

# Leeds Affordable Housing Growth Partnership Action Plan 2022-25

Date: 21<sup>st</sup> September 2022

Report of: Director of City Development

Report to: Executive Board

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

## Brief summary

The delivery of new affordable homes has a key role to play in helping deliver the City Ambition to tackle poverty and reduce inequality, and is recognised in breakthrough projects to support good health & wellbeing outcomes for residents in housing need and to address the cost-of-living crisis. Access to good quality and affordable housing can also help manage the increasingly important issue of household energy costs and support the city's journey towards zero carbon.

The Leeds Affordable Housing Growth Partnership Action Plan 2022-25 has been developed in consultation with partners from across the housing and development sector in the city to make a step-change in the scale and quality of affordable housing delivery over the next three years. It sets out the city's track record in delivery over the last 10 years, highlights areas of success and best practice, but recognises the challenges to be met in doing more to meet housing needs.

The Action Plan highlights key areas of focus for all partners over the next three years in scaling up the delivery of affordable homes and meeting the challenges faced by the sector and the city.

This report presents the draft Action Plan, which sets out how the Council can optimise its role in delivery of affordable housing, and highlights areas of potential policy change to ensure that the people of Leeds can access housing that meet their needs, have housing security and obtain positive life outcomes.

The report sets out recommendations to endorse the Leeds Affordable Housing Growth Partnership Action Plan, including the deployment of resources to contribute to the delivery of its intended outcomes, and addresses the position set out in June 2019 in relation to the establishment of a Local Housing Company.

The Leeds Affordable Housing Growth Partnership Action Plan 2022-25 (Appendix 1) forms part of the Leeds Housing Strategy that was agreed at Executive Board in June.

## Recommendations

The Executive Board is recommended to:

- a) Note progress made on the delivery of affordable housing and the challenges the sector faces in meeting housing needs in the city.
- b) Endorse the Leeds Affordable Housing Growth Partnership Action Plan 2022-25 and the Council's role in its delivery, including use of land, and to delegate its final approval to the Director of City Development.
- c) Receive updates on progress at the end of the plan period, noting the role of the Infrastructure, Investment & Inclusive Growth Scrutiny Board and the Strategic Housing Board in annual governance of the plan as set out in this report.
- d) Support the Council's approach to the use of Commuted Sums as set out in paragraphs 62-64
- e) Recognise the opportunity for Affordable Housing to be considered within the scope of the Local Plan Update 2 and for the Leeds Affordable Housing Growth Partnership Action Plan 2022-25 to be used as evidence in its scoping, subject to further consideration by Development Plans Panel.
- f) Note that the creation of a Joint Venture or Local Housing Company delivery model remains under review and may be utilised should appropriate and viable delivery opportunities arise aligned with meeting the city's housing needs.

## What is this report about?

1. This report sets out the Draft Leeds Affordable Housing Growth Partnership Action Plan 2022-25 (which is provided at Appendix 1), seeks endorsement from the Board and approval to the Council's contribution to meeting its intended outcomes of unlocking further affordable housing growth. It provides an update on the use of Affordable Housing Commuted Sums and the deployment of Council assets and resources, as well as suggested policy changes, to meet the objectives of the Action Plan.
2. Having a safe, secure, warm, and affordable home is crucial for everyone if they are to have positive health and wellbeing, education, and employment outcomes. Delivery of new affordable homes is key in meeting the City Ambition of tackling poverty and inequality, which identifies the important role of housing in supporting health and well-being outcomes, addressing the cost-of-living crisis for residents and in managing the increasingly important issue of household energy costs, supporting the city's journey towards zero carbon.
3. Leeds performs well compared to other Core Cities for both overall housing delivery and affordable housing. In 2020/21 Leeds delivered 2.2% of England's new housing with the significant majority of these homes delivered on brownfield sites in the most sustainable locations. Since 2010 we have delivered 32,500 new homes corresponding to a population increase of c8% over this period, enough homes for over 80,000 people. Over the last 5 years Leeds has delivered the second highest number of affordable homes across the Core Cities, averaging 484 per annum, with a 10-year high of 595 in 2020/21.

4. Yet there is an undersupply of affordable housing, and we know that as is the case across the country, more needs to be done to meet housing needs in the city, which are set out in the current Core Strategy as 1,230 new affordable homes per annum. This is starkly illustrated by over 26,000 applicants being on the Leeds Homes Register, with the number of people in the highest priority (Bands A and A+) increasing over recent years, whilst c600 of the most affordable, social rented homes are lost annually from Council stock through the Right to Buy programme.
5. The Leeds Affordable Housing Growth Partnership Action Plan 2022-25 recognises the contribution the Council and its partners has made in delivering affordable homes over the last 10 years and sets a route map to maintain this and to deliver a further step change to meet our affordable housing needs. It identifies a pipeline of activity and investment that could see 750 new affordable homes p.a. over the next 3 years, including the Council's own new housing programme, which aims to deliver 1,500 homes by 2025.
6. Additionally, the plan recognises the need to provide the right type of homes to allow for true affordability corresponding with the income of Leeds residents with unmet housing needs, as well as the right size and mix of homes in the right places to meet the specific needs of those requiring affordable accommodation -we know that 77% of applicants on the register are seeking 1 or 2 bed properties.
7. The Leeds Affordable Housing Growth Partnership Action Plan 2022-25 recognises the significant role played by the Council's partners and is endorsed as a shared plan by these key stakeholders - Registered Provider (RP) partners and developers in developing and managing stock in the city, Homes England, through its funding a regulatory regimes and its expanding role to cover regeneration and place; and the West Yorkshire Combined Authority, through devolved funding and role in funding and delivering housing and infrastructure. Meeting our affordable housing challenges requires a collective and collaborative approach to unlocking transformative change and meeting the needs of our residents. The plan shows a shared ambition to rise to the challenges and do more to deliver truly affordable homes in Leeds.
8. The Leeds Affordable Housing Growth Partnership Action Plan 2022-25 forms part of the Leeds Housing Strategy that was agreed at Executive Board in June, providing a detailed focus on its housing growth and new supply theme.

## **What impact will this proposal have?**

### **Our affordable housing needs**

9. Leeds is a city of 812,000 people<sup>1</sup> living in 362,780 homes, of which 22% are categorised as of an affordable tenure. The Council owns c70% (54,122) of the city's affordable homes, which are let to tenants at predominantly social rent.<sup>2</sup>
10. As detailed in the Action Plan the mainstream housing market in Leeds is difficult to access for many of our residents on lower or average incomes, with high housing costs one of the biggest sources of debt for low-income households. While this position is not unique to Leeds, for residents in the city in the lowest 25% of earners (lower quartile incomes), an average of 45% of their income is needed to rent a property in the lower quartile of the rental market, and a mortgage multiplier of 8.5x is income needed to buy a lower quartile value property. Both metrics are in significant excess of national guidance on affordability that states no more than

---

<sup>1</sup> 2021 Census estimate

<sup>2</sup> Leeds observatory data, various sources.

30% of income should be used towards rent and no more than 3.5x income should be used to secure a mortgage to buy a home. It is likely that these pressures will increase markedly through the current cost of living crisis.

11. Having the right homes at the right levels of affordability in the city is essential to securing inclusive growth and ensuring that households have enough disposable income to support themselves and succeed in life. Moreover, the provision of tenancy security through the Council and Registered Providers as landlords helps to offer certainty, reducing stress to individuals and families and supports the maintenance of stable and cohesive communities .
12. The most recent Leeds Strategic Housing Market Assessment (SHMA) in 2017 set out an affordable housing need of 1,230 homes per annum. This is made up of 434 homes to meet need generated each year, and 796 homes per year over 10 years to meet the backlog of unmet/underlying affordable housing need. However, in line with national planning guidance this is neither expressed as a target nor achievable solely by securing affordable housing as a policy obligated proportion of development through the planning system, due to the viability challenges to market housing in offering the full on-site subsidy or commuted sums that would be required.
13. Based on income levels and demographics the SHMA indicates that a tenure split of 67.2% rented (social/ affordable) and 32.8% intermediate tenure (e.g. affordable home ownership) is required across the city to meet the projected need. Appendix 2 provides a definition of affordable housing tenures in accordance with the National Planning Policy Framework (NPPF).

### **Affordable housing supply – what we have delivered and what is planned**

14. Affordable Housing is delivered through a variety of funding and financing solutions by a range of partners. These include delivery via s106 planning obligations on market led sites, grant support through Homes England's Affordable Homes Programme and Strategic Partnerships, deployment of Right to Buy replacement programme receipts by the Council, use of the Council's Housing Revenue Account to support the Council's own direct delivery, and targeted use of Affordable Housing commuted sums that are generated through the planning process where Affordable Housing cannot be delivered on site, pooled and managed by the Council (see Appendix 3 – Affordable Housing delivery routes).
15. Delivery of Affordable Housing is dependent on access to land, market conditions, site viability and the availability of funding or finance, and as such annual delivery figures fluctuate. Over the last five years Leeds has delivered an average of 484 affordable homes per annum, with delivery reaching a peak in 2020/21 at 595 homes. While the planning system has provided a key route through which market-led housing schemes contribute through s106 agreements, this is only part of the story. Over the last 10 years 75% of new affordable homes have been delivered directly by Registered Providers and the Council, with 25% delivered via s106 agreements. However, over the next few years it is anticipated that s106 affordable delivery will increase as a number of large sites with a 35% affordable housing policy requirement come forward. The Action Plan provides examples of the diverse range of delivery routes in the city.
16. In considering affordable housing delivery it is important to look beyond the number of homes - the right tenure and type of homes are also crucial to meeting needs. Over the last 10 years the city has delivered affordable housing in line with the tenure needs indicated in the SHMA, 67% as rented homes, with 34% of these being at Social Rent (in comparison to 22% at social rent nationally).

17. The supply of social rented homes plays a fundamental role in supporting those most in need in our communities and alongside support services it is essential in addressing the most acute need evidenced through homelessness. Social rented and affordable rented homes (at rents or below the Local Housing Allowance) provide access to housing for those that have the least financial means.
18. Over the next three years the Council and its partners have a development pipeline of c750 affordable homes per annum (subject to planning and the economic challenges detailed below). In addition to this the forecast growth in the s106 pipeline, based on historic delivery trends of planning permissions being converted to delivery, could provide a further c.650 affordable homes over the same period. In total this projection indicates c1,000 new affordable homes could be achieved annually over the next three years, moving a considerable step closer to the overall annual need set out in the SHMA.
19. The projection of enhanced delivery arises from a number of factors as detailed in the Action Plan. These include the Council Housing Growth Programme, with its ambition to deliver 1,500 new Council homes by 2025 (as detailed in the separate report on the agenda) and a number of Homes England Strategic Partnerships being in place which are set to deliver a significant number of homes across the city.
20. The Council is using its land to support affordable housing delivery, with a number of case studies highlighted in the Action Plan. As approved by Executive Board in November 2018 two sites in the city centre have been ringfenced for disposal for affordable housing delivery. Preferred Registered Provider delivery partners have now been selected - Leeds and Yorkshire HA is awaiting planning determination for a scheme of 58 new social rented homes at Railway Street and L&G Affordable Homes is due to submit a planning application for 78 social rented homes at St Cecilia Street, Quarry Hill, commencing on site in 2022/2023 (subject to planning). Commuted sums (alongside Homes England Strategic Partnership funding) are being used to support the delivery of these sites and ensure that homes are truly affordable to Leeds residents.

### **Our challenges and the Leeds Affordable Housing Growth Partnership Action Plan**

21. Against this positive background of an upward trend in delivery, the Council and its partners recognise that there is no quick fix to delivering the affordable housing that will meet all the needs of Leeds residents. There is a nationally recognised failure in our housing market in ensuring homes are affordable for all and that tenure options are available for those who wish to buy at affordable levels alongside secure, rented options for those where home ownership is not an option. While there is a drive from government for affordable home ownership and there is recognition of the role this tenure plays in the Leeds housing market, this should not be at the expense of the needs of many in the city who require a secure, affordable rented option.
22. The 2022-25 pipeline presented in the Action Plan and summarised above is positive but should also be viewed in the context of the challenges facing the sector, both locally and at a macro-economic level. These are the key themes of the Action Plan and are set out below alongside the Council's proposed response. The intentions of the Council are only part of the response to the challenges, with partners also setting out their commitments and actions to deliver.

## **Challenge 1: Land opportunities & city centre housing market**

23. Whilst the city has enough land allocated in the Local Plan for residential development to meet its overall housing targets and to demonstrate a five year land supply, for the Council and RP's access to this land at a price that enables viable delivery of new affordable homes is a major challenge, particularly whilst market interests remain prepared to purchase land at high and often speculative prices. Market housing providers have more flexibility and can take more risk to make positive land value assumptions, which can often be to the detriment of Affordable Housing providers when competing in a buoyant land market.
24. Although the Council has land holdings in the city, these are limited compared to some other Core Cities, which makes it difficult to leverage public sector land at the same scale as a tool for affordable housing growth. The Council has the additional challenge of balancing the need to secure receipts from land disposals with the contribution its land could make to supporting affordable housing delivery.
25. There are significant opportunities within the city centre and its periphery for housing growth on brownfield land, yet Affordable Housing delivery in these areas is not being optimised due to the delivery models through which such sites are being acquired and developed (particularly Build to Rent (BtR) developments), service charges on apartment schemes that impact on affordability to tenants, and for many RP's even if they were able to compete on price for land acquisitions they are unwilling to invest or develop schemes at height given changes to building and safety regulations.
26. While BtR schemes do add to the housing mix in the city and support the retention of a varied and skilled workforce, this relatively new model of housing delivery remains largely incompatible with traditional methods of on-site affordable housing provision. Where BtR schemes do deliver on-site affordable housing in line with the 'discounted market rent' option as set out in the National Planning Policy Framework (i.e. 20% of homes at 80% of Market Rent) the rental level plus service charge is well above the Local Housing Allowance and therefore unaffordable to many who are reliant on capped benefits to meet their housing costs. Moreover, where RPs have been offered s106 properties in city centre apartment schemes, many have declined these for the same reasons.

### **Council's response:**

27. The issues with BtR development were recognised by Executive Board in November 2018 and it was agreed that commuted sums from BtR schemes, in lieu of on-site provision, would be collected and pooled by the Council to be targeted to support the delivery of other affordable housing schemes in the city centre/periphery so that they develop as mixed and sustainable communities. The Council has put this into action on the sites at St Cecilia Street and Railway Street.
28. The Council proposes to utilise commuted sums in a similar way and to ringfence sites at the former Copperfield College (Burmantofts & Richmond Hill) and Farrar Lane (Adel and Wharfedale) for disposal and development of 100% affordable housing. In addition, as reported to Executive Board in March 2020, a new development plot has been created following the implementation of the 'Grey to Green' scheme at Meadow Lane (City & Hunslet) through the rationalisation of highway and surface car parking and it is proposed to seek offers for the site for above policy level affordable housing.

29. A review of the Council's capital receipts programme is also underway to determine whether any further sites could be disposed of for enhanced affordable housing provision, utilising commuted sums or drawing in other external affordable housing funding where necessary, without impacting on the Council's budget position. Where such opportunities exist, under existing delegations and in consultation with the Executive Member for Infrastructure & Climate, the Director of City Development will bring forward disposals accordingly.
30. Moreover, the Council has engaged with Government officials to set the case for making it easier for Council housing to be developed on Council-owned land that sits outside of the Housing Revenue Account (HRA), without the opportunity cost of a lost capital receipt as if it had been disposed on the open market. Currently the HRA cannot purchase land from the General Fund for development and given the Council requires capital receipts to support its budget position, we would like this to change. As such at present the Council Housing Growth programme is focused on land within the HRA, the development of which does not pose a financial opportunity cost to the authority.
31. As approved by Executive Board in December 2018, Morgan Ashley/Ashley House LLP (known as Lovell Later Living) and Home Group have been procured to deliver 100% affordable Extra Care schemes on four Council owned sites across the city, with the last of these sites at Farrar Lane due to be considered at Executive Board later this year.
32. There is also commitment from the Council to work with partners to share its intelligence on sites and to utilise the WYCA Brownfield Land dashboard to help with unlocking of land opportunities. This includes exploring opportunities in priority neighbourhoods and local centres where affordable housing schemes can add value to or stimulate the regeneration of areas possibly through the conversion of underutilised assets (e.g. office/ retail conversions).
33. As part of the review of affordable housing supply the Council commissioned work on delivery models (supported by WYCA funding) through Cushman & Wakefield. This work concludes that the city is delivering relatively well compared to other areas of West Yorkshire and other Core Cities and has a good delivery infrastructure through its own programme and that of RP partners. The Council is already utilising a number of the delivery models reviewed and suggested through this work and will be considering findings further as the action plan evolves and site opportunities are sought and presented by partners in the city.
34. Reflecting on the report to Executive Board in June 2019, the Cushman & Wakefield does also consider whether the establishment of a Local Housing Company (LHC) or Joint Ventures (JVs) to support the existing delivery arrangements would add significantly to the scale and pace of affordable housing delivery and it has accordingly reviewed a number of such vehicles that are operational across the country. All of the examples provided were land-led, with Local Authorities feeding in land to enable them to operate and these companies delivered homes largely at market rent/sale, Affordable Rent (80% market rent), Local Housing Allowance (LHA) rental levels, or for low-cost home ownership. In Leeds land supply is a major constraint and a LHC is unlikely to be able to viably deliver a significant number of the most affordable Social Rented homes that are most needed. The converse of this is that the existing Council Housing Growth programme has been established to address affordability and provide rented homes for those most in need, utilising existing powers and the relaxation in the financial headroom of the HRA. Although there are challenges in the current economic climate, as detailed in the separate report on the agenda, the recommendations proposed will allow the programme to continue to deliver homes at affordable rent.

35. Operationally, Local Authorities with social housing stock above 200 homes must manage these as secure tenancies in an HRA, unless the Secretary of State has consented otherwise. Ministers have been clear in their comments about not supporting council companies set up to avoid HRA rules (such as the Right to Buy, which may now also be extended to the RP sector).
36. A LHC would require funding via the General Fund rather than the HRA, putting pressure on Council finances. Moreover, companies owned by Local Authorities cannot legally provide secure tenancies (these are now only created within the HRA), so even if a council-owned company was to offer lifetime tenancies with broadly the same rights as council tenants, their legal status would be assured tenants, technically within the private rented sector.
37. Additionally, in order to access funding to support affordable housing delivery the LHC (or an arm of the company) would need to be set up as a Registered Provider. This would also be required to compete commercially for land opportunities on the same footing as existing RPs.
38. Given the strength of the RP sector in the city, which has delivered over 50% of all affordable homes directly over the last 10 years and continues to have a strong pipeline for growth, the creation of a LHC, without a land pipeline would not create new capacity over and above what the Council and partners can already do and could add greater competition for already scarce site opportunities for affordable housing. Moreover, RP partners are well equipped to deliver tenures that the Council currently does not, offering Shared Ownership, Rent-to-Buy and other intermediate ownership and rented options for residents in work that require support to get on the housing ladder. RP partners have questioned the added value a LHC would bring and have instead suggested that better value and outcomes could be achieved by the Council partnering with RPs to support each other's strengths and secure development opportunities through mechanisms such as JVs and more informal partnerships.
39. In view of the strong partnership infrastructure across the city, the freedoms and flexibilities within the HRA, and the need for a LHC to be fed with a land pipeline, the establishment of such a delivery vehicle is not being considered as a priority at this time. The focus of direct Council delivery remains firmly on delivering affordable homes for those most in need, at or below LHA rental levels.
40. However, there may be opportunities to establish JV/LHC type vehicles, or leasing structures, to unlock additional affordable housing on market sites being brought forward by developers. Where the Council is approached by investors or developers with specific opportunities related to sites already in their ownership, we will remain open to these and consider them based on commercial, financial and deliverability risks. This may be particularly the case in the city centre or higher value market areas where it would allow for the unlocking of affordable housing at the right affordability as well as supporting residents into affordable home ownership, delivering at above the planning policy required level of affordable housing. The Council would welcome 'land led' approaches from partners to consider these opportunities and how this would add value to our delivery portfolio as a city.

## **Challenge 2: Carbon Neutral Homes**

41. Aligning the city's Affordable Housing with the Council's target for Leeds to be a Carbon Neutral city by 2030, means ensuring a range of high-quality housing choices are delivered, while continuing to ensure homes are *truly* affordable over their lifetime through both rental and running costs.



42. Increasingly there is a need to manage the upward pressure on build costs through supply chain inflation and in meeting new progressive environmental performance standards to ensure developments remain viable and that tenants combined rents and energy bills remain affordable.
43. The affordable housing sector is leading the way in use of green technologies and welcomes a focus on delivery of sustainable homes and the future homes standard. There is a need to rapidly learn from exemplar sustainable housing schemes, to scale up and mainstream production and delivery to realise the long term environmental and cost benefits to developers and to tenants of affordable homes, which will also realise a reduced carbon footprint in the city's affordable housing stock.

### **Council's response**

44. Within the context of the Council declaring a Climate Emergency in March 2019 the Local Planning Authority has prioritised climate change and sustainability policies as part of the Local Plan Update 1 as agreed by Executive Board in 2021 and advised by Development Plans Panel. This focus is welcomed by the RP sector who are being engaged in the policy proposals and changes. A number of RP partners have confirmed that they are adopting the Future Homes Standards now and welcome the authority's approach to going beyond this standard in the policy response.
45. The majority of current Council Housing growth schemes in delivery are now being built with low carbon measures to provide heating and hot water and to high insulation standards to support lower running costs for tenants when compared to new homes built to Building Regulations.
46. As a stockholder the Council is now a member of West Yorkshire Housing Partnership, which comprises RPs headquartered in the region, but with an expanding membership. It has a focus on a number of workstreams including climate emergency, inclusive growth and investment & regeneration. While there has been significant focus on retrofitting existing homes by partners, there is also emphasis on new build and ensuring that best practice is shared.
47. The Council is working with partners to consider opportunities for joint working on Modern Methods of Construction (MMC), ensuring that 'green jobs' are available for our tenants, and sharing best practice and opportunities for economies of scale in supply chains across the region.

### **Challenge 3: Affordable Housing Policy**

48. Planning has a crucial role to play in setting an enabling regulatory and delivery environment for affordable housing developments, reflecting local housing needs and national planning legislation. There are several levers that can be pulled within planning policy to change how we deliver affordable housing and respond to needs. However, these take time to change and adapt and the Affordable Housing sector welcomes a discussion with the Local Planning Authority on how we can best use the planning system to meet our ambition. It should be noted that the Levelling-up and Regeneration Bill is promoting planning reform which will impact on affordable housing delivery, with the details of changes to be determined as the bill progresses to Royal Assent.

49. Key challenges raised for consideration include:

- Planning determination - managing scheme planning risk and timely determination linked to construction programmes and avoiding cost inflation
- S106 and Benchmark Transfer Prices (BTP) – impact on proportion of affordable homes that can be delivered and effectiveness of the BTP regime
- First Homes – impact on other s106 deliverability and meeting needs
- City centre market – how we secure and maximise affordable delivery in this part of the city
- Build to Rent and Co-Living- securing and maximising affordable housing in newly emerging development models
- Local Plan climate change and sustainability policies – how we can work with the housing sector and partners to lift standards, maintain viability and support sustainable, affordable homes
- Land supply – opportunities for the affordable housing sector to influence future local plan updates and to consider how planning policy can be utilised to increase land availability for affordable housing schemes
- Meeting diverse needs – ensuring we meet the needs of all in our communities and delivery considers quality and choice as well as scale and mix. For some there are service support needs alongside housing, and it is important that our delivery provides the opportunity to house those who are vulnerable and most in need.
- Community-led housing/ self-build – how we meet identified demand, support the sub-sector and diversify the housing offer in the city

50. Moreover, there is a need to work with Department for Levelling Up Housing, and Communities (DLUHC) and Homes England to build understanding of local needs, to build support for policy flexibility and investment that helps deliver local priorities in regeneration and affordable housing growth within our communities, moving away from blunt nationally designed and locally undeliverable policy and funding regimes.

## **Council's Response**

51. Throughout the engagement process with the RP and development sector there was significant discussion in relation to planning policy and its effectiveness in helping realise the delivery of affordable homes. Partners suggest that small refinements to existing policy could have a significant impact on the quantum of delivery. There was a key focus on the functioning of the BTP approach and on the city centre housing market.

52. It was clear from discussions with RP partners that the BTP and related processes do not reflect the reality of how they engage and transact with developers. The BTP sets a value at which developers must sell their s106 affordable dwellings to RP's and in Leeds this is set low in regional and national comparison still reflecting its original purpose as the principle means through which such housing was funded. However funding and financing of s106 properties has moved on from a sole reliance on the subsidy provided by the developer as dictated by the BTP and an increase in this could allow for a greater proportion of affordable housing to be secured viably through the planning system, without impacting on RP's ability to acquire these properties or let them at affordable levels. It is proposed that this is reviewed urgently and can form part of the scoping of the Local Plan Update 2 to ensure that affordable housing delivery can be maximised. The scope of Local Plan Update 2 is due to be considered by Development Plan Panel in the autumn, following which Executive Board will be asked to endorse public consultation on a scope as part of the first regulatory stages of plan-making.

53. The city centre housing market was also highlighted as an area of concern by partners given its unaffordability to RP tenants, impact of service charges and how the BtR sector delivers on affordable housing. It is proposed that evidence gathered through the engagement with the affordable housing sector through this Action Plan development is presented to members at Development Plans Panel for consideration as part of Local Plan Update 2 and related policy development.
54. Additionally, given the pressure on the Leeds Homes Register, it is necessary to ensure that the housing needs of residents on the register are fully considered in the provision of affordable housing, which includes the tenure (e.g. social rent, low cost home ownership), housing mix (e.g. number of bedrooms, accessibility requirements), and location of homes. Moreover, where the Council has responsibilities to support specialist housing with support and care needs this should also be considered so that these needs can be addressed.
55. Local Plan 2 update could allow for this review of needs, through a refreshed Strategic Housing Market Assessment (SHMA) to inform policy, alongside a review of the effectiveness of the Leeds Affordable Housing Framework, which comprises all those RP's who wish to develop in the city or to take s106 homes from market developments. All partners on the framework are required to enter a nominations agreement with the Council to take tenants from the Leeds Homes Register. There are opportunities for our partners to better understand our bespoke and specialist needs in the city and help the council in meeting these needs. The function of the framework and resources available to support it have changed over the years making it timely to include a review as part of the Action Plan. It is essential that a review of the Leeds Affordable Housing Framework includes how pressure on the Leeds Homes Register and council services can be reduced, including how specialist affordable housing requirements can be met by partners.
56. The council continues to work with West Yorkshire Housing Partnership, WYCA and Homes England to ensure that we influence national policy developments to allow for the funding and delivery of affordable housing to meet our specific housing needs, alongside a wider place-based approach to levelling up and climate emergency targets.
57. The Council and its partners have highlighted a gap in funding to address issues in relation to housing typologies that have met the end of their lifespan and cannot be retrofitted economically to meet climate emergency objectives. There is currently no specific funding available to replace these with new high sustainability standard housing, which can support the wider regeneration of our estates and neighbourhoods. While Homes England is organisationally repositioning to face onto regeneration opportunities, WYHP through the West Yorkshire Mayor is also lobbying for additional resources to address this gap in policy and funding.

#### **Challenge 4: Viability & unlocking delivery**

58. The current economic climate is putting significant pressure on viability of development. Inflation rose to 10.1% in the 12 months to July 2022 (Consumer Price Index (CPI)), with the construction sector reporting even greater rises in costs. This is putting significant strain on both market and affordable housing delivery and is in addition to existing increasing cost pressures through planning policy requirements on quality and space standards, alongside new requirements currently being consulted on to meet the climate change challenges, moving towards net zero, and the Future Homes Standards.

59. Whilst market housing schemes may be able to afford higher land values and cover cost increases to a point through achieving higher revenues for sales/ rents, this cannot be matched by the affordable housing sector where each development will have its own viability challenges that cannot be offset by additional income from the completed homes above capped rents or (for shared-ownership) part-sales, as there is a need to ensure affordability for future tenants of the site.
60. The use of public grant such as the Brownfield Housing Fund alongside specific affordable housing funding (commuted sums, Right to Buy receipts, Homes England Affordable Homes Programme and Strategic Partnerships) will therefore continue to play a significant role in enabling and unlocking delivery over the coming years. This is exemplified in the Points Cross development by Guinness, with Brownfield Housing Fund being used in tandem with Homes England funding to unlock 311 affordable homes at a higher than policy compliant rate for the site.
61. It will be essential that governance and deployment of funding is agile and flexible to respond to a rapidly changing cost and viability context and allow for unlocking of affordable homes, providing a step change in the supply of homes, and meet the challenges that the construction sector and economy faces.

**Council's response:**

62. At its meeting of November 2018 Executive Board noted the need to ensure Commuted Sums received from city centre schemes are deployed on city centre and city centre fringe affordable housing developments. This focus remains, alongside ensuring that Commuted Sums are spent to meet affordable housing needs across the city.
63. The Commuted Sums programme is managed under delegations to the Chief Officer Asset Management & Regeneration, in consultation with the Executive Member for Infrastructure & Climate. Working with partners, a pipeline of schemes has been identified, to which c.£15.5m of Commuted Sums could be committed over the next 5 years. This is based on high level estimates of funding needs and as scheme costs increase the pro rata scheme ask from the Commuted Sums budget may also increase. There is currently £8.8 m of commuted sums funding available in the pool managed by the Council, with an additional £24.8m anticipated over the next 5 years subject to all identified planning permissions being delivered.
64. Commuted Sums will continue to be utilised to unlock the delivery of stalled affordable housing sites alongside supporting the affordability to tenants of homes on schemes (i.e. ensuring they remain affordable and below the LHA). Commuted Sums can be utilised alongside Homes England or Right to Buy Receipts, making this a flexible and enabling resource for the Council.
65. Right to Buy receipts are largely being utilised through the Council Housing programme, but are also being used to support RP schemes, in particular some of the more specialist and smaller providers in the city. For example, Leeds Action to Create Homes (LATCH) and Canopy are utilising RtB receipts to acquire vacant properties and bring them back to use as affordable homes.
66. Through the devolution deal West Yorkshire Combined Authority has secured £89m of Brownfield Housing Funds to unlock housing growth across the region. While this is targeted across all tenures, the West Yorkshire Mayoral pledge to deliver 5,000 affordable and sustainable homes has meant that funding is being prioritised for schemes that contribute to this target.

67. In Leeds business cases for £24.72m of Brownfield Housing Fund (BHF) investment have been approved by WYCA to unlock the delivery of c2,400 homes including 867 affordable homes. This includes the Guinness Trust scheme at Points Cross and the Latimer scheme on Kirkstall Road which is set to deliver 623 homes, including 230 affordable homes in the first phase of development (subject to planning). The use of BHF alongside Homes England Strategic Partnership funding is required for both of these schemes to come forward. This funding is increasingly required in the city to unlock delivery given the significant cost inflation that the construction sector is facing. A further £42.32m of BHF has been requested from Leeds schemes across 11 sites, to unlock 3,978 homes (including c1000 affordable). There is a need to ensure speed and agility in progressing these applications and in decisions being made to respond to ever growing market changes where tender costs and price certainty are held for a matter of days/weeks rather than months. The Council is playing a key role in supporting applicants and brokering discussions through the WYCA process.
68. Working with WYCA and Homes England the Council, alongside other West Yorkshire Local Authorities, are positioning the region's story nationally to project positive messages about growth and delivery track record, while ensuring that the challenges that are outlined in the report are heard and acted on nationally.

### **Next steps**

69. Subject to endorsement the Leeds Affordable Housing Growth Action Plan 2022-25 will include the Council actions detailed in this report and will commence delivery immediately. Delivery of the action plan will be monitored as detailed at set out below.
70. Importantly the Action Plan will also seek to capture the social value added for the city from the Council and its partners activities. The Council and its partners recognise the significant value added from the construction of homes through local employment and training, and also the support that is provided to our residents in the city.
71. An Equality Impact Assessment/ Screening has been undertaken and is detailed at Appendix 4. It notes that the Action Plan seeks to increase the scale and pace of affordable housing delivery in Leeds for all residents who need an affordable home and that whilst seeking to increase overall affordable housing delivery, it has due regard to the nine protected equality characteristics and promotes specific types of affordable housing to address bespoke needs, for example Extra Care for older residents, properties for families with children with disabilities and an affordable housing scheme which is LGBTQ+ affirmative.
72. The EDCI screening has confirmed that a full Equality Impact Assessment (EIA) is not required based on the likely impact on protected characteristics, although equality impacts will continue to be monitored as the plan is implemented and reviewed.
73. The Action Plan 2022-25 will provide evidence when the Local Plan is reviewed to consider whether its policies need to be updated. This process is programmed to take place through Development Plans Panel in autumn.

### **What consultation and engagement has taken place?**

Wards affected: All

Have ward members been consulted?

Yes

No

74. The Action Plan is the culmination of engagement with the Affordable Housing sector that took place between October 2021 and March 2022 through a series of 1-to-1 discussions and workshops with Registered Provider (RP) partners on the Leeds Affordable Housing Framework. There has also been ongoing engagement with Homes England and West Yorkshire Combined Authority (WYCA) throughout this period, as well as discussions with developers that work closely with RP partners in the city and wider city region.
75. This engagement is recognition that the challenge of affordable housing supply requires a multi-partner approach, with the tools and responsibilities sitting with a range of organisations who can provide a collective and aligned response in the city.
76. Discussions focusing on affordable housing delivery have taken place with Area Committee Chairs, Plans Panel chairs, Development Plans Panel Members, Infrastructure, Investment & Inclusive Growth Scrutiny Board (including a workshop on 8<sup>th</sup> September 2022), and the Executive Member for Infrastructure and Climate since October 2021, which have helped to shape the Action Plan. These discussions will continue throughout the delivery period.
77. The Action Plan is a partnership document which articulates our track record of delivery and collective ambition. It forms part of the Leeds Housing Strategy which has been consulted on publicly as detailed in the updated Leeds Housing Strategy report at Executive Board in June 2022. Progress will be reported to the Leeds Strategic Housing Board on an annual basis as part of the monitoring arrangements for the Leeds Housing Strategy.

#### **What are the resource implications?**

78. Significant officer time is already committed to this work, through Asset Management & Regeneration, Planning and Housing Leeds, which will continue as the Action Plan is implemented.
79. At present there are no requirements for new capital funding to support affordable housing growth, as existing budgets through the Right to Buy Replacement programme, Housing Revenue Account and use of commuted sums will support the ambitions and actions that are outlined.
80. The proposed disposal of Council land at Copperfields and Meadow Lane will be taken forward to meet the Council's obligations to achieve Best Consideration if possible, whilst utilising commuted sums to obtain affordable housing at above policy levels. The first £2m of capital receipt from the Meadow Lane site will be required to offset costs of the Grey to Green project as part of the Council's committed match funding to a government grant for its delivery. If a proposal for disposal on 'less than best consideration' terms arises in relation to sites included in this report, or subsequent sites, separate reports will be presented to the Director of City Development via the scheme of delegations, or to Executive Board as appropriate.
81. As and when site specific opportunities arise to unlock additional affordable housing that may require General Fund support a further report will be brought to Executive Board to seek the relevant approvals. However, it is currently anticipated that existing funding, powers and delegations can be utilised to support delivery.

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

82. The Action Plan sets out a number of challenges and risks in achieving for the delivery of the 1,230 affordable homes needed each year in the city as identified in the SHMA.
83. The action plan will aim to address these risks, which subject to the approvals being sought through this report, will include the targeted use of Council assets and resources. Some risks

are outside the full and direct control of the council and relate to national policy, funding and macroeconomic change.

84. The national policy environment is in a state of flux and changes proposed through the Levelling Up & Regeneration Bill could have far reaching implications for how affordable housing is delivered locally, in particular the proposal to move away from the current system of s106 obligations for specific planning policy requirements towards a single infrastructure levy from which all obligations will be funded. It remains unclear what impact that may have on the quantum of affordable housing that could be achieved through the planning system and the Action Plan and development of local planning policy will need to remain agile to respond to any such legislative changes that may come forward.
85. Any changes to local planning policy are currently at risk of wider changes to the planning system being brought forward through the Government's Levelling Up Bill, particularly as these relate to changes to the National Planning Policy Framework, national Development Management policies, setting an infrastructure levy and the establishment of housing targets.

### **What are the legal implications?**

86. There are no legal implications associated with the Leeds Affordable Housing Growth Partnership Action Plan. As the detailed action plan emerges with partners legal implications will be considered on a scheme-by-scheme basis under the relevant delegations and approvals. If a further report is required to Executive Board this will be provided in due course.

### **Does this proposal support the council's three Key Pillars?**

87.  Heath and Wellbeing                       Inclusive Growth                       Zero Carbon
88. The Leeds Affordable Housing Partnership Action Plan and proposed council actions as articulated in this report directly support the three pillars of the City Ambition through its aim to increase the amount of new, sustainable, high quality affordable housing that is available in the city, supporting positive life outcomes and well-being of our residents through provision of safe, secure, warm, and affordable homes.

### **Options, timescales and measuring success**

#### **What other options were considered?**

89. Supporting and improving the delivery of affordable housing has been a long-standing priority and commitment for the Council. The Leeds Affordable Housing Growth Partnership Action Plan presents a review and refresh of the ways in which this commitment can continue in a dynamic economic and policy environment and how enhanced outcomes can be achieved, though challenges to our own ways of working, enabling delivery by others and maximising the benefits of partnership and collaboration.

#### Do nothing

90. The option to do nothing would maintain the status quo and would not be an adequate response to the continued gap between delivery of new homes and the city's housing need, or the future challenges that will be presented to the sector through new progressive housing standards, evolving planning policy requirements and viability challenges associated with land and construction costs.

Deliver Leeds Affordable Housing Growth Action Plan (2022-25) and grow partnership working in the city – preferred option

91. The Action Plan as drafted sets out the high-level challenges and responses by the affordable housing sector. This report seeks approval for the key moves the Council will take to address the challenges and develop a detailed action plan with its partners, for delivery over the next three years. The action plan sets in chain an opportunity for a step change in the delivery of affordable housing in the city, not just to deliver more affordable homes but also to be responsive to housing needs and reduce pressure on the Leeds Housing Register.
92. The Action Plan also provides opportunity for the sector to come together to articulate a joint ambition for the city to evolve the working of the Leeds Affordable Housing Framework to focus on meeting housing needs and housing growth. This is the preferred option as it addresses the challenges in the sector and develops a partnership approach in the city, building on all partners unique strengths to deliver more affordable homes.

#### Do More

93. While the preferred option will address the sector challenges and aims to deliver more affordable homes for the city. There is also consideration that the Council could do more alone.
94. Consideration has been given to whether the formation of a LHC would add significant value to the operating environment in the city but given the strong role for RP partners and the freedoms and flexibilities for the Council Housing Growth Programme within the HRA, it cannot be recommended as an option at the current time. However, opportunities for JV/LHC type vehicles will still be considered where presented as proposals by landowners or developers with dedicated sites.

#### **How will success be measured?**

95. The Leeds Affordable Housing Growth Partnership Action Plan is owned by all partners in the city, with all partners being accountable for their actions as the detailed action plan emerges.
96. Success will be measured against the Action Plan that will be reported to Strategic Housing Board as part of the Leeds Housing Strategy. The Council's actions will be reported to Executive Board at the end of the plan period and there is a role for Infrastructure, Investment & Inclusive Growth Scrutiny Board in monitoring delivery of the Action Plan over the next 3 years.
97. Below this board level, actions can be progressed through the Director's Scheme of Delegations, in consultation with the Executive Member for Infrastructure & Climate.

#### **What is the timetable for implementation?**

98. The Leeds Affordable Housing Growth Partnership Action Plan will commence from this year and will run until March 2025 in line with financial year reporting on affordable housing data.

#### **Appendices**

99. Appendix 1 – Draft Leeds Affordable Housing Growth Partnership Action Plan 2022-25
100. Appendix 2 – Definition of Affordable Housing (NPPF)
101. Appendix 3 – Affordable Housing delivery routes
102. Appendix 4 - The EDCI Screening

#### **Background papers**

103. None.