

Committee/Meeting: Cabinet	Date: 9th February 2011	Classification: Unrestricted	Report No:
Report of: Corporate Director of Development and Renewal Originating officer(s) Jackie Odunoye, Service Head, Strategy Innovation & Sustainability		Title: Allocation of Local Authority Grant to Genesis Housing Group for new affordable housing at Brodlove Lane Wards Affected: East India & Lansbury, Shadwell	

Lead Member	Councillor Rabina Khan, Lead Member for Housing
Community Plan Theme	A Great Place to Live
Strategic Priority	Provide affordable housing and develop strong neighbourhoods

1. **SUMMARY**

- 1.1 In July 2009 Cabinet agreed to dispose of the site previously occupied by David House (demolished in 2003) in Uamvar Street, E14. The sale to Poplar HARCA will generate a receipt of £363,000 and the site will be used for the development of new affordable housing.
- 1.2 The Homes & Communities Agency have allocated £3,072,000 in grant to Poplar HARCA for the scheme at Uamvar Street and have made it a condition of the grant that the payment to the Council for the land purchase should be recycled into housing grant for another scheme in the borough.
- 1.3 The most suitable scheme for receipt of this recycled grant is the Genesis Housing Group scheme at Brodlove Lane, E1.

2. **DECISIONS REQUIRED**

Cabinet is recommended to:-

- 2.1 Approve the payment of £363,000 to Genesis Housing Group as Local Authority Grant to support the provision of nine units of affordable housing for rent at a site on Brodlove Lane, E1, and adopt a capital estimate to enable the financing of the scheme to be incorporated within the capital programme.

2.2 Authorise the Director of D&R in consultation with the Assistant Chief Executive (Legal Services) to have delegated authority to approve the final details of the grant agreement to be signed by the Council and Genesis Housing Group

2.3 Authorise the Assistant Chief Executive (Legal Services) to enter into all necessary documents to implement the recommendations of this report

3. REASONS FOR THE DECISIONS

3.1 Grant allocated by the HCA will enable 24 units of affordable housing to be built on the David House site and payment of this HCA grant is conditional on the Council using the receipt for the land sale to provide grant to another affordable housing scheme in the borough.

3.2 The Genesis Housing Group scheme at Brodlove Lane has been selected as an affordable housing scheme which is suitable for the receipt of grant and will be able to start on site during the current financial year.

4. ALTERNATIVE OPTIONS

4.1 There is no viable alternative use of the £363,000 receipt. A failure to use it for Local Authority Grant would jeopardise the Council's current good relationship with the HCA.

4.2 There are at present no other affordable housing schemes apart from Brodlove Lane which do not already have a full grant allocation from the HCA and which are ready to start on site this financial year. The HCA has already allocated the balance of the grant required to support the scheme on the basis that the Council contributes a further £363,000 in grant.

5. BACKGROUND

5.1 A Cabinet report on 1st July 2009 approved the sale of the David House site (also known as Uamvar Street) to Poplar HARCA for the sum of £525,000, discounted to £363,000 to take account of another approved land transaction. Poplar HARCA have a planning approval to build 24 units of affordable housing on the site.

5.2 Over the past year or so, the HCA has increased its scrutiny of applications for grant from the National Affordable Housing Programme in order to maximise the value for money offered by each grant allocation. In the past year the HCA have questioned grant bids that have included the cost of purchasing land from a local authority.

6. BODY OF REPORT

6.1 The Cabinet decision to sell the David House site anticipated that there would be a receipt of £363,000 from the sale and acknowledged that the David House development relied on the receipt of HCA grant. At that stage

it was not known that the HCA would be unwilling to approve grant which would provide a receipt to the local authority. The HCA have now asked the Council to use this receipt as Local Authority grant to finance another affordable housing scheme. The HCA have in fact made this recycling of the receipt a condition of their grant to Poplar HARCA. That grant amounts to a total of £3,072,000 to finance the production of 24 units for social rent.

- 6.2 The HCA asked the Council to nominate a suitable scheme to receive the £363,000 grant: a scheme which would be able to start on site in the very near future and complete its affordable housing units before March 2012. A detailed examination of all the schemes which have planning permission and where an RSL is contracted to provide affordable units produced only one scheme that did not already have agreed HCA grant: the Genesis Housing Group scheme at Brodlove Lane, E1, granted planning permission under our reference number PA/09/2018. This scheme already has confirmation of a further allocation of £303,000 of HCA grant, in anticipation of the Council providing the balance of £363,000.
- 6.3 The Council's agreement to recycle the land receipt of £363,000 into the Brodlove Lane scheme will enable the completion of a total of 36 new units of affordable housing in the borough. The David House scheme will produce 24 units for rent (8 x 2beds, 10 x 3beds, 4 x 4beds, 2 x 5beds) and the Brodlove Lane scheme produces 9 units for rent (2 x 1beds, 2 x 2beds, 3 x 3beds, 2 x 4beds) and 2 x 2 bed units for intermediate tenure.
- 6.4 A grant agreement will be signed between Genesis Housing Group and the Council which will ensure that the nominations to these properties will be granted to the Council in perpetuity. The normal arrangement for 25% of these nominations to be passed to other boroughs, who are part of the East London Sub Regional Housing Partnership (ELHP), which operates for all schemes in receipt of HCA grant, will be varied in this case, as the ELHP protocol allows for further nominations to be granted to the host borough where additional resources have been invested to make the scheme possible.
- 6.5 The payment of this grant to Genesis by the Council will be in two separate tranches, in line with the HCA's normal split of total grant into 50% at start on site and 50% at completion of the scheme. The grant contributions from HCA and the Council are detailed below.

	Start on site Quarter 4 2010/11	Completion Quarter 4 2011/12
HCA grant	£303,000	
Local Authority grant	£ 30,000	£333,000
Total grant	(50%) £333,000	(50%) £333,000

- 6.6 The grant agreement with Genesis will specify the timing of the payment of the two tranches of grant. Genesis will be hopeful of receiving the first £30,000 from the Council at the time of their start on site, but it is likely that

this payment will not be made until some weeks after that date, as a grant agreement needs to be issued and signed by both parties, and the Council's payment will not be paid until the £363,000 is received from Poplar HARCA. At the time of writing, the contract for sale of the David House site was being finalised and the receipt was anticipated before the end of December.

7. **COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 7.1 This report seeks approval for the Council to recycle the capital receipt that will be received from the disposal of the David House site that was approved by Cabinet on 1 July 2009 (Agenda Item 6.4 - Local Homes Initiative). The Homes and Communities Agency has made it clear that it will only grant fund Poplar HARCA to fund the acquisition and refurbishment of Authority owned properties, including the David House site, if the Authority agrees to recycle the capital receipt that will be generated (£363,000) into housing grant funding for another scheme within the borough. In this case the Genesis Housing Group scheme at Brodlove Lane has been proposed as suitable.
- 7.2 The table below shows the combined funding position for the schemes, but in effect, on the basis that neither scheme will progress unless the Authority agrees to recycle the receipt as Local Authority Grant, the Authority is gaining nomination rights to thirty-five units for a cost of £363,000.

Scheme	National Affordable Housing Programme Grant	LA Grant	Units	Bedrooms	HCA Grant per Bedroom
	£	£			£
David House Site (Poplar HARCA)	3,072,000	0	24	72	42,667
Brodlove Lane (Genesis Housing Group)	303,000	363,000	11	27	11,222
Combined Scheme Costs	3,375,000	363,000	35	99	34,091

- 7.3 Based on the lost opportunity cost of retaining and utilising the capital receipt for other regeneration related initiatives, the cost to the Authority is approximately £10,400 per property, or £3,700 per bedroom. In addition, the HCA's contribution across these schemes equates to £96,400 per property or £34,100 per bedroom. These total costs to the public purse of approximately £107,000 per property compare favourably with the costs of £188,000 upwards (excluding land value) that were included within the

successful bids submitted under the Building Britain's Future council house building funding regime.

8. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

- 8.1 Under section 22 of the Housing Act 1996, the Council has the power to make grants to registered social landlords and section 170 of that act provides a framework for cooperation between local authorities and housing registered social landlords in offering accommodation to people in priority under the Council's allocation scheme (the Lettings Policy). By virtue of this legislation the Council has the power to enter into the arrangements described in this report.

9. ONE TOWER HAMLETS CONSIDERATIONS

- 9.1 The provision of new affordable housing in the borough is one of the priorities of the LBTH Community Plan. The developments which will be facilitated by this grant will result in 35 new units being built, 21 of which are for family sized housing for affordable rent. These units will be offered to residents from the Common Housing Register.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 10.1 The new properties to be built on the two sites will be in receipt of HCA grant and will be built to Code 4 standard of the Code for Sustainable Homes. The units will provide modern, well insulated properties with good performance on energy and water use.

11. RISK MANAGEMENT IMPLICATIONS

- 11.1 The terms and conditions of the grant agreement between Genesis and the Council will ensure that failure to build the properties would result in repayment of the grant. Additionally, the HCA have a number of monitoring systems in place to ensure that their grant is spent in the provision of agreed units to an agreed standard.

12. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 12.1 There are no implications specifically relating to the grant, but the grant will facilitate an early start on site by the RSL's contractors and will reduce any current crime problems associated with the vacant site at David House, or the unused industrial buildings at Brodlove Lane.

13. EFFICIENCY STATEMENT

- 13.1 The expenditure of £363,000 will facilitate the production of 35 additional units of affordable housing. Without the assurance of Local Authority grant input, the HCA would not have provided the additional funding that will enable these schemes to complete. This grant therefore represents an exceptionally productive and efficient use of Council resources.

14. APPENDICES

- Appendix 1: Plan of David House site
Appendix 2: Plan of Brodlove Lane site
-

**Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report**

Brief description of “background papers”	Name and telephone number of holder and address where open to inspection.
None	F N/A