

Report of: Director of Resources and Housing

Report to: Scrutiny Board (Environment, Housing and Communities)

Date: 23rd February 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): Gipton & Harehills, Armley, Killingbeck & Seacroft, Temple Newsam, Adel & Wharfedale, Farnley & Wortley, Beeston & Holbeck, Rothwell, Ardsley and Robin Hood, Armley, Killingbeck and Seacroft, Adel and Wharfedale, Middleton Park, Temple Newsam	
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 type="checkbox"/> Yes <input checked="" 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:	

Summary of main issues

1. This report provides an update on the Council Housing Growth Programme, and confirms the proposals for the delivery of further new council housing across the City, in line with Best Council Plan targets to increase the number of new affordable homes and to support sustainable and inclusive growth.
2. The report confirms the size of the proposed programme and available funding options including commitment of existing funding and additional potential borrowing, and provides an outline of the proposed new schemes identified for delivery.
3. The report also confirms the proposals approved by Executive Board to enable the programme to move forward at pace, including the use of council owned and acquired sites which have been identified as suitable and currently available for housing development.

Recommendations

Scrutiny Board is asked to:

1. Note the scope of the council's new housing scheme proposals and initial sites identified for the delivery of new general needs council housing for social rent, and that any decisions on disposal of council land / acquisition of private land to facilitate these schemes have been delegated to the Director of City Development;

2. Note that decisions regarding the final funding mix for each housing scheme taken forward have been delegated to the Director of Resources and Housing by Executive Board;
3. Note that authority to procure & award contract for each housing scheme is delegated to the Director of Resources and Housing;
4. Note that a further report on progress with delivery of the programme be brought to Executive Board in 2019.
5. Note the progress made in the delivery of the extra care housing programme
6. Note that the sites at Cartmell Drive South, Halton Moor and Throstle Recreation Ground have been approved for the delivery of extra care housing
7. Note the Adult Social Care system cost savings estimated to be generated from Package 1
8. Note the likely position in relation to capital receipts arising from the programme and that the Director of City Development will negotiate the detailed terms including the financial consideration for the disposal of each site in Package 1 and will seek the approval of Executive Board to the final terms of each disposal

1. Purpose of this report

- 1.1 This report provides an update on the Council Housing Growth Programme, including both general needs homes and extra care housing for older people and sets out the agreed proposals for the delivery of further new council housing across the city, in line with Best Council Plan targets to increase the number of new affordable homes and to support sustainable and inclusive growth.
- 1.2 The report sets out the size of the proposed programme and available funding options including commitment of existing funding and additional potential borrowing, and provides an outline of the proposed new schemes identified for delivery.

2. Background information

- 2.1 The council delivers new council homes through the Housing Revenue Account (HRA) and has sought to deliver a large scale programme of up to 1,000 affordable homes. The council has successfully developed new homes for rent through a variety of funding programmes and delivery approaches:
 - 388 new homes delivered across 10 development sites via the housing PFI scheme at Little London, Beeston Hill & Holbeck – 3.5 year delivery completed in 2017 (capex value c£85 million).
 - 116 other homes have been delivered at Railway Close (previously East Park Road), Cardigan Green (former Lord Cardigan public house site), Plantation (former Squinting Cat public house site), Garnets in Beeston, Broadleas in Bramley, and 9 new homes completed so far on the former Whinmoor Pub site.
 - In addition, 129 properties have been delivered by our £11m long term empties programme.
 - A further 13 homes are on site (former Whinmoor Pub site), and 87 are at pre-planning/ design stage (the Beeches in Gipton; Nevilles in Osmondthorpe, and Meynell Approach in Holbeck).
 - Our first council extra care scheme of 45 homes for older people was built in 2016 at Wharfedale View in Yeadon. A further programme of extra care housing will deliver a further 3 schemes and up to 200 new homes for older people, taking the total delivery of affordable homes close to 1,000 homes. A detailed report on the extra care housing programme will be submitted to Executive Board in December 2018.
- 2.2 £18m of Right to Buy (RtB) receipts funding has also been committed since 2015 toward the delivery of 474 new affordable housing units through Registered Provider and Third Sector schemes; 250 start on sites have been achieved to date.
- 2.3 Executive Board agreed a total programme of funding for the delivery of council and affordable housing of around £108 million and the majority of this funding has now been committed.
- 2.4 As at July 2018, the council had only £5 million of HRA borrowing headroom remaining to support future activity, after allowing for the schemes in procurement. This would have equated to around 40 further homes, based on indicative costs.
- 2.5 MHCLG announced a bidding round in July 2018 which offered eligible councils the opportunity to bid for temporary additional HRA headroom from April 2019 to March 2022 to enable them to build more affordable, mixed tenure and social rented

homes. Leeds City Council submitted bids in respect of 7 general needs housing schemes in response to this bidding round.

- 2.6 Subsequently, on 30th October 2018, the Government abolished the cap on borrowing within the HRA, rendering this bidding round redundant. The removal of the HRA borrowing limit represents a significant opportunity for the council to build its future generations of council homes at a scale and pace which would not have previously been possible.

3. Main issues

Funding issues

- 3.1 Right to Buy (RtB) sales generate around £9 million p.a. in additional resources. However, under existing legislation, only 30% of total scheme costs of new schemes can be met using RtB receipts, and the receipts must be committed within 3 years of being generated. This means that to spend all £9 million of our RtB receipts each year we would require HRA headroom of £21 million p.a., giving a total programme of £30 million p.a. (The alternative of using RtB receipts to fund Registered Providers is also constrained due to their reliance on Homes England Grant funding, which cannot currently be blended with RtB receipts, thereby making them reluctant to use this source).
- 3.2 With funding of £30 million p.a. the council could deliver between 200-240 homes p.a. but without the requisite amount of headroom to supplement the Right to Buy receipts, the council was at risk of having to return unspent RtB money to central government. Due to the HRA borrowing constraints that have been in place in recent years and the impact this has had on our ability to build, the council is at particular risk of losing some of its RtB credits in the next financial year as the majority of spend for our proposed new schemes will not take place until the 2020/21 financial year and beyond.
- 3.3 A recent consultation paper on the use of RtB receipts proposed some potential changes in approach. The key points raised in the paper include:-
- Potential extension of time limit to 5 years (currently 3 years) to spend any historic RtB receipts (3 year limit to remain for spending new receipts as government believe we should have the experience to deliver going forward)
 - Transfer of land from General Fund to HRA at zero cost (although the council would have to consider potential impacts on its general fund capital receipts programme)
 - A definite emphasis on social rent over affordable rent
 - Potentially allowing areas that need more social rent accommodation to use RtB credits to fund up to 50% of scheme costs rather than the current maximum of 30%, and potential to also use Affordable Homes Programme Grant to fund the remaining 50% (or up to 30% if affordable housing). At the moment we cannot blend these two funding pots
 - Some discussion around the use of the HRA with the Government suggesting that, in general, social and affordable housing should be built and managed within a local authority's HRA so that residents' rights are protected
 - However, Government recognises that there are occasions where delivering affordable housing through housing companies might be appropriate, such as where the Housing Revenue Account cannot sustain new building, and is seeking views on the use of Right to Buy receipts through these organisations.

- 3.4 In addition to HRA resources and RTB receipts, the council also has an existing allocation of around £7.5 million of Homes England (HE) Affordable Homes Grant which it needs to commit by March 2021 to meet funding conditions.
- 3.5 Our HE grant allocations were secured at rates of between £22-35,000 per home. Subsequently it has become apparent that grants at this level would not be sufficient in terms of supporting the proposed schemes to be viable. For this reason, and also in the context of pressure to spend our RtB receipts, the council has since taken the decision to fund these schemes via RtB receipts instead of using our grant allocation towards them, (i.e. where 30% of RtB was worth more than the grant income offered).
- 3.6 We are in ongoing discussions with Homes England regarding negotiation around improved grant levels for social rented housing and schemes using modern methods of construction.
- 3.7 As summarised above, the council has been effective in delivering a significant programme of housing in recent years through the HRA, support of Registered Providers through RTB receipts, and via the brownfield land programme. Now that the HRA borrowing cap has been lifted we can continue to build on, and expand our housing growth programme in the coming years.

Council Housing New Build Programme– Phase 1 (2019 - 2022)

- 3.8 Following the announcement of the HRA bidding round in July, the council moved quickly to identify a number of council owned sites which might be suitable for development within the funding timescales, and also agreed terms to purchase a site which was part council and part privately owned. MHCLG advised that the scheme evaluation would focus on value for money and readiness to deliver, and the council therefore determined which sites should be included in the programme on the basis of readiness to deliver. The council has identified 7 new general housing schemes as outlined in Table 1 below.

Table 1 – General Needs Housing Schemes

Ward area	Site location	Est. no. of homes
Gipton & Harehills	Amberton Terrace	58
Killingbeck & Seacroft	Tarnside Drive (inc Mardale Cres)	41
Temple Newsam	Cartmell Drive South	115
Killingbeck & Seacroft	Seacroft Crescent	34
Adel & Wharfedale	Farrar Lane	47
Farnley & Wortley	Oldfield Lane	50
Armley	Heights Lane	13
	Total	358

- 3.9 Prior to the recent abolition of the HRA borrowing cap, our ability to take these schemes forward would have been dependent on a positive outcome from the bidding round. However, the removal of the cap means that Local Authorities are now able to borrow for housebuilding in accordance with the Prudential Code, and the council is therefore now in a position to draw down the required borrowing to take all of these schemes forward.

- 3.10 The authority will act within the Prudential Code, and any further guidance from the Secretary of State, to determine a Minimum Revenue Provision. The broad aim of a prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
- 3.11 In total this programme will enable the council to deliver circa **358 new general needs homes** with a capital investment of around **£55 million**.
- 3.12 Each scheme 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 RtB funding.
- 3.13 The Council is already looking beyond this first phase, and will continue to proactively seek further sites for development across the city, both council and privately owned, in recognition of the continuing demand for new homes. The Programme team is putting in place the structures and processes we will need to enable us to build and grow a sustainable pipeline of suitable sites, schemes and property acquisitions on an ongoing basis.

Site preparation and assessment

- 3.14 Desktop analysis, site surveys and intrusive site investigations have already been completed on the majority of these new sites to de-risk the proposals and ensure the scheme costs are realistic. Where required, demolition work will be undertaken to enable intrusive surveys to be completed and the results will support the forthcoming procurement exercise with contractors and support their design development work and preparation for planning.
- 3.15 To help ensure smooth and timely transition through planning, we have also implemented a range of initiatives to expedite design and ensure early compliance with planning requirements, including developing initial capacity plans in consultation with Planning and Highways to ensure the proposed schemes can be achieved within the known site constraints, and commencing the planning pre-application process for the schemes in September 2018.

Procurement and delivery approach

- 3.16 The council undertook a soft market testing exercise with a number of established procurement frameworks in August 2018 to gauge market interest in delivering the council's proposed programme. The exercise was sent out to Efficiency North, the London Housing Consortium, Yorbuild 2 and Homes England's Delivery Partner Panel 3 (DPP3).
- 3.17 A strong response was received with nineteen contractors responding and confirming their interest in helping the council to deliver its programme at pace over the next 3-4 years. The majority of contractors also expressed support for the council's proposal to divide the programme into 3-4 separate lots for delivery, to help ensure that delivery can be achieved within the desired timescales. A number of contractors also confirmed their interest in using Modern Methods of Construction to deliver the programme, taking into account cost and site constraints. Additional market engagement sessions have been planned for early December to further inform our procurement strategy.
- 3.18 The council will be ready to commence procurement of the schemes detailed in this report in early 2019 with construction to complete by December 2021. The key milestones anticipated at present are as follows:

- Procurement commences – Early 2019
- Completion of procurement and selection of delivery partner – Autumn 2019
- Completion of Design and Planning – Spring 2020
- Commence Construction in 3-4 lots – Summer 2020
- Construction complete (all schemes) – December 2021

Extra care housing for older people

- 3.19 Executive Board received a further report on the delivery of affordable housing on 19th December 2018. This provided an update to a report from July 2017 Executive Board which approved proposals for the delivery of extra care housing for older people across the City as part of the Council House Growth Programme and to support the Better Lives Programme.
- 3.20 6 sites were identified for the delivery of extra care housing in July 2017, together with a £30 million budget from the Housing Revenue Account with an expectation that up to 200 new homes would be provided. Two main delivery options were identified, either through external providers utilising the North Yorkshire County Council extra care procurement framework or direct delivery by the Council.
- 3.21 Following market engagement, it was agreed that the sites would be split into 2 packages for delivery; Package 1 would be 4 sites to be delivered through the NYCC procurement route as follows

Table 2 – Sites allocated to extra care housing delivery package 1 (external provider schemes)

Committee Area	Site/ Location	Size (ha)
Outer South	Windlesford Green, Rothwell	0.71
	Westerton Walk. West Ardsley	0.99
Inner East	Former Seacroft Library, Seacroft Crescent, Seacroft	1.41
Outer North West	(Land off) Farrar Lane, Holt Park	1.31

- 3.22 Package 2 would be 3 sites to be delivered by the Council through a separate procurement process as follows

Table 3 – Sites allocated to extra care housing delivery package 2 (Council provided schemes)

Committee Area	Site/ Location	Size (ha)
Inner West	Middlecross, Simpson Grove, Armley	0.79
Outer East	Cartmell Drive South (part), Halton Moor South	0.94
Inner South	Throstle Recreation Ground (part), Middleton Park Avenue, Middleton	1.00

- 3.23 The December 2018 report approved the inclusion of the two additional sites at Cartmell Drive, Halton Moor South and Throstle Recreation Ground, Middleton.

- 3.24 Executive Board noted that a partnership contract had been awarded for the delivery of package 1 with the expectation that all four schemes would be completed by March 2021. They further noted that the procurement for the package 2 Council schemes would commence in early 2019 with an expectation that they would be completed by December 2021.
- 3.25 The delivery of these seven schemes, will increase the total amount of extra care housing in the city by almost 440 new homes and significantly contribute towards the Council's overall target of around 1,000 extra care homes for older people by 2028.

Delivery routes and Local Housing Company option

- 3.26 At the time of the original HRA bidding round announcement in July 2018, the council's assessment was that it was unlikely to receive the full funding it would require to deliver its ambitions over the next 3 years. As a result, some initial consideration was given to alternative delivery routes that would help the council meet its ambitions.
- 3.27 One of these potential delivery routes was for the council to establish a Local Housing Company (LHC) to deliver new homes for rent. A significant number of Local Authorities have established Local Housing Companies over the last 5-10 years and these take a wide variety of formats and structures.
- 3.28 Abolition of the HRA borrowing cap means that there appears to be less immediate urgency to establish a Local Housing Company, as this is no longer required in order to deliver the initial programme of new homes.
- 3.29 However, there may be merit in looking to establish a Local Housing Company in the future, to give the council access to the widest range of potential delivery vehicles for delivering on our housing aspirations, including giving us the option to deliver mixed tenure housing where appropriate to complement social housing. This is currently under review.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The council's Executive Member for Communities and Executive Member for Regeneration, Transport and Planning have been engaged and are supportive of the proposed new housing schemes detailed in this report. In addition we have also undertaken initial consultation with local elected members about schemes within their ward. The majority of scheme proposals have received significant support within each ward area, and there is overall support for the provision of additional council housing in Leeds. In Farnley and Wortley some members have raised concerns about the proposal to develop the Oldfield Lane site which are subject to further consultation.
- 4.1.2 The proposals have been developed taking account of demand data discussed with the council's Housing Management Team to ensure they meet locally defined needs in terms of tenure and unit sizes, and the estimated number of homes have been developed through initial capacity studies in consultation with planning and Highways colleagues.

4.1.3 In developing our Extra Care offer both Voice for Older Leeds Tenants and the Leeds Older People's Forum were consulted and are very supportive of the approach we are undertaking to deliver specialist accommodation for older people in Leeds. Both groups were keen to ensure that residents' views were taken into account as part of any future developments the Council may deliver in partnership with third parties and a number of their key recommendations were incorporated in the Leeds Older People's Housing Prospectus which was produced in Autumn 2015

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 proposed new general needs homes across the city on equality, diversity, cohesion and integration as part of the wider Council Housing Growth Programme (CHGP).

4.2.2 The proposals reflect differences in need in relation to existing and predicted supply of general needs housing across the city's neighbourhoods and seek to facilitate an increase in supply to meet current and predicted localised gaps in provision. A copy of the EDCI screening documents are 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:

- Housing of the right quality, type, tenure and affordability in the right places;
- Minimising homelessness through a greater focus on prevention;
- Providing the right housing options to support older and vulnerable residents to remain active and independent; and
- 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:

- Growth in new homes in Leeds;
- Number of affordable homes delivered;
- Improved energy and thermal efficiency performance of houses; and
- 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. A further report will be presented to Executive Board setting out the detail of our housing proposals beyond the current 2019-22 programme in 2019.

4.4 Resources and value for money

4.4.1 Of the 7 new general needs schemes, our current expectation is that 5 will be funded by a combination of Right to Buy receipts plus additional HRA borrowing, and the remaining 2 will be funded via a blend of Affordable Homes Grant funding from Homes England and HRA borrowing. However this is subject to confirmation of the available grant rates and how this compares to RtB, which can currently be used to fund up to 30% of total scheme costs. Table 2 below summarises the indicative overall funding for these schemes:

Table 4 – summary funding requirements – general needs programme

Total Scheme Cost £m	HRA Borrowing £m	Homes England Grant £m	Right to Buy Receipts £m
54.84	38.11	6.33	10.40

- 4.4.1 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 these schemes for **social rent**. This has financial implications but also forms part of our business case justification for seeking the levels of grant support we need to deliver the programme.
- 4.4.2 The average rents for existing general needs schemes in Leeds are shown in the table below, and illustrate that average social rents are between £60 and £120 per week cheaper than the affordable rents many Registered Providers and some Local Authorities deliver at.

Table 5 – Average rent levels – general needs programme

Dwelling type	Average Unit Cost	Average Social Rent	Max affordable rent (80% of market)	Average Market Rent
2 Bed House / Bungalow	£141,385.26	£74.61	£138.46	£173.08
3 Bed House / Bungalow	£150,357.56	£79.80	£162.46	£203.08

- 4.4.3 Rents for the extra care housing for older people are higher than those indicated above, recognising the additional management and service charges (including communal facilities) associated with extra care housing provision.
- 4.4.4 As part of the procurement exercise for the extra care housing package 1 programme, the winning bidder was required to submit an average weekly affordable rent for the affordable rented units on the Westerton Walk scheme. LCC Housing Management and LCC Housing Benefit have been consulted and confirmed that the proposed rent levels are reasonable and eligible for housing benefit.
- 4.4.5 Our experience in managing the Council's extra care housing scheme at Wharfedale View, Yeadon extra has identified that since opening in December 2016 the vast majority of residents in affordable rented flats are fully funded through housing benefit, with very few tenants self-funding. All the shared ownership residents (and any purchasing homes outright) are very likely to be self-funded.
- 4.4.6 Borrowing for the new schemes would typically be over three years with the principal and interest repaid over thirty years at an assumed rate of 3%. Our financial viability assessments show that the average payback period for these schemes based on social rents would be c23 years. Further work will be undertaken through a sensitivity analysis to examine potential interest rates and payback periods to ensure the optimum position for the authority is secured.
- 4.4.7 Resources for delivery of the Council Housing Growth Programme have been strengthened over the last 12 months or so and this means we are well placed to deliver this ambitious programme of new homes. The multi-disciplinary team, incorporating staff from Resources & Housing, Housing Management and City

Development staff have worked closely to develop these proposals and to ensure that as much preparation work as possible is underway to assure the delivery of the programme.

4.4.8 In relation to VfM, we have calculated the scheme cost estimates based on recent experience on similar schemes, and based on our existing knowledge about the very challenging sites we have available. Many require significant levels of remediation and this has meant that our total average costs are in some cases higher than we would like. However, if we set aside these abnormal conditions and constraints on individual sites, our unit costs are actually trending downwards whilst achieving higher quality and meeting NDSS space standards.

4.4.9 Our proposed schemes will all be designed to the 'Leeds Standard' - our commitment to a set of quality principles that will ensure the new council homes we build will be designed in such a way as to deliver excellence under three themes; Design Quality, Space Standards and Energy Efficiency Standards.

4.5 Adult Social Care System Cost Savings Estimated to be Generated by Package 1 - Local Authority Funded Placements

4.5.1 The table below models the potential benefits of placing local authority funded residents in Westerton Walk versus the average price paid by Adults and Health for a person living in residential care provision based on current framework rates. It is evident that the scheme will deliver significant efficiencies to Leeds City Council for each person funded by the local authority living in Westerton Walk.

4.5.2 Initial financial comparisons on the average cost of residential care (local authority and independent sector provision) versus extra care (based on the actual tendered cost of care package for Westerton Walk provided by the winning bidder) reveal that extra care, even with all care recipients having high care and support needs, provides the opportunity to realise significant system cost savings.

Table 6 – Comparison of extra care and residential care costs

Assessed Care Need	Westerton Walk (Estimated weekly cost per resident)	Residential Care (average weekly cost per resident)	Westerton Walk (average weekly saving per resident)
Medium (2 hrs per day)	£210.00*	£544.50**	£334.50
High (3 hrs per day)	£315.00*	£544.50	£229.50

* Average cost of care based on upper guide costs issued as part of the tender exercise.

**Average cost of Residential care based on Local Authority and Independent Sector provision

4.5.3 If the minimum projected efficiency saving of £240.00 per week for an individual with high support needs is applied against LCC's anticipated nomination rights of 35% for

this development, this would generate an estimated system cost saving of approximately £274,560 per annum.

- 4.5.4 We have also modelled the costs for self-funders who are required to meet the full cost of their own housing and care. For a self-funder with high support needs currently living in residential care (local authority or independent sector provision) Westerton Walk is estimated to generate a personal saving of £5,080.40 per annum which although comparatively modest still represents better value for modern, purpose-built, accessible accommodation that promotes independent living, has the flexibility to adapt to peoples changing needs over time and supports ageing in place.

4.6 Capital Receipts Position

- 4.6.1 The council sets capital receipts targets to support the Medium Term Financial Plan and enable the council to sustain core frontline services. As part of identifying suitable sites for the bid, consideration has been given as to whether the available sites have an existing expectation of a capital receipt through disposal.
- 4.6.2 The majority of the sites referenced above are not included in the Capital Receipts Programme, but the proposals above would result in the removal of two sites from the schedule of Capital Receipts that was approved by Executive Board in February 2018, representing a combined value of £100,000. However finance have confirmed that whilst these sites have been identified as potential receipts in future years they are not being relied upon to support the capital strategy to 2021/22.
- 4.6.3 The capital strategy is forecast to be cumulatively £6.1m in deficit at the end of 2021/22. To manage this it is likely some that 'future years' receipts will be brought forward. The impact of removing these sites from the capital receipts list and taking them forward for housing is therefore that the flexibility to do this will decrease by £100k.
- 4.6.4 One extra care housing site in Package 2 has been identified as a potential receipt in future years with the notional value of £200k, however, it is not being relied upon to support the capital strategy to 2021/22.
- 4.6.5 The Council owned land at Throstle Recreation Ground is currently included within the Brownfield Land Programme, the purpose of which was to deliver new housing on the Council's brownfield land holdings. Whilst the programme did not set out to achieve capital receipts across every site, the Throstle Recreation Ground was being prepared for marketing.
- 4.6.6 The four sites would attract higher offers for private residential developments on the open market than for the proposed specialist residential care use. Selling the land for specialist care use will therefore result in the Council not achieving best consideration. However, by progressing the proposals for new extra care housing as an alternative to other more expensive and less suitable options for those needing care and support, the Council expects it can also make significant financial savings.
- 4.6.7 In July 2017 Executive Board approved this approach recognising that a key driver for the project was to use existing Council assets to stimulate the market and encourage extra care housing growth within the City. Executive Board also noted that "the potential revenue savings to the Council which will result from the provision

of additional extra care housing places across the City... will be accrued through the use of sites that would otherwise be disposed of to generate a capital receipt.”

4.7 Legal implications, access to information, and call-in

4.7.1 This report is not a key decision and is not subject to call in.

4.8 Risk management

4.8.1 The programme will be delivered using the council’s agreed project management methodology and a programme risk log will be maintained and risks managed, monitored and escalated through the governance process as necessary.

4.8.2 Delivery of the proposals set out in this report will contribute to mitigating one of the council’s corporate risks around failure to meet additional housing supply targets and the consequent lack of homes for people in Leeds.

4.8.3 An initial risk assessment for the general needs programme has identified the following risks:

- **Site conditions/abnormal site development costs escalate** – a series of surveys and intrusive site investigations are being undertaken to ensure that any risks associated with site conditions can be priced and mitigated by contractors;
- **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 ensure a range of contractors are appointed to ensure delivery to programme;
- **Financial risk due to Right to Buy** – there is a risk that some overhanging debt might result from right to buy sales, but this can be mitigated through utilising the capital receipt resulting from the RtB to pay back debt. In the context of the Government’s removal of the HRA cap and the likely volume of new council development which would be expected to follow, the council will seek to lobby Government for reform on this point.

4.8.4 A risk log is being maintained throughout the extra care housing project. Any issues arising are escalated through the governance process as necessary. Some of the key risks and mitigation strategies for the programme are as follows:

Key Risk	Mitigation Strategy
1. Planning applications are refused and / or require changes, delaying the programme and resulting in increased costs	The Housing Growth team has a dedicated Planner who will carry out the pre-apps for the schemes and will review designs during the tender process to ensure they are compliant. A Highways representative will also be present to review bidders’ designs to ensure compliancy. A design officer is part of the project team and will review designs to allow greater access to planning advice.
2. Challenging site conditions leading to programme delays / high site	Detailed site surveys and investigations are undertaken by LCC for all the sites and provided to the selected contractors. The programme has been developed taking into account this site information. Some site risk contingency has been built into the project budget.

abnormal costs / issues	
3. The appointed provider for Package 1 does not meet LCC design and construction requirements	Robust contract management and performance monitoring will be in place to ensure the provider complies with all LCC requirements and terms and conditions. Risks and issues will be addressed and managed through monthly progress meetings.
4. Package 2 tender process is unsuccessful and the project team is unable to appoint a contractor	The project team will ensure there are adequate face to face clarification sessions / dialogue with bidders to assist them in submitting compliant bids. Items will be given a RAG rating to clearly highlight to bidders which elements require modification. All other bidders' clarification questions will be responded to in writing.
5. Package 2 build contractor does not build to LCC requirements and defects occur	The technical output specification being produced by LCC is clear, robust and free from ambiguity. In addition, LCC will issue standard floor layouts for the dwellings in the tender documentation to demonstrate to bidders what LCC requirements look like in design terms. Effective quality assurance will be carried out once the contractor is onsite. These factors should reduce the potential for defects and specification problems. The contractor will be responsible for rectifying defects.

5. Conclusions

- 5.1 The council worked quickly to respond to the Government's initial HRA bid invitation when it was issued in July 2018, identifying a number of sites for development and commencing work to enable them to be delivered at pace.
- 5.2 The subsequent removal of the HRA cap means that the council can now progress these schemes and also start to plan ahead for a significant ongoing programme of much needed new housing in the city.
- 5.3 Through the proposals outlined in this report, the council will be able to deliver one of its most ambitious council housing growth programmes over the next 3 years.
- 5.4 The housing schemes detailed in this report represent the first phase of the council's new build housing plans. Looking ahead, the intention is to continue to deliver at volume and at pace, with an aspiration to deliver c300 new council homes per year on an ongoing basis.
- 5.5 The extra care programme is part of the wider Council House Growth Programme and the four sites in package 1 will deliver around 240 homes through an external provider of which a minimum of 35% will be affordable rented units. The next package of three sites will deliver up to a further 200 council owned and managed units by winter 2021.
- 5.6 As a result of this approach, seven sites will be used for Extra Care schemes, ensuring that the HRA funding is maximised and that further progress is made towards the target of 1,000 Extra Care units in Leeds by 2028, as set out in the Leeds Vision for Extra Care.

- 5.7 The programme will support the Better Lives Programme and generate significant system cost savings for Adult Social Care. If the minimum projected efficiency saving of £240.00 per week for an individual with high support needs is applied against LCC's anticipated nomination rights of 35% for the Westerton Walk development, this would generate an estimated system cost saving of approximately £274,560 per annum.
- 5.8 The extra care housing programme will help tackle the critical undersupply of extra care housing in the City and deliver high quality homes for older people with care needs in seven locations across the City. This will mean that the Council is well on its way to meeting its target of 1,000 extra care homes for older people across the city by 2028. By working in this way, the Council will significantly accelerate delivery of these much needed homes over the next 3 years.

6. Recommendations

Scrutiny Board is asked to:

1. Note the scope of the council's new housing scheme proposals and initial sites identified for the delivery of new general needs council housing for social rent, and that any decisions on disposal of council land / acquisition of private land to facilitate these schemes have been delegated to the Director of City Development;
2. Note that decisions regarding the final funding mix for each housing scheme taken forward have been delegated to the Director of Resources and Housing by Executive Board;
3. Note that authority to procure & award contract for each housing scheme is delegated to the Director of Resources and Housing;
4. Note that a further report on progress with delivery of the programme be brought to Executive Board in 2019.
5. Note the progress made in the delivery of the extra care housing programme
6. Note that the sites at Cartmell Drive South, Halton Moor and Throstle Recreation Ground have been approved for the delivery of extra care housing
7. Note the Adult Social Care system cost savings estimated to be generated from Package 1
8. Note the likely position in relation to capital receipts arising from the programme and that the Director of City Development will negotiate the detailed terms including the financial consideration for the disposal of each site in Package 1 and will seek the approval of Executive Board to the final terms of each disposal

7. Background documents¹

- 7.1 None

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.