

ROTHERHAM BOROUGH COUNCIL – CABINET

1.	Meeting:	CABINET
2.	Date:	4 February 2015
3.	Title:	Strategic Acquisitions for Social Housing
4.	Directorate:	Environment and Development Services

5. Summary

This report updates members on progress made to acquire residential properties to be added to the Council owned housing stock.

To date, we have purchased 21 properties at a cost of £1,302,547 and made a commitment to purchase a further 40 more new homes on Whinney Hill Dalton and at Barbers Avenue, Rawmarsh. The cost of purchasing these properties in the including fees and stamp duty land tax is £4,102,632.

Additionally, a further 14 homes have been identified as suitable for the Council to acquire. 10 of these will be built by Strata Homes at Wadsworth Road, Bramley and 4 by Jones Homes at Worksop Road, Aston. The anticipated cost of these 14 units is up to £1,400,000

To date approval has been given to invest £5,460,496 on strategic acquisitions.

6. Recommendations

1. That Cabinet note that 21 new Council homes have been acquired to date and a commitment has been made to buy up to 40 more homes, achieving excellent value for money.
2. That permission is granted to finalise contracts for an additional 14 properties at Wadsworth Road, Bramley and Worksop Road, Aston, as identified in this report. This will require up to an additional £1,400,000 to be allocated for these acquisitions.

7. Proposals and Details

7.1 Background

The Council recognises the importance of providing good quality affordable housing to meet local needs and to replace as many affordable homes sold through the Right to Buy as possible. It sees the importance of long term business planning for the Housing Revenue Account (HRA) to ensure it is not undermined in any way. One threat to our 30 Year HRA Business Plan is the loss of our best stock through right to buy sales. To mitigate losses we have started to strategically acquire new sustainable homes from developers as this is often the most cost effective way to increase stock numbers.

The Council is enabling strategic acquisitions to take place through the approval of funding from the Housing Revenue Account, endorsing a decision making process (Strategic Acquisition Protocol *Appendix 1*) and agreeing to specific property acquisitions. The following 5 Council Minutes record the decisions taken to date:

Cabinet Minute C27 June 2012: Approval was given to allocate £1 million for the financial year 2012/13 and a further £2 million for the financial year 2013/14. Identified acquisitions included Starling Close, Brambling Lane and Churchfields.

Cabinet Minute C161 February 2013: Approval was given for the Council to purchase 22 new homes on Whinney Hill from the Development partner and delegate authority to the director of HNS to confirm the terms of the purchase agreement to be approved.

Cabinet Minute C160 February 2013: Approval was given to progress the strategic acquisition of 15 properties Brambling Lane and Starling Close.

Cabinet Member for Safe & Attractive Neighbourhoods, Minute J22 July 2013: Approval was given to adopt the Strategic Acquisitions Protocol

Cabinet Minute C72 September 2013: Acquisition of 25 new Council Homes at Barbers Avenue, Rawmarsh with an additional £728,000.00 of HRA finance was allocated to the project.

7.2 Progress to date

To date 21 new Council homes have been purchased. These are:

3 x 4 bedroom houses at Brambling Lane, Manvers S63 7GL. Purchased from Taylor Wimpey on 1st March 2013. The purchase price of the three properties was £165,000 and internal fees were £1,750 giving a total cost of **£166,750**.

When advertised, these properties attracted 20 bids each. On first sight this figure appears very low when compared with the average number 60 bids per Council property. However, applicants must have at least four children to be eligible to apply and the properties were limited to applications who were existing Council tenants.

12 x apartments at Starling Close, Manvers, S63 7FY. Purchased from Taylor Wimpey on 27th September 2013. There are 6 x two bedroom apartments and 6 x one bedroom apartments. The purchase price of the units was £666,600.00 and a further £29,197.10 of costs had to be met to cover internal fees and 1% stamp duty tax. The total cost of these properties was **£695,797**

These new flats attracted an average of 60 bids each for the one bedroom flats and 61 bids for each two bedroom flats. This illustrates robust demand for smaller homes, particularly the one bed flats, where traditionally demand has been very low.

Photographs of the properties purchased so far are shown in *Appendix 2*.

On 30th June 2014 the Council purchased 6 x two bedroom apartments at Churchfields, Wickersley from Persimmon Homes. Under the terms of the Section 106 agreement the designated priority group for these homes are older people – over 50 years of age (however if no suitable applicants can be found then the age restriction can be waived). The purchase price agreed is £429,000 plus approximately £11,000 to cover the cost of internal fees and Stamp Duty. The total budget cost was **£440,000**.

There are a further 40 new homes in pipeline schemes, which Cabinet has already given permission to purchase. These are:

Barbers Avenue, Rawmarsh. Work has started on site to deliver 25 new homes. Planning permission for the scheme was granted on 7th August 2014. Design and Build contracts have been agreed and the land transfer has taken place. Currently new fencing and garden re-instatement works to the Council owned bungalows along the northern boundary are being undertaken. This scheme will deliver 7 x 2 bedroom houses, 14 x 3 bedroom houses, 3 x 2 bedroom older persons bungalows and 1 x 3 or 4 bed Disabled persons bungalow. The cost of this scheme is **£2,370,136** including fees and Stamp Duty Land Tax. All the new homes will be delivered by March 2016.

Whinney Hill, Dalton. Negotiations are ongoing to agree the 1st phase of redevelopment on Whinney Hill, Dalton with Keepmoat PLC. As part of the proposal the Council will purchase up to 15 housing units. The total scheme value of **£1,732,496**

To date **£5,405,179** has been spent or is committed.

Scheme	Housing Mix	Scheme Cost £
Brambling Lane, Manvers	3 x 4 bedroom houses	£166,750
Starling Close, Manvers	12 x apartment (6 x 2 bedroom & 6 x 1 bedroom)	£695,797
Churchfields, Wickersley (terms agreed and progressing)	6 x 2 bedroom apartments	£440,000
Barbers Avenue, Rawmarsh	25 units (7 x 2 bed houses, 14 x 3 bed houses, 3 x 2 bed	£2,370,136

	bungalows, 1 x 4 bed DPU)	
Whinney Hill, Dalton	15 units (11 x 2 bed houses, 4 x 3 bed houses)	£1,732,496
Total spend/ commitments to date		£5,405,179

The 61 new homes detailed above will be added to our stock at an average purchase price of **£88,609** per property (inc. fees & SDLT). The average house price in Rotherham is currently **£134,217** (based on Actual sales – Sep 2014 – source Hometrack). In 2009/10 under the Local Authority New Build programme 132 new homes were built. The average cost per unit was £112,000. We can neither, build new homes, nor acquire additional stock on the open market for £88,609 and so strategic acquisitions represent excellent value for money.

9. Future Acquisitions

Negotiations are underway to acquire 14 more new homes from Developers. All of these homes have to be sold at a discount under the S106 Planning gain agreements. The homes are located at:

Wadsworth Road, Bramley. Strata homes will build 10 x affordable homes on this site. There are 6 x 3 bed houses, 3 x 2 bed houses and 1 x 2 bed bungalow. The Council's Asset Management Team are currently valuing the homes and then a formal offer can be made to the Developer.

Worksop Road, Aston. Jones Homes are looking to build 4 x 2 bedroom houses as the Affordable Housing contribution on this site. There have been delays in the planning process but it is projected that the units will be completed by 2017.

8. Finance

A summary of the financial expenditure by year is contained in the following table:

Strategic Acquisitions / Projected Acquisitions - Summary Nov 2014

Scheme	Status	2012/13	2013/14	2014/15	2015/16	2016/17	Total
Completed/ Committed Acquisitions							
Brambling Lane	Complete & paid	166,750					166,750
Starling Close	Complete & paid	-	695,797	-			695,797
Churchfields	Deposit to pay handover in 2014/15	-	43,750	396,250			440,000
Barbers Ave	Planning granted 08/14, Contracts signed. SOS – October 14. 56 week build. handover in 2015/16	-	-	1,438,821	765,996	165,319	2,370,136

Whinney Hill	land title issues may require CPO. Phased handover in 2015/16 into 16/17		-		1,000,000	732,496	1,732,496
Total		166,750	739,547	1,835,071	1,765,996	897,815	5,405,179
Future Acquisitions							
Wadsworth Rd, Bramley	Planning granted. S106 agreed. SOS Dec 2014. PC – 4 units Nov 2015 & 6 units Aug 2016		64,400	609,360	337,800		1,011,560
Worksop Rd, Aston				38,600	329,400		368,000
Total			64,400	647,960	667,200		1,379,560

The 61 new units of affordable housing, which have been purchased or are in the pipeline, will generate approximately £572,790 of New Homes Bonus over 6 years. (Based on an average band C). The additional 14 units will generate a further £131,460 of New Homes Bonus.

Under the “Pooling” of Right to Buy receipts the Council now retains a proportion of the receipts that had previously been returned to central government. A proportion of RTB receipts are allocated as “one for one” funding and a condition of retaining these receipts is that they have to be used to provide new Council housing, and can contribute a maximum of 30% of the acquisition cost. In future any RTB receipts will be used to part fund these and future acquisitions.

10. Risks and Uncertainties

- There is a minimal level of financial risk to the Council if the Developer fails to deliver the units –by using a NEC legal contract every possible safeguard will be put in place to protect the Council’s interest.
- In order to ensure that the new Council homes are compliant with the standards we require the Council will utilise the services of a Quantity Surveyor from the Land & Property team who will agree the specifications, agree the timetable and monitor the ongoing build programme. He will authorise the sign off of the units as being compliant with standards and this process will trigger payments.
- The average house price in Rotherham is £134,217 (based on actual sales). To date, the average cost of properties acquired under the Strategic Acquisitions programme is £88,609. This represents a 34% discount on open market values.

11. Policy and Performance Agenda Implications

This proposal is making effective use of available finance and managing it to best effect. It contributes to the sustainable neighbourhoods' agenda and will help deliver a wider range of good quality housing both as affordable homes and open market homes.

This high level of investment will bring a significant stimulus to the local economy including more jobs and training opportunities.

The new homes will contribute to achieving the housing growth target of 1,050 new homes per year borough wide.

Additional financial resources will be granted to the Council via the New Home Bonus.

The strategic acquisitions initiative aligns with the Council's new corporate priorities of:

- Making sure that no community is left behind
- Helping to create safe and healthy communities
- People are able to live in decent affordable homes of their choice.
- Improving the environment

12. Background Papers and Consultation

- Cabinet Minute June 2012 – C27 Local Authority New Housing : Strategic Acquisitions
- Report to Cabinet Member for Safe & Attractive Neighbourhoods 30th July 2012 J22 Housing Investment Programme (HIP) Quarter 1 Monitoring - Strategic Acquisitions Protocol
- Cabinet Minute February 2013 – C160 Strategic Acquisitions
- Cabinet Minute September 2013 – C72 Acquisition of 25 new Council Homes at Barbers Avenue, Rawmarsh
- Cabinet Minute February 2013 - C161 Sale of land at Whinney Hill to Keepmoat
- Cabinet minute C132 – Housing Growth Report

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Appendix A
12 Flats acquired at Starling Close, Manvers



Appendix A

Three new 4 bedroom homes acquired at Brambling Lane, Manvers



Appendix B – Strategic Acquisitions Protocol

Local Authority ‘New’ Housing

