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## Report of the Director of Environment and Neighbourhoods

### Executive Board

Date: 19<sup>th</sup> December 2007

Subject: Options for Building Council Houses

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#### Electoral Wards Affected:

Ward Members consulted  
(referred to in report)

#### Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In  
(Details contained in the report)

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## 1.0 Purpose Of This Report

- 1.1 Following a statement expressing a commitment to build new council homes, the Executive Member for Environment and Neighbourhoods has requested that officers bring forward a paper to enable the Executive Board to endorse the position and require officers to draw up proposals to meet this pledge.

## 2.0 Background Information

- 2.1 There has been a substantial decline in the numbers of council homes over the past two decades, with the numbers falling from over 90,000 to the present figure of 58,000. Although the pace of decline has slowed in the last two years, the pressure on council lettings has continued to increase, expressed in the high number of bids for properties and the waiting times for those in need.
- 2.2 The Council has retained the legal power to build council housing. However, the funding mechanisms for council housing, specifically the inability to retain rental income, combined with the commitments to make current stock decent, have meant that Councils have not been able to afford to build council housing.
- 2.3 A number of recent proposals to change the housing finance regime now make the prospect of developing significant numbers of new homes a more realistic proposition. The recent Housing Green Paper, *Homes for the Future: more affordable, more sustainable*, contained a proposal to review the operation of the Housing Revenue Account (HRA) and to explore options that would allow Councils

or ALMOs to retain rental income. The 2008/11 National Affordable Housing Programme, managed by the Housing Corporation, offers a rolling programme for bid submissions for the first time and opens up bids for resources through the ALMOs.

### **3.0 New Council Housing Schemes Proposed**

**3.1** Independent of the changes taking place above, the Council is already committed to the development of new Council housing in a number of key regeneration areas. As part of the PFI funded schemes for the regeneration of Little London and Beeston and Holbeck, the Council plans to develop 475 homes.

#### **4.0.0 Main Issues for future development**

4.1.1 In order to develop council housing on a greater scale over the course of the next decade, however, requires significant further change. In particular both the Council and government will need to address their approach to land availability and finance.

##### **4.2.0 Available Land**

4.2.1 Clearly to deliver on a commitment to build a significant number of council homes each year, requires land to be identified in the right place to meet the assessments of need that have been made through the recent research papers, such as the Leeds Housing Market Assessment. Ideally, this land should be in the ownership of the Council.

4.2.2 77 acres of HRA land has been set aside by the Council for the development of affordable housing schemes. The sites are, in the main, in areas where significant numbers of council housing already exist and the intention, as expressed to the Executive Board in March 2007, would be to develop mixed communities on these sites using a range of affordable housing options. The first six sites are already with the Housing Corporation for assessment of the bidders and allocation of funding and therefore would not be available for the development of council housing.

4.2.3 To develop further capacity, officers should be requested to undertake further work to investigate sites set aside for the development of housing over the next five years and other land owned by the Council. Officers from Asset Management, the Housing Services Division and Planning will work to select sites that would lend themselves to mixed developments that would produce a sensible number of new council houses in an area where such a requirement is needed.

##### **4.3.0 Finance**

4.3.1 The recent Housing Green Paper, *Homes for the Future: more affordable, more sustainable*, does contain the prospect of reform to the rules governing the HRA. The current thinking is that whatever flexibilities are offered, the treasury will expect it to be at nil cost. Leeds is a contributor, in that it currently pays £35m back to the treasury. Therefore, under current thinking Leeds would have to “buy” itself out of this regime to have the freedom to retain its rental income. The “buy out” value would be based on 20 years times the £35m at net present value. More work needs to be undertaken to finalise this calculation.

4.3.2 The Housing Green Paper does offer the opportunity for Councils to retain the income and capital returns from the building of new homes, where the Council invests its own money in the development of those new homes. The government

would need to deliver on this in the new Housing and Regeneration Bill in order to encourage Councils to invest. Where such a development is needed, of course, the Council's wider commitments in the capital programme will have to be considered.

#### 4.4.0 Access to Social Housing Grant

4.4.1 Under the current Housing Corporation rules 3 star ALMOs can register as a preferred developer and bid for Social Housing grant to support housing development. It is proposed that from April 2008/9, 2 star ALMOs will be able to apply to the Housing Corporation to be preferred developers and therefore eligible to make bids for funding to build houses, some of which would be for rent.

4.4.2 The 2008/11 National Affordable Housing Programme offers the potential of £315m of grant available across the West Yorkshire region.

### **5.0 Further Work**

5.1 Given this background, there are several potential avenues to explore funding for future council housing. In addition some of the options would require a change to current government rules. It is proposed that the following work is undertaken:

- Explore Housing Corporation grant to two star ALMOs from 2008/9
- Review the availability of land for housing development
- Review Council contributions via the capital programme and capital receipts from Council owned land
- Explore other public sector land in government ownership made available to the Council to support development initiatives
- Lobby government to retain income streams to fund borrowing from rents on existing and new build

### **6.0 Recommendations**

6.1 The Executive Board requests officers from Environment and Neighbourhoods to work with officers from Legal and Democratic Services, Finance and City Development to bring forward the results of their work on the points contained above to the March meeting.