

## Report of Housing Growth Team

## Report to Director of Environments and Housing

**Date: June 2016**

## Subject: Right to Buy Replacement Programme Funding LYHA

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Pudsey.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" 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: 10.4 (3)	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

## Summary of main issues

1. In response to the Department of Communities and Local Government (CLG) "Reinvigorating Right to Buy and One for One Replacement" initiative the Council has established its Right to Buy Replacement Programme which offers grant funding to RP & 3<sup>rd</sup> Sector organisations to support the delivery of additional affordable housing for the city
2. The Director of Environments and Housing in January 2015 and January 2016 approved the uses of over £2m worth of RTB funding to 5 organisations to support the development of roughly 44 new Affordable Housing across the city.
3. Leeds and Yorkshire Housing Association (LYHA) have recently submitted an application to request grant funding from the RTB programme to acquire and renovate 12 properties. The details of which are listed in confidential appendix one.

## Recommendations

4. It is recommended that the Director of Environments and Housing approves and authorises the release of Right to Buy Replacement Programme funding, detailed in confidential one, to Leeds and Yorkshire Housing Association.

## **1 Purpose of this report**

- 1.1 To seek approval and authority from the Director of Environments and Housing to release funding from the Right to Buy Replacement Programme to LYHA to support the acquisition and renovation of 12 properties. The details of which are listed in confidential appendix one.

## **2 Background information**

- 2.1 In July 2013, Executive Board approved a proposal to use a proportion of the capital receipts generated by Right to buy (RTB) sales to fund a programme of replacement social housing as permitted by the Department of Communities and Local Government (CLG) "Reinvigorating Right to Buy and One for One Replacement" initiative.
- 2.2 CLGs funding regulations stipulate that the receipts may only be used to fund a maximum of 30% of total scheme costs. Providers are required to lever in the remaining scheme costs via their own resources.
- 2.3 The funds must also be spent within a 3 year timescale of their receipt or be returned to CLG.
- 2.4 In January 2015 and January 2016 the Director of Environments and Housing approved the use of over £2m worth of RTB funding to 5 organisations to support the development of Affordable Housing across the city.
- 2.5 LYHA were one of the 5 organisations detailed above. As part of this project they have received planning approval to develop a scheme of 11 older people apartments and 2x 3 bedroom homes at Burley Lane, Horsforth.
- 2.6 The council is currently in conveyancing with LYHA to transfer ownership of the site before LYHA can commence the building works and draw down the RTB grant funding.

## **3 Main issues**

- 3.1 LYHA have recently approached the council with a proposal to acquire and refurbish 12 properties.
- 3.2 8 of the 12 units are currently vacant with the remaining 4 being privately rented on Assured Short hold Tenancies.
- 3.3 LYHA have undertaken structural and internal surveys and have confirmed the buildings are sound, safe and suitable for social housing provision within their management portfolio.

- 3.4 Officers in City Development Land and Property Team have reviewed both the surveys and the valuations and comfortable that the tenders provided are in line with industry standards and provide Value for Money.
- 3.5 LYHA have a proven track record of successfully developing and Affordable Housing and are a signatory to the Councils Nomination Agreement.
- 3.6 The Council has previously supported LYHA in securing grant funding from the HCA's Affordable Homes Programme and are currently developing a 23 unit new build development at Kendal Carr, Woodhouse.
- 3.7 The Council will receive 100% nomination rights for 8 properties which are currently vacant as well as 100% on the remaining 4 as and when they become vacant. The council will also receive 75% nomination right on all subsequent relets.
- 3.8 LYHA intend to refurbish the units to their own lettings standards as well as charging Affordable Rents for the units.
- 3.9 LYHA will be required to both sign a Legal Agreement and submit quarterly monitoring reports to ensure that timescales and quality targets are being met.
- 3.10 Should the agreed timescales or quality targets not be met the council has the options within the Legal Agreement to recoup any grant already paid out.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 Executive Members with responsibility for Communities, Planning, Transport and Economy have been consulted and are supportive of the proposals.
- 4.1.2 Consultation has also been undertaken with Local Ward Members who are supportive of the proposal.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 As the proposed schemes will deliver additional Affordable Housing it is envisaged that the scheme will have positive implications for equality groups who are economically disadvantaged
- 4.2.2 LYHA have confirmed that 100% of first and 75% of subsequent allocations will be made to people from the Leeds Housing Waiting List. This will be secured via a Nomination Agreement.

### **4.3 Council policies and Best Council Plan**

- 4.3.1 In agreeing to this proposal the council will help to achieve its targets as set out in the 2016/2017 Best Council Plan Priorities by *'providing enough homes of a high standard in all sections.'*

- 4.3.2 LYHA have confirmed that they intend to bring the properties up to their letting standard and charge Affordable Rents which helps residents to *'live in good quality, affordable homes'* which is a Priority Outcome in the 2016/2017 Best Council Plan.

#### **4.4 Resources and value for money**

- 4.4.1 Because LYHA are required to provide the majority of the development costs (see points 2.1 and 2.2) in line with CLG funding regulations this programme will maximise the impact of the available resources and levers in significant investment to the city.
- 4.4.2 LYHA have advised that they have sufficient capacity to obtain the additional resources required to make the scheme successful via loans and their own reserves.
- 4.4.3 However should LYHA not conform to the conditions set out and agreed there is the potential within the grant agreement to enforce the repayment of the grant.
- 4.4.4 Officers in Land and Property have reviewed the valuation and refurbishment documents submitted by LYHA and confirmed that they are in line with industry standard prices.

#### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 The information contained in the confidential appendix 1 to this report relates to the financial or business affairs of a particular person, and of the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that since this information was obtained through Expressions of Interest then it is not in the public interest to disclose this information at this point in time. Also it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions in that prospective purchasers of other similar properties would have access to information about the nature and level of consideration which may prove acceptable to the Council. It is therefore considered that this element of the report should be treated as exempt under Access to Information Procedure Rule 10.4 (3).

#### **4.6 Risk Management**

- 4.6.1 If this report is approved LYHA will be obliged to sign a legal agreement with the Council before the grant payments are released. The legal agreement mirrors that used by the HCA in relation to funding made available via its Affordable Homes Programme.
- 4.6.2 LYHA will be monitored and asked to report progress on a quarterly basis against agreed milestones. Ultimately if they do not perform or meet the agreed milestones the legal agreement gives the council the opportunity to enforce the refund of the grant funding.

- 4.6.3 Should the council not utilise its RTB funds within a 3 year timescale of their receipt CLG funding regulations stipulate that the funds must be returned to central government.

## **5 Conclusions**

- 5.1 LYHA has a proven track record of successfully developing good quality and sustainable Affordable Homes as well as providing good tenancy management.
- 5.2 If approved this scheme will help the council to increase the number of Affordable Homes within the city as well as helping to meet a number of council priorities set out in 4.3 Council policies and Best Council Plan of this report.
- 5.3 The Director of Environments and Housing in January 2015 and January 2016 has approved the use of RTB grants to support other acquisition and renovation schemes across the city.

## **6 Recommendations**

- 6.1 It is recommended that the Director of Environments and Housing approves and authorises the release of Right to Buy Replacement Programme funding detailed in confidential one to Leeds and Yorkshire Housing Association.

## **7 Background documents<sup>1</sup>**

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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.