

WILTSHIRE COUNCIL

CABINET
23 MARCH 2010

Subject: **PLACES OF CHANGE FUNDING FOR REDEVELOPMENT OF DAMASCUS HOUSE / EMMAUS HOUSE HOSTEL, SALISBURY**

Cabinet member: **John Brady – Economic Development, Planning and Housing**

Executive Summary

Wiltshire Council has been successful in securing funding of £1.2million from the Places of Change programme of the Homes & Communities Agency (HCA), to assist with funding the redevelopment of a direct access hostel and care facility in Salisbury. Additional funding has also been secured both through the HCA and Wiltshire Council to enable the redevelopment to take place.

The redevelopment will be managed by one of the Council's partner Registered Social Landlords (RSLs), GreenSquare, and the Council is required to pass on the funding of the £1.2m from Places of Change to GreenSquare to enable the development.

Wiltshire Council is required to sign a funding agreement with the HCA, and will subsequently enter into a funding agreement with GreenSquare to ensure that they sign up to the same terms and conditions. The Council requires Cabinet approval to sign the agreement with HCA, and to pass on the funding of £1.2m to GreenSquare to enable the draw down of funds by 31/3/10.

Proposal

That Cabinet approves the signing of the agreement between Wiltshire Council and Homes and Communities Agency and approves the transfer of the Places of Change funding of £1.2m to GreenSquare to enable funds to be drawn down, and contracts exchanged by 31/3/10.

Reason for Proposal

The first tranche of the Places of Change funding must be drawn down by Wiltshire Council by 31/3/10. Failure to do so will result in funding being withdrawn and the redevelopment project will no longer be financially viable. GreenSquare cannot enter into any contracts on the build programme until they have the grant funding secured.

Graham Hogg
Service Director, Housing

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Purpose of Report

1. To seek Cabinet approval to sign a funding agreement between Wiltshire Council and HCA in respect of £1.2m funding from the Places of Change programme to enable the redevelopment of Damascus House / Emmaus House direct access hostel and care facility in Salisbury, and to seek approval to transfer that funding to GreenSquare to enable the redevelopment to take place.

Background

2. On 11/10/06 the Cabinet of the former Salisbury District Council approved the allocation of £500,000 from the Council's capital expenditure as a contribution towards the redevelopment of the hostel facility at Damascus House /Emmaus House, subject to additional funding being secured.
3. In February 2008 the former Salisbury District Council applied for Places of Change funding on behalf of the hostel provider, Alabare Christian Care Centres. The application was initially placed on a reserve list, and in September 2009 Wiltshire Council was advised that funding of £1.2m had been approved.
4. The Homes & Communities Agency subsequently approved funding through their affordable housing programme of £1,287,057 for Damascus House (hostel facility) and £725,000 for Emmaus House (move on accommodation).
5. One of the Council's RSL partners, GreenSquare, are working with the Council and Alabare to manage the redevelopment of the scheme, and will require the Places of Change funding of £1.2m to be transferred to them to enable the commencement of the development.
6. The first phase of the funding from Places of Change (£500,000) must be drawn down by 31/3/10 and transferred to GreenSquare, in order to secure the funding and the redevelopment of the scheme. Before Wiltshire Council can draw down the funds it must sign a funding agreement with Places of Change.

7. A subsequent funding agreement is being drawn up between Wiltshire Council and GreenSquare in order that the terms and conditions of the Places of Change funding agreement are passed on to GreenSquare in order to protect the Council.

Main Considerations for the Council

8. The Council has made a commitment to enabling the redevelopment of the hostel and care facility and has secured the funding accordingly. In accepting the funding from Places of Change the Council must sign up to a funding agreement, a copy of which is attached to this report. This places responsibility on Wiltshire Council to repay the £1.2m funding in the event that the project is not completed to the satisfaction of the Homes & Communities Agency, or in the event of other issues arising which prevent the project from being completed.
9. In order to protect the Council's position a funding agreement will be drawn up between Wiltshire Council and GreenSquare which will mirror the conditions drawn up in the agreement between Wiltshire Council and The HCA.
10. If the agreement between Wiltshire Council and HCA is not signed, and funds not drawn down by 31/3/10 the funding from the Places of Change programme will be withdrawn, which will result in the redevelopment project no longer being financially viable. The hostel and proposed move on accommodation will provide an important service to Wiltshire people, and play a key part in meeting the Council's objectives in eliminating the need for people sleeping rough in the County. The redevelopment will provide a fit for purpose homeless hostel, with a whole range of services designed to assist residents with educational and social skills which will assist them with job searching.

Environmental Impact of the Proposal

11. The environmental impact of the proposal will be minimal. The new hostel and move on accommodation will be delivered to the HCA's Design and Quality Standards including the code for sustainable homes level 3. This ensures a high level of energy efficiency of the new buildings, 25% more energy efficient than homes built to building regulations standards.
12. There is an existing hostel on site which will be demolished as part of the project. The replacement of an outdated inefficient building by a new purpose built facility to higher standards will improve the environmental impact on the site.

Equalities Impact of the Proposal

13. The new hostel and move on accommodation provided as part of this project will enable some of the most vulnerable members of our communities to access decent affordable homes. In addition, they will be offered fit for purpose facilities to enable access to education and training and to enable homeless people to access the job market. Support will be

provided to enable the residents to move on to independent living and therefore to enable them to make a valuable contribution to their local communities.

Risk Assessment

14. The risk of not giving approval to both enter an agreement with Places of Change to receive the grant funding and with Green Square to receive the funding is that the funding will be lost along with the other HCA funding that has been secured for the project. This will result in the lost of a key project for the Salisbury area that has been supported by the Council in order to meet the needs of homeless households in the South Wiltshire area.
15. There are obligations on the Council as a result of entering into the funding agreement for the Places of Change funding. However, the back to back agreement between the Council and GreenSquare will pass these risks on to the RSL. The Council will not sign the agreement to receive the funding until an agreement is in place with GreenSquare accepting those risks.

Financial Implications

16. The Council is not required to contribute any funds to the scheme, other than the £500,000 already approved. However, by signing the agreement with the HCA it does accept responsibility for the proper use of the £1.2m funding, and would be required to repay that sum of money in the event of the project not achieving completion. A back to back funding agreement with the RSL will be drawn up to mitigate the Council's risk.

Legal Implications

17. The funding agreement between the HCA and Council for receipt of Places of Change funding contains a number of clawback conditions which are not unusual in such funding documentation but obligate the Council to repay part or all of the funds in the event GreenSquare default on any of their obligations in respect of delivering the project.
18. The separate funding agreement between the Council and GreenSquare will mirror the terms of the HCA funding agreement between HCA and the Council and unless GreenSquare agree to accept the conditions proposed, the Council will not enter into the funding agreement with Places of Change as it is essential that the Council is able to pass on the responsibilities under its agreement with the HCA to GreenSquare.
19. We will ensure that the agreement between the Council and GreenSquare gives the Council protection in respect of the situation where GreenSquare defaults on their obligations. We will ensure that if any default triggers the HCA to clawback funds from the Council, the Council would seek to clawback the same level of funds from GreenSquare.
20. There is a risk that GreenSquare could get into financial difficulties and be unable to deliver the project or to repay the grant. However, in the history of

RSLs an RSL has never gone into administration. They are heavily regulated by the Tenant Services Authority (TSA) and where, in the past, an RSL has got into financial difficulty, the TSA (formerly part of the Housing Corporation) has intervened as the regulator to find another RSL to take over the failing RSL. The new parent RSL then takes on all the financial responsibilities and commitments of the RSL it has taken over. Therefore, any clawback initiated by the HCA due to failure of the project would fall onto the new parent RSL. The risk that, in the event of a clawback being triggered, the Council is unable to recover the funds from the RSL is minimal.

21. A Legal Officer has reviewed the HCA Funding Agreement and is currently negotiating to limit the trigger conditions for potential clawback. The Funding Agreement between Wiltshire Council and GreenSquare is being produced to mirror the HCA Funding Agreement and will be negotiated with GreenSquare in due course. As detailed above, if GreenSquare do not agree to take on the same responsibilities and conditions from the Council as those imposed by HCA funding agreement in order to minimise the risks to the Council, the Council will not enter into the agreement for the Places of Change funding.

Options Considered

22. An option is not to agree to the conditions being imposed by the HCA for receipt of the Places of Change funding. However, this will result in losing the funding and the non-delivery of the project. This would leave the south Wiltshire area with inadequate, outdated and inefficient accommodation options for homeless people in the area. This will affect the Council's performance in delivering a high quality housing service in Wiltshire.
23. Linked to this is the option not to enter a funding agreement with GreenSquare. Failure to do so will also result in non-delivery of the project as above. The agreement being proposed will ensure that the risks and responsibilities of the Council in signing the funding agreement with the HCA will be transferred to GreenSquare as the provider. The agreements will only be entered into if the Legal Officer is satisfied that the risk to the Council is minimised and acceptable.

Conclusions

24. The signing of the two funding agreements to enable the funding being provided for this project via the Places of Change programme to be drawn down will create new fit for purpose accommodation for some of the most vulnerable members of our community. The redevelopment of this hostel forms part of the Council's strategy to help prevent and manage homelessness effectively. The timescales for the funding are tight and it is essential that the agreements are signed before the end of the current financial year to enable the draw down of the funding and to enable the scheme to start on site.

It is therefore proposed that Wiltshire Council sign the agreement with the HCA in order to secure and draw down the relevant funds, and ensure that the Council's risks are mitigated by signing a back to back agreement with the RSL.

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Background Papers

None

Appendix

Homes and Communities Agency Places of Change Funding Agreement
