
Executive Decision

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

Decision to be taken by:

City Mayor

Date: 5 February 2025

Lead director/officer: Chris Burgin

Useful information

- Ward(s) affected: Abbey
- Report author: Janet Callan, Programme Manager – Affordable Housing
- Author contact details: 37 1752
- Report version number: V6

1. Summary

1.1 This report seeks the City Mayor's approval for a further amount of up to £0.6m to be added to the already-approved grant payment it makes towards 55 of the 75 dwellings at the proposed Supported Living scheme at the new Waterside development, giving a proposed total Council grant payment of up to £6.3m or 40% of the total eligible capital costs for the 55 dwellings, whichever is the lowest amount.

2. Recommended actions/decision

2.1 That the City Mayor approves:

- i) the addition of up to £0.6m of Right to Buy Receipts (RTBR), on top of the previously approved amount of up to £5.7m, as grant payment to EMH Housing and Regeneration Limited towards their projected total capital costs for the provision of 55 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 £0.6m to the Housing Capital Programme for 2025/26 financed from Right To Buy Receipts.

3. Scrutiny / stakeholder engagement

There is an existing planning consent (PA 20182255) for a 78 unit supported housing scheme within the wider residential development currently under construction by Keepmoat and 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

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 then

projected total capital costs for the provision of 55 of the 75 Affordable Housing dwellings within the proposed 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. In July 2024, the total approved grant payment was increased up to £5.7m or 40% of the total eligible capital costs for the 55 dwellings, whichever is the lowest.

EMH has undertaken a procurement exercise this Autumn, to seek to appoint a contractor to build the proposed scheme, dependent on the outcome of their planning application. The tenders have come in much higher than anticipated and EMH has again approached the Council to ask if it can increase its funding to up to 40% of the tender-indicated maximum eligible capital costs for the 55 dwellings. The latest cost projected for these 55 dwellings is up to £15.75m, including contingency; 40% of which is £6.3m.

The Council has limited RTBR funds available to invest in securing new Affordable Housing and could look to grant-aid EMH's proposed provision of the 55 dwellings by up to 40% of the eligible capital costs. Given the evidenced need for such a Supported Living Scheme and the difficulties experienced to date in seeking to deliver such schemes in other parts of the city, EMH's request is recommended for consideration in spite of the now scarce uncommitted RTBR funds.

This report therefore seeks the City Mayor's approval for a further amount of up to £0.6m 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 £6.3m or 40% of the total eligible capital costs for the 55 dwellings, whichever is the lowest amount.

5. Detailed report

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.

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.

Following a recent tender exercise, EMH has recently advised that the revised projected total capital costs for the 55 planning gain dwellings is now up to £15.75m and therefore they are now seeking up to £6.3m in funds from LCC, a further increase of up to £0.6m on the currently approved amount.

EMH state that the overall £2m increase in projected costs for the entire 75 dwelling scheme is due to build cost inflation, the complexity of the site itself and the logistics required to develop the scheme. The construction of this proposed building is highly constrained by its position on the wider Waterside construction site and by being so close to the city centre. This makes construction more expensive due to the constraints on site compound, parking, oversailing, the proximity of existing residents and stakeholders, etc.

EMH's request for additional funding from LCC, if supported, will only meet part of the £2m projected cost increase and funding gap. EMH will have to secure funds for the remaining £1.4m shortfall.

The total scheme costs for all 75 units is now projected to be £20,809,331. (The 55 RTBR-funded dwellings being approximately £15.7m of this total cost.) EMH is proposing

to invest £12,549,331 of its own funds into the scheme, dependent upon LCC providing up to £6.3m (towards the cost of the 55 dwellings; representing up to 40% of the updated projected cost for the 55 dwellings) and Homes England providing £1.86m (towards the cost of the additional 20 dwellings) along with a Developer Contribution from Keepmoat of £250,000.

EMH's proposed £12.5m towards the overall 75 dwelling proposed scheme represents a significant part of EMH's overall development programme, reflecting their ongoing commitment to seek to deliver this proposed scheme. Government rules about what funding can be used alongside other funding/sources of subsidy means that the other potential sources of funds that EMH has access to, such as Homes England and Recycled Capital Grant Fund, cannot be used towards the 55 RTBR-funded dwellings but can be used towards the costs of the 20 additional dwellings. If LCC approve EMH's request, EMH will have to pay at least 60% of the final costs of the 55 RTBR-funded dwellings as well as the costs not covered by any Homes England grant for the additional 20 dwellings. This funding position is outside of EMH's usual parameters but, to date, their Board remains committed to the delivery of this proposed scheme.

Should EMH be unable to secure sufficient funding to bridge the £2m gap, they will need to undertake further value engineering of the project, including a review of the design and specification. EMH has worked extensively with LCC's Adult Social Care and Planning Teams as well as their own Care and Support colleagues to agree the current layout and provision to meet the needs of the client group. All parties are hoping that the current proposal does not have to be compromised on.

If changes are required to the design and specification, then this will delay the scheme and jeopardise delivery against the Homes England funding milestones and could therefore put at risk the HE funding stream and impact on viability and delivery.

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 now likely to be November 2025, with practical completion of the 75-unit block projected in 2026/27 or 2027/28.

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.

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

6.1 Financial implications

RTB receipts arise from the sale of properties to tenants under Right to Buy. Although over recent years the Council has held large receipt balances, these have now largely been allocated to specific schemes. Anticipated changes to future eligibility means that longer term receipts are likely to be lower.

The proposed £0.6m increase in the allocation of RTB receipts to EMH Housing will reduce the amount that is available to support other schemes, including Council-led new build housing and acquisitions. So, whilst it assists in securing the 55 supported housing units, the additional receipts could otherwise have been used for the purchase of around 5 extra properties.

Stuart McAvoy – Head of Finance
19th December 2024

6.2 Legal implications

6.2.1. The Authority 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 general power of competence in Section 1 of the Localism Act 2011 may be utilised to give grants to external housing providers, provided there is a good reason to do so.

6.2.3 The Authority has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This is a capital programme which proposes to make use of the Authority's resources in order to fund external housing providers in the delivery of affordable homes rather than be required to pay interest to the government on unspent receipts. It places the responsibility for 60% of the costs on the housing provider, thereby protecting the borrowing margin of the Authority.

6.2.4. In respect of the funding terms, the Authority should take into consideration as to how the provision of the funding will be secured (or clawback applied) in order to ensure the desired outcomes within the grant agreement.

6.2.5 The Nominations Agreement will need to be robustly documented to ensure an interest in the property and the Authority retaining some control of whom the social housing is destined for whilst the housing provider benefits from the finance arrangements.

6.2.6 *Subsidy Control* - it is clear that an external housing provider who receives a grant may gain an advantage in the marketplace which raises subsidy control issues. In the circumstances detailed in the body of the report the funds are available in order to create affordable housing in Leicester. Affordable housing is regarded as one of the services of public economic interest for which there are threshold exemptions which may be applicable, the additional sums however will need to be assessed against subsidy rules and legal advice sought.

Mannah Begum, Principal Solicitor (Commercial) Ext. 37 1423
Dated: 25 November 2024

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 a further amount of up to £0.6m to be added to the already-approved grant payment it makes 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 new council, social and extra care/supported living homes 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
Dated 26th November 2024

6.4 Climate Emergency implications

There are limited climate emergency implications specifically associated with the recommendations of this report.

More widely, however, housing is one of the largest sources of carbon emissions in Leicester, and a vital area to tackle following the council's declaration of a Climate Emergency and ambition to achieve net zero carbon emissions. This is particularly important for the council's own stock, and where it has the greatest influence and can engage with partners to achieve the highest possible standards of energy efficiency and carbon reduction.

The report notes EMH's commitment to delivering sustainable buildings and reviewing options for energy efficiency within the development. The energy strategy & sustainability statement being developed should include consideration of measures to increase energy efficiency and reduce carbon emissions, including high-performing insulation, energy efficient heating and lighting, and low carbon and renewable energy systems.

Any development will nonetheless be required to follow policy CS2 of the Adopted Leicester Core Strategy and relevant building regulations.

Aidan Davis, Sustainability Officer, Ext 37 2284

26 November 2024

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.