



Report of the Director of Neighbourhoods and Housing

Executive Board

Date: 17 May 2006

Subject: Renew – Expenditure of reserves

Electoral Wards Affected:

Specific Implications For:

- Ethnic minorities
- Women
- Disabled people
- Narrowing the Gap

Eligible for Call In

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

Executive Summary

Re'new (formerly Leeds Partnership Homes) was created in 1989 by Leeds City Council and 5 housing associations to develop new and rehabilitated social housing in Leeds. Over the years Re'new has developed its role to support the development and implementation of the Leeds Housing Strategy through the Leeds Housing Partnership and to deliver a number of partnership regeneration projects and programmes.

Property development and regeneration activities undertaken by Re'new have resulted in company reserves of £3.3m. These reserves are used to support its work in developing sustainable communities.

The reserves held by Re'new include receipts from the sale of formerly owned Council land that was transferred to LPH as the project manager of the Single Regeneration Budget (SRB) Round 2 scheme as part of the Council's match funding contribution to the programme.

The expenditure of the funds arising from activity associated with the implementation of the (SRB) Round 2 scheme is covered by a partnership agreement between the Council and Re'new and therefore requires the approval of both Executive Board and the Re'new Board. To maximise the impact of this finite resource a partnership approach has been adopted to the developing expenditure plans to ensure that spend is complementary to existing and planned programmes of work being undertaken by the City Council and its Leeds Initiative partners.

1.0 Purpose of the report.

- 1.1 Re'new (formerly Leeds Partnership Homes) was created in 1989 by Leeds City Council and 5 housing associations to develop new and rehabilitated social housing in Leeds. Over the years re'new has developed its role to support the development and implementation of the Leeds Housing Strategy through the Leeds Housing Partnership and to deliver a number of partnership regeneration projects and programmes.
- 1.2 Re'new comprises two organisations: Renew Leeds Ltd – a charity and Renewal Leeds Ltd - a company limited by guarantee which does not distribute profits to shareholders. Both companies have identical boards comprising representatives of 6 housing associations working in Leeds and a representative of Leeds City Council who chairs both boards. The Council's representative is the Executive Member with responsibility for Neighbourhoods and Housing.
- 1.3 Re'new's core costs are funded by its membership and the project costs are financed through grant and contract income. Property development and regeneration activities undertaken by Re'new have resulted in company reserves of £3.3m. These reserves are used to support its work in developing sustainable communities.
- 1.4 The expenditure of the resources arising from activity associated with the implementation of the Single Regeneration Budget (SRB) Round 2 scheme is covered by a partnership agreement between the Council and Re'new and therefore requires Executive Board approval. The remaining funds are a matter for the Re'new Board.
- 1.5 This report sets out:-
 - the background to the reserves held by Re'new
 - the proposed parameters for spending the reserves
 - a draft programme of work to be financed by the reserves

2.0 Background Information

- 2.1 Re'new (formerly Leeds Partnership Homes) was created in 1989 by Leeds City Council and 5 housing associations to develop new and rehabilitated social housing in Leeds. Over the years Re'new has developed its role to support the development and implementation of the Leeds Housing Strategy through the Leeds Housing Partnership and to deliver a number of partnership regeneration projects and programmes. A summary of previous and current activity can be viewed on the Renew website at www.renewleeds.co.uk.
- 2.2 Through its activity to deliver housing and regeneration programmes, Re'new has accumulated reserves from 3 main sources:
 - shares in development profits arising from joint venture activity undertaken by Leeds Partnership Homes
 - additional funding relating to the Archway project
 - from land receipts arising from the SRB Round 2 scheme
- 2.3 There are no particular restraints on the use of the reserves arising from the original LPH agreement. It was originally proposed that any surpluses would be

used to subsidise rents for the properties produced under the LPH mechanism (4,000 properties). However, it is not proposed the Council now proceeds on this basis for three reasons:

- the amount of funding available divided by the number of properties would produce relatively small reductions in rent (approximately £7.00 a week for one year);
- the high level of tenants claiming housing benefit (approximately 70%) would mean it would have little impact locally and the effect would be largely to subsidise central government;
- there are no financial shortfalls on the schemes produced by the Registered Social Landlords (RSLs) using the LPH mechanism, therefore no requirement to subsidise the RSLs.

Instead it appears sensible to use the reserves to sponsor and front fund regeneration schemes.

- 2.4 Funding in reserves arising from the Archway project is relatively small and relates to the transition period from SRB grant to the Supporting People programme and is not subject to any decisions by Executive Board.
- 2.5 Funds arising from land receipts as part of the SRB Round 2 scheme are subject to a legal agreement approved by the former Strategic Policy Committee of the Council in October 1996. This agreement covered the project management arrangements by the former LPH to oversee the delivery of the grant funded scheme and the Council's contribution to the scheme through the disposal at less than best consideration of Council land and buildings to LPH.
- 2.6 SRB grant of £12.5m over the period 1996/7 to 2002/3 levered in a further £55.8m to deliver a housing led regeneration programme in Saxton Gardens (the East Bank area) and a housing improvement and construction training programme focused on older mixed tenure housing areas (Chapelton, Harehills, Hyde Park and Beeston Hill).
- 2.6 The land contribution agreed by the Council was to be used either directly by developing the land to deliver the approved scheme or through selling the land and making a cash contribution to the approved projects. The principles behind the Council's land contribution were:-
- To utilise the Council's land and property assets as part of its overall contribution to add to the limited capital and revenue resources available at that time
 - To maximise the use of the value of LCC land involved in the regeneration programme by ensuring 100% of the capital receipt generated
 - To ensure that an element of any profit from land sales and development was recycled by way of a cash contribution into the SRB programme.

The SRB 2 scheme has been completed and it has proved possible to provide the outputs required by the government without expending all the money arising from the land sales.

3.0 Current position.

- 3.1 The tables at Appendix 1 show that Renew currently has a reserve fund of £3.3m. The funds arising from SRB Round 2 land receipts amounts to £2 m. The figure for anticipated future receipts for land development activities in the East Bank is

uncertain but current projections total to a further £2,220,000 over the next 3 years. However, it should be noted that there is a significant element of re'new's reserves which re'new is contractually free to spend on what it sees fit e.g. office accommodation etc.

- 3.2 The expenditure of the funds arising from the SRB Round 2 scheme is covered by an existing legal framework requiring the consent of the City Council and the Leeds Initiative (Resources Partnership). Government Office for Yorkshire and the Humber has confirmed that there is no provision for the clawback of grant and that any spending plans are a matter for the partners to determine.

4.0 Proposed use of the capital receipts

- 4.1 Reports to the Renew Committee of Management in July 2005 and March 2006 set out the broad principles for an investment strategy that makes use of the reserve funding. Key guiding principles include investing for a financial return and investing for 'social return'. Social return is defined securing improvements in the quality of life for people including improving their life chances and their ability to contribute to society in a wide variety of ways.

- 4.2 The Committee of Management proposes an approach based on an overall strategy for the use of its reserves as opposed to artificial divisions relating to source of the reserves. This will allow greater flexibility in directing resources to a wide range of initiatives and maximising opportunities for joint working to achieve maximum benefit for the people of Leeds.

- 4.3 The Chief Executive of Renew has entered into discussions with the Director of Neighbourhoods and Housing on the developing investment strategy and has identified a number of activities that will:-
- contribute to regeneration and neighbourhood renewal activity led by the Area Management Teams and District Partnerships
 - attract other funding to Leeds e.g. Objective 2 (European), Single Pot (Yorkshire Forward), Single Regional Housing Pot (Regional Housing Board)

- 4.4 An initial list of priority activities for inclusion in the proposed expenditure programme is set out below.

- **Affordable Housing**

Affordable home ownership initiative to refurbish and market former Council miscellaneous properties for home ownership and develop other initiatives to promote the supply of low cost home ownership in Leeds.

- **East Bank / to'gether area**

The to'gether partnership to support the approach to neighbourhood management in East End Park/Cross green

Public realm expenditure contributions in the East bank area

Citizenship initiatives including the provision of training programmes that enable community development / capacity building to support communities to become more self sufficient

East End Park – further developing the potential amenity use of East End Park through a locally based social enterprise

- **Construction Leeds**

Underwriting match funding requirements for programmes supported through

grant funding from the Objective 2 and Single Regional Pot (Yorkshire Forward) in the short term to make good funding shortfalls.

- **Technical resources**

Providing additional technical staffing resources to support the work of the Beeston Hill and Holbeck Regeneration Partnership Board / South Leeds District Partnership to develop a longer-term regeneration programme in conjunction with Departments of Neighbourhoods and Housing and Development.

- **Housing market assessment**

Contributing to the costs of a Leeds housing market assessment in the context of a broader West Yorkshire study to maximise Regional Housing Board funding and its effective use in Leeds

- **Social enterprise development**

Investment in the development of viable social enterprises including: housing maintenance and security; neighbourhood management; youth services; and consultancy services.

- **Asset base development**

Feasibility studies on the development of a new office base for Re'new together with modest conferencing facilities.

4.5 This list of activities builds on current and planned work with the City Council and partners. For example, the to'gether partnership in inner East Leeds proposes to take forward and expand this activity in support of the neighbourhood management initiatives now being introduced through the District Partnerships. New areas of work include joint working with the Neighbourhoods and Housing Department to refurbish former Council properties for use as affordable housing. The listed activities will contribute to the achievement of regeneration objectives in disadvantaged communities and therefore comply with the broad aims of the legal framework governing the use of receipts arising from the SRB Round 2 scheme.

4.6 The list of priority activities will need to be further developed and costed. It is proposed that subject to Executive Board approval of the proposed approach outlined in the report the agreement of individual schemes is delegated to the Director of Neighbourhoods and Housing and expenditure and outcomes are monitored by the Resources Partnership of the Leeds Initiative.

5.0 **Recommendations**

Executive Board is asked to agree the approach outlined in the report to the use of Renew reserves arising from the land sales within the SRB Round 2 scheme.

Renew Leeds Ltd reserves at March 2006

Description	£000's
Renewal Leeds Ltd – reserves at 1 April 2006	612
Renew Leeds Ltd – approx, reserves at 1 April 2006	2,694
Total reserves at 1 April 2006	3,306
Gift aid from Renewal Leeds Ltd (January 2006)	958
Sub total	4,264*
Contributions (2006/07) to:	
Re'new in East Leeds	(369)
Strategic and Membership Services	(65)
Leeds Construction & Training Agency	(100)
Total estimated reserves at 31 March 2007	3,730**

*The above figure will be affected by the final actual position at 31 March 2006

**It should be noted that match funding for Objective 2 applications is being sought from alternative sources but if not secured will be underwritten by Re'new as follows:

Match funding Construction Leeds in 2006 £36,000

Match funding Construction Leeds in 2007 £125,000

Match funding Leeds Construction and Training Agency in 2007 £67,000

The above table summarises the overall position regarding the reserves held by Renew.

Reserves at March 2006 by Funding Source

Source	31/03/06 £000's	2006/07 £000's
East Bank SRB2	2,000	2,370
Other	1,300	1,330
	3,300	3,700

The table above provides a summary position on the reserves by funding source and any known in year changes.

Forecast Receipts 2007/8 to 2009/10

Scheme	2007/08 £000's	2008/09 £000's	2009/10 £000's	Total £000's
Flax Place	795*			795
The Parade and The Drive			1,425**	
Total	795*		1,425	2,220

* Contractual

** Minimum overage