

Report of the Director of Environments and Housing

Report to the Housing Advisory Board

Date: 3rd June 2014

Subject: Progress on Delivering the Council Housing Growth Programme.

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

Executive Board have previously approved a programme of investment to deliver a comprehensive programme of new build housing and bringing properties back into use using Housing Revenue Account (HRA) funding, New Homes Bonus and Right to Buy receipts.

The resources available to fund the Council Housing Growth Programme currently stands at £52.5m and is fully committed.

The programme will deliver nearly 1,000 new Council homes, the likes of which has not been seen since the 1970's.

The scale of this work will not only address significant housing need in the City but will also help the Council to make a statement about the future of social housing in the City

It is the intention to build modern homes using innovative design principles that offer the best in environmental design but also ensures flexibility to allow for family growth.

The report will therefore outline a new standard that the Council will deliver taking account of design quality, space standards, energy efficiency and modern technology.

In providing these high quality homes the Council will be seeking to reward good tenants who have had to live in less desirable homes as well as attracting interest from working applicants who have not previously considered social housing as an option but are unable to access the homeownership ladder.

Further to the report that was presented in July 2013 a more detailed programme of sites has now been identified and is attached at Appendix 1(Confidential)

In order to maximise the resources that are available to the Council a submission has been made to the HCA for a number of these sites as part of the £1.7b that is available through the Affordable Homes Programme.

In order to build on the success of the Council Housing Growth Programme to date, and given that the current resources of £52.5m are fully committed, it would be the intention to inject further resources into the programme.

These resources will be utilised to develop a portfolio of properties in some of the outlying areas of the City where there is a miss match between supply and demand.

Further reports will be presented to Housing Advisory Board to provide an update on progress with regard to the Council Housing Growth Programme.

Recommendations

Housing Advisory Board is asked to;

- Note progress on the development of the Council Housing Growth Programme.
- Agree to the development of a new rental strategy for new build Council properties that are funded through the Homes and Communities Agency's Affordable Homes Programme.
- Note progress against the development of the Leeds Standard as it relates to the development of new Council housing.
- Make suggestions for inclusion in an Executive Board report that will consider the allocation policy for new build properties in the City.

1 Purpose of this report

- 1.1 To provide Housing Advisory Board Members with an update on the Council Housing Growth Programme and the sites that have been identified for development.
- 1.2 To provide details of the sites where a bid has been submitted to the Homes and Communities Agency (HCA) for grant funding.
- 1.3 To provide details of the rental strategy to be adopted, as new properties developed through grant funding from the HCA will need to be charged as affordable rents, which is 80% of market rent levels.

- 1.4 To provide an update on the work undertaken to develop a 'Leeds Standard' which will include design approaches to reduce running costs by providing a more energy efficient product.
- 1.5 The report is intended to receive views from HAB around the creation of a local lettings strategy for new build properties across the City, the first of which will be ready for occupation in Sept '14.

2 Background information

- 2.1 In September 2012 Executive Board approved a comprehensive approach to Housing investment using a range of resources including Right to Buy receipts and unsupported borrowing.
- 2.2 In January 2013 a detailed phase 1 programme was approved by Executive Board which utilised HRA resources to deliver around 100 new homes. Work to develop detailed proposals for these sites has now commenced.
- 2.3 A more detailed programme of sites has been developed and is attached as Appendix 1(Confidential). These schemes will increase the capacity to develop new homes as part of the Council Housing Growth Programme and will contribute to the delivery of 583 new homes across the city.
- 2.4 In order to maximise our potential investment opportunities, detailed site specific bids have been submitted to the HCA to apply for grant funding as part of the £1.7b national affordable homes programme.

3 Main issues

3.1 Update on phase 1

- 3.2 The scheme at East Park Road, Richmond Hill consists of 32 units. The scheme is currently out to tender with an anticipated start on site in August 2014.
- 3.3 The scheme at the Broadleas, Bramley consists of 30 units and is anticipated that outline planning will be submitted in June '14. Consultation is currently underway with the local ward Members.
- 3.4 The scheme at the Garnets, Beeston consists of 26 units and is anticipated that outline planning will be submitted in June 2014. We are currently working to develop a design solution that blends with the existing infrastructure as this is an infill site surrounded by traditional terrace type properties.

3.5 Howarth Court, Yeadon

- 3.6 The scheme at Howarth Court consists of 45 units. Environments and Housing and Adult Social Care are acting as joint clients for this scheme as the scheme will provide extra care provision.
- 3.7 The decanting of the scheme is now more than 90% complete

- 3.8 The detailed design proposals for the internals have been agreed with further work required on the external finish and materials in order to reach design freeze.
- 3.9 Off the Shelf Acquisitions
- 3.10 In order to assist in the development of a new build scheme at Thorn Walk, Gipton we have negotiated the purchase of 23 units 'off plan' which has enabled the developer (Bellways) to bring the site to market and will develop a mixed tenure scheme for the local area. It is anticipated that the first properties will be available in September 2014.
- 3.11 Update on phase 2
- 3.12 Given the increase in resources that are now available to deliver the Council Housing Growth Programme an expanded programme has been developed to provide a £52.5m programme to deliver 363 new build properties including an empty homes programme of £9m which will complete the purchase of 100 empty properties.
- 3.13 Attached as Appendix 1 (Confidential) is a list of the proposed schemes that are included as part of phase 2 and is anticipated to deliver 363 new homes.
- 3.14 The above schemes will deliver a total of 583 new Council homes as part of the Council Housing Growth Programme.
- 3.15 An update on the overall Council Housing Growth Programme is attached as Appendix 2 (Confidential)
- 3.16 In addition to the 583 new Council properties that are being provided through the Council Housing Growth Programme there are a further 388 new Council homes being provided through the Little London, Beeston Hill and Holbeck PFI project (275 properties in Beeston Hill & Holbeck and 113 in Little London).
- 3.17 This will bring the total number of new Council homes across the City to 971.
- 3.18 In addition to the above programme which will deliver 971 homes across the City there are additional resources available through 'Right to Buy' sales which has generated a further £5.92m
- 3.19 In line with the Executive Board approval in July 2013, expressions of interest have been sought through Registered Providers (RP's) working in the City to develop joint schemes that can deliver specialist housing projects to meet the strategic needs of the authority, and look at innovative housing solution for families with complex needs.
- 3.20 A scheme is currently being developed with a local RSL to provide larger family accommodation that will be developed specifically to meet the disability needs of identified families and thus reduce the longer term care costs for the local authority.
- 3.21 In order to develop an approach to commit future Right to Buy receipts, a framework of RP's is being developed which will enable schemes to be developed

quickly. A formal invitation to become part of an RP Partnership Framework will be advertised through Yorbuild, and the trade press, which will invite expressions of interest from both local and national RP's.

3.22 Affordable Homes Programme bid

Following discussions at the Council Housing Growth Programme Board, and in order to achieve a strategic fit with the national funding programme and maximise our investment opportunities, we have submitted a number of bids to the HCA as part of the £1.7b national Affordable Homes Programme.

3.23 Out of the current new build programme of £40.5m we have submitted bids against the Affordable Homes Programme for £8.2m.

3.24 A further bid of £1.8m has been submitted against the £9m to purchase long term empty properties.

3.25 The deadline for bid submissions was 30.3.14. with a decision likely to be made in July '14.

3.26 Development of the Leeds Standard

3.27 The approach to design emerging as part of the Council Housing Growth Programme, alongside ongoing work with commercial developers to encourage design excellence, has led to the concept of the "Leeds Standard".

3.28 The ideas behind the development of the Leeds Standard flow out of the recognition that good design can make a positive contribution to neighbourhoods, meeting the need for new homes in a way which ensures consistently good quality housing across all tenures. In terms of council housing, excellence and innovation in design is central to the programme so that the new housing which is delivered meets current and future demand and supports the wellbeing of tenants through good use of space and reduces running costs to tenants through energy efficient design, and stands the test of time.

3.29 The Leeds Standard will have three components:

- Design quality – incorporating good urban design and layout, building on existing standards such as Neighbourhoods for Living. Included within this will be standards for external space including car parking, relationship of properties to gardens and open space and so on.
- Space standards - developing properties to appropriate sizes which can be flexible and able to be reconfigured if required. This links to the challenge of meeting the increased demand for smaller units as a result of welfare changes but avoiding the development of property types which have historically been difficult to let. It will support the response to the issue of overcrowding and its effect on health, school performance and so on in addition to ensuring

properties can be adapted where required to meet individual tenants' needs in a cost efficient way, delivering savings to the adaptations budget over the longer term. It will be informed by comparative internal space standards such as those required by the HCA.

- Energy efficiency standards – wherein design solutions which provide very high energy efficient properties will be developed to minimise running costs for tenants, address fuel poverty and contribute to broader sustainability agendas. The development of this part of the standard will also extend to issues such as sound insulation. The relevance of offsite construction techniques will be explored through this theme and the potential to incorporate performance standards such as Passivhaus.
- As part of the energy efficiency standard consideration will be given to 'smart, technology as well as the provision of broadband connectivity.

3.30 The Leeds Standard will take the form of a document which will be used to influence commercial housing and affordable housing via housing associations as well as forming part of the tender requirements for the Council's own new build programme.

3.31 In terms of the latter it will include a narrative about aspirations and requirements in respect of urban design and specification elements in terms of space and energy requirements.

3.32 The next steps in developing the Standard include: through the Council's design agency (NPS) the refinement of the space specification enabling Members to make informed choices about cost of delivery plus the developing and modelling of energy efficiency approaches in conjunction with the universities. This will allow the cost savings to be quantified and the whole costs of occupying a property to be understood.

3.33 Work to produce the Leeds Standard will provide a better understanding of the costs and benefits over the long term of adopting excellent design approaches and an overall approach to affordability which incorporates rent levels and running costs.

3.34 Affordability of home ownership

3.29 The affordability of home ownership continues to be problematic for a number of reasons. The income needed to afford mortgage payments (without jeopardising the ability to meet other financial commitments) has been increasing over the last 5 years. Currently;

- A joint income of £61,000 is currently needed to afford average prices, and a joint income of £37,000 is needed to afford entry level housing (1 or 2 bedroom flats or houses).

- Should prices continue to rise at their current rate (3%) then by 2020 a joint income of £73,000 will be needed to afford average prices, and a joint income of £46,000 will be needed to afford entry level housing
- Current average property prices in Leeds constitute 7.2 times the average income and rising by 5% annually.
- Current entry level prices are 4.4 times the average income

3.30 Under the current mortgage Loan to Value ratio being offered by lenders (80% of property value)

- A deposit of £21,600 would be needed to secure a mortgage on an entry level home. This would increase to £26,319 by 2020 should prices continue to rise at their current rate.
- A deposit of £34,652 would be required to secure a mortgage on a property at average price levels. This would increase to £42,480 by 2020 should prices rise at their current rate.

3.31 The March 2014 RICS Residential Housing Market Survey shows that In Leeds, professional occupations including Police officers, experienced teachers, lecturers, landscape architects, nurses, midwives and junior hospital doctors, as well as more intermediate (ambulance drivers, teaching assistants, shop supervisors, bank cashiers) and lower paid occupations (e.g. kitchen porters, care assistants, shop assistants) could be unable to afford entry level prices. Details of the Survey are attached as Appendix 4.

3.32 The Rental Market in Leeds

Rents in Leeds continue to vary widely with the average rent for a property being £167 per week (or £725 per month) ranging from £104 per week for a 1 bed flat to £204 per week for a 4 bed house.

3.33 Rental levels also continue to vary widely geographically. The rent for a 2 bed property ranges from £165 per week in high value areas like Roundhay, Otley, Headingley and Chapel Allerton to £117 in low rental areas such as Cross Green/East End Park, Holbeck, Beeston Hill, Harehills and inner East Leeds (Seacroft, Gipton, Burmantofts, Halton Moor and Osmondthorpe)

3.34 Demand for rented housing in Leeds remains both buoyant and diverse with a number of long-standing private rental markets catering for a range of household needs. There is evidence of increasing or continuing demand from:

- Young working households sharing housing to reduce housing costs
- Students and graduates
- Young couples unable to afford to enter home ownership, or seeking to accumulate a deposit
- Split families arising from divorce/separation

3.36 Given the above, the demand for rental property in the City is likely to increase. Due to the number of working households that are unlikely to be able to afford home ownership there is a growing market for good quality rented accommodation. The Council can play a role in meeting this demand, not only for those in housing need but also for a client group that is willing to pay a premium for good quality rented housing but is unable to access the housing market through home ownership.

3.37 Affordable Rents

3.38 Whilst current rents are charged at social rent levels, properties that are developed as part of the Council Housing Growth Programme, and subject to grant funding from the HCA, rent levels will need to be set at affordable rent levels (80% of market rent).

3.39 Social rents are generally lower than Affordable Rent (80% market) levels and will differ dependent on the locality within the City. Attached as Appendix 3 is an indicative calculation for the comparison between social rents, affordable rents and market rents for the different property types.

3.40 The affordability model that is being developed as part of the Council Housing Growth Programme will deliver a product that is more energy efficient and will reduce running costs by more than any increase in rent to ensure that the disposable income of any household will not be adversely affected by paying an increased rental charge.

3.41 As part the work that is currently being undertaken to develop the 'Leeds Standard' mention has already been made of the energy efficiently strand to this work to ensure that the end product delivery high levels of energy efficiency and reduces running cost to a minimum.

3.42 Failure to charge affordable rents on the new build properties delivered through the Council Housing Growth Programme will mean the potential loss of £8.3m which is the level of grant funding submitted to the HCA.

3.43 Allocation of New Properties

- 3.44 The council's lettings policy provides the overall framework for allocating Council properties. Local lettings policies allow the council to respond to local needs and have a localised approach to the management of specific property types. Local lettings policies may give preference for offers of accommodation to defined groups of customers, for example, on the basis of their age, employment status or local connection to an area.
- 3.45 The council wishes to consider the allocation of new build properties through specific local lettings policies tailored to meet local needs and aspirations.
- 3.46 As well as using information held on the council's housing waiting list, the council wishes to consider wider demographic projections and economic factors. There is a desire to consider tenants who have conducted their tenancy in an exemplary way as part of the initial lettings process for these new build properties.
- 3.47 In applying this methodology a social contract could be adopted to accompany the Tenancy Agreement to create sustainable tenancies and create a sense of civic pride and ownership within a locality.

Corporate Considerations

4 Consultation and Engagement

- 4.1 The Council Housing Growth Programme Board, Chaired by the Director of Environments and Housing will manage delivery of the overall programme and will develop a communication and consultation plan for each scheme as part of the development process.
- 4.1.1 As part of this process consultation will be undertaken with local ward Members, members of the local community and interested partners.
- 4.1.2 Due regard has been given to equality through the analysis of the potential impacts of the programme and the completion of a screening form. The main outcomes of the screening were the delivery of affordable housing through this programme could have positive implications for equality groups who are economically disadvantaged. An Equality Impact Screening has been undertaken and has determined that the proposals have a positive impact in terms of Equality and Diversity and that a full assessment is not required.

5 Council policies and City Priorities

- 5.1 The investment needs of Leeds are determined by the City Priority Plan and the Leeds Housing Investment Plan. One of the City Priority Plan objectives is to maximise investment to increase housing choice and affordability.
- 5.2 Investment in housing growth supports one of the objectives of the Best Council Plan to promote sustainability and economic growth by providing new housing.

- 5.3 Investment in housing growth also supports the objective to deliver sustainable and inclusive growth by increasing housing options and also by supporting the construction industry.
- 5.4 The Core Strategy Development Plan identifies that over 1,100 affordable homes a year are required to meet predicted demand.

6 Resources and value for money

- 6.1 The total resources currently available through the HRA to deliver the Council Housing Growth Programme is £52.56m
- 6.2 The original Council Housing Growth Programme in Sept '12 was £14.12m
- 6.3 In July '13 a further £28.51 was injected into the programme to increase the available resources in the HRA to £42.63m
- 6.4 In Feb'14 an additional £4m was added to the Capital Programme from reserves and a further £5.92 was added to the programme from Right to Buy receipts.
- 6.5 As part of the development to create a new model for service delivery for Housing in the City, there will be further consolidation of financial resources which could increase the resources available in the Council Housing Growth Programme.

7 Legal Implications, Access to Information and Call In

- 7.1 There are no specific legal implications associated with this report.

8 Risk Management

- 8.1 A risk log has been developed as part of the project mandate and is managed through the Council Housing Programme Board.

9 Conclusions

- 9.2 The current resources available to deliver the Council Housing Growth Programme stands at £52.5m which is being utilised to deliver 583 new homes.
- 9.3 In addition to the above a further 388 new homes are being delivered as part of the Little London, Beeston Hill & Holbeck PFI scheme.
- 9.4 The total number of new properties being delivered across the City is 971.
- 9.5 In order to maximise the resources available to deliver new homes a submission for £8.2m has been made to the HCA as part of the £1.7b Affordable Homes Programme.

- 9.6 The outcome of the HCA submissions will be announced in July '14.
- 9.7 Any sites that are subject to grant funding through the HCA Affordable Homes Programme will be charged at affordable rent levels.
- 9.8 Work is ongoing for sites identified in phase 1 to start on site this financial year.
- 9.9 Extensive work is on-going to develop a 'Leeds Standard' which will consider;
- Design quality
 - Space standards
 - Energy efficiency

The measurable outcome of this work is to deliver a product that is highly desirable, aesthetically pleasing, energy efficient and has low running costs to maximise the disposable income of householders.

- 9.10 Affordability for home ownership continues to be problematic in certain areas of the City as a joint income of £67k is required to afford average house prices with income of £37k required to access entry level properties.
- 9.11 Given the unaffordability of home ownership for many working families the rental market in the City continues to grow.
- 9.12 The average private rent in the City is £167/week (£725mth).
- 9.13 Given the demand for rental property in the City, demand is growing for social housing as it is starting to be seen as a realistic option for professional working class families who are unable to access homeownership.
- 9.14 Any scheme that is developed using grant funding through the HCA's Affordable Homes Programme will require rent levels to be at affordable rent levels.

The allocation of new build properties will be developed to include housing need, local connection and will be linked to the conduct of an existing tenancy to reflect good behaviour.

10 Recommendations

Housing Advisory Board is asked to;

- Note progress on the development of the Council Housing Growth Programme.
- Agree to the development of a new rental strategy for new build Council properties that are funded through the Homes and Communities Agency's Affordable Homes Programme.

- Note progress against the development of the Leeds Standard as it relates to the development of new council housing.
- Make suggestions for inclusion in an Executive Board report that will consider the allocations policy for new build properties in the City.

11 Background documents¹

11.1 Executive Board reports;

September 2012

January 2013

July 2013

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.