

HSC Briefing Report

House Building and Acquisitions update

Lead Member Briefing: 17th. June 2024

Housing Scrutiny Commission: 11th. July 2024

Lead Director: Chris Burgin.

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Useful information

- Ward(s) affected: potentially all
- Report author: Simon Nicholls, Head of Service
- Author contact details: 395273
- Report version number: v.1

Summary

The Council has an ambitious commitment to deliver 1,500 more new council, social and extra care homes during the current manifesto period. 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 continues to face with rising prices and skills shortages.

This main focus of this report will be our current new build council house pipeline and our ongoing acquisition programme. The main changes since the last report was presented to the commission are:

- Contracts have been signed for the delivery of 38 new council homes at Saffron Velodrome, the contractors take possession of the site on the 1st.July 2024.
- The demolition contractor is on site at Forest Lodge Education Centre (FLEC)
- The refurbishment contractor is on site at Hydra Walk
- The commissioning of consultants to review 26 Local Plan sites.
- Securing Home England Funding for 50 acquisitions
- Securing Local Authority Housing Fund (LAHF) funding for 27 acquisitions
- The reduction in the proposed number of Retained Right to Buy Receipt (RTRB)funded acquisitions.
- The removal of the proposed 2 Extra Care schemes from the delivery table

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:

Current new build council house pipeline:

Scheme	24/25	25/26	26/27
Saffron Velodrome	38		
Lanesborough Road		37	
Phase 2b	2	16	
Phase 3		44	
Southfields/Newry		53	
Stocking Farm		50	
FLEC		33	
Totals	40	233	

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. A new tender exercise has just completed and resulted in the appointment of a contractor called Lovells, they take possession for the site on the 1st. July 2024. with a planned completion date of July 25.



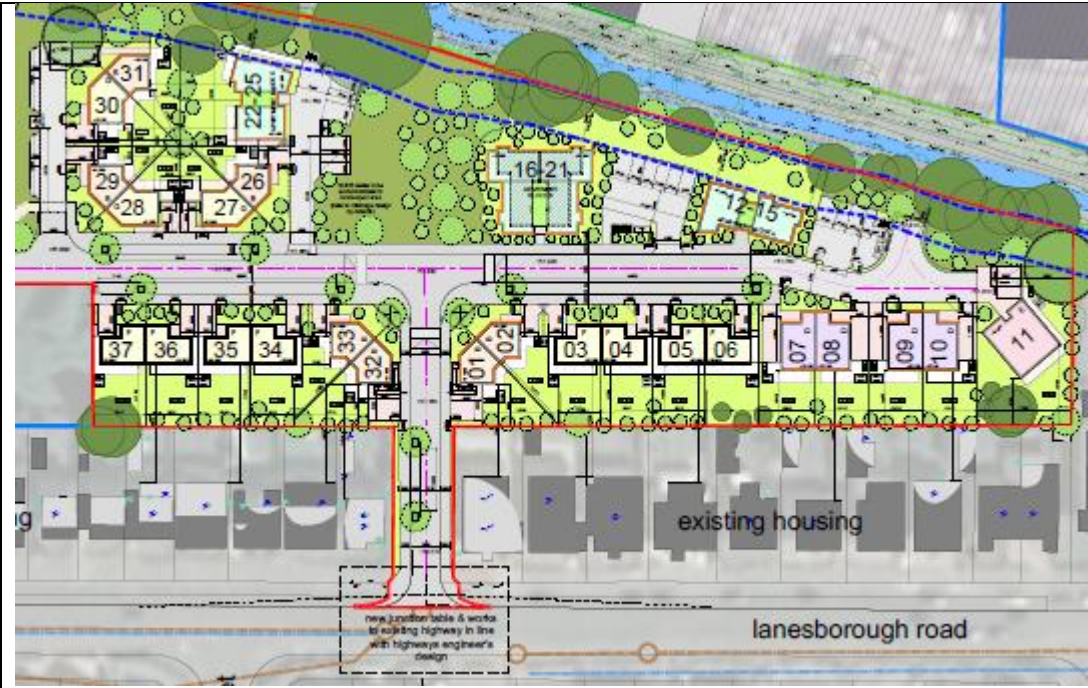
Image of proposed street scene



Layout plan.

Lanesborough Road: 37 New homes

Robert Woodhead's was also due to deliver Lanesborough Road but were unable to because they went into voluntary liquidation. We are currently agreeing a new delivery route for this site and the phase 2b sites that follow. Badger surveys are currently underway ahead of an agreed procurement route because they can only be carried out at certain times of the year and missing this opportunity will potentially delay a start on site date.



Layout plan





Phase 2b

18 New homes across 4 sites:

These sites were also going to be delivered by Robert Woodhead's.

Hydra Walk was reprocured on its own and is currently on site and due to complete in July 2024

The other 3 sites will be packaged with Lanesborough Road for delivery.

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

Phase 3

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).

The consultancy business case has been completed and we are in the process of appointing the design team to deliver these sites. The delivery of these sites is subject to securing planning permission and completing a successful financial viability assessment.

Forest Lodge Education Centre (FLEC) 33 New homes

The demolition of the former school buildings is now complete. A full planning application has been submitted and the expected start on site date is June 25





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.



Ariel photograph of site



Proposed layout

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 and demolition of the garages and Best One shopping complex has been completed. The scheme has secured Planning Permission and we expect to go out to tender summer 24.



Aerial picture of the existing site



Layout plan



Visual of proposed scheme

Scheme	Tender return date	Start on site	Completion
Saffron Lane	comp	July 24	July 25
Southfields and Newry	Sept 24	Jan 25	June 26
Stocking Farm	Sept 24	Jan 25	June 26
FLEC	Dec 24	Feb 25	April 26

Funding for new build schemes

Currently the funding for all of our new build schemes includes a percentage of Retained Right to Buy Receipts (RTBR), this precludes us from using other external funding sources, however the amount of unallocated RTBR is reducing and this is impacting on the number of acquisitions we can buy, see below. We are now funding all our feasibility work from HRA funds to enable flexibility to agree the funding route at a more appropriate time. We will be exploring the use of external funding for all future new build schemes to free up RTBR to increase the number of acquisitions we can buy.

Acquisitions:

The number of properties we can buy using right to buy receipts (RTRB) is governed by the number of new build houses that are built using retained right to buy receipts and the amount of RTBR we have available to use.

For 22/23 and 23/24 the Council were 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). However, in the recent budget the chancellor moved away from 100% retention, back to the arrangements pre-2022, albeit now permitting receipts to fund up to 50% of the capital costs (up from 40% in 23/24). If we choose to fund 50% of costs using RTB receipts, then this will reduce the overall funding we have available to deliver acquisitions.

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 are permitted to buy one, also using RTBR. Historically we have been very successful using our RTBR to maximise the number of acquisitions; an assessment of the amount of RTBR funds we have available for the next two years indicates that there are limited RTB receipts available and that we are expected to have to limit our acquisitions to 130 across the next 2 years.

Positively we can also buy houses using other forms of funding and in 23/24 we will have purchased 50 units with Homes England Funding and 27 by bidding to The Department of Levelling Up. We will continue to explore other funding streams as they become available.

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)	24/25(pipeline)	25/26	26/27
RTBR	67	58	72	65
Homes England	50	20	20	20
LAHF	27	33		
other				
totals	144	113	92	85

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, we completed on the ZIP building in 23/24 and Citygate House in 24/25 and we have the following in the pipeline, which are currently being assessed:

Purchase and development of a piece of land behind 100 Welford Road.

A block of 187 flats on the former Sainsburys site, Belgrave Road.

The redevelopment of The Leys site in Beaumont Leys. Officers were unsure how to progress this development so a meeting was held on site with all three ward councillors to discuss and agree a way forward. It was agreed that the existing building should be demolished, and new family homes built on the site.

The refurbishment contractor is due to start at Hospital Close in July with the first of 135 new council homes being occupied in January 2025.

Temporary Accommodation Project

To manage the pressures that the council are facing housing families and singles in temporary accommodation it has been agreed that a substantial investment, £45m, will be made available to both purchase and lease additional units of accommodation. These units will be owned and managed in the general fund and not HRA. 225 units will be bought and 125 will be leased.

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:

- Known schemes being delivered by others, including Extra Care and Supported Living schemes.
- Planning gain affordable housing

Known schemes being delivered by others.

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. The report in July 23 included the delivery of two new Extra Care Schemes and one Supported Living Scheme which have now been removed due to an unsuccessful procurement exercise, they are not now expected to complete in the current manifesto period.

Site	24/25	25/26	26/27
Abbey Park Road former bus depot site – phase 1	71 on site now	47	
Phase 2		100	
Meadows Way - Loughborough Road	on site now	100	
Blackberry Street	16	15	
Barkby Thorpe Road	13	5	
Totals	100	267	

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	29	9	23
AG Phase C			20	20
AG Phase D				
AG Phase E				
totals	20	29	29	43

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

There are 26 council owned non-strategic local plan sites that have been identified as suitable for the delivery of affordable housing, however these cannot be progressed ahead of the adoption of the Local Plan. Initial design and feasibility work has been commissioned to enable us to progress these sites as quickly as possible once the Local Plan has been adopted. It is anticipated that we will deliver some sites ourselves but will also work with other registered providers. The projected delivery figures for these sites have not been included in this report.

Delivery Summary including current pipeline.

Delivery phase	23/24	24/25	25/26	26/27	Grand Total
Current Housing Pipeline		40	233		273
Section 106– Planning Gain	12	29	29	43	113
Known future delivery by others, 100% affordable schemes		100	267		367
Additional Brownfield Sites			187*	55***	242

Total New Builds	12	169	716	98	995
Allowable acquisitions (RTRB)	95	58	65	65	283
Acquisitions – other funding streams	50	53**	20**	20**	143**
First Homes Early Delivery (FHED)	8				8
Temporary Accommodation project		225	125		350
Grand Total	165	505	926	183	1779

** subject to funding.

*former Sainsburys site

*** land to rear of 100 Welford Rd.

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 183 new Extra Care units.
- Changes to the RTBR rules and the lack of available RTBR 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 new build and acquisition programmes are reliant of the use of RTBR for funding.

4. Details of Scrutiny

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5. Financial, legal and other implications

5.1 Financial implications

£230m 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 a freeze on Local Housing Allowance rates means that identifying schemes which are financially viable for affordable housing has been increasingly difficult; an increase in the LHA rates from April 2024, along with an increase in the proportion of capital costs which can be funded from RTB receipts means that financial viability of schemes will now be less of an issue. However, it also means the RTB receipts won't stretch as far and fewer replacement homes will be built/acquired as a result. 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 its ambition to achieve net zero carbon emissions for the city and council, 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