

Right to Buy Replacement Programme: Leeds Jewish Housing Association

Date: 18 October 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 30% 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 to support a variety of Council, Registered Provider and Third Sector schemes. So far c£27.7m has been spent to date (split £6.9m Registered Providers / Third Sector and £20.8m Council House Growth Programme) to deliver 447 no. additional affordable homes in the city.
- The Council has received an application from Leeds Jewish Housing Association (LJHA) for RtB grant funding to acquire and renovate 2 vacant privately owned properties as affordable homes (to be provided at Affordable Rent) for families in need.
- LJHA is a member of the Leeds Affordable Housing Framework and as such is eligible to apply for RtB funding. One of the criteria for membership is that the Council secures 100% nomination rights on first lets and 60% on subsequent relets and that the properties will be affordable in perpetuity.
- 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 LJHA 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 Leeds Jewish Housing Association's proposal to acquire and renovate 2 vacant privately owned properties to let as affordable homes and
- b) for the Council to enter into a grant agreement and nominations agreement with Leeds Jewish Housing Association 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 Right to Buy (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 spend on a number of schemes to support the delivery of new affordable homes since July 2013.
- 3 LJHA have recently submitted an application for funding to contribute to the acquisition and refurbishment costs of buying 2 vacant privately owned properties to be utilised as Affordable Housing for families. The addresses of the properties are contained in the Exempt Appendix. One of the properties is in Moortown ward and the other is in the Alwoodley ward.
- 4 LJHA have taken appropriate professional advice and have confirmed the buildings are sound, safe and suitable for social housing provision within their management portfolio.
- 5 One of the properties is a freehold 3 bedroom house and the second is a leasehold 3 bedroom flat. An informal review of property prices within the immediate area demonstrates the asking prices appear to be in line with the current local housing market.

- 6 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. LJHA will fund the remainder of the Scheme through its own reserves.
- 7 The requested grant ratios are above those approved for the Right of First Refusal and Property Acquisitions schemes when the Council buys properties for affordable housing. There are no current limitations set for Registered Provider applications.
- 8 LJHA 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.
- 9 An independent market valuation completed by a surveyor (Royal Institute Chartered Surveyors accredited) has been submitted by LJHA to support this application. The market values per property are in line with the asking price and the corresponding request for RtB funding. The valuations have been reviewed by a senior land and property officer and deemed acceptable.
- 10 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: Moortown and Alwoodley

Have ward members been consulted?

Yes

No

- 11 Leeds Jewish Housing Association provides homes primarily for the Jewish Community in the Alwoodley, Harewood and Moortown Wards. The properties are a mix of houses and flats and include general needs and sheltered housing.
- 12 LJHA is keen to develop and increase its affordable housing stock beyond the circa 500 properties owned and managed. Extensive consultations have taken place over the past 18 months with current tenants and the wider community to establish the type of properties required to meet needs. This resulted in a demand for family housing being identified. Therefore, this project will seek to address this demand.
- 13 The introduction of additional affordable housing in the Alwoodley and Moortown areas is supported as to be a positive aspect for the project.
- 14 LJHA investment in these properties will also bring them up to a high lettings standard to drive up standards and environmental conditions in the local area.
- 15 The Council has previously (2018) supported LJHA through grant funding from the Right to Buy Replacement Programme to create one additional affordable housing unit.
- 16 The grant agreement will require LJHA 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. 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

17 LJHA 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 administered and managed by Housing Leeds.

What consultation and engagement has taken place?

18 Ward Members for Alwoodley and Moortown have been consulted and are supportive of the scheme proposals.

19 The Executive Member for Infrastructure and Climate has been consulted and is supportive of the proposal.

20 Legal Services and Finance have also been consulted and the legal implications and risks are set out below.

What are the resource implications?

21 LJHA have requested 30% of the total scheme budget from the RtB grant funding for this scheme. LJHA have confirmed that they have sufficient financial capacity to obtain the additional resources required to make the scheme successful via loans and reserves.

22 The existing arrangement for properties bought by the Council for affordable housing via RtB funding has a cap of £145,000 including an allowance of £10,000 per property for decoration and refurbishment. This was agreed by the then Executive Member for Communities in 2019 and is based upon a social rent model. There are no current limitations set for Registered Provider applications.

23 The costs for each of the properties contained within this report have been assessed against the Council's internal financial modelling tool and are classed as viable proposals at either social or affordable rent should the properties revert to Council ownership.

24. As the two properties have been identified already 90% of the grant monies will be released following exchange of contract for the individual property but prior to contract completion. 10% of the funding will be 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.

25. 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?

26. The Council entered into an agreement on 12 June 2012 (subsequently varied by agreements dated 22 May 2013 and 1 July 2020) with the Secretary of State under section 11(6) of the Local Government Act 2003 (as substituted by section 174 of the Localism Act 2011). Under this agreement, the Council can retain receipts arising from additional RTB sales provided the authority spends a sufficient level of those receipts on replacement social housing.
27. 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 cost estimates when 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).
28. 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 nomination's agreement will ensure that the funding delivers an appropriate public service obligation, the grant will only provide LJHA 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.
29. One of the properties is a leasehold with a remaining 88 years on the lease. Legal officers have confirmed the length of the lease is acceptable to the Council and most lenders which will lend with a minimum of 60 years. As a Registered Society under the Co-operative and Community Benefit Society Act 2014 LJHA may not be eligible to benefit from the statutory right to extend the lease by 90 years but, as Leeds City Council owns the freehold, agreement to extend would be within the gift of the Council.

30. The leasehold property was previously owned by Leeds City Council and was let and managed as social housing by Housing Leeds until 2004 when it passed into private ownership. The 'Retained Right to Buy Receipts and their use for replacement supply' guidance (paragraph 32 c) excludes the use of the receipts for current social housing rather than former social housing stock properties.
31. 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?

32. 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, LJHA will be obliged to enter into a grant agreement with the Council before any grant funding is released.
33. The Council will release 90% of the agreed funding for each property when needed to facilitate completion of the transfer deed acquiring the property. 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. The remaining 10% will be paid upon practical completion of each property.
34. The grant agreement will permit LJHA 12 months to draw down any available grant money. Once a property has been acquired LJHA will have 6 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.
35. The terms of the Grant Agreement will require that the properties are only used for Affordable Housing and that LJHA enter into a nominations agreement with the Council to grant nomination rights over who occupies the properties. The Grant Agreement will also require that LJHA 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.
36. 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.
37. The Grant Agreement will permit a restriction to be imposed on the properties' registered title to prevent LJHA selling the properties unless they have complied with the relevant terms of the Grant Agreement.
38. Should the council not utilise its pooled RTB funds within a five year timescale of their receipt MHCLG (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 helps grow investment in affordable housing by leveraging additional funding from other providers.

39. Where possible the Council will seek to take a charge over the property to secure the clawback provisions of the grant agreement.

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

Inclusive Growth

Health and Wellbeing

Climate Emergency

40. This project will contribute to all 3 pillars by improving housing quality through working in line with the Decent Homes Standard guidelines. The project will contribute to Leeds City Council's Housing Strategy by delivering on several key points including improving housing quality by provision of homes in line with the Decent Homes Standard guidelines. 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.

41. 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. Both properties have a current Energy Performance Certificate rating of D with a stated potential of C. LJHA is committed to improving energy efficiency and has confirmed there will be additional insulation and wall cladding where required and low energy lighting throughout both properties positively contributing to fuel poverty and reducing carbon output.

Options, timescales and measuring success

a) What other options were considered?

42. This use of the RtB funding is an innovative way to increase the provision of affordable housing which enables the Council to achieve a greater outcome with the funds it has available. Both the Moortown and Alwoodley areas have a booming rental market with 3 bedroom properties advertised at c1200/month (source; Rightmove September 2021)

43. LJHA is consistently proactive in seeking opportunities to increase the supply of affordable homes in the area. However high land value, reduction in land for sale, competition from the private sector and adherence to tree retention policies in has meant the opportunities for ongoing viable development is limited.

44. Without this financial support LJHA has confirmed the acquisition cannot proceed due to funding constraints. The organisation taking on a higher financial commitment is a risk highly unlikely to be supported by its Board.
45. LJHA's client group primarily consists of people of the Jewish faith. It is therefore crucial that its properties are in areas within walking distance to the Moortown, Alwoodley and Shadwell Synagogues.

b) How will success be measured?

46. Due to the high property and land prices bringing forward new supply affordable housing in the Alwoodley/ Moortown area of Leeds is challenging. The demand for affordable housing is also high with the Leeds Housing Register 2021/22 Q1 with currently demonstrating 443 applications requiring a 3 bedroom property (data covers both Moortown and Alwoodley) This project will provide two additional units of housing at affordable rent.
47. LJHA is 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 from within their client group.

What is the timetable for implementation?

48. LJHA anticipate acquiring and refurbishing the properties between Q3 and Q4 2021/22.

Appendices

49. Appendix 1 - Exempt appendix
Appendix 2 – Equality and Diversity screening

Background papers

50. None