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## Report of the Director of Environment and Neighbourhoods

### Executive Board

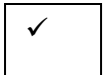
Date: 4<sup>th</sup> November 2009

Subject: New social housing in EASEL  
Capital Scheme Number : 15716 000 000

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#### Electoral Wards Affected:

Gipton and Harehills



Ward Members consulted  
(referred to in report)

#### Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In  
(Details contained in the report)

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## EXECUTIVE SUMMARY

This report provides details to Executive Board on a new funding opportunity which will enable two of the EASEL phase 1 sites to be brought forward for the provision of new social housing. The project takes advantage of a new funding opportunity made available by the Homes and Communities Agency for schemes which can complete by 31<sup>st</sup> March 2011. The new funding – Local Authority Newbuild – provides funding for social housing to be retained by the local authority.

Approval is sought for the Council to commission contracts to build 63 properties and the injection into the capital programme and approval to spend of £3.509m grant and £3.580m prudential borrowing which will be undertaken by the Housing Revenue Account. The funding for repayment of the loan will derive from projected rental income from these properties.

### 1.0 Purpose of Report

- 1.1 To advise Executive Board of a new funding opportunity which provides support for the continuation of development on two of the EASEL phase 1 sites.
- 1.2 It updates the report given to Executive Board in January 2009 where negotiations with the Homes and Communities Agency (HCA) as a response to tightening economic conditions were outlined. That report also described the actions the

council itself was taking to support the EASEL development programme and approval to directly purchase 20 units from the developer was given.

- 1.3 Executive board are asked to inject £7.089m funded from £3.509m of HCA grant and £3.58m of unsupported borrowing and authorise expenditure of £7.89m to provide 63 new social housing properties within the EASEL area.

## **2.0 Background Information**

- 2.1 This project is one of a number which have been developed to ensure that the EASEL development programme can continue despite the current economic situation. To support continued development and maintain momentum on the South Parkway (Seacroft) and Oak Tree Mount (Gipton) sites, Executive Board authorised the acquisition of the 20 properties in February.
- 2.2 Following the 2009 budget the Government announced the Housing Stimulus Package which gave the HCA additional funding to stimulate the housing market via a number of programmes.
- 2.3 The HCA, recognising that EASEL is a key priority for the city, has approved bids made to their “Kickstart” programme by the Council’s development partner, Bellway Homes. This is providing funding for 108 properties to be built for open market sale and an affordable housing for sale product known as Home Buy Direct. Chevin Housing Association have also successfully secured funding for 60 intermediate rented units. Together with the new Council properties, these will provide a mix of tenures across these two sites and ensure that construction will continue.
- 2.4 The most recent funding opportunity to be announced is the Local Authority New Build programme which enables authorities to bid to develop new build social housing let as secure tenancies and where ownership is retained by the authority. The funding for this scheme has been made available until March 2011.
- 2.5 The project will add to the council’s housing stock and therefore its ability to meet housing need. It supports the delivery of the Council’s Strategic Plan, specifically the “improved quality of life through mixed neighbourhoods offering good housing options and better access to services and activities” and meets the objectives of the Leeds Housing Strategy.

## **3. Main Issues**

- 3.1 Bids were invited over two rounds - July and October and a successful bid to the July round was submitted to secure the opportunity.
- 3.2 Funding is on the basis of an approximate split of 50% grant and 50% prudential borrowing. The broad guidance for the programme is that the HCA are looking to bring forward smaller sites to avoid the development of large mono-tenure estates.
- 3.3 The release of the LA Newbuild programme enables additional EASEL phase 1 sites (all of which have full planning permission) to be brought into development. Two cleared sites in Gipton – Easterly Mount and St Wilfrid’s Avenue were identified as suitable for the programme. On the basis of the existing scheme design and planning permission obtained by Bellway, the two sites will yield 63 new properties (22 three bedroom houses, 29 two bedroom houses and 12 two bedroom flats). The sites are shown at Appendix 1 and 2.
- 3.4 It is proposed that a Local Lettings Policy (LLP) based on the one developed for the current Seacroft and Gipton sites (which was approved by Executive Board on 22<sup>nd</sup>

July 2009) is developed for this new development. The details to be developed in line with the usual approval process for LLPs.

3.5 EASEL area Ward Members have been consulted and support the project.

#### 4. Next Steps

4.1 The delivery of the scheme is proposed to be through existing partnership arrangements with Bellway, although legal and procurement advice will be sought given that this is a new funding mechanism not originally envisaged by the partnership.

4.2 Negotiation with Bellway on details of delivery in respect of contractual arrangements, construction programme and so on is ongoing.

4.3 The current planning permission is on the basis of housing to be built for sale and an associated s106 agreement in respect of affordable housing provision and contributions for education and transport. Although revised scheme details will need to be submitted for planning permission, it is envisaged that can be made in time to allow the project to maintain a start on site date of March 2010. With a build programme of approximately 1 year the scheme will need to complete by March 2011 in line with funding requirements.

#### 5. Implications For Council Policy And Governance

5.1 Alongside the introduction of new funding opportunities the council is able to apply to Government to exclude new council housing from the subsidy system and rent pooling arrangements via s80 of the Local Government and Housing Act 1989 and an application will be submitted in respect of these units.

#### 6. Legal And Resource Implications

6.1 The contract terms for construction of the properties are to be agreed with Bellway.

6.2 The council will be acting as client to the contract through the EASEL team.

6.3 The project will be managed in line with the in-house project management process and adequate resources to support the management of the construction programme will be identified.

6.4 The profile of expenditure and funding is anticipated to be as follows:

Expenditure required on this scheme	TOTAL £ 0 0 0 's	2 0 0 8 / 0 9	2 0 0 9 / 1 0	2 0 1 0 / 1 1
		£ 0 0 0 's	£ 0 0 0 's	£ 0 0 0 's
LAND (1)	0.0			
CONSTRUCTION (3)	6 7 7 1.0			6 7 7 1.0
FURN & EQPT (5)	0.0			
DESIGN FEES (6)	0.0			
OTHER COSTS (7)	3 1 8.0	0.0	5 0.0	2 6 8.0
TOTALS	7 0 8 9.0	0.0	5 0.0	7 0 3 9.0

Total overall Funding Available	TOTAL £ 0 0 0 's	2 0 0 8 / 0 9	2 0 0 9 / 1 0	2 0 1 0 / 1 1
		£ 0 0 0 's	£ 0 0 0 's	£ 0 0 0 's
H C A grant	3 5 0 9.0	0.0	0.0	3 5 0 9.0
Prudential Borrowing	3 5 8 0.0	0.0	5 0.0	3 5 3 0.0
Total Funding	7 0 8 9.0	0.0	5 0.0	7 0 3 9.0
Unsupported Borrowing	0.0	0.0	0.0	0.0

## **7. Revenue Implications**

- 7.1 The funding regime requires approximately a 50% contribution to the project through prudential borrowing undertaken through the Housing Revenue account. Repayment of the capital borrowed will be returned through the projected rental income stream.
- 7.2 Following recent changes to the revenue and capital rules for new housing, as outlined at 4.1 application will be made to the HCA for the exclusion of these units from the subsidy system and the rent pooling requirements under S80 Local Government and Housing Act.

## **8. Risk**

- 8.1 Funding is available for a relatively short time and the scheme must be completed by 2010/11. The grant level is fixed and the scheme must be managed within the overall budget, grant may also be lost if the scheme cannot be completed within this timeframe.
- 8.2 The development of the sites through this route falls outside of the EASEL phase 1 agreement and negotiation will need to take place to vary this contract.
- 8.3 As client the council will be accepting the development risk associated with a large construction contract, however technical support will be put in place and cost and quality appropriately managed.

## **9. Conclusions**

- 9.1 The project provides an opportunity to deliver new housing as part of the EASEL programme contributing to the objectives of the regeneration programme.

## **10. Recommendations**

- 10.1 Executive Board are requested to:
- 10.2 authorise the construction of the 63 unit scheme and delegate responsibility for the appropriate negotiations to the Directors of Environment and Neighbourhoods, City Development and Legal and Democratic Services within the funding approved in this report;
- 10.3 Inject and authorise expenditure of £7.089m to build 63 new social houses which will be funded from £3.509m of HCA grant and £3.580m prudential borrowing funded from the HRA.

### Appendices

Appendix 1 and 2                      Maps of EASEL sites 1 & 2

### Background Documents

13<sup>th</sup> February 2009 Executive Board Report - Support for affordable housing and regeneration priorities

22<sup>nd</sup> July 2009 Executive Board Report – Lettings Policy