

**Report of the Director of Environments and Housing & City Development**

**Report to the Council's Executive Board**

**Date: 25<sup>th</sup> June 2014**

**Subject: Progress on Delivering the Council Housing Growth Programme.**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Citywide	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" 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: (Appendix 1) 10.4.3	<input checked="" 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 funding to bring properties back into use. The overall programme is financed through the Housing Revenue Account (HRA), New Homes Bonus, and Right to Buy receipts, and complemented by HCA support and PFI credits.

The resources available to fund the Council Housing Growth Programme currently stands at £52.5m and is fully committed. The programme in total will deliver nearly 1,000 new Council homes, the largest development since the early eighties. 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 outlines 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 home ownership 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 Homes and Communities Agency (HCA) for a number of these sites as part of the £1.7bn 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 £52.564m are fully committed, it is the intention to inject a further £20.194m into the Council Housing Growth 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 mismatch between supply and demand.

There is already a current partnership between Housing Leeds and the Council's employment service that has created a number of local employment opportunities across the city. The Council Housing Growth Programme will look to build on this joint work to maximise the opportunity to create local employment initiatives through direct employment and apprenticeships.

Further reports will be presented to Executive Board to provide an update on progress with regard to the Council Housing Affordable Homes Programme.

## **Recommendations**

Executive 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 a new approach to the standard of the final product, as it relates to the development of new council housing.
- Agree a new approach for the allocations of new build Council homes and authorise the Director of Environment and Housing to agree the specific local lettings policies required..
- Agree to the further injection of £20.194m into the Council Housing Growth Programme from the HRA, with authority to spend of £30.12m per the table at para 6.7. The £10.194m of the new injection will be utilised from reserves and additional available RTB receipts and £10m from unsupported borrowing.

- Request a further report be presented to Executive Board in September 2014 to outline the work that is being developed to achieve 'quality' and 'quantity' as part of the overall Housing Growth Programme.

## **1 Purpose of this report**

- 1.1 To provide Executive Board 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 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 standard of finish which will include design approaches to reduce running costs by providing a more energy efficient product.
- 1.5 To provide an update on the proposed 'Lettings Policy' for the new build Council properties.

## **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 Haworth Court, Yeadon
- 3.6 The scheme at Haworth Court consists of 45 units. Environment and Housing and Adult Social Care are acting as joint clients for this scheme as it will provide extra care provision.
- 3.7 The decanting of the scheme is now nearly 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 and complete the purchase of 100 empty properties.
- 3.13 Appendix 1 (**Confidential**) includes a list of the proposed schemes that are included as part of the next phase of development
- 3.14 The completion of phase 1 & 2 will deliver a total of 463 new build Council homes and the purchase of 120 empty homes. In addition, 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).
- 3.15 This will bring the total number of new Council homes across the City to 971.
- 3.16 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 £6.51m in 2013/14.

- 3.17 In line with Executive Board approval in July 2013 expressions of interest have been sought from Registered Providers (RPs) 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 solutions for families with complex needs.
- 3.18 A scheme is currently being developed 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.
- 3.19 In order to develop an approach for the use of future receipts, a framework of RPs will be set up to enable funds to be allocated without delay. An invitation to become part of a RPs partnership framework will be advertised on Yorbuild and in the trade press which will invite expressions of interest from both local and national RPs.

3.20 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.

- 3.21 Out of the current new build programme of £40.5m we have submitted bids against the Affordable Homes Programme for £8.2m.
- 3.22 A further bid of £1.8m has been submitted against the £9m to purchase long term empty properties.
- 3.23 The deadline for bid submissions was 30.3.14. with a decision likely to be made in July '14.

3.24 Development of an improved design standard

- 3.25 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 an approved design standard.
- 3.26 The ideas behind the development of improved standards flows 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.
- 3.27 The development of a new approach to standards 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.
- 3.28 It is envisaged that these proposals 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.
- 3.29 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.
- 3.30 The next steps in developing this approach include: through the Council's design agency Norfolk Property Services (NPS) the refinement of the space specification enabling Members to make informed choices about cost of delivery plus the development 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.
- 3.31 Work to develop this approach 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.
- 3.32 Affordability of home ownership
- 3.33 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).
- Current average property prices in Leeds constitute 7.2 times the average income
- Current entry level prices are 4.4 times the average income

3.34 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.

3.35 The March 2014 RICS Residential Housing Market Survey shows that In Leeds, those entering professional occupations and in intermediate roles are unable to afford entry level prices.

### 3.36 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.

3.37 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)

3.38 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

3.39 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 for good quality rented housing but is unable to access the housing market through home ownership. The Council will consider how it can enable the delivery of more good quality private rented sector supply by working with investors and providers to identify opportunities.

#### 3.40 Affordable Rents

3.41 Whilst current Council homes 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, will need to be set at affordable rent levels (80% of market rent). Social rents are generally lower than Affordable Rent levels and will differ dependent on the locality within the City.

3.42 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. The programme will seek to offset, as far as possible any increase in rent to ensure that the disposable income households will not be adversely affected by paying an increased rental charge. In most of the developments in phase 1 and 2 this can be achieved. In high cost areas there will remain a difference but the costs will be eligible for benefit support, whether the tenant is in work or not.

3.43 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.

#### 3.44 Allocation of New Properties

3.45 The Council's Lettings Policy provides the overall framework for lettings of council homes. 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 people, for example, on the basis of their age, employment status or local connection to an area.

3.46 It is proposed that the Council lets the new build properties through specific local lettings policies tailored to meet local needs and aspirations.

3.47 As well as using information held on the Council's housing waiting list, the Council will consider wider demographic projections and economic factors. In particular, reflecting the desirability of the properties, there is a wish to consider tenants who have conducted their tenancy in an exemplary way as part of the initial lettings process for these new build properties.

3.48 It is proposed to strengthen the Tenancy Agreements attached to the properties to ensure that all tenants look after their homes and local area.



3.49 The council is consulting on giving preference for lettings to the following groups:

- Tenants and residents who have a good tenancy record, taking into account any rent arrears, the condition of the property and any antisocial behaviour
- People with a local connection to the area – including people living or working in the area, or having close family living in the area
- People in employment, key workers or people in training in the area
- People who are living in overcrowded conditions
- Families with dependent children who are living in high rise /multi story flats
- Disabled people who need adapted properties to meet their needs
- Members and former members of HM Armed Forces.

Following consultation, it is proposed that the detailed lettings policies are approved by the Director of Environment and Housing.

### **Corporate Considerations**

## **4 Consultation and Engagement**

- 4.1 The Council Housing Growth Programme Board, Chaired by the Director of Environment 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.
- 4.2 As part of this process consultation will be undertaken with local ward Members, members of the local community and interested partners.
- 4.3 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 injected into the capital programme and currently available through the HRA to deliver the Council Housing Growth Programme is £52.564m
- 6.2 The original Council Housing Growth Programme in Sept '12 was £14.118m
- 6.3 In July '13 a further £28.52 was injected into the programme to increase the available resources in the HRA to £42.638m
- 6.4 In Feb'14 an additional £4m was added to the Capital Programme from reserves and a further £5.92m was added to the programme from Right to Buy receipts. A further injection of £584k additional RTB receipts is included within the new £20.194m injection to this report. The total authority to spend requested per the table at 6.7 is £30.12m.
- 6.5 As part of the development to create a new model for service delivery for Housing there has been a further consolidation of financial resources which has increased HRA cash reserves.
- 6.6 From these reserves and additional RTB receipts it is proposed to inject a further £20.194m into the Council Housing Growth Programme. £10.194m will be transferred from HRA reserves and additional available RTB receipts and a further £10m will be funded through the available headroom.

## 6.7 Capital Funding and Cashflow

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2014 £000's	FORECAST				
			2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	42638.0	456.9	14938.1	11158.0	12501.0	3584.0	
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>42638.0</b>	<b>456.9</b>	<b>14938.1</b>	<b>11158.0</b>	<b>12501.0</b>	<b>3584.0</b>	<b>0.0</b>
Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2014 £000's	FORECAST				
			2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	30120.0		4000.0	6510.0	9610.0	10000.0	
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>30120.0</b>	<b>0.0</b>	<b>4000.0</b>	<b>6510.0</b>	<b>9610.0</b>	<b>10000.0</b>	<b>0.0</b>
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2014 £000's	FORECAST				
			2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018 on £000's
HRA resources	32359.0	456.9	15049.1	7243.0	9610.0		
Section 106	1380.0		1380.0	0.0			
Government Grant HCA	2015.0		2015.0				
RTB receipts	7004.0		494.0	6510.0			
Departmental Borrowing	30000.0			3915.0	12501.0	13584.0	
<b>Total Funding</b>	<b>72758.0</b>	<b>456.9</b>	<b>18938.1</b>	<b>17668.0</b>	<b>22111.0</b>	<b>13584.0</b>	<b>0.0</b>
<b>Balance / Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## 7 Legal Implications, Access to Information and Call In

- 7.1 There are no specific legal implications associated with this report.
- 7.2 Appendix 1 is confidential under Access to Information Procedure Rule 10.4.3 as the information contains commercially sensitive and sensitive financial information and it would not in public interest therefore to disclose this information as it could be used to gain an advantage through any future procurement exercise.

## 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 Recommendations

Executive 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 a new approach to the standard of the final product, as it relates to the development of new council housing.
- Agree a new approach for the allocations of new build Council homes and agree that the Director of Environment and Housing approves local lettings policies.
- Agree to the further injection of £20.194m into the Council Housing Growth Programme from the HRA, with authority to spend of £30.12m per the table at para 6.7. The £10.194m of the new injection will be utilised from reserves and additional available RTB receipts and £10m from unsupported borrowing.
- Delegate responsibility for delivery of the above recommendations to the Director of Environments and Housing.
- Request a further report be presented to Executive Board in September 2014 to outline the work that is being developed to achieve 'quality' and 'quantity' as part of the overall Housing Growth Programme.

## 10 Background documents<sup>1</sup>

10.1 none

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<sup>1</sup> 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.