

## ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	<b>Meeting</b>	<b>Cabinet</b>
2.	<b>Date</b>	<b>22<sup>nd</sup> February 2012</b>
3.	<b>Title</b>	<b>Dinnington sites – land transfer (Dinnington Ward, Rother Valley South Area Assembly)</b>
4.	<b>Directorate</b>	<b>Neighbourhoods and Adult Services</b>

### 5. Summary

Cabinet recently gave approval to sell HRA land at East Street, Dinnington to the Council's Registered Provider Partner, Great Places (Minute No. 63 refers - 7<sup>th</sup> September 2011). This was to enable the site to be developed out in partnership with Westleigh Developments as part of a wider residential development, across a number of sites, for affordable and open market housing. The report noted the caveat that changes to the Government funding regime could impact on the level of subsidy that could be achieved on the sites, and subsequently the Homes and Communities Agency advised that whilst the scheme was supported as a priority, the total amount of funding bid for would not be available. RMBC would receive less in terms of the number of dwellings, and also there was now a presumption that local authorities would contribute land at nil cost.

As a result, the overall package of development had to be reconsidered and an option appraisal has been carried out to reach a solution to allow the scheme to progress. This is achieved by incorporating an allocation of funding for 36 homes from a second Registered Provider partner, Arches Housing, to make up the shortfall. Therefore an amendment to the previous recommendation is required to allow land transfer to Arches rather than to Great Places, and to support negotiation with those partners and Westleigh Developments to achieve the best capital receipt for the affordable and open market plots of land, based on open book valuation of the development as the scheme progresses.

### 6. Recommendations

- a) **That Members revoke Minute Number 63 (7<sup>th</sup> September 2011)**
- b) **That Members approve the freehold disposal of HRA land at East Street, Dinnington (Appendix 1) to Arches Housing Association, at the discount stated, and on the basis that the Council receives all of the benefits detailed in this report.**

## **7. Proposals and details**

### **7.1 Background**

Dinnington was identified as an area for regeneration in 2000 and has had considerable investment to raise housing standards and improve environmental quality. Interventions have included masterplanning, acquisition and clearance of unsustainable housing. Housing now administers the site after making land available for the new school to be built. This cleared site on East Street is designated for residential development (site plan at appendix 1). Cabinet approved the release of these sites (22<sup>nd</sup> September 2010, minute no.76) through the Homes and Communities Agency' Developer Partner Panel (HCA DPP). At that time it was felt that the HCA DPP was the best disposal option for meeting the Council's aspirations on these sites. Following the Comprehensive Spending Review and change in Government, many changes to subsidy regimes for new housing were announced, and further soft market testing showed that there was no appetite from developers to buy these sites. In light of the above, the previous approval to dispose was revoked by Cabinet (7<sup>th</sup> September 2011, minute No. 63 refers).

During 2010/11 the Strategic Housing and Investment Service was scoping other avenues for residential development with HCA Approved Developers and Registered Provider Partners, as well as independently building new council homes. On the back of a successful partnership between the Council, Westleigh Developments and Great Places (GP) at Manvers in Wath, Westleigh (WDL) approached the Council about a site in private ownership at the Timber Yard, Outgang Lane, Dinnington. The site could provide up to 280 new homes, and this was an opportunity considered by the Council to cross-subsidise the HRA sites in central Dinnington discussed above.

WDL and GP worked with the Council to develop proposals for the Timber Yard and the HRA sites, to develop open market and affordable housing. The sites which had been soft market tested and returned due to no developer interest at this time were:

- East Street
- Byron Street
- Shakespeare Drive
- Leicester Road (1)
- Leicester Road (2)

Following a comprehensive review, the Council supported a partnership bid to be submitted to the HCA's Affordable Housing Development Framework 2011/15 by Great Places. It was this framework that replaced previous grant regimes and which suggested that land be transferred from local authorities to Registered Provider Partners for nil receipt. The bid was supported but not to the degree requested and alternative options were considered to allow development to progress.

### **7.2 Option appraisal solution**

The Council, WDL and GP worked together to identify a way to allow the scheme to progress in accordance with the new funding regime and degree of funding support from the HCA (support was received for 62 units compared to the bid for 129 units). The revised proposal takes into account deliverability, tenure mix, value for money and an exit strategy for the undeveloped land (Shakespeare Drive and Leicester Road), removed from

the scheme as a result of scaling back. The key to the new mix is the inclusion of 36 units from a second Registered Provider Partner, Arches Housing.

The Council has worked successfully with Arches across a number of schemes such as Greencroft and Members will recall that Arches has delivered the Council's Move-on accommodation across the Borough. They are committed to working in disadvantaged communities in Rotherham and are experienced in delivering high quality schemes along with training and employment opportunities. The revised mix of properties across the Timber Yard and East Street can be seen below and is such that Arches will now be the developing RP on East Street:

	<b>East Street</b>	<b>Timber Yard (Phase 1)</b>
Affordable Homes	41 (56%) Arches HA	71 (59%) Great Places
Market Sale Homes	32	49
<b>Total</b>	<b>73</b>	<b>120</b>

### **7.3 Administration**

The HCA new grant administration practices require a reversal of Minute no. 63 and approval to release the Dinnington sites directly to Arches Housing Group. The new recommendation will allow the partnership arrangement between the Council, Westleigh Developments Ltd, Arches Housing Association and Great Places, to secure the delivery of new high quality homes for open market sale and affordable rent. It will also enable the Council to support the RPs to access National Affordable Housing Development Framework for funding, to construct a higher number of affordable homes on the sites than would otherwise have been achieved if the site was privately developed (56% affordable housing compared to 25% required by planning policy).

National policy now recommends that local authorities transfer land at nil receipt in housing partnership schemes. Typically this Council has secured £5k per plot for social housing and circa £10k for open market plots. Approved developers and Registered Providers are understandably keen to support this new position and all current bids have been costed on this basis. However, through negotiation, this Council has managed to secure £3k/plot for affordable units and £10k/plot for open market units. The capital receipt generated will be £443,000 based on initial site appraisals (an overage agreement will be included for the open market units).

### **7.4 Next steps**

In order to draw down 75% of the £1,421,870 grant allocation, start on site must be achieved by 20<sup>th</sup> March 2012. This up front grant payment is crucial, to finance the early stages of the build.

The Timber Yard on Outgang Lane has a current outline planning permission until February 2013; a further detailed planning permission will be submitted by GP and WDL before its expiry. Arches and WDL have commenced pre-application planning advice with planning colleagues for the East Street site and anticipate submitting a Planning Application, at their own risk, in the middle of January.

Prior to development, Arches Housing Association will acquire the East Street site and the Council will instruct Heads of Terms and a licence to enter and carry out works in advance of legal completion. Phased construction plans will be drawn up.

The Council has provisionally agreed an acceptable housing tenure mix that accords with local needs information as well as provisional start and completion dates. On completion of the new homes RMBC will receive 100% nomination rights on lettings. A joint marketing strategy will be agreed with Key Choices staff to maximise take up of nominations for both rent and shared ownership. 41 Affordable Housing units will be delivered by spring 2013 and 32 market sale homes will be provided by 2015.

## 8. Finance

WDL's commitment to the development is £6.21m and GP will invest £1.05m in addition to the HCA grant investment of £1.55m to enable 71 affordable homes to be built at the Timber Yard during 2011/15 programme period.

Arches Housing Group will invest £2.58m of private finance along with HCA allocation of £1.42m for affordable housing at East Street. WDL will invest a further £3.7m to build open market units.

The net receipt for the Council land sale will be £443,000. HRA sites have previously received an estimated £1.7m of grant funding for acquisition and clearance via the Regional Housing Board Capital programme. Therefore 100% of any capital receipt will be recycled into further housing regeneration and affordable housing activities in the Borough.

When proceeding with this scheme there is a potential revenue income stream via the new Homes Bonus and Overage Agreements. For the East Street Site it is estimated that the New Homes Bonus generate will be £179,088. Additionally because the privately owned Timber Yard site will be built out at the same time this site should generate £165,312 of New Homes Bonus

The overall development cost for constructing 193 homes is estimated to be in excess of £16.5 million and will be funded through:

- HCA Affordable Homes Programme Funds
- Great Places Housing Group private finance
- Arches Housing Association private finance
- Westleigh Private Finance

The considerable benefits to be expected from the development of the Timber Yard site in 2012-13 in terms of employment, new housing opportunities and private sector investment in Dinnington justify a reduced capital receipt to Rotherham Council.

It is understood that without the benefit of the HCA grant funding the scheme would not be viable under the current housing market conditions and would be mothballed until the housing market recovers. It is likely that the site will not be developed within the next three years. The net financial impact would equate to the direct loss of £622,088 of income to Rotherham Council and to the loss of £7.7 million of private and public investment.

The financial implications to Rotherham Council can be summarised as follows:

	£
Site Value	870,000
Capital Receipt – Sale to Arches	443,000
Land Discount	247,912

Potential Future Revenue	
New Homes Bonus – East Street	179,088
Potential overage – unquantifiable at this time	

£7.7 million of investment will support 92 jobs and apprenticeship places in the local building industry and deliver 73 new homes of which 41 will be affordable.

## 9. Risks and uncertainties

In order to meet grant conditions, planning permission must be secured by the 23<sup>rd</sup> February 2012 Planning Board (latest date). Without this grant funding then the East Street development will not be viable for this level of affordable housing. It is likely that the privately owned Timber Yard site will still be developed but East Street would be mothballed until the market rises or there are other opportunities to secure grant funding. It is the responsibility of the Registered Provider to obtain Planning Permission and draw down grant funding.

It is advisable that the Council and our partners successfully deliver the forthcoming Affordable Housing Programme, to timescales and agreed outputs. Failure to do so will have a negative impact upon the confidence of funders in Rotherham’s capacity to deliver such a significant project. The success of our future bids for affordable housing resources will in part be judged upon our capacity and track record for delivery.

Advice will be sought from the Development Solicitor, Regeneration Service, EDS with regard to sale conditions.

## 10. Policy and performance agenda implications

The delivery of new housing contributes to our key corporate strategic themes of:

Rotherham Learning  
Rotherham Proud  
Rotherham Safe  
Rotherham Alive  
Rotherham Achieving

These key themes are reflected within the Individual Well-being and Healthy Communities outcome framework as follows:

- Improved Quality of Life – by creating opportunities for improved housing standards and options to meet household aspirations and an improved quality of life, by meeting identified housing needs and addressing obsolete housing.
- Exercise Choice and Control – through enabling a range of housing options ensuring individuals can exercise choice and control over their housing options and home life.
- Personal Dignity and Respect – through creating housing choices and tools which promote independent living, personal dignity and respect, investing in quality neighbourhoods, ensuring residents can enjoy a comfortable, clean and orderly environment.
- Freedom from discrimination or harassment - through high design standards and meeting identified needs in order to create sustainable neighbourhoods, offering

high quality and extended choice of housing provision to meet current and future aspirations.

Through the effective use of Council assets, in this case land assets and the partnership arrangements with the lead RSL and the HCA the Council is delivering affordable and much needed housing provision to clear standards of both quality and cost, by the most effective and efficient means available and so demonstrating value for money

## **11. Background Papers and Consultation**

Local Investment Plan and Strategic Sites Update, Cabinet, 22<sup>nd</sup> September 2010

Dinnington Member consultation – 13th January 2012

Consulted with Sharon Langton, Principals Estates Surveyor on 22<sup>nd</sup> December 2011, who has contributed towards the report.

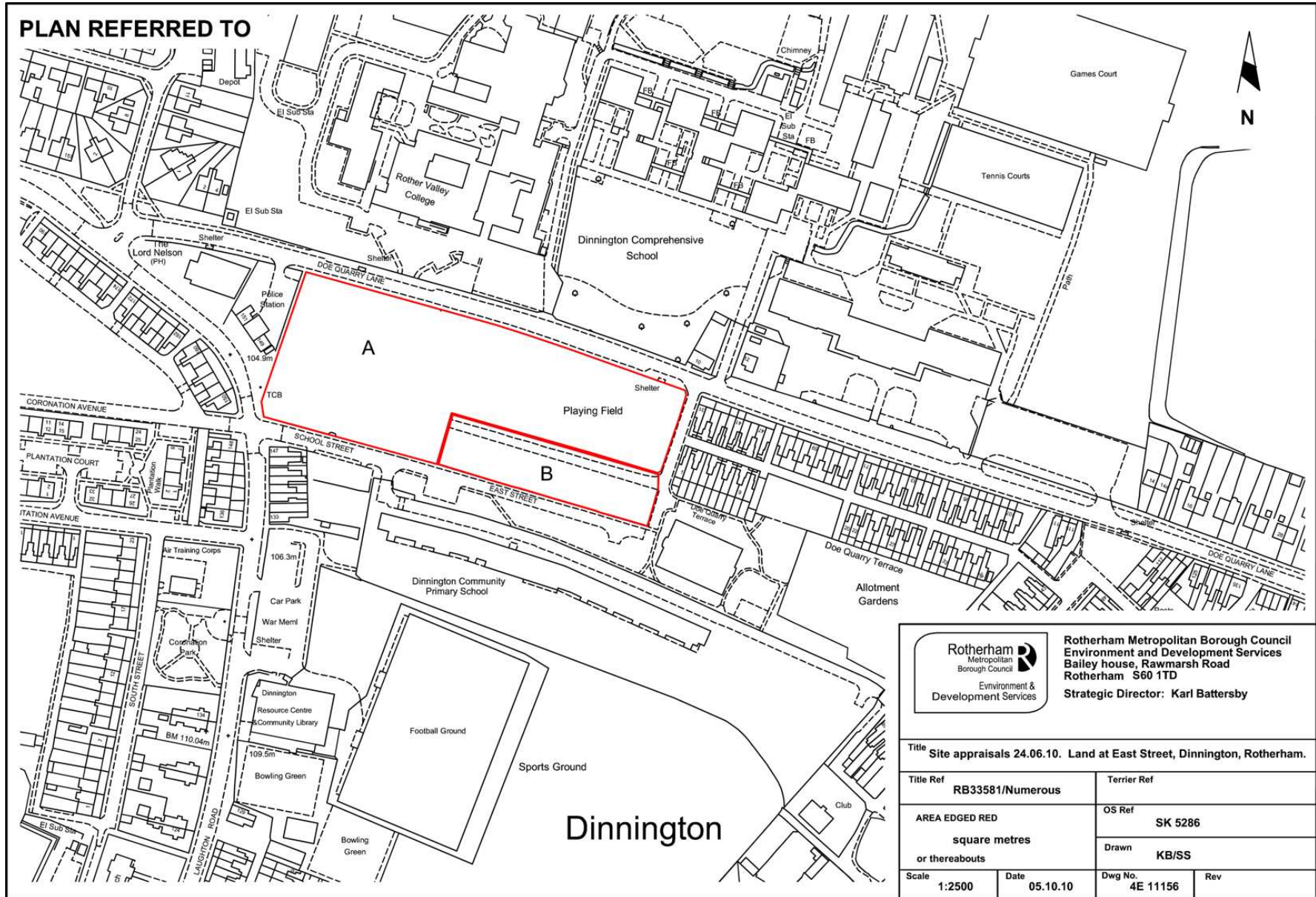
The report was presented and discussed at the Capital Strategy and Asset Review Team meeting on 27/01/2012 and agreed for submission.

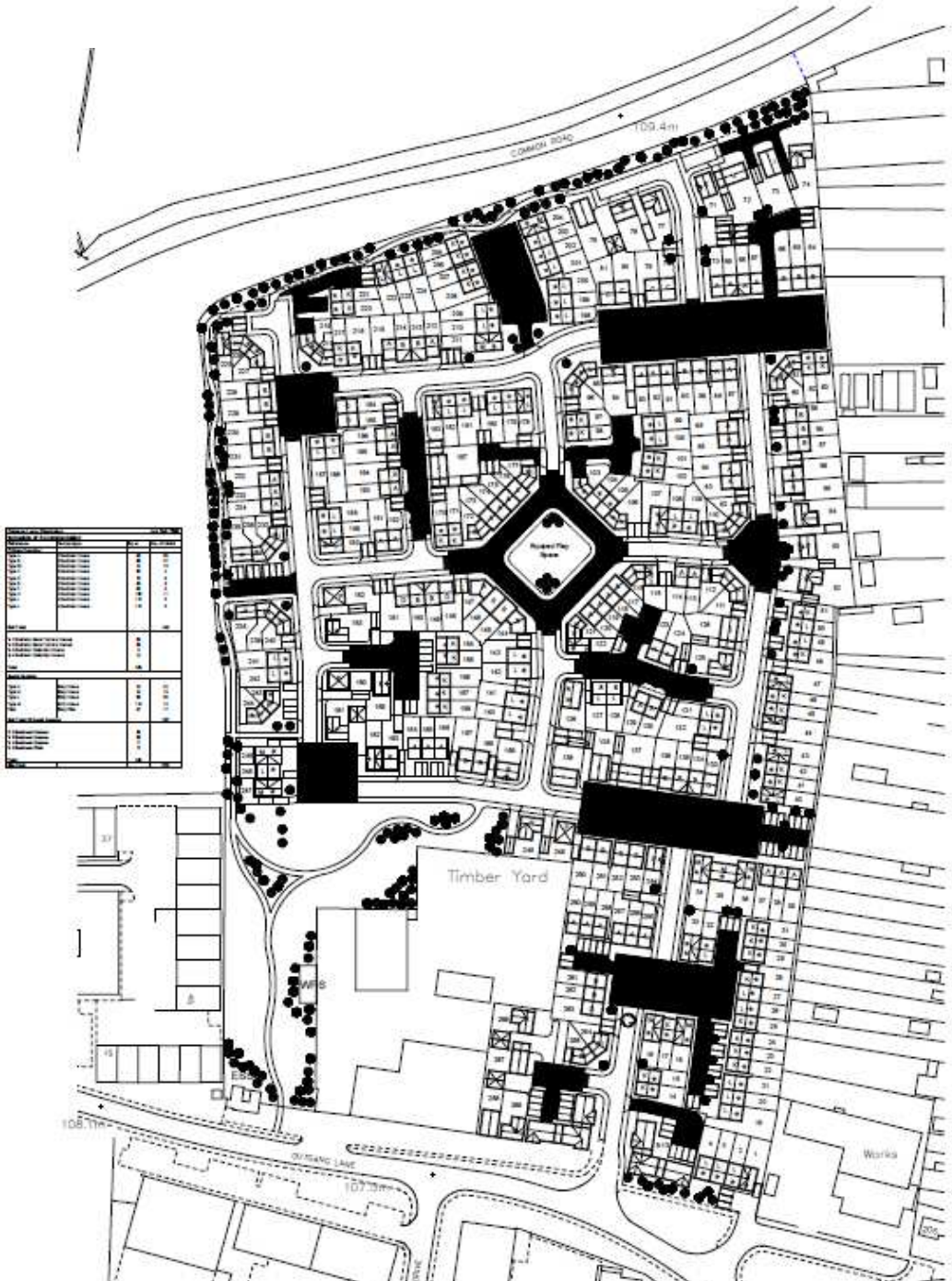
Finance confirmed the report on 17.01.12

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# East Street





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