

Report of the Director of Resources & Housing

Report to the Executive Board

Date: Wednesday 19th April 2017

Subject: Right to Buy Replacement Funding: Investment to support the delivery of new supply Affordable Housing

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): Temple Newsam, Gipton and Harehills, Middleton Park, Wetherby, Armley, Hyde Park & Woodhouse.		
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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number: 10.4 (3)		
Appendix number: Appendix 2		

Summary of main issues

1. There is a requirement to ensure that housing growth is delivered to meet the needs of all communities across the city. To support this, the provision of new Affordable Housing is a priority for Leeds and has been outlined within the Best Council Plan; *providing enough homes of a high standard in all sectors*, with the Housing Growth and High Standards in All Sectors Breakthrough Project acting as the catalyst to support this delivery. Furthermore, the Core Strategy outlines a delivery target of 1158 new affordable homes per year to be developed, through sustainable growth.
2. In order to assist with delivery of new supply Affordable Housing, the Council established a Right to Buy Replacement Programme. The programme offers funding of up to 30% of total scheme costs towards new developments of rented accommodation delivered via Registered Providers, the Third Sector and the Council. This approach was approved by Executive Board in July 2013.
3. This report outlines a number of applications received from Registered Providers and the Third Sector affordable housing providers for Right to Buy Replacement Funding and seeks Executive Board approval for the funding requests to support Affordable Housing delivery.

Recommendations

4. The Executive Board is requested to:

- I. Note the content of the report;
- II. Approve Right to Buy Replacement funding applications and grant authority to spend and enter into grant agreements for the schemes listed in Confidential Appendix 2 and at 3.8 of the report.

1 Purpose of this report

- 1.1 The purpose of the report is to provide the Executive Board with an overview of the Right to Buy Replacement Programme and seek approval for funding contributions to a number of affordable housing schemes being delivered by Registered Providers and the Third Sector.

2 Background information

- 2.1 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 a Right to Buy Replacement Programme which offers grant funding to Registered Provider and Third Sector organisations to support the delivery of new supply affordable housing in the city.

- 2.2 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.

- 2.3 As per the defined Department of Communities and Local Government process, at the end of each quarter, the Council receives a 30% share of the sales from properties sold under Right to Buy. The 30% funding has specific restrictions:
- It can only be used for the provision of new supply affordable rented housing;
 - That the Council receives nomination rights on any properties supported through RtB grant funding;
 - It must be spent within 13 quarters of being received by the Council or will have to be returned to DCLG with interest;
 - The funding cannot be blended with Homes & Communities Agency grants.

- 2.4 In order to ensure there are robust assessment processes in place, an application procedure has been established with clear guidance outlining funding eligibility. Quarterly monitoring processes have also been established which enable the Council to be provided with regular progress reports on scheme delivery.

- 2.4 The Council receives nomination rights for all new properties developed with support from the Right to Buy Replacement Programme. The Council will be entitled to nominate tenants for 100% of first and 75% of subsequent lets for a period of 60 years. The grant recipient will be required to enter into a Nomination Agreement, at the same time as the grant agreement.

- 2.5 Since Quarter 4 of 2012/13 to Quarter 3 of 2016/17, the Council has received £18.8m of funding to be utilised towards the provision of new supply social housing. It is to be noted, there are no restrictions as to where the funding can be utilised, which can be anywhere across the city.

- 2.6 To date, RtB funding has been used on a variety of Council, Registered Provider and Third Sector affordable housing projects..

In terms of current schemes, £11.5m of Right to Buy funding will be used to support the delivery of the Council Housing Growth Programme and will contribute

towards the delivery of 312 units of new Council homes allowing resources to be maximised and stretched further.

- 2.7 Alongside this, the Director of Environment & Housing through, the Council's delegated decision scheme, has approved the release of c£2.7m towards development costs and property refurbishments for 79 new affordable units across the city delivered by Registered Providers and Third Sector affordable housing providers.

3 Main issues

- 3.1 A number of new requests have been received from Registered Providers and Third Sector affordable housing providers for grant contributions towards developments. The sections below provide details on each individual scheme, with point 3.8 summarising the schemes. Details regarding individual grant requests are outlined within the confidential appendix which accompanies this report.
- 3.2 *Affinity Sutton Homes Limited – Sutton Park*
A proposal is in place from Affinity Sutton to demolish some existing stock and develop 14 new Affordable Housing units on land at Carden Avenue, Sutton Estate in Halton Moor. Under CLG rules governing the use of RTB funds, grant funding can only be allocated to the provision of new supply Affordable Housing and only five of the 14 new affordable units are eligible for RTB funding.
- 3.3 *Habinteg – Bespoke Properties Programme*
Habinteg are to develop six properties with bespoke designs for families with specific needs. This is the first scheme being delivered following collaboration with Adult Social Care and Children's Services to develop a template for such properties and will address an unmet housing need in the city. The units will be fully wheelchair accessible and will be constructed in areas of identified demand. A request for 30% of development costs towards the scheme has been made.
- 3.4 *Housing & Care 21 – Primrose, Boston Spa Extra Care Scheme*
Housing & Care 21 are to develop their flagship extra care scheme in Leeds at the site of the former Primrose Hill Home for Older People in Boston Spa. The scheme will be a mixed tenure development comprising of social rented, Shared Ownership and market sale units. Housing & Care 21 have already been successful in securing funding from the HCA towards the Shared Ownership units and have applied for RtB towards the development costs of the social rented units.
- 3.6 *St George's Crypt – Hedley Chase*
A planning application has recently been submitted for the construction of a 23 unit apartment development, comprising of 12 two bed and 11 one bed self-contained apartments. The development will also include communal facilities and a workshop where St George's intend to hold a range of training and support sessions for tenants.

3.7 *St George's Crypt – Regent Terrace*

St George's Crypt currently manage a hostel at a site they own on Regent Terrace, Hyde Park. Proposals have been developed to demolish the existing building and re-build a 14 unit apartment development. The new development will provide move-on accommodation for St George's clients.

- 3.8 The table summarises the number of units which would be developed through the investment of £2,831,539 Right to Buy Replacement Funding. The Council will receive 100% nominations rights on first allocations and 75% on subsequent for the schemes listed below.

Scheme	Ward	No. of Units
Affinity Sutton - Sutton Park	Temple Newsam	5
Habinteg – Bespoke Properties		
Back Lane	Armley	2
Chatsworth Road	Gipton & Harehills	1
Nesfield Gardens	Middleton Park	3
Housing & Care 21 – Extra Care	Wetherby	12
St George's Crypt – Hedley Chase	Armley	23
St George's Crypt – Regents Terrace	Hyde Park & Woodhouse	14
	Total number of units	60

- 3.9 A grant agreement will be negotiated with the affordable housing provider but will be conditional upon the grant of planning permission and, if applicable, the grant recipient has acquired a legal interest in the land. The grant agreement requires the provider to submit regular monitoring reports to ensure that delivery timescales and quality targets are being met, which were outlined within the grant application and planning approval. Should the agreed timescales or quality targets not be achieved, the Council has the power within the grant agreement to recover any grant funding already issued.
- 3.10 The Council will pay 90% of the grant at the commencement of the development and will retain 10% of the grant funding to be issued on practical completion, following a review the scheme to ensure that the agreed scheme has been delivered and that it demonstrates value for money before the remainder of the grant is paid.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Ward Member consultation has been undertaken. All Members who responded are supportive of the proposals.
- 4.1.2 Regular consultation will continue to be provided to the relevant ward members on scheme specifics as part of the development programme.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The Equality and Diversity, Cohesion and Integration screening document has been completed to ensure due regard to equality issues. This is attached for reference at Appendix 1.
- 4.2.2 The recommendations in this report have a number of positive equality outcomes. The primary focus is to provide additional Affordable Housing which will have a beneficial impact for socio-economic equality groups. Alongside this, investment into specialist housing will also have positive impacts for older people, people with disabilities and carers.

4.3 Council policies and the Best Council Plan

- 4.3.1 The delivery of new supply affordable housing in Leeds underpins the Council ambition for Leeds of a Strong Economy and a Compassionate City.
- 4.3.2 The detail and associated recommendations outlined within this report contributes towards the following Best Council Plan 2016/17 priorities:
- Providing enough homes of a high standard in all sectors.
- 4.3.3 The recommendations within this report also supports the following Best Council Plan 2016/17 outcomes:
- Live in good quality, affordable homes within clean and well cared for places.
 - Live with dignity and stay independent for as long as possible.
- 4.3.4 The delivery of new housing opportunities support the delivery of the following breakthrough project:
- Housing growth and high standards in all sectors.
- 4.4.5 The delivery of new supply affordable housing goes towards meeting the Council's annual Affordable Housing target of 1,158 units as outlined within the Core Strategy.

4.4 Resources and value for money

- 4.4.1 Additional New Homes Bonus payments will be generated through the construction of the new affordable housing (NHB uplift) housing which the Right to Buy Replacement Programme will be supporting.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 Funding for the provision of social housing is a service of general economic interest (SGEI) and is not state aid. The terms of the grant agreement will ensure that the funding meets the criteria for an SGEI
- 4.5.2 The Director of Resources & Housing has delegated authority to grant approval for Right to Buy Replacement Programme requests of up to £500,000. As a number of the individual requests total above this amount, as well as cumulatively exceeding this threshold, the Executive Board is required to grant the approval.
- 4.5.3 The information contained in the confidential appendix 2 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).

4.5.4 This report is classed as a key decision and is subject to Call In.

4.5 Risk Management

4.6.1 It is considered that the recommendations in this report will have no adverse risks to the Council as all schemes that will benefit from the investment of Right to Buy Replacement Programme funding will be compliant with the criteria for spend outlined at 2.3.

4.6.2 Registered Providers and Third Sector organisations will be obliged to enter into a legal agreement with the Council before the grant payments are released.

4.6.3 Providers will be monitored and asked to report progress on a regular basis against agreed milestones. Ultimately, if they did not meet the defined and agreed milestones, the grant agreement gives the Council the opportunity to enforce the clawback of the grant funding.

4.6.4 As part of the grant agreement a 10% Grant retention will be held until the scheme is completed and officers have reviewed the scheme in detail to protect the council's interest.

4.6.5 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. Therefore, the additional investment route helps to minimise this risk plus shares risk by drawing in additional funding from other providers

4.6.6 Where possible the Council will seek to take a charge over the property to secure the clawback provisions of the grant agreement.

5 Conclusions

5.1 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 of this report.

5.2 The establishment of the Right to Buy Replacement Programme is a creative approach to further support the provision of new supply affordable housing. The availability of this funding supports affordable housing providers with maximising their resources, brings additional resources to the delivery of new homes through the providers' contributions and assists with sustainability.

6 Recommendations

6.1 The Executive Board is requested to:

- I. Note the content of the report;
- II. Approve Right to Buy Replacement funding applications and grant authority to spend and enter into grant agreements for the schemes listed in Confidential Appendix 2 and at 3.8 of the report

7 Background documents¹

7.1 Not applicable.

¹ 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