

## THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

### HOUSING AND PROPERTY SCRUTINY COMMITTEE – 18 MARCH 2019

#### REPORT BY THE DIRECTOR FOR CORPORATE PROPERTY

#### ACCEPTING GLA GRANT FOR BUILDING COUNCIL HOMES FOR LONDONERS 05377/19/K/AB

This report provides the Committee with the opportunity to comment on the decision to accept Greater London Authority (GLA) grant for building council homes for Londoners, which will be put to the Leadership Team meeting on 27 March 2019.

**FOR COMMENT**

#### 1. INTRODUCTION

- 1.1 The Council has recently been awarded £33.6 million in grant from the Greater London Authority (GLA) to assist in the Council's Housing Delivery Programme.
- 1.2 The attached decision will seek the Leadership Team's approval for the Council to accept the GLA grant to aid the delivery of affordable homes (including social rent homes) within the Borough.

#### 2. RECOMMENDATIONS

- 2.1 The Scrutiny Committee is invited to refer comments on this report to the 27 March 2019 Leadership Team meeting.

**FOR COMMENT**

Richard Egan  
**Director of Corporate Property**

**Background papers used in the preparation of this Report:** None

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# Executive Decision Report

<p><b>Decision maker and date of Leadership Team meeting or (in the case of individual Lead Member decisions) the earliest date the decision will be taken</b></p>	<p>Leadership Team meeting 27 March 2019</p> <p>Councillor Kim Taylor-Smith Deputy Leader, Grenfell and Housing AND Councillor Mary Weale Lead Member for Finance and Modernisation</p> <p>Forward Plan reference: 05377/19/K/AB</p>	 <p>THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA</p>
<p><b>Report title</b></p>	<p>ACCEPTING GLA GRANT FOR BUILDING COUNCIL HOMES FOR LONDONERS</p>	
<p><b>Reporting officer</b></p>	<p>Mark Grant, Head of Investment and Development, Corporate Property.</p>	
<p><b>Key decision</b></p>	<p>Yes</p>	
<p><b>Access to information classification</b></p>	<p>Public (Part A)</p>	

## 1 EXECUTIVE SUMMARY

- 1.1 This report seeks the Leadership Team’s approval for the Council to accept the £33.6m GLA grant to aid the delivery of affordable homes (including social rent homes) within the Borough.
- 1.2 The Council has recently been awarded a grant of £33.6m from the Greater London Authority (GLA) under the ‘*Building Council Homes for Londoners*’. The Grant consists of £100k for the delivery of each social rent home. This would be a grant that would not require repayment by the Council. A key requirement is that construction of the relevant scheme within the programme must commence by March 2022.
- 1.3 As part of the Council’s New Homes Delivery programme approval is required to enter into a contract to accept the £33.6m GLA grant which is a key funding source.

## **2 RECOMMENDATION**

- 2.1 It is recommended that the Leadership Team accept the GLA grant for £33.6m to assist the funding of the 'New Homes Delivery' programme.

## **3 REASONS FOR DECISION**

- 3.1 Due to the amount of GLA grant (£33.6m) that has been awarded to the Council it is necessary for a Key Decision Report to be submitted for a formal decision to be made for accepting the funding.
- 3.2 Proposed sites for delivery of new homes are held within the General Fund and Housing Revenue Account. This recommendation proposal represents the best consideration reasonably obtainable.

## **4 BACKGROUND**

- 4.1 Through the '*Building Council Homes for Londoners*' programme, the Mayor is inviting councils to develop ambitious proposals for delivering new council homes. The Mayor has made available substantial levels of new funding and will be assisting councils to develop the skills and expertise required to expand their homebuilding capacity.
- 4.2 The Council has recently been awarded a grant of £33.6m from the Greater London Authority under '*Building Council Homes for Londoners*' programme.
- 4.3 £100k would be provided to contribute to the delivery of each social rented home. This would be a grant that would not require repayment by the Council but is based on a key requirement that construction of the relevant scheme within the programme must commence by March 2022.

## **5 PROPOSAL AND ISSUES**

- 5.1 A contract must be entered into with the GLA to accept the Grant, the key conditions of which are:
- Construction of social rented homes on specified sites must commence by the end March 2022.
  - Any amount of the Grant must solely be used for the development of social rented homes.
  - To receive the full amount of the GLA grant the milestones and requirements set out for each project must be kept to.
- 5.2 It should be noted that acceptance of the Grant secures and confirms the offer made to the Council but does not impose an obligation upon the Council to take this up.

- 5.3 Furthermore, the Grant conditions stipulate that 50% of the Grant attributable to each social rented home will be payable on commencement of construction of that unit and 50% on practical completion of construction.

## **6 OPTIONS AND ANALYSIS**

- 6.1 **Option 1:** RBKC accepts the GLA grant of £33.6m. This will assist the funding of the 'New Homes Delivery' programme and open up further opportunities to deliver social rent homes within the programme.
- 6.2 **Option 2:** RBKC declines the GLA grant of £33.6m. Without this funding the New Homes Delivery programme would not receive the financial benefits of the Grant and therefore the Councils programme would deliver a reduced number of social rented homes within the Council funding available.
- 6.3 It is evident, from financial modelling, that option 1 is more favourable as it could allow for more social rented housing to be delivered.

## **7 CONSULTATION AND COMMUNITY ENGAGEMENT**

- 7.1 The Lead Member for Finance and Modernisation has been consulted and concurs with the recommendation to proceed with Option 1 in section 5.1 of this report.
- 7.2 The Interim Assistant Director for Housing Needs and Supply has been consulted and concurs with the recommendation of proceeding with Option 1. The Council should accept the GLA Grant to help fund the New Homes Delivery programme.

## **8 HUMAN RESOURCES AND EQUALITY IMPLICATIONS**

- 8.1 There are no such implications.

## **9 PLANNING IMPLICATIONS**

- 9.1 The Director of Planning and Place welcomes the programme as it will make a considerable contribution to the need for social rented homes in the borough.
- 9.2 It also represents a good opportunity for early and ongoing engagement between the housing department-led team developing the proposals and the communities affected. To meet the March 2022 deadline will require a dedicated project team, including funding to support the planning process.

## **10 LEGAL IMPLICATIONS**

- 10.1 The Director of Law has been consulted and comments that the GLA has agreed to advance this grant funding to the Royal Borough pursuant to the GLA's '*Building Council Homes for Londoners*' Affordable Homes Programme 2016-2021 to facilitate the delivery of affordable housing projects.

- 10.2 Grant paid by the GLA to the Royal Borough pursuant is a social housing assistance as defined in Section 32(13) of the Housing and Regeneration Act 2008 and is non-refundable. However, if the Royal Borough breaches the terms of the Grant Funding agreement including delivery of the project deliverables as per the agreed milestones, the Grant can be clawed back.
- 10.3 The Grant in compliance with the State Aid regulations and permissible as public service compensation granted for Services of General Economic Interest.

**11 FINANCIAL, PROPERTY AND RESOURCES IMPLICATIONS**

- 11.1 Corporate Finance has been consulted and comments and agree to proceed with Option 1 of section 5.1 of this report.
- 11.2 Over the next 5 years, the Council has committed to deliver at least 600 new homes of which 300 will be social housing and will go part of the way to addressing the borough’s housing issues. Potential sites have been identified and indicative modelling undertaken. The GLA grant of £33.6m has been secured through the ‘*Building Council Homes for Londoners*’ Programme and equates to £100k grant for each social home. The Grant will be used to part fund the construction of each social rent home with the remainder being provided by a combination of capital receipts and the Council’s borrowing capacity through the HRA. The Grant supports the financial viability of the programme and the Director of Financial Management recommends that the Council accepts the Grant. The Grant will be ring-fenced for the New Homes Programme.

Mark Grant  
**Head of Investment and Development for Corporate Property**

**Local Government Act 1972 (as amended) – Background papers used in the preparation of this report**

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**Formal clearance requirements for all key decision reports**

Cleared by Finance (officer’s initials)	TE
Cleared by Corporate Finance (officer’s initials)	TE
Cleared by Director of Law (officer’s initials)	VB
Cleared by Communications & Community Engagement (officer’s initials)	MC