

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting	Cabinet Member for Safe and Attractive Neighbourhoods
2.	Date	9th July 2012
3.	Title	Strategic Acquisitions Protocol
4.	Directorate	Neighbourhoods and Adult Services

5. Summary

A report was provided to Cabinet on 20th June that set out the need to consider strategic housing acquisitions as well as new build when developing the next local authority new housing programme. Cabinet decisions included the following:

- That the allocation of £1m for a number of strategic acquisitions during 2012/13 be approved, subject to a robust protocol being produced and approved by the Director of Housing and Neighbourhoods and Finance Director.
- That the individual acquisition requests should have a robust audit trail, with an initial report to the Director of Housing and Neighbourhoods, consultation with local Elected Members and decision by the Cabinet Member for Safe and Attractive Neighbourhoods.
- That the Cabinet Member for Safe and Attractive Neighbourhoods be authorised to agree the protocol governing the strategic acquisition of properties.

A strategic acquisitions protocol has now been produced, in order to ensure we have a robust-decision making process to enable us to acquire stock that is sustainable, well-designed and that meets the needs of the people of Rotherham. The protocol applies both to new build housing (such as Section 106 affordable housing provision) and to acquiring existing homes, including former Right to Buy properties.

This protocol has been provisionally approved by the Director of Housing and Neighbourhoods and Finance Director, and is set out in appendix 1. Cabinet Member approval is now sought to enable this to be implemented with immediate effect.

6. Recommendations

- **That Cabinet Member agrees to the strategic acquisitions protocol.**

7. Proposals and details

The strategic housing acquisitions protocol is summarised in the flowchart at appendix 1, and each stage is explained further below.

1. Either a property is offered by a Developer for best consideration (new build), or an existing property is identified.

2. A value for money assessment is carried out by benchmarking against:

- Section 106 transfer values – recent averages
- Comparison to other developer units that are offered
- Build costs under local authority new build
- Right to Buy resale values in the same area
- Other acquisitions of stock from the open market
- Leasehold / freehold title cost implications

3. If following this assessment the unit(s) would not appear to represent value for money, no further action would be taken, unless the following circumstances apply:

- The property is in a very high demand rural area
- Specialist housing provision where there is evidenced need / client-led need in the locality

4. General needs housing will be benchmarked against

- Volume of people on the housing register (need)
- Homes and Communities Agency scheme development standards
- Number of bedrooms and ability to convert these for Universal Credit purposes

It will be essential that the units will meet housing demand in the locality.

5. Next, checks will be made that the unit(s) are located within a sustainable neighbourhood. We are unlikely to wish to acquire stock in areas which may be subject to demolition and regeneration works in the future, unless there is an overriding strategic need as outlined in point 7.

6. Ease of maintenance is another important consideration to ensure we do not take on additional financial pressure in the future. Assessment will include:

- Construction type and materials
- Council knowledge / ability to maintain the build typology
- Projected ongoing cost of maintenance

If the units are of a build type that is relatively straightforward to maintain at a reasonable cost, this would be viewed as a positive reason to acquire them. If this is not the case, on new build properties we will negotiate with developers to use standard components to reduce future costs to RMBC. We will avoid non-traditional build types / construction types that we have no experience of maintaining unless they fall into a rural area or are a specialist unit which cannot be provided by any other means.

7. If the units are not located in a sustainable neighbourhood but fulfil a strategic priority then the Council may still consider acquisition. However, there would need to be robust evidence that buying new homes will fulfil these priorities and enhance and regenerate neighbourhoods in the long term. And that these strategic priorities cannot be met via other less costly interventions. Each potential acquisition will be considered on its individual merits. The units should still offer Value for Money.

8. If acquisition of units will fulfil one or more Strategic Priorities then they will be viewed more favourably than those which do not. The priorities are:

- 11 most disadvantaged areas
- Rural agenda
- Specialist housing need
- Long term problematic empty properties

9 & 10. A briefing note for the Cabinet member will be submitted once the evaluation process has been completed. This report will contain all the details of the properties including detailed costs and the reasons to acquire. Local Elected Member consultation and Cabinet Member decision will be required before purchase.

Acquired units will become Council Stock and will be allocated via Keychoices in the usual way.

A points scoring system 0 -10 (10 being the greatest value for money) will be used against each of the above criteria including each individual bullet point, in order to compare one potential acquisition against another.

8. Finance

£1m has provisionally been allocated for strategic acquisitions in 2012/3, subject to Cabinet Member approving this protocol. A typical Section 106 unit would be offered to RMBC at £65k (although sometimes considerably less). Based upon this average price, we would be able to acquire at least 15 new properties in 2012/13.

The Cabinet report 20th June also requested a provisional allocation of £2m in 2013/4 subject to satisfactory outcome of the 2012/13 strategic acquisition programme.

In 2013/14 we could deliver at least 30 new Council homes. This would include homes at Chesterhill, thus enabling us to unlock the site and deliver significant growth, which will also attract New Homes Bonus. New Homes Bonus is treated as a corporate resource, which could be used to ease budget pressures in the General Fund within the Medium Term Financial Strategy.

The additional allocation will be incorporated into the 2012/13 Housing Investment Programme (HIP) which is monitored on an ongoing basis with quarterly reports to Cabinet Member.

The impact of each acquisition will be modelled through the 30 year Business Plan.

9. Risks and uncertainties

The principal driver for developing a LANH strategy is to meet the demand for Council housing in Rotherham. Due to the lack of HCA grant funding we need to consider a wide range of options to deliver new housing, and each brings some risk but equally provides opportunities to deliver new, high quality, energy efficient homes of the right size and type and in the right locations to meet the needs of Rotherham's residents. Risks associated with Section 106 acquisitions are summarised briefly below:

Risk to RMBC's relationship with housing associations: If RMBC starts to purchase several Section 106 homes this could have a negative effect on relationships with partners. However, we are seeking to purchase a relatively modest number of properties, and in areas where there is a specific shortage of and need for Council housing, and where the site would otherwise be stalled. It is proposed that we mitigate this risk by having an open and honest dialogue with partners via the Registered Providers forum and setting out a clear protocol.

Pressure on capital resources: If it is determined that the LANH programme will be partly financed by HRA borrowing, consideration must be given to other calls on capital resources, and how the LANH programme will complement and contribute to other key regeneration ambitions.

Right to Buy: The increase of the maximum discount to £75k may result in more RTB sales, which affects each of the LANH options differently. Implications for strategic acquisitions are being investigated.

10. Policy and performance agenda implications

If we establish a clear and ambitious programme to build new homes and acquire other properties for Council rent, as well as identifying funding opportunities to improve our existing stock, we will achieve the following outcomes:

- Significant economic stimulus through major investment – bringing extensive training and employment opportunities.
- Additional resources to the Council through New Homes Bonus and any future funding mechanism that incentivises growth.
- People living in good quality, energy efficient homes that meet their needs, as the new homes can be designed to address demographic changes in the Borough.
- Contribution to carbon reduction target and fewer families living in fuel poverty.
- Delivering what the people of Rotherham have told us they want – more affordable homes that meet the needs of their families.
- Delivery of the right type of units to stimulate mobility within the existing stock and therefore achieve a healthy turnover of housing stock.
- Increase in value of the Council's assets.
- Contribution to achieving housing growth in the Borough as set out in the LDF

All of these contribute to RMBC's corporate priorities, and align with delivery of the draft new housing strategy, and the NAS Service Plan, which includes the requirement to develop a programme of new Council housing.

11. Background papers and consultation

Appendix 1: Flowchart

Cabinet report on strategic acquisitions, 20th June 2012.

Consultation: The 'where do you want to live' survey is due to be sent out in May 2012 which, along with the housing strategy consultation will provide us with a broad evidence base of the views of the public, Members and partners regarding new housing provision.

12. Contact details

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Appendix 1

