

Summary Sheet

Name of Committee and Date of Committee Meeting

Cabinet – 19 November 2018

Report Title

Strategic Acquisition of Six Bungalows at Penny Piece Lane, North Anston

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, Housing and Public Health

Report Author(s)

Liz Hunt, Affordable Housing Co-ordinator
01709 334956 or elizabeth.hunt@rotherham.gov.uk

Ward(s) Affected

Anston and Woodsetts

Summary

This report seeks approval to purchase six, two bedroom bungalows at Penny Piece Lane, North Anston from Duchy Homes. These bungalows are Section 106 planning gain units and will be purchased by the Council at approximately 60% of the open market value. The forecast completion date of these units is December 2019. There is evidenced demand for bungalows in this location and resources are available in the strategic acquisitions budget to purchase them. This is part of an ongoing programme of acquisitions of new Council homes to replace properties sold under the Right to Buy and to maintain stock levels.

Recommendations

1. That approval be given to the purchase of six bungalows at Penny Piece Lane from Duchy Homes using the Housing Revenue Account Strategic Acquisitions budget.

Appendices

- Appendix 1 Exempt financial information
- Appendix 2 Site layout detailing affordable housing location
- Appendix 3 Bungalow floorplan
- Appendix 4 Elevations

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 1 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.

Strategic Acquisition of Six Bungalows at Penny Piece Lane, North Anston

1. Recommendations

- 1.1 That approval be given to the purchase of six bungalows at Penny Piece Lane from Duchy Homes using the Housing Revenue Account Strategic Acquisitions Budget.

2. Background

- 2.1 The Housing Revenue Account (HRA) strategic acquisitions programme enables the Council to purchase new properties to replace Council homes sold via the Right to Buy (RTB) and maintain affordable housing stock levels in the borough. To date 115 properties have been purchased and a further nine have already received Cabinet approval and are due to be completed by developers.
- 2.2 As part of the planning process, on sites of 15 units or more, developers are required to provide up to 25% affordable housing provision (depending on viability constraints) . As a condition of the planning permission the affordable housing units have to be sold on to social housing providers at a discount on the open market value (OMV). Because of this discount these “Section 106” units represent excellent value for money.
- 2.3 To date, the focus of the strategic acquisitions programme has been to purchase brand new Section 106 planning gain housing units from developers and the Council continues to consider invitations to purchase more Section 106 bungalows because of the excellent value for money they offer.
- 2.4. The bungalows will be completed in December 2019. There is a healthy level of demand for Council bungalows in North Anston. To date, the Council has not purchased any new homes in North Anston or built any new Council homes here in recent years.
- 2.5 The bungalows will only be let to those over 50 years of age or with an assessed medical need, in line with the Council’s allocation policy. They will meet the strategic objectives of the emerging older people’s housing agenda. Any specific client-led adaptations will be incorporated into the build process.
- 2.6. This report requests the approval of HRA resources to fund the purchase of the six new bungalows. The financial details are provided in Appendix 1.

3. Key Issues

- 3.1 The Council is committed to providing new social rented homes to replace those lost under RTB. This is highlighted in the Housing Strategy 2016–19 – Theme 2 Social Housing. “Ensuring affordable rented / social housing is available to those who cannot afford to or do not want to buy a home”

3.2 The advantages for the Council of acquiring these S106 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.
- One year defects liability period and ten year warranty to safeguard against any structural defects.
- Located on new housing estates, often in high demand areas where the Council has lower levels of housing stock.
- Helps to strengthen communities by providing suitable accommodation for older people.

3.3 There are regeneration and economic benefits to delivering new housing in Rotherham. Data from the Construction Industry Council states that every £1 million invested in housing construction creates 28.5 jobs. Therefore supporting local developments is a key benefit to Rotherham's economy and maintaining job security and creation.

4. Options considered and recommended proposal

4.1 Option 1 – Not to pursue the option to purchase these bungalows from Duchy 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 RTB receipts for “one for one” replacements. If the Council does not utilise this money then it has to be returned to central government and the investment is lost from the borough. This option is not recommended.

4.2 Option 2 – Allow the properties to be purchased by a housing association (also referred to as a Registered Provider – (RP)). If the properties were purchased by an RP the Council may receive nomination rights to the properties, but this is not mandatory. However, it is more advantageous for the Council to buy the discounted properties so this option is not recommended.

4.3 Option 3 – The Council to purchase the properties. This is the recommended option for the reasons outlined in 3.2

5. Consultation

5.1 The Cabinet Member for Housing has been briefed.

5.2 Local Ward Members are aware of the scheme.

6. Timetable and Accountability for Implementing this Decision

6.1 Based on the developer's projected build programme the bungalows will be completed in December 2019. The Council's Affordable Housing Coordinator will have responsibility for implementing the decision.

6.2 The overall accountable officer will be the Assistant Director of Housing.

7. Financial and Procurement Implications

- 7.1 The purchase costs and proposed financing are set out in exempt Appendix 1.
- 7.2 A Strategic Outline Programme (SOP) will need to be completed for the Strategic Acquisitions programme in accordance with the Capital Governance requirements.
- 7.3 The HRA business plan includes funding for these acquisitions within the strategic acquisitions capital budgets.
- 7.4 There are no procurement implications 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 to Council stock.

9. Human Resources Implications

- 9.1 None identified.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 The six bungalows are suitable for older people or those with an assessed medical need such as a physical disability. Therefore this acquisition will help older and disabled people to continue to live independently for longer in homes that suit their needs.

11. Equalities and Human Rights Implications

- 11.1 None identified.

12. Implications for Partners and Other Directorates

- 12.1 N/A for information only.

13. Risks and Mitigation

- 13.1 The main risk is that the Council may not receive value for money. The Affordable Housing Coordinator has carried out a desktop benchmarking exercise to ensure that the open market values correspond with other sales values per m² of new homes in the area. The Council's Asset Management Team will also carry out a valuation of the units as part of the purchase process.
- 13.2 These new bungalows will not be exempt from RTB applications. Due to national government policy the Council cannot exempt these homes. At the point of any RTB application if the "cost floor" (purchase price plus all the fees and additional costs) of the property is higher than the tenant's purchase price (after the discount has been applied) then the tenant will have to purchase at

the cost floor amount, ie the level of the discount is reduced. In circumstances where the open market value (OMV) of the property is lower than the cost floor then the Council will have to sell at the OMV and write off the difference between the cost floor and the OMV.

14. Accountable Officer(s)

Tom Bell – Assistant Director of Housing