

Council Housing Growth Programme

Date: 21st 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

- This report provides an update on the progress being made in delivering the Council's direct housing delivery programme with 565 homes acquired, completed or in construction and a pipeline totalling just over 1,100 homes identified for delivery.
- Building on this progress, it proposes the introduction of several additional sites to meet the needs of the programme and to confirm that subsequent procurement and contract award approvals will be made by the Director of City Development under the existing scheme of delegation.
- It identifies changes made to revise and update the building specification to secure value for money, whilst incorporating low carbon alternatives to provide heating and hot water in support of the Council's climate emergency declaration and minimising running costs for tenants.
- The report sets out proposals for revised and updated principles for rent setting and viability appraisal of schemes and identifies some of the risks facing the programme currently and notes various realignments of existing budget to meet programme needs.

Recommendations

Executive Board is requested to:

- a) Note the progress in delivering the council housing growth programme.
- b) Approve the addition of the sites in Table 2 to meet the needs of the programme as a key decision and note that subsequent procurement and contract approvals will be approved by the Director of City Development under the Council's existing approved scheme of delegation.
- c) Approve the revised rent setting principles and approach to determining scheme viability for new homes set out in this report and those proposed for acquisitions and the extra care housing programme.
- d) Note the proposed realignment of acquisition funds to enable the Council's property buyback programme to continue for a further 2-3 years.

What is this report about?

- 1 The report provides Executive Board with an update on the Council Housing Growth Programme, following earlier reports on the general needs programme in November 2018 and on Extra Care housing for older people in December 2018. The most recent programme update was issued in June 2019 with a specific report on the Council's acquisitions programme in July 2019.
- 2 The report sets out proposals for the delivery of further new Council housing to support the Council's Best City Ambition by addressing the challenges of housing quality and affordability, tackling fuel poverty and creating vibrant places where residents have close access to services and amenities, increasing the number of new affordable homes and supporting sustainable and inclusive growth. In particular, the report provides:
 - An update on the current programme.
 - Lessons Learned
 - Proposals for additional delivery through the new build programme.
 - Rough Sleepers accommodation (RSAP) programme.
 - An update on the acquisition programme.
 - Proposals for the building quality specification.
 - Feasibility and viability principles
 - Proposed rental strategy
 - Extra Care Housing schemes

Each of the above points are considered below

Programme Update

- 3 Since the last report in June 2019, the total number of homes have been built or acquired or are on site has increased from 73 to 565 as set out in Table 1 below.

Table 1 – Council Housing Growth programme summary August 2022

Delivery Status	New Build	Acquisitions	Total
Homes handed over to tenants	68	164	232
Homes in construction /being refurbished	287	46	333
Homes in development (in design contract/ planning/conveyancing)	223	30	253
Sites at feasibility stage (including new sites for approval) / Acquisition Projections	199	90	289
Total	777	330	1,107

Note – Acquisitions includes Right of First Refusal (ROFR) buy backs (ex-right to buy council homes), new build acquisitions and homes to support the Rough Sleepers Accommodation (RSAP) programme.

- 4 The current position in relation to the sites/schemes previously reported to Executive Board is summarised in **Appendix 1**. The delivery outlined in Table 1 has been achieved from a standing start, with a number of complex sites brought forward. Some of the lessons learned from the programme are set out below. The programme continues to constantly evaluate and develop its approach to delivery including working with stakeholders in the council and with its external professional technical adviser teams.

Lessons learned from the programme to date

5 The key lessons and evaluation from delivering the programme are set out below:

Procurement

- A number of schemes involved the bundling together of sites to increase market competition, but due to the economic context, the level of contractor engagement and appetite for competitive tendering has diminished over the last 18 months meaning efficiencies have not always been easily realised
- Cost pressures have been experienced through the supply chain and the cost inflation pressures operating in the market at the present time mean that any delays in programme, whether pre-contract or in construction have resulted in increased costs.
- Direct call off arrangements from public sector frameworks open to the Council have been utilised to support delivery and to try and improve on delivery timescales.

Construction

- Supply chain and materials have been severely impacted by the macro-economic conditions resulting in a lack of availability at times, reduced competition and increased pricing also in part due to the abundance of work available.
- Some elements of the specification have proved difficult to achieve notably around airtightness as the technical skills in the industry mature, although overall energy performance outcomes are still being achieved.
- There continue to be challenges in clarifying and confirming the detailed requirements of statutory bodies and utility providers until (and sometimes after) planning approval has been secured which can result in subsequent changes that impact programme and costs.

Commercial and risk

- Contractors have taken increasingly risk averse positions particularly around site ground conditions often resulting in increased costs and increased numbers of compensation events during contract.
- Many sites have proved challenging in relation to ground conditions, despite prior site assessment and site investigation and enabling works activity. The de-risking of sites prior to construction start mitigates contract risk however it can also increase lead-in periods and involve more resource and risk retention by the Council.
- The Council continues to review the commercial positions and contract terms being agreed for its contracts to try and secure the best position possible and ensure that adequate risk assessment and contingency funding are in place.

Specification and viability

- The adoption of low carbon/climate measures has helped us to deliver our first A rated Energy Performance rated homes and others with much lower energy use to support tenants facing increased costs and the threat of fuel poverty. Whilst this has resulted in increased capital delivery costs for schemes, the earlier implementation of these measures will mitigate against more significant lifecycle and retrofit costs in future.
- The last few years has seen a number of changes and improvements to sector regulation and standards, and we have updated our specification to address these requirements.
- We have ensured that lessons learned on our earlier schemes and from other affordable housing providers are incorporated where possible to ensure best practice in our schemes, although this has resulted in some increased costs.

- The level of abnormal site conditions whilst resulting in increased capital costs for schemes has brought back brownfield land into beneficial use and promoted regeneration of sites that would otherwise remain undeveloped.

Delivery Proposals – New Build Programme

- 6 It is proposed to add the additional council owned sites to the programme as set out in Table 2 below and shown in the plans attached as **Appendix 2**. Many of these sites are in wards where we have been unable to develop new council housing for some time and in higher value market areas where the delivery of affordable housing will have a positive impact. Consequently, the site proposals outlined below will widen the geographic impact of the programme across the city.

Table 2 - List of additional sites proposed to add to the programme.

Name & Location	Ward
Hough Top Court, Pudsey	Pudsey
Siegen Manor, Morley	Morley South
Richmond House, Farsley	Calverley & Farsley
Home Lea House, Rothwell	Rothwell
Burley Willows Care Home, Burley	Little London & Woodhouse
Land at Spen Lane / Queenswood Drive junction	Kirkstall

- 7 Feasibility assessments are underway on these sites which will all be considered in line with the viability principles set out in this report. Where possible the Council is already commissioning surveys, with the support of local ward members, and developing initial capacity study design work to understand development options for sites.
- 8 Subject to positive assessment, this will help us introduce individual sites and maintain pace with the delivery programme. Some sites currently have existing buildings in-situ which are in the process of being assessed for demolition and will have more detailed assessment once existing services have been disconnected and existing buildings cleared late this year or early next year.
- 9 In addition to utilising these operationally surplus council owned sites, officers continue to review other potential sites for council housing, balancing the needs of the programme, generating a capital receipt or the potential for other uses to generate longer term revenue income through inclusion of properties within the Council's investment portfolio.
- 10 At present there are no uncommitted sites available. As estate planning continues, it is likely that further sites will be released, and these will continue to be considered for inclusion in the programme where appropriate.
- 11 Purchasing privately owned sites has also been pursued as an option for the programme. Asset Management has contacted property agents across the city as well as landowners and developers that the Council is working with, to make them aware of that the Council is actively pursuing opportunities to purchase land to support the programme.
- 12 Due to the strength of the property market at present, competition is high and only a small number of opportunities have so far come forward. However, we will continue to reach out to agents to remind them of the Council's interest in acquiring sites.

What impact will this proposal have?

- 13 The Council housing growth programme contributes to the Leeds Affordable Housing Growth Partnership Action Plan 2022-25 which sets out an affordable housing pipeline that targets delivery of c 800 new affordable homes per annum over the next 3 years.

- 14 The Council is helping to address some of the significant pressures of the Leeds housing market, with over 26,000 applicants currently on the housing register and more than 12,000 of those actively seeking more suitable accommodation. Against this background, whilst the City delivered some 595 affordable houses in 2020/21, this was offset by the sale of c600 socially rented homes through right to buy. Accordingly, whilst the Council House Growth Programme is using the resources available to deliver more new Council houses than at any other period in the last 40 years, it remains the case that the demand for new social housing will continue to be significantly greater than the new supply brought forward. To that end the Council will continue to highlight this need to Central Government with a view to securing additional resources that can be matched by Council land to help deliver additional social housing. .
- 15 The Council is also helping to regenerate and bring back into use some long-standing brownfield sites which would otherwise remain undeveloped, some of which have previously been offered to private developers who have been unwilling to invest or been able to deliver viable schemes due to the costs associated with land reparation work and the unfairness of passing these costs onto future tenants. In addition, the rationalisation of the Council's estate will continue to offer opportunities for new sites to come forward to help the supply of new housing sites into the programme.
- 16 The costs involved in bringing sites like this back into use have proved to be significant with a combination of high infrastructure costs and remediation costs, combined with a period of sustained construction price inflation e.g. Headline twelve-month inflation rates in July were: RPI: 12.3% (up from 11.8% in June) and CPI: 10.1% (up from 9.4%). These factors all impact the total costs to the programme and the number of homes that can be delivered from the available budget.
- 17 A high proportion of the works which will be delivered through Small and Medium Enterprises (SMEs) and local sub-contractors and supply chains, which will also generate significant social value outputs through the delivery of training and employment opportunities and a range of social engagement opportunities.
- 18 The introduction of low carbon measures to provide heating and hot water for most new developments along with existing measures to achieve high levels of energy efficiency will support the Council's climate aspirations and support lower energy use and costs for tenants.
- 19 The programme also supports the Council's Equality Improvement Priorities for 2021 – 2025 which are aligned to the eight 'Best City' priorities and specifically Age- Friendly Leeds, Health and Wellbeing, Child-Friendly City, Sustainable Infrastructure, Inclusive Growth, Housing and Safe, Strong Communities
- 20 The Council Housing Growth programme supports a number of the equality improvement priorities identified by Housing and provides accommodation to meet a number of groups with protected characteristics including older people (through extra care housing provision), disabled people through enhanced accessibility and adaptation works and specifically designed homes to meet full wheelchair accessibility standards, along with provision to meet priority demand for smaller and larger households and homeless people.
- 21 An equality, diversity, cohesion and integration assessment was carried out when the programme was introduced in 2018 and an updated screening assessment has been completed and is enclosed at **Appendix 3**.

Delivery Proposals – Acquisitions Programme

ROFR/buy-back programme

- 22 Executive Board Members will recall that they approved funding for a programme of £22.5m within the overall programme budget of £324m to support a property acquisitions / buyback programme in July 2019 with an estimated target of acquiring and improving between 150-200 homes.

- 23 The programme has successfully focussed on the purchase of ex-right to buy council properties under the ROFR regulations and successfully acquired or is currently refurbishing 185 homes and is on track to deliver above the original target number of homes. These homes are funded through a combination of right to buy receipts and Housing Revenue Account (HRA) funding and are let at social rents, equivalent to those being charged for similar council properties in each area.
- 24 It is forecast that the remaining funds can only deliver c21 homes during 2022 before exhausting the original budget. It is therefore proposed to extend this programme for a further 2-3 years to continue to support the overall number of new homes made available to meet housing demand. It is anticipated that c60 homes per year can be acquired, subject to funding availability and it is proposed to switch some of the funding set aside for new build acquisitions to support further ROFR buybacks.
- 25 Government has introduced restrictions to the numbers of acquisitions that Councils can undertake whether of existing or new build properties utilising right to buy receipts with effect from April 2022. The rules restrict the number of acquisitions to 20 homes in any given year plus 50% of all new build start on sites from April 2022 reducing to 30% of new build starts by April 2024. Therefore, it remains a priority to ensure that the council retains an active new build housing programme during the next few years so that acquisition opportunities can continue to be realised to meet the needs of residents
- 26 The original budget cap for ROFR acquisition and refurbishment costs allowed up to £145k per property, with the current programme average at c£113k. Works are delivered through the Housing Leeds voids service using either Leeds Building Services or other sub-contractors. Over 160 potential acquisitions have been over the original cap and whilst some of these may not have been viable, these represent potential missed opportunities to increase the number of affordable homes.
- 27 Executive Board noted the budget cap set in July 2019 and agreed to delegate authority to amend it in line with future fluctuations in housing prices to the Director. The cap has now been reviewed taking account of the movement in house prices and revisions to the costs of refurbishment being applied by contractors. Data sourced from the HM Land Registry UK House Price Index with a focus on the local authority area of Leeds in the period July 2019 to April 2022 (most recent available data) shows that average house price growth in Leeds of 25%. The Council's Property Management (Voids) service has confirmed that the multi - trade contracts have risen by approximately 10.5% in the period from 1st April 2021 to 1st March 2022 (BCIS BCE09 MTC updating percentage B&CE from RICS).
- 28 The maximum budget cap has therefore increased to £175k with the aim of maintaining pace with market conditions and increasing the acceptance rate of properties offered to the Council for purchase. Individual properties will remain subject to a viability assessment, and we will continue to seek to maximise the number of homes that can be delivered with the budget available. Acquisition values will be kept under review and assessed in line with RICS house price indices so that any necessary future adjustments be made to ensure the continued delivery of this programme.

Rough Sleepers accommodation programme (RSAP)

- 29 The Council is also working to deliver a small programme of 1-bedroom properties utilising Homes England capital grant funding and revenue funding for support services from the Department for Levelling Up, Housing and Communities (DLUHC) to deliver long-term accommodation and support for people who have been homeless / rough sleeping, under the Next Steps and Rough Sleepers Accommodation programmes.
- 30 All properties are made available as "ready to move into accommodation" which includes bringing properties up to Leeds Letting standard, full decorations & floor coverings, together with a furniture, fixtures and fittings package based on individual assessment / needs.

- 31 In addition to the existing commissioned housing support services, a Housing Navigator team is now in place to support people who have previously been sleeping rough into an RSAP specified tenancy, helping them to improve their personal and social skills and enable them to build their resilience to sustain their tenancy and live positively within the community.
- 32 There are currently 30 homes targeting completion by December 2022 (9 homes from the first round of funding, 11 homes from the second round and 10 further homes that are currently being identified for the third round). A further successful bid for funding has been confirmed, with an allocation of 8 homes to be completed by March 2024 bringing the total number of homes to 38 for this important programme.

New build acquisitions

- 33 Executive Board also approved an allocation of £30 million from within the total programme budget to support an 'off the shelf' acquisitions programme aimed at securing up to 150 new build purchases in February 2020. To date, 45 homes have been secured so at a total cost of £12.4 million.
- 34 This is made up of 41 new homes (mixture of 2, 3 & 4 beds) acquired from Strata Homes at its Ambition & Identity developments in Seacroft and a further four remaining homes due to complete no later than September 2023. The new homes provide high energy efficiency levels with majority achieving an A rating and all include additional safety & security features, floor covering and appliance package. All these acquisitions are in addition to the affordable housing provision delivered on these sites through Registered Housing Provider or other affordable housing providers and are part of developments delivering 400 mixed tenure homes.
- 35 The council continues to actively seek & make agents / developers aware that the Council are interested in acquiring similar new build homes and have repeatedly approached over 16 different agents & contacted a number of developers. Responses received to date have stated that no properties are available or that values are too high to be considered for this programme.
- 36 As a result of the ongoing challenges and the lack of available acquisitions at this time, the Council proposes to realign some of the remaining c£18 million budget together with any balance required from uncommitted funding to fund ROFR purchases over the next 2-3 years.
- 37 The position on new build acquisitions will however continue to be kept under review and subject to the Government restrictions on the use of RtB receipts for acquisitions noted above, there does remain funding headroom in the overall programme to undertake more of this activity in future years, should market conditions change or new opportunities present themselves for consideration.

Building Quality and Standards (Specification)

- 38 The Council's direct delivery programme has been following the principles of the Leeds standard originally adopted by Executive Board in 2014. Since that time, there have been significant advances in the sector and we are currently in the process of updating the specification with the support of specialist technical consultants and with input from NPS and stakeholders within the Council.
- 39 The Council's Housing Strategy identifies that a high quality, energy efficient and safe home with security of tenure available for all is an important determinant of health and wellbeing and inclusive growth. The decarbonisation of housing is also an essential part of tackling the climate emergency. Improving housing quality is a critical theme of this housing strategy which will have positive impacts on most other strategy themes and the cost-of-living crisis.
- 40 New homes built to the latest national building regulations are more energy efficient and accessible and the Council continues to seek further improvements in the quality of new homes via the local planning system and is currently reviewing its planning policies to support the Council's ambition to achieve carbon zero emissions through new homes by 2030.
- 41 The Council began to implement a "no gas" approach in considering the energy strategy for new homes in development at the beginning of 2021 and the vast majority of schemes being

built at present will not include gas boilers and are utilising either ground source or air source heat pumps along with high insulation standards. The first self-delivered EPC A rated homes were completed in June 2022.

- 42 The high level of energy efficiency of our homes will help reduce running costs and the inclusion of low carbon heating and hot water options will support the Council's aspiration to deliver a low carbon city by 2030.
- 43 The access and adaptability standards we include in our homes will mean that the needs of tenants with additional adaptation requirements can more easily and cost effectively met, ensuring that budgets can be stretched further for those needing similar work in existing council homes.
- 44 The revised specification will address new build general needs houses, bungalows and apartments with the potential to be developed at a later date for any specialist property types that may be required. A number of principles have been developed with Housing Leeds including:
- The specification will aim to maximise property densities on sites. Terraces and town houses will be supported and there will be more scope to design bespoke internal layouts to make the best use of the site. Parking provision will be reviewed against public transport/cycling networks available for each location.
 - The external works specification and garden gradient requirements, especially for sloped sites, will be flexible to mitigate the need for extensive retaining walls and groundworks to support value for money.
 - Secure by Design requirements are being reviewed to ensure that measures selected have the maximum impact.
 - All new developments will meet Planning Requirements in respect of accessibility (both accessible and adaptable homes) with a proportion of homes having passive provision to reduce the need for significant adaptations post occupation. These requirements are being developed with Health & Housing based on an assessment of adaptation data across the current estate.
- 45 The focus of the energy strategy will be on homes which allow for different energy solutions depending on the site. The 'fabric first' approach to energy efficiency remains a priority. The specification will ensure that the energy strategy is considered early in the design process (at site feasibility) and is developed with Housing Leeds to ensure an acceptable solution is reached and maintenance requirements are factored in. Specialist sustainable energy consultants are supporting the development of the energy strategy to ensure it reflects best practice to meet the council's carbon reduction targets. Tenants will be provided with a home user guide to assist the transition to "no gas" heating and hot water solutions.

Housing Feasibility, rent setting and viability principles – new build general needs

- 46 Executive Board previously agreed an approach for rent setting to address affordability and viability for the programme in June 2019 with the following main principles:
- All scheme to meet the viability requirements without the need for cross subsidy from other schemes or the wider rent pool;
 - Rents should ensure that schemes are financially viable within 30 years;
 - All schemes should be delivered within the affordability threshold for Leeds average wages with any property type generating rents above 30% of the Leeds average wage being capped at the maximum affordability level as long as schemes remain financially viable (the equivalent rates were £28k for a single household income and a rent cap of £142 per week);
 - Rents will be deemed affordable rents and as such will take into account future applicable rules on affordable rent; and

- Similar property types built to different standards should not be charged at different rents i.e., a home specially designed for use by wheelchair users will not be charged a higher rent than an equivalent rent for a standard general needs home.
- 47 The rents for the ROFR programme homes have been set as social rents in line with similar council properties nearby and although the level of social rent varies across different property types and market areas.
- 48 The Council is now proposing to revise and update the rent setting principles to be applied to its new build schemes to ensure that this remains sustainable and viable whilst continuing to take account of the affordability context in Leeds. The last 2-3 years has seen significant market pressures affecting the delivery of our construction projects including: -
- Impact of rising interest rates on the cost of borrowing.
 - Impact of construction price inflation.
 - Sites developed in areas of low market rents or to promote regeneration on brownfield sites which would otherwise remain undeveloped.
 - The introduction of low carbon, environmentally friendly heating solutions which are currently more expensive than traditional boilers to deliver albeit more cost effective to run for tenants.
 - Sites developed on land with high abnormal development costs or additional infrastructure costs
- 49 The existing parameter of achieving viability within 30 years has also proved challenging to achieve. Whilst none of the schemes which have gone into construction have failed to meet this test, the majority have required rents to be at or very close to 80% of market rents and the current principles have resulted in rents for a number of 2 bedroom homes and all 3 bedroom homes and above being capped at the level set in the original Executive Board approval creating viability pressures and issues with differentials on rents on properties of different sizes on schemes.
- 50 It is proposed that the viability of all schemes will now be assessed over 40 years and assuming a single standard for subsidy, being 40% use of RtB receipts in line with Government guidance. If alternative funding sources were available, these would be used to reduce the overall level of borrowing to reduce the impact on the HRA.
- 51 The 40-year period of assessing viability and funding the required borrowing over the same timescale is consistent with other Councils who operate HRAs and have similar new build house building programmes of their own and the majority of Registered Housing Providers which apply affordable rents at 80% of market and make viability assessments over 40-45 years.
- 52 It is also proposed that new build schemes built by the Council and acquired from others through off the shelf purchase will be assessed using a single consistent rent per property type which will be based on at 80% of local market rents. This figure will be adjusted for assumed inflationary increases as schemes can take more than one year to complete.
- 53 The Council is aware that rent levels have increased significantly over the last couple of years and is mindful of the need to ensure rents remain truly affordable. Whilst we propose to no longer cap rents where they exceed 30% of the annually calculated Leeds average wage, in many areas the 80% affordable rent will still sit at or within the Local Housing Allowance rates, which are shown in Table 3 below. Affordability assessments will continue to be undertaken with applicants who top shortlists for new Council housing to ensure that new homes continue to be affordable for individuals and support offered to apply for housing costs to be supplemented by welfare benefits where needed.

Table 3 – Leeds - Local Housing Allowance rates 2022-23

Property size	Shared	1 Bed	2 Bed	3 Bed	4 Bed
Rent/week	£66.34	£121.15	£137.31	£161.54	£207.69

Proposed rental strategy - acquisitions

54 It is proposed that ROFR or other similar repurchase schemes will continue to be assessed using social rents based on an assessment of similar properties owned and managed by the Council in each area but with viability considered over 40 years.

Proposed rental strategy - Extra Care housing schemes

- 55 For the extra care housing schemes the Council is developing, it is proposed to adopt similar rent levels across the city's new extra care provision to ensure equality of access and affordability across the city, whilst ensuring that schemes remain viable and sustainable in the long-term. The Council has commissioned the delivery of 4 extra care housing schemes through a partnership with Home Housing Group and has plans to deliver 3 further council owned and managed schemes of its own.
- 56 Each scheme comprises at least 60-65 self-contained apartments in a complex with associated communal facilities, including facilities like a full catering kitchen, social and leisure spaces and other services like hairdressing and assisted bathing. In addition to these enhanced facilities, the other key difference with extra care housing compared to other sheltered housing is the provision of on-site management and care staff to ensure that residents can have their care and support needs met.
- 57 The first two of these externally commissioned extra care schemes at Amblers Orchard, Tingley and Greenmill Gardens, Seacroft are now complete and a further scheme in Rothwell is on site. Housing Benefit has assessed the proposed rent values for the completed schemes and approved affordable rents in a range between £140-155 per week for one-bedroom apartments and £170-185 per week for 2-bedroom apartments excluding service and other charges.
- 58 The Council's next extra care housing scheme will be completed at Throstle Recreation Ground, Middleton during 2023, which is around 2 miles from the Amblers Orchard development. It is therefore proposed that the Council adopts a similar housing benefit approved rent setting approach for our schemes (currently £140 per week for 1 bed apartments and £170 per week for 2 bed apartments), subject to adjustment for inflationary and other cost increases and the final costs of those schemes completed in later years.
- 59 It is further proposed that the same approach will be taken for future Council extra care housing schemes, taking account of rents for similar new schemes and other extra care provision within the vicinity (likely to be in the range indicated above) and subject to adjustment for inflationary adjustments as noted above.

How does this proposal impact the three pillars of the Best City Ambition?

- Health and Wellbeing Inclusive Growth Zero Carbon

- 60 The programme directly supports all three of the Council's key pillars through
- Addressing the challenges of housing quality and affordability, tackling fuel poverty and creating vibrant places where residents have close access to services and amenities;
 - Addressing challenges of housing quality and affordability against the trends of rising housing costs and the concentration of older poor-quality housing in low income communities; and

- Supporting progress towards our ambitious net zero carbon target focusing on: improving energy efficiency so that in 2030 Leeds will have made rapid progress towards carbon neutrality, reducing our impact on the planet.

61 The programme supports the Council's Best City Ambition through the provision of high quality, affordable, energy efficient housing which will also support the health and wellbeing of individuals, families and communities across the city and support tenants at risk of fuel poverty.

What consultation and engagement has taken place?

Wards affected: Calverley & Farsley, Kirkstall, Little London & Woodhouse, Morley South, Pudsey and Rothwell

Have ward members been consulted? Yes No

62 The proposals have been developed taking into account the demand for new homes and existing stock data provided by the Council's Housing Management Team so that new homes can meet locally defined needs in terms of tenure and types of homes.

63 Ward Members in all the wards in which new sites are proposed have been asked for their views about the proposals for council housing on the sites identified in this report and their comments are reflected below:

- **Hough Top Court, Pudsey** – all Members were supportive of council housing being provided through a mixture of family housing and apartments and supportive of further surveys being undertaken to support the feasibility assessment of the site.
- **Siegen Manor, Morley South** – all Members were supportive of council housing and asked that the housing mix should avoid smaller apartments to encourage relets of other properties and to ensure scheme sustainability. Further discussions are planned with Ward Members.
- **Richmond House, Calverley & Farsley** – Members have confirmed support for council housing and would like to maximise the number of homes to meet local needs which include smaller households and family housing. Officers have been asked to develop options for new homes which might be prioritised to support the release of other existing homes within the Ward. Concerns were also raised regarding traffic management. Options are still under consideration and further discussions are planned with Ward Members.
- **Home Lea House, Rothwell** – all Members were supportive in principle of council housing and asked for the proposed housing mix to reflect the greatest needs locally. Officers have been asked to develop options to support smaller households and family housing and for further discussions to be held with Members to discuss options.
- **Burley Willows Care Home, Little London & Woodhouse** - Members have responded to confirm support for council housing and would welcome further discussion on the detailed proposals for new homes which will be arranged in the near future.
- **Land at Spen Lane / Queenswood Drive, Kirkstall** – Members have responded to confirm their support for council housing but would like to explore whether some low value greenspace can be utilised as part of the new housing due to the availability of better quality and more accessible housing in the immediate vicinity of the site.

64 Officers from Planning, Urban Design and Highways have been consulted and provided initial advice on the suitability of the sites for residential development and the estimated number of homes that might be built. Support for the sites at Table 2 to be included in the council housing growth programme was confirmed at Corporate Estate Management Board on 3rd May 2022.

65 The Council's Executive Member for Infrastructure and Climate has been consulted and is supportive of the proposals.

- 66 The Executive members for Communities and Infrastructure & Climate have both been consulted and are supportive of the revised proposals for rent setting and viability detailed in this report, which were developed in consultation with Housing Leeds and Finance colleagues.
- 67 Adult Social Care has reviewed and support the proposals in respect of extra care housing for older people and working age adults.

What are the resource implications?

- 68 The Council has committed significant resources to the delivery of an ambitious council housing Growth programme as part of its wider commitment to the delivery of affordable housing in the city. The programme is predominantly funded through the Housing Revenue Account and borrowing, as part of wider housing investment to both repair and maintain existing homes and to fund improvements and significant lifecycle investment to its stock.
- 69 A total commitment of £324 million has been made to the programme made up of a combination of HRA/borrowing, Right to Buy receipts and Homes England grant funding. The meeting of Full Council on the 26th February 2020 approved a further capital injection of £116m into the Council Housing Growth Programme. This comprises £180m of borrowing, £132m of Right to Buy receipts with the remainder made up of Homes England Grant funding and some reserves.
- 70 Rent proposals outlined in the report are linked to the specification of the houses built, the cost of delivering the specification and the timescale required to finance the properties. Should additional Government support be secured in the future then this would enable the Council to revise its rent position and move towards a social rather than affordable rent.
- 71 Within the overall budget made available, £22.5 million was set aside for property buy backs under the ROFR regulations and £30 million for the purchase of new build off the shelf properties from developers. The majority of the ROFR provision has now been committed whilst only £12.4 million of the new build off the shelf funding has been spent.
- 72 Executive Board is asked to note that to continue the ROFR acquisitions programme, the Director of City Development has agreed, under existing delegated authority, to approve the realignment of these budgets so that £10 million of uncommitted off the shelf funding can be moved to support the acquisition of between 60-90 ROFR properties over the next 2-3 years. As the programme progresses further funding may be released from uncommitted allocation to support these programmes, subject to any limits imposed by the new regulations introduced by Department for Levelling Up, Housing & Communities (DLUHC).
- 73 In order to secure value for money, the programme utilises public sector frameworks which utilise competitively tendered rates and where applicable competitive tendering exercises. Within the framework arrangements, benchmarking of supply chain and sub-contracting elements takes place through mini-competition.
- 74 The Council is supported by specialist external consultants who provide, technical, cost assessment and contract management support in administering contracts including risk assessment of any additional costs or compensation event requests and provide professional support in assessing tenders before they are recommended for approval.
- 75 The Council has also commissioned independent professional advice from experienced cost consultants to review several schemes and benchmark them against the Building Cost Information Service (BCIS) rates of the Royal Institution of Chartered Surveyors (RICS). The review has helped to inform the Council's specification review and design and delivery approaches.
- 76 It is recognised that the early adoption of revised climate measures for new homes by providing low carbon alternatives to heating and hot water are resulting in increased capital costs for the programme, and there are significant abnormal development costs resulting from many of our sites some of which we are seeking to offset with support through funding from West Yorkshire Combined Authority's brownfield housing fund or the use of commuted sums.
- 77 Most sites on which new homes are built are council owned. A number of the new sites being introduced to the programme in this report are vested in the general fund. Current rules provide

that the HRA cannot purchase sites from the general fund, but the Council arranges a debt transfer for the assessed net value of the site. All the general fund sites proposed in this report will be the subject of external valuations to inform the debt transfer values for each scheme, with the final decision on such matters approved by the Director of City Development under the scheme of delegation.

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

- 78 There is a risk that some schemes will not be viable due to the current market trend of rising costs resulting from inflation, materials and labour shortages. The costs of including non-gas heating and hot water systems, needed to support the Council's net zero aspiration, will contribute to this risk. This risk is partly being managed by the changes to the rent strategy and viability parameters set out above, which enable the level of Right to Buy funding applied to schemes to be increased and enables schemes to be cross subsidised. It will also be managed by the introduction of the new specification, and new design and delivery approach, which are both explained above and are being introduced to reduce costs as recommended by the cost review.
- 79 There is also a risk that some of the new sites in the pipeline cannot be developed, or the number of homes that can be delivered on them reduced, due to ground conditions. Surveys will be undertaken prior to any design work being commissioned to understand this risk and mitigate the risk of abortive design work. The outcome of the surveys with any additional costs for site remediation will be factored into early viability assessments. If any schemes are not taken forward, alternative sites will need to be identified to meet the shortfall of homes.
- 80 There is significant risk that scheme costs increase during the construction stage. This risk will materialise if ground conditions are found to be more extensive than identified in the surveys or if new ground conditions are discovered. It will also materialise if there are issues with obtaining approvals from statutory authorities to undertake works to their networks, leading to late changes to the scheme.
- 81 This risk is partly being managed by ensuring that site conditions are quantified earlier in the design process and included in contingencies. In addition, the commercial risk allocation in the construction contract used is being reviewed taking into account experience from earlier schemes. The allocation may be amended to ensure the Council is better protected from additional costs. For some schemes, other contract forms will be considered where the risk allocation may be more suitable for the type of scheme or site conditions.
- 82 There are two separate funding risks. Firstly, that sales of homes under Right to Buy slow down and there is a reduction in the value of capital receipts generated. These account for approximately for 40% of the funding and secondly, there is a risk that interest rates continue to rise which make schemes unviable.
- 83 As the HRA provides the funding for circa 60% of the programme through borrowing, there is a risk that wider pressures within the HRA, for example repairs costs, energy costs, existing annual investment programme, rising interest rates may affect the overall affordability of the programme.

What are the legal implications?

- 84 This report proposes the introduction of a number of additional sites to the council housing growth programme as a key decision and is subject to call in as a report to Executive Board.
- 85 It is proposed that these further approvals relating to these schemes will be taken as Significant Operational Decisions in line with Article 13 of the Council's Constitution (paragraph 13.4.2 c) as these decisions will be direct consequence of implementing the Key Decisions within this report. These decisions will be reviewed and endorsed by the programme's Affordable Housing Delivery Board prior to being submitted to the decision-making officer.
- 86 There may be a need for some sites to be appropriated from other purposes to housing purposes under Part II of the Housing Act 1985. Any decisions in relation to these matters can

be made by the Chief Officer Asset Management and Regeneration under the scheme of delegation.

Options, timescales and measuring success

What other options were considered?

- 87 Over the past 2-3 years, the programme has utilised a number of different procurement routes which can be summarised as follows:
- Yorbuild 2 Framework – the Council’s default approved public sector framework
 - The Scape public sector Framework – to deliver a large scale procurement and to support pace of delivery through early contractor engagement
 - Competitive dialogue through a Restricted Tender Process – to deliver our specialist extra care housing programme
- 88 To build pace into the programme from a standing start, a number of options were utilised including
- Bundling schemes together into larger packages to secure economies of scale and delivery at pace;
 - Using direct call-offs from the framework to deliver smaller scale schemes at pace by engaging a contractor at a very early stage to try and reduce procurement and delivery timescales and ensuring early design engagement;
 - Reviewing other available frameworks to try and ensure competition and variety of suppliers is maximised and undertaking regular market engagement to ensure good visibility for bidders of future tendering opportunities and to ensure that our tendering requirements are realistic.
- 89 Over the last year, the construction market has changed significantly with increasing price of materials, labour shortages and increased demand. There are various approaches that can be taken to address this.
- Use small specialist consultants for design and procuring the construction works through a more traditional competitive tender process (tendering for build only contract).
 - Mitigate industry-wide programme delays, costs and risks by undertaking some of the technical design at risk pending receipt of planning approval.
 - Use procurement routes which maximise the number of contractors invited to tender.
 - Ensure there is scope in the specification to be flexible and there are areas for compromise to reduce costs.
 - Ensure contract conditions and risk profiles are in line with the new build affordable housing market.
- 90 Delivery and procurement routes for the new sites will be determined on a site-by-site basis depending on site size, complexity and likely ground conditions. As each scheme comes forward, the most appropriate delivery route will be selected. There is a lot of uncertainty around construction market conditions, even in the short-term, so these will be a key factor in the procurement route selected and decisions will be based on market feedback obtained at the time. Delivery options might include
- **Traditional Build Only Procurement** – Scheme would be designed and planning approval would be secured by the Council. A build only contract would then be procured. This option is most likely to be considered for smaller, non-complex sites.
 - **Design and Build Procurement** - The Council would procure a contractor to design and build the scheme. This is most likely to be considered on the more complex sites where there is a benefit in the contractor and their architect/consultant team being involved in designing the most cost-effective solution for the site and where it may be beneficial to reach a commercial agreement on the risk of ground conditions.
- 91 In the June 2019 report to Executive Board a commitment was made to establish a local housing company to help increase the level of affordable housing in Leeds. The programme

team undertook extensive work to consider the implications, challenges and benefits of establishing a local housing company.

- 92 The main outcomes and conclusions of that work are reflected in a separate report on affordable housing delivery being presented to Executive Board in September 2022. The position remains under review and as a suitable proposition emerges such a vehicle will be utilised.

How will success be measured?

- 93 The Council set itself an ambitious target in June 2019 of delivering 300 new homes each year as its contribution to the overall delivery of affordable housing in the city and after 3 years of the programme over 565 homes have been completed or are in construction with a similar number at feasibility stage or forecast to be complete or in delivery by March 2025.
- 94 A number of the procurement frameworks which schemes are delivered under require that projects are measured against a number of key performance indicators which generally measure the level of social value, local labour and training outputs, waste minimisation and other factors. These get reported at key stages through the project lifecycle.
- 95 The majority of schemes are now being built with low carbon alternatives (either air source or ground source heat pumps supplemented in some cases with Photovoltaic panels to generate electricity) to provide heating and hot water and combined with high insulation standards, support lower running costs for tenants when compared to new homes built to Building Regulations. These support our commitment to address the climate emergency.
- 96 Completed schemes are subject to resident satisfaction surveys and feedback and lessons from schemes are used to inform improvements on new schemes.

What is the timetable and who will be responsible for implementation?

- 97 As noted above, 565 homes have been completed or are in construction with around 540 at feasibility stage or forecast to be complete or in delivery by March 2025.

Appendices

- 98 **Appendix 1** – Programme summary
- 99 **Appendix 2** – CHG pipeline redline plans Sept 2022
- 100 **Appendix 3** – Equality, diversity, cohesion and integration screening assessment

Background papers

- 101 None.