

**Report of: Directors of City Development and Environment and Neighbourhoods**

**Report to: Executive Board**

**Date: 9<sup>th</sup> January, 2013**

**Subject: Development of New Council Houses**

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): City and Hunslet; Middleton Park; Armley; Bramley and Stanningley; Farnley and Wortley; Gipton and Harehills; Burmantofts and Richmond Hill; Beeston and Holbeck; Pudsey; Morley South; Ardsley and Robin Hood		
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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number: Appendix number:		

**Summary of main issues**

1. This report outlines the proposals led by Leeds City Council to bring forward new Council housing across the City as part of a programme of activity to address demand for new housing. Whilst small scale schemes have been undertaken over recent years to increase the supply of Council housing funding currently available makes way for a development programme of new Council housing on a scale more significant than the city has seen for some considerable time.
2. Executive Board at its meeting of 5<sup>th</sup> September, 2012 approved a proposal to utilise £9.5m of Housing Revenue Account funding for the development of new Council homes over a 3 year period. The Council is taking a lead role in response to the challenges set out by the Commission on the Future of Local Government, which face local councils and their partners in stimulating the delivery of homes, jobs and growth. All opportunities to lever in additional resources via the Council's role as facilitator and enabler will be explored to maximise the delivery of new Council homes with the limited resources available. For example by working collaboratively with the Homes and Communities Agency and Housing Associations, and by the utilisation of commuted sums.
3. The availability of these resources provides an opportunity for the Council to add to its housing stock generating rental income and new homes bonus. Meeting the housing

needs of older people, and responding to the impacts of Welfare Reform through provision of 1 bed properties have been identified as key housing delivery drivers. However, the aim will be to deliver homes designed with an eye to flexibility of room use and layout in order to withstand changes in demand over time in the event that further amendments to social policy are implemented.

4. A site search which has been undertaken and, considered in conjunction with demand information, has resulted in a shortlist of potential sites for the delivery of the first phase of development. This report sets out proposals for delivery and seeks approval to progress the shortlisted sites towards the first phase of development.

## **Recommendations**

Executive Board is recommended to:

- i) approve proposals to progress the development of the HRA new build programme towards final site selection from the shortlist provided at appendix 1, and through to the design and construction phases.
- ii) delegate the development of HRA new build programme, in consultation with the Executive Member for Development and the Economy and Executive Member for Neighbourhoods, Planning and Support Services, to the Directors of City Development and Environment & Neighbourhoods
- iii) approve an injection of £1.38m of commuted sums which were previously earmarked for affordable housing and remain unallocated, bringing the total resource to £10.88m

## **1.0 Purpose of this report**

- 1.1 This report sets out progress towards the delivery of new Council homes to be delivered over the next 3 years utilising £9.5m of Housing Revenue Account (HRA) capital resources and a further £1.38m of commuted sums.
- 1.2 The report provides further details of the proposals in terms of site selection and type of properties to be built. Approval is sought in order to progress these proposals to the next stages of design, submission of planning applications and letting the first construction contract.

## **2.0 Background information.**

- 2.1 At its meeting on 5<sup>th</sup> September 2012, the Councils Executive Board approved a housing investment programme combining a range of funding sources and investment models over the next 3 years, including £9.5 million from the HRA.
- 2.2 It is anticipated that this funding will resource the delivery of approximately 105 new council homes over the next 3 years on the basis of an average construction cost. However, the precise number will depend upon the type of properties to be developed and site conditions. The aim will be to maximise delivery and secure value for money through the procurement approach.
- 2.3 Given the pressure of population growth and anticipated demographic changes including an increase in older people, coupled with unmet need for social and

affordable housing, it is clear that Leeds needs more housing of appropriate quality and type to meet the needs and aspirations of existing and potential residents. The draft Core Strategy estimates that 1,158 affordable homes a year are required in order to meet predicted need.

2.4 The report considered by Executive Board in September set out the following next steps:

- agree the type of new housing to be built based on demand data.
- to identify sites for the new build programme
- phasing and planning
- let a construction contract

2.5 This report provides further details of progress towards the development of detailed proposals in line with the steps listed above.

### **3.0 Main issues**

#### **3.1 Demand Analysis**

- 3.1.1 The city's population is predicted to increase from 755,136 in 2010 to 860, 618 in 2028. The Council's core strategy clearly recognises the challenges associated with meeting the needs of an aging and growing population in appropriate locations particularly with respect to the quality, type and affordability of homes.
- 3.1.2 An analysis of current and predicted demand for social housing has been undertaken using data from the Leeds Homes Register. As at 30<sup>th</sup> June, 2012 87% of the 26,850 applicants on the Leeds Homes Register require either one or two bedroomed homes. 58% required one bedroomed properties. Meeting the housing needs of older people, and responding to the impacts of Welfare Reform through provision of 1 bed properties have been identified as key housing delivery drivers.
- 3.1.3 Whilst current and anticipated demand for 1 bedroomed accommodation is high, intelligence tells us that this is the result of local and national policy, the Council's lettings policy and impending Welfare Reforms, rather than aspiration. Homes built to address current needs should be of a design and standard flexible enough that over their lifetime they continue to meet aspirations in the event that occupation restrictions change as a result of a change in social policy.
- 3.1.4 The Older Peoples Housing and Care Project, which will be the subject of a report for consideration by Executive Board at its meeting in February will establish an investment approach to improving and increasing the accommodation for older people available in the city. Delivery of the proposals contained within this report will complement the wider approach.
- 3.1.5 Welfare reforms which are due to come into effect from April 2013 as a result of the Welfare Reform Act 2012 will see Housing Benefit entitlement reduced for working age tenants living in Council or Housing Association homes where tenants are

deemed to have more bedrooms than they need. The latest estimates for the number of Council tenants affected is 6,700. 423 households have already requested a transfer to a 1 bedroomed property<sup>1</sup>.

3.1.6 An analysis of demand information relating to the number of households on the LHR requiring one bedroom accommodation indicates that the following locations have the greatest demand for 1 bedroomed properties:

- from LCC tenants aged 60+ who are currently underoccupying:  
Pudsey, Morley, Seacroft North
- from LCC tenants of all age groups who are currently underoccupying:  
Morley, Pudsey, Seacroft North.
- from non LCC tenants of all age groups:  
Morley, Pudsey, Bramley.
- from non LCC tenants aged 60+:  
Pudsey, Morley, Otley

However, it should be noted that the information provided relates to areas of first choice and that there may be pockets of higher or lower demand at a more localised level. While Pudsey and Morley have benefited from housing investment via the HCA 2008/11 Affordable Homes Programme with the development of 103 and 65 new affordable homes respectively these two areas still rank highest in terms of demand for one bedroomed accommodation. (Further demand information is available at appendix 2)

3.1.7 The numbers of LCC tenants across the city who have requested 1 bedroomed properties would suggest that there are opportunities to resolve under-occupation in LCC tenancies by providing additional 1 bedroomed accommodation. The implementation of local lettings policies in relation to the proposed development of units in order to prioritise LCC tenants currently underoccupying could lead to the release of 2 and 3 bedroomed properties, thus making more efficient use of existing Council stock.

3.1.8 In view of the proposed client group to be targeted it is considered unlikely that the proposed developments will impose any additional strain on local services such as school placements. However, the existence of local amenities, such as GP surgeries and local food outlets will be considered in the selection of sites which are intended specifically for older people.

## **3.2 Site Identification**

3.2.1 In the search to identify suitable sites for delivery a list detailing all Brownfield sites in Council ownership has been considered alongside details of a number of small infill/garage sites which the ALMOs have been asked to provide in view of their local knowledge.

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<sup>1</sup> Report to Scrutiny Board (Resources and Central Services) Welfare Reforms Preparations 19<sup>th</sup> November, 2012

- 3.2.2 The availability of developable sites restricts the Council's ability to meet the identified demand. Despite an extensive site search, the lack of suitable, Council owned sites in Pudsey and Morley means that opportunities to address need in these areas are limited. Phasing of the three year programme will allow time for the site search to continue and in some instances sites may emerge with time as they fall out of option appraisals relating to other investment programmes.
- 3.2.3 An exercise to further explore the suitability and deliverability of sites on the comprehensive list, taking into account site constraints and potential planning issues has resulted in the following shortlist of sites for potential delivery across the city over the next 3 years.
- Broadlea Street, Bramley
  - Mistress Lane Armley
  - Harley Green, Swinnow
  - Bradford Rd, Tingley
  - Parkwood Rd, Beeston
  - The Garnets, Beeston
  - Beech Mount, Gipton
  - Beech Walk, Gipton
  - St Hildas, Cross Green
  - East Park Road, East End Park
- 3.2.4 Whilst all of these sites will require further investigation in consultation with planning officers, they have been identified as the sites which, on initial inspection, are considered to be the most deliverable within the timescale and budget.
- 3.2.5 Site constraints (such as access issues, substations, topographical issues) in some locations may result in significant abnormal costs which could affect the viability of the site and may mean that these sites are removed from the shortlist. Officers will continue to explore potential sites more fully even though site constraints are present to ensure opportunities are not missed.
- 3.2.6 Some sites provide an opportunity to resolve outstanding regeneration aspirations. For example the Garnets in Beeston and St Hildas in Cross Green where ongoing clearance schemes were curtailed by government funding cuts in 2010. Ward members are keen to see the redevelopment of the resultant cleared sites to achieve some regeneration benefit for these areas.
- 3.2.7 Opportunities to work collaboratively with Housing Associations will also be explored to maximise delivery and reduce costs by taking advantage of economies of scale. In some cases this may result in an alternative delivery route or on larger sites present an option delivery of a mixed development of affordable homes owned by the Council and the housing association. In principle discussions have already taken place with one Housing Association with a HCA grant funding allocation on a non-site specific basis.

The sites detailed above form the first draft shortlist. It is anticipated that as work is undertaken to progress the development of firm proposals some sites may fall away and be replaced by others over time.

### **3.3 Next Steps**

- 3.3.1 Subject to Executive Board approval it is proposed that the shortlist of sites, will be the subject of further detailed discussions, in terms of design, layout and planning issues, in order to determine the most appropriate in terms of deliverability and location to achieve a rapid start on site.
- 3.3.2 Once the final site selection has been agreed the project will progress to the next stages of the process towards delivery.
- Detailed design
  - Consultation with stakeholders
  - Planning approval
  - Procurement of development
- 3.3.3 Every effort will be made to exploit all opportunities to identify the most cost effective solutions e.g. partnerships with developers and coordination with the brown field programme. The potential to utilise modern methods of construction (modular construction etc) will also be further explored. A further report will be submitted to Executive Board to update on delivery of phase 1 and provide recommendations in terms of phases 2 and 3 in due course.
- 3.3.4 In terms of timescales it is anticipated that subject to planning approval a start on site on the first phase of development could be expected by November 2013.

### **3.4 Procurement of the Construction Contract**

- 3.4.1 A flexible and innovative design for 1 bed units will be sought, with an emphasis on quality, space and energy efficiency, which are able to respond to a variety of demands and which will remain attractive to potential tenants over the lifetime of the building regardless of the existence of policies to determine the level of occupation. For example to meet the needs of older people, single people with part time access to children and from households downsizing to release family homes. A design brief including property type, bedroom sizes, and specialist housing requirements will be prepared. In the case of bungalows, design options which most efficiently utilise land take will be a priority.
- 3.4.2 Nationally recognised design principles will be adopted as a minimum, including Lifetime Homes. However, an innovative design approach will be sought (potentially via a competitive process), to ensure that the highest levels of energy efficiency, space standards, sound insulation and quality are delivered subject to affordability and value for money. It is considered important to deliver a product that is attractive to smaller household which will act as an enticement for older tenants to free up under occupied properties.

- 3.4.3 Procurement options for both the design and construction stages of the project will be fully explored with the aim of achieving the most cost effective and beneficial procurement method. Delivery via a Framework agreement may be preferable particularly if the programme is to be delivered over a series of small sites.
- 3.4.4 In addition opportunities to maximise the number of employment and training opportunities for local people will be sought via the procurement process. Any training placements will need to be co-ordinated across a number of dispersed sites to ensure they are of sufficient length to be meaningful.
- 3.4.5 It is proposed that the final decision in relation to procurement of the construction contracts are delegated to the Director of Environment and Neighbourhoods and Director of City Development

## **4.0 Corporate Considerations**

### **4.1 Consultation and Engagement**

Executive members have been briefed on the proposals. If agreement is gained to the report proposals further consultation will be undertaken as follows. Consultation with ward members will take place as part of the short listing process and with local residents as detailed layout and design proposals are further developed prior to the submission of planning applications on each of the proposed sites. In addition the public will have a further opportunity to comment as part of the planning process.

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

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 that the delivery of affordable housing through this programme could have positive implications for equality groups who are economically disadvantaged and for older people. A full Equality Impact Assessment will be completed in due course.

### **4.3 Council policies and City Priorities**

- 4.3.1 Proposals set out in this report respond to the challenge facing local councils and their partners in stimulating the delivery of homes, jobs and growth presented by the Commission on the Future of Local Government. The Council's role in providing local leadership sees this utilisation of funding in a new and innovative way to facilitate direct investment in the provision of new affordable homes.
- 4.3.2 The Vision for Leeds established the Council's objective of being the Best Council in the country and a strong working relationship with people, businesses and organisations is at the heart of this objective. It also sets out the ambition of being the Best City in the country with a good quality of life for Leeds residents.

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

- 4.4.1 There are currently sufficient uncommitted HRA capital resources available without impacting upon other housing investment priorities to fund this programme and without the need for prudential borrowing. Executive Board has approved proposals to utilise £9.5m of HRA resources for this purpose. In addition an amount

of £1.5m, identified from affordable housing commuted sums, paid to the Council by private developers in lieu of onsite affordable housing provision, were approved for use on the Pilot Council House Build project in December 2009. £1.38m of these resources remain unspent following the allocation of grant funding by the HCA for the project. It is proposed that this amount should be injected to supplement the £9.5m capital budget available for this project to facilitate the development of additional units, bring the total to £10.88m.

4.4.2 Although rental levels are still to be set it is proposed that rents will be charged for the new units in line with current Council rental levels. As well as providing an rental income stream the Council will benefit from the generation of New Homes Bonus with the affordable housing uplift.

4.4.3 Individual site appraisals will be undertaken to assess build costs in relation to income generated to ensure that value for money considerations are fully considered.

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

4.5.1 The new dwellings will be provided under the powers of Part II of the Housing Act 1985, Chapter 68, and they will be accounted for within the HRA.

#### **4.6 Risk Management**

4.6.1 There is a risk that although a shortlist of sites has been drawn up none of the proposed sites will receive planning approval. A dedicated planning officer has been appointed to work with the steering group and to advise specifically on planning issues and recommend solutions.

4.6.2 Despite the fact that the majority of sites are brown field sites previously cleared of housing there is a risk that local residents may have become accustomed to using the sites as informal green space and may object to development. Local residents will be consulted and kept informed of proposals to ensure that officers are aware of any potential objections and may work to ameliorate concerns.

4.6.3 There is a risk that abnormal build costs associated with the sites may be discovered. Individual site appraisals including site investigations will be undertaken to ensure that risks are understood and mitigated prior to progressing any site.

#### **5.0 Conclusions**

5.1 Resources have been made available for the development of new council homes.

5.2 There is a demand from both existing Council tenants who are under occupying their present homes and from non Council tenants currently on the Leeds Homes Register for 1 and 2 bed roomed homes. Flexible and innovative approaches will be sought to provide homes which are able to respond to changes in demand over the lifetime of the buildings.

5.3 Whilst the lack of developable Council owned sites in many parts of the city mean that it is not possible to provide new homes in the precise areas of highest demand



a short list of sites has been drawn up for potential development to meet some of this demand across the city phased over a 3 year period.

- 5.4 Further work is to take place to explore the most deliverable site, the most efficient design and to maximise delivery by effective procurement.

## **6.0 Recommendations**

Executive Board is recommended to:

- i) approve proposals to progress the development of the HRA new build programme towards final site selection from the shortlist provided at appendix 1, design, planning approval and procurement.
- ii) delegate the development of HRA new build programme, in consultation with the Executive Member for Development and the Economy and Executive Member for Neighbourhoods, Planning and Support Services to the Directors of City Development and Environment & Neighbourhoods
- iii) approve an injection of £1.38m of commuted sums which were earmarked for affordable housing and remain unallocated bringing the total resource to £10.88m

## **7.0 Background documents<sup>2</sup>**

- 7.1 None

Appendix 1: Shortlist of sites

Appendix 2: Demand analysis summary

Appendix 3: Equality Impact Screening

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<sup>2</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.