

## **Summary Sheet**

### **Council Meeting:**

Cabinet and Commissioners' Decision Making Meeting – 10 July 2017

### **Council Report:**

Proposal for new council bungalows on Catherine Avenue, Swallownest and St Mary's Drive, Catcliffe

### **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 and Housing

### **Report Author(s)**

Liz Hunt, Affordable Housing Officer  
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### **Wards Affected**

Holderness Ward and Brinsworth & Catcliffe Ward

## **Executive Summary**

There is an immediate opportunity for the Council to build six bungalows on two Housing Revenue Account (HRA) owned sites. Grant funding is available, but approximately £323,500 would also be required from the HRA. The purpose of this report is to seek Cabinet's approval to allocate HRA resources to allow the project to progress, thus increasing the amount of homes suitable for older people in the Council's housing stock.

## **Recommendations**

1. That the use of £323,500 from Housing Revenue Account (HRA) capital resources to fund the development of four bungalows at Catherine Avenue, Swallownest and two bungalows at St Mary's Drive, Catcliffe be approved.
2. That the use of £230K of Affordable Housing commuted sums monies to part fund the scheme be approved.
3. That the use of £180K of grant funding from the Homes and Communities Agency's Shared Ownership and Affordable Homes Programme to part fund the scheme be approved.

4. That the Assistant Director of Housing and Neighbourhood Services be authorised to accept a Tender for the construction works and enter into a development contract with the successful construction company.

**Appendices**

Appendix 1 – Exempt information detailing financial implications.

**Background Papers**

None

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**

No

**Council Approval Required**

Yes

**Exempt from the Press and Public**

Yes, exemption 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.

## **Proposal for new council bungalows on Catherine Avenue, Swallownest and St Mary's Drive, Catcliffe**

### **1. Recommendations**

- 1.1 That the use of £323,500 from Housing Revenue Account (HRA) capital resources to fund the development of four bungalows at Catherine Avenue, Swallownest and two bungalows at St Mary's Drive, Catcliffe be approved.
- 1.2 That the use of £230K of Affordable Housing commuted sums monies to part fund the scheme be approved.
- 1.3 That the use of £180K of grant funding from the Homes and Communities Agency's Shared Ownership and Affordable Homes Programme to part fund the scheme be approved.
- 1.4 That the Assistant Director of Housing and Neighbourhood Services be authorised to accept a Tender for the construction works and enter into a development contract with the successful construction company.

### **2. Background**

- 2.1 The Housing Revenue Account (HRA) Housing Growth Programme enables the Council to purchase or build new properties to replace council homes lost through the Right to Buy, and maintain affordable housing stock levels in the borough. To date, 93 properties have been purchased through this programme. The Council will continue to submit bids to developers to purchase Section 106 planning gain units but will also look to deliver more council homes via direct building.
- 2.2 There is an immediate opportunity for the Council to build six bungalows on two HRA owned sites. Grant funding is available but approximately £323,500 would also be required from the HRA Housing Growth Programme, and the purpose of this report is to seek Cabinet's approval to allocate HRA resources to allow the project to progress.
- 2.3 Arches Housing Association were originally due to build the bungalows on these sites (two x two bedroom bungalows and two x one bedroom bungalows at Catherine Avenue, plus two x two bedroom bungalows at St Mary's Drive). Arches had secured a grant allocation from the Homes and Communities Agency (HCA) under the 2015/18 Affordable Housing Programme. They commissioned the design of the bungalows and obtained planning permission for the schemes in March 2015 under RB2014/1651 (Catherine Avenue) and RB2014/1653 (St Mary's Drive). However, Arches decided not to proceed due to the relatively high cost of building on small infill sites, and high site abnormal costs. The 1% reduction to social rents for four years imposed by the Government in 2015 has made the schemes unviable for Arches Housing Association.

- 2.4 In February 2017 the Council purchased the planning permissions and intellectual property (including scheme designs, site investigation survey works, working drawings etc) from Arches Housing. The purchase price was £40,051.44. The total cost of building the six bungalows (including the purchase of intellectual property) is estimated as £773,500.
- 2.5 Grant funding is available for the Council to part fund this project. The Council was awarded £6.8m from the HCA's Shared Ownership and Affordable Homes Programme (SOAHP) which can contribute a maximum of £180K (£30K per unit) to the build costs. Due to the requirements of SOAHP, the first homes must be started in August 2017.
- 2.6 Additionally, the Council can use Affordable Housing Commuted Sums to part fund the developments costs. Commuted sums are paid by a Developer in lieu of on-site delivery of affordable housing. The Council is empowered to accept or decline such payments for Section 106 under the Town and Country Planning Act (1990). The purpose of these payments is to facilitate off-site provision of affordable housing to meet identified housing need that would have been provided on-site, had a commuted sum not been agreed. Funds received in the form of a commuted sum are for the specific purpose of facilitating additional affordable housing in the borough. They cannot be used on existing affordable or social housing. There may be additional specific conditions within the Section 106 agreements which determine in which localities they can be used. If commuted sums are not discharged within five years of being paid to the Council they can be reclaimed with interest by the Developer and the opportunity to enable more new affordable housing is lost. The Council currently holds £230,000 of commuted sum monies which can be discharged against these bungalows.
- 2.7 The remaining £323,500 could be accommodated within the HRA Housing Growth Programme (in addition to the £40K already paid from the HRA).
- 2.8 There is a generally high demand for Council bungalows in Rotherham. A report presented to Cabinet in April 2017 (update on specialist housing) set out the reasons for increasing the number of homes that are suitable for adults with support needs. Data shows a healthy demand for council bungalows in Swallownest / Aston and Catcliffe.
- 2.9 The bungalows will be allocated in line with the Council's adopted allocations policy. They will meet the strategic objectives of the emerging older peoples' housing agenda. Any client-led specific adaptations will be incorporated into the build process.
- 2.10 Due to the challenging target (under the SOAHP) to start on site in August 2017, the procurement process has already commenced. Under the Yorbuild framework, tenders can be issued ahead of the final Cabinet approval. Framework contractors understand that they are working at risk and that a contract may not be issued should the report not be approved by Cabinet. There is no financial risk to the Council.

### **3. Key Issues**

- 3.1 The Council is committed to providing new social rented homes to replace those lost through the Right to Buy. This is highlighted in the Housing Strategy 2016-19: Theme 2 – Social Housing – “Ensuring affordable rented / social housing is available for those who can’t afford to or don’t want to buy a home”.
- 3.2 The advantages for the Council in building these bungalows are:
- Good value for money in terms of HRA expenditure per unit
  - Brand new homes with lower maintenance costs and high energy efficiency standards
  - Located on new housing estates often in high demand areas where the Council has lower levels of housing stock
  - Helps to meet the sustainable communities agenda and provides suitable housing for both general needs and an ageing population
  - Contributes towards the Council’s overall housing growth target of at least 900 new homes per annum
- 3.3 There are regeneration and economic benefits to delivering new housing in Rotherham as, for every home built 2.4 jobs are created (source LGA), and every £1m spent on new housing provides work for 19.9 workers for a year (source DCLG), in addition to the New Homes Bonus and council tax income generated.

### **4. Options Considered and Recommended Proposal**

- 4.1 Option 1: Not to pursue the option of building these bungalows. This would be a lost opportunity to the Council to build much needed homes for older people. With the additional resources of HCA grant funding and Commuted Sums the cost to HRA finances is reduced and the units represent good value for money in terms of HRA expenditure. This option is not recommended.
- 4.2. Option 2: Ask a different Registered Provider to develop the bungalows. Informal discussions with other providers show that they do not have an appetite to build out these units. Therefore the opportunity to bring in grant funding and discharge commuted sums would be lost. This option is not recommended.
- 4.3 Option 3: Sell the sites on the open market with the benefit of planning permission. The Council’s Asset Management Service estimated the value of the sites without planning permission to be £50K for Catherine Avenue and £25k for St Mary’s Drive. Granting of planning permission does lead to an uplift in land values but the sites are small and there are development constraints. Market evidence shows that with the planning permission, the value of the sites is £72K for Catherine Avenue and £40K for St Mary’s Drive (a total increase of £37K). Selling the sites would provide a receipt for the HRA but there are very few suitable Council land resources to develop in these locations and again selling the sites would mean a lost opportunity to provide much needed accommodation for older people. This option is not recommended.

- 4.4 The preferred option is therefore for the Council to allocate HRA resources and build the bungalows directly, as per the recommendations of this report.

## **5. Consultation**

- 5.1 Internal consultation and Cabinet Member consultation took place during May.
- 5.2 Consultation carried out during 2014 and 2015 as part of the Council's Strategic Housing Market Assessment and Housing Strategy showed that more housing is needed that is suitable for older people with support needs.

## **6. Timetable and Accountability for implementing this Decision**

- 6.1 A procurement process has commenced to ensure that if Cabinet approves this proposal, the target start on site date (August 2017) can be achieved. The milestones are as follows:
- w/c 15/05/2017 – send out contracts
  - 13/06/17 – return of tenders
  - 14/06/17 to 20/06/17 - open tenders and evaluate
  - July 2017 - subject to Cabinet approval and call-in period - inform successful contractor and enter into legal agreements
  - 18/08/17 – start on site (see risks section)
- 6.2 The build period will be approximately 42 weeks and the units should be completed by June 2018. The Council's Affordable Housing Officer will have responsibility for implementing the decision.
- 6.3 Progress will be overseen by the Housing and Regeneration Programme Delivery Officers Group, which reports to the Housing and Regeneration Programme Delivery Board.

## **7. Financial and Procurement Implications**

- 7.1 These are detailed within the exempt appendix to the report.

## **8. Legal Implications**

- 8.1. The Council's Legal Services will undertake the legal process to enter into contract with a build partner. The Council will own the units and they will be added into the Council's stock.

## **9. Human Resources Implications**

- 9.1. There are no human resources implications arising from this report.

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

- 10.1 The new bungalows will add to the Council's stock that is suitable for the needs of older people, therefore this acquisition will contribute to helping people to live independently for longer.

## **11 Equalities and Human Rights Implications**

11.1 There are no equalities or human rights implications arising from this report.

## **12. Implications for Partners and Other Directorates**

12.1 There are no significant implications for partners, since there was no demand from housing associations to develop these bungalows. The provision of homes that are suitable for older adults with support needs may result in savings on adult social care expenditure as people are less likely to require residential / nursing care if their accommodation and care / support package (where necessary) can meet their needs, enabling them to continue to live independently.

## **13. Risks and Mitigation**

13.1 The main risk is that Council may not achieve a start on site by 18th August 2017. This has been mitigated by commencing procurement processes ahead of the Cabinet decision (with no financial risk to the Council if approval is not granted). The period of time between the Cabinet meeting and the start on site deadline is still short, however, a 'start on site' can be effected by entering into contract with the build partner and erecting signs, which is achievable.

13.2 HRA capital resources for housing growth are limited, and a number of other HRA housing growth opportunities have been identified in the housing growth plan. It will be necessary to prioritise key projects to ensure the Council can meet commitments already made within the strategic acquisitions programme, deliver the Capital Programme, and maintain the minimum level of reserves within the 30 year HRA business plan. The HRA business plan will be reviewed and reported to Cabinet separately. By bringing this report, requesting approximately £323,500 of HRA resources, in advance of the wider review of priorities, it is acknowledged that this may be at the expense of other projects.

13.2. Under current legislation tenants will be permitted to purchase these homes under the Right to Buy process. However they cannot be sold for less than the "cost floor" which is all the Council's financial outlay (including HCA grant funding, Commuted Sums monies and internal fees) to build the units, irrespective of the amount of discount a tenant can claim. Therefore the Council's total investment is protected.

## **14. Accountable Officer(s)**

Tom Bell, Assistant Director of Housing & Neighbourhoods.