

3. Supporting information including options considered:

3.1 Leicester has evidenced need for 786 new units of affordable housing each year (Housing and Economic Needs Assessment, 2017). Since 2015, the city has gained an average of 125 new affordable housing dwellings a year. This means that, on average, the city has been securing only 16% of the new affordable housing it needs each year.

3.2 A range of measures to seek to increase the supply of new affordable housing was reported to the Housing Scrutiny Commission in November 2017, and officers have continued to seek further opportunities. Furthermore, the Council now has an ambitious target of achieving an additional 1,500 new council, social and extra care/supported living homes by 2023.

3.3 A key factor behind the limited progress noted above has been that direct provision of additional affordable housing was severely constrained by Government rules applying a borrowing cap to the HRA. These rules were relaxed from late October 2018 following widespread lobbying, including several direct approaches to Government by the Council. The relaxation has given the HRA much greater freedom to borrow. Hence in the last year, the Council has been able to embark on a significant programme of acquisitions and new build.

3.4 However, it should be noted that some national constraints remain. In particular, the proportion of total costs that can be met by Right to Buy receipts remains at 30%, with on-going lobbying to increase this figure. In addition, the Government's recent and unexpected decision to significantly raise the interest rate on long term borrowing from the Public Works Loans Board may over time increase the on-going costs to the HRA, potentially impacting on the scale of future capital investment that can be afforded.

3.5 Approved investment since March 2018 in new build council homes and acquisitions has amounted to a total approved budget of £37.360m. Much of this has been enabled by the successful campaign to remove the HRA borrowing cap. The approvals are summarised in the table below (figures in £000):

		Acquisition s	New Build	Total
Executive Decision	28/03/2018	£880	£0	
Executive Decision	26/09/2018	£900	£0	
Executive Decision	10/12/2018	£8,000	£0	
Director Approval	14/12/2018	£0	£200	
Total 2018/19 Approvals		£9,780	£200	£9,980
Full Council Executive Decision	20/02/2019	£4,880	£6,200	
Executive Decision	10/06/2019	£7,000	£0	
Executive Decision	16/08/2019	£9,300	£0	

Decision			
	Total 2019/20 Approvals	£21,180	£6,200
			£27,380
	Total Approvals to Date	£30,960	£6,400
			£37,360

3.6 The first phase of the investment has seen significant acquisitions of existing properties, as the quickest way of increasing the number of council homes. As at the end of September, the funding has enabled the purchase of 141 dwellings (and a small residential site), and the Council's offers to be accepted on a further 42 dwellings which are now undergoing conveyancing to Council ownership. Of these 183 properties, 146 are family houses (43 two bed roomed, 101 three bed roomed and 2 five bed roomed), 22 are bedsits, 14 are flats (13 one bed roomed and 1 two bed roomed) and 1 is a 3 bed roomed bungalow.

3.7 Work to identify further properties for acquisition is on-going. Future potential purchase opportunities include:

- i) The purchase of privately-owned dwellings within existing council housing areas;
- ii) The purchase of privately-owned dwellings outside of existing council areas; and
- iii) Other opportunities to meet Affordable Housing needs.

3.8 In addition, Phase 1 of new build council housing is underway, which will see the completion of 29 new build council homes in spring/summer 2020. Phase 2 will see the sites currently being assessed for development potential being brought forward and developed. Delivery of new build homes inevitably takes longer to achieve from start to finish than acquisitions. New build homes are expected to form a significant part of the proposed £70m further investment, now that planning and development is actively underway.

3.9 All newbuilds and purchases are resulting in new council housing, to be held within the HRA and to be let via HomeChoice to people on the Housing Register. The provision of decent, affordable council housing is likely to have positive impacts for households from across all protected characteristics and for households on low incomes. Currently the council owns a total of approximately 20,000 council dwellings and there are 6,000 households on the council's Housing Register. There is currently still a wide range of existing energy efficiency performance across our housing stock and this is likely to impact on our tenants' experience of fuel poverty. The current management and maintenance approach for our HRA dwellings reflects the council's commitment to seek to tackle fuel poverty and climate emergency issues. Housing is one of the largest sources of carbon emissions in Leicester, responsible for 33% of emissions. Following the city council's declaration of a Climate Emergency in 2019, and its aim to achieve carbon neutrality, addressing the emissions from housing is a vital part of the council's efforts to reduce carbon emissions. In line with this and following a 'fabric first' approach, the following works are part of our existing and proposed programme of works for council dwellings:

Existing Programme:

- a. Dwellings bought by the HRA will have works completed prior to letting to

ensure they achieve an average Energy Performance Certificate (EPC) of C. Such works may include the fitting of an up to date and efficient boiler, adequate loft insulation and double-glazed windows;

- b. Where suitably located, the potential for newly acquired dwellings to be connected to the district heating system is explored;
- c. All Phase 1 newbuild council dwellings will meet Building Control requirements in terms of insulation, energy efficiency, etc.

Proposed Programme:

- a. Officers will review the proposals for the 99 new-build council homes in Phase 2 as soon as possible to establish what additional carbon reduction measures might be introduced;
- b. Officers will liaise with East Midlands Housing to seek to review the carbon reduction and energy savings achieved and the benefits experienced by the tenants at Leicester's first Passivehaus development at Heathcott Road and will seek further information on the recently completed Passivehaus council house development at Norwich;
- c. Housing Officers are working with the council's Corporate Environmental Consultant to agree an energy efficiency/carbon reduction standard for all future new build council dwellings, to help address fuel poverty and to reflect the council's aspirations to be an exemplar affordable housing provider.

3.10 As described, the additional £70m now sought for the HRA will provide the approval required to continue with a significant on-going programme of new build and acquisitions. It will also minimise the obligation to repay to the Government unused Right to Buy (RTB) receipts from the sale of council housing properties. It will cover costs including:

- i) Construction of new council homes;
- ii) Purchase of existing privately owned dwellings;
- iii) Purchase of land and other properties suitable for conversion into residential use; and
- iv) Any works required to bring purchased dwellings up to Leicester's letting standard.

3.11 Based on average costs of acquisitions completed to date, this £70m investment should yield up to 400 more new council homes at affordable rents. Therefore, the approval of such funds will enable progress towards the Council's ambitious target of achieving an additional 1,500 new council, social and extra care/supported living homes by 2023.

3.12 To enable the programme to proceed in a timely fashion whilst providing for appropriate on-going governance, it is proposed that further formal approval from the City Mayor should be required where proposed spend on an individual site (acquisition of land / buildings and/or construction) exceeds £1m.

4. Details of Scrutiny

This report is presented to full Council.

5. Financial, legal and other implications

5.1 Financial implications

A £70m addition to the capital programme for council housing at affordable rents is proposed. This follows recent previous approvals for significant investment in acquisition of privately owned properties and development of a new build programme.

Some 30% / £21m would be funded by retained Right to Buy receipts, this being the maximum permitted by the Government.

The 70% / £49m balance would be funded by HRA resources and prudential borrowing, as determined by the Director of Finance. The current intention is that 50% would be funded by borrowing and 20% by allowable debt. This would enable the costs of financing the borrowing to be met from the rental income which would be charged on the additional properties. "Allowable debt" is a separate element of previous right to buy receipts which the Government allows us to spend for capital purposes, or to use to repay existing debt. Use in this way means that the monies are no longer available to repay debt.

The sum of £70m will provide the capital programme approval required to minimise the obligation to make any mandatory repayment of Right to Buy receipts to the Government.

Colin Sharpe, Deputy Director of Finance, ext. 37 4081

5.2 Legal implications

The Council has powers to apply "Right to Buy" receipts in accordance with relevant legislation and guidance and particularly the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and subsequent amendments, and the terms of any agreement reached under the Local Government Act 2003 modifying the application of the regulations. This includes using an element of receipts for the purpose of funding the construction and provision of housing. The obligation and criteria for the repayment of unused receipts to the Government are also specified.

In respect of the purchase of properties on the open market (including former "right to buy" properties), the Council has powers to acquire land and property for housing purposes under Sections 9 & 17 of the Housing Act 1985 (as amended). Any acquisition will be subject to the matters to which the titles to the properties are subject and it is advised that appropriate due diligence is undertaken to ensure that the property is suitable for housing purposes.

The Capital Programme (as approved by Full Council) comprises "immediate starts" and Policy Provisions. The former is authorised to proceed without further decision-making, whereas the latter requires a formal decision when ready to proceed. The expenditure under the proposals in this paper would be categorised as "immediate starts". However, for the reasons set out in paragraph 3.12 a de-minimis threshold of £1m is proposed, above which expenditure should be subject to formal decision-making.

As Council will have approved inclusion in the capital programme, such formal decisions will not be “key” under the constitution and will not need advance notice in the forward plan (the call in provisions of the constitution will however still apply). This de minimis threshold will be achieved by the City Mayor making appropriate modifications to his published Scheme of Delegation.

John McIvor, Principal Lawyer, ext. 37-1409

5.3 Climate Change and Carbon Reduction implications

Housing is one of the largest sources of carbon emissions in Leicester, responsible for 33% of emissions. Following the city council’s declaration of a Climate Emergency in 2019, and its aim to achieve carbon neutrality, addressing the emissions from housing is therefore a vital part of the council’s efforts to reduce carbon emissions. In practice, housing will need to become carbon neutral in order for the city as a whole to be carbon neutral.

Where the HRA monies are used to purchase existing housing, all opportunities to improve the energy efficiency of these properties and to reduce their carbon emissions should be investigated. This includes fitting improved insulation, installing energy efficient, low-carbon heating and lighting and installing renewable energy technologies where possible. The ‘fabric first’ approach proposed in the report makes sense because it can reduce fuel poverty at the same time as reducing carbon. So to address the climate emergency it is recommended that all practical insulation measures are implemented now – and that the council seeks to exceed the target of an EPC ‘C’ rating wherever possible. In addition, properties not fitted with low-carbon and renewable systems at this stage will require them in future to become carbon neutral. For example, gas heating systems will ultimately need to be replaced with low carbon alternatives such as heat pumps.

Where new housing is designed and built, the opportunity should be taken to make developments ‘exemplars’ of sustainable and low carbon housing from the outset. Financially, it is cheaper to build to a very low-carbon standard in the first place rather than paying to upgrade the property later. For Leicester to become carbon neutral by or before 2030, any retrofitting of measures to non-exemplar houses would be required before this date to achieve it. An exemplar new house would be designed to require an extremely low amount of energy to run – typically at or close to the ‘Passivhaus’ standard – which would keep bills down for tenants. It would be heated using ultra-low carbon heating such as a ground or air-source heat pump, and would usually generate a proportion of its own energy from solar panels where the site allows. The carbon footprint of the building materials would ideally also be reduced.

Officers from Housing will work with the Sustainability Section of Estates and Business

Services to develop and bring back proposals for carbon reduction from the Phase 2 new-build houses, to address the climate emergency as far as can be achieved within available resources and other constraints.

As well as benefitting Leicester through reducing the city's carbon emissions, this would also significantly reduce energy bills for future tenants and reduce the risk of them falling into fuel poverty.

Aidan Davis, Sustainability Officer, ext. 37 2284 and Duncan Bell, Corporate Environmental Consultant, ext. 37 2249.

5.4 Equalities Implications

Under the Equality Act 2010, public authorities have a Public Sector Equality Duty (PSED) which means that, in carrying out their functions, they have a statutory duty to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

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 aim of the proposals is to progress towards the council's aim of achieving an additional 1,500 new council, social and extra care/supported living homes by 2023. Therefore, the approval of such funds will likely have positive impacts for households from across all protected characteristics. It is important that inclusive design principles are adhered to. Accessible and inclusive design will support the general aims of the PSED and will be beneficial particularly in removing barriers to participation in public life.

By providing suitable 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.

Surinder Singh Equalities Officer, ext. 37 4148

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

6. Background information and other papers:

7. Summary of appendices:

None.

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)?

No.

9. Report Author

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