

## LOCAL AUTHORITY SOCIAL HOUSING GRANT

### 1 PURPOSE

- 1.1 To request Members to consider the Council's policy towards Local Authority Social Housing Grant (LASHG) in the light of new changes in legislation.

### 2 BACKGROUND

- 2.1 This Authority has used LASHG over many years to finance key social housing schemes. Where a scheme is approved, a housing association will either build new units or purchase housing units from the market. Following completion, Rochford then has access through nomination rights.
- 2.2 To finance the scheme there is usually a mix of housing association's own resources, Housing Corporation Grant and LASHG.
- 2.3 Where LASHG is involved, the housing association will make an application to the Housing Corporation for LASHG funding. If granted the Corporation advances funds to this Council. This Council will then pay the same amount to the housing association.
- 2.4 The net result for Rochford is that grant is given to a housing association for an approved project which is funded by the Housing Corporation. Within the process this Council uses capacity in the Capital Programme but it does not cost any cash. This cash is still available to the Council to repay debt and to earn interest.
- 2.5 The Housing Corporation has welcomed these applications in the past as they could pay additional sums to housing associations without affecting their own Capital resources. Because capacity was used in the Council's Capital Programme it was regarded as a nil effect on the Public Sector Borrowing Requirement.
- 2.6 The position was however different for debt free authorities as they were able to support LASHG and still use Capital funds for other purposes.
- 2.7 Following a review of this process the Government announced that it would remove this system of grants. What however has caught many people by surprise is that the implementation date is now 31 March 2003 when it was expected to be 31 March 2004. There are therefore schemes in progress, which need to be dealt with.

- 2.8 Members may recall that the new system of supporting Housing Associations will be more regions based and be needs driven.
- 2.8 The Government has announced transitional arrangements for both with debt and debt free authorities. Rochford is a with debt authority and the arrangements appear to be
- No further support of LASHG Capital Grant beyond 31 March 2003.
  - Transitional arrangements will involve compensation for the loss of the Capital Grant rather than the receipt of Capital Grant. However the indications at the moment are that this form of compensation for the loss of interest is only approved for 2003/04.

### 3 ROCHFORD'S POSITION

- 3.1 The Capital Programme position of LASHG is as follows:-

| No: | Scheme  | Total Cost<br>£       | 2002/03<br>£          | 2003/04<br>£          |
|-----|---|-----------------------|-----------------------|-----------------------|
| 1.  | Springboard Housing Association Homelessness Scheme | 375,000               | 300,000               | 75,000                |
|     | Non LASHG   | 10,000                |                       | 10,000                |
| 2.  | Swan Housing Association – Purchase of 2 properties | 120,000               |                       | 120,000               |
| 3.  | Purchase of a property by Swan Housing Association  | 90,000                |                       | 90,000                |
| 4.  | New allocation                                      | 300,000               |                       | 300,000               |
|     | <b>Total</b>  | <b><u>895,000</u></b> | <b><u>300,000</u></b> | <b><u>595,000</u></b> |

- 3.2 It can be seen that a large volume of payments fall into 2003/04 and therefore are assumed to be not supported by LASHG grant.

- 3.3 Looking at each of these schemes in detail

- (1) Springboard Housing Association Homelessness Scheme. This was approved by the Council in 2001/02 to allow Springboard to purchase six properties from the open market and, in addition Springboard would provide five properties from their own stock and make them available to Rochford.

This scheme was being implemented at the time of the rapid increase in house prices. Purchasing property from the open market, within the budget available, was therefore extremely difficult. In acknowledging the problems faced by Springboard Officers agreed a 2.7% variation to these costs by an additional £10,000.

Payment of the first tranche of £300,000 has been made. One property still remains outstanding, as does the £75,000 under LASHG and £10,000 non LASHG.

Depending on the views of Springboard there are options in that either the Council could cancel the remaining property and the outstanding funding, or to follow through with the purchase of all the properties however these payments will not be fully supported through LASHG regime.

- (2) Swan Housing Association - £120,000 towards purchasing three properties. Again this has fallen victim to the rise in property prices. At the moment one property has been purchased although no LASHG has been paid.
- (3) Swan Housing Association - £90,000 to purchase a property. To date the property has not been purchased.
- (4) There is currently an unallocated sum of £300,000 in the Capital Programme for 2003/04.

- 3.4 In looking at the way forward the following points need to be considered.
- 3.5 The removal of the LASHG Capital Grant makes the scheme less attractive to the Council as it would now use capacity in the Capital Programme and be a cost in cash terms.
- 3.6 Schemes 1 to 3 are outstanding commitments, with actions already undertaken by the relevant housing association.
- 3.7 It is expected that 2003/04 will now be the year for major review of housing associations, with all associations adjusting their programmes following the sudden removal of LASHG and the introduction of the new arrangements.
- 3.8 The Council has to balance all priorities within the Capital Programme. Although the £300,000 was originally included to show the Authority's commitment towards social housing it is now felt that with the early change to the legislation and the expected review of grant funded

schemes this allocation in the capital programme is not optimising our programme.

- 3.9 In the light of the above it is now recommended that £300,000 originally included as LASHG should now be removed to allow other budget priorities of the Council to go ahead.
- 3.10 Additionally, although not fully supported through LASHG it is recommended that the schemes 1 - 3 shown above be completed.

#### **4 RESOURCE IMPLICATIONS**

- 4.1 All Capital Resources are included within the current approved Capital Programme.
- 4.2 The receipt of LASHG Capital Grant would have been added to the Provision for Credit Liabilities account and the additional cash balances would have earned interest for the Council over coming years.

#### **5 RECOMMENDATION**

- 5.1 It is proposed that the Committee **RESOLVES**
- (1) That this Council continues with schemes 1 to 3 even if not fully supported through LASHG.
  - (2) That the budget of £300,000 for LASHG in 2003/04 be removed.
  - (3) That a further report be considered at another date on the revised priorities of the Capital Programme. (HFS)

Dave Deeks

Head of Financial Services

---

#### **Background Papers:**

None

For further information please contact Dave Deeks on:-

Tel:- 01702 546366 Ext. 3100  
E-Mail:- [dave.deeks@rochford.gov.uk](mailto:dave.deeks@rochford.gov.uk)