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Supplementary Item

Item 9 refers

SCRUTINY BOARD (REGENERATION)

Meeting to be held in the Civic Hall, Leeds on
Thursday, 17th May, 2012 at 10.00 am

A pre-meeting will take place for ALL Members of the Board
in a Committee Room at 9.30 am

MEMBERSHIP

Councillors

B Atha	-	Kirkstall;
D Collins	-	Horsforth;
Vacancy	-	
P Grahame	-	Cross Gates and Whinmoor;
J Harper	-	Armley;
G Hussain	-	Roundhay;
M Iqbal	-	City and Hunslet;
T Murray	-	Garforth and Swillington;
J Procter (Chair)	-	Wetherby;
Vacancy	-	
R Pryke	-	Burmantofts and Richmond Hill;
G Wilkinson	-	Wetherby;
Mr G Hall	-	Co-optee (Non-voting)

Please note: Certain or all items on this agenda may be recorded

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A G E N D A

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DRAFT 6 – 11th May pm 2012

Affordable Housing by Private Developers

Scrutiny Inquiry Report

Conclusions and Recommendations

Introduction

1. The Executive Board at its meeting on 22nd June 2011 asked our Scrutiny Board (Regeneration) to undertake an inquiry to consider the population and household projection information including the land banking practices of developers that will underpin the Core Strategy on housing growth.

2. It was quickly identified during the Board's inquiry on housing growth that there was a second specific piece of work that needed to undertaken. This was to review the current position with regard to the provision of affordable housing by private developers. This at a time of turbulent economic change and financial uncertainty.

3. Scrutiny Board (Regeneration) established a Working Group comprising all Members of the Board to undertake this inquiry.

Scope of the Inquiry

4. The scope, context of and drivers for the inquiry are:

   - Broadly speaking, new affordable housing can be achieved through two routes: i) seeking provision from new market housing developments and ii) use of public funding and/or land donation. Whilst this inquiry concerns the former, it should be noted that over the last four years to the end of 2011/12, Leeds has delivered 1,690 affordable homes using the latter approach and this accounted for 80% of the total. In fact, because of the current weaknesses in the housing market the proportion of affordable housing provided through market housing developments fell to less than 11% in 2011/12.

   - That this matter is included in the City Priority Plan to "increase the number of new affordable homes built each year" and in the Scrutiny Board's terms of reference agreed by full Council.

   - That over recent years whilst the authority has achieved relatively high levels of affordable housing delivery, with over 400 units delivered per annum between 2008 and 2010 this should be compared with very high levels of need identified over this period – 1,158 affordable dwellings needed annually according to the 2011 annual Strategic Housing Market Assessment report (SHMA).

   - The fact that between 2001 and 2010 a total of approximately 29,500 new units have been delivered which equates to just under 3,000 units per annum. Completion rates over the last two years have reduced significantly and a consequently there has been a reduction in the provision of affordable housing. The Council's draft Core Strategy has a requirement of 70,000 dwellings (net) to 2028 . (The RSS which is being abolished stated that Leeds was to provide 77,400 new homes over the period 2008 – 2026 (net of clearance replacement) which equates to an annual average rate of 4,300 dwellings. This was reported to our inquiry but these figures now have no status.)

   - Provision of new accommodation had been skewed towards the city centre with this sub area accommodating almost 30% of all new dwellings since 2001. In terms of stock types of property delivered this skewing of supply to the city centre has had a marked impact with 70% of new stock being flatted or apartment schemes. After the market peak of 2007, the pattern of delivery changed. By 2010/11 of new dwellings (excluding conversions) 59% were completed as houses and only 41% flats. Also, in the first 6 months of 2011/12 the number of dwellings permitted in the city centre was only 34.

- Of the current stock of 319,400 dwellings just over 20% is classified as social or affordable housing with the remainder split between owner occupation or private rental.

- Developers tend to take a short term view of acquiring and developing sites irrespective of the differing needs within the cities 11 sub areas.

- It is evident from the private sector house condition survey 2007 that stock condition remains an issue across the city particularly the private rented sector where 81,800 dwellings; 33% of total private stock can be classified as non-decent.

- An announcement by the Government's Affordable Homes Programme which stated that Yorkshire is set to benefit from a minimum of 800 new affordable homes over the next four years from a number of registered providers.

- The need to look at affordable housing from the perspective of the City Region.

- The need to examine the Council's planning policies for securing affordable housing from market housing developments.

- On whether there are barriers that prevent affordable homes from being provided through market housing developments.

- On how the stock and quality of affordable homes are maintained and how and who sets the rent or price of a property.

- The low number of affordable homes currently being provided by private developers. Prevailing market conditions continue to impact on overall supply, housing completions saw a fall in affordable housing delivered through the planning system from 213 in 2007/08 to 40 in 2010/11.

- On whether the provision of affordable dwellings could be provided across each sub region of the city on a more equitable basis instead of relying on market forces which can skew provision to one area e.g. the city centre.

- On whether the Council's approach is robust enough in examining the financial viability of developments to require affordable homes to be provided.

5. We consider that the scrutiny focus is timely and provides an opportunity to review and comment on the Council's affordable housing policy. In particular we wanted to consider the Council's interim housing policy which was introduced in May 2011. This reduced the demands placed on developers to provide affordable homes in view of current market conditions but at a time when demand for affordable homes is at an all time high. Our objective is to make

recommendations to the Executive Board on this and other relevant issues.

6. We are very grateful to everyone who gave their time to participate in this inquiry and for their commitment in helping us to understand and review this matter.

Anticipated Service Impact

7. We hope that the Scrutiny Board has contributed to a better understanding of the key issues for the provision of affordable homes by private developers at this critical time. We have made a number of suggestions and recommendations to the Executive Board which we believe if implemented, would contribute significantly to improving the current process and contribute to a more robust and effective partnership with developers.

Legislation and Affordable Housing

8. During our inquiry on this issue we had regard to the draft National Planning Policy Framework (NPPF) issued by the Government in July of 2011. The Government published its final document on the NPPF on 27th March 2012. We also took cognisance of the Council's draft core strategy published for consultation on 28th February 2012 and legislation including the Statutory Instruments 2012 and the Neighbourhood Planning (General Regulations) 2012. This allows the establishment and development of Neighbourhood Plans and what effect this may have on the provision of affordable housing in Leeds. The Government also introduced the "Community Right to Build" as part of its localism agenda which offers another opportunity for local housing to be delivered, including affordable housing.

9. We have therefore as a starting point identified some details and background on the NPPF, the Council's draft Core Strategy and other specific issues. These were considered during our deliberations to help us to understand why the number of affordable homes are reducing at a time of high social demand and when we hear that mortgages seem more difficult to obtain. We also highlight some further general background information on affordability which helped us in our inquiry.

National Planning Policy Framework

10. We were advised that the National Planning Policy Framework (NPPF) was issued by the Government on the 27th March 2012 and is the up to date position on national planning policy, replacing all previous Planning Policy

Guidance notes and Planning Policy Statements.

11. The National Planning Policy Framework sets out the Government's planning policies for England and how these are expected to be applied. It sets out the Government's requirements for the planning system only to the extent that it is relevant, proportionate and necessary to do so. It provides a framework within which local people and their accountable councils can produce their own distinctive local and neighbourhood plans, which reflect the needs and priority of their communities.

12. Planning law requires that applications for planning permission must be determined in accordance with the development plan, unless material considerations indicate otherwise. The National Planning Policy Framework must be taken into account in the preparation of local and neighbourhood plans, and is a material consideration in planning decisions. Planning policies and decisions must reflect and where appropriate promote relevant EU obligations and statutory requirements.

13. This Framework does not contain specific policies for nationally significant infrastructure projects for which particular considerations apply. These are determined in accordance with the decision-making framework set out in the Planning Act 2008 and relevant national policy statements for major infrastructure, as well as any other matters that are considered both important and relevant (which may include the National Planning Policy Framework). National policy statements form part of the overall framework of national planning policy, and are a material consideration in decisions on planning applications.

14. Section 6 of the framework headed 'delivering a wide choice of high quality homes' states that to boost significantly the supply of housing, local planning authorities should:

- use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework, including identifying key sites which are critical to the delivery of the housing strategy over the plan period;

- identify and update annually a supply of specific deliverable sites sufficient to provide five years worth of housing against their housing requirements with an additional buffer of 5% (moved forward from late in the plan period) to ensure choice and competition in the market for land. Where there has been a record of persistent under delivery of housing, local planning authorities should increase the buffer to 20% (moved forward from later in the plan period) to provide a realistic prospect of achieving the planned supply and to ensure choice and competition in the market for land;

- identify a supply of specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15;

- for market and affordable housing, illustrate the expected rate of housing delivery through a housing trajectory for the plan period and set out a housing implementation strategy for the full range of housing describing how they will maintain delivery of a five-year supply of housing land to meet their housing target; and

- set out their own approach to housing density to reflect local circumstances.

Paragraph 50 bullet point 3 of the NPPF is also important because it expects local affordable housing policy to be set to meet identified need.

15. Ensuring viability and deliverability issues are most clearly stated in Sections 173 to 177 of the framework which is set out in full below:

Section 173: Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

Section 174. Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence.

Section 175. Where practical, Community Infrastructure Levy Charges should be worked up and tested alongside the Local Plan. The Community Infrastructure Levy should support and incentivise new development, particularly by placing control over a meaningful proportion of the funds raised with the neighbourhoods where development takes place.

Section 176. Where safeguards are necessary to make a particular development acceptable in planning terms (such as environmental mitigation or compensation), the development should not be approved if the measures required cannot be secured through appropriate conditions or agreements. The need for such safeguards should be clearly justified through discussions with the applicant, and the options for keeping such costs to a minimum fully explored, so that development is not inhibited unnecessarily.

Section 177. It is equally important to ensure that there is a reasonable prospect that planned infrastructure is deliverable in a timely fashion. To facilitate this, it is important that local planning authorities understand district-wide development costs at the time Local Plans are drawn up. For this reason, infrastructure and development policies should be planned at the same time, in the Local Plan. Any affordable housing or local standards requirements that may be applied to development should be assessed at the plan-making stage, where possible, and kept under review.

Conclusions and Recommendations

16. The definition of affordable housing set out in the NPPF states that affordable housing includes social rented, affordable rented and intermediate housing and is provided to eligible households whose needs are not met by the market. Affordable housing should meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices. It should include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.

17. Social rented housing is owned and managed by the local authorities and registered social landlords (registered providers) for which guideline target rents are determined through the national rent regime. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above as agreed with the local authority or with the Homes and Communities Agency as a condition of grant.

18. Affordable rented housing is rented housing let by registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is not subject to the national rent regime but is subject to other rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

19. Intermediate housing is housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria in the Affordable Housing definition above. These can include shared equity products (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but does not include affordable rented housing.

20. Homes that do not meet the above definition of affordable housing, such as "low cost market" housing, may not be considered as affordable housing for planning purposes.

21. The definition does not exclude homes provide by private sector bodies or provided without grant funding. Where such homes meet the definition above, they may be considered, for planning purposes, as affordable housing. Whereas, those homes that do not meet the definition, for example , "low cost market" housing, may not be considered, for planning purposes, as affordable housing.

22. We particularly noted that the planning policy statement requires that affordable housing should remain affordable in perpetuity, by either simply keeping it at an affordable price for future eligible households, or where subsidy has been acquired on the property, this is recycled for alternative affordable housing provision. Usually a Registered Provider (RP) i.e. a housing association is identified as a delivery partner to ensure that this is in place.

Council's Core Strategy – Draft Publication

23. The Council in February 2012 published under its Local Development Framework a draft Core Strategy which was released for consultation on 28th February with a closing date of the 12th April 2012.

24. The Council is preparing the Local Development Framework (LDF) for Leeds. The LDF is the name for a number of Development Plan Documents and Supplementary Planning Documents, which

together make up the overall development plan.

25. The Core Strategy is the main document setting out the strategic level policies and vision to guide the delivery of developments and investment decisions, and the overall future for the district. All the other LDF documents will be directly guided by its policies, including the Site Allocations Development Plan Document (DPD), the Aire Valley Leeds Area Action Plan and Neighbourhood Plans.

26. The LDF will eventually replace the Leeds Unitary Development Plan (UDP)(2006)

27. The draft Core Strategy states in paragraph 4.6.2 under housing growth principles that the Core Strategy will agree a range of mechanisms to deliver affordable homes. The Policy H5 Affordable Housing states that:

a) Housing developments above a certain threshold will include a proportion of affordable housing to be provided on the development site. The affordable housing provision should provide for a tenure mix in terms of sub-market and social rented housing. Over the plan period to 2028 the threshold, amount of affordable housing and tenure splits may vary depending on housing needs and market conditions applicable at the time. An Affordable Housing Supplementary Planning Document (SDP) will therefore provide up to date guidance on targets and provision sought, which may vary depending on the local area. An annual update to the SPD of affordable housing price benchmark figures will also be provided.

b) The broad range of provisions will be:

- A threshold between 10 and 15 dwellings will apply – affordable housing will be sought on any development at or above the threshold. There is no site size threshold.

- Overall targets for affordable housing will vary from 5 to 50%.

- Affordability of affordable housing to be designed to meet identified needs of households as follows;

  ◊ 40% affordable housing for households on lower quartile earnings

  ◊ 60% affordable housing for households on lower dectile earnings

c) During the Core Strategy plan period, Affordable Housing SPDs will determine what particular thresholds, targets and affordability mix will apply to which areas of Leeds.

d) The affordable units should be a pro-rata mix in terms of sizes and types of the total housing provision, unless there are specific needs which indicate otherwise, and they should be suitably integrated throughout a development site.

e) Applicants may choose to submit individual viability appraisals to vary that the affordable housing target cannot be met. In such cases, affordable housing provision may be reduced accordingly.

f) The provision of elderly persons sheltered housing and low cost market housing should not mean that the requirement for affordable housing would be automatically waived or reduced, although individual viability appraisals will be taken into account.

g) Secure arrangements in the form of S106 agreements, must be agreed to ensure delivery and that affordability is embodied and maintained as affordable housing in the future for the people of Leeds who are in housing need.

Leeds Homes Register

28. Members noted that at 30th September 2011, there were 27,328 households on the Leeds Homes Register (LHR). These were broken down for us by categories of housing need. Over the last 5 years the number of new applications registered on the LHR has been on average 15,445 per annum.

29. We noted the fact that the majority of customers on the LHR are classed as having low or no housing need (85%). On 30th September 2011, 3,937 customers fell within the category of priority need (14%) with the remainder classed to be in low or no need.

30. We also noted that on 30th September 2011, 57% of households on the LHR require a one bed property, 29% a two bed property, 10% a three bed property and 3% a four bed or more property. This evidence is different to that given by developers during the Board's previous inquiry on housing growth that the main demand for homes in the city was for three, four and five bedrooms. It should be noted however that applications to the LHR are from people who want social housing either owned by the Council or housing associations and this therefore gives an indication of one aspect of housing need rather than a picture of housing demand. Further it was felt that the large number of people on the council housing waiting list requesting 1 bed properties seems contrary to the developers' position that larger houses are needed, it was recognised that applications on the LHR are on the basis of housing need (i.e. a single person household is registered for a one bed) not what they would like. Many of these applicants will be low income households, perhaps elderly or forming as a result of relationship breakdown.

Delivery of Affordable Homes

31. We noted that affordable housing is currently delivered in Leeds in two main ways through planning gain on market housing developments and through schemes for which funding is secured from the Homes and Communities Agency (HCA). Our inquiry concentrates on whether there are barriers that prevent affordable homes from being provided through market housing developments.

32. We were advised that the delivery of affordable housing through market housing developments is secured through a Section 106 agreement. This stipulates the percentage of affordable housing and the tenure mix of units to be delivered on new residential developments of 15 or more units. Requirements are negotiated and any viability issues explored for individual schemes if appropriate.

33. Any application for planning permission for 15 residential units or more has to provide affordable housing in accordance with the current policy. The policy requires provision on site with a commuted sum only acceptable in certain circumstances. Planning policy also seeks integration of affordable housing throughout a development, and a pro rata mix of all dwelling sizes proposed by a planning

application. In terms of appearance and location, affordable housing should be no different in appearance to open market housing and must remain in perpetuity to ensure that the unit benefits not only the initial occupier but future generations. Affordable prices are set at price per square metre for the affordable housing types, social rented and intermediate. A developer should sell the affordable units to a housing association, or agreed body at these benchmark figures. Benchmark figures are updated on an annual basis as an appendix to the SPG or in future the SPD.

34. DTZ consultants were commissioned to complete the viability assessment work started by the Council. DTZ's report was published in 2010. This tested the viability of providing a range of affordable housing targets. The Economic Viability Assessment (EVA) concluded that in the current depressed market any provision of affordable housing in the City Centre or Inner Area will have a negative impact on scheme viability. Between 15- 40% affordable housing can be achieved in the in the Golden Triangle Area (GTA), and up to 15% in high value areas within the outer area.

35. When the housing market recovers (equivalent to the height of the market), higher percentages of affordable housing may be delivered (40 to 50% in the golden triangle area, 5% to 35% in the outer area and 15% in the inner areas). However, any provision in the city centre will still have a negative impact on scheme viability.

36. The DTZ work represents strategic modelling only and there will still be sites within areas tested where different levels of affordable housing can be achieved in practice. In these circumstances a full financial viability appraisal may be necessary to test viability of individual schemes.

37. Current affordable targets are required to reflect the most up to date evidence base, and are derived from a combination of two pieces of evidence which are an updated, the Strategic Housing Market Assessment (SHMA) carried out by consultants GVA and, the Economic Viability Assessment (EVA) carried out by consultants DTZ. A more detailed synopsis of the results of the SHMA and EVA in our inquiry on housing growth. However in summary the SHMA shows a high need for affordable housing but the EVA work shows that it is unviable to deliver much in the current economic climate.

38. Ensuring that people can access the housing they need has long been a priority for Leeds. Making the Housing Ladder Work: a plan for delivering affordable housing in Leeds 2007-15; identified the need for a range of housing options, for sale and rent to ensure an effective 'housing ladder'.[1]

39. The measure of 'affordability' is based on an 'affordability multiplier', where it is expected that no more than 2.75 x a household annual income should be required to access market housing and that the household should pay no more than 30% of net monthly salary on rent. Recently the relationship between house prices and incomes has led to a number of people being priced out of market housing. Access to homeownership has been further restricted by the majority of lenders removing 100%, 95% and most 90% mortgage products from the markets, with first time buyers now requiring substantial deposits to purchase their first home.

40. The Leeds Strategic Housing Market Assessment indicates that the average

[1] Making the Housing Ladder Work: A plan for delivering affordable housing in Leeds 2007-15. Leeds City Council

property price for Leeds is £147,000 (compared to a national average of £187,000), this exceeds the average income by more than 6 times. Currently the average age in the UK of a first time buyer is 35.

41. The rise in house prices, reduction in the ability to access mortgages and the fall in completions in the last three years, has contributed to the difficulties many people now face in accessing market housing. Approximately 41% of households in Leeds are, based on current estimates of household income, unable to access market housing.[2]

42. The SHMA report shows that Leeds has an annual affordable housing need of approximately 1,158 dwellings, what has currently been delivered over the last 2 years ('09 – '11) is 139 units based on total number of affordable units delivered via the planning system.

43. It should be noted that it takes time for the impact of policy change to register. There are "lead-in" times as follows:

- planning applications submitted: immediate effect
- permissions determined: immediate effect
- dwellings started on site: typically 12 months after policy change
- affordable dwellings started on site: typically 18 months after policy change
- dwellings completed on site: typically 18 months after policy change
- affordable dwellings completed on site: typically 24 months after policy change

44. This means that the early signs of the impact of policy change (i.e. within the first 12 months) need to be assessed in terms of permissions. During the first 12 months starts on site and completions are likely to be more a product of the policy applicable before the policy change.

45. In the period June 2011 to March 2012 permission has been given for 530 dwellings (full planning permission) and 911 assumed dwellings (outline planning permission) as part of 50 schemes. Of these permissions, 50 dwellings had commenced construction including 10 affordable dwellings. The total number of affordable homes provided between 2008 and 2011/12 under the planning system, grant assisted and Government initiatives are set out below:-

Year	Planning System (Section 106s)	Grant assisted	Government Initiatives or other.	Total
2008-09	214 (52%)	101 (25%)	95 (23%)	**410**
2009-10	99 (24%)	84 (20%)	230 (56%)	**413**
2010-11	40 (5%)	413 (53%)	326 (42%)	**779**
2011-12	54 (11%)	308 (62%)	133 (26%)	**495**
TOTAL	**407 (19%)**	**906 (43%)**	**784 (37%)**	**2,097**

Rent Levels

46. We considered a background paper on rent levels in the city. The report gave an analysis of the differentials that exist between the affordable, social and market rents by ward. The analysis showed that both Council and housing association rents are consistent across the city, however market rents vary considerably (see appendix 1 of our report).

[2] Leeds Strategic Housing Market Assessment Update, May 2011.

47. We noted that average Council rents were £65.00 per week and Housing Association rents £67.00 per week. Using an average price for all property sizes market rents in Roundhay for example were £157.00 per week compared with East End Park which were £98 per week.

48. We discussed the reasons why people wanted Council accommodation and clearly rental costs was an important factor in their decision making.

Interim Affordable Housing Policy

49. We quickly identified in our earlier inquiry on Housing Growth an issue of major concern regarding the decision of the Executive Board on 18th May 2011 to introduce an interim affordable housing policy. In the main this reduces the percentage of affordable homes required to be provided by developers in 4 out of the 5 housing market zones. The interim affordable housing policy was informed by the Economic Viability Assessment (EVA) 2010 prepared by DTZ which considered appropriate levels of affordable housing given the current housing market. It was an attempt wrongly in our view to acknowledge the issue of economic viability and its impact on supply. Appendix 2 of our report shows the reduction in affordable housing requirements in the housing market zones.

50. We were advised that the reason for this decision was the findings of the Economic Viability Assessment which showed a clearer indication of what can actually be achieved in terms of affordable housing in the current market. Whilst the need for affordable housing remains acute, the Council was advised that it was necessary to set targets which are likely to be deliverable.

51. We were of the view that this policy had resulted in the majority of developers renegotiating previous undertakings and developers proposing to reduce the numbers of affordable homes in accordance with the Council's own interim policy particularly on green field sites. Recent examples of this were raised including Plans Panel East on 3rd November 2011 where a new planning application had been submitted for a site in Garforth reducing previous undertakings made to provide affordable homes. The diagram below shows the fall in numbers of affordable homes, although this cannot be attributable to the change in policy because delivery pre-dates the change.

Year	Total number of affordable units delivered via the planning system	Total dwelling completions (gross)
2007/08	213	3833
2008/09	214	3976
2009/10	99	2519
2010/11	40	1839

52. We agreed at our Scrutiny Board (Regeneration) meeting on 19th December 2011 that we would make an interim recommendation to the Executive Board before we completed our inquiry because of the importance of this issue. We asked the Executive Board to reconsider the 2011 interim housing policy as a matter of urgency

and to reinstate the 2008 affordable housing targets in relation to green field sites.

53. We were advised that the Executive Board on 4th January 2012 had considered our request but had decided to retain the interim housing policy targets as agreed by the Executive Board in May 2011. However, the Executive Board had asked that a monitoring report on progress of the revised policy be submitted to the Executive Board in the Summer 2012. It also clarified that the implementation period for the revised policy was 2 years from the date of the decision to grant planning permission, subject to Section 106 obligations in order to secure the early delivery of affordable housing. At the end of two years, if not implemented, the percentage of affordable housing would revert to whatever the policy was at that time.

54. We are concerned that despite the introduction of the new 2011 Interim Housing Policy developers are increasingly proposing schemes or, exceptionally, seeking to revise existing planning consents on schemes to reduce the level or remove entirely the obligation to provide affordable housing. The Executive Board Member for Neighbourhoods, Housing and Regeneration expressed similar concerns to us during our discussions.

55. Where these situations have arisen we were informed that developers are permitted to submit a financial viability assessment to the Council to be reviewed in order to attempt to justify their position. It was reported that in the last 12 months there have been approximately 46 planning applications for developments attracting affordable housing requirements under the 2011 interim Affordable Housing policy. Six of these resulted in viability appraisals being submitted by developers. Of these, one developer for Temple Point was refused planning permission because the assessment viability report showed a £1m gap in the viability of the scheme if affordable homes had to be provided. The appropriate Plans Panel refused planning permission and consequently four weeks later the developer is to resubmit its planning application having made up a significant part of the shortfall of Section 106 requirements.

56. As background to our discussions Appendix 3 of our report shows the stock of planning permissions held. Appendix 4 shows the housing land availability and Appendix 5 the number of green field housing application sites and the percentage of affordable homes which are to be provided as at the 20th April 2012 which were also considered in our housing growth inquiry.

57. We agreed to consider the issues of financial viability assessment at this point .

Financial Viability Assessment

58. We noted that in order to ensure that affordable housing targets remain flexible and continue to reflect market conditions, all Section106 permissions are time limited to two years.

59. We were surprised to learn that it is only the developer who can submit a financial viability assessment and not the Council and that these assessments are considered on a scheme by scheme basis.

60. We were concerned as to who checks the assessors internally to make sure that they are robustly challenging the financial information contained in those viability reports. We were subsequently advised that

City Development Directorate has now initiated a new process to ensure that officer assessments of financial viability appraisals are being double-checked by senior officers.

Planning Package Section 106 and 278 Agreements

61. Viability is a material planning consideration applicable to all aspects and Section 106 items of a planning application. Therefore, viability has to be taken into account, and cannot be ignored. The City Council can weigh the viability issue and the need to deliver development against the desire to deliver a range of Section 106 benefits such as open space, education and transport contributions. In addition, if an application is submitted that does not meet all the Section106 obligations, discussions can be had with Ward Members to seek to ensure that the obligation package is targeted towards meeting local priorities. We want residential and affordable housing but not at any price. The Executive Board Member for Neighbourhoods, Regeneration and Housing supported us in our view. Whilst the Executive Board cannot assume the decision making authority of the Plans Panels, it can receive periodic reports on the effectiveness of policy.

Recommendation 1

That as the Executive Board sets the policy in relation to the number of affordable homes required by housing area we believe any variations from that policy should be referred back to the Executive Board for approval. However, this should only take place after the relevant Plans Panel has reviewed the financial viability assessment submitted by developers. The Executive Board is asked to approve this approach.

Further Scrutiny

62. As a consequence of the Executive Board's rejection of our interim recommendation we decided to undertake further scrutiny and a review of all the evidence presented to us to determine whether our interim decision had been based on any preconceptions or prejudices of the position or indeed was correct. We had also received contradictory evidence and information from various witnesses on a number of issues which complicated the position and required further clarification.

63. We agreed therefore to look at the potential for a visionary new housing management role for the Council or external provider which would incentivise encourage and reassure financial institutions to invest in residential properties in Leeds and developers to build them and identify the barriers which are blocking progress in this regard. The Council will need to be in a position to underwrite the revenue stream including repair and maintenance, voids, turnover and other risks. We agreed to discuss this with

◊ representatives from the Council's relevant directorates

◊ representatives from three major developers Taylor Wimpey, Persimmon Homes, Yorkshire and Bellway Homes

and

◊ undertake a telecommunications meeting with Mr Douglas Campbell Senior Executive Manager at Clydesdale Bank PLC and Head of Government Relations and other senior representatives of this bank.

Barriers to Affordable Housing

a) City Council Perspective

64. We were advised that there has been growing interest in the opportunity presented by developing and expanding the private rented sector to provide good quality housing. The government's recently released housing strategy "Laying the Foundations" recognises the ability of the private rented sector to offer choice and flexibility in the housing market and through this supporting economic growth and access to jobs. The intention is to encourage greater institutional investment and significantly expand supply nationally through this route.

65. We were informed that the Homes and Communities Agency and the Leeds City Region are exploring the appropriateness of large scale institutional investment to support and expand housing markets across the region.

66. We feel that the City Region Partnership has been slow in responding to a number of issues and this is discussed from paragraph 179 of our report.

67. In accordance with the Council's City Priority Plan 2011 to 2015 growing the city's housing stock and the development of a functioning housing ladder has been an aspiration of the city for some time. As access to home ownership continues to be difficult as a result of low mortgage availability and deposit requirements (even for intermediate products such as shared ownership) and social rented accommodation is in very high demand (with the majority of allocations going to priority need cases), a product which will cater for those in between is an obvious requirement.

68. Developing the private rental market as a contribution to housing choice for economically active households is gaining traction nationally. It reflects a pressing need to meet the pent up demand from those people who want a quality home but who may no longer be able or willing to get a mortgage or simply may decide to delay home ownership until the market has recovered fully. Good quality private rented housing can be seen to appeal to a wide range of households – young professionals, couples with older children, empty nesters who don't necessarily want another mortgage amongst others. The model can therefore potentially support the development of new housing options for people in these categories but will not necessarily alleviate pressures for those in the highest housing need. Although the flexibility offered by renting privately is attractive in some instances, the norm in the sector is for short term tenancies, the security of longer term tenancies in purpose built developments may serve to make the sector more sought after.

69. Residential property investment has historically often sought capital growth rather than income. Institutional investors are also trying to match investments against liabilities, often pension payments, and hence require a steady and reliable income stream in addition to capital growth.

70. In February 2010 the Treasury launched a consultation to consider the contribution the Private Rented Sector could make to addressing housing supply, the aim being to identify if there were any substantive barriers to investment in the sector. The 2011 Budget changes to Stamp Duty Land Tax were made to support large scale investment in rented property by reducing the amount paid on bulk purchases.

71. Real Estate Investment Trusts (REITs) are a recognised model which can support investment of this type as they provide low cost access to capital and diversified exposure for investors. There are recognised barriers to entry and investment associated with REITs. The Government has undertaken to introduce measures to address these through the Finance Bill 2012.

72. Appendix 6 shows a comparison of the types of investors which can be considered and the investment vehicles they might utilise.

73. Investment from large institutions (such as large pension funds or insurance companies) is appealing to policy makers because:-

- ◊ it can help support large new developments that are crucial to meeting national and regional house building targets
- ◊ institutions could deliver higher quality, more professionally managed rented property than smaller ‘buy-to-let’ investors due to their economies of scale and professional experience
- ◊ the stable income returns (rent) and high total returns (rent plus capital growth), and prospects for portfolio diversification should make residential attractive to investors. However, institutional interest has been very limited so far, both in absolute terms and in comparison with other developed economies such as the Netherlands or the United States.
- ◊ It has the potential to meet the needs of a segment of the market which is currently not catered for – those who would not be eligible for social housing but cannot access a mortgage because they lack the deposit. A good quality private rental offer could both meet the requirements of workers, supporting flexibility in the labour market and empty nesters who are disposing of the family home releasing more stock into the housing market.

74. Specific issues to Leeds city centre include a current lack of mortgage finance available to fund residential apartments in the inner urban area, which makes them currently undevelopable as private dwellings for sale or to let, but there is an interest in the housing mix. The current level of demand to lease apartments in the city centre core is strong, in developments such as Brewery Wharf and Granary Wharf, with occupier demand coming from three areas; business workers requiring a city centre base Monday to Friday; people under 30 and single individuals with no children. All sectors are transient with an average occupancy for up to 24 months, secondary / fringe developments such as City Island and Aspect 14 going towards Sheepscar beyond

the Halifax building still have a number of vacant units and attract very little demand.

75. There is also still a considered lack of amenities in the city centre which may discourage family/permanent residencies with no public parks (apart from Park Square) or primary schools nearby.

76. In respect of the rental market, a two bed apartment is still letting for £750 per calendar month (pcm), which was close to what was being achieved at the height of the market.

77. The issue is that the majority of the apartment stock in the city centre is now held as an investment, by default and not owner occupiers, the investment yield has shifted from just under 5% in 2008 to 8-9% now and the impact is highlighted below, which shows a 40% reduction in capital values:-

£750 pcm equates to £9,000 pa

Capitalized at 5% £9,000 pa
Equates to a capital value of
£180,000

However at 8.5%
£750 pcm equates to £9,000 pa
Capitalized at 8.5%
Equates to a capital value of
£105,840

The fall in value for a two bed flat is circa £75,000.

78. The fall in values and current lack of finance is considered a short term 'blip' which will rectify itself once the national economy and current general lack of finance improves.

79. There are a number factors cited by institutional investors as to why residential is unattractive, many of which relate to the differences between residential property and commercial property investments. Central to this is the relatively low level of income return generated by residential investments, less than circa 5% return.

80. A key drawback is also the relative uncertainty of the income stream given its shorter leases, historically financially weaker tenants and the fact that unlike commercial property, residential is not let on full repairing and insuring (FRI) terms.

81. Institutional investors such as pension funds will seek low risk investments and consequently revenue risk is usually entirely passed on to the managing agents in respect of voids, housing management, rent setting and the income stream.

82. Developments need to be of sufficient size to make the investment worthwhile to the institution both in terms of income to make the investment and/or establishment of an investment vehicle worthwhile and investors may not want to be exposed to fragile markets.

83. The extent to which there is a growing market for private rented housing is to a degree untested and it is the view of some agents that this is a temporary feature of the market and people will return to owner occupation when lending conditions return.

84. We noted that traditionally institutional investors are located in the south-east of the UK to achieve a greater return on investment. The concern has been expressed that it is likely that investors will require a spread of investment across a broad geography so that they are not exposed to risk in a single market.

85. These factors, together with the often relatively small lot size and fragmentation of the market, result in much higher management costs that absorb a disproportionately large share of the already low income return as compared to commercial property investments. But the development of larger purpose built properties for let could enable investors to reduce management costs through economies of scale and design out issues that increase running costs.

86. Compared to smaller 'buy-to-let' investors, some of whom will be driven by capital growth, institutional investors place greater weight on the income component of total returns. This may reflect their experience of the commercial property market where values tend to be determined by the current and expected future income produced by a property.

87. With around 70 per cent of the residential market in the hands of owner-occupiers, capital values are determined virtually independently of the income stream. This may also be perceived to be a risk.

88. In the commercial property market a riskier income stream would result in a higher yield requirement on the capital invested, but residential yields are well below those of the commercial market.

89. It is likely that only the larger institutional investors would look to invest a proportion of their portfolios in residential. However, there is little existing stock which would meet their target lot size criteria (>£100m). Large regeneration schemes could offer the potential investment scale in the future although it was noted that site location is key to the success of developing the attractiveness of private renting to low/middle income households as described above.

90. In conjunction with the Leeds City Region, the HCA commissioned a range of feasibility studies with the aim of developing a model to deliver market rented housing. The work was undertaken by Strategic Community Infrastructure Partnership and NPS Architects and considered selected sites in Barnsley, Bradford and Leeds. In Leeds the test site was Bath Road in Holbeck Urban Village.

91. We noted that whilst this study highlighted that this particular site has a number of limitations for this type of model and tenure type, the use of a real site example upon which to work through the proposed financial model has been useful. It indicated that location is key to enable the financial model to work without subsidy and ensure that homes are provided where people want to live. If the risk to the investors and managing agents is to be minimised then the location and surrounding infrastructure, as well as the quality of the development itself must attract sufficient demand and stability to ensure minimal void loss.

92. We were advised that one solution could be to structure the income stream of residential property like a commercial investment. The student accommodation market is a very successful example of this. Its investment performance is based on the size and potential of the income stream generated by the asset and the strength of the covenant rather like commercial property. Because it is purpose built for the student market it also does not attract the same level of affordable housing requirements as general market housing, which improves its financial viability.

93. We learned that there is a viable financial model which works for the student accommodation market, which is operated by the major investors in that sector such as Opal and more locally in Leeds, Evans and

Pickard Properties. The preferred model is based upon a minimum sized model of a 300 bed block which is broken down into clusters of 5 bedrooms with en-suite showers, sharing one living/kitchen area. This breaks down to a 5 bedroom cluster generating an income of £17,000 per annum for an area of approximately 850 sq ft (more than two and a half times what an equivalent sized residential property, say a 3 bed semi-detached house, would generate in a mid range suburb in Leeds.

94. In addition, the student 300 bed blocks are frequently leased to a University in their entirety on Full Repairing and Insuring leases, with the University taking the risk of structural repairs, management and voids. This risk has partly been mitigated by the shortage nationally of good quality student accommodation, and therefore purpose built blocks are in high demand and also that rental is either paid annually in advance or terms in advance, frequently with parents providing personal guarantees.

95. To help increase the overall supply of housing a ‘build to let’ sector could be encouraged. This would require greater flexibility over what determines affordable housing. Investors in new rental accommodation will be required to invest far higher sums of capital than under traditional development models, since their money will be tied up in the long term, whereas traditional house builders sell on immediately upon completion.

96. Such a model could prove particularly helpful on large-scale urban sites, where the presale of units will help developers raise the capital they need for development. The pace of development would also improve because it would not be hampered by the speed at which owner-occupied units can be absorbed into the market place.

97. Alternatively, rented housing that is designed and built for the rental market under a ‘build to let’ model could be delivered through a designated planning use class. This would lower the land value. At present residential housing is developed solely for owner-occupiers, with its value determined solely by this market. If housing was developed that could only be rented and not sold to the owner-occupied market, this would have an impact on the land values by making the product an income-driven asset.

98. Central government should consider fiscal measures to further support ‘build to let’. These might include a tax allowance against rental costs for landlords that rent out property to remove the double taxation that they incur on management. There could be a stamp duty concession for properties purchased for rent as long as they were held for rent for a set period. If they were sold within that period, full stamp duty would apply. This would act as an incentive to provide long-term rental property.

99. Professional managers of rented stock should become accredited landlords adhering to a set of standards covering both private sector organisations and registered social landlords. A mutually agreed set of standards for management of rented housing would have to be developed.

100 In terms of the publics sector’s role in sponsoring private rented sector provision which is backed by institutional investors, we were told that an interface is required between the financial institution and the tenant, this could be the Local Authority to convert what is a risky investment, due to relatively small lot size and high risk on the income stream, into what is considered an acceptable risk adverse investment. This

would entail the transfer of risk to the authority which would be significant given the size of development probably required and the nature of the rental market.

101. In respect of affordable housing investment, in order to reduce the cost of the creation of the investment and therefore improve the yield (return on capital invested), consideration could be given by the Local Authority to contributing land to such a development at nil cost, or to subsidize the shortfall of rental required in order to make the financial investment viable, or relinquish Section106 requirements.

102. Finally, officers agreed in principle our proposal to ask the Executive Board to develop a new a visionary housing management role for the Council or external provider which would incentivise encourage and reassure financial institutions to invest in residential properties in Leeds and developers to build them and identify the barriers which are blocking progress in this regard. We recognise that this will require further work and investigation of the risks and appropriate delivery vehicle by all parties concerned but with the development of a draft Core Strategy this is the time to influence housing policy for the next 25 years.

b) Developers Perspective

103. We referred to the Council's interim housing policy and to the release of a number of green field sites following appeal. We asked developers if the Council's policies were working and in particular the interim housing policy introduced in March 2011.

104. The developers stated to us that delivery of affordable housing is usually from larger sites. The issue is about upping the quantity of affordable housing across the district. It is about looking across the board at how we could improve through the Core Strategy delivery at all sites including the larger ones?

105. The developers referred to the view that whilst the Council always focuses on the percentages of affordable homes to be built when planning applications come forward, actually what drives the viability of a site to a developer is not the percentage but the return the individuals get to transfer to the social rented sector. It is therefore transfer values which are also important to the developers.

106. They explained to us that there are two tenures, intermediate and social rented and it is the social rented transfer value that is particularly low when compared to some of our neighbouring authorities. There is a third tenure affordable rent which Leeds does not have at the present time.

107. A developer suggested in going forward it might be an opportunity to look at some of the transfer values and those of our neighbours which might provide them an opportunity to up the percentage of affordable houses being provided. It is the transfer value that effects viability not necessarily the percentage the Council is seeking.

108. We asked the developers to expand and explain further on what the transfer values are. The developers stated that the transfer value in Leeds is fixed in the Council's affordable housing policy for 4 – 5yrs. When a developer builds an affordable dwelling which is identified on a plan and transfers it to one of the registered social landlords as part of a Section 106 agreement there is a set of transfer values. As already referred to

there are currently two types of tenure. The amount the registered social landlord is obligated to pay to the developer is almost twice the amount to what they would receive for a social rented dwelling. The number of affordable homes required are based on a 50 50 split (50% intermediate and 50% social rented dwellings). The transfer fee for social rented dwellings is particularly low when compared with neighbours. Harrogate Borough Council for example is £900 to £1000 pounds per sq metre for both intermediate and social rented. Leeds pays £500 per sq metre for social rented and this leaves nothing for other Section106 requirements. We were subsequently advised that Harrogate currently have transfer prices for Section 106 units which are based on average house sizes (if the property is bigger than the average for that bed size, the price is pro-rated, up to 100sqm) this price is for the sale of social rented properties and submarket properties:

1 bed 50sqm = £53,061
2 bed 70sqm = £65,871
3 bed 90sqm = £79,230

Leeds' has a transfer price per m2 for social rent (across all property types); and a submarket price (which differs for flats and houses). The benchmark prices are derived from the earnings of an 'average' household on lower quartile earnings in Leeds. A mortgage multiple of 2.75 is assumed, and that the household should pay no more than 30% of net monthly salary on housing rent. Average dwelling sizes of 50m2 (city centre flats), 60m2 (flats elsewhere) and 75m2 (houses) have been used to derive the figures.

Using an example of a 1 bed at 50 sqm and applying the transfer prices in Leeds, this would result in:

- 1 bed house for social rent, to be sold to a RP (at 520 per m2) = £26,000
- 1 bed house for submarket, to be sold to a RP (at £1,215 per m2) = £60,750

Therefore the social rent price at Leeds is substantially lower than in Harrogate, but the submarket price is slightly higher in Leeds than in Harrogate.

109. We suggested that the transfer values are deducted from the purchase cost of the land.

110. They agreed but the low transfer value means that on those difficult sites you are not seeing developments coming forward and therefore improved land values. If the land value is not there to attract the owner to bring it forward to a house builder it will not happen. The house builder will take off his standard profit and not undertake unnecessary risk. All of the risk comes back to the land owner. So if the Council's affordable housing policy is too onerous then land will not come to the market.

111. We responded that the issue and sticking point is the 5% or 35% affordable homes to be provided the contribution of which is all deducted off the value of the land and therefore the person taking the hit therefore is the land owner. The land is only worth what its worth and do owners need to be more realistic?

112. We then referred to the Council's interim housing policy which has reduced the number of affordable homes to be built in four of the five categories. Logically then the beneficiary of this reduction of the number of affordable homes to be provided under the interim housing policy is the land owner who

will get a higher price for the land. However, the intention of the interim policy was also to stimulate housing delivery overall, thereby increasing the amount of affordable housing that is delivered.

113. Developers suggested to us that the Council is benefiting from this change in policy during the current economic crisis and that the reduction to 15% affordable homes for example is helping to 'kickstart' development on green field and brown field sites. They suggested to us that it will probably take 12 to 18 months from now to show through the numbers being built as a consequence of this change in policy.

114. They stated that they want the interim housing policy retaining until the Core Strategy is finalised and there has been time to test and identify the outcomes. They agreed that landowners benefit by the change in policy but only to the point that it gives a land value that they will sell at and get it to the market. They also stated that there was still flexibility to submit a viability assessment if a site cannot afford 15%.

115. The developers claimed that the transfer values for affordable housing is the largest item in the planning package on viability of an overall development and distribution of housing across the city. If they are struggling to make it work on green field sites then it is really difficult on brown field sites where the greatest need is.

116. They commented that the differences between authorities in the delivery of affordable homes is massive. Leeds in their view is more restrictive in its application of policies. They mentioned that Bradford Council simply discounts homes. At Harrogate Council all development sites make a contribution to affordable housing .

117. We stated that we would look at this and that what we wanted at the end of the day was a new delivery model that works.

118. The Executive Member for Neighbourhoods, Housing and Regeneration stated that it was the first time he had been made fully aware of the transfer values and using this rather than the percentage to determine affordable housing provision. He agreed it was an important point and asked from a policy point of view whether we had brought forward the wrong measure and transfer values is what matters rather than an interim policy on percentages.

119. Developers stated to us that they wanted the interim policy to remain as a starting point and discuss the transfer values within the overall development of the new Core Strategy along with other policy changes.

120. We then referred to the interesting position which emerged in the SHLAA process which revealed the developers land ownerships in East Leeds. A discussion ensued with the developers about land holdings and alleged land banking in East Leeds.

121. Persimmons stated that they did own land in East Leeds which was unusual and they were not the only company to do so including the local authority. The developer stated that more usually there was an agreement with the land owner on a price. If and when planning approval was obtained for a site the owners receive a further payment.

122. Developers responded and stated that the references being made was to brown field sites. Land is too expensive to hold on to and with a planning approval there is a big

uplift in the value so it does not make sense to hold on to land.

123. We referred to the Government Select Committee on this issue which clearly states that volume house builders do buy land. Our Chair stated that the village of Scholes is engulfed by land volume house builders - if this is wrong then the information provided in SHLAA is wrong. The people who own the land are not coming forward to develop the land. They own the land and they have to pay the uplift payments when consent is given and they are holding off from doing so.

124. We suggested that it was the allocated sites where a lot of the blockages are coming from in the delivery of affordable homes.

125. A developer stated that the level of affordable homes could be increased but that they needed help in the regeneration areas. There is a big demand in the Easel area but they suggested that individuals cannot get mortgages. Whilst they have equity share schemes where any risk will be shared through an equity product of say 70% 30% split - where does that 30% or 40% come from.

126. A developer stated that he thought all developments should be charged an affordable home fees, particularly from green field sites and the income should pay for the regeneration of the poorer areas which would at the same time create jobs. The shortage of housing is maintaining relatively high house prices but sales in the Easel site are quite good at the moment.

127. All the developers present supported the notion of cross subsidy of affordable housing by reducing the provision of affordable homes in more wealthier areas and using the percentage reduced to fund brown field sites which are often in more needy areas. Whilst supporting this approach we recognise that there are restrictions on how far this can be taken under the current legislation but agreed that cross subsidy should be maximised whenever there is an opportunity to do so and that representations be made to develop this further.

128. We expressed concern that in respect of a number of sites which were under appeal and to which developers had signed up to and provide a specific number of affordable homes (and which were presumably viable at the time) are now coming back asking for the affordable housing figure to be reduced. We asked why is it an issue now? The developers responded that the majority of the sites granted consent have a number of sites optioned with the land owner and the Council's policy has changed.

129. We suggested that the Executive Board had acted in good faith and halved the requirements of affordable homes to be provided in 4 of the 5 categories and that developers were now trying to reduce those reductions even further .

130. Developers responded that the effects from the change in policy does not happen overnight and the Council' interim housing policy is helping to improve delivery of affordable homes.

131. We concluded that the main beneficiaries of the Council's interim housing policy are the land owners in cash terms.

132. We agreed that there needs to be an in depth look at what we can do to bring affordable homes forward making sure the benefit goes to the right place.

133. We also took on board the view that affordable homes in the outskirts of the city may not be so desirable because of rising travel costs. We also recognised that you get more build for your 'buck' in inner city areas because land costs are much less although build costs would probably be similar. So on the proposal of cross subsidy we don't just want the difference between the percentage required say of 15% and the actual number affordable homes provided of 5% i.e. 10% but we also need adding to that the land value difference to get the cross subsidy package right.

134. We discussed housing in Europe and how 70% of the European population rent and 30% own their own homes whilst it is the other way round in the UK and perhaps this is going to change over the coming years.

135. We asked developers whether there is a way in which the city council could play a part in creating a vehicle that would enable developers to build housing which are then available for rent and that a package is available from institutions.

136. A developer stated that he had, acting as a contractor, built 62 homes in EASEL within 10 to 11 months for the City Council. He suggested that we need to look on a site by site basis with an investor in the background to give you x amount so that the developer could blitz the site and build quickly. He stated that the EASEL specification was of a higher standard than those for private sale as they were built to HCA scheme development standards and funded by them.

137. We responded that we had been told by the HCA that on some developments, housing associations had not taken affordable homes because they were below the HCA required standard which they have to be if they form part of their agreed investment programme. The developer responded that this was probably based on size rather than on specification quality.

138. It was agreed that the principle problem of such a product is guaranteeing the rent and none of the developers present wanted to bear the risk of managing property.

139. We suggested that the Council should take on a management role and risk and act as the catalyst by providing land free of charge and linking them to a financial institution for funding. The developer in EASEL stated that he was interested in this approach on a build contract only as there was less risk but a smaller profit.

140. Developers concluded by stating that mortgage availability and lending was the stumbling block in the housing market. They stated that banks needed to be persuaded to have more latitude over their lending. They commented that surveyors are trying to reduce the value of new properties even in the same street where one had just been sold a week or two previously. It is the lenders surveyors who are running the housing market at the moment in their view.

c) Financial Institution Perspective

141. We had a very interesting and valuable telecommunications meeting with Clydesdale Bank PLC and we will be encouraging the Council to make more use of this excellent method of communication which is efficient and effective.

142. We discussed with the bank a range of issues including what is stopping the delivery of affordable homes? What is the availability

of mortgages? What is the credit worthiness of its customers? Do they lend more in affluent areas as opposed to the less wealthy areas? Are volume house builders grumbling about lenders valuers not setting prices high enough. What happens to bank repossessions?

143. The banks participants were not required follow the Banks policy line and so were able to express their own personal views during our discussions with them.

144. They stated that the availability of mortgages is the key issue for the housing market. Whilst they gave 3,606 mortgages last year worth £140b, there are apparently fewer mortgages and there is a lack of supply. It was also reported that international lenders have stopped sub prime lending and certificated lending. Mortgages are still available and banks change product ranges from time to time but they are probably the same as around 5 years ago. They stated that they are a long established and responsible mortgage lender and support first time buyers and those who are able to provide a 5% deposit. Reference was made to Government schemes new buy and shared equity schemes. The bank was of the view that the availability of mortgages was improving.

145. We discussed the proposition put by developers that mortgages were not available. The bank suggested to us that repeated messages of ‘no mortgages’, although a myth, are reinforced by the media and have resulted in some individuals deciding not to apply for a mortgage because they believe they would be wasting their time. It was stated that many of the major bank lenders and building societies over the years have reduced their terms and conditions as to how much they would lend Some banks allowed mortgages of six times a persons annual salary. This increased the level of risk to those banks and building societies who did this and some are now leaving the mortgage market as a consequence. Clydesdale Bank refrained from this type of risk and continues to remain a responsible lender. They require a 5% deposit and expect regular repayments but they will consider all applications. Clearly the ability to repay the mortgage is an important factor in determining whether to lend or not.

146. We asked what percentage of mortgage applications were refused from 2008 to date and the bank responded that whilst they did not have the figures to hand they felt that the number of declined applications has increased but not significantly. They also pointed out that they would consider each case on its merits and would be prepared to slacken its criteria in appropriate circumstances.

147. We asked if the credit worthiness of individuals was linked to earnings only or involved other factors such as the region and area that an individual lives. The bank responded that its requirements were nothing out of the ordinary. It stated that they had a strong and long established customer base who had banked with them for years. This provides them with excellent records in terms of repayments of rent and other financial matters.

148. We asked if the location of a property or block of properties they were being asked to lend on was causing mortgage lenders to shy away from lending in Leeds. They responded that they had no lists of areas they would not consider lending on in Leeds provided its terms and conditions could be met. Every single mortgage application is considered seriously by the bank.

149. The bank referred to the second hand mortgage market and gave an analogy of the new car driven off the forecourt and was then worth £10,000 less than what you had just paid for it. It is the same in the mortgage market. A multi million pound block of apartments could be worth much less than the original cost to build if valuers determine that the market is x one day and then y the next. Indeed the announcement that a power station is to be built near by could mean an even lower value to z. In order to protect themselves as much as possible banks seek safety in numbers and spread the risk.

150. We were informed by the bank that their valuation assessments were undertaken by completely independent assessors.

151. We asked the bank to explain how there are different market values. We were advised that there has and always will be differences in market values across the UK for a whole host of reasons including earnings, location, employment , valuers, land supply and costs.

152. We asked whether volume house builders have a relationship with the bank in order to seek deals and put in place ready made packages to offer its potential customers. We were told that it was not as close as the car market but they had good relations with a number of national and local house builders.

153. We explained that a number of developers were telling us that it was all the fault of the financial institutions that the housing market had stalled. Indeed they tell us that the banks are not lending money. The bank responded that it was good to be challenged in this regard and that mortgage availability was an important factor in the equation. However for example York is blaming its affordable housing for the down turn in its housing market.

154. We were advised by the bank that from their perspective there are three types of developers there is the listed sector like Barratts who in 2009 saw what was coming early and rebased themselves; there are the regional mid size developers who are trying to develop land on yesterdays land values and these will disappear over time; and then there are the small developers who look for small plots, single dwelling sites and they have little or no equity. Their day has passed in the banks view. In future they believe financial institutions will have to deal with the listed sector or nothing. The listed sector has its own difficulties as money is tight. They are less willing to put cash up front and are finding it difficult to persuade land owners to sell to them because the land owners are waiting for an upturn in prices before they consider selling.

155. We stated that there is a strong demand in Leeds for affordable housing with an anticipated 70,000 homes required over the next 15 years as a consequence of population growth and an increasing demand for schools and other necessary facilities. We were advised that two thirds of land values have collapsed and that some land has lost up to 50% of its value so owners are sitting it out.

156. We discussed with the bank that we keep being told that developers do not hold on to land as it is not cost effective. The bank replied that the current market has resulted in a change of attitude amongst developers. This is due to the financial institutions really not being keen to lend money on sites that are not going to be developed quickly and presented as consented and ready to go as a viable scheme. In the present market holding land is not a good idea because it

reduces cash flow and reduces profitability on the books.

157. We asked if the bank lent on a site specific basis and they responded that they did to the listed sector and often as a syndicate to share the risk. We were advised that security was often involved in the form of a covenant .

158. Clearly smaller developers do not have any equity and have no security to allow them to sit on land until they can sell or develop. The bank replied that this was the case and many banks have enforced security and repossessed the land. We asked what the banks attitude was towards repossessed land. Do they want to hold on to it or sell it as quickly as possible? They responded that previously they would have sat it out waiting for an upturn but this was no longer possible . They referred to the Financial Services Authority (FSA) and the1988 accord, now referred to as Basell, on banking supervision. This is to help strengthen the soundness and stability of the international banking system as a result of the higher capital ratios that it required. The Basel III proposals are a long-term package of changes, due to commence on 1 January 2013 and expected to run until 2021. These serve to strengthen the regulatory regime applying to credit institutions. The Basill status categories are of strong good satisfactory or weak. The more you hold out in selling your land holdings for example the more capital you have to put against it to cover the risk. The matrix determines the outcome, value of the asset, ability of the borrower to cover cost, the ability to sustain a down turn. Even if the bank wanted to lend; the FSA we were told has a poor opinion of house builders and the bank has to hold more capital so banks are encouraged to get it off their books as quickly as possible.

159. We talked about the European model and the fact that 70% rent their homes and 30% are owners whilst it is the other way round in the UK. We asked for their views on the rental market.

160. The Bank suggested that rents have to increase or yield go down. They referred to the housing market explosion on property values and that rents were left behind and they have not caught up. Individual landlords receive a return of around 5% for rented residential properties but financial institutions need around 7%. There are 30% costs for repair and rent collection. We agreed that there is a significant buy to let market in Leeds as the low interest rates on capital is encouraging the rental market.

161. We asked if they supported the Board's view that the council needs to be more dynamic and visionary and should develop a new management model to try and incentivise ways in which developers can provide affordable homes. In particular , to unblock the provision of housing and affordable housing in particular. The bank supported this view but agreed it would not be an easy task.

162. We asked what the bank does with land and property it repossess. The bank stated that it disposes of second hand homes; often through public auctions in order to get them off their books as quickly as possible, and obtain some return for their investment. They have to be discounted to make buyers interested and they referred recently to disposing of 60 apartments through auction'. Trying to sell at the moment is extremely difficult. They stated that they prefer property to be vacant but this is not always. In the case of the apartments in Bradford,

they were on a largely completed site and they were all vacant.

163. We suggested that this exacerbates the problem for local authorities as we would be required possibly to find alternative accommodation for tenants or people from repossessed homes.

164. The bank suggested that it was often easier to get financial investment through housing associations.

165. We asked if the bank had considered approaching Leeds City Council's regeneration unit as to whether it was interested in purchasing some of their auctioned properties. We pointed out that Leeds is the second largest Metropolitan Council in the UK after Manchester with a budget of over £2b per annum. The bank admitted it had not and stated that as an industry they were very poor at doing this. Whilst advocating this approach we acknowledged that the Council's own budget is under pressure.

166. We asked them for a view on how the housing market was doing. They stated that they thought that there was some way to go despite some economic recovery in early 2011. This collapsed in the summer of 2011. The situation could therefore worsen before any improvement is made. They will continue to try and support first time buyers whenever possible but reducing disposable incomes and high unemployment will mean this will not be easy. Things will continue to 'bump along the bottom' for the next 12 to 18 months.

167. In terms of their mortgage business they stated to us that things seem a little rosier for the small mortgage lenders like themselves The bigger lenders are reducing the number of mortgages they offer and the Clydesdale Bank is picking up some of that new business. As a consequence they continue to grow with mortgages increasing month on month for the past several months and which is a little better than last year.

168. The bank informed us that they were actually a small lender having 1% to 2% of the market with a cash value of £15b.

169. We thanked the bank for their time who offered to discuss with us any further issues the Board would like raise in a similar forum. We were pleased to have had the opportunity to discuss our issues and concerns with them and hope to continue to develop a relationship with them.

Conclusions on Sections (a) (b) and (c) above

170. We have heard from officers, developers and a financial institution on the barriers and issues preventing the delivery of affordable homes in the city. In particular we discussed the potential for a visionary new housing management role for the Council or external provider, which would incentivise and reassure financial institutions to support the development of an enlarged private rented sector and invest in residential properties in Leeds and also for developers to build them.

171. We have received some contradictory information on a number of issues not least the view from developers that it is the financial institutions and lenders surveyors which are stifling the housing market. The financial institution we spoke to stated that their mortgage position was positive and money was available for borrowers. However, it was often poor credit history or the fact that they had low incomes which was preventing applications from being

progressed. There were clearly difficulties with the liquidity of some developers.

172. We acknowledge that this issue is a national problem across the UK and is a complex and difficult one to address. Much more work will need to be carried out by officers in consultation with our partners if this is to be developed further.

173. We do not have all the answers but we are keenly aware of the opportunities presented to us to influence the development of the Council's new Core Strategy and the delivery of affordable homes in the city ,which will apply for at least the next two generations.

174. With regard to the Council's interim housing policy our original view was that developers are benefiting from this change in policy. Whilst they are we realise that the biggest winners are in fact the land owners (many of whom are developers) as the value of land rises as the percentage of affordable homes is reduced.

175. We feel that the interim housing policy has done little to kick start the housing recovery but recognise that it may take more time to establish whether this is true or not. We remain convinced that the interim housing policy should revert back to the 2008 position for green field sites as soon a possible.

176. We look forward to seeing the monitoring report requested by the Executive Board in the Summer of 2012 on the interim housing policy and will make further comments later in the year on this matter. The current evidence forces us to recommend to the Executive Board that it reverts this policy to the 2008 position for <u>green field</u> sites without delay.

177. We noted that the National Planning Policy Framework re-emphasises the importance of viability in decision making. The lack of new evidence of viability of affordable housing delivery on green field sites is a factor which will have to be considered in making any further policy change.

Recommendation 2

That the Executive Board withdraws the 2011 interim housing policy as a matter of urgency and reinstate the 2008 affordable housing targets in relation to <u>green field</u> sites.

Recommendation 3

That the Executive Board request the Directors of City Development and Environment and Neighbourhoods; as appropriate to;

(i) undertake further work and review the opportunities and potential for a visionary new housing management role for the Council or external provider to remove the barriers around investment in residential properties and affordable homes in the city.

(ii) include in that review whether there are any benefits to Leeds adding affordable rents in the tenure split of intermediate and social housing, to determine whether there would be any benefit from the variation of transfer values in the calculations for the provision of affordable homes

(iii) consider in consultation with Ward Members a reduction in affordable housing that could be achieved in one area to benefit another through a detailed regeneration approach. Where such agreements are reached a higher rate of CIL should be retained in the host area. For example if a site attracts 35% affordable housing; by negotiation with Ward Members 20% may be 'passported' to a priority regeneration area. In return the CIL retention to the donor area would be no less than 85%.

178. We recognised from our discussions with the financial institution that they do not think about approaching local authorities in helping to further their business. They spoke of repossessions and how they often submit them to public auction and receive a low return on their investment as a consequence. We suggested that they should at least ask local authority regeneration units more often before disposing of properties in this way. However, we recognise that local authority budgets are constrained in the current financial climate.

Recommendation 4

That the Directors of City Development and Environment and Neighbourhoods; as appropriate; work closely with all relevant financial institutions to identify and report back to the appropriate Scrutiny Board on ways to deliver the affordable homes needed in the city.

Recommendation 5

That the Directors of City Development and Environment and Neighbourhoods; as appropriate; work closely with all our partners including financial institutions develop an investor model for large scale institutional investment in the rented sector and report on progress to the relevant Scrutiny Board by the Autumn of 2012.

Other Areas of Concern

Leeds City Region

179. We were advised that the 2009 Leeds City Region Housing and Regeneration Strategy recognised that there was a need for the provision of a balanced housing supply, including affordable housing provision, to achieve sustainability and complement economic growth aspirations. Objectives to address this priority aim included

- The need to provide a range of affordable housing products reflecting distinctive place characteristics.
- The promotion of innovative, new City Region models of affordable housing delivery

180. In 2010, the Leeds City Region agreed a Housing Investment Plan with the Homes and Communities Agency (HCA). The four strategic themes within this Plan included

- Accelerating Strategic Growth
- Promoting Eco-living
- Delivering Strategic Urban Renewal
- Supporting Rural Economic Renaissance

181. Within all of these strands was a focus on affordable housing provision. Any areas proposed for housing growth would need to accommodate an element of affordable housing provision. The areas being developed for Urban Eco-Settlements (including the Aire Valley in Leeds) had a focus on sustainability, making homes energy efficient and so more affordable to run. The need for strategic urban renewal incorporated an element of replacing poor quality housing with better quality and more affordable homes. In relation to the needs of rural communities, there was a particular reference to the provision of affordable housing.

182. We were reminded that in 2011 the Leaders Board agreed an Interim Strategy Statement, following the Regional Spatial Strategy (RSS) for Yorkshire and the Humber being revoked. All authorities recognised that the policies in the former RSS, which articulated the urban transformation ambition, should provide the starting point for an interim strategy statement. These should be considered along with policies that safeguard the environmental assets of the city region and the key spatial investment priorities that are set out in the already agreed city region strategies.

183. The authorities in the partnership agreed to support the broad policy thrust of the former RSS and the principles of urban transformation contained in the Plan. To ensure that these principles were retained, the authorities agreed to include certain policies from the approved RSS that addressed spatial and thematic principles. Included among these was the RSS policy on affordable housing (H4). This policy set out targets for affordable housing provision in the different Local Authority Districts. In Leeds, this target is that 30-40% of new housing should be affordable to meet the needs of local communities.

184. The delivery of these strategies has been largely halted due to the new policies bought in by the Coalition Government, including a reduced emphasis on regeneration.

Conclusions and Recommendations

185. The provision of affordable housing through the planning system has been much reduced. This was partly due to the general lack of new development projects and partly by sites with existing planning approvals not being progressed due to market conditions. Developers are asking for existing Section 106 agreements to be renegotiated as the viability of their schemes have changed due to the substantial changes in both the lending practice of financial institutions and in the city region's housing market.

186. Recent announcements have given hope that housing growth in some City Region areas (especially Barnsley, Calderdale and Wakefield) may be supported through a new fund to be operated by the HCA for locally planned large scale development.

187. The provision of affordable housing has also been affected by the changed definition of 'affordable rent', to include homes provided at 80% of market rents. In some areas of the city region there is little difference between affordable and market rents. In other areas, the difference is significant, as shown in the appendix 7. This difference is both between and within authorities, reflecting the diversity of housing markets across the city region.

188. Funding for the provision of affordable housing also changed and now relies on

- The borrowing capacity of Registered Providers
- Cross subsidy, including Section 106 agreements
- HCA funding
- Other funding including free land and Local Authority contributions from the New Homes Bonus

189. The way that the HCA distributes its funds has also changed. It now enters into contracts with individual registered providers (RPs) to provide a number of affordable homes in local authority or city region areas. These plans are discussed with local authorities but generally the locations of new housing schemes will rely on the business plans of the RPs rather than the strategy of a city region or local authority.

190. Due to the recession and the credit crunch, the majority of affordable housing funding streams have been affected. The development industry has considerably reduced its output. Since 2010 the total (estimated) dwelling stock has only increased by 6,800 homes or by around 0.5%. This is illustrated in appendix 8 of our report, which shows the net additional dwellings for each local authority – for different reporting years.

191. The Leeds City Region sets a general and high level strategy direction for the area. Although the provision of affordable housing is a strategic priority, changes to the way that housing schemes are delivered has had a major impact on both this priority and the delivery of the city region strategies.

192. We note that the delivery of affordable housing now rests entirely with local authorities, delivering through the planning process and the agreements between the HCA and registered providers. The new focus on localism has increased the importance of the local planning system to assess the housing requirements of local neighbourhoods and to deliver what is required.

193. We are disappointed at the progress being made by the Leeds City Region Partnership in developing strategies and initiatives to unblock the barriers which are preventing

delivery of housing in the city region and particularly affordable homes.

194. We refer to our previous inquiry on housing growth and our recommendation to the Leeds City Region Partnership. We recommended that where a local authority makes either an over or under provision of new homes above or below locally evidenced targets, that both these circumstances are taken into account in arriving at the overall scale of provision of new homes in the city region. These arrangements for the provision of new homes is to be agreed through the Leaders Board of the Partnership and incorporated into each authorities' Core Strategy in the city region. We see no evidence that this is being acted upon. It is extremely surprising when it would help the Leeds City Region Partnership to meet their housing targets and reduce the demand for green field land.

195. We refer to our discussion with one of the financial institutions who, by their own admission are small players in the housing market with only 1% or 2% of the market share but has a value of £15b. The City Region Partnership needs to 'pool' some of its resources quickly in order to take advantage of a depressed market and look to the financial institutions who are auctioning property off at discounted prices. We should be bidding to purchase suitable property as a quicker and cheaper alternative to providing new affordable homes.

Recommendation 6

That the Director of Environment and Neighbourhoods and the Director of City Development; as appropriate; work with the Homes and Community Agency to assist local authorities to meet their housing targets and work with financial institutions to purchase suitable repossessed properties at discounted prices as a way of meeting the housing needs of people in this city particularly those in the most deprived areas.

Other Areas of Concern

Community Infrastructure levy

196. We refer to our final report and recommendations following our previous inquiry on housing growth. In particular our recommendation to the Executive Board that 80% of the income raised through the Community Infrastructure Levy (CIL) be ring fenced for the benefit of local communities, and also whether this level was appropriate.

197. The Executive Board in November 2011 welcomed our report and the valuable contribution it had made to the housing growth debate. However, it requested a further report with regard to our proposal on this issue for December 2011.

198. In December 2011, the Executive Board considered a report by the Director of City Development setting out the Council's proposed response to the government

consultation on the Community Infrastructure Levy (CIL). The report provided a broad background to the CIL and its implementation in Leeds. It also set out the issues for the consultation document and proposals for officers to take this work forward. The report also addressed the recommendation of the Scrutiny Board.

199. The key issues and questions relevant to Leeds at that time were based around the following points:

- The implementation of neighbourhood funds.
- The 'meaningful proportion' percentage of the CIL to be passed to the community.
- Requiring authorities to report more openly and regularly on receipts and expenditure.
- Allowing the CIL receipts to be used to provide affordable housing

200. The Executive Board felt that such a proposal runs counter to the purpose behind the CIL, which specifically seeks to loosen the present link between a development and the infrastructure it funds, in order to fund strategic level infrastructure. The Government considers that people are more likely to accept and support new development if they are satisfied that it is meeting the demands of their area and see that their communities will benefit, or at least not suffer, as a result. channelling resources close to where development takes place will help change attitudes towards development, There is support when neighbourhoods see that the needs arising from development are being directly met and with meaningful control over the funds placed with the community itself. It will give local authorities and their communities the means and flexibility to manage the impacts of new development and ensure that they share in the benefits of growth.

201. The government therefore propose that a 'meaningful proportion' of the CIL will be passed onto locally elected councils, i.e. in Leeds this is parish and town councils.

202. Where no parish council exists, the authority would retain the funds and should engage with their communities in determining how to spend those receipts.

203. In response to the Government's consultation the report to Executive Board stated that it would be appropriate to set a low percentage, perhaps 5-10% as the 'meaningful proportion' as it would always be open to authorities to increase this if local circumstances and priorities made this appropriate. This would take into account the overriding need for the CIL to fund strategic infrastructure; that councils should have flexibility over their spending decisions; and that they could still choose to spend the CIL in locally affected areas as necessary. It should be noted that Executive Board did **not** agree to send the comments to the Government.

204. We noted that the aims of the CIL is to help pay for strategic infrastructure necessary as a result of cumulative development, which does not get funded under the current Section 106 system as it is not directly attributable to specific developments. We were advised that these major infrastructure projects include the New Generation Transport (NGT) (£250m), the flood alleviation scheme (Phase 1 - £75m, full scheme £180m), a City Centre park (£40m), park and ride facilities and major repairs to the Inner Ring Road amongst others.

205. We note that allocating a higher percentage to be passed to local areas would be at odds with the government's intention and could frustrate the Council`s ability to bring forward these major initiatives. However we believe that 5% to 10% is not 'meaningful' enough if it is to persuade local communities to give up land for new housing.

206. We note that the costs of these major schemes and the replacement for pooled contributions will form the basis for the Council's Charging Schedule. These are the things that the Council will have to establish as necessary to support growth and which it is therefore reasonable to fix the charge against. However, we believe that the majority of the CIL should go to local communities. We would be letting communities down if they did not receive a larger slice of the cake than what is being proposed.

207. We therefore wish to continue to press for an increase in the percentage to be allocated to communities from the CIL.

Recommendation 7

That the Scrutiny Board reaffirms that the percentage allocation to be made available to communities from the Community Infrastructure Levy (CIL) should be 80% and that the Executive Board be asked to consider this matter again.

208. We also are keen to see the proposed charging schedule as soon as it is available in draft form having regard to the fact that Section 106 in its present form will no longer be available in April 2014.

Recommendation 8

That the Director of City Development submit; at an early stage in the process; a draft of the proposed Charging Tariff/Schedule for the CIL to the appropriate Scrutiny Board in accordance with the agreed CIL timetable so that it can be examined at inquiry.

Other Areas of Concern

Results of the 2012 Census & National Planning Policy Framework

209. We received a paper on the results of the 2012 census which was published by the Office for National Statistics (ONS) in February 2012. A copy of this document is attached as appendix 9. This was published after our report on Housing Growth

210. We noted that the latest sub - national projections 2010 to 2035 are lower than the 2008 based projections which suggested that the population of Leeds would increase to just over 1m by 2033. The ONS are now projecting that by 2033 the population would be 928,000.

211. The latest ONS projection corroborates the population forecasts made in the City Council's Strategic Housing Market Assessment (SHMA) 2011. Several of the incorrect assumptions used in the 2008 ONS population estimates (which were corrected

by the SHMA) have since been corrected in the latest ONS projections. Nevertheless, the latest ONS projections are still higher than the figures in the Core Strategy Publication Draft. Further validation of the SHMA forecasts will be provided by the results of the 2011 Census, which may provide reason to revise the Core Strategy housing requirement.

212. We consider that the Council's housing target should be reduced downwards in accordance with the ONS projection.

213. We also noted the position with regard to windfall sites in the Government's National Planning Policy Framework. It says "Local Planning Authorities may make an allowance for windfall sites in the five year supply if they have compelling evidence that such sites have consistently become available in the local area and will continue to provide a reliable source of supply. Any allowance should be realistic having regard to the Strategic Housing Land Availability Assessment, historic windfall delivery rates and expected future trends, and should not include residential gardens." It is appreciated that any increase or decrease in the windfall allowance will need to be justified in terms of the SHLAA and realistic evidence of historic trends.

Recommendation 9

That the Director of City Development and Director of Environment and Neighbourhoods

(i) press for a reduction in the Council's housing target as a consequence of the revised population projection by the Office for National Statistics and report back to the appropriate Scrutiny Board on the outcome.

(ii) request an increase in the windfall figure for Leeds as a result of the publication of the National Planning Policy Framework.

Evidence

Monitoring arrangements

Standard arrangements for monitoring the outcome of the Board's recommendations will apply.

The decision-makers to whom the recommendations are addressed will be asked to submit a formal response to the recommendations, including an action plan and timetable, normally within two months.

Following this the Scrutiny Board will determine any further detailed monitoring, over and above the standard quarterly monitoring of all scrutiny recommendations.

Reports and Publications Submitted

Background paper on affordable housing by the Director of Environment and Neighbourhoods (9th November 2011)

Background paper on affordable housing by the Director of City Development (9th November 2011)

Note of the Scrutiny Board (Regeneration) Working Group meeting held on 9th November 2011 (16th January 2012)

Report for the National Housing Federation on A Housing Market Analysis July 2011 BY Oxford Economics

Background paper on stock and quality maintenance and rent and price setting by the Director of Environment and Neighbourhoods (16th January 2012)

Paper on Leeds City Council and other Local Authorities approach to benchmark figures (16th January 2012)

A report on the Community Infrastructure Levy – Background information, the Leeds context and consultation response to the Government's draft regulations for reform by the Director of City Development to the Executive Board on 14th December 2011 (16th January 2012)

Background paper on rent levels by the Director of Environment and Neighbourhoods (16th January 2012)

Background paper on the Leeds Homes Register by the Director of Environment and Neighbourhoods (16th January 2012)

Background paper on house prices by the Director of Environment and Neighbourhoods (16th January 2012)

Paper on Greenfield housing appeal sites in Leeds (16th January 2012)

Verbal report on habitability by the Director of Environment and Neighbourhoods (16th January 2012)

Reports and Publications Submitted (continued)

Note of the Scrutiny Board (Regeneration) Working Group meeting held o 16th January 2012

Commuted sums update and methodology by the Director of City Development (16th January 2012)

Draft National Planning Policy Framework 2011 by emailed link

Council's Consultation Draft Core Strategy published on 28th February 2012

National Planning Policy Framework published by the Government on 27th March by emailed link

Discussion paper on institutional investment in the residential sector of the UK property market by the Director of City Development (2nd April 2012)

Background paper on the Council's approach to examining the financial viability of developments to provide affordable homes (2nd April 2012)

Statutory Instruments 2012 No 637Town and Country Planning England The Neighbourhood Planning (General) Regulations 2012 (emailed to Members of the Working Group)

Design and quality standards by the Housing Corporation April 2007 (emailed to Members of the Working Group)

Paper by the Head of Scrutiny and Member Development on consultation with Ward Members concerning Section 106 schemes and update on the Community Infrastructure Levy (CIL) Charging Tariff (24th April 2012)

Director of City Development's report in response to proposals by the Scrutiny Board that the Council develop a new housing management role and offer at nil cost to preferred financial institutions land for residential development subject to conditions (24th April 2012)

Information by the Director of City Development on the average costs of rents and mortgages in Europe and whether there are lessons to be learned from their housing models (24th April 2012)

Paper on the City Region Partnership and Affordable Housing by the Assistant Chief Executive (Planning, Policy and Implementation) (24th April 2012)

Briefing notes by the Director of City Development on the number of sites which could attract "affordable housing" and how the figure of 30% new housing on Protected Area of Search (PAS) has been determined (24th April 2012)

Note of a teleconferencing session with Yorkshire Bank part of the Clydesdale Bank Exchange at 4pm on 24th April 2012

Briefing note by the Director of Environment and Neighbourhoods providing examples of affordable housing on recent developments (submitted to the housing growth inquiry)

* date in bracket is when it was considered by the Scrutiny Board Working Group

Witnesses Heard

Councillor P. Gruen, Executive Board Member, Neighbourhoods, Housing and Regeneration

Mr P. Crabtree, Chief Planning Officer, City Development Directorate

Mr M. Sellens, Head of Planning Services, City Development Directorate

Ms N.Yunis, Planning Policy, Affordable Housing, City Development Directorate

Mr R Coghlan, Planning Policy Team leader, City Development Directorate

Ms M. Gjessing (MG), Housing Investment Manager, Environment & Neighbourhoods Directorate

Mr D. Newbury, Area Planning Manager, City Development Directorate

Mr B. Middleton, Senior Surveyor, City Development Directorate

Mr M. Blackett, Senior Surveyor, City Development Directorate

Mr C. Gomersall, Head of Property Services, City Development Directorate

Mr A. Haig, Regional Policy Team, Planning, Policy and Improvement Directorate

Mr J. Kirkam, Strategic Land and Planning Director, Persimmon Homes

Mr D. Jones, Managing Director, Bellway Homes, Yorkshire

Mr M Johnson, Dacres Planning, representing Mr J Murphy, MD Taylor Wimpey

Mr C. Blackburn, Project Manager, Planning, Policy and Improvement Directorate

Telecommunication Meeting 24th April 2012 with:

Mr Douglas Campbell Senior Executive Manager at Clydesdale Bank PLC and Head of Government Relations

Mr R McNaughton (Property / Development/Institutional investment), Clydesdale Bank PLC

Mr B Paviour (Product Manager for mortgages), Clydesdale Bank PLC

Dates of Scrutiny

27th September 2011, Scrutiny Board (Regeneration)

9th November 2011, Scrutiny Board (Regeneration) Working Group

16th January 2012, Scrutiny Board (Regeneration) Working Group

2nd April 2012, Scrutiny Board (Regeneration) Working Group

24th April 2012, Scrutiny Board (Regeneration) Working Group

24th April 2012, Telephone Conferencing session with representatives of Scrutiny Board (Regeneration) Working Group and Clydesdale Bank PLC

17th May 2012 Scrutiny Board (Regeneration)

Appendix 1

CITY WIDE RSL RENTS

LEEDS	**1 Bed**	**2 Bed**	**3 Bed**	***All***
Council Rent (average per week)	£57.41	£63.62	£70.36	***£65***
RSL Target Rent (average per week)	£60.11	£67.75	£73.68	***£67***
RSL Gross Rent (average per week)	£93.46	£85.64	£103.54	***£101***
Market Rent (average per week)	£109.00	£137.00	£154.00	***£133***
New LHA Rate (30% level)	£101.54	£121.15	£137.31	
80% of market rent	£87	£110	£123	**£106**
Difference to RSL Target Rent@80%	*£27*	*£42*	*£50*	***£39***
70% of market rent	£76	£96	£108	**£93**
Difference to RSL Target Rent@70%	*£16*	*£28*	*£34*	***£26***
60% of market rent	£65	£82	£92	**£80**
Difference to RSL Target Rent@ 60%	*£5*	*£14*	*£19*	***£13***
50% of market rent	£55	£69	£77	**£67**
Difference to RSL Target Rent @ 50%	*-£6*	*£1*	*£3*	***-£1***
Annual difference in rent per property between 80% and RSL rent	*£1,409*	*£2,176*	*£2,575*	***£2,049***
Annual Difference in rent per property between 70% and RSL rent	*£842*	*£1,464*	*£1,774*	***£1,357***
Annual Difference in rent per property between 60% and RSL rent	*£275*	*£751*	*£973*	***£666***
Annual Difference in rent per property between 50% and RSL rent	*-£292*	*£39*	*£173*	***-£26***
Annual additional rental income from 37 tenancies p.a. @ 80% market rent	£21,130	£32,643	£18,025	***£71,798***
Annual additional rental income from 37 tenancies p.a. @ 70% market rent	£12,628	£21,957	£12,420	***£47,005***
Annual additional rental income from 37 tenancies p.a. @ 60% market rent	£4,126	£11,271	£6,814	***£22,211***
Annual additional rental income from 37 tenancies p.a. @ 50% market rent	-£4,376	£585	£1,208	***-£2,582***

Appendix 1

LOCAL RSL RENTS

LEEDS - 3 Bed	***Roundhay***	***Inner NW***	***Otley***	***Chapel Allerton***	***Pudsey***	***Cross-gates***	***Morley***	***Chapel-town***	***Armley***	***Gipton/ Seacroft***	***Harehills***	***Halton Moor***	***Holbe***
Council Rent (average per week)	£70	£70	£70	£70	£70	£70	£70	£70	£70	£70	£70	£70	
RSL Rent (average per week)	£74	£74	£74	£74	£74	£74	£74	£74	£74	£74	£74	£74	
Market Rent (average per week)	£242	£173	£190	£173	£159	£167	£166	£148	£146	£130	£130	£130	
80% of market rent	*£194*	*£138*	*£152*	*£138*	*£127*	*£134*	*£133*	*£118*	*£117*	*£104*	*£104*	*£104*	
Difference to RSL Rent@80%	£120	£64	£78	£64	£53	£60	£59	£44	£43	£30	£30	£30	
70% of market rent	*£169*	*£121*	*£133*	*£121*	*£111*	*£117*	*£116*	*£104*	*£102*	*£91*	*£91*	*£91*	
Difference to RSL Rent@70%	£95	£47	£59	£47	£37	£43	£42	£30	£28	£17	£17	£17	
60% of market rent	*£145*	*£104*	*£114*	*£104*	*£95*	*£100*	*£100*	*£89*	*£88*	*£78*	*£78*	*£78*	
Difference to RSL Rent@ 60%	£71	£30	£40	£30	£21	£26	£26	£15	£14	£4	£4	£4	
50% of market rent	*£121*	*£87*	*£95*	*£87*	*£80*	*£84*	*£83*	*£74*	*£73*	*£65*	*£65*	*£65*	
Difference to RSL Rent @ 50%	£47	£13	£21	£13	£6	£10	£9	£0	-£1	-£9	-£9	-£9	
Annual difference in rent per property between 80% and RSL rent	£6,219	£3,349	£4,056	£3,349	£2,766	£3,099	£3,058	£2,309	£2,226	£1,560	£1,560	£1,560	
Annual Difference in rent per property between 70% and RSL rent	£4,961	£2,449	£3,068	£2,449	£1,940	£2,231	£2,194	£1,539	£1,466	£884	£884	£884	

Appendix 1

Annual Difference in rent per property between 60% and RSL rent	£3,702	£1,550	£2,080	£1,550	£1,113	£1,362	£1,331	£770	£707	£208	£208	£208
Annual Difference in rent per property between 50% and RSL rent	£2,444	£650	£1,092	£650	£286	£494	£468	£0	-£52	-£468	-£468	-£468

LOCAL RSL RENTS

LEEDS - 2 Bed	***Roundhay***	***Inner NW***	***Otley***	***Chapel Allerton***	***Pudsey***	***Cross-gates***	***Morley***	***Chapel-town***	***Armley***	***Gipton/ Seacroft***	***Harehills***	***Halton Moor***	***Holbeck/Beeston Hi***
Council Rent (average per week)	£64	£64	£64	£64	£64	£64	£64	£64	£64	£64	£64	£64	£64
RSL Rent (average per week)	£68	£68	£68	£68	£68	£68	£68	£68	£68	£68	£68	£68	£68
Market Rent (average per week)	£150	£150	£152	£159	£144	£136	£132	£118	£105	£123	£110	£115	£88
80% of market rent	*£120*	*£120*	*£122*	*£127*	*£115*	*£109*	*£106*	*£94*	*£84*	*£98*	*£88*	*£92*	*£70*
Difference to RSL Rent@80%	£52	£52	£53	£59	£47	£40	£37	£26	£16	£30	£20	£24	£2
70% of market rent	*£105*	*£105*	*£106*	*£111*	*£101*	*£95*	*£92*	*£83*	*£74*	*£86*	*£77*	*£81*	*£62*
Difference to RSL Rent@70%	£37	£37	£38	£43	£32	£27	£24	£14	£5	£18	£9	£12	-£7
60% of market rent	*£90*	*£90*	*£91*	*£95*	*£86*	*£82*	*£79*	*£71*	*£63*	*£74*	*£66*	*£69*	*£53*
Difference to RSL Rent@ 60%	£22	£22	£23	£27	£18	£13	£11	£2	-£5	£5	-£2	£1	-£16
50% of market rent	*£75*	*£75*	*£76*	*£80*	*£72*	*£68*	*£66*	*£59*	*£53*	*£62*	*£55*	*£58*	*£44*
Difference to RSL Rent @ 50%	£7	£7	£8	£11	£4	£0	-£2	-£9	-£16	-£7	-£13	-£11	-£24
Annual difference in rent per property between 80% and RSL rent	£2,687	£2,687	£2,771	£3,062	£2,438	£2,105	£1,939	£1,356	£815	£1,564	£1,023	£1,231	£108
Annual Difference in rent per property between 70% and RSL rent	£1,907	£1,907	£1,980	£2,235	£1,689	£1,398	£1,252	£743	£269	£925	£451	£633	-£349

Appendix 1

Annual Difference in rent per property between 60% and RSL rent	£1,127	£1,127	£1,190	£1,408	£940	£691	£566	£129	-£277	£285	-£121	£35	-£807
Annual Difference in rent per property between 50% and RSL rent	£347	£347	£399	£581	£191	-£17	-£121	-£485	-£823	-£355	-£693	-£563	-£1,265

LOCAL RSL RENTS

LEEDS - 1 Bed	***Roundhay***	***Inner NW***	***Otley***	***Chapel Allerton***	***Pudsey***	***Cross-gates***	***Morley***	***Chapel-town***	***Armley***	***Gipton/ Seacroft***	***Harehills***	***Halton Moor***	***Holbeck/Beeston Hill***	***East End Park***	***Cit Wid***
v average per week	£57	£57	£57	£57	£57	£57	£57	£57	£57	£57	£57	£57	£57	£57	**£5**
RSL Rent (average per week)	£60	£60	£60	£60	£60	£60	£60	£60	£60	£60	£60	£60	£60	£60	**£6**
Market Rent (average per week)	£125	£116	£125	£125	£118	£107	£108	£106	£90	£95	£82	£82	£81	£75	**£10**
80% of market rent	*£100*	*£93*	*£100*	*£100*	*£94*	*£86*	*£86*	*£85*	*£72*	*£76*	*£66*	*£66*	*£65*	*£60*	*£8*
Difference to RSL Rent@80%	£40	£33	£40	£40	£34	£26	£26	£25	£12	£16	£6	£6	£5	£0	**£2**
70% of market rent	*£88*	*£81*	*£88*	*£88*	*£83*	*£75*	*£76*	*£74*	*£63*	*£67*	*£57*	*£57*	*£57*	*£53*	*£7*
Difference to RSL Rent@70%	£28	£21	£28	£28	£23	£15	£16	£14	£3	£7	-£3	-£3	-£3	-£8	**£1**
60% of market rent	*£75*	*£70*	*£75*	*£75*	*£71*	*£64*	*£65*	*£64*	*£54*	*£57*	*£49*	*£49*	*£49*	*£45*	*£6*
Difference to RSL Rent@ 60%	£15	£10	£15	£15	£11	£4	£5	£4	-£6	-£3	-£11	-£11	-£11	-£15	**£5**
50% of market rent	*£63*	*£58*	*£63*	*£63*	*£59*	*£54*	*£54*	*£53*	*£45*	*£48*	*£41*	*£41*	*£41*	*£38*	*£5*
Difference to RSL Rent @ 50%	£3	-£2	£3	£3	-£1	-£7	-£6	-£7	-£15	-£13	-£19	-£19	-£20	-£23	**-£**
Annual difference in rent per property between 80% and RSL rent	£2,080	£1,706	£2,080	£2,080	£1,789	£1,331	£1,373	£1,290	£624	£832	£291	£291	£250	£0	**£1,4**

Appendix 1

Annual Difference in rent per property between 70% and RSL rent	£1,430	£1,102	£1,430	£1,430	£1,175	£775	£811	£738	£156	£338	-£135	-£135	-£172	-£390	**£84**
Annual Difference in rent per property between 60% and RSL rent	£780	£499	£780	£780	£562	£218	£250	£187	-£312	-£156	-£562	-£562	-£593	-£780	**£28**
Annual Difference in rent per property between 50% and RSL rent	£130	-£104	£130	£130	-£52	-£338	-£312	-£364	-£780	-£650	-£988	-£988	-£1,014	-£1,170	**-£28**

Housing Association Stock

Housing Association	**High Market Rental Value areas**	**Medium to High Market Rental Value areas**	**Low to Medium Market Rental Value areas**	**Low Market Rental Value areas**
Leeds Federated	3.8%	18.3%	14.9%	63.1%
Connect	26.7%	8.5%	33.3%	36.7%
Places for people	1.8%	7.7%	34.4%	56.0%
Unity	8.4%	5.6%	25.8%	60.2%
Yorkshire Housing	9.0%	35.6%	27.9%	27.5%
Leeds and Yorkshire	5.3%	59.6%	30.5%	4.6%
Chevin	31.3%	23.5%	38.4%	6.8%
Sanctuary	43.8%	5.8%	41.8%	8.6%
Anchor	29.6%	17.4%	26.4%	26.5%
Affinity Sutton			59.8%	40.2%
Leeds Jewish		100.0%		
Headrow	27.3%	16.9%	18.5%	37.3%
Guiness Northern Counties		21.5%	11.3%	67.2%
Housing 21	77.7%			22.3%
Accent Group	44.1%	13.4%	29.1%	13.4%

Appendix 1

Jephson	21.9%			78.1%
Home Group		100.0%		
English Churches	11.4%			88.6%
MHA	77.3%			22.7%
York	100.0%			
Hanover	45.0%	35.0%	20.0%	
Railway		90.7%		9.3%
ALL housing associations	**16.1%**	**20.4%**	**26.4%**	**37.2%**

Affordability of various rental products Leeds 2010	***Rent Level***	***Bottom 10% income (£123 per week)***	***Bottom 25% income (£323 per week)***	***Average income (£508 per week)***
Full Market rent (All Properties, All Areas)	£133	108.13%	41.18%	26.18%
Full Market rent (All Properties, High rent areas)	£161	130.89%	49.85%	31.69%
Full Market rent (All Properties, Mid rent areas)	£131	106.50%	40.56%	25.79%
Full Market rent (All Properties, Low rent areas)	£108	87.80%	33.44%	21.26%
80% Market rent (All Properties, All Areas)	***£106***	***86.18%***	***32.82%***	***20.87%***
80% Market rent (All Properties, High rent areas)	***£129***	***104.88%***	***39.94%***	***25.39%***
80% Market rent (All Properties, Mid rent areas)	***£105***	***85.37%***	***32.51%***	***20.67%***
80% Market rent (All Properties, Low rent areas)	***£87***	***70.73%***	***26.93%***	***17.13%***
RSL Target rent (All Properties, All Areas)	£62	50.41%	19.20%	13.39%

Appendix 1

RSL Target rent (All Properties, High rent areas)	£62	50.41%	19.20%	13.39%
RSL Target rent (All Properties, Mid rent areas)	£62	50.41%	19.20%	13.39%
RSL Target rent (All Properties, Low rent areas)	£62	50.41%	19.20%	13.39%
RSL Gross rent (All Properties, All Areas)	£101	82.11%	31.27%	19.88%
RSL Gross rent (All Properties, High rent areas)	£101	82.11%	31.27%	19.88%
RS: Gross rent (All Properties, Mid rent areas)	£101	82.11%	31.27%	19.88%
RSL Gross rent (All Properties, Low rent areas)	£101	82.11%	31.27%	19.88%
Council rent (All Properties, All Areas)	£59	47.97%	18.27%	11.61%
Council rent (All Properties, High rent areas)	£59	47.97%	18.27%	11.61%
Council rent (All Properties, Mid rent areas)	£59	47.97%	18.27%	11.61%
Council rent (All Properties, Low rent areas)	£59	47.97%	18.27%	11.61%

Appendix 1

Low Market Rental Value areas	Total Lettings	%
AVH Inner	583	11.5%
Belle Isle	194	3.8%
Seacroft South	208	4.1%
Gipton	311	6.1%
Burmantofts	332	6.5%
Halton Moor/Osmondthorpe	174	3.4%
Richmond Hill	108	2.1%
Little London	216	4.3%
	2126	**41.9%**
Low to Medium Market Rental Value areas		
Seacroft North	197	3.9%
Harehills and Chapeltown	68	1.3%
Armley	312	6.1%
Wortley	238	4.7%
Bramley	267	5.3%
Swarcliffe	118	2.3%
	1200	**23.6%**
Medium to High Market Rental Value areas		
Kippax	80	1.6%
Kirkstall	282	5.6%
Meanwood	108	2.1%
Morley	331	6.5%
	801	**15.8%**
High Market Rental Value Areas		
Wetherby	46	0.9%
Moortown	193	3.8%
Rothwell	145	2.9%
Aireborough and Otley	169	3.3%
Pudsey	194	3.8%
Horsforth	122	2.4%
Garforth	82	1.6%
	951	**18.7%**
ALL Lettings	**5078**	**100.0%**

Appendix 2

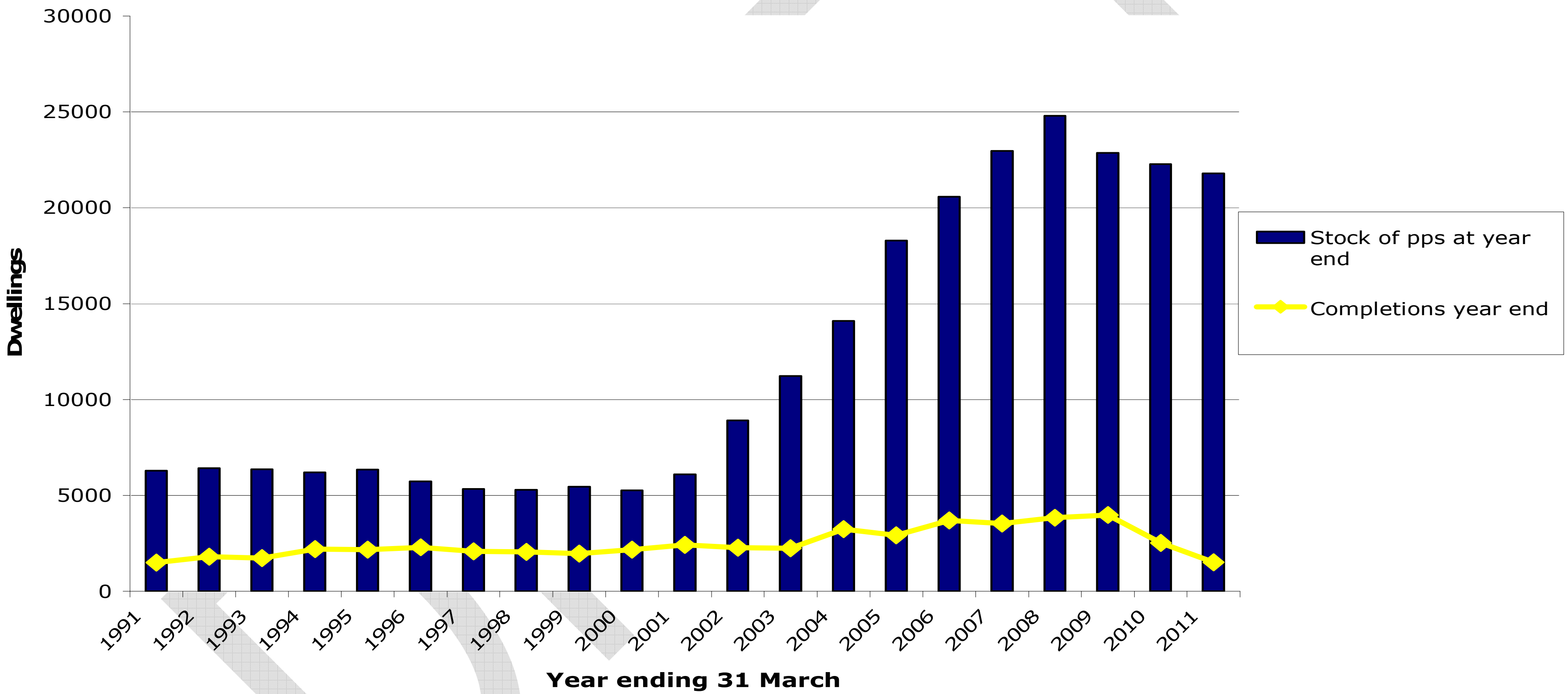
Interim Housing Policy 2011 Affordable Housing

Housing Market Zone	Total affordable housing required	Proportion of social rented required	Proportion of submarket/ intermediate required
Outer area/rural north	35% (30%)	50%	50%
Outer suburbs	15% (30%)	50%	50%
Inner suburbs	15% (30%)	40%	60%
Inner areas	5% (15%)	0%	100%
City Centre	5% (15%)	40%	60%

The broad geographical area including the policy requirement together with the original policy requirement (bracketed) are shown in the table above.

Appendix 3

Stocks of planning permissions and completions 1991-2011



Appendix 4

Housing Land Availability - Housing sites of 15+ units

Information taken from Housing Land availability database and correct as at 31st December 2011.

Outline permission	10,428 units
Detailed permission	15,738 units

Total with permission 26,166 units on 194 sites

75 sites with permission for 8,652 units which have started and 1,541 units under construction and 4,983 completed giving a total of 6,524 units out of 15,738 with detailed permission (41.5%).

16,850 units on sites with permission but not started

3,612 units on sites where permission expires in 2012

5,010 units on sites where permission expires in 2013

4,768 units on sites where permission expires in 2014

2,538 units on sites where permission expires in 2015+

727 units on sites where permission now expired

195 units on a site where extension decision pending

APPENDIX 5

GREENFIELD HOUSING APPEAL SITES IN LEEDS **Position at 20th April 2012**

UDP Status	Location	Number of Dwellings	Area	Current position
Phase 2	Greenlea, Yeadon	40 (Outline) 30 (Detailed)	1 ha	Outline Allowed 20/10/09 11/02980/FU for 30 and 15% affordable housing approved subject to 106 ensuring early delivery at West Panel on 10 Nov - Charles Church On site now – 5 affordable houses to be delivered
Phase 3	Selby Road, Garforth	78 (outline) 69 (Detailed)	3 ha	Outline Allowed 27/11/09 11/03814/FU for 68 houses with 15% affordable approved at East Panel on 26th Jan – Ben Bailey Homes Now on site – 10 affordable dwellings to be delivered
Phase 2	Pudsey Road, Swinnow	11 (Outline) 10 (Detailed)	1.3 ha	Outline Allowed 27/11/09 11/02114/RM approved 22/08/11 – Barwick Developments. Below affordable housing threshold
Phase 2	Milner Lane, Robin Hood	72 (Outline) 70 (Detailed)	2.3 ha	Outline Allowed 24/02/10 12/00161/FU now submitted with 15% affordable housing proposed – yet to be considered by Plans Panel - Persimmon Homes
Phase 3	Kirklees Knoll, Farsley	49 (Outline) 45 (Detailed)	1.7 ha	Outline Allowed 08/03/10 11/02051/RM approved 21/10/11for 45 - Bellways - now on site (no change to affordable housing from outline) 14 affordable dwellings to be delivered
Phase 2	Grimes Dyke, Whinmoor	c500	17.2 ha	Outline Allowed by SoS 25/05/11 with 30% affordable housing – Persimmon Homes and Taylor Wimpey. Pre application discussions on detailed scheme

APPENDIX 5

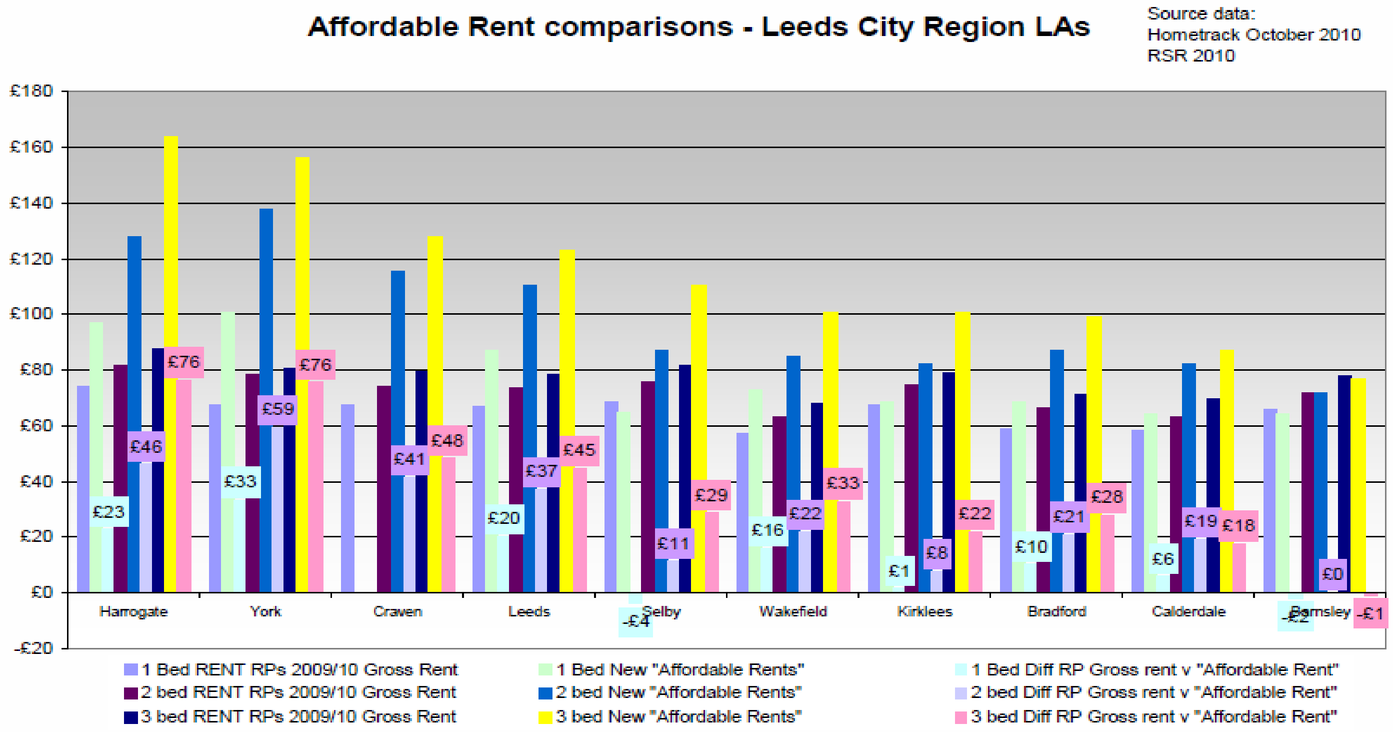
Phase 3	Churchfields, Boston Spa	170 / 153	8.6 ha	Full - Both Allowed 08/03/11 with 30% affordable housing. – Taylor Wimpey In outer area where higher % now applicable in interim policy
Phase 3	Queen Street, Allerton Bywater	120	4.1 ha	Outline Allowed 26/01/11 with 30% affordable housing 11/01713/RM under consideration with us. Changes made to layout and viability appraisal submitted and under negotiation seeking reduced affordable housing level – Taylor Wimpey.
Phase 2	Church Lane, Adel	70 (Outline) 45 (Detailed)	2.6 ha	Outline Allowed 09/05/11 11/04955/FU for 45 dwellings approved at 1st March West Plans Panel with 15% affordable housing – Barretts (David Wilson Homes) 7 affordable dwellings to be delivered
Phase 3	Syke Lane, Scarcroft	14 (Outline) 11 (Detailed)	0.7 ha	Outline Allowed 01/02/11 RM now approved for 11 dwellings – Shepherd Homes Below affordable housing threshold
Phase 3	Netherfield Road, Guiseley	90 (Outline) 87 (Detailed)	3.2ha	Outline Allowed 08/03/11 Revised outline with 15% affordable housing agreed at West Panel on 16th September. Full application for 87 – Redrow Homes with 15% affordable housing in first phase and early delivery approved at 10th Nov West Plans Panel. Now on site 13 affordable dwellings to be delivered
Phase 3	Whitehall Road, Drighlington	c43 (Outline) 29(Detailed)	1.28ha	Outline allowed 12/09/11 with 15% affordable housing 12/00324/RM for 29 dwellings approved at Plans Panel on 19th April -Miller Homes 4 affordable dwellings to be delivered

APPENDIX 6

TYPES OF INVESTORS

	Motivations	Barriers	Investment vehicles
Institutional investors	Diversification Potential investment scale Potential for strong covenants Lack of investment grade stock in other sectors Outlook for residential compared to commercial Matching liabilities	Disconnect between price and value Low income return Relatively high management costs Small lot sizes and lack of investment scale Pricing mechanisms and discount to vacant possession value (VPV) Sentiment Lack of skills and expertise	Off-shore vehicles (tax efficient especially for tax exempt investors) On-shore investment vehicles Indirect funds (specialist skills and expertise) Collective investment vehicles (investment scale)
Traditional property companies	Enhance value on strategic sites Capture regeneration premium Retain management control Generate returns through development	Capital intensive to retain ownership Exit routes uncertain Limited gearing potential Lack of understanding of sector	Traditional property company structure (private limited company) Public limited company listed on the stock exchange
Traditional large—scale residential investors	Investment returns linked to earnings Stable returns Ability to implement regular rent reviews Attracts high levels of capital growth High demand for rented housing	Owner-occupiers determine price Affordable housing requirement Transaction and trading costs	UK private property company structures for direct investors Indirect investment structures used to raise money from institutions Public companies - listed on UK stock exchange
Fund managers	Diversification Lack of investment-grade stock in other sectors Shared ownership/equity is effectively an FRI lease Matching liabilities to investor returns	Low yield restricts leveraging Fragmentation of shared ownership stock Restrictions in shared ownership market Lack of control as absent landlord in shared ownership market	Off-shore vehicles (tax efficient especially for tax exempt investors) On-shore investment vehicles Indirect funds (specialist skills and expertise) Collective investment vehicles (investment scale)

APPENDIX 7



Affordable Rent comparisons - Leeds City Region LAs
Source data:
Hometrack October 2010
RSR 2010
£180
£160
£140
£120
£100
£80
£60
£40
£20
£0
-£20
Harrogate
York
Craven
Leeds
Selby
Wakefield
Kirklees
Bradford
Calderdale
Barnsley
£76
£46
£23
£76
£59
£33
£48
£41
£45
£37
£20
£29
£11
-£4
£33
£22
£16
£22
£8
£1
£28
£21
£10
£19
£18
£6
£0
-£2
-£1
1 Bed RENT RPs 2009/10 Gross Rent
2 bed RENT RPs 2009/10 Gross Rent
3 bed RENT RPs 2009/10 Gross Rent
1 Bed New "Affordable Rents"
2 bed New "Affordable Rents"
3 bed New "Affordable Rents"
1 Bed Diff RP Gross rent v "Affordable Rent"
2 bed Diff RP Gross rent v "Affordable Rent"
3 bed Diff RP Gross rent v "Affordable Rent"

APPENDIX 8

	Net additional dwellings per LA				
	Total (estimated) dwellings	2007/2008	2008/2009	2009/2010	2010/2011
Barnsley	104,810	1154	860	546	995
Bradford	199,680	2156	1440	999	696
Calderdale	91,840	1307	550	561	456
Craven	26,310	148	283	82	129
Harrogate	69,560	518	403	388	212
Kirklees	177,150	2281	1098	692	755
Leeds	336,880	3576	3828	2238	1686
Selby	35,900	583	226	270	366
Wakefield	147,240	1520	1204	510	1061
York	83,900	523	451	507	514
Total	1,273,270	13766	10343	6793	6870

APPENDIX 9

Population Update: March 2012

1. Distributing Short Term Migrants

The Office for National Statistics has been running a four year project to produce improved population and migration statistics (the Migration Statistics Improvement Programme or MSIP). As part of this programme ONS has developed a distribution method to produce short-term immigration estimates for local authorities in England and Wales. The new methodology is based on the UN definition of a short-term migrant i.e. ***"those who move to England and Wales for between 3-12 months for work or study reasons"*** and refers to inflows of people only.

The data was published in February 2012 and shows a large proportion of short-term migrants being distributed to London. Outside of the capital it shows concentrations in large urban areas, university towns and cities and in agricultural areas, with Leeds featuring in the top 20 destinations in each of the three years for which data has been produced.

Table 1 shows the numbers of long and short term migrants that have been distributed to Leeds under the revised ONS methodologies and compares these numbers to those derived from other administrative datasets.

Table1: Leeds immigration estimates

	Mid 2008	Mid 2009	Mid 2010
ONS Immigration Estimates			
Short Term (ST) Immigration	2,151	1,713	1,819
Workers	*787*	*390*	*485*
Students	*1,364*	*1,323*	*1,335*
Long Term (LT) Immigration	8,534	7,935	7,915
LT + ST Immigration	10,685	9,648	9,734
Administrative Data			
Flag 4s (from GP registers)	10,218	9,819	9,196
NINo (National Insurance) registrations	8,860	7,510	6,010

2. Sub-National Population Projections 2010-2035

The Office for National Statistics (ONS) produces Sub-National Population Projections (SNPPs) every two years, and the latest **2010-based projections** were released on 21st March 2012.

The SNPPs are based on the assumption that recent trends in fertility, mortality and migration at local authority level will continue; they take no account of local development policy, economic factors or the capacity of areas to accommodate population. The projections provide the population levels and age structure that would result if the assumptions about future fertility, mortality and migration levels were realised. The projected resident population of an area includes all people who usually live there. People moving into or out are only included in the resident population if their total stay in that area is for 12 months or more, thus visitors and short-term migrants are not included.

The projections cover a 25 year horizon from 2010 to 2035, but it should be noted that there is a greater degree of uncertainty the further ahead the projection is made and therefore analysis has been provided to show the population projections for the next 10 years (to 2020) and the next 25 years (to 2035). N.B. ONS has already confirmed that they intend to rebase both the 2010 SNPPs and the Mid-Year Estimates following the release of the 2011 Census data later this year.

It should be noted that **these latest projections are lower than the 2008 based projections** which suggested that the population of Leeds would increase to just over 1 million by 2033 (ONS are now projecting that by 2033 the population will be 928,000). This decrease in the projections is largely due to ONS having introduced an improved methodology for estimating immigration to local authorities in England and Wales (as part of the Migration Statistics Improvement Programme). Using the new methodology the indicative mid-2010 population for Leeds is estimated at 780,925 (a decrease of 17,844 from the official 2010 Mid-Year Estimate of 798,769).

It is this new indicative figure that is the basis for the 2010 SNPPs.

Table 2 provides a broad overview of the SNPP data while tables 3 and 4 provide a more detailed analysis showing the actual and percentage increases by age bands.

These latest projections indicate that from the 2010 base the population in Leeds will increase by:

- 67,900 (8.7%) in the decade to 2020, compared to a regional increase of 6.3% and a national increase of 8.4%, and
- 158,300 (20.3%) by 2035 (compared to a regional increase of 14.3% and a national increase of 18.9%)

The more detailed analysis of the data shows:

- The numbers of 0-4 year olds rising to 54,500 in 2018 but then falling to 51,900 by 2035
- A 58% increase in the numbers of people aged 75+ (from 55,200 in 2010 to 87,200 in 2035)
- The numbers of very elderly people (aged 85+) more than doubling from 16,300 in 2010 to 34,300 in 2035

APPENDIX 9

Table 2: Summary of projected changes in population distribution from 2010 to 2035 by broad age band (thousands)

Leeds	2010	2015	2020	2035
0–4	46.8	53.2	54.3	51.9
5–9	38.8	45.6	51.6	50.0
10–14	39.8	38.2	44.7	50.1
15–19	53.3	48.6	46.4	60.8
20–29	162.3	166.6	159.5	175.2
30–49	205.8	216.4	227.9	248.5
50–64	121.6	126.2	134.8	136.4
65–74	57.4	63.7	66.0	79.0
75-84	38.9	41.0	43.0	52.9
85+	16.3	18.1	20.8	34.3
All ages	780.9	818.0	848.8	939.2
Y&H All ages	5,246.5	5,415.9	5,576.8	5,996.4
England All ages	52,213.4	54,468.2	56,606.6	62,078.4

Table 3: Summary of projected changes in population distribution from 2010 to 2020 by broad age band (thousands)

Leeds	2010	2020	Increase	% change
0–4	46.8	54.3	7.5	16.0
5–9	38.8	51.6	12.8	33.0
10–14	39.8	44.7	4.9	12.3
15–19	53.3	46.4	-6.9	-12.9
20–29	162.3	159.5	-2.8	-1.7
30–49	205.8	227.9	22.1	10.7
50–64	121.6	134.8	13.2	10.9
65–74	57.4	66.0	8.6	15.0
75-84	38.9	43.0	4.1	10.5
85+	16.3	20.8	4.5	27.6
All ages	780.9	848.8	67.9	8.7
Y&H All ages	5,246.5	5,576.8	330.3	6.3
England All ages	52,213.4	56,606.6	4,393.2	8.4

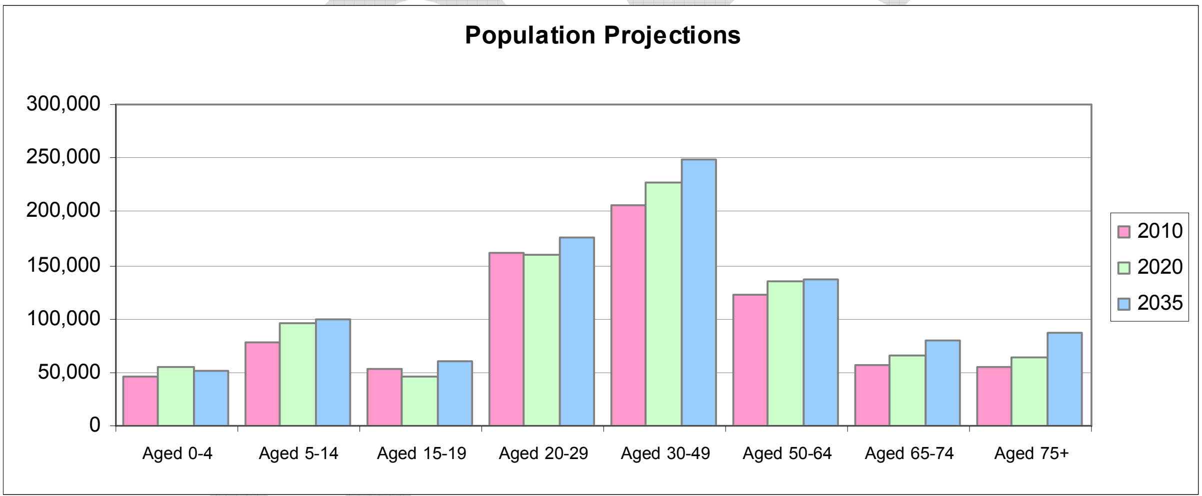
APPENDIX 9

Table 4: Summary of projected changes in population distribution from 2010 to 2035 by broad age band (thousands)

Leeds	2010	2035	Increase	% change
0–4	46.8	51.9	5.1	10.9
5–9	38.8	50.0	11.2	28.9
10–14	39.8	50.1	10.3	25.9
15–19	53.3	60.8	7.5	14.1
20–29	162.3	175.2	12.9	7.9
30–49	205.8	248.5	42.7	20.7
50–64	121.6	136.4	14.8	12.2
65–74	57.4	79.0	21.6	37.6
75-84	38.9	52.9	14.0	36.0
85+	16.3	34.3	18.0	110.4
All ages	780.9	939.2	158.3	20.3
Y&H All ages	5,246.5	5,996.4	749.9	14.3
England All ages	52,213.4	62,078.4	986.5	18.9

(N.B. numbers in the tables may not add up due to rounding).

Projected changes in population distribution from 2010 to 2035 by broad age band



3. ONS plans for review of population estimates

Following the release of the first 2011 Census results later this year, ONS will undertake an extensive programme of work to rebase the mid-year population series and revise previous estimates for the period 2002 to 2010. It is anticipated that national dataset will be published by December 2012 and that local authority level data will be available by March 2013. In addition to rebasing and revising the estimates, the results of the 2011 Census will provide an opportunity to review how the methods used to estimate population change, particularly migration, have performed over the last decade at both national and local level.

Glossary

CIL	Community Infrastructure Levy
DCLG	Department for Communities and Local Government
DPDs	Development Plan Documents
DTZ	Consultants
EVA	Economic Viability Assessment
FYS	Five year housing supply
GTA	Golden Triangle Area
GVA	The company who updated the 2007 SHMA
HCA	Homes and Community Agency
LDF	Local Development Framework
LHR	Leeds Homes Register
NPPF	National Planning Policy Framework
ONS	Office for National Statistics
RP	Registered Providers

RSS	Regional Spatial Strategy
SHLAA	Strategic Housing Land Availability Assessments
SHMA	Strategic Housing Market Assessment
SPDs	Supplementary Planning Documents
SPG	Supplementary Planning Guidance
UDP	Unitary Development Plan

Scrutiny Board (Regeneration)
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Report author: Richard Mills

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Leeds CITY COUNCIL

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