



CABINET 2 APRIL 2003

PORTFOLIO : HOUSING

ERECTION OF 39 DWELLINGS AT NORMANDY WAY, MARCHWOOD

1. INTRODUCTION

1.1 Attached as an Appendix to this report is a request for authorisation from the Portfolio Holder to bring forward a scheme that is currently in the 2003/04 capital programme into the current financial year. The scheme in Normandy Way, Marchwood, if brought forward, will maximise the amount of social housing the Council is able to finance through the Local Authority Social Housing Grant Scheme during the current transitional period. The Portfolio Holder agreed to the proposal subject to 'suitable transitional arrangements being in place to ensure that funding will be reimbursed to the Council'.

2. PURPOSE OF THIS REPORT

2.1 The main change since that report was drafted is the announcement of the transitional arrangements which still remain to be clarified. It is evident however that there will be no reimbursement of expenditure that is incurred next year. The Council will however be compensated for the loss of any interest that is lost as it would not have been possible to budgeted for the change to the process.

2.2 When the original request was made of the Portfolio Holder for Housing it was hoped that the grant provision would have been caught by transitional arrangements that would have involved the reimbursement of all grant paid out by the Council. However, a recent ODPM announcement has revealed that this is not the case. Only the land acquisition cost that will be incurred in the current financial year (which amount to 40% of the overall scheme costs) will be reimbursed.

2.2 When the original request was made of the Portfolio Holder it was hoped that both the land acquisition and on-site stages (which for Housing Corporation purposes equates in total to 80% of the overall scheme costs) would have been caught by the transitional arrangements. However it now appears that it is only the land acquisition cost that will be incurred in the current financial year which amount to 40% of the overall scheme costs.

2.3 In financial terms this put a different perspective on the original proposal that was put to the Portfolio Holder and presented a different set of options.

3. GRANT REIMBURSEMENT

3.1 The way that the LASHG grant mechanism has operated in the past would have resulted in the total grant incurred by the Council being reimbursed by the Housing Corporation. However the Council would have

been unable to use this money for anything other than repaying debt. This practice has come to an end and in the future whilst Council's are free to continue funding LASHG but there will be no reimbursement from the Housing Corporation.

- 3.2 In effect therefore the only change that the new proposals have on the Council is that it loses the interest in respect of the lost cash flow. The impact would be greater if the Council was debt free but this is not an issue for the Council at this stage.

4. HOUSING ASSOCIATION

- 4.1 The RSL have now bought the site (at risk) and could draw down 40% grant in 2002/3 which would ensure that at least part of the scheme costs were caught by the transitional arrangements.
- 4.2 Therefore, there was a small window of opportunity (grant payment would have to be made by 25/3) to draw down grant this year.

5. OPTIONS

- 5.1 The options available were: -
 - 5.1.1 Continue with the scheme in the sum of £1,698,496 and thereby attract Local Authority Social Housing Grant in the sum of £679,398. The total cost of this scheme is already in the programme and therefore the only implications for the Council would be the loss of interest from April 2004 and beyond.
 - 5.1.2 The Council could pull out of the scheme and not build the 39 units that are planned. Although it is not possible to exactly relate the number of lost units to increases in Bed and Breakfast costs the loss of 39 units would have a significant impact on this budget.

6. FINANCIAL IMPLICATIONS

- 6.1 Either option has a long-term financial implication for the Council.
 - 6.1.1 Option 1 would have no impact in 2003/04 because of the transitional arrangements but would result in the Council losing investment income in respect of the £1,019,098 from April 2004 in perpetuity. At current investment rates this would equate to a sum of around £40,000.
 - 6.1.2 Option 2 would have a significant impact on the Council's bed and breakfast provision.

7. FINANCIAL REGULATIONS

7.1 Under normal circumstances approval for what is set out in this report would have been processed through the Cabinet and on to Council. In light of the very small window of opportunity, mentioned above, this is not possible.

7.2 The following is an extract from Financial Regulations: -

“Where expenditure is urgently required, the Director of Resources, in consultation with the Chief Executive, the Cabinet, the Portfolio Holder and the Chairman of the appropriate Review Panel may authorise approval.

7.3 Due to the urgency of this case the Director of Resources after the appropriate consultation has approved this expenditure under Financial Regulation 2.4. However, In this particular instance the Housing Portfolio Holder was unavailable within the required timescale and therefore the Director of Resources, in accordance with Financial Regulation 1.3 also suspended that particular requirement to consult. The Leader of the Council was fully consulted as part of the process.

In accordance with Financial Regulations the Director of Resources will report the matter to the next meeting of the Council.

8. RECOMMENDATIONS

8.1 It is recommended that the Cabinet note that the Director of Resources, in accordance with Financial Regulation 2.4 has agreed that the Council continues with the scheme at Normandy Way, Marchwood even though it is only possible to ensure that 40% of the scheme costs are recovered through LASHG thereby maximising grant from The Housing Corporation and minimising the impact on one of the Council's corporate priorities.

APPENDIX

4 March 2003

REQUEST FOR AUTHORISATION FROM THE PORTFOLIO HOLDER FOR HOUSING TO ALLOCATE LOCAL AUTHORITY SOCIAL HOUSING GRANT.

ERECTION OF 39 DWELLINGS AT NORMANDY WAY, MARCHWOOD.

BY EAST DORSET HOUSING ASSOCIATION

1. INTRODUCTION

- 1.1 This report seeks to confirm the allocation of Local Authority Social Housing Grant to the above scheme.
- 1.2 Details of the proposal were contained in the briefing papers dated 24 and 27 February 2003 (copies attached).
- 1.3 Consultation with Members has been carried out. No comments have been received.

2. KEY DECISION

- 2.1 The proposal comes within the definition of a "key decision" in the Council's Constitution, because the expenditure the Portfolio Holder is being asked to approve exceeds £50,000, and also exceeds one-quarter of the entire LASHG budget. However, the proposed decision was not included in the latest forward plan of key decisions, as information that the Government was about to change the approach to social housing funding was not received until after the forward plan was prepared. In these circumstances, the Monitoring Officer has confirmed that she is satisfied that it is not reasonable to delay making the decision until it can be included in a forward plan. (Inclusion in the next available forward plan would mean it could not be taken before April 2003, which would make it much less likely that this Council would receive reimbursement of LASHG from the Government). As required in legislation and the Council's Constitution, full details of the proposed decision will be notified to the Chairman of the Housing, Health and Social Inclusion Review Panel by letter, and a copy of that letter will be made available for public inspection.

3. RECOMMENDATION

- 3.1 Local Authority Social Housing Grant totalling £1,698,496 be allocated to facilitate the proposed development, subject to:

- 3.1.1 suitable transitional arrangements being in place to ensure that funding will be reimbursed to the Council, and;
- 3.1.2 members agreeing to allocate the developers contributions referred to in paragraph 4.7 of the attached report (27 February 2003) to affordable housing.

4 PORTFOLIO HOLDER ENDORSEMENT

- 4.1 I have agreed to the allocation of funds as set out in this report and the attached briefing paper.

Signed:

Date:

Councillor Peter Greenfield, Portfolio Holder for Housing

Contact:
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Housing Development Manager
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Background Papers (attached)
Briefing Paper- 24 & 27 February 2003

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