

Summary Sheet

Council Meeting:

Cabinet and Commissioners' Decision Making Meeting – 10 July 2017

Council Report:

Site Cluster II

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

Yes

Strategic Director Approving Submission of the Report

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Report Author(s)

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Summary

On 12th September 2016, Cabinet agreed to accept the tender submitted by Wates Construction Ltd to deliver 185 new homes across seven 'clustered' sites, and that a further report should be submitted for approval of the implementation of the development programme, development agreement and financial agreements following the conclusion of negotiations with the preferred developer. The cluster approach will increase the amount of new housing in Rotherham and is an innovative development model to bring forward some of the Council's more challenging sites, which would otherwise remain undeveloped.

With further design variations, and in partnership with the Council, an enhanced scheme of 217 new homes has been presented to the Planning Board. The Planning Board considered the applications on 30th March 2017 and granted permission for 217 new homes. The tenure mix may be subject to change, but currently includes:

- 83 new homes for outright sale
- 24 shared ownership homes
- 12 rent to buy homes and
- 98 new council houses, of which five are specialist homes.

The purpose of this Cabinet report is to summarise the extensive works that have been completed as part of the pre-development phase, and seek approval for the development agreement, development programme, and the proposed financial arrangements. This will allow the Council to proceed with the construction stage, which will deliver new homes across the seven sites in Maltby, Canklow, East Herringthorpe and Dinnington.

Subject to approval of this report the start on site is planned for autumn 2017 with completion of the first phase in summer 2018.

Recommendations

1. That the Assistant Director for Housing and Neighbourhoods, in consultation with the Council's Section 151 Officer, be authorised to approve the implementation of the development programme and phasing plan.
2. That the Assistant Director for Legal Services be authorised to enter into a development agreement and construction contracts.
3. That all development costs associated with the Construction Stage be funded from the Housing Revenue Account (HRA) as set out in section 7.
4. That the Assistant Director for Housing and Neighbourhoods in consultation with the Council's Section 151 Officer be authorised to determine the appropriate tenure for 21 of the units that have been identified as shared ownership or rent to buy homes under the government's Shared Ownership and Affordable Housing Programme (SOAHP).

List of Appendices Included

Appendix 1: Phasing Plan

Appendix 2: Sales and Marketing Strategy

Appendix 3: Community consultation summary

Appendix 4: Overall development cost summary - Exempt

Background Papers

Original Cabinet report dated 12th September 2016.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

While the main report is an open item, exemption for Appendix 4 is requested under paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act, as it contains sensitive commercial information with regards to the Council's contracts.

Title: Site Cluster II

1. Recommendations

- 1.1 That the Assistant Director for Housing and Neighbourhoods, in consultation with the Council's Section 151 Officer, be authorised to approve the implementation of the development programme and phasing plan.
- 1.2 That the Assistant Director for Legal Services be authorised to enter into a development agreement and construction contracts.
- 1.3 That all development costs associated with the Construction Stage be funded from the Housing Revenue Account (HRA) as set out in section 7.
- 1.4 That the Assistant Director for Housing and Neighbourhoods in consultation with the Council's Section 151 Officer be authorised to determine the appropriate tenure for 21 of the units that have been identified as shared ownership or rent to buy homes under the government's Shared Ownership and Affordable Housing Programme (SOAHP).

2. Background

- 2.1 Cabinet endorsed the awarding of the cluster sites contract to Wates in September 2016, making a commitment of £335K for enabling works to be carried out across the seven sites forming the Sites Cluster. This pre-development works budget was granted to enable detailed planning permissions to be secured ahead of re-presenting the final proposals to Cabinet for approval.
- 2.2 The bid submitted by Wates and selected by the Council was based on their Development Agency Model (DAM), this is where the Council acts as developer and Wates are our constructor and delivery agent. This is a new delivery route for the Council and creates the opportunity for the Council to maximise the value of its assets and deliver a greater number of high quality new homes, as opposed to simply selling the seven individual sites on the open market.
- 2.3 The Cluster approach supports the priorities set out in the Council's Corporate Plan to improve the quality and choice of housing and increase the number of new homes built in Rotherham. Through this pioneering approach, the receipts from the sales of the market sale properties will be used alongside the Housing Revenue Account resources to build the Council homes – this supports the Council's corporate priority to build more social rented homes and is in line with the Council's Housing Strategy. Specialist professional legal advice has been sought which has confirmed that the Council has the appropriate legal powers to build homes for sale within the HRA as part of this wider project.

2.4 The key benefits to the Council are set out below:

- Delivery of up to 217 new homes across the seven sites, which represents almost double the numbers that would otherwise be delivered without the cluster approach.
- New homes for specialist housing provision i.e. young vulnerable people and people with learning disabilities.
- The Council retains ownership of the land.
- 90% of overage generated from increased sales values / cost reductions retained by RMBC.
- The Council retains control and influence over:
 - Design and quality
 - Rate of delivery
 - Wider community benefits / investment
 - Tenure split
 - Local labour (subject to demonstrating best value)
- Enhanced land receipt for Braithwell Road.
- Open book approach providing the Council with transparency and control over the project.

2.5 Works completed to date

2.5.1 The appointment of the Employers Agent (EA) - the Council has appointed Rider Levett Bucknall (RLB) to protect the Council's position as landowner in working with the appointed development agent, Wates.

2.5.2 The enabling works have been finalised, resulting in:

- Full site investigations and topographical surveys being completed
- Planning consultation being completed with the local community
- Finalisation of preliminary designs
- Planning applications submitted on all seven sites
- Wates price estimates completed for construction works on planning application submissions

2.5.3 All of this information has resulted in changes and the impact on costs has been included in the final figures set out in the financial section of this report.

2.5.4 As identified in the first site cluster report in September 2016, the original tender proposal submitted by Wates offered to deliver 185 new homes across the seven sites, including three specialist housing units. Subsequently, a better use of land was identified that provided the opportunity to increase the number of units from 185 to 217, which was approved by the Planning Board.

2.5.5 The tenure mix may be subject to change, but currently includes:

- 83 new homes for outright sale
- 24 shared ownership homes
- 12 rent to buy (RtB), and
- 98 new council houses, of which five are designed for adults with support needs.

2.6 Specialist housing and diversification of tenure

2.6.1 The proposal includes the development of two independent living houses with connecting garden areas in East Herringthorpe, suitable for people with autism or 18-30 year olds with learning disabilities. Accommodation and support will be available for up to seven people.

2.6.2 The proposal also includes two properties for young people leaving care (one in Dinnington and the other in East Herringthorpe) and one property for a foster family (in Dinnington). The accommodation for the foster care family will be part of the affordable housing package, whereby the property will be acquired through the strategic acquisitions budget and the foster carer's family will rent the property directly as per normal council housing stock arrangements.

2.6.3 On the Braithwell Road development (MC1), the delivery of 15 apartments for shared ownership is proposed as part of the affordable housing provision. The apartments will comprise two bedrooms and two bathrooms and will be designed to flexibly meet the needs of people if they develop physical mobility problems (large enough to accommodate wheelchairs and motorised scooters and all floors and corridors of the building will be fully accessible). While the homes will be available to all, they will be advertised as being particularly suitable for older people, to enable them to continue to live independently in their own home as their needs develop / progress.

2.6.4 Since the Cabinet approval for the pre-development phase, the Council has successfully secured grant funding of £6.8m from the Homes and Communities Agency's (HCA's) 2016-21 Shared Ownership and Affordable Housing Programme (SOAHP) to deliver 227 new homes on sites across the borough. This allocation includes £630K of grant to part fund nine shared ownership and twelve rent to buy homes on this programme.

2.7 Development agreement

2.7.1 Detailed negotiations between the Council and Wates have resulted in the completion of the development agreement. This has detailed the developer and Council's obligations to complete the enabling works to secure satisfactory planning permissions. It also provides the basis and agreement to proceed with the construction stage.

2.7.2 Wates is obliged to carry out each development phase:

- a) in accordance with the relevant timescales,
- b) in compliance with the construction contract,
- c) and in compliance with the commitments made in the bid submission regarding delivery of the development.

Please see Appendix 1 for the indicative phasing plan.

2.7.3 The agreement specifies the requirement for a monitoring group to meet monthly to ensure project progress remains on track and is delivering against the contract. The monitoring group will be comprised of council managers from finance, housing growth, RLB and Wates.

2.7.4 The agreement specifies that the sales and marketing of the private dwellings is via Wates, and the remuneration for these services is agreed as per tender submission, i.e. the Council will pay the developer 3% of the disposal price (net of any incentives, inducements or other costs). As part of their sales and marketing strategy they will ensure updated sales and marketing appraisals are provided at agreed periods to allow the Council to retain control and influence over the pace of sales. Please refer to Appendix 2 which sets out the timeline for the sales launch and key routes to market Braithwell Road.

2.7.5 Wates will notify the Council of all offers it receives and provide information regarding the price and whether it is within the agreed tolerance, which is stated as being 5% less than the price in the sales appraisal for the relevant unit type. The agreement allows Wates to sell any private dwelling at a price that falls within the agreed tolerance. If there is an offer below the agreed tolerance then the Council, through the Assistant Director of Housing and Neighbourhoods delegated powers, has discretion as to whether to accept it or not.

2.8 Construction Contract

2.8.1 An individual NEC3 Construction Contract will be entered into for each site. The contract is a full cost reimbursable contract where the Council will pay 100% of the construction costs and fees incurred in carrying out the works, provided they can be substantiated and are approved by the Employer's Agent, and subject to the contractual process in terms of disallowable costs. A template construction contract is appended to the development agreement; each Construction Contract will be authorised by the Assistant Director for Legal Services.

2.8.2 Reasonable assumptions, relating to likely increases in costs as the scheme progresses have been factored into the finances for the programme. However, it is possible that unforeseen increases in costs will arise as the scheme progresses through, for example, varying levels of inflation. In order to protect the Council from exposure to a situation where the costs exceed the amount authorised by Cabinet, the development agreement provides the Council with the ability to reduce the number of units built on the final site to be developed (Rother View Road, Canklow). This means that if the overall cost is likely to exceed the

approved amount, the number of units on this site can be reduced from 58 to as few as 22 to ensure that there is no overspend. This site is a long linear site adjacent to an existing road which enables an appropriate stop to development to take place if required.

2.9 Summary of responsibilities between RMBC and Wates

	Wates	RMBC	
Land owner		✓	RMBC remain as land owner
Planning	✓	✓	Wates will secure planning, with RMBC underwriting all costs
Design and develop	✓		Wates design and develop the scheme – for RMBC to approve
Funding		✓	RMBC provide funding for both the affordable and private units – including Wates construction overhead, contractor margin and developer margin on private sales
Sales management	✓		Wates Living Space manages the sales & marketing on behalf of RMBC. The Sales and Marketing strategy will ensure a lead-in time before the launch to create an awareness of the development scheme, generate interest/enquiries (building up a database) leading to early sales with phased releases to increase and maximise revenues at every opportunity.
Construction	✓		The quality of construction and delivery to agreed deadlines is Wates' responsibility. The detailed build programme will become the delivery timetable for the project and reports against progress will be analysed at the monthly site meetings. The build programme will remain flexible to enable it to be responsive to market conditions and changes.
Sales risk	✓	✓	Sales risk shared through project surplus distribution. Mitigation measure: if sale rates were to fall by one property per month this would have little or no impact for RMBC. However, if the sales value were to fall by 10% this would reduce the overall land returns by £1m. To mitigate this, the phased development approach allows the developer agent to offer the properties at an attractive purchase price with the potential of a rise in values on release of each phase
Aftercare	✓		Wates will provide aftercare on all the sites
Timetable	✓		Wates will deliver to an agreed delivery programme.

3. Key Issues

- 3.1 The Rotherham Strategic Housing Market Assessment published in 2015 underpins the case for increasing housing numbers in the Borough. A total of 900 new homes are needed annually, of which 237 should be 'affordable'. The proposed site clustering approach is intended to be one of a number of solutions to accelerate the annual rate of new homes in Rotherham.
- 3.2 The Housing White Paper published on 7th February 2017 places emphasis on housing associations and local authorities to build more homes, embracing efficient and innovative methods. This innovative partnership approach to development may lead the way for future clustering of sites to ensure that the housing needs of local communities can be addressed.
- 3.3 Tenure diversification - the Site Cluster programme will provide new homes for:
- Open market sale
 - Affordable home ownership via shared ownership and rent to buy
 - Affordable rent via new council housing including much needed specialist housing provision

By adopting a greater diversification of the housing tenure, the Council is ensuring more choice for Rotherham's residents, and creating more sustainable communities.

- 3.4 Specialist housing: Increasing opportunities for people to live independently in their own home contributes to both the Corporate Plan priority 'every adult secure, responsible and empowered' and the Health and Wellbeing agenda, as if people are able to live in homes that meet their needs, with easier access to services and opportunities to connect with other people, their overall wellbeing will be improved. These new homes could help to prevent people from requiring residential or nursing care, thereby resulting in significant savings to Adult Care and Health budgets.
- 3.5 The Cluster approach is an important part of the Council's housing growth agenda, ensuring an increase in the number of new homes by making the best use of public land (viable and unviable sites) for residential development. The approach provides an opportunity to ensure new housing is built on sites that would otherwise be left undeveloped and in doing so, address local housing needs.
- 3.6 Economic benefits and job creation will be significant, 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). As part of the market testing / selecting of sub-contractors, Wates and RLB will be mindful of RMBC's commitment to utilising local labour across the cluster site developments. RLB will monitor the levels of local labour being selected and report this to RMBC, along with costing updates throughout the delivery of the programme.
- 3.7 Social value is embedded in the contract with Wates. A forum will be established to ensure that the tender commitments are met and are aligned with the ward specific priorities and neighbourhood working.

- 3.8 This partnership forum will work cohesively throughout the development to ensure that the commitments made during the ITT are matched to the communities which need them most, and ward specific plans will then be produced.
- 3.9 Wates will also provide the aftercare to all the homes built on the sites for two years after practical completion, reducing expenditure from the Council's repairs and maintenance budget.

4. Options Considered and Recommended Proposal

- 4.1 The evaluation process of the original tender submission highlighted that whilst the Wates designs showed a good assessment of the sites with well laid out housing proposals that were compatible with neighbouring developments, there was scope to increase the housing offer with some design variations, and to reduce the Council's responsibility for the maintenance of green space.
- 4.2 On this basis a detailed design review was undertaken with the involvement of council officers from Adult Care, Children and Young Peoples Services, Planning, Housing, plus Wates and RLB. This led to a revised scheme with an increase in housing numbers from 185 to 217 new homes. This option presents the maximum number of homes on each of the sites and is the preferred option as it makes best use of the land, meeting more of the identified need than the original bid proposal. A saving of approximately £4,400 per annum is expected through the reduction in the Council's ongoing maintenance obligations with regard to grass cutting and further it eliminates future antisocial behaviour issues on these areas of green space. The new developments will ensure that any green space falls within the curtilage of each property and remains the responsibility of the householder.

5. Consultation

- 5.1 A pre-application planning meeting has taken place to allow the designs to be considered prior to the submission of the planning application.
- 5.2 Four community consultation events have been held in mid-December 2016 to share the draft designs with the local community (please see Appendix 3).
- 5.3 In certain localities with established forums, such as the Dinnington Where We Live Forum, the Maltby Housing Forum and the Canklow Community Meeting, information has been provided about the progress on the Site Cluster process.
- 5.4 The delivery model has also been peer reviewed by Ken Jones who is a recently retired Local Authority Housing Director with vast experience in establishing new public and private housing development delivery. He has reviewed the proposed approach and is very supportive of the overall approach recognising it represents good value and is an appropriate use of HRA resources.

6. Timetable and Accountability for Implementing this Decision

- 6.1 Delivery will be overseen by the new Housing and Regeneration Programme Delivery Board, chaired by the Cabinet Member for Housing and vice Chair, Cabinet Member for Regeneration.
- 6.2 The Assistant Director of Housing and Neighbourhoods will have accountability for the successful implementation of this project.
- 6.3 Wates has produced a detailed programme of works for the detailed design stage and construction stage and the pre-construction works could commence immediately if approved.
- 6.4 Subject to approval of this report the start on site is planned for autumn 2017 with the completion of the first phase in summer 2018. Please refer to the Phasing Plan at Appendix 1 for key milestones.

7. Financial and Procurement Implications

- 7.1 The table in Appendix 4 (an exempt item to the public and press) sets out the overall development costs summary, totalling c£29m and is based on the current assumptions on build costs, following site investigations and the latest market information on sales values.
- 7.2 The entire Council contribution to the programme will be funded from the HRA. Based on current assumptions, there are no implications for the General Fund. However, there is an assumption that £2m of unallocated HRA capital receipts will be available over the next three years, £6m in total, to support the funding of this project. Based on historic receipts received, principally from right to buy sales, this is achievable. However, in the event that there is a significant future reduction in receipts, the use of these monies to fund the Cluster project would need to be reviewed. In addition, it should be noted that the provision of specialist housing will contribute to savings to Adult Care, as it will enable people to remain independent in their own homes, rather than going into long term residential and nursing care. It will also lead to savings in Children and Young People's budgets, by enabling children in long term care to be brought back into the Borough.
- 7.3 Moreover, it is estimated that the 217 new homes will generate approximately £1.3m from New Homes Bonus (NHB) over a four year period. In addition, an estimated c£275k annually from council tax will be generated by the scheme. This income will contribute to the achievement of financial planning assumptions within the Council's Medium Term Financial Strategy
- 7.4 In order to explain the financial implications as clearly as possible, the programme can be divided into the following four elements, each of which is addressed in turn, with the overall implications for the HRA set out in section 7.9:
 - A) 83 homes built for sale on the open market
 - B) 98 homes built for council housing

- C) 21 homes built for shared ownership and rent to buy tenures, part funded by SOAHP grant
- D) 15 homes built as the Braithwell Road Section 106 contribution, for shared ownership.

7.5 **A) 83 homes built for sale on the open market**

Based on current assumptions on build costs and sales values, the 83 private homes built for sale generate a total surplus of £1.997m for the HRA. This estimated surplus will be used to support the wider project. The timing of the cash flows, with contract payments being made before sales receipts are received, will be managed through the use of HRA reserves. The development costs shown in Appendix 4 are inclusive of Section 106 contributions for these open market sale units. These contributions are in respect of sustainable transport, education and the provision of green space. As planning permission has been granted on the properties, the Community Infrastructure Levy (CIL) does not apply. Section 106 contributions are not a requirement on any of the other cluster sites.

7.6 **B) 98 homes built for council housing**

The total estimated cost of the 98 council properties is £12.678m. It is proposed that this element of the project will be funded through a mixture of the HRA Strategic Acquisitions budget, unallocated HRA capital receipts and HRA reserves. The homes will generate rental income to the HRA of approximately £481K per annum and will make a significant contribution to the Council's overall asset portfolio.

7.7 **C) 21 homes built for shared ownership and rent to buy tenures, part funded by SOAHP grant**

7.7.1 Shared ownership and rent to buy are tenures that provide opportunities for low cost home ownership and it is one of the strategic objectives of the Clusters programme to diversify tenure, and both support young people into home ownership and provide opportunities for older people to downsize into suitable homes. The Council was successful in bidding for funding from the government's Shared Ownership and Affordable Homes Programme and the Homes and Communities Agency (HCA) is keen to support Rotherham to succeed. The 21 units identified will receive grant funding of at least £30K per unit.

7.7.2 Legal advice has confirmed that it is possible to fund the remaining costs of building these homes from the HRA, provided that there is no detrimental effect to the HRA and that any profits generated are re-invested into new council housing. The modelling completed to date has shown that in the long term, the Council's financial contribution to the shared ownership homes would be recovered, although the rent to buy product is more challenging. Rent to buy is an innovative new product that will help different groups to get onto the property ladder and the Council is aspirational in offering this as part of the Clusters programme. The Council will seek a higher level of grant funding from the HCA to mitigate against any adverse impact on the HRA. If concerns

remain over value for money, then the homes could alternatively be provided as additional shared ownership units or additional council rented homes.

7.7.3 This report recommends that authority be delegated to the Assistant Director of Housing and Neighbourhoods to determine the most appropriate tenure for these 21 homes – based on the aspiration to diversify tenure and to ensure the required value for money to the HRA.

7.8 **D) 15 homes built as the Braithwell Road Section 106 contribution, for shared ownership**

The Section 106 affordable housing contribution on the Braithwell Road site is proposed to comprise 15 shared ownership apartments.

7.8.1 Modelling has been done on the impact of the proposed shared ownership and rent to buy properties identified in 7.7 and 7.8 above. On the basis that the management and repair and maintenance of the rent to buy properties will be managed by an external party, although these arrangements are still to be determined, this element of the project makes an estimated return to the HRA that is broadly comparable with the Council's current average cost of borrowing.

7.9 **Overall implications for the HRA**

7.9.1 Appendix 4 shows that the proposed revised scheme increases the net cost of this project from the previous report to Cabinet and Commissioners' Decision Making meeting of the 12th September 2016 by £6.78m, to a total of £12.60m. This is broken down as follows:

- Increase in build costs of £2.58m, reflecting the increase of 32 units.
- Increase of £2.1m in the cost of remediating site specific issues, for example asbestos removal, following the site surveys.
- Reduction in sales revenues of £1.85m, following a reduction of ten private sales due to a required increase of affordable properties at Braithwell Road.
- Incorporation of a contingency sum on top of the build costs.
- Professional fees have been added and these include costs for RLB, Legal, Party wall and the Wates' Performance Bond.
- Use of the allocation of £630K of the Shared Ownership and Affordable Homes grant.
- Revenue from the shared ownership homes totalling £1.069m
- Surplus from private sale revenues helping to offset the cost of the affordable properties.

7.9.2 The impact of this scheme has been modelled through the current 30 year HRA Business Plan. If the scheme is approved a further review of the wider HRA Capital Strategy and the development of a sustainable HRA Business Plan over the medium term will be undertaken in order that they are updated for the scheme's impact. A further report will follow to Cabinet and Commissioners' Decision Making Meeting when this review is completed.

7.10 Ensuring value for money

- 7.10.1 RLB has reviewed the proposed cost models on behalf of the Council, concentrating on the build costs, the cost of remediating site condition issues, assumptions and exclusions. The costs have been scrutinised in line with historical cost data and current schemes RLB are working on, including housing developments in South Yorkshire and Wates' costs appear to be fair and reasonable in comparison. In addition, RLB has reviewed Wates' inflation assumptions against the Building Cost Information Service indices in relation to inflation for the timeframe of the development, and the costs appear to adequately account for this potential uplift.
- 7.10.2 Allowances for site remediation's, for example, the cost of asbestos removal, have been reviewed and at this stage Wates has included practical allowances on the basis of the site investigations that have recently been undertaken, and any identified site condition issues. As the design develops, RLB will continue to review and monitor the costs in line with the previously mentioned benchmarks.
- 7.10.3 Throughout the development of the design and the computation of the contract sum for each individual site, RLB will be reviewing cost information provided by Wates on an 'open book' basis, to ensure best value is achieved for the Council both through the design and the procurement process. Where anomalies arise, the Council will be immediately informed and consideration will be made as to the resolution, either through re-design, further procurement or expenditure of risk contingency.
- 7.10.4 In estimating private sales values for the Braithwell Road site, Wates has sought the views of three local estate agents on demand and pricing and has based the estimated sales values on the lower end of the values provided. Clearly, sales values are subject to variation in line with local and national housing market conditions, which in turn are impacted on by wider economic conditions which are outside of the control of both the Council and Wates.

8. Legal Implications

- 8.1 Legal advice provided by Legal Services and an external specialist legal firm has confirmed that the Council has the legal powers to undertake a project of this nature, in particular the private sales element of the project can be funded through the HRA, as it is part of the wider project.
- 8.2 There is a requirement for RMBC and Wates to finalise the development agreement and the Construction Contracts.
- 8.3 The externally appointed Legal Practice, Squire Patton Boggs will continue to provide support and advice during the construction stage, finalising the development agreement and construction contracts with Wates.

8.4 As the projected target cost is greater than £100,000, the contract is executed as a deed by the affixing of the Council's common seal rather than merely being signed by an Authorised Signatory. This will provide 12 years' protection in dealing with any latent defects, instead of 6 years if the contract was merely signed.

9. Human Resources Implications

9.1 Wates is committed to improving local communities and will work with local organisations and champions to help local people to find employment.

9.2 Wates is committed to the employment and skills outputs for the Site Cluster programme – details have been developed with their Regional Community Investment Advisor and the Group Apprenticeship Manager to ensure the outputs are realistic, deliverable and based on previous similar projects.

10. Implications for Children and Young People and Vulnerable Adults

10.1 Five specialist housing units are proposed on the sites. A visit was undertaken to a similar autism specialist scheme in Leeds which has helped to consider the costs that will be associated with the development. The flexibility offered through the partnership will allow the Council to propose and agree amendments to the units to ensure that the specialist housing needs are addressed. The Interim Director of Children and Young Peoples Services has been working with the Strategic Housing Investment Service to identify the requirements for two homes for 16-18 year olds leaving care and a foster care family home.

11 Equalities and Human Rights Implications

11.1 None identified

12. Implications for Partners and Other Directorates

12.1 The main implications for other directorates are in respect of the specialist housing provision which will assist Children and Young Peoples and Adult Care services in meeting their objectives.

13. Risks and Mitigation

13.1 The project team has completed an initial risk workshop, and the details of all risks associated with the pre-construction stage have been documented. This will be monitored and updated at each of the progress meetings.

13.2 Wates has indicated that at this stage it is too early to identify any tangible impact of Brexit on their ability to deliver. They are working closely with their supply chain to mitigate any cost impacts that may arise from the weakening in the value of the pound. The impact on the housing market and sales value will continue to be monitored

13.3 A medium level risk has been identified of lower than anticipated sales values on the open market sale properties. As there are no directly comparable new build developments in Maltby, Wates produced a detailed sales strategy

following extensive consultation with three local estate agents – all agents confirmed there was a strong demand from both first time buyers and families. Wates have been conservative in their approach towards achievable sales values, whilst the estate agents are confident that enhanced values are more likely. In the event that sales values are not being achieved, either as a result of local or national market conditions, the Development Agreement allows the Council to slow the pace of the development on the Braithwell Road site until such a time as market conditions improve. However, Members need to be aware that the Council will still incur costs in relation to the site set up.

- 13.4 Wates cannot be selective in the development of the sites as they are required to develop all seven sites; therefore the development agreement includes a three phased plan. This divides the higher residual value site, Braithwell Road, Maltby, into three phases and combines each of these phases with other sites from the cluster.
- 13.5 The detailed site investigations have identified the presence of asbestos in the ground on three of the sites. Removal costs have been estimated, however certain ground conditions may only become apparent when a start on site is made and this may increase the costs. In order to manage this risk a contingency has been built into the budget.
- 13.6 This is a complex and challenging project that requires a high level of HRA expenditure and includes new funding streams in relation to rent to buy and shared ownership properties. Sufficient resources need to be identified within the Service and within Legal Services and Finance and Customer Services, to ensure that each element of the scheme is accounted for correctly and HCA's grant funding requirements are met.
- 13.7 Modelling shows that the Council's contribution to shared ownership and rent to buy costs will be recovered with no detrimental impact on the Business Plan. However, further detailed work is underway to ascertain management arrangements and charges; if it is found that the provision of shared ownership homes presents a risk to the HRA it is possible to convert these units to additional council rented homes. If it was proposed to do this, then the impact would need to be modelled in the HRA Business Plan to take account of housing management, repair and maintenance and lifecycle costs and the loss of a capital receipt from the sale of a share of the property. On the positive side, the Council would benefit from the full rental stream on 100% of the property.
- 13.8 A full review of the HRA Business Plan and its underlying assumptions will be undertaken to ensure that the Business Plan will remain sustainable over the medium to long term. A further report will follow to Cabinet and Commissioners' Decision Making Meeting when this review is completed.

14. Accountable Officer(s)

- 14.1 Tom Bell - Assistant Director, Housing and Neighbourhoods Service.

This report will be published on the Council's website or can be found at:-

<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories>