

Report of the Director of Resources & Housing

Report to the Executive Board

Date: Wednesday 19th September 2018

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): Beeston & Holbeck, Chapel Allerton, Gipton & Harehills, Hunslet & Riverside and Middleton Park		
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. Housing growth, which delivery of affordable housing is a key component of, is outlined as a Best City Priority within the Best Council Plan - housing of the right quality, type, tenure and affordability in the right places, underpinning the Leeds best city ambition of a strong economy and compassionate city.
2. In order to support the 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 developments of new supply 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 for Right to Buy Replacement Funding and seeks Executive Board approval for the funding requests to deliver new affordable housing units.

Recommendations

4. The Executive Board is requested to:

- I. Note the content of the report;
- II. Approve the use of Right to Buy Replacement grant funding to deliver 50 new affordable housing units and enter into funding agreements for the schemes listed at 3.6 of the report and in the supporting Confidential Appendix.
- III. To delegate authority to the Director of Resources & Housing to negotiate detailed terms and approve minor amendments to Right to Buy Replacement Programme grant funding allocations (within delegated authority powers).

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) (now the Ministry of Housing, Community and Local Government – MHCLG) “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 MHCLG “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 MHCLG with interest;
 - The funding cannot be blended with Homes England grants.
- 2.4 In order to ensure there was a clear and transparent funding allocation system in place, an application process was established with guidance outlining funding eligibility.
- 2.5 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 lets and 75% of subsequent lets for a period of 60 years. The grant recipient will be required to enter into a Nomination Agreement alongside the funding agreement.
- 2.6 Since Quarter 4 of 2012/13 to Quarter 1 of 2018/19, the Council has received £36.4m of Right to Buy Replacement Programme funding to be utilised towards the provision of new supply affordable rented housing. It is to be noted, there are no geographical restrictions as to where the funding can be utilised and can be invested anywhere across the city.
- 2.7 To date, RtB funding has been used on a variety of Council, Registered Provider and Third Sector schemes. £18m is committed toward the delivery of 474 new Affordable Housing units. To quarter 1 of 2018/19 financial year, £10.1m actual spend has been achieved, resulting in 250 start on sites.

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 3.6 summarising the schemes. Details regarding individual grant requests are outlined within the Confidential Appendix which accompanies this report.
- 3.2 *Leeds Federated Housing Association - Sissons Lane / Acre Road, Middleton*
A proposal is in place from Leeds Federated Housing Association to build 18 new supply Affordable Rent homes. This will consist of 2, 3 and 4 bedroom semi-detached houses in Middleton.
- 3.3 *Canopy – Acquisitions and Refurbishment Programme Phase 2*
The project involves the purchase and renovation of 16 long term empty properties over 3 years (2018-2021) previously in private ownership. The acquisitions will focus on supporting improvements in the Council's priority neighbourhoods.
- 3.4 *LATCH - Acquisitions and Refurbishment Programme Phase 2*
The project involves the purchase and renovation of 8 empty, rundown properties over 14 months to provide affordable homes for people who are homeless or in housing need. The project will create 4 two to three bedroom family homes and create 4 1 bed homes for single homeless people.
- 3.5 *GIPSIL - Acquisitions and Refurbishment Programme Phase 2*
The project involves the purchase and renovation of 8 privately owned one and two bedroom properties between September 2018 and August 2020. The properties will be let as supported tenancies to vulnerable young people (age 16-24) receiving housing-related support from GIPSIL.
- 3.6 The table summarises the number of units which would be developed through the investment of c£1.6m 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	Units
Leeds Federated Housing Association	Middleton Park	18
Canopy	Beeston and Holbeck Gipton and Harehills	16
LATCH	Chapel Allerton	8
GIPSIL	Gipton and Harehills	8
Total number of units		50

- 3.7 A funding agreement will be negotiated with the Affordable Housing Providers and will be conditional upon the grant of planning permission (if applicable) and that the recipient has acquired a legal interest in the land / property. The funding agreement requires the Provider to submit quarterly monitoring reports to ensure

that delivery timescales and quality targets are being met. Should the agreed timescales or quality targets not be achieved, the Council has the power within the agreement to recover any grant funding already issued.

- 3.8 The Council will pay 90% of the grant at the commencement of the development and will retain 10% of the funding to be issued on Practical Completion. The final retention payment will be released following a review of the scheme to ensure that it has been delivered in line with the original application and that it demonstrates value for money.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Executive Members for Communities and Regeneration, Transport and Planning have been consulted and are fully supportive of investment of Right to Buy Replacement Programme funding as outlined within the report.

- 4.1.2 Ward Member consultation has been undertaken. All Councillors who responded are supportive of the proposals.

- 4.1.3 Regular dialogue will continue to be provided to the relevant Ward Members on specific schemes as development commences.

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.

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. The proposals present an opportunity to link into the 'City Centre Vision - Our Spaces Strategy' which sets out the vision and ambition for the development of public realm and join up work more effectively as part of the city's compassionate response to people in need.

- 4.3.2 The proposals outlined within the report supports the delivery of the 2018/19 – 2020/21 Best Council Plan priority of Housing: Housing of the right quality, type, tenure and affordability in the right places.

- 4.3.4 The development of new supply Affordable Housing funding through the Right to Buy Replacement Programme contributes towards the achievement of the housing targets for the city, as outlined within the Core Strategy. At present, the Affordable Housing target stands at 1,158 units per annum. As part of the Cores Strategy Selective Review, once recommendations have been adopted, the target will increase to 1,230 per annum.

4.3.5 Furthermore, the additional units directly contribute towards the Leeds Housing Strategy housing priority of Affordable Housing Growth.

4.4 Resources and value for money

4.4.1 Additional New Homes Bonus payments will be generated through the construction of the new supply 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 funding 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 the individual requests cumulatively exceed this threshold, the Executive Board is required to grant the approval.

4.5.3 The information contained in the Confidential Appendix 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 grant application forms then it is not in the public interest to disclose this information at this point in time. 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. The recommendations associated with this report was placed on the 'List of Forthcoming Decisions' on 8th August 2018.

4.6 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 funding and nomination agreements with the Council before any grant payments are released.

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

4.6.4 As part of the funding 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 13 quarter timescale of their receipt MHCLG funding regulations stipulate that the funds must be returned to central government. Therefore, the additional investment route helps to minimise this risk.

4.6.6 Where the funding allocated is over £500k, 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:

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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.