

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

Date: June 2022

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 Team (CHT), 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.
- The Council has received an application from LATCH for RtB grant funding for an 18 month programme to acquire and repair up to 6 empty, dilapidated properties to provide affordable homes for people who are homeless or in housing need. The project will create a mixture of one and two and three bedroom homes. To meet the anticipated need LATCH are looking to develop 3 x two/three bedroom family homes for their clients and will also create 3 x one bed homes for single homeless people. This profile may however change during the project in response to property availability and client need.
- LATCH is a member of the Leeds Affordable Housing Framework and have successfully completed three, RtB acquisition and refurbishment programmes utilising RtB grant funding consisting of 28 properties. They are nearing completing an 8 Affordable Rent home scheme by the end of July. As part of both these projects the Council secured nomination rights on first and subsequent re-lets.
- The delivery of new supply Affordable Housing in Leeds underpins the Leeds Best City Ambition to tackle poverty and inequality and improve quality of life for everyone who calls Leeds home.
- The proposals outlined within the report supports the delivery of the Leeds Best City Ambition addressing the challenges of housing quality and affordability, tackling fuel poverty and creating vibrant places where residents have close access to services and amenities.
- Alongside this, the delivery of new supply affordable housing contributes towards minimising homelessness through a greater focus on prevention and contributing to meeting housing need.

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 LATCH's proposal to acquire up to 6 properties and to refurbish them into affordable rent homes for people who are homeless or in housing need; and
- b) for the Council to enter into a grant agreement and nominations agreement with LATCH to facilitate the above spend, on the terms set out in this report as properties are identified.

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 the use of RtB funds to support the delivery of new affordable homes since July 2013.
- 3 LATCH has recently applied for funding to contribute to the acquisition and refurbishment costs of buying up to 6 properties to be refurbished and utilised as Affordable Housing for people who are homeless or in housing need. No specific properties have yet been identified but LATCH is looking to acquire and repair up to 6 empty, dilapidated properties to provide affordable homes for people who are homeless or in housing need. The project will create a mixture of one and two/three bedroom homes. To meet the anticipated need LATCH are looking to develop 3 x two/three bedroom family homes for their clients and will also create 3 x one bed homes for single homeless people in the Chapel Allerton, Gipton and Harehills and Richmond Hill and Burmantofts Ward. This profile may however change during the project in response to property availability and client need.
- 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 40% of total scheme costs. LATCH will fund the remainder of the Scheme through a mixture of its own reserves and additional borrowing.
- 5 LATCH 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: Chapel Allerton, Gipton and Harehills, Richmond Hill and Burmantofts

Have ward members been consulted? Yes No

- 7 LATCH provides supported housing at affordable rents to people who are homeless or in housing need and the tenants are provided with housing related support to ensure the tenancies are successful and that people move to independent living.
- 8 All tenants have a dedicated support worker who works with the tenant to ensure they manage their home and tenancy successfully and to help them address underlying supporting issues through assisting them to access services as required. The aim is that over 1-2 years the tenants will move on from LATCH into independent living.
- 9 LATCH has consulted with its stakeholders and internal departments and have advised that they intend to look to acquire the units in the Chapel Allerton, Gipton and Harehills and Richmond Hill

and Burmantofts areas to complement their existing work and client group in the area. This has been further supported by the Local Ward Members and Executive Members.

- 10 The role of a local specialist affordable housing provider in these areas is supported as to be a positive aspect for the project.
- 11 LATCH 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 LATCH 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.
- 12 This process has been successfully implemented on several previous schemes with LATCH 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
- 13 LATCH 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?

- 14 Ward Members for Chapel Allerton, Gipton & Harehills and Richmond Hill & Burmantofts have been consulted and are supportive of the scheme proposals.
- 15 The Executive Member for Infrastructure and Climate has been consulted and is also supportive of the scheme.
- 16 Legal Services and Finance have also been consulted and the legal implications and risks are set out below.
- 17 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.
- 18 LATCH have spoken with referral partners such as LCC Housing Options, Simon on the Streets, Leeds Women's Aid who have indicated support for LATCH developing more homes.
- 19 Housing Leeds have been consulted and support the use of Right to Buy Grant Funding and will support the nominations for the properties.

What are the resource implications?

- 19 LATCH has requested 40% of the total scheme budget from the RtB grant funding for this scheme and have confirmed that they have sufficient financial capacity to obtain the additional resources required to make the scheme successful via their own reserves and loans.
- 20 However, funds will only be released as and when LATCH enter into contracts to purchase 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 grant agreements will require them to the repay all or part of the grant as appropriate.

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

What are the legal implications?

- 22 Under the terms of the Retention Agreements (as varied) made between the Secretary of State and the Council under section 11(6) of the Local Government Act 2003, the Council is permitted to retain right to buy receipts and reinvest them in new affordable housing.
- 23 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).
- 24 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 LATCH with such grant as is required to fund up to 40% 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. The Subsidy Control Act 2022 has recently received the Royal Assent, but not all provisions have yet been brought into force. It will therefore be necessary to review and reconsider compliance with subsidy control legislation at the time the grant agreement is entered into and the subsidy made.
- 25 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?

- 26 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, LATCH 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 contracts are exchanged for each individual property the Council will release 100% of the RtB funding for that specific property (i.e. 40% 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.

- 1st claim - 40% of purchase price and 40% of refurbishment costs at the start of the grant once valuations have been provided by LATCH for the first property.
 - 2nd claim - 40% of estimated purchase price and refurbishment costs of 2nd property.
 - 3rd claim - 40% of estimated purchase price and refurbishment costs of 3rd property.
 - 4th claim - 40% of estimated purchase price and refurbishment costs of 4th property.
 - 5th claim - 40% of estimated purchase price and refurbishment costs of 5th property.
 - 6th claim - 40% of purchase price for 6th (final) property and for refurbishment of final property plus or minus any adjustment for refurbishment costs of properties in the programme.
- The grant agreement will permit LATCH a period of 18 months to draw down any available grant money.
 - Once a property has been acquired LATCH 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.
 - LATCH enter into a nominations agreement with the Council to grant nomination rights over who occupies the properties.
 - The Grant Agreement will also require that LATCH to 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 LATCH selling the properties unless they have complied with the relevant terms of the Grant Agreement.

27 Should the council not utilise its RTB funds within five years of their receipt DLUHC 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.

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

Inclusive Growth

Health and Wellbeing

Climate Emergency

28 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 LATCH 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.

29 As with LATCH's previously successfully delivered projects the homes will be refurbished to high quality and energy efficiency standards. High quality refurbishments work will be undertaken, re-wiring, new heating systems, kitchens and bathrooms etc. In addition, energy efficiency works will

be done, including solid or cavity wall, loft and underfloor insulation, triple glazed windows and high thermal performance external doors (where replaced) and extensive airtightness measures.

- 30 This will make the homes warm and affordable to heat and reduce fuel poverty and carbon emissions and help with the general health of tenants. Modern fixtures and fittings will be installed in the properties and they will be completed to a high-quality standard in line with our previous refurbishment projects.
- 31 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?

- 32 LATCH is 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. LATCH 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 East Leeds features some of the city's most deprived areas. LATCH 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 LATCH is committed to providing high quality housing and playing its part in regenerating neighbourhoods with good quality sustainable accommodation for those who need it the most.
- 35 A key aim of all LATCH's property development work is the development of skills and the improvement of employment prospects for clients. This project will continue and develop this crucial aspect of work by ensuring that training and employment opportunities are made available to unemployed people. LATCH will provide between 4-6 training placements to unemployed people who are seeking to gain experience in construction to improve their employability. Volunteers and trainees will receive on-the-job training in Health and Safety and construction skills. They will be given the opportunity to gain their CSCS card and First Aid at Work qualification. One-to-one support will be provided to help them to move on to employment and they will be signposted to other services as required.

The project will provide employment to former LATCH trainees who have been supported to set up as self-employed contractors. In addition LATCH will use local contractors and suppliers wherever possible, providing work for local people and maximising the amount of spend in the local economy.

36 What is the timetable for implementation?

- 37 LATCH will look to acquire and refurbish the properties over 15-18 months subject to sourcing and acquiring the subject properties.

Appendices

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

Background papers

39 None