



CABINET - 7 AUGUST 2002

PORTFOLIO: HOUSING

ALLOCATION OF LOCAL AUTHORITY SOCIAL HOUSING GRANT - SWAYTHLING HOUSING SOCIETY FOR 14 AFFORDABLE DWELLINGS ELM AVENUE, NEW MILTON

1. Introduction

- 1.1 The Council currently has £694,366 of Local Authority Social Housing Grant (LASHG) remaining uncommitted to specific projects in 2002/03. Individual projects are considered for funding throughout the year with funding being formally agreed at a point when there is a high degree of certainty that the project is deliverable. In this way both spend and the number of dwellings will be maximised.
- 1.2 An opportunity exists for affordable housing to be developed on Elm Avenue, New Milton during the course of 2002/3. It is likely that most of the uncommitted resources will be required to part fund schemes which will also lever in Housing Corporation funding from their *Safer Communities Supported Housing Fund*. This being the case there will be insufficient grant available to fund Elm Avenue in 2002/3. It is, however, likely that sufficient funding will be available in 2003/4. Further details on financial issues are contained in sections 3 and 5 below.
- 1.3 Swaythling Housing Society, one of the Council's preferred partner Registered Social Landlords (RSLs), has been working closely with the Council, and site owner/developer for some time. In the absence of LASHG in 2002/3 they have offered to provide the funding for the scheme from their own resources on the understanding that grant will be available for them in 2003/4 (a process commonly known as forward funding). This will allow the scheme to commence in 2002/3. Clearly the Council cannot formally commit funding for a future year, however Cabinet are able to agree to the principle subject to sufficient resources being available.
- 1.4 The purpose of this report is to seek Cabinet approval to the principle of "earmarking" funding from 2003/4 for the scheme.

2. Development Proposals

- 2.1 The proposal is to construct 14 dwellings for affordable rent. Outline planning permission has been granted for the proposal subject to the prior completion of a planning agreement.

3. Social Housing Grant Requirement and Options Appraisal

3.1 The total grant subsidy needed for the scheme is £710,384 (should it be commenced in 2002/3, approximately £780,000 should it be started in 2003/4), part of which may need to be LASHG. Three alternative funding scenarios are presented below. The first two rely on the co-operation of Swaythling to forward fund the scheme to ensure that the dwellings can be provided earlier and the best value for money can be achieved. It is worth noting that the subsidy required amounts to less than 60% of the total development costs of almost £1.2m. The remaining funding is private finance provided by Swaythling.

Option 1. No Housing Corporation Funding. Scheme starts 2002/3.

Year	LASHG	Other Funding (non Council)
2002/3	£0	£230,192
2003/4	£480,520	£0

3.2 This option relies on Swaythling using existing funding which they control (£230,192) and then covering the remaining costs (£480,520) with their own reserves/borrowing pending the payment of LASHG to them in 2003/4.

Option 2. Housing Corporation Funding in 2003/4 – Swaythling forward funding. Scheme starts 2002/3 – provided funding promised by the Housing Corporation.

Year	LASHG	Other Funding (non Council)
2003/4	£0	£710,384

3.3 Swaythling's original bid for grant funding from the Housing Corporation was unsuccessful due to limited Housing Corporation resources, rather than inadequacies of the proposal. In the summer the Housing Corporation is due to announce part of the national funding that may be available for 2003/4 (known as pre-allocations). It is possible that Elm Avenue may be included in this announcement. (The Council has no control over whether the funding may be made available.) Should this situation arise Swaythling have agreed to forward fund the scheme so that the scheme can start in 2002/3. This would remove the need for any LASHG.

**Option 3. Housing Corporation or LASHG funding either in 2003/4.
Scheme starts 2003/4 – provided funding made available by the Housing Corporation or the District Council.**

Year	LASHG (assuming no Housing Corporation funding)	Estimated Other Funding (non Council).
2003/4	£528,000	£252,000

- 3.4 If no funding is announced by the Housing Corporation in early summer, Swaythling have another chance to bid for grant at the end of the year (for Approved Development Programme funding). Should this bid be successful there would be no need for LASHG. However, without the Council agreeing this year to the principle of providing LASHG should this final Housing Corporation bid be unsuccessful Swaythling will be unable to forward fund the scheme in 2002/3. The consequence of this will be that the scheme will be delayed and the development costs (and grant requirement) will be greater in future years.

4. Considerations

- 4.1 There are currently over 2500 households on the Joint Housing Register, including over 700 in New Milton.
- 4.2 There are two advantages in providing a mechanism whereby construction can be started in 2002/3. Firstly, the households in housing need can be accommodated earlier, secondly, cost savings can be made.
- 4.3 Options 1 and 2 provide such a mechanism. Adopting Option 1, at least initially, allows the scheme to commence early, with Option 2 allowing for funding streams to be switched from LASHG to Housing Corporation grant should this funding become available.
- 4.4 While the site owner has indicated the desire to transfer the site to Swaythling in the near future, he controls the precise timing. Should there be delays alternative options may need to be pursued.
- 4.5 Swaythling have a successful track record in developing and managing affordable housing schemes in the District. Outline proposals have been agreed by Planning Development Control Committee. Swaythling have agreed terms with the developers and a planning agreement is being negotiated that will guarantee delivery of the affordable dwellings.

5. Financial Implications

- 5.1 LASHG is financed from the District's spending power, with the grant itself refunded by the Housing Corporation.

- 5.2 Total resources for Social Housing Grant are £2,583,457 for 2002/03 (including slippage from 2001/02 of £137,457), of which £694,366 remains uncommitted. If the *Safer Communities Supported Housing Fund* projects proceed there will be insufficient funds to allocate to Elm Avenue. Should these schemes not proceed sufficient LASHG will be available.
- 5.3 Although the level of resources to support LASHG in 2003/04 are not known at this time, it is likely, given resources at the same level as the current year, that this will be in the region of £1,981,000, of which £302,000 has already been committed to fund the final tranche of grant for the scheme at Hazel Farm. Therefore, £1,679,000 is potentially available to fund new schemes.

6. Consultations

- 6.1 The Portfolio Holder for Housing comments;

“This scheme will address a recognised housing need. It is important to commence schemes as quickly as possible so as to accommodate those experiencing housing difficulty. Option 1 allows speed to be a factor, always of course balancing this with value for money and sound financial sense. I consider that option 1 is the swiftest and soundest way forward and support the recommendation”

- 6.2 Ward members have been consulted. Cllr Rule has noted the recommendation.

7. Environmental Implications

- 7.1 The provision of new homes can have environmental implications, however the local planning authority have taken account of a range of these implications in considering the planning application. It is also important to balance environmental implications with the need to provide homes for people in housing need.

8. Crime and Disorder Implications

- 8.1 There are no specific crime and disorder implications arising as a result of this report.

9. Conclusions

- 9.1 The proposal would help meet the District's housing need.
- 9.2 There are significant benefits in starting to develop the scheme in 2002/3 in terms of cost savings and the early housing of people.

- 9.3 Agreeing to the principle of funding the scheme with LASHG (Option 1) should no other funding become announced by the Housing Corporation by the end of this financial year would provide Swaythling with the confidence to forward fund the scheme and commence development.
- 9.4 It is important that neither the Council nor Swaythling are over exposed to risk. A commitment from Cabinet to fund the scheme subject to resource availability would provide the assurances Swaythling require. It is likely that sufficient LASHG will be available to meet this "commitment".

10. Recommendations

10.1 Cabinet accept Swaythling's offer to forward fund the scheme and that subject to:

- i) LASHG being available in 2003/4
- ii) No Housing Corporation funding being allocated through 2002/3 pre-allocations or the 2003/4 Approved Development Programme

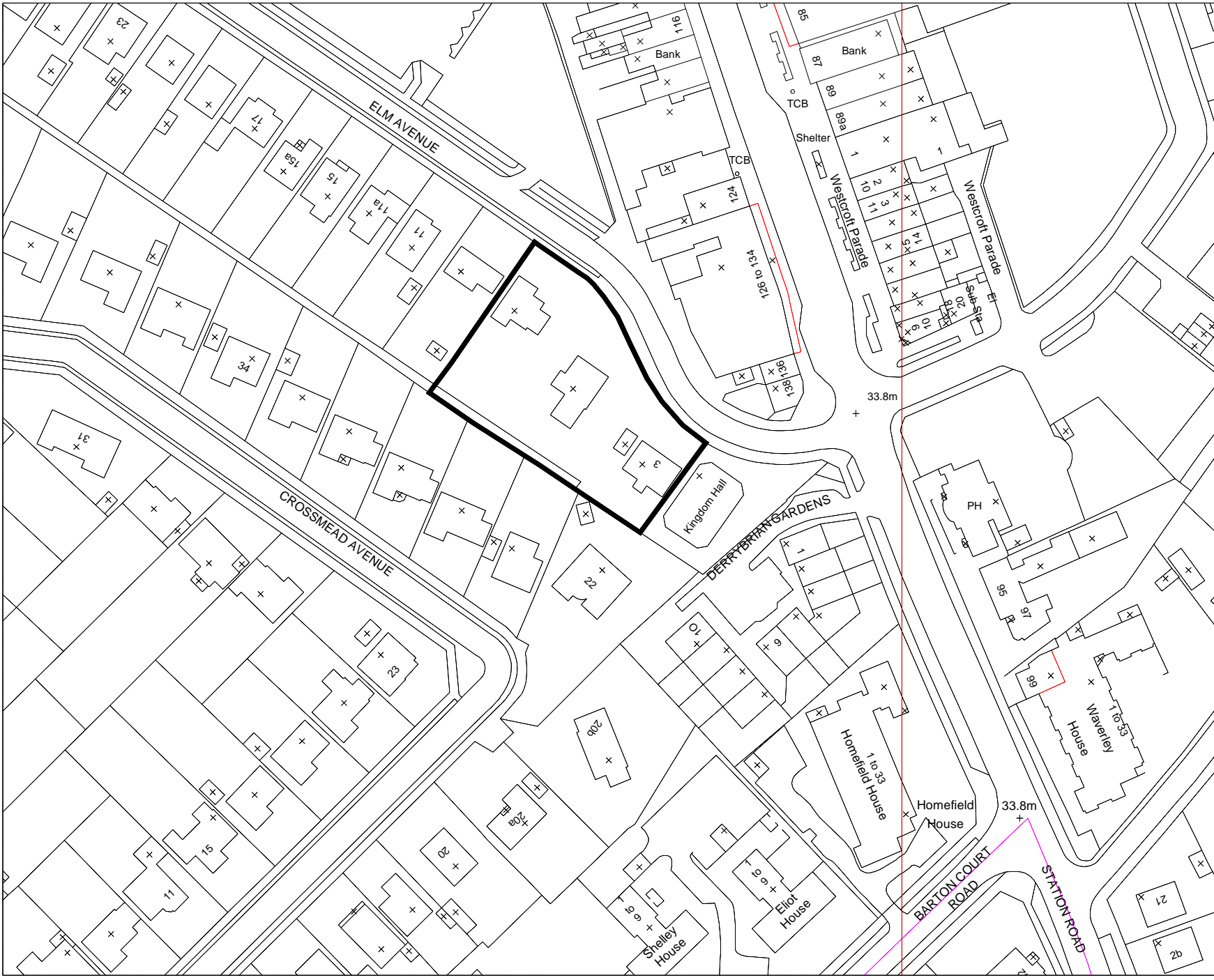
LASHG totalling £480,520 be allocated in 2003/4 to Swaythling Housing Society to support the scheme.

Further Information:

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Background Papers:

Elm Avenue File.
Contains some exempt information



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