

## Summary Sheet

### Name of Committee and Date of Committee Meeting

Cabinet and Commissioners Decision Making Meeting – 9 July 2018

### Report Title

Delivery of Housing Association Homes on Housing Revenue Account sites

### 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, Housing and Public Health

### Report Author(s)

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### Wards Affected

Hoover  
Wickersley

### Summary

This report is seeking approval to transfer four parcels of Housing Revenue Account (HRA) land to Arches Housing Association and one parcel of HRA land to Johnnie Johnson Housing Association.

The sites to transfer to Arches Housing Association are:

- One site at Hornbeam Close, Flanderwell – to accommodate three x two bedroom houses via modern methods of construction (MMC).
- One site at Greenwood Crescent, Wickersley – to accommodate two x two bed houses via MMC.
- One site at Willow Close, Flanderwell – to accommodate five x two bedroom houses via MMC.
- One site at Craig Walk, Bramley – to deliver four x two bedroom houses via MMC.

The site to transfer to Johnnie Johnson Housing Association is:

- Orchard Place (rear of 9 – 29 Melton High Street) West Melton – to deliver up to eight x two bedroom bungalows.

Housing associations play a key role in meeting the housing needs of Rotherham's residents and both Arches Housing Association (Arches) and Johnnie Johnson Housing Association (Johnnie Johnson) have a history of successful delivery in Rotherham and have existing stock within the borough.

All the new homes will be delivered for affordable rent and the Council will receive nomination rights to the properties. The total scheme cost for the Arches development and the Johnnie Johnson represents £3.23m of investment into the borough. Both organisations will request grant funding from Homes England to support their schemes. This funding is time bound and all the developments have to be completed by March 2021 or the funding offer will be withdrawn.

All of the sites are all vacant Council HRA land or under-utilised garage sites. Planning colleagues have been consulted and it is their opinion that all the sites would be suitable for residential development.

Delivery of affordable housing schemes is always financially challenging and both housing associations have requested a land transfer for the value of £5K per plot. This reduced land value is in line with funding guidance issued by Homes England, and the Council's longstanding custom and practice, to enable housing associations to develop new affordable homes in Rotherham. The full open market values for each site have been calculated as well as the reduced transfer values, and these are detailed in section 7.

### **Recommendations**

1. That approval be given to the transfer of four parcels of HRA land as detailed above to Arches Housing Association for £5K per plot value.
2. That approval be given to the transfer of one parcel of HRA land at Orchard Place, West Melton for £5K per plot value.

### **Background Papers**

None

### **Consideration by any other Council Committee, Scrutiny or Advisory Panel**

Overview and Scrutiny Management Board – 4 July 2018

### **Council Approval Required**

No

### **Exempt from the Press and Public**

No

## **Delivery of Housing Association Homes on Housing Revenue Account sites**

### **1. Recommendations**

- 1.1 That approval be given to the transfer of four parcels of HRA land as detailed above to Arches Housing Association for £5K per plot value.
- 1.2 That approval be given to the transfer of one parcel of HRA land at Orchard Place, West Melton for £5K per plot value.

### **2. Background**

- 2.1 Within Rotherham there has been a longstanding partnership arrangement with housing associations to enable the delivery of affordable housing across the borough. Over the past five years housing associations have delivered 504 units of affordable housing which represents 80% of the total number of affordable housing units delivered. Arches and Johnnie Johnson housing associations are both longstanding stock holding partners.
- 2.2 A portfolio of Housing Revenue Account (HRA) sites was sent to all housing association providers and they were asked to submit proposed housing schemes for any sites that they were interested in developing. Only Arches and Johnnie Johnson responded to this marketing exercise. Most other housing associations stated that the sites on offer were too small for development to be viable or did not respond.
- 2.3 Both Arches and Johnnie Johnson will submit bids to Homes England for grant funding to support the development of the housing schemes.
- 2.4 Arches will build fourteen new homes across the sites. These will all be two bedroom houses built to Lifetime Homes standards, and delivered through modern methods of construction (MMC). This will complement the Council's pilot scheme for new building methods, and increase the amount of information and cost data available about different construction methods.
- 2.5 Johnnie Johnson will build eight x two bedroom bungalows at Orchard Place, West Melton. They will be built using traditional methods of construction and allocated via Key Choices to those over 55 years of age or with an assessed medical need.
- 2.6 The Council's Asset Management Service has undertaken valuations of all the sites. These values are set out in section 7. Historically the Council has transferred HRA land at a fixed value of £5K per plot to support wholly affordable housing schemes which is in line with Homes England guidance. The input of land at less than market value to support affordable housing is advocated by the Government's "something for something" agenda.

2.7 The financial viability of the schemes will be compromised if the sites are not transferred at a reduced value. The development of small sites carries a disproportionately high level of fees and costs compared to larger sites where economies of scale can be achieved. There is a risk that the schemes will not be delivered at all and, by accepting a reduction in land value, £3.23m of external housing investment will be brought into Rotherham.

### **3. Key Issues**

3.1 The transfer of these sites at a reduced value will enable 22 new affordable homes to be delivered in Rotherham.

3.2 The open market value of the sites is outlined in section 7. Whilst the capital receipt to the HRA will be reduced, this can be justified when all the other benefits outlined in this report are taken into account.

3.3 Evidence of demand for these properties is strong. Housing needs data shows that there are currently 6,506 people on the waiting list across the borough. In the Wickersley ward, demand for two bed houses is 27 bids per property (compared to the borough wide average of 24 bids per property). In West Melton, demand for two bedroom bungalows is 34 bids per property. This illustrates that there is an unmet demand for social housing in both locations, particularly for bungalows.

3.4 A legally binding nomination agreement will be signed as part of the land transfer process by the Council and each of the housing associations. Key Choices will have the opportunity to refer those on the Council waiting list on the first let of all the properties. Thereafter, nominations are 50/50 with both Arches and Johnnie Johnson on an alternate basis. This is the South Yorkshire wide practice with all partner housing associations.

3.5 Both housing associations have shown commitment to Rotherham by progressing initial scheme designs and the associated costs at their own risk.

3.6 This affordable housing scheme will bring £3.23m of inward investment into the borough.

3.7 Although these schemes will be project managed by the housing associations, the Council's Affordable Housing Officer will maintain oversight and monitor progress to ensure the homes are delivered to the stated quality and timescales.

### **4. Options Considered and Recommended Proposal**

4.1 Not to transfer the sites to Arches and Johnnie Johnson at a reduced rate of £5K per plot. The sites may remain vacant for the foreseeable future and this is therefore not recommended.

- 4.2 To develop the sites for Council housing using HRA capital resources. This is an option but there are other immediate development priorities which are progressing. Limited staff resources mean that it is unlikely that the sites will be worked up for development in the immediate future. The HRA capital resources are not infinite and the opportunity to bring external housing investment into the borough should not be dismissed. This option is therefore not recommended.
- 4.3 To sell the sites on the open market. The sale of these sites may not achieve the open market value. The Council will lose certainty of delivery of new homes. It is unlikely that any affordable housing may be gained via S106 on these sites as they are too small to trigger the planning policy requirement. This option is therefore not recommended.
- 4.4 The recommended option is to transfer the land to the housing associations as per the recommendations of this report, to accelerate the delivery of 22 new homes in the borough.

## **5. Consultation**

- 5.1 Local ward members have been consulted on the proposals and their feedback taken into account, and members of the public will be consulted via the planning process.

## **6. Timetable and Accountability for Implementing this Decision**

- 6.1 Subject to Cabinet approval of this report, work to enable the land transfers will be completed over the summer months of 2018. The land transfers will be dealt with by the Council's Asset Management and Legal Services. Both housing associations are keen to complete the land purchase as soon as possible and will progress planning applications alongside the land transfer process, and hope to begin works on site by spring 2019.
- 6.2 The project will be overseen by the Council's Affordable Housing Officer and the overall accountable officer will be the Assistant Director for Housing and Neighbourhoods.

## **7. Financial and Procurement Implications**

- 7.1 The Council will accept a reduced capital receipt for the site in order to enable wholly affordable housing schemes to be developed. Full valuations have been carried out by the Asset Management Team and the total potential income is reduced by £213K as shown in the table below:

<b>Site</b>	<b>Open Market Value</b>	<b>Transfer value to housing association</b>	<b>Level of Discount</b>	<b>Number of units</b>
Hornbeam Close, Flanderwell	£ 33,000	£ 15,000	£ 18,000	3
Greenwood Crescent, Wickersley	£ 40,000	£ 10,000	£ 30,000	2
Willow Close, Flanderwell	£ 70,000	£ 25,000	£ 45,000	5
Craig Walk, Bramley	£ 60,000	£ 20,000	£ 40,000	4
Orchard Place, West Melton	£120,000	£ 40,000	£ 80,000	8
<b>Total</b>	<b>£323,000</b>	<b>£110,000</b>	<b>£213,000</b>	<b>22</b>

7.2 However, the properties will generate New Homes Bonus and council tax income which will contribute to the achievement of financial planning assumptions within the Council's Medium Term Financial Strategy.

7.3 In order to achieve "best value" for this area of HRA land all factors have to be taken into consideration:

- Total external funding investment of £3.23m including grant funding.
- Certainty of delivery of 22 new affordable homes for which the Council will receive nomination rights, alleviating pressure on the Housing Register.
- Generation of income through NHB and council tax

## **8. Legal Implications**

8.1 The Authority is, pursuant to s.123 Local Government Act 1973 obliged to achieve 'best consideration' on any disposal of land. However, this consideration does not need to be obtained in purely monetary form and can comprise achievement of other Authority aims such as the delivery of Affordable Housing. Given that the transfer at a reduced rate is required to achieve delivery of affordable housing and the anticipated receipt of the New Homes Bonus "best consideration" is being achieved by the proposed transfer.

## **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 The bungalows will be allocated to people aged over 55 or those with an assessed medical need, therefore supporting people to live independently.

## **11 Equalities and Human Rights Implications**

11.1 The new homes will be offered to applicants on the Council's housing register who can bid for the homes via the nomination process. Providing new affordable homes will increase access to suitable housing for those in need.

## 12. Implications for Partners and Other Directorates

12.1 The Councils Asset Management and Legal services will be involved in the sales process.

## 13. Risks and Mitigation

13.1 The only risk associated with this scheme is that the housing associations may not build out the schemes. However, to mitigate against this there will be a clause in the land sales document with a longstop date by which the units must be started and finished. If work does not commence then the housing associations will be under a legal obligation to sell the sites back to the Council for the purchase price.

## 14. Accountable Officer(s)

Tom Bell, Assistant Director – Housing and Neighbourhoods

Approvals obtained on behalf of:-

	<b>Named Officer</b>	<b>Date</b>
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	22/06/18
Assistant Director of Legal Services (Monitoring Officer)	Stuart Fletcher	22/06/18
Assistant Director of Human Resources (if appropriate)	N/A	
Head of Procurement (if appropriate)	N/A	

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