

**Committee Name and Date of Committee Meeting**

Cabinet – 23 January 2023

**Report Title**

Housing Development Programme Report – 2023/24

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

Yes

**Strategic Director Approving Submission of the Report**

Ian Spicer, Strategic Director of Adult Care, Housing and Public Health

**Report Author(s)**

David Bagnall, Housing Development Manager

**Ward(s) Affected**

Various, please see Appendices 3 and 5

**Report Summary**

This report sets out proposals to support the delivery of more new council homes by March 2026, through a combination of development on Council owned land and the acquisition of homes from the private sector.

Appendix 3 provides a list of sites proposed for development, including at Appendix 4, several sites held within the Council's General Fund. Exempt Appendix 5 provides a list of potential strategic acquisition opportunities.

It is proposed that Housing Development Programme update reports are presented to Cabinet on a six-monthly basis.

**Recommendations**

1. That Cabinet approves the Council-owned sites listed in Appendix 3 being brought forward to deliver new Council homes.
2. That Cabinet approves the appropriation of specified General Fund sites to the Housing Revenue Account. Further detail about the sites proposed for appropriation is provided in Appendix 4.
3. That Cabinet approves the purchase of homes from any of the schemes identified in Exempt Appendix 5.

4. That Cabinet delegates authority to the Council's Property Officer (Assistant Director for Planning, Regeneration and Transport) to purchase additional homes from private developers or the open market to add to the Council's housing stock, with the agreement of the Assistant Director for Housing, Cabinet Member for Housing and Section 151 Officer.
5. That Cabinet agrees to receive an update on the housing development programme every six months.

### **List of Appendices Included**

- Appendix 1 Delivery timeline – Jan 2018 to present
- Appendix 2 Photographic summary of delivery
- Appendix 3 Council-owned sites proposed for residential development
- Appendix 4 General Fund sites for early appropriation
- Appendix 5 EXEMPT Potential strategic acquisitions
- Appendix 6 Initial Equality Screening (Part A)
- Appendix 7 Equality Analysis (Part B)
- Appendix 8 Carbon Impact Assessment

### **Background Papers**

Housing Strategy - Rotherham Metropolitan Borough Council

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**  
Improving Places Select Committee (via the Housing Strategy)

### **Council Approval Required**

No

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

Yes – Appendix 5

An exemption is sought for Appendix 5 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 1972, on the basis that releasing the information could put the Council at a competitive disadvantage.

## Housing Development Programme Report – 2023/24

### 1. Background

- 1.1 There is a pressing need for more affordable homes across the borough and as the cost-of-living crisis continues to affect communities, more people than ever will turn to the Council for financial support, advice, and housing. Without creating more affordable housing options, household finances will continue to be squeezed and more people will fall into hardship, creating much wider implications for the health and wellbeing of local people and communities.
- 1.2 This need is clearly reflected in the fact that there were over 6,606 individuals and households on the Council's Housing Register as of 1 April 2022. The Council's ability to meet this housing demand is diminishing annually because of the Right to Buy which has seen 793 Council homes sold between January 2018 and November 2022.
- 1.3 In response to this continuing affordable housing need, the Council set a target to deliver hundreds of new Council homes between January 2018 and March 2026.
- 1.4 From January 2018 to November 2022, the Council has successfully completed 439 new, affordable homes; 314 homes for rent and 125 homes for shared ownership:
- 354 of these homes have been delivered through Council-led construction.
  - 16 homes have resulted from conversion of existing Council assets into new homes, and
  - 69 are from the strategic acquisition of homes from private developers and the open market.

The Council has also built 91 new homes for market sale, whilst a further 34 homes for sale are nearing completion through the Council's Town Centre housing developments. A photographic summary of delivery achieved during this period is provided in Appendix 2.

- 1.5 Since the last Housing Development Report was presented to Cabinet on 11<sup>th</sup> July 2022 through to the end of November 2022, the Council has:
- Commenced pre-development appraisal and preparatory work to deliver an estimated eight new bungalows at Carver Close in Harthill, in readiness for procurement activity to begin – currently anticipated Spring 2023
  - Instigated procurement activity in relation to Warden Street, Canklow to deliver an estimated 25 new homes alongside a new Adult Day Care Centre – further information is set out in Appendix 4
  - Taken handover of a further 52 of the 171 new homes to be delivered from the Council's Town Centre 'Trilogy Collection' scheme.

- Obtained planning permission for the Council to deliver 10 new homes across four sites in East Herringthorpe.
- Exchanged contracts and taken receipt of the first three homes from the Beaumont Grange development in Treeton.
- Exchanged contracts and taken receipt of the first 12 homes from the Laughton Gate development in Throapham.
- Exchanged contracts and taken receipt of all five new homes from the Clarence Street development in Dinnington.
- Exchanged contracts and taken receipt of all 11 new bungalows from the Fairfields development in Aston.
- Exchanged contracts for 10 new homes from the Millstone Park development in Swallownest.

1.6 As at the end of November 2022, the Council is in contract to deliver a further 72 homes for rent and 19 for shared ownership. This means a cumulative total of 530 homes already completed or contracted for completion by March 2026.

1.7 In addition to these new homes, a pipeline of further new Council homes has been established and modelled for affordability within the Housing Revenue Account (HRA) Business Plan. These are set out in Appendix 3, Appendix 4 and Exempt Appendix 5 respectively, and summarised below:

<b>Council Build/Conversions</b>	<b>Rent</b>	<b>Shared Ownership</b>	<b>Total</b>
Completed homes	253	117	370
Homes in contract	31	0	31
Pipeline	304	0	304
<b>Totals</b>	<b>588</b>	<b>117</b>	<b>705</b>

<b>Strategic Acquisitions</b>	<b>Rent</b>	<b>Shared Ownership</b>	<b>Total</b>
Completed homes	61	8	69
Homes in contract	47	23	70
Pipeline	129	6	135
<b>Totals</b>	<b>237</b>	<b>37</b>	<b>274</b>

<b>Combined</b>	<b>Rent</b>	<b>Shared Ownership</b>	<b>Total</b>
Completed homes	314	125	439
Homes in contract	72*	19*	91
Pipeline	433	6	439
<b>Totals</b>	<b>819</b>	<b>150</b>	<b>969</b>

\*There are 10 further homes currently in contract which are due for delivery after March 2026 and are therefore excluded from these figures.

1.8 Delivering this further programme of new homes in current market conditions by March 2026 will be challenging. This report seeks the necessary approvals to enable delivery to progress with pace and agility.

A fundamental to delivery is the inclusion of larger Council land assets held within the General Fund and the ability to react to other opportunities for new Council homes delivery as they arise. Further Council land assets will also be identified for consideration in future reports.

1.9 To enhance the range of potential opportunities available to the Council and following encouraging soft-market testing in Autumn 2022, the Council will be launching its SME (Small and Medium Enterprise) Housebuilder Initiative in early 2023. This initiative is intended to stimulate engagement with local and regional SME house builders by:

- Providing a fast-track route to enter contracts with local SMEs in the forward purchase of newly built homes.
- Enable the purchase to be in staged payments, aiding SME cashflow.
- Support SME house building through helping to de-risk small residential schemes.
- Promoting effective and streamlined officer working across housing, financial, legal and procurement to achieve a quick turnaround.

The initiative has the potential to not only deliver additional new Council homes, but also support local businesses and communities through related supply chains, employment, and training opportunities.

## **2. Key Issues**

2.1 To have the best chance of delivering the further programme of new homes, the Council requires a significant degree of control over delivery. This is best achieved by direct Council-led construction and a strategic pipeline of sites has been established which incorporates both small HRA sites and larger General Fund sites. Sites proposed for development are set out in Appendix 3. Inclusion of the General Fund sites is intended to accelerate the pace of delivery and improve efficiency due to better economies of scale. Other key advantages of direct build include:

- Control over type and specification to meet local housing requirements.
- Additionality – contributing to Rotherham’s overall housing requirements.
- Creation of jobs and social value.

2.2 For the Council to build on General Fund sites utilising HRA funds it is first necessary to transfer the land from the General Fund to the HRA through the process of appropriation. General Fund sites are proposed for appropriation once a reasonable degree of confidence exists in their suitability for development. Appendix 4 sets out the sites proposed for early appropriation.

2.3 Strategic acquisitions, particularly ‘Section 106’ discounted homes which result from affordable housing planning policy provisions, provide a cost-efficient means to increase the Council’s housing stock, particularly as the staff resource requirement and risks tend to be lower than with Council-led development. As the homes are market-led, there is a need to act quickly and efficiently to secure acquisitions.

The forward programme forecasts over 100 new Council homes to be potentially delivered through this route, with the potential to purchase more should suitable opportunities arise. As opportunity acquisitions, these cannot be explicitly predicted, but provision has been made within the HRA Business Plan and Capital Programme to support the purchase of such homes

Delegated authority is sought to facilitate acquisition as and when they arise. Opportunities are expected to be presented through:

- The Council's Small Housebuilder Initiative, to be formally launched early 2023.
- The potential buy-back of former Council homes previously sold through the Right to Buy.
- Acquisition of long-term empty homes, enabling them to be brought back into use.
- Additional homes offered to, or negotiated by, the Council over and above the expected 'Section 106' provision determined by Planning.
- Ad-hoc open market acquisitions which meet strategic housing need.

Proposed acquisitions are set out in Exempt Appendix 5.

- 2.4 The delivery programme will continue to evolve as the opportunities within the new homes pipeline are further progressed. A report will be brought to Cabinet every six months to provide an update on progress, and to renew and seek new approvals to support ongoing delivery as necessary.

### **3. Options considered and recommended proposal**

#### **3.1 Option 1: Only develop HRA sites, in addition to acquisitions**

The inclusion of General Fund sites is required to support delivery of the additional homes needed. Whilst there are HRA sites available, these are predominantly small sites which may deliver as little as a single home, meaning they are inefficient to deliver in respect of development resources and associated cost, comparative to the number of new homes achieved.

This option is not recommended.

#### **3.2 Option 2: Develop all sites listed in this report, including General Fund sites and pursue acquisitions, including opportunity acquisitions.**

The inclusion of General Fund sites brings improved efficiencies of scale and increased delivery of new homes. Opportunity acquisitions will also be important to help supplement delivery, should any elements of the programme become challenging to progress.

This option is recommended.

#### **4. Consultation on proposal**

- 4.1 Residents will be consulted via the Planning process along with all statutory consultees. The Strategic Housing and Development Service will further continue to work with the Neighbourhoods Service to assist with disseminating information about development in localities, identifying alignment with Ward priorities. Information about housing development has and will continue to be disseminated through the Council tenants' quarterly magazine, 'Home Matters.'
- 4.2 An all-Member seminar was held on 28 September 2022 and elected Members will be directly consulted about the potential for new housing development on sites within their respective Wards. Furthermore, as individual schemes are progressed into design, Ward Members will be consulted through the neighbourhood working model at an early stage ahead of planning permission being sought.
- 4.3 Ongoing engagement is undertaken with developers, housing associations, and external funders through a range of communication channels, including the Strategic Housing Forum.
- 4.4 The Strategic Housing and Development Service will use all stakeholder feedback to shape the future programme and help ensure continuous improvement in the development of new council homes.

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

- 5.1 The Assistant Director of Housing will have responsibility for implementing the programme.
- 5.2 The housing development activity proposed in this report will commence before the end of 2022/23 and further reports will be presented to Cabinet on a six-monthly cycle through to March 2026 to keep Cabinet apprised of progress, refresh existing approvals and to seek new approvals as required.

#### **6. Financial and Procurement Advice and Implications**

- 6.1 The release of sites identified in Appendix 3, Appendix 4 and the programme of strategic acquisition opportunities listed in Exempt Appendix 5 will be subject to business cases and assessed for affordability within the context of the assumptions in the HRA Business Plan and the resources approved as part of the Council's Capital Programme.
- 6.2 The financial implications for individual schemes will be addressed in line with Capital Governance Principles. Issues highlighted such as supply chain pressures on materials and labour costs could affect the overall outcomes of the Housing Growth Programme.

- 6.3 The appropriation of General Fund sites into the HRA for housing development will increase the HRA Capital Financing Requirement (CFR) by the value of the land being appropriated. The General Fund CFR will be reduced by the same value. The cost of capital charged to the HRA will be increased on a permanent basis.
- 6.4 Housing Growth has been modelled in the HRA business plan for affordability. The model assumes that all capital receipts from sales of private and shared ownership properties are used to fund the housing growth programme. Therefore, capital receipts generated from sales of private and shared ownership properties will be used for this purpose in accordance with corporate financing arrangements.
- 6.5 The HRA business plan model assumes that a significant amount of grant funding will be available to support the delivery programme. Affordability of individual schemes will be assessed if grant funding is not secured.
- 6.6 The HRA Business Plan model further assumes that social housing properties supported by grant funding will be let on Affordable Rent values, rather than Social Rent. However, this will be determined on a scheme-by-scheme basis, once full costs are known and with a preference for Social Rent to be applied, subject to an assessment of the financial viability of the proposed development, prior to grant funding bids being submitted. Any schemes that are not grant funded will use Right to Buy 'one-for-one' monies and are assumed to be let on a Formula Rent basis. Affordable Rent is higher than Formula Rent, so any deviation from this will impact on affordability within the HRA business plan.
- 6.7 Due to the significant amount of work required, an Employers Agent has been procured to expediate the Council build programmes. The cost of this has been included in the capital build cost within the HRA business plan model. Appropriate revenue budgets have been set in place for marketing purposes.
- 6.8 Procurement activity is detailed within the main body of this report. Housing Services are engaging with the Procurement Team to ensure procurement activity is being undertaken in compliance with the Public Contracts Regulations 2015 (as amended) and the Council's own Financial and Procurement Procedure Rules.

## **7. Legal Advice and Implications**

- 7.1 The delegations sought under this report are consistent with the Council's Constitution and allow for quicker and more flexible decisions to be made in respect of potential housing developments.
- 7.2 There are no direct legal implications arising from this report. The relevant implications for each site will be considered as each is brought forward for development. Legal Services recommends early engagement with them where any legal work is required, for example entering into and completing any external grant funding agreements, purchasing any properties, or



entering into any legal contracts, which will be executed in accordance with the Council's Scheme of Delegation.

## **8. Human Resources Advice and Implications**

8.1 There are no Human Resources implications arising from this report.

## **9. Implications for Children and Young People and Vulnerable Adults**

9.1 The development programme will deliver two, three, and four, bedroom homes which will allow families with children to access high quality, affordable homes, thus contributing to improving children's health, wellbeing, and opportunity.

9.2 The programme will further deliver bungalows and more specialised 'disabled person units' (DPU) which will allow older and disabled people to live in safe, suitable accommodation that meets their needs and allows them to live independently for longer.

## **10. Equalities and Human Rights Advice and Implications**

10.1 Through its wider development programme, the Council will increase the local supply of high quality, affordable homes to meet a range of needs. The Council holds a wide range of data which is used to determine the different needs and influence the types of homes being acquired. For example, of Rotherham's 265,800 residents, around 26% are aged 60 years or over and 9% are aged 75 years or over and the proposed acquisitions include bungalows that are suitable for older people, as well as people with disabilities.

10.2 The Council's development programme is critical to supporting families who are on the Housing Register, into high quality and affordable accommodation. Any new homes offered for rent by the Council are managed through the Council's Allocations Policy to ensure a fair and transparent approach to helping people in the greatest housing need to gain access to suitable and appropriate accommodation.

10.3 Surveys will be carried out with the occupants of new homes, and equality and diversity results analysed and compared with other relevant data sets such as the Housing Register. This will allow the Council to understand whether any protected characteristic groups are over or under-represented in new build homes and take appropriate action if required.

## **11. Implications for CO2 Emissions and Climate Change**

11.1 Climate change poses a significant threat to environments, individuals, communities, and economies on local, national, and international scales. In recognition of this the Council has aimed to be net carbon neutral as an organisation by 2030, and for Rotherham as a whole to achieve the same position by 2040.

- 11.2 Council Build: Through its own delivery programme, the Council has the ability to ensure that the new homes are high quality and energy efficient, which will contribute to reducing domestic carbon emissions in the longer-term.
- 11.3 Acquisitions: The level of carbon emissions allowed for all new homes is subject to increasing controls. Changes to Part L of the building regulations came into force in June 2022, requiring a 31% reduction in CO2 emissions compared to 2013 standards. All new homes that submit plans after June 2022 or which have not begun construction before June 2023 must comply. New homes acquired by the Council from private builders are specified and built to the housebuilder's usual specification with some changes paid for by the Council to ensure the Council's requirements are met. Further to this the Council will examine whether further changes can be agreed, on a case-by-case basis, to reduce carbon emissions beyond the requirements of building regulations
- 11.4 Both Council-build and acquisitions will ultimately increase emissions. Whilst mitigations are in place, with an explicit aim to exceed Building Regulations Part L requirements where feasible, the overall net carbon emissions status of Rotherham's social housing stock will increase in the short term. Homes brought forward with electrically sourced heating and hot water provision, however, should become effective carbon neutral once the electricity grid itself achieves zero-carbon. In addition to delivering new homes, the Council continues to improve and sustain its existing homes, including investment to maintain the Decent Homes Standard and improve energy and thermal efficiency.

## **12. Implications for Partners**

- 12.1 The Council has an existing partnership with Equans and Mears through the housing repairs and maintenance contracts and the existing contract terms allow for some housing development. As such, the development programme may also provide an opportunity for the partners to work with the Council on housing development schemes where this would not be at a detriment to the core repair and maintenance functions.
- 12.2 Housing associations continue to play an important role in delivering affordable housing in Rotherham. The Council has a successful track record of working with housing associations to bring land forward for development and maintains strong relationships with many of the largest and most reputable organisations through the Rotherham Strategic Housing Forum.

## **13. Risks and Mitigation**

- 13.1 The key risks are summarised in the table below. A detailed risk assessment will be provided alongside the business case for individual schemes as they are brought forward.

<b>Risk</b>	<b>Mitigation</b>
Pressure on construction labour and materials (both in terms of supply and costs) resulting from the Covid pandemic, EU Exit and invasion of Ukraine.	Regular risk workshops, advance ordering, and storage of materials where appropriate / possible, ongoing monitoring of impacts.
Site suitability - even at a late stage in the process, sites can be found to be unsuitable (for example due to severe contamination or high flood risk) or need to be restricted in terms of the type and numbers of new housing which can ultimately be achieved.	Scheme procurement is likely to take place via a two-stage 'design and build' process which will allow sites to be appraised and suitable designs to be determined in advance of the Council entering into build contracts. This will help ensure that particularly problematic sites are dealt with and potentially removed from the programme before the Council is contractually committed to build. Grant funding will also help the Council to mitigate against the cost of ground remediation works but where a site is ultimately unsuitable for development it will not be brought forward.
Delays to housing development schemes resulting from utilities connections and other statutory undertakings	Early engagement with relevant organisations and internal services, and robust project management processes in place with realistic contingencies for costs and delays
Internal staff capacity – Housing, Legal, Procurement, Asset Management etc	Explore different partnering arrangements to reduce client-side resource pressures, including pre-contract service agreements whereby the contractor carries out early feasibility work at risk. Ongoing dialogue between services regarding forward planning and resource requirements, and HRA contributions to staffing costs in key supporting services.
Community opposition	Early and regular consultation with Ward Members, communication strategy to provide information on the schemes and explain the rationale. Formal consultation also takes place as part of the Planning process.
Funding availability / eligibility	Continual dialogue with external funding bodies. Investment of time in robust business case preparation to ensure overall costs remain within approved HRA Business Plan affordability modelling and Capital Programme approvals. Regular meetings with Finance colleagues to monitor programme.

**14. Accountable Officers**

Paul Walsh, Acting Assistant Director of Housing  
David Bagnall, Housing Development Manager

Approvals obtained on behalf of Statutory Officers: -

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Sharon Kemp	09/01/23
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	09/01/23
Assistant Director, Legal Services (Monitoring Officer)	Phil Horsfield	06/01/23

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