


<b>Grant Determination (Cabinet) Sub Committee</b>  6 June 2018	
<b>Report of:</b> Mark Baigent	<b>Classification:</b> Unrestricted
<b>Affordable Housing Grant Programme – George Green’s Almshouses</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>	Poplar
<b>Key Decision?</b>	Yes
<b>Forward Plan Notice Published</b>	4 May 2018
<b>Reason for Key Decision</b>	Approval to award grant funding to George Green’s Almshouses to purchase properties using right to buy receipts.
<b>Community Plan Theme</b>	<b>Great Place to Live</b>

## 1. Executive Summary

- 1.1 In December 2015, The Commissioners agreed £7.06 million of retained RTB receipts could be used to set up a Local Housing Affordable Grant Programme for the period 2016 onwards for the provision of affordable housing in Tower Hamlets.
- 1.2 The initial grant ratified by Cabinet has since been successfully allocated. In response to additional applications received from RPs, a further report was submitted and approved by Cabinet in January 2018 to endorse £5m of additional grant funding to continue the acquisition and development of schemes that provide affordable housing.
- 1.3 This report is intended to update the Sub Committee of another bid received as part of the continuous market engagement process.

## Recommendations:

The Grants Determination Sub Committee is recommended to:

1. Authorise the Corporate Director Place to award Right to Buy grant funding for the amount listed in 1.7 of the report to George Green’s Almshouses, together

with a 10% uplift to take account of potential increases in build or 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.

### **REASONS FOR THE DECISIONS**

- 1.1 On 12th October 2015, the Mayor in Cabinet approved a capital programme to address the issues around the accumulated Right to Buy Receipts and the conditions for their expenditure. This included a range of measures, one of which was the provision of £7.06 million to Registered Providers towards the delivery of affordable housing units for rent for letting to housing applicants on the Council's Housing Waiting List. The Commissioners approved this on 2nd December 2015.
- 1.2 An advertisement and bidding pack inviting Registered Providers to submit applications as part of the continuous market engagement process was placed on the Council's website on the 15th February 2017. RPs were also formally advised individually.
- 1.3 To qualify to submit a bid, RPs were required to demonstrate their ability to satisfy the following criteria:-
  - Have knowledge of the Borough's housing needs.
  - Be a signed up member of the Common Housing Register or be able to sign up to it.
  - Have a management arm based in the Borough.
  - Be easily accessible to their new tenants.
  - Have extensive experience of affordable housing development.
  - Be included on the Homes and Communities Agency (HCA) published list of RPs.
  - Have the financial liquidity needed to successfully deliver a development programme over period of the grant scheme.
  - Consider the prerequisite that priority will be given to schemes with planning permission or in the planning process to enable them to meet the required deadline of December 2020 for completed schemes.
- 1.4 Approval Process
- 1.5 Points of clarification and any areas of concern with the bid has been discussed with George Green Almshouses.

1.6 Approval for grant funding was assessed on the basis that priority is given for schemes that meet the LBTH specific strategic criteria of:-

- Deliverability – This is of paramount importance. Milestones will be set and the grant may be repayable if they are not achieved.
- Affordability – preference is given to homes that are most affordable to local residents.
- Tenancies – preference is given to homes with longer tenancies as the RTB receipts fund permanent social/affordable rented accommodation.
- The grant element will represent a maximum of 30% of the scheme cost and can only be utilised for the replacement of Affordable Rented Units although this can be part of a larger mixed tenure development.
- Delivery of other strategic objectives of the Council and wider community benefits.
- Accessibility – Homes for residents with disabilities will be fully accessible and preference will be for wheelchair housing located on the ground floor. Preference will also be given to schemes that assist the rehousing of households with disabled members. No less than 10% of the rented stock in the scheme will be wheelchair units.
- Schemes that fit in with the Planning or supported Borough Housing Investment Strategy e.g. Whitechapel Master Plan area
- Schemes that exceed the minimum planning requirements for the provision of Affordable Housing.

1.7 The process outlined above culminated in Officers recommending that George Green's Almshouses be awarded grant funding for the amounts detailed in table one below.

Table One

	<b>Registered Provider</b>	<b>Scheme</b>	<b>Num Rent</b>	<b>Num Int.</b>	<b>Num Mar.</b>	<b>TH Living Rent</b>	<b>London Afford. Rent</b>	<b>Grant £</b>
<b>1</b>	George Green's Almshouses	Purchase 2 x 1B2P ex RTB Flats	2	0	0	0	2	£210k

(Grant requested will contribute 30% of scheme costs associated with the rented element).

- 1.8 Terms of the grant to RPs 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 Doing nothing has been considered, However, this could result in the Council having to pay RTB receipts to central government with interest (compounded 4% above base rate), in line with the conditions of usage set down by the DCLG. Therefore, this programme could be considered to be an efficient use of the current available resources.
- 2.2 In considering whether to repay the RTB receipts to central government, the Council has the duty to consider not only the financial impact on the HRA but also the provision of affordable housing, the acute housing need in the borough, and service enhancements made possible through the use of the RTB Receipts.
- 2.3 Giving up the one-for-one RTB receipts would imply that the Council would not take the opportunity of exercising greater control over the provision of affordable housing. Instead, funding affordable housing delivery by the housing association sector allows the Council to target its own priorities, without the restraints of the conditions of GLA grant and the requirements of the HCA Capital Guide.

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

- 3.1 The Council's significant retained receipts from the disposal of properties under Right to Buy legislation must be used for the provision of new social housing in accordance with the terms of the agreements that the Council has entered into with the MHCLG. One-for-one RTB receipts can only be used to fund up to 30% of the cost of Social Rented or Affordable Rented units.
- 3.2 The Council launched the continuous market engagement process in February 2017 and has received a number of applications which are considered on submission and tabled for the Grants Determination Sub Committee to consider.
- 3.3 The current application from George Green's Almshouses seeks grant funding to purchase 2 yet to be identified, 1bed, 2 person ex right to buy flats from Poplar HARCA. The properties will be used to permanently house single homeless women in the borough.

3.4 Details of the bid are as follows:-

**Grant requested:** £210,000.00.

**Grant per unit** = £105,000.00.

Unit Mix = 2x1B2P @ £175.03pw = LAR (inc S/C of £25 p wk.)

**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, as well as single homeless people (many of whom are benefit dependent) a secure home. This has the potential to create an environment for household members to improve their life prospects and enhance opportunities to access sustainable employment in the future.
- 4.2 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.
- 4.3 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.

**5. OTHER STATUTORY IMPLICATIONS**

- 5.1 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.

## **5.2 ENVIRONMENTAL**

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 IMPLICATIONS**

5.3.1 A Grant Agreement has been will be drawn up by Solicitors and issued with the bidding documents.

Bidders have provided proof of their ability to finance the scheme in the form of a funder's letter.

5.3.2 All bidders are expected to 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.

5.3.3 An audit of the programme is planned and provided for in the Legal Agreement.

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

5.3.5 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 REDUCTION IMPLICATIONS**

5.4.1 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.

5.4.2 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.

5.4.3 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.

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

6.1 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). The success of this scheme led to the use of a further £5 million of retained receipts being approved by the Mayor in Cabinet on 30<sup>th</sup> January 2018. The programme therefore now has a budget of £12.065 million.

- 6.2 The Authority's contribution is limited to 30% of the cost of the eligible expenditure incurred on replacement social housing, with the registered provider (RP) 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.
- 6.3 Following the completion of the application process for the programme and subsequent Commissioner or Grants Determination Sub-Committee approvals for the funding of various projects, together with subsequent amendments to the schemes, the table below shows the current approvals in place. These include a contingency of up to 10% of the grant sum to allow for a possible increase in build or acquisition costs. This contingency will only be available to the RP if officers are satisfied that the costs are unavoidable and if not required will be available for allocation to other schemes.

<b>Revised Schemes – June 2018</b>	<b>Amount</b>	<b>Contingency</b>	<b>TOTAL</b>
1 <u>Commissioners meeting: April 12th 2016</u>			
ARHAG (new build scheme)	£428,605	£42,861	£471,466
East End Homes (buybacks)	£870,000	£87,000	£957,000
2 <u>Commissioners meeting: July 5th 2016</u>			
Peabody (new-build scheme)	£1,940,732	£0	£1,940,732
Family Mosaic (new-build scheme)	£1,118,944	£40,000	£1,158,944
3 <u>Grants Determination Sub-Committee: December 5<sup>th</sup> 2017</u>			
East End Homes (new-build scheme)	*£375,000	*£37,500	£412,500
Swan (new-build scheme)	£2,439,760	*£243,976	£2,683,736
4 <u>New approvals sought in this report</u>			
George Green's Almshouses (acquisition)	210,000	21,000	231,000
	<b>£7,383,041</b>	<b>£472,337</b>	<b>£7,855,378</b>

- 6.4 The schemes marked with an asterisk were agreed in principle by the Grants Determination Sub-Committee in December 2017, pending the subsequent approval of funding as part of the 2018-19 budget process. A further £5 million of resources were allocated to the programme and the funding of these schemes (the full East End Homes new build scheme and the contingency element of the Swan new build scheme) is therefore now fully confirmed.

- 6.5 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.

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

- 7.1 This grant has been subject to an application procedure which is fair open and transparent. The application has been evaluated against predetermined pre-published criteria which demonstrates that a decision to award the grant would be both rational for the purposes of administration law and compliant with the Council's other legal duties.
- 7.2 The Council has the legal power to make a grant of this nature under section 1 of the Localism Act 2011 and 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 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 and in this instance. However, in any event an Equality Assessment should be carried out and the position revisited when further decisions are made as to the future use of the properties once in the Council's possession

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

### **Linked Report**

- List any linked reports
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- State NONE if none.



**Appendices**

- List any appendices Appendix A: Summary of Affordable Housing Grant Bid
- State NONE if 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:**

Jen Pepper Ex 2528