

Executive

Request for Approval of Funding for various Affordable Housing Schemes from CDC Capital Reserves

24 May 2010

Report of Head of Housing Services

PURPOSE OF REPORT

To seek approval for grant funding from the Capital Reserves for Affordable Housing for an Extra Care Housing Scheme, Cassington Road, Yarnton and to explore options for funding affordable housing at Dashwood Road Primary School site, Banbury

This report is public

Appendix 1 of this report is exempt from publication by virtue of paragraph 3 of Schedule 12A of Local Government Act 1972

Recommendations

The Executive is recommended:

- (1) To approve funding for the Extra Care Housing Scheme at Cassington Road, Yarnton of £200,000 from the Capital Reserves for Affordable Housing in return for nomination rights.
- (2) To agree that the request for approval of funding for the Dashwood Road Primary School site is not approved at this time and that officers be instructed to explore ways in which the level of District Council social housing grant support required might be reduced and report back as appropriate.

Executive Summary

Introduction

- 1.1 The two schemes are being considered for funding by the Homes and Communities Agency (HCA) but need additional funding to make them viable. They will all make a much needed contribution to meeting local housing needs and affordable housing targets. The Council often uses its ear marked capital reserves for social housing schemes being undertaken by Registered Social Landlords and this grant buys social housing nomination rights for the Council.

- 1.2 This report considers two requests for support and examines the value for money to the Council of each of the above schemes
- 1.3 The Extra Care Housing Scheme, Cassington Road Yarnton is a proposal for a 45 bed affordable scheme including units for social rent and shared ownership. The scheme will be purchased and managed by Housing 21, a specialist extra care provider. It will have a range of facilities such as a restaurant and communal rooms, assisted bathing and health rooms and staff offices. It provides an opportunity for Extra Care provision in the south of the District where there are few opportunities. The site has outline planning permission for a nursing home but a new application would be needed for this particular scheme. An application for funding of £3,200,000 has been made to the HCA by Berkeley Homes and Oxfordshire County Council (the County Council') have agreed to contribute £200,000 if Cherwell also contributes £200,000. This funding may help to secure HCA funding and hence potentially levers in significant additional public subsidy. Council funding would only be paid if the scheme obtains full planning consent and HCA funding and would not be paid until the scheme starts on site.
- 1.4 The proposed Dashwood Road Primary School affordable housing scheme is a conversion of a County Council owned former school site for affordable housing. Paradigm Housing Association has made an offer to purchase this site for a development to provide nineteen units for social rent. They are ready to submit a planning application and intend to submit a bid for HCA grant at the same time. The scheme reuses a building of local architectural and historic importance following Development Guidelines approved by CDC in 2007. A scheme has been developed that fits well into the existing conservation area and is thus likely to obtain planning permission. The development could make a significant contribution to regeneration in a priority area of Banbury. Understandably as a conversion based development, the scheme is challenging and above the norm in terms of costs. Development costs affect land values and the overall viability of the scheme is also dependent on that land cost to the developer. Paradigm has approached the Council to provide a £400,000 grant in order to make the scheme financially viable. The value for money of providing this funding is examined in the options section of this report.

Proposals

- 1.5 That if full planning permission and HCA grant are achieved for the Extra Care scheme at Cassington Road the Council makes a grant contribution of £200,000 in return for full nomination rights.
- 1.6 That the request for grant support on the Dashwood School Site should not be approved. That further consideration is given to viability issues on the scheme.

Conclusion

- 1.7 Earmarking these schemes for funding from capital reserves will help the chances of delivery of these projects and hence help the Council to meet its targets for affordable housing delivery and secure nomination rights. However

it is important to ensure that use of increasingly scarce Council capital funding represents excellent value for money for the Council.

Background Information

- 2.1 Funding for affordable housing is changing through the HCA's new process of the Single Conversation whereby decisions about delivery of housing and associated infrastructure will be undertaken in closer consultation with local partners. The HCA is increasingly seeking a shared approach to funding and delivery including financial support by local authorities.
- 2.2 The Extra Care scheme at Cassington Road is brought forward in line with this approach and can be seen to offer excellent value for money in terms of the overall investment. Extra care is a District priority within the Older Peoples Housing Strategy 2010 to 2015 and older people's housing needs are also prioritised within the Cherwell Sustainable Community Strategy. This scheme will be an important part of our development of Extra Care schemes District wide.
- 2.3 For the Dashwood School development officers are not satisfied that the level of Council funding requested can be justified. Certainly this is the case on housing objectives alone. There are clearly wider cost and viability issues at play in this case. Other corporate objectives (regeneration in Banbury 'Brighter Futures' priority area) may better justify a higher level of financial support. However it may be that due to its complexities this site would be better developed for private market housing. It has to be acknowledged though that in current market conditions this might not be readily achievable. This in turn would mean continued uncertainty over the future of the site and building. The full details explaining the viability problems of the site are described in a letter from Paradigm attached at Appendix 1 of this report (within the confidential section of the Committee papers). This suggests that some of the viability problems arise from the decisions being made about the market value of the site for development. Before final decisions are made it seems important that all the viability issues are reconsidered by the developing housing association, the site owner (County Council) and the housing funding bodies (HCA and Cherwell). The site has already been prioritised by partners within the Local Investment Plan being agreed between the HCA and the Strategic Planning and Infrastructure Partnership (including the County Council) and there may be opportunities for a resolution of the issues. This will of course cause delay and there is a risk that this may affect prospects for any development in the short term.
- 2.4 Other options available to the Housing Association to reduce the amount of funding required have been explored and rejected. In particular this includes providing more shared ownership on the scheme. This is not a solution due to the current low market valuations of the units against the relatively expensive scheme costs.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 Affordable housing remains a corporate priority and is a priority within the Oxfordshire Local Area Agreement. These units will help the Council meet its targets for the provision of new homes for those in need of better housing in difficult economic times.
- 3.2 However it is important to ensure that use of increasingly scarce Council capital funding represents excellent value for money to the Council. Part of this is to ensure we are working as effectively as possible with our partners to ensure the best use of available resources,

The following options have been identified. The approach in the recommendations is believed to be the best way forward

Option One That the Committee finally rejects the requests for approval to fund the schemes on one or both sites.

Option Two To try and secure the wider non housing objectives of delivery of development on the Dashwood school site the Committee agree to fund £400,000 towards the cost of the scheme at this stage.

Option Three That the committee approves the Cassington Road scheme but asks for further partnership investigation of the Dashwood School site viability issues. This is the recommended option.

Consultations

None

Implications

Financial: If approved Cassington Road will result in supplementary estimated capital expenditure of £200,000 from the Council's earmarked reserves for capital expenditure on affordable housing (which currently equates to approximately £7m) if the scheme succeeds. The current Medium Term Financial Strategy is reviewing earmarked capital reserves as this amount allocated to affordable housing may reduce in future. If members approve funding for Dashwood Road at this stage it will result in a further £400,000 being earmarked from these reserves.

Comments checked by Eric Meadows, Service Accountant for Planning, Housing and Economy 01295

221552.

Legal: There are no legal implications arising from the funding of these schemes although Legal and Democratic services will help secure the nomination rights to the properties if they get planning permission.

Comments checked by Pam Wilkinson, Principal Solicitor 01295 221688.

Risk Management: No payments will be made until the schemes have started on site and final payments will be withheld until completion. Full nomination rights for Cherwell District Council will be secured with the Planning Consent.

Not providing sufficient affordable housing leaves the Council at increased risk of an upturn in housing need and in particular homelessness which could increase the costs of this service.

Comments checked by Rosemary Watts, Risk Management and Insurance Officer 01295 221566.

Equalities The provision of good quality affordable underpins the Councils commitment to equality for all groups in our communities. The investment in the provision of affordable housing is therefore central to our strategic priority to ensure access to services by all members of our community. The Cassington Road scheme in particular provides housing for the elderly who have been identified as a key vulnerable group in the District through the Sustainable Communities Strategy.

Comments checked by Claire Taylor , Community and Corporate Planning Manager 01295 221563

Wards Affected

Banbury Grimsbury and Castle and Yarnton

Corporate Plan Themes

Strategic Priority 1 – Cherwell A District of Opportunity includes the aim of securing more housing through an appropriate mix of market and affordable housing.

Executive Portfolio

**Councillor Michael Gibbard
Portfolio Holder for Planning, Housing and the Economy**

Document Information

Appendix No	Title
Appendix 1 (Exempt)	Letter from Paradigm Housing regarding a funding Request for Dashwood Road Primary School.
Background Papers	
None	
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