

<b>Signed off by</b>	Head of Housing
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<b>To</b>	Executive
<b>Date</b>	Thursday, 24 March 2022
<b>Executive Member</b>	Portfolio Holder for Housing and Support

<b>Key Decision Required</b>	Y
<b>Wards Affected</b>	Tattenham Corner and Preston;

<b>Subject</b>	Capital Grant Funding for Chavecroft Scheme
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<b>Recommendations</b>
(i) To approve a capital grant payment to Raven Housing Trust of £0.500 million as detailed in the exempt report in Part 2 of the agenda for the Chavecroft redevelopment scheme
<b>Reasons for Recommendations</b>
Planning Committee resolved to grant planning permission in June 2021 to demolish the Chavecroft sheltered housing scheme and deliver 23 new homes subject to the completion of a S106 Agreement. The new scheme will deliver a flagship Net Zero Carbon project in the borough providing sustainable, energy efficient social rented homes for local people on the Council's housing register. Funding the scheme is a challenge. Raven is making a significant direct investment, has committed its Recycled Capital Grant Fund receipts and has sought Homes England capital grant funding. However, a funding gap remains. A Council capital grant payment will enable this flagship Net Zero Carbon social rented scheme to be delivered in the borough.
<b>Executive Summary</b>
<ul style="list-style-type: none"> <li>In June 2021 Planning Committee resolved to grant planning permission, subject to completion of a S106 Agreement, to demolish the Chavecroft sheltered housing scheme in Preston ward and replace it with a net Zero Carbon scheme of 23 homes.</li> </ul>

- Delivered as 100% social rent this highly sustainable scheme is the most affordable tenure for low income households on the Housing Register. Raven is investing significant capital funding directly, is reinvesting receipts from its Recycled Capital Grant Fund and has applied for Homes England capital grant. However, a funding gap exists as detailed in the exempt report in Part 2 of the agenda. A Council capital grant payment will enable this flagship scheme to be delivered and for the Council to secure 100 per cent of the nominations for households on the Housing Register. Without a Council capital grant, the current scheme cannot be delivered.

**Executive has authority to approve the above recommendations**

## **Statutory Powers**

1. The Council has no statutory obligation to provide a grant but has general powers of competence under section 1 of the Localism Act 2011 to do anything that individuals with full capacity generally may do, subject to the provision of the Act.

## **Background**

1. Built in the 1960s as a sheltered accommodation for the over 60s by then Banstead Council, the scheme consisted of 26 studio flats, one 2-bedroom flat and one 3-bedroom flat. The scheme was included in the 2002 large scale voluntary transfer. Raven Housing Trust has struggled to find tenants on a permanent basis due to its unsuitability for modern living. Whilst Raven considered the future of the site an agreement was made with the Council to offer bedsits as temporary housing for homeless households. This arrangement ended in February 2021 due to the redevelopment plans.
2. Raven secured from Planning Committee a resolution to grant planning permission in June 2021 to demolish the existing building and deliver 23 new homes on the Chavecroft site in Tadworth, subject to completion of a S106 Agreement. The site will deliver a high quality Net Zero Carbon scheme to meet local need using Modern Methods of Construction (MMC). The plan is to deliver social rent homes, which are significantly more affordable to local people than affordable rent homes.

## **Key Information**

### **Scheme details**

3. The scheme will comprise five 3-bedroom houses, seven 1-bedroom flats and eleven 2-bedroom flats. Subject to the receipt of Homes England Grant Funding all homes will be at social rents.
4. The site will be re-landscaped to provide an attractive environment reducing opportunities for anti-social behaviour whilst retaining and protecting three established trees. Space heating and hot water will be supplied by Heat Pump, most likely Ground Source, although Air Source may be an alternative option. Photovoltaics will be maximised across the site to contribute towards electrical demands. More parking bays will have electric vehicle charging points, each house will have bicycle storage and an 18 space cycle store will be available for the flats.

Overall, the number of actual bedspaces will increase from 38 in the current scheme to 89 in the new scheme and importantly will better meet local housing need.

5. Scheme residents will benefit from an affordable scheme both in terms of rent levels and day to day running costs. As well as having excellent living space, with consideration given to homeworking and access to outdoor space, residents will benefit from more energy efficient, airtight homes. The building design results in less draughts, reduced noise transfer and significantly lower energy bills for residents.

### Scheme costs

6. Regeneration of this site to deliver social rents and a Net Zero Carbon scheme requires significant levels of subsidy. In terms of rents, social rents are the lowest, usually around 50 - 60% of market rents and provide the lowest rental income. In comparison Affordable rents are set at 80 per cent of market rents, whilst providing a higher income they pose affordability problems for many low income households. This ward features regularly in indices of deprivation and is at the same time subject to the highest Affordable Rents, for example a typical 3-bed home in this area is around £1,300 per month and unaffordable to many low income households. A 100% social rent scheme is most affordable to those in need, however it requires more capital investment due to the lower income yield.
7. The detailed scheme costs are set out in the second part of this report. Raven is contributing internal subsidy, investing its Recycled Capital Grant Fund and has bid for Homes England capital grant funding. However, a funding shortfall exists. Raven has reached its maximum internal funding ceiling for the scheme. Furthermore, Homes England has advised that a grant allocation is contingent on the Council making a financial contribution. Raven has therefore asked if the Council will provide a grant equating to the subsidy shortfall.
8. Without the Council's financial support, the scheme in its current tenure mix will not proceed. Raven cannot bridge the funding gap. The alternative tenures of affordable rent, shared ownership and market sale would have to be explored. As already explained above, affordable rent homes offer poor levels of local affordability. With numbers on the Housing Register rising, additional social rent homes will meet local need.

### Options

9. Option 1. **This is the recommended option.** Agree the payment of a capital grant to Raven Housing Trust to ensure the delivery of 23 social rent homes delivered as Net Zero Carbon for local people in housing need. Housing affordability is an ongoing challenge for low income households in the borough, additional social rented tenure homes provide the most affordable option.
10. Option 2. **This is not the recommended option.** Decline to make a capital funding grant to Raven Housing Trust. This would result in the withdrawal of Homes England funding and the tenures on the site would be revised to remove the social rent tenure. The number of rented homes would be reduced and delivered as affordable rent. Some of the 23 homes would have to be delivered as shared ownership. The Council would not have 100 per cent nomination rights. If a viable position could not be reached for the site, disposal would have to be considered.

<b>Legal Implications</b>
<p>11. The Council has no statutory obligation to provide a grant but has general powers of competence under section 1 of the Localism Act 2011 to do anything that individuals with full capacity generally may do, subject to the provision of the Act. The provision of capital grant funding will be subject to Raven entering into a funding and nomination agreement with the Council.</p>
<b>Financial Implications</b>
<p>12. It is proposed that a £0.500 million contribution from historic capital receipts received by the Council from various housing schemes which were subject to historical covenants and affordable housing subsidy arrangements are used to fund a grant. During 2021/22 to date, the Council has received just over £0.500 million from these arrangements.</p> <p>13. The Council's grant contribution equates to just over £0.021 million per unit and in return the Council will gain access to 100% nomination rights to the homes which will be occupied by households on the Council's Housing Register.</p> <p>14. Use of the capital receipts for this purpose reduces the funds that will be available for investment in the Council's own capital programme going forward.</p>
<b>Equalities Implications</b>
<p>15. The mix of 1, 2, and 3 bedroom social rented homes has the potential to meet the needs of a range households on the Housing Register who may have protected characteristics. For example, the new homes will have a positive impact on low income families with dependent children in need of social housing, and ground floor flats can be prioritised for households with mobility difficulties related to long-term health issues or disabilities and older age.</p>
<b>Communication Implications</b>
<p>16. There are no specific communication implications. The opportunity exists for the Council to have displayed corporate logos on the building site hoardings alongside the other partners involved in funding and delivering this flagship scheme for local people.</p>
<b>Environmental Sustainability Implications</b>
<p>17. This scheme is a highly sustainable Net Zero Carbon development and will not require any carbon off-setting. Using a fabric first approach, the building will have a highly insulated building envelope. Heating and hot water will be supplied by a ground or air source pump using no fossil fuels. Photovoltaics will provide an additional power source.</p> <p>18. The excellent sustainability and environmental credentials also mean lower fuel usage by residents and lower energy bills.</p>

## **Risk Management Considerations**

19. The construction sector is experiencing rising costs in terms of materials, costs caused by delays alongside rising labour costs. Raven is confident of managing this situation to ensure delivery of this scheme.

## **Consultation**

20. Executive Members have been consulted about this proposal to provide a grant.

## **Policy Framework**

21. This proposal very much supports the Council's vision and commitments set out in Reigate & Banstead 2025, the Council's Five Year Plan. Specifically, this scheme will support achievement of the Housing objective to secure the delivery of homes that can be afforded by local people which provide a wider choice of tenure, type and size of housing. Furthermore, it will also support the Place objectives on shaping our places and supporting local residents and businesses to reduce their environmental impact.

## **Background Powers**

1. Corporate Plan 2025 - [https://www.reigate-banstead.gov.uk/info/20205/plans\\_and\\_policies/280/reigate\\_and\\_banstead\\_2025](https://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/280/reigate_and_banstead_2025)