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# **Executive Decision**

**Increasing the supply of new Affordable Housing:  
Request for increased funding towards proposed  
Supported Living Scheme at Waterside**

Decision to be taken by:  
Deputy City Mayor, Housing, Economy and  
Neighbourhoods:  
Date: 25 June 2024

Lead director/officer: Chris Burgin

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## Useful information

- Ward(s) affected: Abbey
- Report author: Janet Callan, Programme Manager – Affordable Housing
- Author contact details: 37 1752
- Report version number: V3

### 1. Summary

- 1.1 On 6.10.22, the City Mayor approved the use of up to £4.9m of unallocated Right to Buy Receipts (RTBR) as grant payment to East Midlands Housing (EMH) towards their projected total capital costs for the provision of 55 planning gain Affordable Housing dwellings within the proposed 75 unit Supported Living scheme to be built within the new Waterside residential development; subject to EMH entering into an Affordable Rent Grant Agreement with the Council. It will be EMH Housing and Regeneration Limited (EMH) that will enter into the Grant Agreement with the council.
- 1.2 Since that time, EMH has continued to work up their proposal and is awaiting determination of the planning application for the scheme. However, the high interest rates and inflation-increased costs have resulted in the projected total capital costs for the scheme increasing significantly. EMH has therefore sought additional grant payment from the Council towards the 55 planning gain Affordable Housing dwellings at this proposed scheme.
- 1.3 This report seeks the City Mayor's approval for a further amount of up to £0.8m to be added to the proposed grant payment it makes towards these 55 dwellings at this scheme, giving a proposed total Council grant payment of up to £5.7m or 40% of the total capital costs for the 55 dwellings, whichever is the lowest amount.

### 2. Recommended actions/decision

2.1 That the Deputy City Mayor approves:

- i) the addition of up to £0.8m of unallocated Right to Buy Receipts, on top of the previously approved amount of up to £4.9m, as grant payment to EMH Housing and Regeneration Limited towards their projected total capital costs for the provision of 55 planning gain Affordable Housing dwellings within the proposed 75 unit Supported Living scheme to be built within the new Waterside residential development; subject to EMH entering into an Affordable Rent Grant Agreement with the Council;
- ii) the addition of a further £0.8m to the Housing capital programme for 2024/25 financed from unallocated Right To Buy Receipts.

### 3. Scrutiny / stakeholder engagement

There is existing planning consent (PA 20182255) for a 78 unit supported housing scheme within the wider residential development currently under construction by Keepmoat. There is a planning application for a revised 75 unit supported housing scheme currently awaiting determination (PA 20231899).

Back in 2022, the ward councillors had been advised of EMH's original proposals and their funding request. Two of the three ward councillors responded and both support this

proposal. The Deputy City Mayor for Housing, Economy and Neighbourhoods had been briefed on this proposal and had confirmed her support for it. The Deputy City Mayor with responsibility for Social Care, Health and Community Safety had sight of the draft version of the original report and had also confirmed her support.

No further engagement has been undertaken in regards to this request for an increased level of grant funding.

#### **4. Background and options with supporting evidence**

Keepmoat is delivering a residential redevelopment of the Waterside area to provide 366 dwellings. LCC's planning policy includes for 15% of dwellings at this site to be for Affordable Housing and so the planning consent has secured 55 dwellings for Affordable Housing.

LCC's priority Affordable Housing need for this site is for a Supported Living Scheme for people aged at least 18 who are in receipt of an SCE (Social Care & Education) care package. Keepmoat's proposals include for a 78 unit supported housing scheme block. Keepmoat's proposed Registered Provider (RP) partner, EMH, has confirmed that it will take on the entire supported housing scheme – ie the 55 planning gain Affordable Housing Supported Living units as well as the remaining units within the proposed block. EMH propose that all the dwellings will be let as social rent units.

EMH have proposed some changes to the planning consented supported housing block, subject to planning approval, which will result in more communal space within the proposed scheme and a reduction in the total number of units from 78 down to 75. EMH are proposing to use Homes England (HE) grant funding towards the 20 additional dwellings but government rules prevent them from being able to use HE funding towards the costs of the 55 planning gain dwellings. To make the proposed scheme financially viable, EMH had previously approached LCC for grant funding towards the 55 planning gain dwellings.

On 6.10.22, the City Mayor approved the use of up to £4.9m of unallocated Right to Buy Receipts (RTBR) as grant payment to East Midlands Housing (EMH) towards their projected total capital costs for the provision of 55 planning gain Affordable Housing dwellings within the proposed 75 unit Supported Living scheme to be built within the new Waterside residential development; subject to EMH entering into an Affordable Rent Grant Agreement with the Council.

Since that time, EMH has continued to work up their proposal and is awaiting determination of the planning application for the scheme. However, the high interest rates and inflation-increased costs have resulted in the projected total capital costs for the scheme increasing significantly. EMH has therefore sought additional grant payment from the Council towards the 55 planning gain Affordable Housing dwellings at this proposed scheme.

The Council has RTBR funds available to invest in securing new Affordable Housing and could look to grant-aid EMH's proposed provision of the 55 planning gain dwellings by up to 40% of the eligible capital costs.

This report seeks the City Mayor's approval for a further amount of up to £0.8m to be added to the proposed grant payment it makes towards these 55 dwellings at this scheme, giving a proposed total Council grant payment of up to £5.7m or 40% of the total capital costs for the 55 dwellings, whichever is the lowest amount.

## 5. Detailed report

EMH has asked LCC for an increased level of grant funding towards the costs of providing the 55 planning gain dwellings within the proposed supported housing block at the Waterside. These 55 dwellings will all be for social rent and be let to people aged at least 18 who are in receipt of an SCE (Social Care & Education) care package. The proposed mix for these dwellings is as follows:

48 x 1 bedrooled/2 persons flats designed to the Accessible and Adaptable Standard M4(2);

3 x 1 bedrooled/2 persons flats designed to the Wheelchair User Standard M4(3)(2)(b);

4 x 2 bedrooled/3 persons flats designed to the Wheelchair User Standard M4(3)(2)(b).

All of these proposed dwellings will meet the Nationally Described Space Standard.

SCE officers have confirmed that EMH's proposed scheme, in terms of the proposed mix of dwellings and the proposed scheme design (including communal facilities), will meet priority supported housing needs.

EMH has recently advised that the revised projected total capital costs for the 55 planning gain dwellings is now £13.263m and therefore they are now seeking up to £5.3m in funds from LCC, an increase of up to £0.4m on the currently approved amount. Officers think it prudent to add a further buffer/contingency, in case the actual total eligible capital costs for the 55 planning gain units exceed currently projected costs. This report therefore seeks approval to add up to a further £0.8m to the already approved amount of LCC for this scheme. Government rules on RTBR spend requires that no more than 40% of the actual eligible spend can be financed by RTBR. Therefore, should this report's recommendations be approved, LCC will fund 40% of the evidenced eligible actual costs or £5.7m, whichever is the lower amount.

EMH has confirmed that it will enter into a nominations agreement with the Council for these properties.

EMH is aware that any in-principle approval of funding will be conditional upon EMH entering in to a Grant Agreement with Leicester City Council that will be subject to Subsidy Controls Advice.

EMH advise that the earliest date for significant capital spend on this project is likely to be March 2025, but that this might slip into 2025/26 with practical completion of the 75-unit block projected in 2026/27.

EMH is aware that Leicester City Council has declared a climate emergency and the RP is currently developing environmental and sustainability strategies taking into account both existing and new properties. EMH is committed to delivering highly sustainable and environmentally conscious buildings. EMH advise that the new supported living building at Waterside will adopt a 'fabric first' approach that will maximise the performance of the components and materials that make up the building fabric itself; this will reduce the need or extent of mechanical or electrical building services systems, however, a review is being undertaken to determine what could be provided at Waterside and a full energy strategy & sustainability statement will be developed for the building.

There has been a cap in place on the number of acquisitions of properties that can take place within the Housing Revenue Account since April 2022. This cap is determined by

the supply of new build housing that is part financed from Right to Buy Receipts in the same year. By granting EMH Right to Buy Receipts towards this scheme, the Council will be permitted to acquire 55 more dwellings using RTB receipts in 2024/25 or acquire 24 more dwellings in 2025/26 (depending on which financial year the start on site falls).

The proposed scheme is to be built on land currently held by the City Council as part of the Waterside Phase I scheme. The land will be transferred to East Midlands Housing for £1 under the Development Agreement contract (as varied) already entered into for this regeneration scheme. The agreement allows the affordable housing site to be sold for £1 as the overall land receipt to the Council of £11.122m is attributable purely to the market housing being delivered by Keepmoat Homes. The land sale will be conditional on EMH meeting the Council's requirements on nominations and standards as well as planning consent and having a build contract in place. In addition, restrictions will be placed on the land title to ensure that it can only be used into the future for affordable housing purposes.

## **6. Financial, legal, equalities, climate emergency and other implications**

### **6.1 Financial implications**

The primary regulatory requirements for the use of retained Right to Buy receipts are that the RTB contribution represents no more than 40% of eligible costs and that no grant funding from Homes England contributes to the remaining 60% of costs. The homes must be let at an affordable rent (up to 80% of market rent). The proposed application meets all of these criteria.

Although the level of funding has increased since the original proposal, there are sufficient retained receipts to support the application detailed in this report. Whilst the Council is not at risk of doing so in the near future, any unused receipts may otherwise have to be paid to central government.

Jade Draper – Principal Accountant

### **6.2 Legal implications**

6.2.1 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 (as amended), and the terms of any agreement reached under the Local Government Act 2003 modifying the applicability of the regulations. This includes using an element of receipts for the purpose of funding the construction and provision of housing.

6.2.2. The Council should ensure it has carried out a full assessment of the benefits and risks of providing this additional funding. This should include consideration as to how the provision of the additional funding will be secured (or clawback applied) in order to ensure the desired outcomes within the proposed grant agreement.

6.2.3 The legal work relating to this transaction has been externalised, albeit with client-side support being provided by Legal Services. Officers are working with instructed solicitors to ensure that the "supported living" scheme is both carried out and maintained by appropriate legal mechanisms.

Zoe Iliffe, Principal Lawyer – Property, Highways & Planning, Ext 372180

### **Commercial Implications**

The report is seeking permission to release additional grant sums (unallocated Right to Buy Receipts) to deliver the proposals set out in this report. This shall require advice and input from Legal Services on any required grant funding terms and conditions and whether the Council's acceptance and use of any such grant funding will comply with the requirements set out within the Subsidy Control Act 2022.

Mannah Begum, Principal Lawyer – Commercial Legal Ext 371423

### 6.3 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, victimisation and any other conduct prohibited by the Act, 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 report seeks approval for the use of Right to Buy Receipts (RTBR) towards the provision of 55 Affordable Housing dwellings within the proposed 75 unit Supported Living scheme to be built within the new Waterside residential development.

This will support the council's target to achieve 1,500 new council, social and extra care/supported living homes by 2023 and help meet the city's evidenced need for more affordable housing.

Affordable Housing Supported Living Scheme supports people aged at least 18 who are in receipt of an SCE (Social Care & Education) care package. A care package is a combination of services put together to meet a person's assessed needs as part of the care plan after an assessment or review. It defines what that person needs in the way of care, services or equipment to live their life in a dignified and comfortable manner. Some of the services included in a package of care could be disability equipment and or adaptations to the home. Provision of new affordable homes will impact positively on people from across all protected characteristics by helping to help meet evidenced housing needs in the city.

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.

There is increasingly strong evidence to show housing problems being linked to broader social issues such as family breakdown, low productivity, chronic ill-health, disrupted child development, poor educational outcomes, and problem debt. 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 4148

#### 6.4 Climate Emergency implications

Housing is one of the largest sources of carbon emissions in Leicester, responsible for 33% of the city's emissions. Following the city council's declaration of a Climate Emergency, and its ambition to achieve carbon neutrality, addressing the emissions from housing is a vital part of the council's efforts in meeting this aim. This is particularly important within the council's own stock, and where it has the greatest influence and can engage with partners to ensure that highest possible standards of energy efficiency and carbon reduction are achieved.

As noted within the report, EMH have committed to delivering highly sustainable buildings and will review options for energy efficiency with the development. This needs to include consideration of all relevant measures to increase energy efficiency and reduce carbon emissions, including the installation of high-performing insulation, energy efficient heating, low energy lighting and low carbon/renewable energy systems such as solar PV panels and heat pumps. These measures should 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 council capital construction and renovation projects, which could potentially be used to inform development.

Aidan Davis, Sustainability Officer, Ext 37 2284

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

#### **7. Background information and other papers:**

#### **8. Summary of appendices:**

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

No.

#### **10. Is this a "key decision"? If so, why?**

No.