

Committee Name and Date of Committee Meeting

Cabinet – 21 October 2019

Report Title

Delivery of housing association homes on Housing Revenue Account sites – proposed changes

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

No, but it has been included on the Forward Plan

Strategic Director Approving Submission of the Report

Anne Marie Lubanski, Strategic Director of Adult Care, Housing and Public Health

Report Author(s)

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Ward(s) Affected

Wickersley

Report Summary

The Cabinet approved a report on 9 July 2018 that recommended the disposal of four Housing Revenue Account sites in Wickersley to Arches Housing Association, for the delivery of 14 houses.

This report identifies changes to the original development programme, both in respect of the sites to be transferred and the types of homes to be delivered, and seeks approval for a revised programme and associated site releases.

Recommendations

1. That approval be given to the transfer to Arches Housing Association of two additional HRA-owned garage sites in the Wickersley ward (Chestnut Close adjacent numbers 7 and 9 and opposite numbers 30 and 32), at the value of £5k per plot, subject to Arches confirming their suitability for residential development.
2. That approval be given to the removal of the Willow Close site from the scheme as this has been found to be unsuitable for residential development.

3. That authority be delegated to the Assistant Director of Housing Services, in consultation with the Cabinet Member for Housing, to approve amendments to numbers and types of homes if required due to any site constraints or Planning recommendations that arise once work commences.

List of Appendices Included

Appendix 1 Site plans

Appendix 2 Equality Analysis

Background Papers

Report to Cabinet – 9 July 2018: Delivery of housing association homes on HRA sites

Equality Analysis

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Overview and Scrutiny Management Board – 16 October 2019

Council Approval Required

No

Exempt from the Press and Public

No

Delivery of housing association homes on Housing Revenue Account sites – proposed changes

1. Background

- 1.1 A report was approved by Cabinet on 9th July 2018 that recommended the disposal of four Housing Revenue Account (HRA) owned sites in Wickersley ward to Arches Housing Association, for the delivery of 14 two bedroom houses.
- 1.2 It is proposed that one of the four sites identified in the 9th July 2018 report, Willow Close, is removed from the programme as it is no longer a priority site for residential use and improved parking provision is a more beneficial option. This would reduce the original Arches programme from 14 to nine homes.
- 1.3 On one of the other sites, Hornbeam Close, it has been determined, following further investigations and consultation with neighbouring residents, that bungalows would be more appropriate than family houses. Due to the larger footprint of bungalows this would further reduce the programme to eight homes.
- 1.4 Arches Housing Association has asked the Council to consider whether it would be preferable for all of the units to be delivered as bungalows instead of houses.
- 1.5 Current data on housing demand supports the strategic case for agreeing to this. There is a particularly high demand for bungalows in the area, with an average of 89 bids for this property type compared to a borough wide average of 42. Whilst there is also a need for two bedroom houses in the area, as set out in the July 2018 Cabinet report, the demand for these is close to the borough wide average of 24 bids per property and has reduced compared to the previous year. The demand for bungalows is significantly higher and has increased since the previous year.
- 1.6 By changing all units to bungalows this would further reduce the total number of new homes delivered by Arches, to six, compared to the original 14.
- 1.7 The Strategic Housing and Development Service has identified two other small HRA owned sites in the locality that could potentially be included in the programme. The two proposed sites are at Chestnut Close (adjacent numbers 7 and 9 and opposite numbers 30 and 32) (site plans are included as Appendix 1). These sites could accommodate up to four further bungalows.
- 1.8 Section 3 sets out the main options for consideration which can be summarised as follows:
 - Delivery as per original proposal but without Willow Close (nine houses in total)
 - Delivery as per original proposal but without Willow Close and with units on Hornbeam Road changed from houses to bungalows (six houses and two bungalows in total)
 - Remove Willow Close and change all units on remaining sites to bungalows (six bungalows in total)
 - Remove Willow Close and change all units on remaining sites to bungalows, and add two further sites to the programme each capable of delivering two bungalows (ten bungalows in total)

- 1.9 The final option is recommended and the proposed changes are summarised in the table below:

| Site | Original proposal | Current proposal |
|---|-------------------|---------------------|
| Hornbeam Road (adj. number 1) | 3 houses | 2 bungalows |
| Greenwood Crescent (adj. number 59) | 2 houses | 2 bungalows |
| Craig Walk (opposite numbers 2 and 4) | 4 houses | 2 bungalows |
| Chestnut Close (adj. flats 7 and 9) | (Not included) | 2 bungalows |
| Chestnut Close (opposite flats 30 and 32) | (Not included) | 2 bungalows |
| Willow Close | 5 houses | (Site unsuitable) |
| Total | 14 houses | 10 bungalows |

- 1.10 The main change requiring Cabinet approval is the inclusion of the two additional HRA sites in the scheme, to be sold at £5k per plot as per the other sites approved by Cabinet in July 2018. The rationale for this is that delivery of affordable housing units is generally financially challenging, and particularly so on small sites, which carry a disproportionately high level of fees and costs compared to larger sites where economies of scale can be achieved.
- 1.11 All of the new homes will be delivered for affordable rent and the Council will receive nomination rights to the properties.
- 1.12 In agreeing to dispose of this land the Council will enable Arches Housing Association to invest more than £1m in wholly affordable housing in Rotherham, alongside Homes England grant funding.
- 1.13 Delivery of affordable housing through this scheme will also provide the Council with nomination rights, meaning the Council will benefit from being able to discharge its housing duty to applicants on the Housing Register.
- 1.14 If Cabinet approves the transfer of these two additional sites, Arches will carry out site investigations at their own risk / cost. If any or all of the sites prove to be unsuitable for residential development, no further Council-owned sites will be identified as part of this scheme and the overall number of units will reduce accordingly.

2. Key Issues

- 2.1 In the Wickersley ward, demand for two bedroom bungalows is 89 bids per property compared to the borough wide average of 42 bids per property. By changing the unit type from houses to bungalows, the scheme will contribute to helping older people and people with support needs to live independently.
- 2.2 The number of new affordable homes in Rotherham needs to increase significantly, as indicated in the latest Strategic Housing Market Assessment. It is important that the Council works with housing association partners to accelerate and maximise delivery on HRA owned sites as, while the Council itself has an ambitious housing growth programme, it does not have the capacity to directly deliver all of the affordable housing required. Housing associations continue to play an important role in the delivery of homes for affordable rent and the Council will nominate tenants from its Housing Register when the properties are first let.

- 2.3 Arches originally intended to deliver the two bedroom houses via modern methods of construction (MMC), and has indicated that this may now potentially alter, as they explore various delivery options for the bungalows.

3. Options considered and recommended proposal

- 3.1 Option 1: Removal of Willow Close from proposal. The implications of this are as follows:

- Reduced number of units to nine.
- Missed opportunity to address high and increasing need for bungalows in the area.
- Probable objections and complaints from local residents in respect of development of houses on Hornbeam Road.

| Site | Original proposal | Option 1 |
|---------------------------------------|-------------------|-------------------|
| Hornbeam Road (adj. number 1) | 3 houses | 3 houses |
| Greenwood Crescent (adj. number 59) | 2 houses | 2 houses |
| Craig Walk (opposite numbers 2 and 4) | 4 houses | 4 houses |
| Willow Close | 5 houses | (Site unsuitable) |
| Total | 14 houses | 9 houses |

This option is not recommended.

- 3.2 Option 2: Removal of Willow Close from proposal, and units on Hornbeam Road changed from houses to bungalows. The implications are as follows:

- Reduced number of units to eight.
- Limited opportunity to address high and increasing need for bungalows in the area.

| Site | Original proposal | Option 2 |
|---------------------------------------|-------------------|-----------------------------------|
| Hornbeam Road (adj. number 1) | 3 houses | 2 bungalows |
| Greenwood Crescent (adj. number 59) | 2 houses | 2 houses |
| Craig Walk (opposite numbers 2 and 4) | 4 houses | 4 houses |
| Willow Close | 5 houses | (Site unsuitable) |
| Total | 14 houses | 6 houses & 2 bungalows |

This option is not recommended.

- 3.3 Option 3: Removal of Willow Close and change all units on other sites to bungalows. The implications of this are as follows:

- Reduced number of units to six.
- Addresses high and increasing need for bungalows in the area.

| Site | Original proposal | Option 3 |
|---------------------------------------|-------------------|--------------------|
| Hornbeam Road (adj. number 1) | 3 houses | 2 bungalows |
| Greenwood Crescent (adj. number 59) | 2 houses | 2 bungalows |
| Craig Walk (opposite numbers 2 and 4) | 4 houses | 2 bungalows |
| Willow Close | 5 houses | (Site unsuitable) |
| Total | 14 houses | 6 bungalows |

This option is not recommended.

3.4 Option 4: Removal of Willow Close, add two new sites to proposal and deliver all units as bungalows instead of houses. The implications of this are as follows:

- Reduced number of units to 10.
- Addresses high and increasing need for bungalows in the area.

| Site | Original proposal | Option 4 |
|---|-------------------|---------------------|
| Hornbeam Road (adj. number 1) | 3 houses | 2 bungalows |
| Greenwood Crescent (adj. number 59) | 2 houses | 2 bungalows |
| Craig Walk (opposite numbers 2 and 4) | 4 houses | 2 bungalows |
| Chestnut Close (adj. flats 7 and 9) | (Not included) | 2 bungalows |
| Chestnut Close (opposite flats 30 and 32) | (Not included) | 2 bungalows |
| Willow Close | 5 houses | (Site unsuitable) |
| Total | 14 houses | 10 bungalows |

This option is recommended because it will deliver the highest number of new homes and assist in meeting the local housing need for bungalows.

4. Consultation on proposal

- 4.1 Local ward members have been consulted on the proposals and their feedback taken into account. An additional potential site at Oak Close was considered but due to ward member feedback regarding parking issues this site is not recommended for inclusion in the proposal. Members of the public will be consulted via the planning process.

5. Timetable and Accountability for Implementing this Decision

- 5.1 Subject to Cabinet approval of this report, work to enable the land transfers will be completed in autumn / winter 2019 and work will commence in early 2020.
- 5.2 The July 2018 report stated that land transfers would be completed during 2018 and a start on site anticipated in spring 2019. Work commenced as planned on the land transfers but delays have been caused by the following:
- As a result of objections residents adjacent to the Hornbeam Close site, further work was required to look at alternative options including bungalows instead of houses.
 - The numbers of units and whole scheme viability had to be investigated as part of this redesign.

- The Council's Strategic Housing and Development and Asset Services conducted a review of other potential sites.

Changing the possible number and type of units meant that the land transfers could not progress as the price to be paid for each site by Arches Housing is based on the number of units.

- 5.3 Although these developments will be project managed by Arches housing association, the Council's Affordable Housing Co-ordinator will maintain oversight and monitor progress to ensure the homes are delivered to the stated quality and timescales.
- 5.4 The overall accountable officer is the Assistant Director for Housing.

6. Financial and Procurement Advice and Implications

- 6.1 In July 2018 Cabinet approved a discounted disposal value to Arches Housing Association at £5k per plot. The total level of discount offered was £133k.
- 6.2 This proposal was based on the Council's established approach of accepting a reduced capital receipt when releasing land to Housing Association partners for the sole purpose of delivering affordable housing, and reflects the wider strategic benefits afforded by such developments.
- 6.3 Acceptance of a reduced capital receipt is compliant with sections 25 and 26 of the Local Government Act 1988 which sets out the principle of sale of land at undervalue in these specific circumstances.
- 6.4 All sites concerned have been internally valued by the Council's Asset Management Team, with valuations being based on the 'Gross Land Value' before any potential reductions resulting from adverse ground conditions or similar.
- 6.5 The revised proposal:
- Excludes one of the original sites as it is considered unsuitable.
 - Reduces the numbers of viable housing plots on the other three original sites.
 - Introduces an additional two sites in order to increase the numbers of dwellings delivered to a similar level as per the original proposal.
- 6.6 The proposed substitution of sites has altered the capital receipts profile.

Table 1 shows the July 2018 original capital receipts profile:

| Site | Gross Valuation | Number of Units | Transfer Receipt | Value of Discount |
|--------------------|-----------------|-----------------|------------------|-------------------|
| Hornbeam Close | £33,000 | 3 | £15,000 | £18,000 |
| Greenwood Crescent | £40,000 | 2 | £10,000 | £30,000 |
| Willow Close | £70,000 | 5 | £25,000 | £45,000 |
| Craig Walk | £60,000 | 4 | £20,000 | £40,000 |
| Total | £203,000 | 14 | £70,000 | £133,000 |

Table 2 shows the revised capital receipts profile:

| Site | Gross Valuation | Number of Units | Transfer Receipt | Value of Discount |
|---------------------------|-----------------|-----------------|------------------|-------------------|
| Hornbeam Close | £24,000 | 2 | £10,000 | £14,000 |
| Greenwood Crescent | £50,000 | 2 | £10,000 | £40,000 |
| Craig Walk | £40,000 | 2 | £10,000 | £30,000 |
| Chestnut Close (adj. 7&9) | £24,000 | 2 | £10,000 | £14,000 |
| Chestnut Close (opp. 30) | £28,000 | 2 | £10,000 | £18,000 |
| Total | £166,000 | 10 | £50,000 | £116,000 |

- 6.7 The original proposal showed a capital receipt of £70k. This has reduced by £20k in the revised proposal to £50k.
- 6.8 All sites have been re-valued since the original report and the new valuations are shown in table 2. Based on the new valuations the value of discount being offered is £116k which is £17k lower than was originally approved.
- 6.9 This is still felt to represent good value for money for the HRA as it will deliver ten new affordable homes for which the Council will receive nomination rights, thus alleviating some of the pressure on the Housing Register.

7. Legal Advice and Implications

- 7.1 The Authority is, pursuant to s.123 Local Government Act 1973 obliged to achieve 'best consideration' on any disposal of land. However, this consideration does not need to be obtained in purely monetary form and can comprise achievement of other Authority aims such as the delivery of Affordable Housing. Given that the transfer at a reduced rate is required to achieve delivery of affordable housing and the anticipated receipt of the New Homes Bonus, there is no reason to consider that 'best consideration' is not being achieved by the proposed transfer.

8. Human Resources Advice and Implications

- 8.1 None.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 The bungalows will be allocated to people aged over 55 or those with an assessed medical need, therefore supporting people to live independently.
- 9.2 If Cabinet approves the proposed changes, no additional family housing will be delivered.

10. Equalities and Human Rights Advice and Implications

- 10.1 The new homes will be offered to applicants on the Council's Housing Register who can bid for the homes via the nomination process. Providing new affordable homes will increase access to suitable housing for those in need.

11. Implications for Partners

- 11.1 The transfer of Council land to housing associations contributes to stronger partnership working and diversification of the local construction industry.

12. Risks and Mitigation

- 12.1 The key risk associated with this proposal is that Arches may not build out the scheme. However, to mitigate against this there will be a clause in the land sale document with a longstop date by which the homes must be started and finished. If work does not commence Arches will be under a legal obligation to sell the sites back to the Council for the purchase price.
- 12.2 As new sites have been added there is some risk regarding their suitability for residential development as detailed investigation work has not yet been carried out, but from the assessment work carried out to date, Arches are confident of the deliverability of the preferred option.

13. Accountable Officers

Tom Bell, Assistant Director for Housing

Approvals obtained on behalf of Statutory Officers:-

| | Named Officer | Date |
|--|----------------------|-------------|
| Chief Executive | Sharon Kemp | 07/10/19 |
| Strategic Director of Finance & Customer Services (S.151 Officer) | Judith Badger | 03/10/19 |
| Head of Legal Services (Monitoring Officer) | Bal Nahal | 03/10/19 |

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