

# Housing Scrutiny Report

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## House Building and Acquisitions update

Housing Scrutiny Commission: Date 31<sup>st</sup>. July 2023

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Lead member: Cllr Elly Cutkelvin  
Lead director: Chris Burgin



**City Mayor**

**Useful information**

- Ward(s) affected: potentially all
- Report author: Simon Nicholls, Head of Service
- Author contact details: 395273
- Report version number:

**Summary**

The Council has an ambitious commitment to deliver 1,500 more new council, social and extra care homes over the next four years. Delivery during the preceding four years was heavily reliant on our ongoing acquisition programme due to the time it takes to get a new build programme up and running, the COVID impact and the challenges the construction industry faced with rising process and skills shortages.

This main focus of this report will be our current new build council house pipeline for the next 4 years and our acquisition programme.

The second half of the report talks more generally about the other delivery routes we intend to use to meet the manifesto target of 1500 new affordable homes for Leicester.

This report also sets out the issues and risks affecting its achievement.

**Recommendations**

That the Housing Scrutiny Commission note the content of this report.

### 3. Supporting information including options considered:

Current new build council house pipeline:

Scheme	23/24	24/25	25/26	26/27
Saffron Velodrome		38		
Lanesborough Road			37	
Phase 2b	2	16		
Phase 3			44	
Southfields/Newry		28	25	
Stocking Farm		20	30	
FLEC		33		
Totals	2	135	136	

#### **Saffron Velodrome:** 38 New homes

Saffron Lane was tendered, and the contract awarded to Robert Woodhead Construction, unfortunately they went into voluntary liquidation soon after starting on site. We are due to go out to tender in the summer to be able to appoint a new contractor who we hope will be back on site this year.

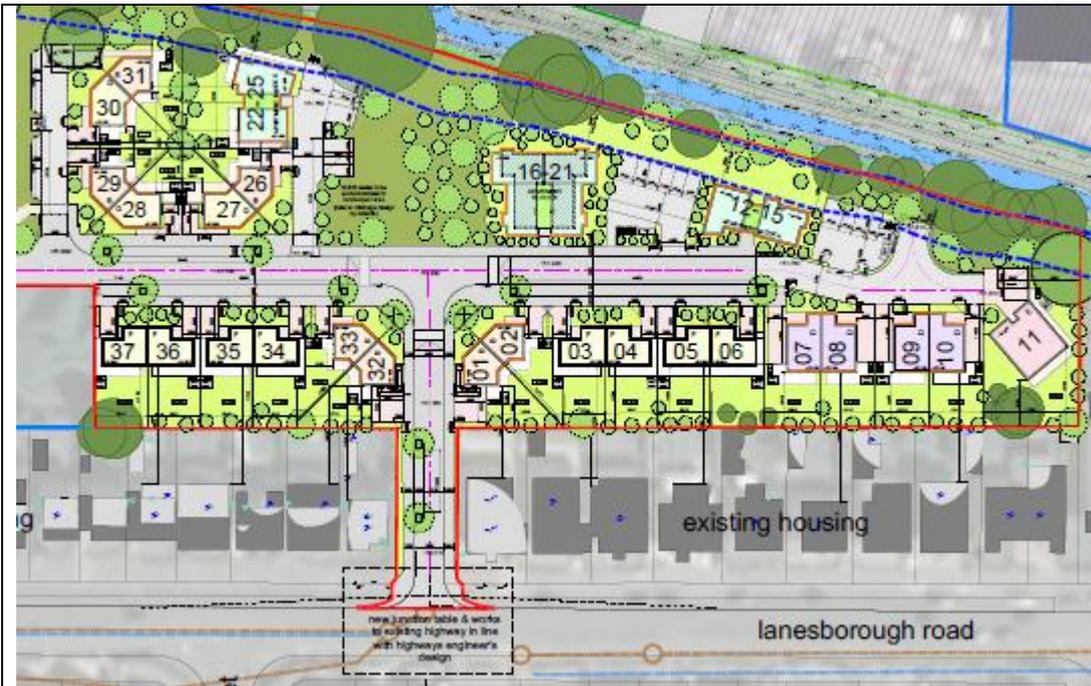


View of site in current condition



Image of proposed street scene





Layout plan





### **Phase 2b**

18 New homes across 4 sites:

These sites were also going to be delivered by Robert Woodhead's. Hydra Walk is currently progressing with another contractor due to it being a reconfiguration rather than a traditional new build project. The other three sites will be procured as a package with Lanesborough Road

- Hydra Walk (2 homes),
- Rockingham Close (3 homes),
- Austin Rise (8 homes),
- Whitteney Drive (5 homes)

### **Phase 3**

These sites are currently being assessed.

44 New homes across 6 sites

- Cranstone Crescent (3 homes),
- Tatlow Road (2 homes),
- Somers Road (3 homes).
- Tilling Road (18 homes),
- Glazebrook Square (10 homes),
- Dysart Way (8 homes).

## **Forest Lodge Education Centre (FLEC) 33 New homes**

The site is due to be cleared in the summer. We have started consulting with the neighbouring residents and will soon be submitting a full planning application and seeking a contractor to deliver the scheme.





Layout plan

## Southfields Newry 53 new homes

This is the site of a former school, which has since been demolished. The project is due to be tendered in the coming weeks.



Aerial photograph of site



Proposed layout



View of proposed scheme

## Stocking Farm: 50 new homes

This is an exciting and complex redevelopment of the area that includes existing residential units, shops, garages and community facilities. An extensive stakeholder engagement exercise has taken place, the scheme is currently being considered by Planning and once planning has been secured the project team will seek to secure a developer to deliver the project.



Aerial picture of the existing site



Layout plan



Visual of proposed scheme

Key milestones

<b>Scheme</b>	<b>Tender return date</b>	<b>Start on site</b>	<b>Completion</b>
Saffron Lane	Sept 23	Jan 23	March/ April 24
Southfields and Newry	Oct/Nov	March 23*	tbc
Stocking Farm	Oct/Nov	March 23*	tbc
FLEC	Nov 24	Jan 25	tbc

\*estimated

## Acquisitions:

The number of properties we can buy using Right to Buy Receipts is governed by the number of new build houses that are built using retained right to buy receipts.

For 22/23 and 23/24 the Council is permitted to retain 100% of the receipts from the sale of properties through Right to Buy. These receipts must be spent within 5 years and can be used to fund up to 40% of eligible capital expenditure. We call this retained right to buy receipts (RTBR).

To encourage Councils to use RTBR for building rather than buying properties, the Government introduced a cap on the number of property acquisitions. In 23/24 and 24/25, for each house that is built using RTBR we can buy one, also using RTBR. We can also buy houses using other forms of finance such as Home England Funding or by bidding to The Department of Levelling Up, which we are currently doing.

The following table shows the number of acquisitions we expect to be buying every year for the next 4 years and their funding stream:

	23/24 (actuals)	23/24 pipeline	24/25	25/26	26/27
RTBR	30	92	85		
Homes England	11	30			
SHAP					
LAHF	17				
other					
<b>totals</b>	<b>58</b>	<b>122</b>	<b>85</b>	<b>129*</b>	<b>171*</b>

\*estimated, funding route to be confirmed.

The majority of our programme is buying single 2/3 bedroomed former council houses. This meets the demand for family accommodation and the homes fit back easily into our planned and responsive works programmes.

We do consider larger acquisitions, the following are currently in our pipeline

### **The ZIP building:**

This is a former student block located on Rydall Street. It consists of 58 units of predominantly 1 bedroomed flats. We are due to complete on this building by 1<sup>st</sup> September 2023.

## Other affordable housing delivery routes

The main purpose of this report is to set out our new build delivery pipeline and acquisition programme but to meet the manifesto commitment of 1500 new affordable homes the following delivery routes will also be used:

- The development of non-strategic Local Plan sites for new council housing
- The development of non-strategic Local Plan sites for delivery by Registered Providers (RP)
- Known schemes being delivered by others, including Extra Care and Supported Living schemes.
- Planning gain affordable housing

### The development of non-strategic local plan sites for new council housing:

The local plan is not due to be adopted until early 2024, once it is sites will be identified for the delivery of new council housing, however these sites cannot be delivered until 25/26 at the earliest,

### The development of non-strategic local plan sites for delivery by Registered Providers (RP's)

We know registered providers have had difficulty in the past securing sites but are keen to deliver in Leicester therefore we intend to work with RP's to deliver new affordable units on non-strategic Local Plan sites once the Local Plan has been adopted

### Known schemes being delivered by others, including Extra Care and Supported Living schemes

The following are 100% affordable housing schemes we know are likely to be delivered during the course of the manifesto period by registered providers in the city.

Site	23/24	24/25	25/26	26/27
Abbey Park Road former bus depot site – phase 1		117		
Phase 2		100		
Loughborough Road		100		
Sturdee Road	14			
2 x Extra Care Schemes				155
The Exchange – supported living scheme		27+		
Barkby Thorpe Road		18		
Totals	14	362		155

## Planning gain affordable housing

The following table is a summary of the affordable housing to be delivered through planning gain linked to the development process. Planning Gain affordable housing is secured as a planning condition and is typically 30% of the total number of homes being built. The developer normally works with a registered provider who will own and manage these units. Typically the Council will nominate the tenants on 100% of the first lets.

Ashton Green is the single biggest development currently in the city and will be delivering the majority of the planning gain affordable units we expect to be delivered during the manifesto period.

Development		23/24	24/25	25/26	26/27
Ashton Green					
AG Phase B		20	18	20	20
AG Phase C			10	20	20
AG Phase D				5	15
AG Phase E				5	10
<b>totals</b>		<b>20</b>	<b>28</b>	<b>50</b>	<b>65</b>

## Delivery Summary including current pipeline

Delivery phase	23/24	24/25	25/26	26/27	Grand Total
Current Housing Pipeline	2	135	136		273
Phase 4 – nonstrategic LP sites *			100	100	200
Non-strategic sites, delivery by RP's**			100	98	198
Section 106– Planning Gain	20	28	50	65	163
Known future delivery by others, 100% affordable schemes	14	362		155	431
Additional Brownfield Sites			138		138
<b>Total New Builds</b>	<b>36</b>	<b>525</b>	<b>524</b>	<b>418</b>	<b>1503</b>
Allowable acquisitions	180	85	129	171	565**
<b>Grand Total</b>	<b>216</b>	<b>610</b>	<b>653</b>	<b>589</b>	<b>2068</b>

\*Assumes only 200 of the totals will be delivered during the specified timeframe

\*\* subject to funding.

## Climate credentials

The following is the current specification for Saffron Velodrome, it is expected that all schemes will be delivered to this or a similar specification:

The new houses will be constructed under current Part L of the Building regulations, below is the proposed specification for the new houses, the following is based on the 38 homes at Saffron Velodrome, we are still finalising the Lanesborough Road site, however it will follow the same principles:

Item	Standard	Specification
Walls - Brick	0.16 W/m2.K	Masonry cavity wall with partial fill or full fill insulation.
Party wall	0.00 W/m2.K	Fully filled party wall
Roof (ceiling)	0.09 W/m2.K	Tradition trussed roof with 500mm mineral wool insulation
Ground Floor	0.12 W/m2.K	Suspended floor with either insulated blocks or insulation on beam and block floor
Windows & Glazed doors	0.80 W/m2.K	Triple glazed 'g' value = 0.57
Front door	1.00 W/m2.K	
Air test	3 m3/hr/m2	
Accredited Details	Accredited and Concrete Block Association	Separate lintels

The 'U' value is a measure of how efficient a material is as an insulator, the lower the number the better the materials insulating qualities.

These homes will have increased thermal efficiencies compared to that is required under the current building regulations, below is a comparison table that shows you the improvement as a percentage:

Item	Standard	Building Regs	Improvement
Walls Cavity	0.16 W/m2.K	0.30 W/m2.K	47%
Roof (Ceiling)	0.09 W/m2.K	0.20 W/m2.K	55%
Ground Floor	0.12 W/m2.K	0.25 W/m2.K	52%
Windows	0.80 W/m2.K	2.00 W/m2.K	60%
Front Door	1.00 W/m2.K	2.00 W/m2.K	50%
Air Permeability	3 m3/hr/m2	10 m3/hr/m2	70%

The proposed building fabric improvements show an up to 70% improvement based on current building control standards.

Building Services, heating and hot water:

Item	Standard	Specification
Heating and ventilation	Air to Air Heat Pump	Nilan Compact P**
Heating Controls	Programmer and room thermostat	
Heating Features	Via air (Nilan Compact)	
Hot Water	Via the Nilan Compact	180 litre storage tank, 0.84 kWh/day losses
Ventilation	Via the Nilan unit	
Lighting	100% low energy lighting	

Air to Air Heat pump:

An air source heat pump takes heat from the air and boost it to a higher temperature, the pump needs electricity to run but should use less electricity than the heat that it generates.

The proposed Nilan Compact P is a multi-function air to air heat pump that provides highly efficient space heating, hot water and integrated heat recovery ventilation.



Solar PV panels:

PV panels convert solar radiation into direct current electricity. They are a very good source of renewable energy as they convert the most abundant source of energy on the earth, the sun, into the most useful source of energy, electricity.

PV panels are silent in operation, they have no moving parts, low levels of maintenance and a long-life expectancy. They are connected into the grid via an inverter and more recently battery technology has improved so the electricity can now be stored.

Solar PV is more efficient in lower temperatures, they should be located to avoid over shading and preferable face due south at an angle of 35 degrees. The output of PV panels is measured in kWp, kilowatts peak. The average cost of an installation will be between £2k - £3k.

We are proposing installing 6 x 250-watt panels to each of the roofs with the exception of two plots that will need 8 panels to achieve the required EPC 'A' rating, see below:

	Plots	Panels per roof	Total PV panels	kWp PV	Energy kWh/yr
South Roofs	5	6	30	7.50	6,475
SW Roofs	29	6	174	43.50	35,815
West Roofs	2	6	12	3.00	2,435
<b>West Roofs</b>	<b>2</b>	<b>8</b>	<b>16</b>	<b>4.00</b>	<b>3,247</b>
<b>TOTAL</b>	<b>38</b>		<b>152</b>	<b>58.00</b>	<b>47,972</b>

Based on the above 47,972kWh/year on site renewable energy will be generated.

Carbon emission summary,

House Type	No.	Floor area	TER	DER	Baseline	Actual	Saving	Saving
		m2	kgCO2/m2/yr	kgCO2/m2/yr	kgCO2/yr	kgCO2/yr	kgCO2/yr	%
Type A1	4	64.4	28.25	5.35	7,277	1,378	5,899	81.06%
Type A2	2	64.4	25.34	6.58	3,264	848	2,416	74.03%
Type B	2	70.84	31.45	6.69	4,456	948	3,508	78.73%
Type C1	4	81.84	25.95	6.05	8,495	1,981	6,514	76.69%
Type C2	6	81.84	25.75	5.95	12,644	2,922	9,723	76.89%
Type D	2	98.76	28.44	8.7	5,617	1,718	3,899	69.41%
Type E	10	92.88	24.95	6.56	23,174	6,093	17,081	73.71%
Type F	3	117.06	27.27	8.62	9,577	3,027	6,550	68.39%
Type G1	2	146.58	21.09	7.97	6,183	2,336	3,846	62.21%
Type G2	2	146.58	21.96	8.47	6,438	2,483	3,955	61.43%
Type H	1	103.33	28.18	9.72	2,912	1,004	1,907	65.51%
	<b>38</b>				<b>90,036</b>	<b>24,738</b>	<b>65,298</b>	<b>72.52%</b>

All dwellings will have an EPC rating of A and the predicted annual electricity bill of £440 per year, or £36 per month, which compares well to £443 per year for a similar sized Passive House.

This is compared to the average dual fuel energy bill in the UK of £1,138 per year or £93.83 a month. (Ofgem 2020)

#### Sustainability Electricity usage

These houses will be carbon free because they will be solely powered by electricity. The councils energy supplier, Robin Hood Energy supply only electricity from renewable sources.

#### **Risks and issues to delivery:**

- The lack of available sites for residential development, the majority of the sites are currently subject to the Local Plan process
- A decrease in Planning Gain Affordable Housing, with only Ashton Green showing any significant delivery
- The risks to the delivery of the 155 new Extra Care units.
- Changes to the RTBR rules on acquisitions, whilst these have been relaxed for the next two years it will impact on our ability to buy more houses.
- Significant increases in actual and predicted costs for the delivery of schemes and the impact this has on viability and delivery.
- The delivery of the sites pending the adoption for the new Local Plan, any delays to the LP will mean that these sites will not be delivered in the current manifesto period.
- The new build and acquisition programmes are reliant of the use of RTBR for funding.
- The rents that we charge are capped at LHA rates. Whilst the cost of building and buying properties has increased significantly over recent years, the LHA rates have remained frozen, affecting the financial viability.

#### 4. Details of Scrutiny

#### 5. Financial, legal and other implications

##### 5.1 Financial implications

£215m has been added to the HRA capital programme for affordable housing since November 2019, for the acquisition and building of new dwellings.

Given that sub-market rent is charged for affordable housing, its development relies on capital subsidy. Typically, this takes the form of retained Right to Buy receipts, but can also be through Homes England grant, along with other more recent grants which the government has made available.

High inflation on build costs combined with the continued freeze on Local Housing Allowance rates means that identifying schemes which are financially viable for affordable housing is increasingly difficult. A financial assessment will need to be undertaken for each scheme proposed within this report to estimate the likely impact on HRA finances.

Stuart McAvoy – Head of Finance

##### 5.2 Legal implications

While there are generally no legal implications to note, the following provides some general guidance.

As a statutory housing authority, the Council has general powers under the Housing Act 1985 (sections 9 and 17) to acquire land and property for housing purposes and to construct new properties on land within its ownership. The Act also gives the Council powers (under section 32) to dispose of land and property for housing purposes. Any potential acquisition, new build or disposal referred to in this report would therefore be permitted within the remit of the 1985 Act.

The Council's Constitution and Scheme of Delegation contains the internal framework of decision-making for acquisitions and disposal of property.

While the Housing Act provides powers for housing purposes, Section 123 of the Local Government Act 1972 imposes an obligation on local authorities to dispose of land for "the best consideration that is reasonably obtainable in the circumstances". However, the Council is permitted to dispose of land for less than best consideration in certain circumstances under the 2003 General Disposal Consent ("the GDC"). The disposal must be one which will secure the economic, social or environmental well-being of the area in question. If a property is sold at less than best consideration, the undervalue for

the purposes of the GDC must not exceed £2m. In that instance, Secretary of State consent would need to be obtained. The provision of new housing is generally recognised as falling within the remit permitted by the GDC.

The right to buy is a long-established legal right for Council tenants and, as advised in this report, the Council is permitted to utilise a percentage of the RTB receipts for the purpose of acquiring or constructing replacement housing properties. The limits and conditions referred to in this report relating to those receipts are generally set by Government but it should also be noted that the Council has a general fiduciary duty to act in the best interests of the residents of Leicester.

Individual properties acquired using the RTB receipts tend to have been previously owned by the Council (and which had previously been sold under the RTB legislation). As a result, the Council will already have some knowledge of the history of the property. However, whilst that is the case, a full due diligence exercise is undertaken through Estates and by Legal Services. Properties not previously owned by the Council have, on occasion, also been acquired using the RTB receipts but this is not the current practice.

There are references throughout the report to “open space” properties being utilised for housing. This gives rise to other legal procedural requirements such as the obligation to publish a notice of intention to dispose of open space. These notices can often give rise to objections from the public and these objections need to be taken into account when taking decisions whether to dispose or not.

Any land referred to in this report that is owned by the Council but which is not currently held for housing purposes must first follow an internal “appropriation” process. These internal appropriations must be treated as disposals and have the same legal obligations imposed on them as mentioned above.

Legal Services continue to work closely with other services to advise and action all acquisitions and disposals in order to achieve the targets referred to herein

### 5.3 Climate Change and Carbon Reduction implications

Housing is one of the largest sources of carbon emissions in Leicester, responsible for 33% of the city’s carbon footprint. Following the city council’s declaration of a Climate Emergency in 2019, and it’s aim to achieve carbon neutrality, addressing the emissions from housing is vital to the council’s efforts to reduce carbon emissions. This is particularly important where the council has the greatest level of control and influence over housebuilding and acquisition, including those schemes included within this report.

As such, consideration should be given to all opportunities to ensure that housing delivered within the city is low carbon and energy efficient, either within new build projects or as part of refurbishments. Potential measures could include the use of sustainable materials and construction practices, installation of efficient insulation, lighting and low carbon heating systems and the fitting of renewable energy systems such as solar PV panels and heat pumps. These measures would also reduce energy bills and improve the level of comfort for occupants. Any development will nonetheless be required to follow policy CS2 of the Adopted Leicester Core Strategy and relevant building regulations.

A toolkit is also being developed to support the achievement of reduced carbon emissions in future council capital construction and renovation projects.

Aidan Davis, Sustainability Officer, Ext 37 2284

#### 5.4 Equalities Implications

When making decisions, the Council must comply with the Public Sector Equality Duty (PSED) (Equality Act 2010) by paying due regard, when carrying out their functions, to the need to eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act, to advance equality of opportunity and foster good relations between people who share a 'protected characteristic' and those who do not. In doing so, the council must consider the possible impact on those who are likely to be affected by the recommendation and their protected characteristics.

Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

The report provides an update on House Building and Acquisitions. Provision of good quality affordable homes for local people that help to address evidenced housing needs in the city both in terms of lack of availability and suitability are likely to have positive impacts in terms of the aim of the PSED to advance equality of opportunity for people from across all protected characteristics. By providing affordable housing where peoples' needs are met in a community setting there is also potential to better foster good relations between those who share a protected characteristic and those who do not.

The impact of the lack of decent, affordable and secure housing goes far beyond reducing the amount of money households have to live on; this also has a wider social impact. The cost of housing is directly related to housing quality and standards. For many, being unable to afford decent housing means having to live in poor quality homes unfit for habitation or overcrowded conditions to reduce costs, to the detriment of physical and mental health.

It is important that new housing is well designed and can contribute to a good quality of life and meet the diverse needs of residents. Accessible and inclusive design will support the general aims of the PSED.

Equalities Officer, Surinder Singh, Ext 37 414

#### 5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

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**6. Background information and other papers:**

**7. Summary of appendices:**

**8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?**

Yes/No

**9. Is this a “key decision”?**

Yes/No

**10. If a key decision please explain reason**



**City Mayor**