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**Report of Director of Resources and Housing**

**Report to Executive Board**

**Date: 26<sup>th</sup> June 2019**

**Subject: Council Housing Growth Programme Update**

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, name(s) of ward(s): Middleton Park, Killingbeck and Seacroft, Chapel Allerton	
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes <input 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:	

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**Summary of main issues**

1. This report provides an update on the progress of the Council Housing Growth Programme and sets out proposals for the delivery of further new Council housing across the city with a target of delivering 1,500 homes in the next five years in line with Best Council Plan targets to increase the number of new affordable homes and to support sustainable and inclusive growth.
2. This report sets out the proposed rent setting approach for the Council Housing New Build Programme, details the policy context and other factors which have been taken into consideration, and illustrates how the proposed strategy will support the delivery of sustainable and affordable new homes.
3. The report sets out recommendations and requests approval to apply the proposed approach in determining rents for future Council housing new build developments, and details how these principles will support the Council to meet its 30-year HRA business plan requirements whilst at the same time balancing this with our aspiration to ensure our homes are genuinely affordable for our tenants.

## **Recommendations**

Executive Board is asked to:

1. Note the progress to date on delivering the Council Housing Growth Programme.
2. Note the additional sites listed in Table 2 for the delivery of new build Council housing.
3. Approve the proposed investment outlined in Table 5 and inject the balance of funding £17.5m (noting £16.1m was injected as part of the February 2019 capital programme) into the programme for the delivery of c176 new build Council houses as part of the Council Housing Growth Programme and support any funding bids to optimise the funding mix for each scheme.
4. Approve the application of the proposed rent setting principles and approach to future Council housing new build developments, and delegate decisions on rent setting for each individual housing scheme to the Director of Resources and Housing.
5. Note that a report will be submitted to Executive Board in July 2019 on the Property Buyback/Repurchase Programme

## **1. Purpose of this report**

- 1.1. This report provides an update on the Council Housing Growth Programme, following on from reports to Executive Board on the general needs programme in November 2018 and on Extra Care housing for older people in December 2018.
- 1.2. The report sets out proposals for the delivery of further new Council housing across the city in line with the Best Council Plan targets to increase the number of new affordable homes and to support sustainable and inclusive growth.
- 1.3. The report also sets out the proposed rent setting approach for the Council Housing New Build Programme, details the policy context and other factors which have been taken into consideration, and illustrates how the proposed strategy will support the sustainable delivery of new homes.

## **2. Background information**

- 2.1. In November 2018 Executive Board was advised that the cap on Council borrowing to deliver new homes through the Housing Revenue Account (HRA) had been lifted. This meant that the Council, along with other local authorities, could borrow for additional housebuilding in accordance with the Prudential Code. The Council was therefore in a position to borrow to build its future generations of Council homes at a scale and pace which would not have previously been possible.
- 2.2. The report advised Executive Board of the Council's aspiration to deliver 300 new Council homes per year and advised of the progress that had been made since October 2018, to quickly mobilise a substantial work programme of new build housing. The report identified an initial phase of predominantly Council owned sites to enable the delivery of 358 new general needs homes with a capital investment of around £55 million.
- 2.3. In December 2018, Executive Board were advised that the Council would be delivering 7 new Extra Care housing schemes for older people with care and support needs in two packages: one package of four schemes which would be designed, built, owned and operated through a consortium of external partners and a second package of three schemes which are to be directly owned and managed by the Council.
- 2.4. The partnership contract with Morgan Ashley and Home Housing Group will deliver around 240 new homes over the next few years, with a minimum contractual requirement of 35% affordable rented housing with the Council benefitting from nominations to the schemes.
- 2.5. The report secured approval for some additional Council owned sites to be made available to support delivery of the three Extra Care schemes that will be owned and managed by the Council. These are due to go out to procurement in 2019, and will provide up to 200 further new homes for older people with care needs, bringing the total additional Extra Care provision close to 500 new homes since 2016.
- 2.6. The Council's ambition is to deliver high quality homes, at rents that are genuinely affordable for its tenants. However building to such a high specification, on sites that are often challenging or which involve significant regeneration or remediation comes at a higher cost. This means that any approach to rent setting needs to balance the competing demands of both affordability and financial sustainability.

### 3. Main issues

- 3.1. Since the last reports to Executive Board at the end of 2018, significant progress has been made in further developing the new build council programme and the details are set out in the following sections of this report.

#### General needs housing update

- 3.2. The table below sets out a summary of the current position in relation to the Council Housing Growth Programme:-

**Table 1 – Update on existing general needs programme**

<b>Scheme status</b>	<b>Number of homes</b>
Homes on site/in construction/in contract	73
Homes in planning	30
Homes in procurement	134
Homes in pipeline	186
<b>Total homes</b>	<b>423</b>

- 3.3. A brief update follows on the schemes in each of these categories follows.

#### On site

- 3.4. **Beeches (Gipton and Harehills) and Nevilles (Temple Newsam) - 59 homes.** Currently on site with all homes due to be completed by July 2020. Mix of two, three and four bed houses and one, two and three bed bungalows. This includes two bespoke houses for families with children with disabilities. The appointed contractor is Willmott Dixon.

#### In contract

- 3.5. **Heights Lane (Armley) - c14 homes.** A mix of two and three bed houses. A contractor has been secured by direct appointment via YORbuild 2 and is currently working on design development. Current estimated completion date for the scheme is winter 2020.

#### In planning

- 3.6. **Meynell Approach (Beeston and Holbeck) - 28 homes.** A mix of houses and apartments. This scheme will be delivered through modern methods of construction with all housing and apartments being of modular construction. Completion due in spring 2020. The appointed contractor is United Living.
- 3.7. **Silk Mill (Weetwood) - 2 homes.** Replacement of two former homes which were destroyed by a gas explosion. This site will be delivered through modern methods of construction by the appointed contractor for Meynell Approach via a variation to that contract.

## In Procurement

- 3.8. **General Needs Bundle 1 – 134 homes.** This bundle is made up of four sites - Amberton Terrace (Gipton and Harehills), Tarnside Drive, Mardale Crescent and Seacroft Crescent (all Killingbeck and Seacroft). The bundle is currently out to tender, with the Stage 2 Contractor due to be appointed August 2019 with the expected completion of all units by spring 2022.

## In pipeline

- 3.9. **Cartmell Drive (Temple Newsam) general needs – c.99 homes.** A further review of housing demand has resulted in a revised scheme of 99 general needs homes on this site. These will be delivered as part of a larger procurement including two Extra Care housing schemes, one on this site and another one in Armley, which are discussed later in this report. The bundle is currently being prepared for tender and is due to be released to the market in June 2019.
- 3.10. **Oldfield Lane (Farnley and Wortley) c.47 homes –** The site has been allocated for housing development in the Leeds Site Allocations Plan (SAP) which is due to be adopted in summer 2019. Site surveys and investigations are to be carried out and the intention is that a planning application will be submitted in autumn 2019, prior to the procurement of a contractor to deliver the scheme.
- 3.11. **Farrar Lane (Adel and Wharfedale) c.40 homes –** Site surveys have been undertaken on this site which will deliver a new general needs housing scheme in addition to the Extra Care housing scheme being delivered by an external partner. Master planning of the road layouts and capacity studies are being updated to enable delivery of the two schemes. The intention is for the general needs scheme to go out to tender by winter 2019.

## Additional sites – general needs programme

- 3.12. Potential sites for the new build council housing programme are identified and considered through a review and approval process led by Strategic Assessment Management. This process ensures that views are sought from ward members around the use of potential sites before allocating sites for such use via delegated authority, with support from Asset Management Board and in consultation with the Deputy Leader and Executive Member for Resources.
- 3.13. Further progress has been made in identifying additional sites to support the programme and these are shown in Table 2 below. Ward members have been consulted about the proposals in all areas and the principle of development for council housing is supported in all three wards. The additional sites add a further potential 176 homes to the programme and the details are as follows:-

**Table 2 – Additional general needs housing schemes**

Ward area	Site location	Est. no. of homes
Middleton Park	Part of Throstle Recreation Ground (in addition to the allocation for Extra Care housing)	92
Middleton Park	Former Middleton Skills Centre Site	22

Killingbeck and Seacroft	Ramshead Approach, Seacroft	30
Killingbeck and Seacroft	Barncroft Rise, Seacroft	16
Chapel Allerton	Scott Hall Drive	16
	<b>Total</b>	<b>176</b>

- 3.14. The overall impact is to increase the total current programme to **599 general needs homes** in various stages of development and represents significant progress in delivering the Council's aspirations for new affordable homes in the city.

#### **Extra Care housing update**

- 3.15. As previously advised, the Council is in the process of delivering 7 new Extra Care housing schemes for the city in two packages: one package of four schemes which will be designed, built, owned and operated through a consortium of external partners (Home Housing Group and Morgan Ashley), and a second package of three schemes which will be directly delivered, owned and managed by the Council. A brief update on the progress of those schemes follows.

#### **Package 1 – external provider delivered schemes**

- 3.16. Executive Board were previously advised of the four sites comprising this package and a brief update on the current position on each follows.

#### **In Planning**

- 3.17. **Westerton Walk Extra Care (Ardsley and Robin Hood) - 63 homes.** The scheme is now in for planning and being considered. The scheme is expected to be on site by late 2019 and it has been confirmed that the scheme will deliver 100% affordable rented housing units.

#### **Pre- Planning**

- 3.18. **Extra Care package 1 - 180 homes.** The remaining three sites that make up package 1 are currently in design development in preparation for planning submission. The sites are Seacroft (Killingbeck and Seacroft), Windlesford Green (Rothwell) and Farrar Lane (Adel & Wharfedale). It has been confirmed that the sites at Seacroft Crescent and Windlesford Green will also both deliver 100% affordable rented housing.
- 3.19. The position on Farrar Lane is still subject to market assessment but means the total amount of affordable rented housing achieved for this part of the programme is significantly improved on the initial contractual position.

#### **Package 2 – Council delivered schemes**

- 3.20. Executive Board were previously advised about the three sites comprising this package and a brief update on the current position on each follows.

#### **Pre-Procurement**

- 3.21. **Cartmell Drive (Temple Newsam) and Middlecross (Armley) - c.128 homes.** Two of the Council's Extra Care schemes are being delivered as part of the same

procurement process and final preparations are being completed currently to enable these sites to go out to procurement in June 2019. The Cartmell Drive general needs scheme of 99 homes is also part of this total package, which being offered to the market as part of a competitive dialogue procedure. The contractors selected to go forward to develop bids will need to demonstrate their experience in developing similar schemes, expertise and understanding of Extra Care housing requirements, and the financial viability/capacity required in order to deliver the schemes..

- 3.22. **Throstle Recreation Ground Extra Care housing scheme (Middleton Park) - c.60 homes, and c16 homes for working age adults** - Since the previous report on Extra Care housing in December 2018, the Council Housing Growth Team, Housing Management and Adult Social Care have worked closely to look at other opportunities for joint working to meet the requirements of residents with housing, care and support needs.
- 3.23. The Throstle Recreation site in Middleton Park offers an opportunity to deliver an Extra Care housing scheme along with a small number of “intergenerational bungalows” to provide specialist accommodation for working age adults which will address a currently unmet and priority area of strategic housing need. These schemes can be further integrated into a wider development of general needs housing and offers significant potential for creating a more balanced community through a managed allocations process.
- 3.24. The working age adults’ accommodation would comprise M4 Category 3 wheelchair user dwellings and be designed around the principles of flexible accommodation, manageable private amenity space, good levels of daylight and an efficient site footprint. They can also be adapted to support more specific service user requirements including aids, adaptations and assistive technology. The flexibility of this model of accommodation would enable allocation to applicants currently on the Leeds Homes Register who have Band A medical priority and families with disabled children who currently reside in a home that cannot reasonably or practicably be adapted.
- 3.25. The proximity to the Extra Care scheme provides a significant opportunity to deliver integrated care services to meet the needs of all residents which provide a more holistic place-based approach with co-located support provision. A hub and spoke model would provide opportunities for housing and care management structures to be combined under a shared scheme management and is potentially more cost effective to operate. It will also provide an opportunity for residents of both developments to be served by a central hub incorporating facilities such as a café, restaurant, social and amenity spaces should they so choose and would encourage community building.
- 3.26. Site surveys are currently being organised along with updated capacity studies to help confirm the likely number of homes that can be delivered on these sites, and this package is expected to go out to tender in winter 2019.

### **Procurement strategy and market engagement**

- 3.27. The Council continues to keep its procurement approach under review with the aim of maximising competition and encouraging contractors of all sizes to support the delivery of our programme. Market engagement will be undertaken prior to tender issue to the market to ensure the proposed bundles and procurement approach are

being delivered in way that will attract the most interest from the construction market.

- 3.28. We continue to utilise the Yorbuild2 framework to secure contractors with a proven track record of delivery and commitment to delivering social value. Additionally, we are utilising a variety of approaches in order to maximise competition and market interest including
- Bundling schemes together into larger packages to secure economies of scale and delivery at pace;
  - Using direct call-offs from the framework to deliver smaller scale schemes at pace by engaging a contractor at a very early stage, therefore significantly reducing procurement and delivery timescales and ensuring early design engagement;
  - Reviewing other available frameworks to ensure competition and variety of suppliers is maximised;
  - Using different approaches, e.g. competitive dialogue, to ensure active engagement between the Council and contractors especially where more specialist housing is required; and
  - Undertaking regular market engagement to ensure good visibility for bidders of future tendering opportunities and to ensure that our tendering requirements are realistic.
- 3.29. The Council is actively engaging with potential contractors in terms of procurement of the sites and continues to receive a good response from the market that suggests we are well placed to secure a continued supply chain for our ambitious plans in the months and years ahead.
- 3.30. The Council expects all contractors to implement the principles of its Social Value Charter which was launched in May 2016. The charter sets out the commitment of partners in the city to promote social responsibility, build social capital and deliver social, environmental, and economic value, maximising the impact in Leeds of the 'Leeds pound'.
- 3.31. Our contractors are expected to engage with community led organisations or others to achieve positive social value outcomes for Leeds when delivering general needs and Extra Care housing. Examples of work undertaken by contractors that delivers social value includes:
- Linking with community enterprises
  - Links with communities during construction phase
  - Open days for residents
  - Links with community led organisations or others during operation of scheme (i.e. nurseries)
  - Providing local employment and skills
- 3.32. The Council ensures that as part of the procurement process it makes clear that it is committed to meeting (and where possible exceeding) the social value obligations that it has with respect to the economic, social and environmental well-being of Leeds.



### **Future Delivery Strategy**

- 3.33. The Council is continually working to identify further sites for the delivery of new build Council housing for inclusion in the programme, with six new sites already identified through this work and a number more being actively reviewed. The team are meeting regularly with local ward members, local housing officers and other stakeholders to identify sites in their areas, including privately owned sites.
- 3.34. As the programme moves forward the amount of available Council owned land is likely to reduce and schemes will increasingly be dependent on the acquisition of privately owned sites. A targeted mail shot is going to be issued to land owners and agents with sites already identified for development but not currently progressing with the aim of seeking to move these forward, either through the Council housing growth programme or through the affordable housing programme.
- 3.35. We are also proactively contacting private land owners, including those identified through the private sector acceleration programme, to actively promote the Council's interest in purchasing land to deliver future Council housing schemes.
- 3.36. Where possible the Council will proactively intervene to secure sites where other affordable housing providers will not come forward to do so, using the Council Housing Growth Programme as a mechanism to deliver regeneration objectives as well as contributing to the affordable housing target. We will also seek to identify and secure sites in areas where there is no available Council land at present.

### **Local Housing Company**

- 3.37. In addition to the direct delivery of at least 300 new Council homes per annum the Council is also exploring ways in which it can support the wider housing growth agenda and further contribute towards the city's overall affordable homes target of 1,230 affordable homes per annum.
- 3.38. It is evident that the Council will find it hard to secure sites in higher value areas and that even if this is possible that it will prove difficult to deliver council housing at the same level of affordability working within the principles set out in the section on rent setting and affordability discussed in this paper.
- 3.39. The Council will therefore establish a Local Housing Company over the coming months, to enhance our ability to deliver additional affordable housing across the city and ensure that new areas of development and growth such as the city centre and south bank, can be developed as inclusive communities that enable affordable housing options to be maximised.
- 3.40. A Local Housing Company will afford the Council additional flexibilities in terms of tenure mix, and may provide a means via which the Council can cross subsidise additional affordable housing units, and help us deliver viable schemes and regeneration outcomes on sites which may not otherwise be viable. A further update on this will be brought to Executive Board in due course.

### **Demand analysis**

- 3.41. In order to provide a framework for future housing delivery strategy, officers have undertaken an initial intelligence gathering and mapping exercise to identify existing demand and supply across the city. The following intelligence has been gathered and mapped:

- i. The existing supply of Council housing
  - ii. The area of first choice based on applications on the Leeds Homes Register
  - iii. Q3 bidding data 2018/19
  - iv. Long term empty properties
  - v. Current Council housing delivery activity
  - vi. Right to buy sales
  - vii. Demand for housing by type
- 3.42. Layering the available data sets will help us build a clear picture of supply and demand across the city and will inform potential decision making in respect of future delivery. At this stage the analysis does not take into account current land supply, but it serves to provide a contextual understanding of demand, supply and need across the ten locality areas, and will help inform our strategic delivery ambitions.
- 3.43. Consideration will also be given to factors influencing Council tenants' housing choices. Understanding who our target customers are, the type of housing they want to live in, and where they do and do not want to live and why, will help the programme to deliver housing that is aligned to meeting their needs, and may also afford opportunities to address some of the factors that make certain areas less desirable to live in.

#### **Rent Setting and affordability**

- 3.44. In 2011, the government introduced '**affordable rent**' which permits rents (inclusive of service charges) to be set at up to 80% of market rent (inclusive of service charges). The application of affordable rents was dictated by the requirements of some historic funding streams (specifically the Homes England Affordable Homes Grant Programme 2015-2018).
- 3.45. The majority of the initial phase of completed Council homes have been let at affordable rents equivalent to 80% of market rents. These are in line with the rents typically charged by Registered Housing Providers. The only exception to this was the scheme at Railway Close which was able to be let at social rents as it was funded by Right to Buy (RtB) receipts.
- 3.46. Homes England changed its approach in more recent funding programmes and support is now also available for rents below the maximum allowable affordable rents, including social rents. **Social (Formula) rents** are set based 30% on the Capital Value of the house in 1999 and 70% on the Average Earnings and number of bedrooms for the Region (West Yorks). Although the level of social rent varies across different property types and market areas, the result is generally rents at 50% of market rent or less. Any rents which are set above social rent, but below the 80% maximum allowance rent, are considered 'affordable rents' for Homes England funding purposes.
- 3.47. The programme is seeking to establish a new set of rent setting principles to be applied to future new build schemes delivered by the programme. The proposals for rent setting have been developed by taking account of the affordability context in Leeds and the need to deliver a sustainable programme of new Council housing

which is sustainable and viable in its own right, without being subsidised by existing tenants.

### Affordability in Leeds

3.48. The Labour Party green paper, “Housing for the many”, was issued for consultation in April 2018 and proposed a new affordability standard with three elements. Of these two related to properties for rent, and were as follows:

- **Social rents** – would continue to be calculated as set out above, and assumed to be broadly in the region of 50% of market rents; and
- **Living rent homes** – for these homes, rents would be set at no more than one third of local average household incomes aimed at low-to-middle income working families, key workers and younger people who want a better alternative to private landlords or to save for a deposit;

3.49. Table 3 illustrates the position in Leeds in regard to affordability looking at weekly net wages, based on a number of assumptions, for minimum and living wage, and the average Leeds wage (for the city). It then takes the approach to affordability as being one third of that income with the following results:

**Table 3 – Income levels and affordability in Leeds**

	Wage	Income Tax	Pension	Annual Net Wage	Weekly Net Wage	Rent at 30% of income
	£	£	£	£	£	£
Minimum Wage (21/24 year old)	14,815	463	859	13,493	259.47	77.84
Minimum Wage (25+)	15,796	659	916	14,221	273.47	82.04
Living Wage	17,316	963	1,004	15,348	295.16	88.55
<b>Leeds Average Wage</b>	<b>28,137</b>	<b>3,127</b>	<b>1,829</b>	<b>23,181</b>	<b>445.78</b>	<b>133.73</b>

3.50. Whilst these figures do not make any allowance for different household sizes (and therefore any additional income streams), they do provide an overall benchmark to compare proposed rent values to. It is also difficult for this approach to take account of local sub-markets within the city, but it serves to provide an overall affordability threshold within which the Council can seek to deliver schemes that are let at affordable levels whilst still being financially viable.

### Rent setting approach

3.51. Taking account of the various issues it is proposed that the rent setting approach for the Council’s new build programme should be:-

- All schemes should be delivered within the affordability threshold for Leeds average wages;
- Rents should ensure that schemes are financially viable within 30 years in line with the Housing Revenue Account business planning cycle;

- Schemes within the programme will be viable without the need for cross subsidy from the wider rent pool;
- Rents will be deemed affordable rents and as such will take into account future applicable rules on affordable rent. They will however sit significantly below the maximum allowable affordable rent level equivalent to 80% of a market rent (typically new schemes rents will be approximately 60% of market rent), although it is accepted that these will be above rents for similar existing council homes in the area;
- If any property type generates rents above the 30% of the Leeds average affordability threshold, then they will be capped at the maximum affordability level as long as schemes remain financially viable; and
- Similar property types built to different standards should not be charged at different rents i.e. a home specially designed for use by wheelchair users will not be charged a higher rent than an equivalent rent for a standard general needs home.

### **Property acquisition programme**

- 3.52. The Council housing new build programme will also be complemented by a smaller programme of direct property acquisitions with an initial focus on former Council properties bought under the RtB regime. This will enable the programme to deliver a number of additional units without the procurement lead times associated with new build.
- 3.53. The homes will be in areas where we already have social housing stock, and will have been identified as suitable for repurchase by Housing Leeds based on locally defined needs data. Individual buybacks may also enable us to deliver some additional units in locations where we do not have sites available, or cannot afford to buy land for new build. This work stream will also enable the programme to utilise some RtB receipts in 2019/2020 and contribute to reducing the amount at risk of being handed back to central government.
- 3.54. The programme began mobilising a pilot work stream to consider potential property buy backs in late 2018 and have since delivered a small number of properties back into Council stock. The learning from this initial tranche of acquisitions has informed the development and establishment of the supporting processes, resources and governance arrangements needed to support a new 3 year acquisitions programme.
- 3.55. A capital injection of £22.5m was approved into the Council Housing Growth Programme by Full Council in February 2019 to support the property acquisitions / buyback programme, and a report seeking Authority to Spend will be submitted to July Executive Board.

## **4. Corporate considerations**

### **4.1. Consultation and engagement**

- 4.1.1. A consultation process is currently being undertaken with the local ward members representing Middleton Park, Killingbeck and Seacroft and Chapel Allerton, which are proposed to have Council housing schemes delivered as part of the next phase of development set out in Table 2.

- 4.1.2. The Middleton Park members support the proposed scheme comprising the extra care housing for older people, bungalows for working age adults and additional general housing for the two sites in their ward and the proposed amount of greenspace. Further information has been requested about the local lettings policy, rents and allocations policy for the Working Age adult bungalows which will be addressed as the project progresses.
- 4.1.3. Chapel Allerton members have given their support to the proposed development at Scott Hall Drive but have asked for the scheme layout to be updated to include some larger family accommodation and this is being undertaken.
- 4.1.4. The Killingbeck and Seacroft members support the principle of development on the sites included their ward and have asked for further local consultation with local stakeholders and link up with community organisations in respect of the current proposals to confirm the housing provision on site and address any concerns about site compounds, construction traffic and access routes to reduce disruption to residents. Scheme layouts will be confirmed following these discussions.
- 4.1.5. For other existing schemes, the project team follows the Housing Growth Member Engagement Strategy to ensure that elected members are effectively engaged, consulted and informed throughout the life cycle of the developments.
- 4.1.6. The Council's Lead Member for Communities has been engaged and supportive of the proposed and approved housing schemes and rent setting strategy detailed in this report.
- 4.1.7. The proposals have been developed taking into account of demand data discussed with Council's Housing Management Team to ensure they meet locally defined needs in terms of tenure and units sizes, and the estimated number of homes have been developed through initial capacity studies in consultation with planning and highways colleagues.
- 4.1.8. The rent setting proposals have been developed in consultation with Housing Leeds and Finance colleagues.
- 4.1.9. Adult Social Care have reviewed and support the proposals in respect of extra care housing for older people and working age adults.

## **4.2. Equality and diversity / cohesion and integration**

- 4.2.1. An Equality, Diversity, Cohesion and Integration (EDCI) screening has been completed to evaluate the potential impact of the delivery of the new general needs homes across the city on equality, diversity, cohesion and integration as part of the wider Council Housing Growth Programme.
- 4.2.2. The proposals will contribute to delivering an increase in supply of high quality, genuinely affordable homes to meet current and predicted localised gaps in affordable housing provision across the city's neighbourhoods. A copy of the EDCI screening document is attached for reference at **Appendix 1**.

### **4.3. Council policies and Best Council plan**

- 4.3.1. Housing has been identified as one of the Best City priorities and this programme will directly support the following priorities:
  - i. Housing of the right quality, type, tenure and affordability in the right places;
  - ii. Minimising homelessness through a greater focus on prevention;
  - iii. Providing the right housing options to support older and vulnerable residents to remain active and independent, and;
  - iv. Tackling fuel poverty
- 4.3.2. The programme will also directly contribute to the achievement of a number of the key performance indicators the Council will use to measure success including:
  - i. Growth in new homes in Leeds;
  - ii. Number of affordable homes delivered;
  - iii. Improved energy and thermal efficiency performance of houses; and
  - iv. Number of households in fuel poverty
- 4.3.3. As well as enabling the Council to build to meet its housing needs, such a significant development programme will also contribute to delivering against our social value charter aspirations via the creation of employment, skills and apprenticeship opportunities within the City.

### **4.4. Climate emergency**

- 4.4.1. At the March 2019 Full Council meeting and April 2019 Executive Board a Climate Emergency was declared by the Council, but noted that Leeds can become a carbon neutral city by 2050—and could potentially achieve the 2030 target, according to a new “carbon roadmap” report published by the Leeds Climate Commission.
- 4.4.2. As well as making Leeds more sustainable, many of the proposed changes would help improve the health and wellbeing of residents by further reducing air pollution and encouraging active travel; whilst growing and strengthening the city’s economy for all through investments in energy efficient homes, renewable energy and future technologies
- 4.4.3. The Council committed to doing more to tackle climate change and to consider the carbon impact of every decision it takes. Some of the actions identified to achieve this include ensuring that new buildings are carbon neutral and accelerating the roll out of the district heating network.
- 4.4.4. Efforts are being made nationally to promote decarbonisation, and the latest publicly disclosed figures state that the average proportion of electricity sourced from renewables was 29% (April 2017/March 2018) with live figures looking

similar. By 2025 the National Grid believes it will be able to operate the power systems with 100% renewable power, at least for “periods of time”.

- 4.4.5. However, to do this there will be a requirement to “fundamentally change” the way the grid operates. Primarily through our “fabric first” approach to building very high energy efficient homes and the inclusion of renewable energy sources we have managed to moderately reduce household energy demand and costs when compared to a typical Building Regulation standard home.

#### **The Leeds standard**

- 4.4.6. The Council developed the Leeds Standard and specification to set out its requirements in respect of all new homes in Leeds a few years ago. The specification primarily focusses on cutting carbon, improving air quality and tackling fuel poverty, and central to this is the well-being of tenants. It plays a key role in ensuring excellence in delivery through design quality, space standards and energy efficiency standards.

- 4.4.7. Examples of building specific elements that will support the road to low carbon include the following:

- All dwellings are built taking a ‘fabric first’ approach – meaning we achieve extremely high insulation levels which in turn reduce energy demand (recent schemes U values up to 60% better than current Building Regulations requirements);
- High performance glazing and sizing of windows to minimise heat loss and maximise natural light;
- Use of energy efficient hot water and heating systems;
- Installation of solar panels – providing some free electricity;
- Inclusion of water saving devices such as water meters, over bath showers, dual flush toilets, aerated taps, low capacity baths and water butts.
- Dwellings built to Nationally Described Space Standards which are specifically set to the accommodation type and number of bedrooms to prevent oversizing; and
- Dwellings are designed and built to minimise running costs for the occupants with consideration to the ease and cost of maintenance, service and lifecycle replacements.

- 4.4.8. This approach helps us achieve the ambition to reduce carbon by achieving a very high performance levels and build standards whilst at the same time ensuring our properties are designed in such a way as to ensure they will meet the housing needs of existing and future generations.

- 4.4.9. **Table 4** below sets out the comparative outcomes achieved by the Council through applying the Leeds Standard as compared to a standard new build home built to meet Building Regulation standards:

**Table 4 Comparative running costs and standards for Leeds standard properties**

Element		Typical Leeds Standard new home	Typical Building Regulation standard new home
Estimated energy costs	Lighting	£62.00	£62.00
	Heating	£192.00	£260.50
	Hot Water	£85.50	£89.50
	<b>Totals</b>	<b>£339.50/yr</b>	<b>£412.00/yr</b>
Energy efficiency rating		Band B / rating 87	Band B / rating 82
Energy performance related features		<ul style="list-style-type: none"> <li>o Maximum 5 star ratings to 6 elements</li> <li>o 4 star ratings to 3 elements</li> </ul>	<ul style="list-style-type: none"> <li>o Maximum 5 star ratings to 5 elements</li> <li>o 4 star ratings to 4 elements</li> </ul>
Impact on the Environment (carbon)		1.0 tonnes	1.4 tonnes

1. Leeds Standard home figures based on recent delivered schemes.
2. Building Regulation home figures sourced from 2018/2019 independently produced Energy Performance Certificates.
3. The higher the energy rating the less impact it has on the environment (Band A /rating 92 plus being the highest).
4. Estimated energy costs show how much the household would spend for heating, lighting and hot water and is not based on energy used by individual households. This excludes energy use for running appliances like TVs, computers and cookers.

4.4.10. Energy costs for Leeds Standard homes are over **£500 a year lower** when compared to averages in England and Wales. The average household in England and Wales produces an assessed 6 tonnes of carbon with Leeds Standard homes assessed at 1 tonne.

4.4.11. We are currently exploring further enhanced renewable options such as increased solar arrays aligned with battery storage & solar water heating to lower energy demand, and we are also looking at what other design and build gains we can achieve to support decarbonisation. Medium to longer term we are also focussing our efforts on the need to decarbonise the gas grid and are currently undertaking an exercise to consider options available aligned to the type, scale and complexity of new schemes.

4.4.12. The Council is committed to ensuring that our new housing is delivered in sustainable locations, and the process of assessing potential sites for their suitability for new council housing includes due regard to considerations such as availability and proximity to public transportation, and cycling and pedestrian infrastructure, as well as access to other services and amenities and employment hubs in the local area.

4.4.13. This is to help reduce dependency on car travel, and ensure tenants have a range of affordable transport options, as well as encouraging and contributing to a reduction in carbon. All major schemes are required to submit transport assessments as part of the planning process, and if improvements are required, such as enhancements to bus stops, these will also be delivered and funded as part of the schemes.

### **Bio-diversity**

4.4.14. Our new build schemes also contribute to and support biodiversity. Through a combination of stakeholder engagement, considered design and planning, our



schemes greatly improve the physical and visual impact on external image of the areas; they also provide substantial improvements to the environment and communities whilst ensuring external spaces maximise safety, security and improved visibility.

4.4.15. Important biodiversity contributions that Leeds schemes can deliver include:

- Protecting and retaining existing trees and, where removal is necessary, we enforce a minimum 3 for 1 replacement new tree requirement;
- Planting as many trees as possible, adopting a 'right tree for the right location' approach, and using extended longstop dates to ensure these become healthy and established and have the opportunity to reach full maturity;
- Avoiding the use of monoculture grass especially on marginal strips as it has very little biodiversity or amenity value, and is a liability in terms of on-going mowing and maintenance;
- Protecting and retaining existing hedges, shrubs and planting where they have a greater value to nature and wildlife;
- Use of perennial flowering species (pollinator friendly ones), as well as bushes, hedgerows, shrubs, and other understorey vegetation. The beauty of perennial plants is that they naturally either return (regenerate) each year or persist in the same form for several years, and they should require minimal effort to maintain;
- Measures to encouraging wildlife such as stipulating small measures such as gaps in fencing (for hedgehogs), creation of permanent/natural habitat piles, inclusion of bat and bird boxes, and erection of insect houses;
- Soft landscaping is also pivotal, not just for biodiversity but also for sustainable urban drainage.
- Consideration and inclusion of low maintenance landscaping to create softer defensible spaces to delineate garden and property boundaries; great for nesting birds and insect life in general; and
- The inclusion of urban allotments, rear garden fruit trees, orchard trees, herb and sensory gardens.

## **4.5. Resources and value for money**

4.5.1. The schemes set out above will be funded via a combination of either RtB receipts or Homes England (HE) grant plus HRA borrowing. The Council will determine the optimum funding mix for each scheme subject to confirmation of what grant rates are available from Homes England and whether these compare favourably to the RtB funding that could otherwise be utilised.

4.5.2. Table 5 below shows a summary of the funding requirements for the c176 new Council homes identified in table 2.

**Table 5 – Summary funding requirements for additional 176 new homes**

Total scheme cost £m	HRA £m	Borrowing	Homes England Grant/ RtB Receipts £m
33.6	23.52		10.08

4.5.3. Table 6 shows the total Council Housing Growth Programme Cashflow 2019-22 and the injection required as part of this report noting the previous injection which was approved at Full Council in February.

**Table 6 – Capital Funding and Cashflow**

Total CHGP as at Full Council 27th Feb 2019	TOTAL £000's	TO MARCH 2019 £000's	FORECAST		
			2019/20 £000's	2020/21 £000's	2021/22 £000's
CHGP Phase 1	75,787.7	54825.2	18,237.0	2,725.5	0.0
CHGP Extra Care to Phase 2	30,600.0	606	598.4	4,395.6	25,000.0
CHGP Council Phase 2 named schemes	81,097.5		21,481.3	41,589.2	18,027.0
CHGP Council Ph 2, 87 homes future bundles	16,095.0	0	0.0	0.0	16,095.0
<b>TOTALS</b>	<b>203580.2</b>	<b>55431.2</b>	<b>40,316.7</b>	<b>48,710.3</b>	<b>59,122.0</b>
Total injection required as part of this report 26th June 2019	TOTAL £000's	TO MARCH 2019 £000's	FORECAST		
			2019/20 £000's	2020/21 £000's	2021/22 £000's
CHGP Council Ph 2, 97 homes future bundles	17,505.0	0	0.0	0.0	17,505.0
<b>TOTALS</b>	<b>17505.0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>17,505.0</b>
Total overall Funding (As at 26th June 2019 )	TOTAL £000's	TO MARCH 2019 £000's	FORECAST		
			2019/20 £000's	2020/21 £000's	2021/22 £000's
HRA resources	32,370.0	30191.4	1,870.8	307.8	0.00
HRA revenue contributions	1,001.5	1001.5	0.0	0.0	0.00
Section 106	6,793.9	2864.3	3,767.1	162.5	0
Government Grant HCA	12,555.3	4294.7	29.7	5,230.9	3,000.00
RTB receipts	58,354.9	15749.5	11,014.0	10,423.2	21,168.20
Departmental Borrowing	110,009.6	1329.8	23,635.1	32,585.9	52,458.80
<b>Total Funding</b>	<b>221,085.2</b>	<b>55431.2</b>	<b>40,316.70</b>	<b>48,710.30</b>	<b>76,627.00</b>
<b>Balance / Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

4.5.4. Taking account of the areas in which schemes will be delivered, and as part of our overall strategy and our commitment to affordability, the Council proposes to deliver its new build schemes at significantly below the maximum permission affordable rent (currently 80% of market rent) that RP's typically charge whilst ensuring that as a minimum all scheme rents will be set at such a level so as to ensure the Council is able to meet its 30-year HRA business plan requirements.

- 4.5.5. Rents at this level will ensure that the capital outlay and borrowing costs associated with our new housing developments will be recouped via revenue generation and as such will not impact our other housing stock or result in rent increases elsewhere.
- 4.5.6. In order to be able to deliver at the pace required to meet the 1,500 homes target over the next 5 years, the Council Housing Growth Team is securing additional resources including landscape planning and urban design.

#### 4.6. Legal implications, access to information, and call-in

- 4.6.1. This report is a key decision and is subject to call in as a report to Executive Board.

#### 4.7. Risk management

- 4.7.1. The Council Housing Growth Programme is delivered using the Council's agreed project management methodology and a programme risk log will be maintained and risks managed, monitored through the governance process as necessary.
- 4.7.2. Delivery of the proposals set out in this report will contribute to mitigating one of the Council's corporate risks around the failure to meet additional housing supply targets and the consequent lack of homes for people in Leeds.
- 4.7.3. An initial risk assessment for the programme has identified the following risks:
  - i. **Site conditions/abnormal site development costs escalate** – a series of surveys and intrusive site investigations are being undertaken on all sites to ensure that any risks associated with site conditions can be priced and mitigated by contractors. The majority of sites have significant remediation or regeneration tariff requirements and related costs;
  - ii. **Supplier capacity is inadequate to deliver to timescale** – early market engagement has identified that there is strong interest and appetite from a large number of contractors to deliver the programme. The procurement strategy will seek to ensure a range of contractors are engaged and appointed to ensure competition and delivery to programme;
  - iii. **Land Supply** – there is a limited supply of Council owned sites to support the programme. Whilst good progress has been made so far in identifying and progressing sites, an increased reliance will be placed on our ability to source and secure a suitable pipeline of (privately owned) land sites which will be challenging in a competitive market.
  - iv. **Failure to meet additional housing supply targets and the consequent lack of homes for people in Leeds** – if the programme does not deliver the required number of new Council homes this will contribute to a failure in meeting the affordable housing target for Leeds of 1,230 homes per year. There remain pressures in respect of delivering new affordable housing within

the city despite the relative success in the overall delivery of new homes in Leeds which remains a corporate risk for the Council.

- v. **Right to Buy (RtB) risk** – RtB applies on the majority of newly built properties during the (up to 30 year) payback period. Whilst the level of right to buy amongst newly built homes is relatively small in relation to total sales, the high building standards the Council builds to means there is a risk that in some lower value areas of the city the cost of building homes can exceed property values. If a further discount is then applied to the disposal this puts the Council at risk of not recovering our costs against the capital invested.

The RtB legislation provides some protection for the first 15 years after a new build property is built (or bought) as the level of discount is capped at the cost to the Council of building the property, or the market value, whichever is lower. This is known as the 'cost floor' protection. An average house price increase of 0.9% per annum or above would generally be enough to ensure that receipts at the end of fifteen years would cover the outstanding debt at that point.

The Council will continue to lobby Government to change its position in relation to right to buy on new build properties, to mitigate the risk of loss of investment as a result of right to buy.

## 5. Conclusions

- 5.1. Removal of the HRA borrowing cap has enabled the Council to commence the delivery of a significant ongoing programme of much needed new housing in the city, with an aspiration to deliver c.300 new Council homes per year on an ongoing basis, with a target of delivering 1,500 new homes over the next five years.
- 5.2. The new homes being delivered will make a significant contribution to the shortfall in truly affordable accommodation in Leeds and take account of the affordability context for the city, whilst ensuring that the new homes programme remains sustainable in its own right without being subsidised by existing tenants.
- 5.3. The new council housing in Leeds is contributing to our response to the climate emergency by helping us achieve our ambition to reduce carbon by achieving very high performance levels and build standards whilst at the same time ensuring our properties are designed in such a way as to ensure they will meet the housing needs of existing and future generations.
- 5.4. Since the last reports to Executive Board at the end of 2018, significant progress has been made in further developing the new build council programme with almost 800 out of the 1,500 homes now in progress, including sites with the capacity to deliver 599 general needs homes and provide 200 extra care housing places for older people already identified and in various stages of development for delivery over the next five years.
- 5.5. The Council will also establish a Local Housing Company to enhance our ability to deliver inclusive housing growth for the city and further contribute towards the city's overall affordable homes target of 1,230 affordable homes per annum.

## **6. Recommendations**

Executive Board is asked to:

1. Note the progress to date on delivering the Council Housing Growth Programme.
2. Note the additional sites listed in Table 2 for the delivery of new build Council housing.
3. Approve the proposed investment outlined in Table 5 and inject the balance of funding £17.5m (noting £16.1m was injected as part of the February 2019 capital programme) into the programme for the delivery of c176 new build Council houses as part of the Council Housing Growth Programme and support any funding bids to optimise the funding mix for each scheme.
4. Approve the application of the proposed rent setting principles and approach to future Council housing new build developments, and delegate decisions on rent setting for each individual housing scheme to the Director of Resources and Housing.
5. Note that a report will be submitted to Executive Board in July 2019 on the Property Buyback/Repurchase Programme

## **7. Background documents <sup>1</sup>**

### **7.1. None**

<sup>1</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.