

Right to Buy Replacement Programme: Turning Lives Around Phase 2

Date: July 2021

Report of: Head of Regeneration

Report to: Chief Officer, Asset Management and Regeneration

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

- 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, in July 2013 the Council established its Right to Buy Replacement Programme (RtB) which offers grant funding of up to 40% of total scheme costs to the Council Housing Growth Team (CHGT), Registered Providers (RPs) and Third Sector Housing 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 Turning Lives Around (TLA) for RtB grant funding for a 12-18 month programme to acquire 4 properties to renovate into affordable homes (to be provided at or below Affordable Rent) for vulnerable and homeless people.
- TLA are a member of the Leeds Affordable Housing Framework and have recently completed a similar project whereby they utilised RtB grant funding to assist in the acquisition and development of 2 vacant properties into Affordable Homes. As part of this project the Council secured nomination rights on first and subsequent re-lets.
- The delivery of new supply Affordable Housing in Leeds underpins the Council's 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 TLA directly contributes towards the Leeds Housing Strategy housing priorities of:
 - Affordable Housing Growth; and
 - Improving Housing Quality

Recommendations

The Chief Officer, Asset Management and Regeneration is requested to approve and grant authority to:

- a) the spend of Right to Buy Replacement Programme funds up to the amount set out in the Exempt Appendix to support Turning Lives Around's proposal to acquire 4 properties and to refurbish them into affordable homes for vulnerable and homeless people; and
- b) for the Council to enter into a grant agreement and nominations agreement with Turning Lives Around to facilitate the above spend, on the terms set out in this report.

Why is the proposal being put forward?

- 1 Executive Board in July 2013 approved a recommendation to extend the RtB programme to support Registered Providers and Third Sector Partners to deliver new affordable homes via either new build or acquisition and refurbishment of privately owned properties.
- 2 The former Director of Resources and Housing under his delegated approval powers has previously approved several additional reports authorising spend to support the delivery of new affordable homes since July 2013.
- 3 TLA have recently submitted an application form asking for funding to contribute to the acquisition and refurbishment costs of buying 4 properties to be refurbished and utilised as Affordable Housing for vulnerable individuals. No specific properties have yet been identified but TLA are looking to purchase 1-bed or 2-bed terrace properties located within the Hunslet and Riverside Ward.
- 4 The estimated total scheme costs for the project are included in the exempt appendix and the RtB Grant Programme contribution will be capped at 30% of total scheme costs. TLA will fund the remainder of the Scheme through a mixture of their own reserves and additional borrowing.
- 5 TLA will be required to enter into a grant agreement and a nominations agreement to ensure that the grant funding is used for the proposed purpose and to include provisions to clawback funding if appropriate.
- 6 More detail on the risks and council security on the programme are provided within the body of the report.

What impact will this proposal have?

Wards Affected: Hunslet and Riverside

Have ward members been consulted?

Yes

No

- 7 TLA provides housing and support for vulnerable people in society, those who are homeless, have mental health issues, drug/alcohol dependency issues or a mixture of everything. At present TLA rely mainly on rented stock from RP's or private sector landlords, this in itself presents a degree of uncertainty for the vulnerable tenants who could be evicted from their property at short notice by the owner. Purchasing 4 units would enhance the tenant's sense of stability leading to successful outcomes going forward.

- 8 TLA have consulted with their stakeholders and internal departments and have advised that they intend to look to acquire the units in the Hunslet area to complement their existing work and client group in the area. This has been further supported by the Local Ward Members and the Executive Members.
- 9 The introduction of a local specialist affordable housing provider in the Hunslet area is supported as to be a positive aspect for the project.
- 10 TLA will also aim to acquire vacant properties which require investment to bring them up to a high lettings standard to drive up standards and environmental conditions in the local area. The grant agreement will require TLA 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 will have the option to clawback any grant already issued.
- 11 This process has been successfully implemented on several schemes to ensure that organisation can.
 - Cashflow the programme effectively
 - Provide confidence to other financial bodies to obtain funding
 - Council officers can review the scheme and benchmark spend against other similar schemes to demonstrate value for money
 - Ensure it met the principles agreed as part of the application process,
 - Ensure the Council provides the minimum amount of grant to successfully complete the project
- 12 TLA will also sign up to a nomination agreement to ensure the Council will receive 100% nomination rights for first lets and 60% on subsequent lets. This is administering and managed by Housing Leeds.

What consultation and engagement has taken place?

- 13 Local Ward Members for Hunslet and Riverside have been consulted and all 3 are supportive of the scheme proposals.
- 14 The Executive Member for Infrastructure and Climate has been consulted and is also supportive of the scheme.
- 15 Legal Services and Finance have also been consulted and the legal implications and risks are set out below.
- 16 The Head of Council Housing Growth has been consulted and supports the proposed RtB allocation on the basis that there is joined up working with colleagues who have been working on the Next Steps Accommodation programme in terms of the homes we are providing for potentially similar needs groups.

What are the resource implications?

- 17 TLA have requested 30% of the total scheme budget from the RtB grant funding for this scheme. TLA have confirmed that they have sufficient financial capacity to obtain the additional resources required to make the scheme successful via loans and reserves.
- 18 However, funds will only be released as and when TLA identify appropriate properties for the Scheme and should they not be able to deliver on the proposal or otherwise fail to conform to the conditions agreed the legal agreements will require them to repay all or part of the grant as appropriate.

- 19 Additional New Homes Bonus payments will be generated through the conversion of the new affordable housing (NHB uplift) housing which the Right to Buy Replacement Programme will be supporting.

What are the legal implications?

- 20 The Council has the power under the Localism Act 2011 to do anything an individual can do (including providing funding) provided that it is not otherwise prohibited from doing so.
- 21 The information contained in the exempt appendix 1 to this report relates to the financial or business affairs of particular persons (including the Council). This information is not publicly available from the statutory registers of information kept in respect of 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. It is therefore considered that this element of the report should be treated as exempt under Access to Information Procedure Rule 10.4 (3).
- 22 The Council is only permitted to provide a third party with a State Subsidy in accordance with the Subsidy Control provisions set out in 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 TCA"). 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 the TCA. The provision of affordable housing is regarded as a service of public economic interest, and is exempt from Subsidy Control provided that certain criteria are met and the Council considers that these criteria are met for this arrangement. In particular, the nominations rights the Council will have under the nominations agreement will ensure that the funding delivers an appropriate public service obligation, the grant will only provide TLA with such grant as is required to fund up to 30% of the scheme, the maximum grant will be below the threshold cited in the TCA, and the grant agreement will incorporate provisions to ensure general compliance with State Subsidy obligations.
- 23 This report is classified as a Significant Operation Decision and is not subject to Call In.

What are the key risks and how are they being managed?

- 24 The main risk of any grant funding is that the funder loses some control of the use of the funds. If this report is approved, TLA will be obliged to enter into a grant agreement with the Council before any grant funding is released. The terms of the grant agreement and funding are as follows:
- The grant funding will only be released in tranches per property as and when individual properties have been identified and contracts have been entered into to acquire them.
 - As and when an individual property is identified for inclusion in the scheme the Council will release 100% of the funding for that specific property (i.e. 30% of the assessed cost of acquiring and refurbishing that property) when needed to facilitate completion of the transfer deed acquiring the property. Releasing the funding on an individual property basis will allow the council to assess how much grant is being requested for each property and manage any over/under estimates of costs giving the council more control.
 - The grant agreement will permit TLA 18 months to draw down any available grant money.
 - Once a property has been acquired TLA will have 4 months to refurbish the property and bring it into use as Affordable Housing. The Council will reserve the right to extend this long stop date.

- The terms of the Grant Agreement will require that the properties are only used for Affordable Housing.
- TLA enter into a nominations agreement with the Council to grant nomination rights over who occupies the properties.
- The Grant Agreement will also require that TLA seek the Council's consent before selling the properties on and ensure that any new owner also enters into a Nominations Agreement with the Council.
- 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 grant agreement will provide for the Council to withhold any further grant funding and request repayment of any funding already provided.
- The Grant Agreement will permit a restriction to be imposed on the properties' registered title to prevent TLA selling the properties unless they have complied with the relevant terms of the Grant Agreement.

25 Should the council not utilise its RTB funds within a five 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.

26 TLA have confirmed that the bank would require a first legal charge on the property being financed and would then need to give consent to any other institution taking a second charge. In light of the above protections and the low value of funding per individual property, it is not considered necessary for the Council to obtain a legal charge over the properties.

Does this proposal support the council's 3 Key Pillars?

Inclusive Growth

Health and Wellbeing

Climate Emergency

27 This project will contribute to all 3 pillars by improving housing quality by working in line with the Decent Homes Standard guidelines. Promoting independent living through the support TLA provide to their tenants, empowering them with budgeting advice and the skills to maintain their own tenancy. Creating sustainable communities by working with tenants and the local authority in reducing anti-social behaviour and safeguarding them from instances of abuse, domestic violence or exploitation.

28 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.

Options, timescales and measuring success

a) What other options were considered?

29 TLA are a registered housing charity and a member of the Leeds Affordable Housing Framework. This is an innovative way of utilising RtB grant funding to increase the provision of affordable housing which enables the Council to achieve a greater outcome with the funds it has available. TLA would struggle to obtain the additional finance required for the Scheme without the grant funding from the Council.

b) How will success be measured?

- 33 South Leeds features some of the cities most deprived areas. TLA aim to acquire properties and improve them to exceed Decent Homes Standard, providing the residents with secure, safe, modern, thermally efficient and comfortable housing.
- 34 TLA are committed to providing high quality housing and playing their part in regenerating neighbourhoods with good quality sustainable accommodation for those who need it the most.
- 35 TLA are working towards offering their clients the opportunity to assist on site via their in house volunteer coordinators. This will provide valuable learning and practical skills which will significantly increases their chance of employment. TLA are able to provide training with regards health and safety to ensure those volunteers or apprentices working on site are able to work safely without putting themselves or others at risk.

36 What is the timetable for implementation?

- 37 TLA will look to acquire and refurbish the properties over 12 -18 months subject to sourcing and acquiring the subject properties.

Appendices

- 38 Exempt appendix 1
Appendix 2 – Equality and Diversity screening

Background papers

- 39 None