


<b>Individual Mayoral Decision Report</b>	
<b>Report of:</b> Ann Sutcliffe, Acting Corporate Director, Place	<b>Classification:</b> Unrestricted
<b>Variation to original Grant Agreement</b>	

<b>Lead Member</b>	<b>Councillor Rachel Blake, Cabinet Member for Strategic Development &amp; Waste</b>
<b>Originating Officer(s)</b>	Ann Sutcliffe Director of Place
<b>Wards affected</b>	Bromley North
<b>Key Decision?</b>	Yes
<b>Community Plan Theme</b>	<b>Great Place to Live</b>

### **Executive Summary**

Commissioners agreed to approve a grant allocation to a Registered Provider on 12<sup>th</sup> April 2016 to deliver 10 new housing units, 8 of which were to be rented, now 7 will be rented.

Due to the scheme changing through the planning process this has affected its viability. This is a request to vary the numbers of units and note change in rents to the original grant approval to ensure the scheme gets delivered.

The original grant allocation approved by the Commissioners was £547,631, ARHAG will now claim up to £428,605 as this represents 30% of the new scheme costs relating to the 7 rented units.

The original grant approval had a completion date of December 2017. However, this scheme cannot meet the original deadline, as it only received planning permission summer 2017. It is therefore necessary to deliver these affordable units to extend the deadline for spend to December 2020.

### **Recommendations:**

The Mayor is recommended to:

1. Approve the changes to the scheme;
2. Authorise the Corporate Director of Governance following consultation with the Corporate Director of Place to give effect to the changes and execute and enter into all necessary agreements; and
3. Direct that a noting report is provided to the forthcoming Grants Determination Sub-Committee meeting in respect of the changes.
4. Approve the extension of time.

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

- 1.1 To ensure delivery of some affordable rented housing as the scheme cannot proceed as the viability has been adversely affected by the changes.

## **2. ALTERNATIVE OPTIONS**

- 2.1 Not to agree the changes to the original application will result in no affordable housing being delivered.

## **3. DETAILS OF REPORT**

- 3.1 On 12<sup>th</sup> April 2016 Commissioners approved £547,631 from the Local Affordable Housing Grant 2016-19, to a Registered Provider, ARHAG, to deliver a small scheme on their land in Bow Road.
- 3.2 The scheme was originally to deliver 10 units, mainly 1 and 2 bedroom properties, of which 8 were to be at slightly higher than current actual social rents levels and 2 for market sale to cross subsidise the development.
- 3.3 ARHAG have since changed the original design in response to Planning comments and are now proposing a ground floor 3 bedroom wheelchair accessible home for rent, which is a better outcome.
- 3.4 Changes to the scheme have had a negative effect on the viability of the scheme so ARHAG is now seeking to deliver an additional unit for private sale - a 1 bed unit. They will now be selling 2 x 1 bed units and 1 x studio unit.
- 3.5 Rents for the 1 and 2 bedroom units, these are £144.26 and £152.73 respectively; whilst the rent for the 3 bed wheelchair unit will be £161.22, these are all at social target rent levels.
- 3.6 The proposed 10 unit scheme would therefore comprise 3 units for private sale and 7 for social rent, at the rents outlined above. It is to be noted that should other factors such as the tender sum come in more favourably than expected, then ARHAG would be prepared to look at re-offering the additional unit to allow for a total of 8 rented units.
- 3.7 The Section 106 will say a minimum of 7 social target rent units with the flexibility of providing 8 should the tender returns come back lower than anticipated.
- 3.8 The original grant allocation approved by the Commissioners was £547,631, ARHAG will now claim up to £428,605 as this represents 30% of the new scheme costs relating to the 7 rented units.

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

- 4.1 The Mayor in Cabinet on 6<sup>th</sup> October 2015 approved a programme to utilise the significant levels of Right to Buy receipts that the Council has retained for the provision of replacement social housing. It was agreed that £7.065 million of the receipts would be allocated towards a Local Affordable Housing Grant scheme for Registered Providers of Social Housing (RPs).
- 4.2 Following the completion of the application process for the programme, a subsequent report to the Commissioners approved the grant funding of various projects, including the award of £547,631 to ARHAG to deliver a scheme in Bow Road. An uplift of 10% was applied to the allocation to allow for a possible increase in build or acquisition costs, meaning that the total amount of grant to be agreed for ARHAG for 8 affordable new build properties was £602,394.
- 4.3 The Authority's contribution is limited to 30% of the cost of the eligible expenditure incurred on replacement social housing, with ARHAG being responsible for funding the remaining 70% of the cost of the replacement social housing being built. Evidence of eligible expenditure must be submitted by the RP to the Council to ensure that all Government regulations for the use of retained capital receipts are met.
- 4.4 Following amendments that it has been necessary to make to the scheme as part of the planning process, the project's viability has had to be reassessed with the previous proposal of eight social rented dwellings and two market sale units being amended to seven social rented units and three properties for sale. As a result the grant eligibility will be reduced from £547,631 to £428,605, which with the uplift of 10% equates to a maximum allocation of £471,466 subject to evidence of eligibility. These issues have also led to a delay in the timescale for completion of the project which could necessitate the deferral of grant payments to ARHAG - potentially to December 2020. This change can be accommodated within the assumed profile for the application of retained Right to Buy receipts.
- 4.5 As the Council retains responsibility for spending a sufficient amount on replacement social housing within the required timescales, in the event that RPs fail to spend enough there is a risk that the resources will be payable to the Government, with the authority 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 Council managed initiatives.

## **5. LEGAL COMMENTS**

- 5.1 This report concerns a proposal for the contract with ARHAG in respect of the housing development scheme in Bow Road (Scheme) to be varied in the light of changes to the quantity of properties to be built (Variation).
- 5.2 The Council has power to issue grants under section 1 of the Localism Act 2011. This provides the Council the power 'to do anything that an individual may do' for the benefit of the authority, its area or persons resident or present in its area'. The Council may be satisfied that it has the enabling power to enter into any grant and therefore the Variation for the Scheme.
- 5.3 The relevant documents pertaining to the Scheme should be provided to legal services so that the Variation may be contractually facilitated and in order to ensure that associated modifications are addressed and monitored thereby protecting the Council from consequent reputational and financial risks.
- 5.4 The Council has an obligation as a best value authority under section 3 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." The Council would need to be satisfied that entering into a Variation in relation to the Scheme would continue to represent best value in the circumstances.
- 5.5 It should be noted that the original decision to award the sum of £547,631 to ARHAG for the purposes of the Scheme was approved by the Commissioners as a grant. Pursuant to the Mayor's Executive Scheme of Delegation, the Mayor has delegated decisions in relation to grants to the Grants Determination Sub-Committee (GDSC). However, pursuant to paragraph 6.3 of Rule 3 of the Executive Procedure Rules, the delegation to the GDSC is subject to the Mayor's prerogative to make decisions on all matters in any event relating to his statutory powers. In light of this, the Mayor may authorise the Variation to the Scheme notwithstanding the delegation to the GDSC. However, a noting report ought to be provided to the forthcoming GDSC detailing the Mayor's decision in relation to the Variation.
- 5.6 The Council must ensure that it fully understands the effect of the Variation and its potential impacts on persons for the purposes of the Equality Act 2010. Specifically, the Council must have due regard to the need to eliminate unlawful conduct, 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 - PSED). Officers are expected to continuously consider, at every stage, the way in which its contracting activities satisfy the requirements of the PSED. In particular, such considerations should take place whilst any prospective decision is still at a formative stage. The Council should have undertaken such appropriate actions that enable it to understand the equalities impact on people who have a protected characteristic. Such actions may include, where appropriate, completing an equality impact assessment and or consultation. In any event

the actions should be proportionate to the function in question and its potential impacts.

## **6. ONE TOWER HAMLETS CONSIDERATIONS**

- 6.1 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.
- 6.2 The provision of additional rented schemes can potentially impact on community cohesion. The amount of private housing developed for sale and private rent has been particularly high in Tower Hamlets. However, the large majority of this housing is inaccessible to residents due to high house prices. Therefore, maximising the amount of affordable housing for rent wherever possible can contribute to community cohesion. This can be achieved by reducing the number of households on the Common Housing Register waiting for a home, whilst also giving an opportunity for local applicants to access low cost home ownership opportunities.
- 6.3 The Local Affordable Housing Grant scheme 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.

## **7. BEST VALUE (BV) IMPLICATIONS**

- 7.1 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. It places the responsibility for 70% of the costs of building replacement one for one homes on RPs, thereby protecting the borrowing margin of the Council and making possible the delivery of larger programme.

## **8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

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

## **9. RISK MANAGEMENT IMPLICATIONS**

- 9.1 A Grant Agreement has been drawn up by Solicitors and issued with the bidding documents.
- 9.2 ARHAG have been asked to provide proof of their ability to finance the scheme in the form of a funder's letter.
- 9.3 ARHAG will become members of the Common Housing Register and to sign up to the Standard Nominations Agreement so the Council will benefit fully from the programme.
- 9.4 An audit of the programme is planned and provided for in the Legal Agreement.
- 9.5 The scheme adopted an open book approach so the Council has been able to scrutinise the project finance.
- 9.6 The qualifying criteria has provided safeguards against organisations that would not have the capacity, expertise or financial stability to deliver the programme.

## **10. CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 10.1 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.
- 10.2 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.
- 10.1 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.

## **11. SAFEGUARDING IMPLICATIONS**

- 11.1 N/A
-

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

### **Linked Report**

- List any linked reports – original report of the 12<sup>th</sup> April 2016.

### **Appendices**

- None

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

- List any background documents not already in the public domain including officer contact information.
- These must be sent to Democratic Services with the report
- State NONE if none.

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

Or state N/A