

Cheltenham Borough Council
Cabinet – 14th July 2015
Grant Assistance for New Affordable Housing

Accountable member	Councillor Peter Jeffries, Housing
Accountable officer	Martin Stacy, Lead Commissioner – Housing Services
Ward(s) affected	Hesters Way
Key/Significant Decision	Yes
Executive summary	<p>Cheltenham YMCA are planning to develop 31 units of new affordable homes within Cheltenham (subject to relevant consents being given). These homes will be made up of 21 x Studio apartments on the 'St. Silas' site, Hesters Way and a further 10 x Studio apartments on Ashlands Road, Hesters Way. Both schemes will be built to Secure by Design standards and will offer affordable rent accommodation for individuals who are ready to move on from high supported accommodation provided primarily by the YMCA at Vittoria Walk, Cheltenham.</p> <p>These new affordable homes will be a stepping stone for individuals making the transition from high-level supported housing to independent living. Residents who have demonstrated they are both willing and able to live more independently will continue to receive housing-related support from the YMCA for the duration of their stay, with a view to them moving on to fully independent accommodation when they are ready.</p> <p>In order to facilitate the delivery of these new homes, Cheltenham YMCA requires financial assistance from both the Homes & Communities Agency (HCA) of approximately £1million, in addition to a Grant of £496,000 (i.e. approximately £16,000/home) from Cheltenham Borough Council (CBC).</p> <p>Cheltenham YMCA's proposals will not progress without funding being secured from both the HCA and CBC.</p> <p>It is therefore proposed that CBC agrees to award a grant to Cheltenham YMCA to support the development of these schemes, on the basis that they support key outcomes within CBC's Housing & Homelessness Strategy. Specifically these outcomes are:</p> <ul style="list-style-type: none"> • To maximise the provision of new affordable housing, and • To support independent living <p>If grant funding is approved in principle, CBC will enter into a formal grant agreement with YMCA, which will include provisions as to the use of the grant for affordable housing and the completion of a Deed of Covenant or other legal documentation in respect of the retention of units supported by</p>

the grant as affordable housing in perpetuity. YMCA are only intending to take a leasehold interest in each of the sites and in order to secure the latter such Deed of Covenant or other legal documentation should also involve the freehold owners of each of the sites.

Recommendations

1 To approve the award of a grant of £496,000 to Cheltenham YMCA from the Housing Enabling capital budget to enable 31 new affordable homes to be provided subject to the following conditions being satisfied:

- **That relevant planning consents are obtained**
- **The YMCA’s application to the Homes & Communities Agency for grant funding is successful**
- **The total cost of delivering the scheme is financially viable overall**
- **Confirmation is obtained from the original payer of the commuted sums that they consider the grant proposals fall within the intended use of the commuted sums**
- **All documentation securing the use of the grant for affordable housing and the retention of units supported by the grant as affordable housing in perpetuity being entered into; and**
- **The receipt of invoices/evidence as to the actual costs incurred**

2 That the entering into a grant agreement in respect of the grant and all documentation securing the use of the grant for affordable housing and the retention of units supported by the grant as affordable housing in perpetuity in is delegated to the Director of Environmental & Regulatory Services on terms approved by the Borough Solicitor

<p>Financial implications</p>	<p>Funding is available to support this grant, from section 106 commuted sums held by the council, as detailed in paragraph 1.1 to this report.</p> <p>Contact officer: Sarah Didcote, sarah.didcote@cheltenham.gov.uk, 01242 264125</p>
<p>Legal implications</p>	<p>If monies received by the Authority pursuant to a section 106 agreement are not used for their intended purposes as provided for within the section 106 agreement the Authority will be exposed to the risk of a claim from the payer of those monies for the repayment of the monies (potentially with interest).</p> <p>Contact officer: Cheryl Lester, Cheryl.lester@teWKesbury.gov.uk, 01684 272013</p>

HR implications (including learning and organisational development)	None as a direct result of this report Contact officer: Richard Hall, richard.hall@cheltenham.gov.uk, 01242 774972
Key risks	As set out in the risk register
Corporate and community plan Implications	This decision will support our corporate objective of people living in strong, safe and healthy communities
Environmental and climate change implications	The quality of the proposed housing will have an impact on climate change. All of the dwellings will achieve a minimum of Code for Sustainable Homes level 3 which is in line with current Building Regulation requirements.
Property/Asset Implications	None as a direct result of this report. Contact officer: David Roberts@cheltenham.gov.uk

1. Background

- 1.1** The Authority is in receipt of a commuted sum of approximately £433,000 received from Berkeley Homes in lieu of the on-site provision of 5 one bedroom affordable rent flats, and a further commuted sum of approximately £600,000 in lieu the on-site provision of 3 one bedroom and 4 two bedroom shared ownership flats. These commuted sums have been paid to the Authority pursuant to a section 106 agreement in respect of the 'Thirlestaine' site (see planning application: 12/00870/FUL) and were paid to the Authority in November 2014 and January 2015 respectively.
- 1.2** The contributions are to be used towards affordable housing. The section 106 agreement makes reference to affordable housing meaning as provided within Annex 2 of the National Planning Policy Framework (see Appendix 2). The YMCA scheme homes will be provided as Affordable Rent housing in line with the requirement of the Homes and Communities Agency for grant funding. Affordable Rent is a form of housing falling within Annex 2 of the National Planning Policy Framework. If the Authority fails to use the monies for their intended purposes they may be subject to a claim on the part of Berkeley Homes to repay the monies to them.
- 1.3** Save for the provisions within the section 106 agreement, discretion over how commuted sums are spent on schemes is left to the Council, requiring Cabinet and where appropriate full Council to approve. To help inform future decision-making, guidance over the use of commuted sums will therefore be considered as part of the review of the Council's Housing & Homelessness Strategy.

2. Cheltenham YMCA provision proposals

- 2.1** Cheltenham YMCA is looking to provide 31 units of new affordable homes within Cheltenham. These homes (provided relevant planning consents are obtained) will be made up of 21 x Studio apartments on the 'St. Silas' site Hesters Way (see planning application 15/00449/COU) and a further 10 x Studio apartments on Ashlands Road, Hesters Way (see planning application 15/00517/FUL). Both developments will offer low levels of housing-related supported affordable rent accommodation for individuals who are ready to move on into more independent living from high-level supported housing.
- 2.2** These homes will therefore provide a stepping stone for individuals making the transition from high-level supported housing to fully independent living. Residents will continue to receive support from the YMCA for the duration of their stay within these homes, with a view to them moving on to independent accommodation as soon as they are ready.
- 2.3** The accommodation will be built to Secure by Design standards, and will have a range of facilities to assist in their management. This will include CCTV cameras, a coded locking system and overnight and weekend concierge monitoring arrangements.

3. Reasons for recommendations

3.1 Strategic Considerations

- 3.1.1** Cheltenham YMCA's proposals will support the Authority's Housing and Homelessness Strategy by:
 - Increasing the provision of new affordable housing, and
 - Supporting independent living for vulnerable people
- 3.1.2** Following reductions in Gloucestershire County Council's Supporting People funding from £20million to £13 million over 4 years to 2015, the provision of supported housing that previously catered for a range of housing-related support needs now focuses generally on providing supported housing for individuals with higher levels of support needs only.
- 3.1.3** Cheltenham YMCA's proposal is to offer lower levels of housing support for individuals moving on

from high-level supported housing, thereby enabling a smoother transition towards independent living. This provision will therefore strengthen the pathway to independent living and reduce the risk of poorer outcomes for individuals moving directly from high supported accommodation directly to independent living.

- 3.1.4** In addition, the provision of these homes will reduce 'bed blocking' by helping to release high level supported housing for those who most need it.

3.2 Value for money considerations

- 3.2.1** A Grant to Cheltenham YMCA of £496,000 for 31 new homes will be equivalent to £16,000/home. Cheltenham YMCA is also seeking £1,054,000 from the HCA – equivalent to £34,000/home. The contribution that the Council is proposing to make therefore represents a relatively small proportion of the estimated total grant requested by Cheltenham YMCA of around £1.5 million from the HCA and Council combined. The grant will be put towards build costs and will not be used in respect of any land acquisition costs (nor any legal nor insurance costs relating to any land acquisition costs). A full breakdown of estimated costs is detailed in Appendix 3 (an exempt appendix). If actual costs are less than estimated costs so that the amount of Grant required from the Council is less than £496,000, then the amount awarded to the YMCA will be reduced accordingly as the Grant Agreement will provide that payments will only be made on an arrears basis on the provision of invoices or other evidence of the costs incurred.

- 3.2.2** The commuted sums have been received in lieu of the on-site provision on the 'Thirlestaine' site of 12 affordable rent/shared ownership flats. If approved, this grant will use part of these commuted sums (approximately £537,000 would remain outstanding) to assist in providing an additional 19 new affordable homes over and above the actual affordable homes 'lost' as a result of the commuted sum being paid to the Council.

4. Alternative options considered

- 4.1** In April 2009 Cabinet agreed for Cheltenham Borough Homes to be the Council's development partner for the delivery of new affordable housing. The purpose of this decision was to facilitate the regeneration of St Pauls and to enable CBC to provide capital subsidy to Cheltenham Borough Homes, in CBH's capacity as a Registered Provider. This 2009 decision pre-dates the implementation of the HRA self-financing regulations which now gives CBC the freedoms, flexibilities and the financial opportunity to build new affordable of our own. As such this means that the next tranche of affordable homes delivered through the CBH/CBC partnership will be CBC owned.
- 4.2** In terms of the next pipeline of new affordable housing to be developed within the CBC/CBH partnership (subject to relevant approvals being given) funding options have already been identified for the schemes currently in progress and therefore the use of a commuted sum is not necessary in order for these Schemes to progress. By contrast, if funding is not made available to meet the funding gap for the Cheltenham YMCA developments, the opportunity to deliver these new affordable homes will not progress.
- 4.3** No other Registered Providers are currently looking to deliver new affordable housing in Cheltenham using grant funding. Cheltenham YMCA is the only provider that has made a bid to the HCA under their Affordable Housing Programme 2015-18 to support the delivery of new affordable housing in Cheltenham.

5. Consultation and feedback

- 5.1** Consultation has been undertaken with Cheltenham Borough Homes and they have confirmed the position as stated in Section 4.2 above.

6. Performance management –monitoring and review

- 6.1** Funding will be subject to the following conditions being satisfied:

- That relevant planning consents are obtained
- The YMCA's application to the Homes & Communities Agency for grant funding is successful
- The total cost of delivering the scheme is financially viable overall
- Confirmation is obtained from the original payer of the commuted sums that they consider the grant proposals fall within the intended use of the commuted sums
- All documentation securing the use of the grant for affordable housing and the retention of units supported by the grant as affordable housing in perpetuity being entered into; and
- The receipt of invoices/evidence as to the actual costs incurred

6.2 If the Grant funding is approved, the Authority will enter into a formal grant agreement with YMCA, which will include provisions as to the use of the grant for affordable housing and the completion of a Deed of Covenant or other legal documentation in respect of the retention of units supported by the grant as affordable housing in perpetuity. YMCA are only intending to take a leasehold interest in each of the sites and in order to secure the latter such Deed of Covenant or other legal documentation should also involve the owners of the freehold owners of each of the sites

Report author	Contact officer: Martin Stacy, Lead Commissioner Housing Services, Email: martn.stacy@cheltenham.gov.uk, 01242 775214
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. NPPF Annex 2 – Affordable Housing 3. Estimated breakdown of costs
Background information	

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the Authority does not agree to the approval this Grant, then Cheltenham YMCA will not be able to proceed with the delivery of their new affordable housing schemes.	Martin Stacy	27.4.15	2	6	12	Reduce	Award funding	June 2015	Martin Stacy	
	If the Authority fails to utilise its commuted sums then these payments will have to be returned to the developer	Martin Stacy	27.4.15	3	1	3	Reduce	Award funding	June 2015	Martin Stacy	
	If the commuted sums are not used for their intended purpose then the sums will have to be returned to the developer	Martin Stacy		3	2	6	Reduce/Transfer to 3 rd party	Award funding subject to a provision of repayment should the sums not be used for their intended use	June 2015	Martin Stacy	
<p>Explanatory notes</p> <p>Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)</p> <p>Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)</p> <p>Control - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											