

Delivery of New Affordable Housing at Sugar Hill, Oulton

Date: 22nd November 2023

Report of: Director of City Development and Director of Communities, Housing & Environment

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

Executive Board has previously noted the significant impact of the eviction action of a private landowner on the community of Sugar Hill and Wordsworth Estate and on those individuals and families directly affected. This report updates Executive Board on the Council's ongoing support and dialogue with those former residents, and collaborative work between the Council and Leeds Federated Housing Association, the new owner of the site, to bring forward an affordable housing development. It sets out a recommendation to approve the use of £2,824,553 from the Council's Affordable Housing Commuted Sums programme to fund a grant to the Housing Association, which would support the delivery of 30 Affordable Rented Homes. The report also sets out the terms of a Local Lettings Agreement that would set the criteria under which tenants previously evicted from the site by its former owner could return as tenants of the Housing Association.

Recommendations

Executive Board is requested to:

- a) Note the Council's continued engagement with former tenants of the Sugar Hill and Wordsworth Close estate and their representatives, the actions undertaken to prevent homelessness following eviction by the previous landlord, and the positive way in which Leeds Federated Housing Association has engaged with previous tenants and supported the remaining protected tenants on the estate following acquisition of the site.
- b) Approve a commitment of £2,824,553 Affordable Housing Commuted Sums funds to Leeds Federated Housing Association, which will uplift the delivery of Affordable Rented homes on the site from 14 to 30.
- c) Approve that the Council enters into a grant agreement with Leeds Federated Housing Association on the terms set out in this report, with full details of the agreement delegated to the Director of City Development, in consultation with the Executive Member for Housing.
- d) Approve that the Council implements a Local Lettings Policy for all of the 30 grant-funded Affordable Rented homes, on the terms set out in this report, with full details of the

agreement delegated to the Director of Communities, Housing & Environment, in consultation with the Executive Member for Housing.

What is this report about?

- 1 This report provides detail on the Council's ongoing support for the residents of Sugar Hill and Wordsworth Drive Oulton, and how it proposes to continue to work collaboratively with Leeds Federated Housing Association (LFHA) to support the appropriate redevelopment of the site to deliver 70 new affordable homes and contribute towards the re-establishment of a vibrant and sustainable community. It sets out a recommendation to approve the use of £2,824,553 from the Council's Affordable Housing Commuted Sums programme to fund a grant to LFHA, which would support the delivery of 30 Affordable Rented homes in total as part of the scheme. The report also sets out the terms of a Local Lettings Policy that would set the criteria under which tenants previously evicted from the site by its former owner could return as tenants of the Housing Association.
- 2 This follows the report to Executive Board in October 2021, where it was agreed that the Council would engage with LFHA as the owner of the site, on its plans for redevelopment of the estate with a view to maximising the proportion of new affordable rented housing that could be delivered. To enable this, it was noted that the Council could consider the use of the pooled affordable housing Commuted Sums it collects from housing developments across the city, or other resources as may be identified and agreed through appropriate consultation, alongside consideration of how any new affordable rented housing could be made available through a local lettings policy to existing tenants of the estate.
- 3 In October 2021 Executive Board considered the history of the site and noted that that the Sugar Hill estate of 70 homes was originally constructed by the National Coal Board in the 1950's using the prefabricated 'Airey' typology, consisting of a steel frame and concrete panels. There had however been longstanding concerns around the condition and sustainability of the properties based on the known defects found in this building archetype.
- 4 The landowner of the site at the time, Pemberstone (Oulton) Properties Ltd, had undertaken structural surveys indicating declining and unsafe property conditions and that the stock could not be viably retained and refurbished. It submitted a planning application in 2017 for redevelopment of the site to replace it with 70no. new 2, 3 and 4 bed dwellings, comprising 49 market sale homes, 10 affordable homes in line with planning policy and 11 homes to which it would rehouse existing tenants on the site who had 'protected rights' through Regulated and Assured tenancies.
- 5 The Council, in its capacity as Local Planning Authority, refused the planning application giving significant weight to the impact of the proposed redevelopment upon the existing community. However, following an appeal by Pemberstone, an independent government Planning Inspector approved the application, attaching significant weight to the applicant's evidence on structural condition of the properties, justifying the requirement for redevelopment over retention and refurbishment of the existing homes.
- 6 Pemberstone subsequently initiated a process of entirely legal 'no-fault' evictions of the unprotected tenants, pursuant to section 21 of the Housing Act 1988. During this time one of the protected tenancies ceased, leaving 10 households with the benefit of a Regulated or Assured tenancy requiring direct re-provision of new homes on the site through any development.

- 7 Acknowledging that all the city's residents have the right to a good home that meets their needs, the Council worked to ensure that the tenants of Sugar Hill Close and Wordsworth Drive, who were issued with no-fault eviction notices, were supported in the process to obtain alternative accommodation by Leeds Housing Options. The Council ensured all tenants facing evictions who requested support were guided through the housing applications process, taken through a housing needs assessment, awarded the correct priority band, and supported via the Homeless Prevention Fund where appropriate. Leeds Housing Options assessed and accepted homeless duties for 22 residents.
- 8 In considering how the legal no fault evictions of tenants could be prevented or mitigated, the Council had assessed the cost and viability of acquiring the site (either by agreement or compulsory proceedings), refurbishing and bringing the properties into the Housing Leeds stock to high sustainability standards in line with other new-build and refurbishment works across the city, but could not make the financial or legal case for this. This was set out in detail to Executive Board and in response to a Deputation to Full Council from current and former tenants at the time.
- 9 The Council did however introduce Pemberstone to locally active Registered Providers (RPs) of affordable housing to identify how they may form part of a positive solution for tenants. LFHA expressed interest, and following negotiations, acquired the site in September 2022 and has since secured approval for a variation to the original planning approval to enable a 100% affordable housing scheme to be built, but retaining the original quantum and mix of house types. This varied permission now allows delivery of 70 two-, three- and four-bedroom affordable homes, which will achieve Energy Efficiency rating of A and B and biodiversity net gain.
- 10 Since acquiring the site, LFHA has also undertaken extensive consultation and actively progressed its planning, detailed design and tendering to enable scheme delivery in a timely manner. LFHA has provided close support for the now 10 Regulated and Assured tenants it has inherited on the site to ensure their current needs in the remaining homes are met and to ensure their needs will be met in the new homes that will be built. LFHA has also engaged with former tenants and their representatives, with Ward Councillors and worked collaboratively and openly with the Council to explore how the development could support the return of as many of the previously evicted tenants to the site as may be possible.
- 11 LFHA has already commenced a careful and well-managed process of demolition of remaining untenanted properties, with hoarding of the site to ensure it remains safe and tidy for the remaining and surrounding community. LFHA has also designed the construction programme for the development so the remaining protected tenants are rehoused directly within the first phase to minimise disruption associated with the rehousing process.
- 12 LFHA have secured a mix of funding to support delivery of the scheme, including through a Strategic Partnership with Homes England and internally Recycled Capital Grant funds that enables the delivery of the site at 100% Affordable Housing. However due to the costs of acquisition and construction, the larger proportion would be for Shared Ownership, which provides a greater income to LFHA support viability of the development. The scheme is currently proceeding based on:
 - a) 10 homes built directly for the Regulated and Assured tenants
 - b) 14 properties to be available as Affordable Rented homes

c) 46 properties to be available as Shared Ownership

- 13 In view of the commitment to former tenants to secure the best possible opportunity to re-establish the former community by seeking a way in which evicted tenants could return to the site once rebuilt, the Council and LFHA have explored options for changing this tenure mix in favour of a greater proportion of Affordable Rented homes.
- 14 The Council manages an affordable housing grant that is funded through the pool of Commuted Sums that have been paid by developers of sites across the city as planning obligations in lieu of delivering affordable housing directly on site, as per policy H5 of the Local Plan Core Strategy. Commuted Sums can be deployed by the Council through grants to eligible third-party organisations to support the delivery of more affordable homes, to increase the affordability of a scheme of new supply homes or to bring empty homes back into use.
- 15 Generally, the sums collected are unrestricted and can be spent anywhere within the Council's administrative area, although in some cases these funds are restricted to be spent within the ward or area in which they were generated. In some instances, through the planning process, Ward Members have expressed a preference for the sums to be invested in a particular way or in a particular locality. Following approvals at Executive Board in September 2016 and November 2018, the Council has implemented a strategic approach to the investment of Commuted Sums which has included new build developments and acquisition opportunities, particularly where this will leverage other funding and investment in affordable housing delivery.
- 16 The intent to increase the proportion of the more affordable tenure of Affordable Rent on the LFHA scheme at Sugar Hill would fall within the scope of use of Commuted Sums grant. Accordingly, an application for grant has been submitted by LFHA to the Council to achieve this by addressing a viability gap that would be created by removing an equivalent number of Shared Ownership homes. The application is for a grant of £2,824,553, which would optimise the tenure mix on site whilst maintaining viability of the development, adding 16 further Affordable Rented properties on the current scheme that would be available for nominations from the Council's Housing Register, at rents equivalent to Local Housing Allowance (+5%). This grant amount can be resourced from within the current pool of uncommitted Commuted Sums.
- 17 This would enable a development of:
- a) 10 homes built directly for the Regulated and Assured tenants
 - b) 30 properties to be available as Affordable Rented homes
 - c) 30 properties to be available as Shared Ownership
- 18 Ordinarily the Council would secure nominations rights on any schemes funded through Commuted Sums, as a condition of funding in the Grant Agreement, whereby the resulting homes would be made available to people in housing need through the Leeds Homes Register (100% of first lets and 60% of subsequent let of homes on the site in accordance with current nomination agreements). This would also be the case here, although to ensure the Affordable Rented homes can be made available to former tenants previously evicted from the site under 'no-fault' s21 Notices, it will be necessary to agree and implement a Local Lettings Policy (LLP) with LFHA, which will set the criteria against which applications for housing on the site from those individuals or households would be assessed.

19 Executive Board is asked to agree the broad terms of an LLP for the 30 Affordable Rented properties of the Sugar Hill and Wordsworth Hill development as set out below, with the final detail to be delegated to the Director of Communities, Housing and Environment in consultation with LFHA and the Executive Member for Housing:

- a) Applicants would be required to apply via the Leeds Homes Register.
- b) Preference will in the first instance be given to former tenants of the Sugar Hill properties which have been subject to demolition, where the tenancy started prior to and ended after the date that the previous landlord made clear intentions to redevelop the site, that is 28 November 2017.
- c) Any such applicants must have a current local connection to Leeds in accordance with Section 199 of 1996 Housing Act.
- d) In allocating properties, tenants who are former tenants of the Sugar Hill properties will be permitted to under occupy by up to 1 bedroom, but only where an affordability assessment evidences that such under-occupation is affordable to the tenant.
- e) If the number of eligible former residents exceeds the number of affordable rent properties available, then priority will be given to those with the earliest tenancy start date for the Sugar Hill properties which have been subject to demolition.
- f) If the number of eligible former residents is lower than the number of affordable rent properties available then priority will be given to wider applicants on the Leeds Homes Register who have a local connection to the ward based on their priority need status.

What impact will this proposal have?

20 The use of Commuted Sums will support LFHA in the redevelopment of the estate at Sugar Hill and Wordsworth Drive, Oulton, to deliver 70 new high quality affordable homes that will be energy efficient, and to optimise the number of homes that can be delivered at affordable rents pegged close to Local Housing Allowance levels and so at the more affordable end of the Affordable Rent scale. It will ensure that those tenants with protected tenancies are prioritised and are rehoused in the first houses to be delivered on the site which will be suited to their needs. It will also support the wider redevelopment of the estate, creating the opportunity to re-establish a vibrant and sustainable community, providing a desirable place for people to live.

21 This proposal will also contribute towards meeting housing need in the city. As identified in the Best Council Plan 2020-2025, which acknowledges that the provision of an adequate supply of housing of the right quality, type, tenure and affordability in the right place is a priority for the city. Alongside this, the Best City Ambition identifies that the delivery of better homes is a priority for the city and is central to tackling challenges around affordability, poverty, and inequality to improve health and wellbeing and create vibrant communities. This is also reflected in the Local Plan which sets out the housing need in the city and the importance of ensuring a sufficient housing land supply in appropriate locations alongside delivering the quality, type and affordability of homes in meeting local needs. To meet this housing need, the Leeds Affordable Housing Growth Partnership Action Plan sets an ambition to deliver 1,230 affordable homes per year, promoting independence and creating sustainable communities to make Leeds the best place to live.

22 The scheme directly responds to this, delivering new high-quality affordable housing in an area of housing need, with a mix of tenures. The Sugar Hill estate is located within the Rothwell ward, which has significant housing need with over 750 households on the register expressing a significant demand for two- and three-bedrooms homes. The use of Commuted Sums will

optimise the number of homes that can be delivered at the most Affordable Rents, whilst maintaining a viable development. Without this subsidy, LFHA would face pressure to increase the number of Shared Ownership units.

- 23 LFHA has agreed to cap the rent at a level where Housing Benefit or Universal Credit will almost wholly cover the rent for those that may rely on this. It should be noted that these are Affordable Rents and not Social Rents, the latter being the most affordable tenure but only deliverable where viability appraisal (though land/construction costs and extent of available funding) shows this lowest level of income could support development.
- 24 The implementation of a Local Lettings Policy will ensure there is an opportunity for those residents that meet the criteria set out to be able to return to the rebuilt estate following their no-fault eviction by the previous site owner. Executive Board has previously noted the significant social and community impact of that action on the Sugar Hill and Wordsworth Estate community and on those individuals and families affected. The Council was not able to prevent that happening at the time or meet the requests of the community to acquire the site directly itself and the impact of those events can never be fully repaired. However, the securing of a responsible developer and landlord, the achievement of a significant number of new Affordable Rented homes through the funding recommended in this report and the implementation of an LLP that facilitates the restitution of the original community as far as possible should be seen as a far better social outcome than would have resulted from Pemberstone's development scheme.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 25 This scheme will contribute towards all the three pillars of the Best City Ambition by delivering new affordable homes with a mix of tenures with high thermal efficiency credentials which will contribute towards meeting housing need, support the creation of sustainable and thriving communities, have reduced heating demand, address fuel poverty and reduce carbon emissions.
- 26 The grant will enable the delivery of a 100% affordable scheme, with a mix of tenures, supporting the creation of a vibrant, sustainable and mixed community at Sugar Hill. This will benefit the wider existing community which has experienced some challenge with the decline of the existing Airey homes and the subsequent declining population.
- 27 As a compassionate Housing Association, LFHA is committed to support the health and wellbeing of its residents, including those with mental health issues and those with disabilities ensuring that a number of homes to be delivered adhere to housing standard M4(2) and are suitable for being adapted where needed. All the properties will comply with the Nationally Described Space Standards, enabling residents to be housed in appropriate homes to live healthy lives.
- 28 The proposal strongly relates to the pillar of Inclusive Growth. LFHA is dedicated to supporting local learning, training and employment opportunities for the residents of Leeds, primarily through the utilisation of the Flexible Apprenticeship program from Efficiency North. The project will prioritise the recruitment of local labour, collaborating with community organisations and

employment agencies, ensuring opportunities are accessible to Leeds residents, fostering community growth. By leveraging Efficiency North's Flexible Apprenticeship programme, the project will offer structured sector-specific training programs to apprentices. This equips them with essential skills and industry insights, including certifications like CSCS cards and PPE. All apprentices will benefit from comprehensive award-winning Information, Advice, and Guidance (IAG), pastoral, and academic support, enabling them to thrive in their roles.

- 29 LFHA will maintain rigorous monitoring and reporting to ensure adherence to apprenticeship and local labour standards, while continuously improving impact on learning, training, and employment in Leeds. Collaboration with EN:Able Futures recruitment agency and other stakeholders will ensure that the project aligns with broader industry standards and community development goal. This collaboration will mean EN:Able Futures will handle recruitment, employment, and support, saving time and resources for the housing project, providing a cost-effective approach compared to traditional recruitment agencies.
- 30 The proposal will also contribute towards zero carbon priorities, delivering high-quality homes with strong sustainability credentials. Each property will be built to achieve a minimum Energy Efficiency Rating of B and will be fitted with solar PV. Alongside this, electric vehicle charging points will be fitted for each dwelling. These interventions will work towards increasing the sustainability of the scheme, reduce carbon emissions and will make the properties more affordable to heat, contributing towards tackling fuel poverty.

An Equality, Diversity, Cohesion and Integration (EDCI) Screening Form has been completed with no specific issues identified and is attached at Appendix 2.

What consultation and engagement has taken place?

Wards affected: Rothwell		
Have ward members been consulted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

- 31 Extensive consultation and engagement has taken place regarding the scheme and the use of Commuted Sums.
- 32 LFHA consulted Ward Members on 9th September 2022 and 20th June 2023.
- 33 LFHA has also undertaken a high level of engagement with their retained protected tenants, including letters, home visits and a series of residents' meetings have been held at Oulton Hall, organised and facilitated by LFHA.
- 34 Prior to evictions, tenants of the site created the Save Our Homes group, and extensive engagement and consultation has taken place with them including meetings between LFHA, Ward Members, the Leader of the Council and Executive Members.
- 35 Rothwell Ward Members have been consulted on the grant funding proposal via email 23rd October 2023.
- 36 The Executive Member for Housing has been consulted and has provided support for the scheme.

37 Work will continue to ensure a positive communications strategy which recognises the need to engage with all relevant stakeholders as the scheme is delivered.

What are the resource implications?

- 38 In October 2021 Executive Board noted an estimate at the time of up to £60,000 of Commuted Sums support per home that might be required to change tenure from Shared Ownership to Affordable Rent to achieve the aims set out in this report, with a maximum of 40 affordable rented homes. This would have led to an indicative commitment of up to c£2.4m of commuted sums based on the estimated position at that time. This was a very indicative figure based on imperfect information about site and development costs and did not factor in any assumptions about rental levels.
- 39 Over the last 24 months LFHA has been able to develop its scheme proposals further with the benefit of detailed site investigations, exposing a higher level of remediation and construction cost than previously anticipated, added to which has been the continued very high-cost inflation in the construction sector supply chain. A tender exercise has been undertaken and value engineered where possible, but the development scheme has proven to be significantly more expensive than originally assumed, whilst currently available funding has not increased. The scheme costs also take into account the need to acquire the site at a market value in order to secure it for these purposes. This has placed significant pressure on the viability of the proposed scheme even before the opportunity to change some shared ownership homes into affordable rented homes is considered.
- 40 The Council has worked with LFHA to identify an appropriate level of grant support that could be offered against the updated and live cost base for the scheme. An approach has been taken to identify a grant amount that would optimise the number of homes that could be offered on the development as Affordable Rented accommodation to be made available under the Local Lettings Policy, that would be affordable within the Commuted Sums programme and which would allow a rental level on the homes to be set that would track as close as possible to the Local Housing Allowance for Leeds, ensuring that Housing Benefit/Universal Credit would cover the rent charged.
- 41 Some Affordable Rented housing providers charge rents for schemes at up to 80% of the market level to offset funding availability or viability challenges, but will usually seek to set rents at 70% of the market level for affordability of rents for tenants. Given the intentions of this scheme to help re-establish the community of formerly evicted tenants who benefitted from relatively low rents, setting rents at as affordable level as funding would allow was considered an important aim.
- 42 The Council and LFHA considered grant at three alternative levels of intervention reflecting the cost requirements of the scheme, the changes to funding mix required and the levels of rent that would need to be charged over a 40 year period to ensure viability of the development in increasing the number of Affordable Rented homes to 30:
- a) If tenant rents were set at 70% of market level the call on Commuted Sums grant would be £3.4m, a cost of £210k per home.
 - b) If tenant rents were set at 75% of the market level the call on Commuted Sums grant would be £2.8m, a cost of £177k per home.

- c) If tenant rents were set at 80% of market level, the highest Affordable Rent that could be charged and well in excess of Local Housing Allowance levels, the call on Commuted Sums would be £2.3m, a cost of £142k per home and within the indicative funding range considered by Executive Board in 2021.
- 43 The cost per home is a reflection of the cost to the development of converting Shared Ownership to Affordable Rent, changes in the funding that LFHA could access and income forgone through part-house sales.
- 44 The 10 homes to be built for the Regulated and Assured tenancies cannot be funded through any affordable housing grant source. This places a significant pressure on the viability of the development as the costs must be funded directly by LFHA. In relation to the Council's proposed Commuted Sums grant, LFHA has committed to provision in the grant agreement to making these available for Council nominations at any point in the future should those tenancies change, and the protections fall away. As such it could be reasonably expected that most if not all of those 10 homes would become available as Affordable Rented homes at some point in the medium to long term.
- 45 Having considered the issues related to this site, the aims of LFHA and the Council in supporting the existing and former community, and the wider social benefits of LFHA's approach to working with existing tenants, tenure mix and rent setting approach, the level of grant set out in this report is recommended to Executive Board as being affordable within the Commuted Sums programme, supporting scheme viability and appropriate in achieving an optimum number of affordable homes at the lowest rental option that is affordable to returning tenants.
- 46 Financial support from the Council is requested from the pooled Commuted Sums budget which is confirmed as legal and appropriate for this scheme. A breakdown of scheme finances is available in Exempt Appendix 1.
- 47 Whilst the Council recognises that LFHA has a strong record of delivery in the city, funds will be released in tranches relating to phases of development to ensure that should it not be able to deliver on the proposal or fail to conform to the conditions agreed the grant agreement will require the housing association to repay all or part of the agreement as appropriate.

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

- 48 The Annual Corporate Risk Report September 2023 identifies insufficient housing growth as a medium risk factor within the Corporate Risk Map in delivering the Best City ambitions. The delivery of affordable home is a crucial element of overall housing supply across the city. To address this, the council has set out a priority with the aim of 'working together across sectors to harness the capacity and capability in the city, its communities and those with lived experience to develop a city solution to welfare provision and addressing the cost-of-living crisis – with a specific focus on food, fuel, housing and digital inclusion'. Supporting this scheme is directly responding to this risk contributing to meeting additional housing supply targets for people in Leeds.

49 LFHA has consistently been one of the highest delivering Registered Providers in the City. As of July 2023, they have provided 555 affordable homes across a number of sites over 10 years. The table below displays the total number of homes delivered each year:

Year of Delivery	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24 (to date)
LFHA	33	58	38	77	106	119	45	30	27	22

50 The main risk of any grant funding is that the funder loses some control of the funds. If approved, LFHA will be obligated to enter into a Grant Agreement with the Council before any funding is to be released. The terms of the grant agreement will outline that:

- The grant funding will be released in tranches with an agreed proportion of the grant available to draw down upon start on site, and the remainder available to be drawn down upon practical completion.
- The grant agreement will specify the period over which to draw down any available grant money. The Council reserves the right to extend the long stop date,
- LFHA enter into a Nominations Agreement with the Council to grant nomination rights over who occupies the affordable rented properties alongside providing the Council a limited 6-week nomination rights on the shared ownership properties once served,
- LFHA will agree a Local Lettings Policy on the terms set out in this report,
- LFHA will rehouse the protected tenants within the scheme on the same terms and conditions as their current tenancy agreements,
- LFHA will grant the Council nomination rights on the regulated and assured properties once those protected tenancies cease ensuring those properties will stay affordable after the regulated/assured tenancies have ended,
- LFHA will cap the Affordable Rent at the Local Housing Allowance rate for Leeds plus + 5% tolerance at first lets,
- The Grant Agreement will also require that LFHA seeks the Council's consent if selling their full interest in the properties and ensure that any new owner also enters into a Nominations Agreement with the Council,
- LFHA will submit progress monitoring bi-annually against agreed milestones. Ultimately, if performance is unsatisfactory or does not meet the agreed milestones, the grant agreement will provide for the Council to withhold any further grant funding and request repayment of any funding already provided.

What are the legal implications?

51 The information contained within Exempt Appendix 1 of this report has been identified as exempt from publication because it relates to the financial or business affairs of particular parties (including the Council). This information is not publicly available from the statutory registers of information kept in respect of companies and charities. It is considered that since

this information was obtained through the grant application process then it is not in the public interest to disclose this information at this time. Also, it is considered that the release of such information would or would be likely to prejudice the Council's financial interests in relation to other similar transactions. It is therefore considered that this element of the report should be treated as exempt under Access to Information Procedure Rule 10.4 (3) The information is exempt if and for so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

- 52 The Council is permitted to award subsidies to third parties in line with the Subsidy Control Act 2022. Subsidy means where a public authority – for example central, devolved, or local government – provides support to an enterprise that gives them an economic advantage, meaning equivalent support could not have been obtained on commercial terms. This can take the form of a grant, a tax break, a loan, guarantee or equity investment on favourable terms, or the use of facilities below market price, amongst other kinds of support. The Council is required to assess any proposed financial assistance to ensure that it is consistent with the Subsidy Control Act 2022 and any application must only be granted if it is consistent with the principles in The Act. The Act also contains provision for public authorities to grant subsidies for Services of Public Economic Interest (SPEI). These are subsidies for essential services provided to the public that would otherwise not be supplied in an appropriate way or may not be supplied at all by the market. Within this, the regime also allows for exemptions for subsidies in specific cases, including for low value SPEI subsidies considered to constitute SPEI Assistance (SPEIA).
- 53 A Subsidy Control assessment has been undertaken of Leeds Federated Housing Association's application and reviewed with Legal Services. The proposed grant will be a subsidy governed by the Act. The grant provides for the provision of affordable housing and constitutes a Service of Public Economic Interest (SPEI). These are subsidies for essential services provided to the public that would otherwise not be supplied in an appropriate way or may not be supplied at all by the market.
- 54 As the amount of public subsidy to be received by Leeds Federated Housing Association's will exceed £725,000, the funding cannot be granted as SPEI Assistance. The request does meet Subsidy Control principles outlined in the guidance and is to be recorded on the Government's Subsidy Control database.
- 55 This is a Key Decision and is subject to Call In.

Options, timescales and measuring success

What other options were considered?

- 56 Following the endorsement at Executive Board in October 2021, the Council has worked with LFHA to identify how to best bring the site forward and optimise the Affordable Rented housing that can be delivered through appropriate resources. Without the requested commuted sum contribution, redevelopment at Sugar Hill would offer a less affordable tenure mix with a higher proportion of shared ownership homes. This proposal has therefore been identified as the most appropriate option to address housing need in the city whilst maintaining viability of the development at a cost of £2,824,553 for the delivery of 16 additional affordable homes, the preferred option remains the best value for money and offers a more affordable tenure mix. This option facilitates a scheme that offers 100% affordable housing on site in contrast to the option

of the Council acquiring and developing a scheme itself, which was originally estimated at some £20-£25m.

57 If Commuted Sums were not available to support this scheme, it is likely that LFHA would find it difficult to obtain the additional funding required, and the number of Affordable Rented homes that could be delivered on the site would be reduced to 14, the baseline approach established through LFHA's current funding and finance arrangements. Use of Commuted Sums is therefore creating additionality and addressing the unique social and community circumstances relating to this site.

How will success be measured?

58 Critical success factors will include scheme implementation within the timeframes set out or within a reasonable tolerance approved by the Council. Success will include the delivery of the proposed scheme within budget, utilising Commuted Sums, Homes England Strategic Partnerships funding, Recycled Capital Grant funding and Leeds Federated Housing Association loan funding.

59 Success will also include the scheme being fully occupied upon completion with Leeds residents on the Housing Register, along with resident and residents' family's satisfaction levels which will be collated by Leeds Federated Housing Association.

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

60 It should be noted that LFHA is already progressing development of the site, on the basis of the current funding and finance mix it has available. The development itself is not affected by the decision on Commuted Sums and the Housing Association has taken the view that it must progress the scheme as quickly and effectively as possible. An approval to the Commuted Sums grant will however enable homes on the site to have their tenure mix changed as per the detail in this report.

61 The broad programme for the completion of the Commuted Sums grant process and site development is as follows:

- a) Demolition currently underway
- b) Start on Site November 2023
- c) Phase 1A – Regulated/Assured Tenancy Homes – Completion autumn 2024
- d) Phase 1B homes – completion early 2025
- e) Phase 2 homes – Completion early 2025
- f) Phase 3 homes – Completion spring 2025
- g) Phase 4 – Completion summer 2026

Appendices

Appendix 1 - Designated as being exempt from publication under Access to Information Procedure Rule 10.4(3) – Breakdown of Scheme Finances

Appendix 2 – EDCI Screening

Background papers

None