

Summary Sheet

Name of Committee and Date of Committee Meeting

Cabinet and Commissioners Decision Making Meeting – 11 December 2017

Report Title

Shared Ownership and Affordable Homes Programme 2017-21

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 for Adult Care and Housing

Report Author(s)

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Ward(s) Affected

Boston Castle
Dinnington
Hoover
Maltby
Rawmarsh
Rother Vale
Silverwood
Valley

Summary

In January 2017, Rotherham Council was awarded £6.81m of grant funding through the Homes and Communities Agency's Shared Ownership and Affordable Homes Programme (SOAHP). This programme will make a significant contribution to meeting Rotherham's housing growth target, and will meet the needs of a range of people - but particularly first time buyers who are often priced out of the market, and older people seeking homes that meet their physical needs.

108 of the homes to be delivered through the programme have been approved by Cabinet as part of the Site Clusters Programme with Wates Construction. Six further specialist bungalows have also been approved by Cabinet. This report focuses on the remaining 113 homes proposed to be delivered through SOAHP on the following sites:

- 14 specialist rented bungalows on Braithwell Road in Ravenfield (NB a different Braithwell Road from the Site Clusters programme main site in Maltby - five units), Arundel Avenue in Treeton (six units), Springfield Avenue in Brampton Bierlow (one unit) and a further site to be confirmed (two units)
- 59 homes on the Bellows Road site in Rawmarsh (30 shared ownership and 29 affordable rent)
- 40 homes on the Rothwell Grange site in Broom (20 shared ownership and 20 affordable rent)

The report seeks approval to use HRA capital funding to complement the grant awarded by the HCA.

Recommendations

1. That the Shared Ownership and Affordable Homes Programme (SOAHP) be approved.
2. That the use of Housing Revenue Account capital resources totalling the amount as set out in exempt Appendix 2, to complement the £6.81m grant funding obtained from the Homes and Communities Agency, be approved.
3. That the appropriation of two sites - Bellows Road (Rawmarsh) and Rothwell Grange (Broom) - from the General Fund to the Housing Revenue Account (HRA) be approved.
4. That the Assistant Director, Housing and Neighbourhoods be authorised to award Tenders for contracts to deliver construction works for the SOAHP, subject to agreement by the Council's Section 151 Officer, and to the costs being within the approved funding envelope for the Programme.
5. That the Assistant Director, Housing and Neighbourhoods be authorised to substitute other small HRA owned sites into the SOAHP if the two principal sites cannot deliver the numbers of units required.
6. That a further report be submitted to a future meeting with details of the financial modelling and management of shared ownership properties.
7. That the Assistant Director of Legal Services be authorised to sign and execute the funding agreement with the Homes and Communities Agency.

Background Papers

Appendix 1 – Information about shared ownership

Appendix 2 – Exempt financial and procurement information

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 2 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.

Shared Ownership and Affordable Homes Programme 2017-21

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- 1.6 That a further report be submitted to a future meeting with details of the financial modelling and management of shared ownership properties.
- 1.7 That the Assistant Director of Legal Services be authorised to sign and execute the funding agreement with the Homes and Communities Agency.

2. Background

- 2.1 Increasing housing growth in Rotherham is a key strategic objective for the Council, and the Strategic Housing and Development Service pursues every opportunity to obtain external funding to deliver more new homes. It is equally important to ensure housing growth meets the needs of Rotherham's communities including first time buyers (who often find it difficult to get on the ladder due to low income and limited funds for deposits), and older people.
- 2.2 The Strategic Housing and Development Service therefore submitted a bid in August 2016 for £6.81m grant funding from the Homes and Communities Agency's (HCA) Shared Ownership and Affordable Homes Programme and this was successful.

- 2.3 Initially the programme was focused on affordable home ownership and the only social rented homes that qualified for funding were specialist housing units. The original bid was for £30K grant per unit for 227 homes across a range of sites (including Bellows Road in Rawmarsh and Rothwell Grange in Broom), with 148 shared ownership homes, 63 rent to buy homes and 16 specialist Council bungalows. Some of the sites were proposed for 100% shared ownership and one for 100% rent to buy. The assumption was that the programme would be delivered through the Housing Revenue Account (HRA).
- 2.4 The HCA raised concerns regarding the single tenure sites and as a result, an independent consultant was commissioned to analyse the financial modelling and assist with revising the tenure mix. It became clear that £30K per unit was insufficient to deliver shared ownership or rent to buy on Bellows Road and Rothwell Grange without a detrimental effect on the HRA. Subsequently the HCA introduced flexibility and permitted general needs rented accommodation to be included within SOAHP, and a new overall programme was agreed with the HCA in August 2017 that included units within the Clusters Programme which Cabinet approved in July 2017. The breakdown of tenures in the new programme is as follows:
- 136 homes for affordable rent (which means 80% of open market rent for the area) (87 via the Clusters Programme plus 49 on Bellows Road / Rothwell Grange)
 - 59 shared ownership homes (nine via the Clusters Programme plus 50 on Bellows Road / Rothwell Grange)
 - 12 rent to buy homes (via the Clusters Programme)
 - 20 specialist bungalows for rent
- 2.5 108 of these homes will be delivered as part of the Site Clusters Programme with Wates (87 rented homes, 12 rent to buy homes and 9 shared ownership homes).
- 2.6 Six specialist bungalows have already been approved by Cabinet on Catherine Avenue in Swallownest and St Mary's Drive in Treeton.
- 2.7 It is proposed that the remaining 113 homes will be delivered as follows:
- 14 specialist rented bungalows on Braithwell Road in Ravenfield (NB a different Braithwell Road from the Site Clusters programme main site in Maltby - five units), Arundel Avenue in Treeton (six units), Springfield Avenue in Brampton Bierlow (one unit) and a further small site to be confirmed (two units)
 - 59 homes on the Bellows Road site in Rawmarsh (30 shared ownership and 29 affordable rent)
 - 40 homes on the Rothwell Grange site in Broom (20 shared ownership and 20 affordable rent)
- 2.8 The homes will be funded by a combination of SOAHP grant and HRA capital funding.

- 2.9 Two of the key SOAHP sites, Bellows Road and Rothwell Grange, currently sit within the Council's General Fund, and one of the recommendations of this report is to transfer them to the Housing Revenue Account.
- 2.10 Government has set tight timescales for delivery to meet the funding criteria, and the Bellows Road site and 18 of the bungalows must be started in the current financial year.
- 2.11 Work has commenced to identify construction partners to deliver the Bellows Road development and specialist bungalows, utilising the YorBuild framework as this is the most expedient route representing the best value for money for the Council. Initial investigatory work is being undertaken at risk, pending Cabinet approval for this programme.
- 2.12 The rented units including the specialist bungalows will be added to the Council's housing stock and let via Key Choices. The shared ownership units will be owned by the Council, and it is proposed that an external organisation with expertise in shared ownership will be contracted to manage the homes. This will be set out in detail in a further report to Cabinet in the new year.
- 2.13 Shared ownership allows first time buyers to get on the property ladder if they cannot afford to buy a home on the open market. They purchase the share that they can afford, and pay a rent on the share that the Council still owns. They become responsible for the repairs and maintenance of the entire property, and they are able to 'staircase' upwards as and when they can afford to purchase a greater share of the property. Further information is provided in Appendix 1.
- 2.14 Rent to buy is a new tenure whereby the tenant pays an 'affordable rent' of 80% of the equivalent market rent, and has the option to purchase the home after five years. The assumption is that the tenant sets aside the saving they are making on market rent, to save for a deposit. A modest number (12) of rent to buy units has been included in the Site Clusters programme and depending on demand and success, a more substantial rent to buy element could be included in future SOAHP schemes.

3. Key Issues

- 3.1 Delivery of the Shared Ownership and Affordable Homes Programme in Rotherham will make a significant contribution to the Council's housing growth ambitions, with 119 new homes additional to the 108 being delivered through the Site Clusters Programme.
- 3.2 Rotherham's Strategic Housing Market Assessment (published in 2015), demonstrated that (a) more housing is required to meet specialist needs due to the borough's ageing demographic, and (b) there is a trend that young people often migrate out of Rotherham due to limited housing opportunities in the borough. First time buyers struggle to get onto the property ladder: While the average deposit required is £12K, the average deposit available to a first time buyer in Rotherham is closer to £4K. These concerns were also reflected in the views expressed by residents during consultation on the Housing Strategy in 2015 – residents' top priorities for housing growth were homes for first time buyers, and homes suitable for older people and people with disabilities.

- 3.3 The Programme will deliver 71 new shared ownership and rent to buy homes which will provide opportunities for low cost home ownership.
- 3.4 Some of the shared ownership homes will also be targeted at older people wishing to downsize from a larger property, and the details of this element are currently being scoped out. Older people have expressed an interest in shared ownership as it allows them to move out of a larger property that may be physically unsuitable for their needs, into a new home. The majority of people aged over 55 in Rotherham own their home outright but with the average house price being £137K and the average cost of a two bedroom new build bungalow being £154K (based on properties for sale in November 2017), it is often unviable for them to sell and move into a new property. Shared ownership, however, would enable them to do this and retain an asset.
- 3.5 The programme includes 20 new specialist bungalows for rent – four of which are disabled person units (DPUs) for households with a disabled family member and 16 of which are two bedroom bungalows for older people. This will help to prevent people from requiring residential care and allow people to live independently in their own home, which contributes to the Council's strategic priority of every adult secure, responsible and empowered.
- 3.5 The overall programme includes 136 homes for affordable rent, in addition to the 20 specialist homes. This will make a significant addition to the Council's housing stock, helping to mitigate against the number of homes lost through the Right to Buy scheme (152 Council homes were sold during 2016/17). Affordable rent is different to social rent in that the rent is calculated as 80% of the open market rent for the area. In Rotherham the difference between 'affordable' and 'social' rent is often minimal. 87 of the Council properties in the Site Clusters programme will be converted from social to affordable rent as a result of the SOAHP. Tenants' rights are unaffected and they still have the Right to Buy option, and the rental income to the HRA will be slightly higher as a result. This is addressed further in section 7.
- 3.6 Options for management of the shared ownership properties are currently being explored and a further report will be presented to Cabinet in early 2018. A number of housing associations with expertise in shared ownership have expressed an interest in managing the properties on the Council's behalf.

4. Options considered and recommended proposal

4.1 There are three main options:

- 4.1.1 Not to deliver the Shared Ownership and Affordable Housing Programme. Alternative routes could be pursued for developing the sites, and delivering homes to meet the needs of first time buyers and older people. While this could allow two Council owned sites to be disposed of, realising a capital receipt to the General Fund of £800K, this would prevent Rotherham from benefiting from £6.81m of grant funding and is therefore not recommended.

- 4.1.2 Continuing with the original submission for 227 new homes across a range of sites, with no affordable rented homes other than the 16 specialist rented bungalows. This has been shown to be financially unsustainable at the original grant rate per unit without the revisions and inclusion of affordable rent. This is therefore not recommended.
- 4.1.3 Reducing the original submission to include only the 16 specialist rented bungalows and a small proportion of shared ownership / rent to buy homes. This would prevent the inclusion of the two larger sites – Bellows Road and Rothwell Grange – and significantly reduces the potential contribution of the programme towards Rotherham’s housing growth targets. Moreover the HCA expressed a preference to work with the Council to co-design a flexible solution to maximise delivery, rather than reduce the number of units delivered. The HCA had also indicated that affordable rent homes could be included as part of the flexibility available. The option of reducing the bid is therefore not recommended.
- 4.1.4 Preferred option: To revise the programme to include a higher level of affordable rented homes as set out in paragraph 2.3. This option enables the entire grant to be drawn down and a range of housing needs to be met, as well as the regeneration of key sites in the borough.

5. Consultation

- 5.1 Consultation carried out for the Housing Strategy during 2015 revealed that residents’ top priority for housing growth was homes for first time buyers, closely followed by homes for older people. The SOAHP will provide homes to meet both of these needs.
- 5.2 Surveys were carried out in summer 2017 to seek prospective first time buyers’ views on various low cost home ownership options and information was provided at the Rotherham Show in September 2017. Several residents were keen to find out more about shared ownership. Anecdotal views were also expressed by local estate agents that there is an unmet demand for shared ownership in Rotherham.
- 5.3 The Strategic Housing and Development Service has liaised closely with the HCA to develop these proposals and continues to consult the HCA on further opportunities to jointly fund new housing schemes.
- 5.4 Consultation with Ward Members has taken place and letters sent to residents in respect of bungalow developments in Ravenfield, Treeton and Swallownest, and further consultation is planned for the remaining sites.
- 5.5 Consultation and communication were key to the successful demolition of the former Bellows Road shopping parade. Regular communication with Ward Members, residents, the local MP and other local agencies has taken place in relation to the aspirations for the area. Further consultation will take place following an indicative scheme layout in December and a meeting has been arranged with Ward Members.

5.6 A meeting has also been arranged with Ward Members in respect of the development of Rothwell Grange and a comprehensive communication / consultation strategy will be put in place.

6. Timetable and Accountability for Implementing this Decision

6.1 The Assistant Director of Housing and Neighbourhoods will have accountability for the successful implementation of this project and progress will be overseen by the Housing and Regeneration Programme Delivery Board.

6.2 The delivery timetable is set out in the table below:

Sites and Programme	Total Units	Procurement of Developer	Design Stage	Consultation	Planning	Forecast Start on site	Forecast Completion
Bellows Road 30 x Shared Ownership 29 x Affordable Rent	59	Yorbuild Rotation – Immediate	Nov 17	Dec 17	Jan 18	March 18	2020
Rothwell Grange 20 x Shared Ownership 20 x Affordable Rent	40	Yorbuild Framework June 2018	August 18	Sept 18	Oct 18	Feb 2019	2021
Specialist Bungalows Catherine Avenue, Swallownest 4 x OAP St Marys Drive, Catcliffe 2 x OAP	6	Yorbuild Framework Procured	Completed	Completed	Completed	Oct 2017	2018
<i>Braithwell Road, Ravenfield 2x3b DPU 3x2b OAP</i>	12	Yorbuild Framework	Nov 17	Dec 17	Jan 18	March 18	2019
<i>Arundel Avenue – Treeton 4x2b OAP 2x3b DPU Springfield Avenue Brampton 1 x2b OAP Further site tbc 2 x 2b OAP</i>	2	Yorbuild Framework	TBC	TBC	TBC	2019/20	TBC
Site Clusters SOAHP	21	Wates appointed	Completed	Completed	Completed	Nov 17	2019

Sites and Programme	Total Units	Procurement of Developer	Design Stage	Consultation	Planning	Forecast Start on site	Forecast Completion
Site Clusters Affordable Rent	87	Wates appointed	Completed	Completed	Completed	March 2018	2020
SOAHP Total	227						

7. Financial and Procurement Implications

- 7.1 Further financial and procurement implications are set out in exempt Appendix 2.
- 7.2 The new homes will generate New Homes Bonus and ongoing council tax income. This income will contribute to the achievement of financial planning assumptions within the Council's Medium Term Financial Strategy.
- 7.3 87 of the Council rented properties to be delivered through the Site Clusters programme will be converted from social rent to affordable rent. This is expected to have minimal implications for the HRA business plan income projections. However there will be additional work to ensure the appropriate processes and systems are in place for the affordable rent tenure and these are currently being worked through.
- 7.4 Procurement processes will be undertaken in line with the Council's Standing Orders and the Public Contract Regulations 2015 (the "Regulations").
- 7.5 The report recommends the appropriation of two General Fund sites into the HRA; Bellows Road, Rawmarsh and Rothwell Grange, Broom. Bellows Road is valued at £400K and Rothwell Grange £400K. By making this appropriation into the HRA the Council is foregoing a potential capital receipt of £800K from the sale of the sites. However, the transfer of the sites to the HRA means that the HRA will become responsible for the capital financing charges associated with the sites resulting in an annual revenue budget saving to the Council General Fund of around £20K.
- 7.6 Shared ownership is a new tenure for the Council and while modelling has been carried out and has shown with the inclusion of SOAHP grant, it is unlikely that there will be a detrimental impact on the HRA business plan, it is not possible to predict the level of surpluses that will be generated. However the income from shared ownership units will be monitored closely and any surpluses realised will be invested in further affordable housing growth.

8. Legal Implications

- 8.1 A contract must be put in place between the Council and the HCA to deliver the SOAHP, immediately following Cabinet approval.
- 8.2 A range of construction contracts will be established for the delivery of the specialist bungalows sites, Rothwell Grange, and Bellows Road.

8.3 Legal advice was sought in respect of the use of the HRA to fund the Site Clusters programme including the open market sale units and this was legally permissible provided there was no detrimental effect on the HRA and that the surplus from the sales revenue would be used to deliver Council housing. This advice was extended to other tenures and the HRA can be used to part fund the shared ownership homes, on the same basis that any surpluses will be recycled into the delivery of further Council housing.

9. Human Resources Implications

9.1 None identified.

10. Implications for Children and Young People and Vulnerable Adults

10.1 Many of the prospective first time buyers who will be attracted to the new shared ownership homes will be young people, and the consultation and marketing strategy will include targeting of young people.

10.2 SOAHP includes 20 specialist bungalows for households with a disabled family member or older people, which will help people to live independently in high quality, accessible homes thus contributing to the prevention agenda.

11. Equalities and Human Rights Implications

11.1 None identified.

12. Implications for Partners and Other Directorates

12.1 The programme will be delivered by the Strategic Housing and Development Service, but essential roles will also be played by officers in Asset Management and Planning services within the Regeneration and Environment directorate.

13. Risks and Mitigation

13.1 There are relatively few shared ownership homes in the Sheffield City Region and it is therefore difficult to predict demand and take up with accuracy. However, customer research has shown an interest in the product and large numbers of people would meet the criteria for shared ownership in Rotherham. Steps already taken to manage this risk include:

- Research into best practice in marketing and ensuring the success of shared ownership
- Reducing the proportion of shared ownership units and mixing tenure on sites with affordable rent
- Selecting sites for shared ownership based on local demographic profiles and anticipated demand for shared ownership

Further action to be taken:

- Ensure a robust communication, marketing and branding strategy is in place
- Discuss with the HCA options for switching tenure to affordable rent if there is insufficient demand for shared ownership

13.2 The Council has not directly delivered shared ownership before and there are some areas of uncertainty regarding the impact on the HRA business plan. A consultant was engaged to support the financial modelling. Modelling has been based on a range of assumptions such as the average share purchased, management costs etc but this could change. Monthly monitoring meetings will be held between HRA finance and project management leads to ensure this understanding is developed as the programme progresses.

13.3 A key risk is failure to deliver the programme in accordance with the HCA's timetable. This could result in grant being withheld by the HCA and a detrimental impact on the relationship between the Council and the HCA, and the Council's reputation. The risk has been reduced by the inclusion of the Site Clusters scheme units, and the advance site investigation works carried out at risk ahead of the Cabinet decision. Officer resources have been identified to deliver the programme but additional staff are required for housing growth delivery and this is being considered as part of the HRA business plan review, which is due to be reported to Cabinet in January 2018.

13.4 There is a risk relating to the estimated numbers of units deliverable on the Bellows Road and Rothwell Grange sites as the details will not be finalised until the procurement process is complete. To mitigate against this, further smaller sites have been identified and will be bought forward to make up any shortfall on proposed numbers on the two sites.

14. Accountable Officer(s)

Tom Bell - Assistant Director of Housing & Neighbourhood Services

Approvals obtained from:-

	Named Officer	Date
Strategic Director of Finance & Customer Services	Judith Badger	22.11.2017
Assistant Director of Legal Services	Dermot Pearson	22.11.2017
Head of Procurement (if appropriate)		
Head of Human Resources (if appropriate)		

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