grant agreement and make decisions relating to any associated matter to give effect to the delegation referred to in paragraph 1 above.
3. To note the Equalities Impact Assessment / specific equalities considerations as set out in Paragraph 4

## **1. REASONS FOR THE DECISIONS**

- 1.1 On 7th February 2017, Cabinet agreed to establish two housing delivery vehicles, in order to expand the range of options available to the Council to deliver new supply across tenures, both permanent and temporary homes, with the two vehicles designed to operate in tandem:
- A Wholly Owned Company (WOC) with a commercial purpose to provide homes for rent and sale, returning a dividend to the Council from long term profit-making activities; and
  - A Community Benefit Society (CBS) to provide homes for sub-market rent, subsidised by grant of land and retained Right to Buy receipts, made possible by governance arrangements within which the Council holds a minority position.
- 1.2 The WOC is called Seahorse Homes Limited and the CBS Mulberry Housing Society.
- 1.3 Cabinet also approved £9M of retained Right to Buy receipts to be made available for Mulberry Housing Society to purchase affordable homes.
- 1.4 An opportunity has arisen to purchase a S106 site in Burdett Road. The development comprises of 42 flats all at social target rents. The report recommends granting £2.3m in RTB receipts to facilitate this acquisition. (Grant requested will contribute 30% of scheme costs associated with the rented element).
- 1.5 Terms of the grant to Mulberry Housing Society will be covered by a grant agreement that will be a contract between the parties for each scheme to ensure compliance.

## **2. ALTERNATIVE OPTIONS**

- 2.1 There is a wide range of housing delivery providers including private developers, Registered Providers (RPs)/housing associations and local authorities. Between them these providers deliver a range of new homes across tenures – social rents, ‘affordable’ rents, shared ownership, market rents and market sale.
- 2.2 Rather than award grant to Mulberry Housing Society, the Council could rely on other partners in the private developer and RP sectors to deliver new homes, providing land and financial resources (including retained RTB

receipts) to secure delivery and negotiate long term access arrangements to new homes for Council nominees.

- 2.3 However, despite considerable efforts over the past twelve months, the uptake of partnership offers to RPs has not attracted many applications. Moreover, the advantage of Council-sponsored vehicles is the closer alignment with strategic purpose, the greater level of security and certainty over access arrangements, and the scope for long term revenue and capital return to the Borough, with assets and return on investment more closely protected.
- 2.4 In particular, the acquisition and development of new housing through Mulberry Housing Society will enable the delivery of further social and intermediate rented homes making use of retained RTB receipts, without impacting on the HRA borrowing headroom.
- 2.5 In summary, this allocation to Mulberry Housing Society should be seen as complementary rather than an alternative or replacement for other delivery approaches.]

### **3. DETAILS OF THE REPORT**

- 3.1 As previously mentioned an opportunity has arisen to purchase a S106 site in Burdett Road. The development comprises of 42 flats all at social target rents.

<b>Applicant</b>	<b>Scheme</b>	<b>Total units in scheme</b>	<b>Total Inter-mediate</b>	<b>Total Market</b>	<b>Total Social Rents</b>	<b>Grant £</b>
Mulberry Housing Society	Burdett Road	42	0	0	42	£2.3m

Grant requested: £2.3m to provide 42 new properties.  
Grant per unit = £55k

Unit Mix =

4 x 1 bed

5 x 2 bed

27 x 3 bed

1 x 1 bed (wheelchair)

3 x 3 bed (wheelchair)

- 3.2 The development is a S106 off-site affordable housing contribution for the Canary Wharf Group Newfoundland development in the Canary Wharf area.

### **4. EQUALITIES IMPLICATIONS**

- 4.1 The delivery of more affordable homes will help give households, particularly those from black, Asian, or other minority ethnic backgrounds on low incomes

(many of whom are benefit dependent) a secure home. This has the potential to create an environment for household members – particularly children – to improve their educational attainment which will in turn help them access sustainable employment in the future. The delivery of more housing that is wheelchair accessible and meets lifetime homes standards is a proven method to help reduce inequalities.

- 4.2 The provision of additional rented schemes can potentially impact on community cohesion and homelessness. The amount of affordable housing developed for rent has been limited in Tower Hamlets. Maximising the amount of affordable housing for rent wherever possible can contribute to community cohesion by reducing the number of households on the Common Housing Register waiting for a home at an affordable rent.
- 4.3 The grant to Mulberry Housing Society directly makes a significant contribution to the core Local Plan target of new affordable homes delivery. The programme also makes a wider contribution to Community Plan objectives, such as on increasing household recycling; reducing crime (through Secure By Design standards); and increasing skills and training opportunities. The proposal is a good 'strategic fit' with the Community Plan and will help Tower Hamlets deliver both the housing and sustainable communities priorities identified.

## **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
  - Consultations,
  - Environmental (including air quality),
  - Risk Management,
  - Crime Reduction,
  - Safeguarding.

### **5.2 Best Value Implications**

This is a capital programme which proposes to make use of the Council resources in order to fund partners in the delivery of affordable homes rather than be required to pay interest to the government on unspent receipts.

The schemes will comply with the Council's requirements on the reduction of carbon emissions, energy consumption along with green and sustainable construction delivery.

### **5.3 Risk Management**

A Grant Agreement will be drawn up by Solicitors Mulberry Housing Society will be members of the Common Housing Register and to sign up to the

Standard Nominations Agreement so the Council will benefit fully from the programme.

The scheme adopted an open book approach so the Council has been able to scrutinise the project finance.

The qualifying criteria has provided safeguards against organisations that would not have the capacity, expertise or financial stability to deliver the programme.

#### **5.4 Crime and Disorder Reductions Implications**

The schemes proposed will be designed to Secure By Design Standards. The conditions of the housing grant programme will include the need to meet the London Housing Design Guide and other standards of building including Secure by Design.

The impact on the local community and the local environment will be factors in assessing the quality of a scheme proposal. RPs will be encouraged to identify sites which if developed, would improve the safety and security of the local communities.

The role of design in “designing out crime “will be part of the solution for addressing community safety hot spots in the borough. In addition, the natural surveillance offered by the new developments is likely to improve safety in the respective areas.

#### **5.5 Safeguarding Implications**

Not applicable.

### **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

6.1 The Mayor in Cabinet on 7th February 2017 approved the establishment of Mulberry Housing Society, a charitable Community Benefit Society (CBS), to provide homes for sub-market rent. It was agreed that £30 million of resources would be made available to the CBS, including an allocation of retained Right to Buy receipts of up to £9 million, representing 30% of the total financing available. The funding was incorporated within the Council’s capital programme however as a grant to a third party any allocations also need to be approved by the Grants Determination sub-committee.

6.2 This report seeks approval to allocate the first funding of £2.3 million of the £9.0 million allocation to Mulberry Housing Society to part finance the acquisition of 42 properties in Burdett Road. These properties will be let at social target rents. The Authority’s contribution is limited to 30% of the cost of the eligible expenditure incurred on the acquisition, with Mulberry Housing Society being responsible for securing funding for the remaining 70% of the

cost. As approved within the Cabinet report that established the CBS, this element of funding will be provided via a loan from the Council.

- 6.3 Retained Right to Buy receipts cannot be used to provide funds to a body in which an authority holds a controlling interest. To ensure that it complies with the necessary requirements, the CBS has therefore been established with a 40% Council representation on its board which is made up of two Council and three independent members.
- 6.4 The Council retains responsibility for spending a sufficient amount on replacement social housing within the required timescales (three years from the date of receipt) to ensure that the use of retained Right to Buy receipts is maximised. In the event that any committed projects fail to spend in accordance with the deadlines set, there is a risk that unused receipts will be payable to the Government, with the Council being liable for a significant interest penalty. It is therefore crucial that the Authority continues to closely monitor the progress on all replacement social housing projects funded by retained receipts, whether the expenditure is incurred by third parties or forms part of the substantial programme of Council managed initiatives. In the case of this allocation, evidence of eligible expenditure must be submitted by the CBS to the Council to ensure that all Government regulations for the use of retained capital receipts are met.]

## **7. COMMENTS OF LEGAL SERVICES**

- 7.1 The Council has the power to do anything an ordinary person may do unless this is prohibited by legislation under section 1 of the Localism Act 2011. There is nothing in legislation barring the Council from making this grant and therefore the Council has to legal power to do so.
- 7.2 Under the constitution the Grants Determination Sub-committee has the power delegated from the Mayor to make the delegation as requested in the first paragraphs 1 and 2
- 7.3 The Council will also need to enter into a grant agreement to control the use of the grant money. This will need to be monitored to ensure the grant is used to achieve the intended outcomes. This monitoring process allows the Council to demonstrate compliance with its Best Value legal duty.
- 7.4 The Council may wish to consider some form of security for example registering an interest with the Land Registry to ensure the proper use of the grant.
- 7.5 When making decisions, the Council must have due regard to the need to eliminate unlawful discrimination, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector equality duty). The use of the funds for this grant does infer an equalities issue in itself. However, the Council should consider ways to ensure that the subsequent use of the properties should align with the Council's equality duties in the usual way.

---

## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- NONE

### **Appendices**

- NONE

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- NONE

### **Officer contact details for documents:**

Jen Pepper x2528