

Summary Sheet

Council Meeting:

Cabinet and Commissioners' Decision Making Meeting – 10 July 2017

Strategic acquisition of housing at Waverley HC5

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Anne Marie Lubanski, Strategic Director of Adult Care and Housing

Report Author(s)

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Wards Affected

Rothervale Ward
Brinsworth & Catcliffe Ward

Executive Summary

This report seeks approval to purchase six two bedroom apartments and four three bedroom houses at Waverley (parcel HC5) from Avant Homes. These properties are Section 106 planning gain units and will be purchased by the Council at approximately 62% of the open market value (including additional specification items and fees). The forecasted completion dates are March 2018 for two of the houses and December 2018 for the remaining two houses and six apartments. There is evidenced demand for both two and three bedroom properties in this location and resources are available in the Strategic Acquisitions budget. This is part of an ongoing programme of acquisition of new Council homes to replace properties sold under "Right to Buy" and maintain stock levels. Cabinet approval for the Strategic Acquisitions programme was given in June 2012.

Recommendation

That the purchase of ten homes at Waverley parcel HC5 from Avant Homes, using the Housing Revenue Account Strategic Acquisition budget be approved.

List of Appendices Included

Appendix 1: Financial information (exempt)

Background Papers

Summary of housing demand Information

Floor plans and elevations for three bed houses

Floor plans and elevations for two bed apartments

Site plan identifying affordable housing units.

Strategic Acquisitions Protocol (approved 30/06/2012)

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

Yes

Exempt from the Press and Public

Although the main report is not exempt, Appendix 1 is exempt, under paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972, as this section contains information relating to the financial or business affairs of any particular person (including the Council) with regards to detailed financial information to enable negotiated acquisitions.

Title: Strategic acquisition of housing at Waverley HC5

1. Recommendations

- 1.1 That the purchase of ten homes at Waverley HC5 from Avant Homes, using the Housing Revenue Account Strategic Acquisition budget be approved. (The purchase price of these acquisitions is contained in Appendix 1 - exempt).

2. Background

- 2.1. The Housing Revenue Account Strategic Acquisitions programme enables the Council to purchase new properties to replace Council houses lost via the Right to Buy, and maintain affordable housing stock levels in the borough. 93 properties have been purchased through this programme since 2012.
- 2.2. To date the focus of the Strategic Acquisitions programme has been to purchase brand new Section 106 planning gain housing units from developers. As part of the planning process on sites of 15 units or more, developers are required to provide up to 25% of the homes as affordable housing units (depending on viability constraints). As a condition of the planning permission the affordable housing units have to be sold to social housing providers at a discount on the open market value (OMV).
- 2.3 The first two three bedroom houses will be completed in March 2018 and the remaining eight units in December 2018. The reason for bringing this report to Cabinet at this stage is that developers typically aim to sell the affordable housing units before they commence on site or at the early stages of development, in order to give them certainty of an exit strategy and a guaranteed income level. If the Council does not provide a commitment to acquire the units, Avant will offer them to the next preferred bidder.
- 2.4 There is healthy level of demand for council housing in Waverley. Recently, three bedroom houses were advertised at Waverley and attracted 45 bids per property, compared to the average for Catcliffe of 21 bids per property. The average number of bids for two bedroom flats in Brinsworth and Catcliffe ward is 11 and in Rother Vale Ward 10. However, it is anticipated that these new build apartments will be very attractive and so the number of bids per property will be greater than for existing stock. The 2016 borough average for bids per property (all types) was 14. All homes will be let as general needs housing although initially the apartments may be restricted to those over 40 years of age to encourage existing Council tenants to downsize from larger Council homes.

3. Key Issues

- 3.1 The Council is committed to providing new social rented homes to replace those lost through the Right to Buy. This is highlighted in the Housing Strategy 2016-19: Theme 2 – Social Housing – “Ensuring affordable rented / social housing is available for those who can’t afford to or don’t want to buy a home”.
- 3.2 The advantages for the Council of acquiring these Section 106 planning gain units from developers are:
 - Good value for money (due to discount)

- Brand new homes with lower maintenance costs and good high energy efficiency standards
- 10 year warranty to safeguard against any future defect liabilities
- Located on new housing estates often in high demand areas where the Council has lower levels of housing stock
- Helps to meet the sustainable communities agenda and provides suitable housing for both general needs and older tenants who may wish to downsize.

3.3 There are regeneration and economic benefits to delivering new housing in Rotherham as, for every home built 2.4 jobs are created (source LGA), and every £1m spent on new housing provides work for 19.9 workers for a year (source DCLG), in addition to the New Homes Bonus and council tax income generated.

4. Options Considered and Recommended Proposal

4.1 Option 1: Not to pursue the option of purchasing these units from Avant Homes. This would be a lost opportunity to the Council to purchase much needed homes at a discounted rate. Also the Council has an obligation to use a proportion of Right to Buy receipts for “one for one” replacements. If this money is not utilised to buy new homes it has to be returned to central government and the investment is lost from the borough. This is therefore not recommended.

4.2 Option 2: Allow the properties to be purchased by a Housing Association partner. If the properties were purchased by a Housing Association the Council would receive “nomination rights” to the properties under the partnership arrangement. There has been interest from several housing associations to purchase the properties. However these properties represent a good deal for the Council and its residents and therefore this option is not recommended.

4.3 Option 3: The Council purchases the properties. This is the recommended option for the reasons outlined in 3.2.

5. Consultation

5.1 Internal consultation has taken place and the Cabinet Member for Housing has been briefed.

6. Timetable and Accountability for implementing this Decision

6.1 Based on projected sales rates on the Waverley development, Avant Homes estimates that two three bedroom houses will be completed in March 2018 and the remaining units in December 2018. The Council’s Affordable Housing Officer will have responsibility for implementing the decision.

7. Financial and Procurement Implications

- 7.1 HRA funds are available in the approved Strategic Acquisitions capital budget. One-for-One RTB receipt monies of up to 30% of the cost could be used to part fund the purchase if sufficient RTB sales are achieved in year which would, reduce the amount required from the Strategic Acquisitions budget. The budget is already approved to either build or acquire properties as appropriate and is already factored into the HRA Business Plan. Therefore the impact of purchasing these properties on the HRA has already been considered.
- 7.2 The average potential weekly rent for these properties based on the current open market values ranges between £88.59 and £112.56. For comparison, the average rent on existing housing stock is £73.29 per week. The rents on these new acquisitions would realise a potential annual income of £51k.
- 7.2 There are no procurement issues arising from this report.

8. Legal Implications

- 8.1 The Council's Legal Services will undertake the purchase process. The Council will own the units and they will be added into Council stock.

9. Human Resources Implications

- 9.1. There are no human resources implications arising from this report.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 There are no implications for children and young people or vulnerable adults arising from this report.

11 Equalities and Human Rights Implications

- 11.1 There are no equalities or human rights implications arising from this report.

12. Implications for Partners and Other Directorates

- 12.1 Other housing associations had expressed interested in acquiring these properties however for the reasons outlined in section 3.2 it is recommended that the Council takes this opportunity to replace council stock lost through the Right to Buy.

13. Risks and Mitigation

- 13.1 The main risk is that the Council may not achieve value for money .The Affordable Housing Officer has carried out a desktop benchmarking exercise. The open market values quoted by the developer correspond with other new properties that are for sale in the locality. The Council's Asset Management Service will undertake a valuation of all the units as part of the purchase process.

13.2 Under current legislation tenants will be permitted to purchase these homes under the Right to Buy process. However they cannot be sold for less than the “cost floor” which is all the Council’s financial outlay to purchase the units, irrespective of the amount of discount a tenant can claim. Therefore the Council’s total investment is protected.

14. Accountable Officer(s)

Tom Bell, Assistant Director of Housing & Neighbourhoods.