



Report of the Director of Environment and Neighbourhoods

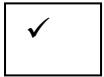
Executive Board

Date: 19th May 2010

Subject: **ALMO Land Assembly in East Leeds**

Electoral Wards Affected:

Burmantofts and Richmond Hill, Temple Newsam, Killingbeck and Seacroft, Gipton and Harehills



Ward Members consulted
(referred to in report)

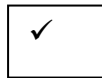
Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In



Not Eligible for Call In

(Details contained in the report)



EXECUTIVE SUMMARY

1. This report updates Executive Board on the clearance of sites by the council's arms length management companies (ALMO) in the East and South East Leeds (EASEL) area and seeks Executive Board approval for the general fund contribution to the costs of acquiring and demolishing houses in private ownership on these sites.

1 Purpose Of This Report

- 1.1 Since 2004/05 the council's arms length management companies (ALMOs) with responsibility for housing management in the EASEL area have progressed selective demolition of unsustainable or unsuitable housing stock on a number of sites. This rationalisation programme included the acquisition and demolition of a number of houses in private ownership. This report sets out the financial implications associated with this element of the programme and seeks Executive Board approval for the costs and funding requirement for these units.

2 Background Information

- 2.1 In November 2009 Executive Board were informed, in the report dealing with Capital Programme Update 2009-2013, that discussions between the Directors of Resources and of Environment and Neighbourhoods were seeking to clarify the funding approvals and responsibilities relating to the acquisition and demolition of privately owned properties within the area. Clarification was being sought as to which properties had been demolished as a part of the Decent Homes programme and therefore would be funded by the Housing Revenue Account, and those private properties which had been acquired and demolished at the same time and which would facilitate sites for the EASEL project.

3 Main Issues

- 3.1 Since 2004/05 the ALMOs have worked with the council to assess the sustainability and suitability of stock in their areas. Within the EASEL area, East North East Homes Ltd (and the predecessors, East Homes and South East Homes) has made significant progress, tied to the Decent Homes programme, with this issue. More than six hundred households have been successfully relocated from a number of sites. A map showing the areas included in the programme is attached as Appendix A to this report.
- 3.2 As part of this programme, the council has offered to relocate or simply acquire houses from private owners so that they would have the same opportunities as council tenants to move to more sustainable homes. The programme includes some 89 dwellings in private ownership. The following table shows the actual and proposed programme of acquisition and demolition of these units.

Year	Number of Properties	
	Acquired	Demolished
2004/05	2	0
2005/06	30	4
2006/07	8	24
2007/08	9	16
2008/09	18	11
2009/10	16	24
Future years	6	10
	<hr/> 89	<hr/> 89

- 3.3 The costs of the programme are now established and include costs to buy the properties and to settle home loss compensation payments to the owners. It also includes professional fees and the demolition costs of the units.
- 3.4 The cost of acquiring and demolishing private dwellings falls to the General Fund and in normal economic circumstances the costs would be met by the capital receipts arising from the onward sale of the land.

3.5 A summary of the costs in each year is as follows:

Year	Acquisition and Homeloss (£k)	Professional Fees (£k)	Demolition costs (£k)	Total Expenditure (£k)
2004/05	85.79	1.18	-	86.97
2005/06	2,306.33	21.00	33.31	2,360.64
2006/07	601.15	6.52	193.49	801.17
2007/08	788.63	7.03	130.22	925.88
2008/09	1,489.29	35.98	75.23	1,600.50
2009/10	1,263.96	-	302.49	1,566.45
Future years	954.08	-	129.65	1,083.72
	7,489.22	71.70	864.40	8,425.32

- 3.6 Costs have been initially incurred by ENEH and financial provision to reimburse ENEH has been made over time and reported to Executive Board in successive reports dealing with the capital programme. However, for transparency it is considered appropriate to report the full details of this expenditure and to ensure that appropriate approval for the expenditure is made through Executive Board. Therefore, Executive Board is asked to note the costs incurred to date and to give approval for the programme costs for the acquisition and demolition of units in private ownership from general fund capital resources. The remainder of the programme (dealing with council houses) is approved under delegation through the management agreement with the ALMO and funded through housing revenue account funding.
- 3.7 The ENEH land assembly programme is contributing to the council's ambition for sustainable mixed communities in east Leeds. The programme will deliver 13 sites covering 28.6 hectares (68.7 acres). These sites will be available to the EASEL programme for new housing and other neighbourhood facilities. The land is sufficient to provide 1,364 new homes, including homes for sale, and affordable homes to rent. The EASEL programme already has four sites operating: Parkway in Seacroft; the Oaks, St Wilfred's Avenue, and, Easterly Mount in Gipton. These sites are delivering 463 new homes, 143 for rent and 220 for sale.
- 3.8 Although the land assembly programme is not complete, the land available already provides the council with land for development over at least the next ten years. Because the programme was already well advanced this has meant that the council has been very successful in attracting government funding to support house building over the last two years. To date the programme has levered in £6.749m of government funding and £15m of private sector investment which will support the delivery of 231 units through until March 2011.

4 Implications For Council Policy And Governance

- 4.1 The rationalisation of ALMO stock makes contributions to commitments the council has made in the Leeds Strategic Plan (and preceding corporate plans). In addition, the council will seek to attract investment into the EASEL communities by developing the sites cleared under this programme.
- 4.2 These joined programmes will contribute to the LSP priorities to promote Thriving Places through the strategic outcome to improve quality of life through mixed neighbourhoods offering good housing options and better access to services and activities. Specifically the programmes focus on increasing the number of decent and affordable homes and to assist with fuel poverty.

5 Legal And Resource Implications

- 5.1 The successful programme of rationalising ALMO stock in the EASEL area has dealt with houses in the council's ownership and some in private ownership. While the costs of the programme for council houses can be funded by the Housing Revenue Account, the acquisition and demolitions of private homes must be funded from the council's general fund resources.
- 5.2 Funding for expenditure to the end of 2009/10 has been provided for in the current capital programme. Future years expenditure from 2010/11 onwards will have to be resourced from the generation of capital receipts resulting from the sale of land in the EASEL area.
- 5.3 The February 2010 Capital Programme report and previous reports to Executive Board have allocated £5.843m of General Fund resources to date towards the overall £7.342m demolition and acquisition costs incurred by ENEH on private sector properties, to 31 March 2010. In 2008/09 funding of £3.343m to meet these costs was provided and a further £2.5m was approved in the February 2010 report on the capital programme. The Director of Environment and Neighbourhoods has subsequently confirmed that ENEH require £2.353m to fund their closing 2009/10 HRA (Decency) capital expenditure position.
- 5.4 Given that ENEH have incurred General Fund costs of £7.342m to 31 March 2010 and been reimbursed for £5.696m of these costs, there remains a requirement in 2010/11 or the forward years to reimburse ENEH £1.646m, the balance of funding required to cover all General Fund costs incurred up to 31 March 2010.
- 5.5 In addition to the £1.646m balance of funding for 2009/10, projected acquisition and demolition costs to conclude the current programme of site assembly works for EASEL are expected to be £1.083m in 2010/11. There is currently no capital programme provision for £1.499m in respect of spend to 31 March 2010 and £1.083m for 2010/11. If the programme of acquisition and demolition of private dwellings is to be completed, an injection will be required to the capital programme of £2,582m.
- 5.6 If this capital programme injection is approved, by 31 March 2011 the General Fund is projected to have funded £8.425m of acquisition and demolition costs. As referred to in paragraph 3.4, when the original EASEL funding model was established there was a buoyant housing market and it was envisaged that ENEH would be promptly reimbursed from the receipts generated by the sale of cleared sites to Bellway. This site sale process has not happened due to the prevailing economic conditions. As the housing market revives, site sales will again commence and the General Fund will be recompensed for these costs from EASEL site receipts in the forward years.

6 Conclusions

- 6.1 The council with its partner East North East Homes Ltd has made significant progress in dealing with the rationalisation of its stock which will release land for the next phase of investment into the EASEL area.
- 6.2 The funding for the acquisition of private sector properties should be funded from the council's general fund resources and appropriate approval for the funding is sought.

7 Recommendations

- 7.1 Executive Board is requested to:
- 7.2 approve the injection of £2.582m of General Fund resources to cover the balance of the 2009/10 and projected 2010/11 expenditure, funded initially from unsupported borrowing but to be recompensed from EASEL site receipts in future; and
- 7.3 authorise expenditure of £8.425m as the costs for the acquisition and demolition of the private sector houses dealt with as part of the rationalisation of housing stock by East North East Homes Ltd.

Background papers

Executive Board reports:

February 2008 Capital Programme 2007-11

February 2009 Capital Programme 2008-12

November 2009 Capital Programme Update 2009-13