



## CABINET

**Subject Heading:**

**Approval to enter into the Greater London Authority Grant Agreement (Local Authority) in relation to the Building Council Homes for Londoners Programme (programme basis)**

**Cabinet Member:**

Councillor Damian White - Leader of the Council and Cabinet Member for Regeneration

**SLT Lead:**

Neil Stubbings - Director of Regeneration

**Report Author and contact details:**

Kevin Hazlewood – (Acting) Assistant Director of Regeneration –  
[kevin.hazlewood@havering.gov.uk](mailto:kevin.hazlewood@havering.gov.uk) –  
01708 434091

**Policy context:**

Havering Housing Strategy 2014-2017  
National Planning Policy Framework 2012  
Draft London Plan 2017  
Emerging Havering Local Plan 2017  
HRA Business Plan 2018-2048  
Havering Local Development Framework and Romford Area Action Plan 2008  
Romford Development Framework 2015

**Financial summary:**

This report seeks a Cabinet decision to enter into the grant agreement with the GLA for the provision of grant funding in the sum of £24,046,000 for the Building Council Homes for Londoners programme to support the provision of affordable housing by the Havering/Wates Joint Venture and delivery of smaller sites by the Housing department.

**Is this a Key Decision?**

**Yes**

**When should this matter be reviewed?** March 2020

**Reviewing OSC:** Towns and Communities

Exempt information: Appendix 1 and 2

Grounds: Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information) of the Access to Information Procedure Rules set out in the Constitution pursuant to Schedule 12A Local Government Act 1972, as amended. It is in the public interest to withhold the information as the public interest in maintaining the exemption outweighs the public interest in disclosing the information, as disclosing the information could prejudice the Council's commercial position in future dealings and this is not in the public interest.

**The subject matter of this report deals with the following Council Objectives**

- Communities making Havering [✓]
- Places making Havering [✓]
- Opportunities making Havering [✓]
- Connections making Havering [✓]

## SUMMARY

This report seeks approval from Cabinet to enter into the Grant Agreement (Local Authority) in relation to the Building Council Homes for Londoners Programme with the Greater London Authority (GLA) as the funding body.

## RECOMMENDATIONS

For the reasons set out in this report, Cabinet is recommended to agree to:

1. **Approve** the entering into the Grant Agreement (Local Authority) for which the key terms are set out in exempt appendix 1 in relation to the “Building Council Homes for Londoners Programme” to support the provision of 282 new units of affordable housing as shown in exempt appendix 2.
2. **Agree** to delegate to the Leader of the Council, after consultation with the Director of Regeneration and the Director of Legal and Governance authority to agree to enter into any appropriate contractual extensions or variations in the general management arrangements relating to this Grant Agreement.

## REPORT DETAIL

- 1.1 In May 2018 the Mayor of London published the prospectus “Building Council Homes for Londoners” which outlined the bidding and award criteria for a new affordable housing programme. The programme was established in response to the GLA securing additional funding from the Government to help start building at least 10,000 new council homes by March 2022 with a focus on increasing social rented properties by offering enhanced grant rates. Approved providers, including the Council, were invited to submit bids.
- 1.2 Following Cabinet decision of 10<sup>th</sup> October 2018 the Council’s bid submitted centred on the delivery of additional affordable housing associated with the regeneration of Housing Estates owned and managed by the Councils Housing Services department, as well as other pipeline sites utilising underused housing land and extensions to current sites due for development by the Council’s Joint Ventures.
- 1.3 The Council submitted an ambitious bid for £122m across 24 sites, of which the GLA awarded grants to five sites totalling £24.046m to deliver 282

affordable homes, subject to entering into the Building Council Homes for Londoners contract.

- 1.4 The grant funding will be allocated to the Council through a programme approach which allows the affordable units to be delivered on alternative sites other than those identified in the original bid with the agreement of the GLA. This affords the Council greater flexibility to deliver the 282 affordable homes in line with other area-based strategic objectives.

## REASONS AND OPTIONS

### 2.0 Reasons for the Decision

- 2.1 By entering into the agreement the Council will access grant funding to complement the Council's regeneration and housing development programmes to bring forward an additional 282 affordable housing units. Consequently the Council is therefore better placed to secure its regeneration and deliver much-needed affordable housing in the borough. The Council could develop these units via one of its three joint venture companies or through its traditional pipeline.

#### Other options considered

- 2.2 To undertake the scheme without grant funding.

**Rejected** – Although the Council could fund some of the cost of affordable rent type housing by utilising Right to Buy Receipts, this would be restricted to 30% of the build cost and cannot be used to fund shared ownership properties. The rate of GLA grant being offered through this funding is above 30% of build cost for the affordable units therefore, overall, the use of GLA grant has a greater financial benefit and minimises the impact on the Housing Revenue Account as to additional borrowing to support the delivery. It also gives the Council the ability to offer local residents a range of affordable housing products and thus help meet its aspirations.

- 2.3 Do Nothing.

**Rejected** – The 'do-nothing' option has been rejected as the Council has made a commitment to maximising the affordable housing delivered in the Borough. An additional 282 units will provide long-term affordable housing solutions for Havering residents and allow us to create better places for communities to thrive.

## IMPLICATIONS AND RISKS

### **3.0 Financial implications and risks:**

- 3.1 Under this agreement, the GLA are making £24.046 million of grant funding available to deliver 282 new affordable home across five sites in the Borough. The grant would be used to fund the building of 58 new homes by the Housing department (White Hart Lane, New Zealand Way and Whitchurch Road) and acquisition of 224 affordable homes from the Havering and Wates Regeneration Joint Venture (Chippenham Road and Waterloo Site A).
- 3.2 The 282 units of affordable housing are estimated to cost £60.950 million, with a net HRA subsidy requirement of £36.904 million (£60.950 million less £24.046 million grant). Provision has been made for 5 of the 6 schemes within the HRA Capital Programme. The HRA capital requirement is to be funded via borrowing with long-term payback being secured from the net rental returns on the completed units.
- 3.3 The GLA Grant will be paid in two tranches, 50% upon start on site with the remaining 50% released upon completion of the units. The initial tranche will be used to fund the early costs of development with HRA borrowing used to fund the remainder of the costs until the balance of the grant is repaid. The latest HRA Business Plan refresh (February 2019) incorporates these assumptions.
- 3.4 The site at Waterloo Site A is earmarked to be delivered via the Havering and Wates Regeneration LLP (HWR). It is anticipated a formal request for funding will be included as part of the annual Business Plan refresh scheduled for late 2019. If approved a capital allocation will be added to the HRA capital budget for formal approval by Cabinet and Full Council by February 2020.

TABLE - Building Council Homes Funded Schemes

	<u>Units</u>	<u>Cost</u>	<u>GLA Funding</u>	<u>HRA Capital</u>	<u>Funding</u>
			<u>Secured</u>	<u>Budget</u>	<u>Required</u>
	<u>Nr</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
<b>Housing Department (Inhouse Schemes)</b>					
White Hart Lane	23	5.300	2.300	3.000	0.000
New Zealand Way	30	8.400	3.000	5.400	0.000
Whitchurch Road	5	1.400	0.500	0.900	0.000
<b>Total (Housing Department)</b>	<b>58</b>	<b>15.100</b>	<b>5.800</b>	<b>9.300</b>	<b>0.000</b>
<b>Wates and Havering Regeneration</b>					
Chippenham Road	140	24.010	11.396	12.614	0.000
Waterloo Site A	84	21.840	6.850	0.000	14.990
<b>Total HWR</b>	<b>224</b>	<b>45.850</b>	<b>18.246</b>	<b>12.614</b>	<b>14.990</b>
<b>Building Council Homes for Londoners (Schemes)</b>	<b>282</b>	<b>60.950</b>	<b>24.046</b>	<b>21.914</b>	<b>14.990</b>

- 3.5 This is an indicative allocation based on a 'programme approach'. The programme approach means that the Council has committed to delivering the total number of units, but this allows flexibility across different sites. Therefore, the Council in consultation with the GLA has the option to reallocate the grant funding to a different scheme should a decision be taken not to proceed with the development of Waterloo Site A.
- 3.6 In addition to the affordable housing cost, the developments within scope of HWR will require additional capital funding to fund the costs of pre-construction and vacant possession. An allowance of £7.817 million has been set aside in the HRA Capital budget to fund to progress the development of the Chippenham Road site. It is anticipated that a further approval to progress the development of the Waterloo A site as part of the HWR Business Plan refresh scheduled for late 2019.
- 3.7 The average subsidy equates to £85,000 per unit of affordable housing. This compares to the alternative option of utilising 1-4-1 Right to Buy receipts which is estimated to yield £15.000 million, at an average of £53,000. As such, the Council would have to fund the £9.000 million shortfall from additional HRA borrowing. As a result, should the Council do not enter into the Approved Provider Grant Agreement (Building Council Homes for Londoners) this will have implications for the delivery of the 12 Estates Regeneration Programme and pipeline sites.
- 3.8 The GLA agreement imposes a number of key conditions on the Council. A breach could result in the Council repaying a proportion in whole or in part of the grant back to the GLA.

3.9 One of the key requirements is that the rents on the affordable homes are capped at the London Affordable Rent levels below. Annual increases are capped at CPI + 1%.

<b>Number of bedrooms</b>	<b>2018/19 Benchmark Rent Level (weekly rent, exclusive of service charges)</b>
Bedsit and one bedroom	£150.03
Two bedrooms	£158.84
Three bedrooms	£167.67
Four bedrooms	£176.49
Five bedrooms	£185.31
Six or more bedrooms	£194.13

3.10 Consideration would also need to be given to the Recycled Capital Grant Fund (RCGF) regulations. This would be of relevance to the shared ownership properties. Future staircasing receipts on a property could create an obligation for the Council to repay a proportion of the grant applied to a property to the GLA. The Council also has the option under the RCGF regulations to recycle the grant to new properties with the prior agreement from the GLA.

#### **4.0 Legal implications and risks:**

- 4.1 This report seeks authority to enter into a grant agreement with the GLA
- 4.2 The Council has a statutory duty under s8 Housing Act 1985 to consider housing conditions in its district and the needs of the district with respect to the provision of further housing accommodation.
- 4.3 Furthermore, s1 Localism Act 2011 gives the Council a general power of competence, the Council has the power to receive grant funding and enter into a grant agreement.
- 4.4 The GLA Programme Grant Agreement also requires the Director for Legal and Governance to give a certificate that amounts to a warranty that the Council has the power and authority to enter into, observe and perform the terms and obligations under the Grant Agreement and has obtained all relevant consents and approvals (statutory or otherwise) to authorise the execution and delivery of the Agreement and the performance and validity of the obligations under it.
- 4.5 Appendix 1 sets out the main terms of the GLA Programme Grant Agreement including the circumstances for clawback. The sites set out in Appendix 2 have been accepted as named projects by GLA and therefore, as part of entering into the agreement and throughout the agreement, the Council will

be required to provide a number of warranties, including around ability to meet the delivery timescales. In the event the Council is unable to comply, clawback provisions may apply, unless GLA agree to vary these requirements on the GLA OPS system.

- 4.6 There will be a number of financial and legal implications arising from any decision to proceed with the site schemes outlined in the bid. These will be the subject of further reports to Cabinet.

#### **5.0 Human Resources implications and risks:**

- 5.1 There are no significant implications associated with the entering of this agreement relating to Human Resources policy or operations within service.

#### **6.0 Equalities implications and risks:**

- 6.1 The public sector equality duty under section 149 of the Equality Act 2010 (“PSED”) requires the Council when exercising its functions to have due regard to:

(i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;

(ii) the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and to foster good relations between those who have protected characteristics and those who do not. ‘

- 6.2 Protected characteristics’ include: gender, race and disability, sexual orientation, age, religion or belief, pregnancy and maternity and gender reassignment. The Council is committed to improving the quality of life for all, and supports wider social and economic growth through social and physical regeneration.

- 6.3 The wider implications associated with each project will be addressed in separate reports. Consequently all matters associated as a result of entering this agreement are addressed.

**BACKGROUND PAPERS**

None