

## Report of Head of Regeneration

### Report to Director of Resources and Housing

**Date:** February 2021

**Subject:** Right to Buy Replacement Programme: LATCH (Leeds Action to Create Homes) – Acquisition and Refurbishment of Eight Properties

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, name(s) of ward(s): Chapel Allerton, Gipton and Harehills, Killingbeck and Seacroft and Burmantofts and Richmond Hill	
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If relevant, access to information procedure rule number:	
Appendix number: 1	

## Summary

### 1. Main issues

- In response to the Department of Communities and Local Government (DCLG) (Ministry of Housing, Community and Local Government – MHCLG) “Reinvigorating Right to Buy and One for One Replacement” initiative, the Council has established its Right to Buy Replacement Programme (RtB) which offers grant funding to Registered Providers and Third Sector organisations to support the delivery of new supply rented affordable housing for the city.
- RtB funding has been used on a variety of Council, Registered Provider and Third Sector schemes. So far £15.6m has been spent to date (split £6.9m Registered Providers / Third Sector and £8.7m Council House Growth Programme).
- The Council has received an application from Leeds Action to Create Homes (LATCH) for RtB grant funding for an 18 month programme to purchase and refurbish 8 empty, rundown properties to provide affordable homes for people who are homeless or in housing need. To meet the anticipated need LATCH are looking to develop four, 2 to 3 bedroom family homes for their clients and four, 1 bed homes for single homeless people.

- The properties will be let as supported housing at affordable rents to people who are homeless or in housing need and the tenants will be provided with housing related support to ensure the tenancies are successful and that people move to independent living. Further details regarding the proposal are outlined in the confidential appendix attached to this report.

## **2. Best Council Plan implications** (see the [latest version of the Best Council Plan](#))

- The delivery of new supply Affordable Housing in Leeds underpins the Council ambition for Leeds of a Strong Economy and a Compassionate City.
- The proposals outlined within the report supports the delivery of the 2020-25 Best Council Plan priority of Housing – Housing of the right quality, type, tenure and affordability in the right places.
- Alongside this, the delivery of new supply housing contributes towards the Best Council Plan outcome minimising homelessness through a greater focus on prevention.
- The development of the additional units supports the delivery of proposed developments and increases the number of new homes built which helps the council achieve its Core Strategy targets.
- Furthermore, the work of LATCH directly contributes towards the Leeds Housing Strategy housing priorities of:
  - Affordable Housing Growth
  - Improving Housing Quality

## **3. Resource implications**

- As LATCH are required to provide the majority of the development costs (see points 2.1 and 2.2 below) in line with CLG (Ministry of Housing, Community and Local Government – MHCLG) funding regulations this programme will maximise the impact of the available resources and levers in significant investment to the city.
- LATCH has confirmed that they have sufficient capacity to obtain the additional resources required to make the scheme successful via loans and reserves for project pre development costs.
- However, should they not conform to the conditions agreed there is the potential within the legal agreement to enforce the repayment of the grant.
- Additional New Homes Bonus payments will be generated through the construction of the new affordable housing (NHB uplift) housing which the Right to Buy Replacement Programme will be supporting.

## **4. Recommendations**

- The Director of Resources and Housing is requested to approve and grant authority to spend of Right to Buy Replacement Programme funding to LATCH to purchase and refurbish 8 empty, rundown properties to provide affordable homes for people who are homeless or in housing need. To meet the anticipated need LATCH are looking to develop four, 2 to 3 bedroom family homes for their clients and four, 1 bed homes for single homeless people.

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

- 1.1 To seek approval and authority to spend from the Director of Resources and Housing to release funding from the Right to Buy Replacement Programme to LATCH to purchase and refurbish 8 empty, rundown properties to provide affordable homes for people who are homeless or in housing need. To meet the anticipated need LATCH are looking to develop four, 2 to 3 bedroom family homes for their clients and four, 1 bed homes for single homeless people.

### **2. Background information**

- 2.1 In July 2013, Executive Board approved a proposal to use a proportion of the capital receipts generated by Right to Buy (RtB) sales to fund a programme of replacement social housing as permitted by the Department of Communities and Local Government (CLG) (Ministry of Housing, Community and Local Government – MHCLG) “Reinvigorating Right to Buy and One for One Replacement” initiative.
- 2.2 CLGs (Ministry of Housing, Community and Local Government – MHCLG) funding regulations stipulate that the receipts may only be used to fund a maximum of 30% of total scheme costs. Providers are required to lever in the remaining scheme costs via their own resources.
- 2.3 The funds must be spent within a three year timescale of their receipt or be returned to CLG (Ministry of Housing, Community and Local Government – MHCLG).
- 2.4 To date, £15.6m of Right to Buy funding has been spent to facilitate the development of new Affordable Housing units across the city.
- 2.5 LATCH are a registered housing charity and a member of the Leeds Affordable Housing Framework.

### **3. Main issues**

- 3.1 LATCH are wanting to use RtB grant funding to purchase and refurbish 8 empty, rundown properties to provide affordable homes for people who are homeless or in housing need. To meet the anticipated need LATCH are looking to develop four, 2 to 3 bedroom family homes for their clients and four, 1 bed homes for single homeless people.
- 3.2 As part of the terms for disposal and allocation of RtB funding, the Council will receive 100% nomination rights for all new and subsequent lets of up to 3 years and further subsequent lets will have a 60% nominations target of up to 60 years.

- 3.3 LATCH will be required to sign a Legal Agreement before any grant is paid to and will also be required to submit quarterly monitoring reports to ensure that delivery timescales and quality targets are being met. Should the agreed timescales or quality targets not be met the council has the options within the Legal Agreement to clawback any grant already issued.
- 3.4 80% of the grant will be released at Start on Site and 20% retained until practical completion, so that at the end of the project, officers can review the scheme, ensure it met the principles agreed and that the scheme demonstrates value for money.

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 Local Ward Members for Chapel Allerton and Gipton and Harehills have also been consulted. All three Ward Members for Chapel Allerton are supportive of the scheme proposals however, have stated that they want to ensure there are family homes in the area. Although they support the 4 one bed properties as part of a mix what they have stated is that larger properties for larger and extended families are required. They are not acceptable to a change in the mix and do not want to see a reduction in the number of 2, 3 and 4 bed homes for any reason.
- 4.1.2 Ward Members for Gipton and Harehills, Killingbeck and Seacroft and Burmantofts and Richmond Hill have been consulted and are supportive of the proposal and have said that they would like to re-iterate that individuals from around their wards who are vulnerable be supported.
- 4.1.3 The Deputy Leader and Executive Member for Communities has been consulted and is supportive of the proposals.

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

- 4.2.1 The Equality and Diversity, Cohesion and Integration screening document has been completed to ensure due regard to equality issues. This is attached for reference at Appendix two.
- 4.2.2 The recommendations in this report have a number of positive equality outcomes. The primary focus is to provide additional Affordable Housing which will have a beneficial impact for socio-economic equality groups.

### **4.3 Council policies and the Best Council Plan**

- 4.3.1 The delivery of new supply Affordable Housing in Leeds underpins the Council ambition for Leeds of a Strong Economy and a Compassionate City.
- 4.3.2 The proposals outlined within the report supports the delivery of the 2020 – 2025 Best Council Plan priority of Housing – Housing of the right quality, type, tenure and affordability in the right places.
- 4.3.3 Alongside this, the delivery of new supply housing contributes towards the Best Council Plan outcome of minimising homelessness through a greater focus on prevention.

- 4.3.4 The development of the additional unit supports the delivery of proposed developments and increases the number of new homes built which helps the council achieve its Core Strategy targets.
- 4.3.5 Furthermore, the work of LATCH directly contributes towards the Leeds Housing Strategy housing priorities of:
- Affordable Housing Growth
  - Improving Housing Quality

#### Climate Emergency

- 4.3.6 An energy performance assessment will be undertaken as part of the technical inspection of each potential acquisition. This assessment will be used to determine whether, as part of refurbishing the property, additional measures can and should be implemented (above lettable standard) to improve the energy performance (SAP rating) of the properties. This would be with a view to making them more energy efficient and less expensive to heat, positively contributing to fuel poverty and reducing carbon output.

#### **4.4 Resources, procurement and value for money**

- 4.4.1 As LATCH are required to provide the majority of the development costs (see points 2.1 and 2.2) in line with CLG (Ministry of Housing, Community and Local Government – MHCLG) funding regulations this programme will maximise the impact of the available resources and levers in significant investment to the city.
- 4.4.2 LATCH has confirmed that they have sufficient capacity to obtain the additional resources required to make the scheme successful via loans and reserves.
- 4.4.3 However, should they not conform to the conditions agreed there is the potential within the legal agreement to enforce the repayment of the grant.
- 4.4.4 Additional New Homes Bonus payments will be generated through the construction of the new affordable housing (NHB uplift) housing which the Right to Buy Replacement Programme will be supporting.

#### **4.5 Legal implications, access to information, and call-in**

- 4.5.1 The information contained in the confidential appendix 1 to this report relates to the financial or business affairs of a particular person, and of the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that since this information was obtained through Expressions of Interest then it is not in the public interest to disclose this information at this point in time. Also it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions in that prospective purchasers of other similar properties would have access to information about the nature and level of consideration which may prove acceptable to the Council. It is therefore considered that this element of the report should be treated as exempt under Access to Information Procedure Rule 10.4 (3).

- 4.5.2 Now that the UK has left the European Union, State Aid has been replaced by State Subsidy. State Subsidy means financial assistance granted by or through public resources which distorts or threatens to distort competition by favouring a particular economic actor, as defined by Chapter 3 of Title XI (Level Playing Field for Open and Fair Competition and Sustainable Development) of the Trade and Cooperation Agreement between the European Union and the United Kingdom. The provision of affordable housing is regarded as a service of public economic interest, and is exempt from state subsidy control provided that certain criteria are met. The grant agreement will incorporate provisions to ensure compliance with State Subsidy obligations.
- 4.5.3 This report is classified as a Significant Operation Decision and is not subject to Call In.

## **4.6 Risk management**

- 4.6.1 It is considered that the recommendations in this report will have no adverse risks to the Council as the scheme that will benefit from the investment of Right to Buy Replacement Programme funding is compliant with the criteria for spend.
- 4.6.2 If this report is approved, LATCH will be obliged to sign a legal agreement with the Council before any grant funding is released. The legal agreement mirrors that used by the Homes England in relation to funding made available via the Shared Ownership and Affordable Homes Programme.
- 4.6.3 Progress monitoring will take place on a quarterly basis against agreed milestones. Ultimately, if performance is unsatisfactory or does not meet the agreed milestones, the legal agreement gives the Council the opportunity to enforce the refund of the grant funding.
- 4.6.4 As part of the grant agreement a 20% grant retention will be held until the scheme is completed and officers have reviewed the scheme in detail to protect the council's interest.
- 4.6.5 Should the council not utilise its RTB funds within a three year timescale of their receipt CLG (Ministry of Housing, Community and Local Government – MHCLG) funding regulations stipulate that the funds must be returned to central government. Therefore, the additional investment route helps to minimise this risk plus shares risk by drawing in additional funding from other providers
- 4.6.6 Where possible the Council will seek to take a charge over the property to secure the clawback provisions of the grant agreement.

## **5. Conclusions**

- 5.1.1 This scheme will help the council to increase the number of Affordable Homes within the city as well as helping to meet a number of council priorities set out in 4.3 of this report.
- 5.1.2 The establishment of the Right to Buy Replacement Programme is a creative approach to further support the provision of new supply affordable housing. The availability of this funding supports affordable housing providers with maximising their resources, brings additional resources to the delivery of new homes through the providers' contributions and assists with sustainability.

## **6. Recommendations**

- 6.1 The Director of Resources and Housing is requested to approve and grant authority to spend of Right to Buy Replacement Programme funding to LATCH to purchase and refurbish 8 empty, rundown properties to provide affordable homes for people who are homeless or in housing need. To meet the anticipated need LATCH are looking to develop four, 2 to 3 bedroom family homes for their clients and four, 1 bed homes for single homeless people.

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

- 7.1 None.

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<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.