



Report of the Director of Environment and Neighbourhoods

Executive Board

Date: 16th April 2008

Subject: Council House Building

Electoral Wards Affected:

X

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In
(Details contained in the report)

EXECUTIVE SUMMARY

This report outlines the progress made to date to develop sites for council housing. It sets out a proposed option for the development of three sites, comprising of the former Waterloo Primary School, Evelyn Place and Silver Royd Hill.

1.0 Purpose Of This Report

1.1 The purpose of this report is to report on the progress made in developing an approach for building council houses in line with the recommendations made by the December 2007 Executive Board.

2.0 Background Information

2.1 There has been a substantial decline in the numbers of council homes over the past two decades, with the numbers falling from over 90,000 to the present figure of 58,000. Although the pace of decline has slowed in the last two years, the pressure on council lettings has continued to increase, expressed in the high number of bids for properties and the waiting times for those in need.

2.2 As a result of this the Council has expressed a commitment to build new council homes alongside the development of other affordable housing solutions. The December 2007 Executive Board received a paper outlining options that should be explored to meet this commitment.

2.3 The paper outlined some of the considerations that needed to be explored in order to achieve a coherent strategy for the development of new council homes in the long term. These considerations were:

- Explore Housing Corporation grant to two star ALMOs from 2008/9
- Review the availability of land for housing development
- Review Council contributions via the capital programme and capital receipts from Council owned land
- Explore other public sector land in government ownership made available to the Council to support development initiatives
- Lobby government to retain income streams to fund borrowing from rents on existing and new build

2.4 Over this last three months, officers have been working to identify sites, delivery options and financing options to enable an exemplar development to take place.

3.0 Sites for Development

3.1 Officers within the Directorates of Environment and Neighbourhoods and City Development have been assessing sites that could be made available for the development of housing which would include provision for some new council housing.

3.2 A number of sites are being assessed for their development potential and discussions have taken place between officers from Planning, Housing, Highways and the Council's Asset Management Team. The sites identified are:

- Evelyn Place, Leeds 12, which offers a development of about 12 units, of which 6 would be council houses. The site is cleared from an earlier demolition and clearance programme.

- Silver Royd Hill garage site, Leeds 12, which offers a development of about 15 units, of which 6 would be council homes. There would be some need for demolition on this site and negotiations to terminate existing garage leases.
- The former Waterloo Primary School site in Pudsey, The site is already cleared and would offer a development of around 50 units of which 15 would be council houses.

3.3 In all three areas it is considered desirable to ensure that there is a mix of tenure on site.

4.0 Financing the Potential Developments

4.1 The proposal will deliver 27 council houses. Discussions have taken place to establish an appropriate mix of funding to finance the developments. The following sources of finance are proposed.

- **s.106 monies** - At present there is £614,963 available to spend that is not subject to geographic area restriction. In addition there is £581k that is geographically tied to the Pudsey area. Therefore, if s.106 monies were to be used to finance the development, £1,195,963 would be utilised if the development were to include the Waterloo site. Legal services are seeking a deed of variation to remove a geographical restriction on a further £482k of s.106 money. This will be earmarked for this scheme.
- **Capital Receipts** – Capital receipts can be generated from all three sites which subject to agreement would be used to supplement s.106 monies. The former Waterloo Primary School site has been valued at around £1.98m. However, it is proposed to forego this receipt in order to maximize the amount of affordable housing, as set out in the proposals below. Evelyn Place is valued in the range of £220k and £240k and Silver Royd Hill is valued between £200k and £215k. These valuations have been conducted on a desk top basis and need to be reappraised when the detailed scheme proposals are in place. It is proposed to take these capital receipts as set out in the proposals below.
- **Prudential Borrowing** – It is possible to borrow money for the scheme and finance it through the Housing Revenue Account (HRA). Whilst the current and projected position of the HRA does not allow enough headroom to facilitate significant repayments to make this a replicable option, in the event that the s.106 money and the capital receipts prove to be insufficient, this method will be pursued. It is proposed that up to £1m borrowing is agreed in principle, at a current cost of £56k per annum over forty years.

4.2 In conclusion, it is proposed that in order to finance the provision of council housing on all three sites, a combination of section 106 monies and capital receipts are employed, utilising prudential borrowing, if necessary, as a source of additional funding. The option outlined below can maximize the amount of affordable housing and deliver around 27 new council houses.

5.0 Scheme Delivery

6.0

5.1 The 27 new council houses would be delivered by two different mechanisms

1. Former Waterloo Primary School site

- The suggested option would entail a joint Registered Social Landlord (RSL) and Council development on the Waterloo site.
- In order to fund this development, an RSL partner will put a bid forward to the Housing Corporation for funding to build a scheme on the site for 50 new affordable houses. The 50 properties would be a mix of properties for shared ownership and properties for rent. The RSL will then build the scheme, and the Council will purchase a proportion of the units, using the £1.19m commuted sums available. This would mean that the final scheme would comprise of 15 new council homes and 35 RSL properties, split 50/50 for shared ownership and for rent.
- The disposal of the site to a RSL will generate a payment of £5k per plot, in line with Housing Corporation rules. This equates to approximately £250,000 which can go towards the provision new council houses on the sites. Additional advantages of this method of disposal are that in line with the broader affordable homes strategy, the site will deliver fifty homes rather than smaller figure which could be achieved through planning gain. The RSL will attract grant from the Housing Corporation and draw in private sector investment. Typically the investment generated will be in excess of twice that available through an open market land disposal. Additionally, we can ensure that elderly person's accommodation is delivered on the site, and built to Housing Corporation standards.
- It must be noted that the Housing Corporation Grant will only be eligible for the RSL units. The grant cannot subsidise the Council units. The Council will therefore have to pay the full build costs for the units.

2. Evelyn Place and Silver Royd Hill

- The suggested option is that the Evelyn Place and Silver Royd Hill sites would be disposed of on the open market, as one package, to a developer. The capital receipt from the sale of these two sites will then be used, alongside the £250,000 receipt from the Waterloo site and the additional £482k commuted sum to purchase council house units.
- In this option it is proposed that the Council's affordable housing requirements are met through the purchase of the council houses. With the combined development likely to realise around 27 houses, this approach will provide a larger amount of affordable housing, in this instance 12 council homes.

7.0 Design Quality

- 7.1 A high quality design brief for the Waterloo site will be based upon the Housing Corporation's latest design and quality standards. This will ensure that the properties will be designed and constructed in a sustainable manner using products and processes that reduce environmental impact and provide the highest thermal efficiency and lower running costs. In addition this will enable the homes to be built in such a manner that they are homes for life. This design may be more expensive

in the build phase but should offer less expensive maintenance options in the long term.

7.2 A similar type of high quality design brief will be sought from the private developer on the Evelyn Place and Silver Royd Hill sites.

7.0 Implications for Council Policy and Governance

7.1 At this stage in the development of the scheme the main implication will be on the use of Council funds. In order to finance the developments the primary source will be s.106 money and capital receipts generated from the sale of the land. If this proves to be insufficient then the option of some small scale prudential borrowing will be pursued.

8.0 Legal and Resource Implications

8.1 The development will require the release of £1.195m from s.106 money. Legal services are seeking a deed of variation to remove the geographical restrictions on a further £482k of s.106 money.

8.2 The proposal means that the Council would forego the potential open market capital receipt of £1.98m for the former Waterloo Primary School site, in return for £250k from the RSL developer. In so doing Housing Corporation grant would be maximized which would lever in significant private investment, to maximize affordable housing, as has been achieved with other successful schemes subject to bids to the Housing Corporation.

9.0 Conclusions

9.1 Having assessed the available sites and the financing options for this development, it is concluded that the best way forward is to develop the three sites as described at 5.0 in this report. Further work is needed to develop the option in more detail.

9.2 A development of this nature could provide a mix of council housing targeted at the over 55s. Targetting over 55s development could have the added benefit of enabling the Council to free up family sized council housing. Consideration could be given to offering current tenants who are under occupying their home the opportunity to move into this new development.

10.0 Recommendations

10.1 The Executive Board is recommended to instruct officers to proceed with the scheme as set out in this report.

10.2 In order to deliver this scheme the Executive Board is recommended to agree:

- To dispose of the former Waterloo Primary School site at less than best as set out in this report
- To dispose of the Evelyn Place and Silver Royd Hill sites on the open market and that first call on the capital receipts, and the payment from the RSL, should be to meet the needs of this scheme
- To give permission to borrow up to £1m through the HRA to meet any shortfall in financing this scheme.