

Public Report with Exempt Appendices
Cabinet

Committee Name and Date of Committee Meeting

Cabinet – 22 March 2021

Report Title

Annual Housing Development Report – 2021/22

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, Housing and Public Health

Report Author(s)

Jane Davies, Head of Strategic Housing Development
David Bagnall, Housing Development Manager

Ward(s) Affected

Various – please see Appendix 3

Report Summary

This is the second annual housing development report under the new reporting arrangements agreed by Cabinet on 21st September 2020. The report sets out housing growth progress made in 2020/21, and proposes projects for 2021/22, which are aligned with the Housing Revenue Account Business Plan (approved by Council in January 2021). Appendix 3 provides a list of sites proposed for development, and Exempt Appendix 4 provides a list of potential strategic acquisition opportunities. Appendix 4 is confidential because the Council will be bidding for the new homes via a competitive process, and could be placed at a disadvantage by publishing specific sites of interest.

Recommendations

1. That Cabinet approves the release of the Council owned sites listed in Appendix 3 for residential development, subject to written confirmation of agreement by the relevant Ward Members.
2. That Cabinet approves the programme of strategic acquisition opportunities listed in Exempt Appendix 4, and that authority is delegated to the Assistant Director of Planning, Regeneration and Transport to purchase homes from private developers or the open market to add to the Council's stock with the agreement of the Assistant Director of Housing, Section 151 Officer and Cabinet Member for Housing. This is subject to the budget parameters as set out in the Council's approved Capital Programme. This delegation is

proposed to apply until April 2022 when the next annual programme will be reported to Cabinet.

3. That authority be delegated to the Assistant Director of Housing, in consultation with the Cabinet Member for Housing and the Section 151 Officer, to enter into an Affordable Homes Programme grant funding agreement with Homes England, for all eligible sites listed in Appendix 3.

List of Appendices Included

- Appendix 1 Initial Equality Screening (Part A)
- Appendix 2 Equality Analysis (Part B)
- Appendix 3 Council-owned sites proposed for residential development
- Appendix 4 (Exempt) Potential strategic acquisitions
- Appendix 5 Summary of progress against previous Cabinet recommendations
- Appendix 6 Map showing housing development sites
- Appendix 7 Photographic summary

Background Papers

Housing Strategy 2019-22

HRA Business Plan 2021-22

Cabinet report: [Annual Housing Development Report - 2020/21](#) (September 2020)

Cabinet report: [Quarterly Housing Development Update Report](#) (January 2021)

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Council Approval Required

No

Exempt from the Press and Public

Yes – Appendix 4

An exemption is sought for Appendix 4 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 1972, on the basis that releasing the information could put the Council at a competitive disadvantage.

Annual Housing Development Report – 2021/22

1. Background

1.1 Housing growth, and in particular the delivery of new, high quality affordable homes, continues to be an important priority for the Council. By investing in new housing, the Council can:

- Make a significant contribution to Rotherham's overall housing target (for the past two years the Council has been responsible for approximately one third of all new homes)
- Replace council homes lost through the Right to Buy thus helping to keep up with the increasing number of people on the Housing Register
- Deliver homes that better meet the needs of Rotherham's people
- Contribute to improved health and wellbeing
- Generate income to the Council through rent and council tax
- Regenerate deprived areas
- Create training and employment opportunities
- Deliver wider social value to communities

Each year, the Council reviews its Housing Revenue Account (HRA) Business Plan and once this has been approved by Cabinet and Council, an annual housing development programme is created and reported to Cabinet. This is the second annual housing development report, the first having been reported in September 2020 (N.B. later than planned due to the Covid-19 pandemic).

1.2 Overall summary of housing growth progress over the past 12 months:

- Projected to achieve year-end target of 175 homes delivered as a result of Council intervention (performance at the end of January 2021 stood at 161)
- Site Clusters programme completed (217 homes)
- The Bellows scheme completed (58 homes)
- Broom Hayes scheme almost completed (44 homes)
- Rotherham town centre housing scheme started (171 homes)
- Chesterhill Avenue and Whinney Hill programme started (237 homes)
- 14 bungalows on sites in Treeton and Ravenfield started
- Housing association schemes enabled by the Council started

Appendix 7 includes photographs of some of these projects.

1.3 The table in Appendix 5 tracks progress against the previous recommendations in the September 20 and January 21 Cabinet reports. This tracker will be kept up to date and appended to all future housing development reports, rather than repeating them each time in the main report.

1.4 Progress against the 2020/21 development programme:

- SOAHP Small Sites (14 bungalows on Arundel Avenue, Treeton and Braithwell Road, Ravenfield): Contract in place with O&P Construction, and work commenced in February 2021. All 14 homes are expected to be completed by December 2021.
- East Herringthorpe Site Assembly (estimated 13 homes): Procurement to commence imminently.
- Thrybergh Site Assembly (estimated 5 homes): Negotiations are currently underway with the Council's repairs and maintenance contractors, to build five homes on these sites.
- Wingfield Site Assembly (estimated 14 homes): Concluded pre-market engagement with housing associations and received some positive feedback, therefore this delivery route will continue to be explored.
- Strategic Acquisitions: The Council is continuing to pursue three of the four opportunities set out in Exempt Appendix 4 to the September 2020 Cabinet report and it is anticipated that one of the schemes will be in contract by the end of the financial year, with the remaining schemes expected to be in contract during the first quarter of 2021/22.

1.5 Progress against each of the 'next steps' included in the January 21 update report:

Action	Update
SCR Brownfield Housing Fund, submit 'early delivery' bid – January 2021	Complete
Homes England SOAHP, submit CME bid for extra units on SOAHP Bungalows scheme – January 2021	Secured in principle agreement from Homes England in January 2021, and bid subsequently submitted in February 2021.
SOAHP Bungalows, start on site – January 2021	Formally entered into contract at the beginning of Feb 21, and physical works commenced on Arundel Ave in Feb, with Braithwell Rd anticipated to start in Mar 21.
Hold virtual Housing Development update event – January 2021	Complete (event held on 28/01/21)
Wingfield, pre-market engagement exercise concluded – February 2021	Complete
Undertake ward member consultation for East Herringthorpe, Thrybergh and Wingfield schemes – February 2021	Complete
East Herringthorpe, enter into a pre-contract services agreement – March 2021	On track

Thrybergh, determine feasibility of commissioning through one of the Council's existing repairs and maintenance contractors – March 2021	On track
Hold Members workshop on garage site residential development – March 2021	Complete – OSMB seminar held on 23/02/21 and all Member seminar scheduled for 15/03/21
Town Centre, complete remediation works – March 2021	Completed during January 21
Netherfield Court, appropriate to HRA – March 2021	This will be executed before the end of March 21

- 1.6 New sites: The sites identified within the 2021/22 programme are listed in Appendix 3. Initial assessments of their suitability for residential development have been carried out as part of the shortlisting process, and the detailed viability work will be undertaken once approved. It is intended that where the sites are found to be deliverable and affordable within the defined HRA budgets, these will be delivered as council housing. In some cases, a better outcome for the Council, either financially or strategically, will be achieved by transferring to housing association partners to develop, with council nomination rights included as part of the agreement. Alternative strategies will be pursued for any sites that are found to be unsuitable for residential development.

The 2021/22 programme further incorporates a small number of ad-hoc, single sites. These sit outside of the Council's current strategy to cluster sites in geographic proximity where possible to achieve improved efficiencies and market interest. In these cases, the Council proposes to sell the land to generate a capital receipt and enable housing development, rather than build directly. These sites are likely to be of interest to SME developers or individuals wishing to self-build and may also be of interest to some housing associations. These are also included in Appendix 3.

- 1.7 Eastwood sites: The January 2021 housing development update report to Cabinet explained the reasons for appropriating two General Fund sites in Eastwood (Netherfield Court and York Road car park) to the HRA, to allow them to be brought forward as affordable housing developments. As the number of homes on each site will exceed ten, a separate report will be brought to Cabinet once the procurement process has been undertaken.
- 1.8 The Homes England Affordable Homes Programme 2021-26 (AHP) replaces the Shared Ownership and Affordable Homes Programme 2016-21 (SOAHP) from which the Council has successfully drawn down £6.81m of funding to support the delivery of 227 new homes. The programme is specifically intended to increase the supply of new build affordable housing.

A significant change for the new AHP over SOAHP is that it will be operated from the start on a Continuous Market Engagement (CME) principle which

means that funding support can be sought on a scheme by scheme basis; SOAHP however entailed an initial bidding round requiring submission of a large-scale grant funding application for multiple projects. This new approach should be beneficial for the Council in that it will allow bids to be tailored to individual schemes once more detailed financial appraisals are available, whereas SOAHP required the Council to formulate a bid based on high-level estimates and assumptions.

The £114m of anticipated housing growth investment incorporated within the latest HRA business plan, assumes Homes England grant funding support for all Council-build schemes as without this most schemes would prove to be wholly unviable and the Council would not be able to achieve its aspiration to deliver hundreds of new affordable homes. This assumption is based on the Council's previous track record on securing grant funding, and extensive dialogue with Homes England over the past few months.

- 1.9 Strategic acquisitions continue to form an important part of the housing delivery programme as they typically offer a more efficient and better value for money route to replacing Council homes lost through the Right to Buy, compared to direct build. Exempt Appendix 4 sets out a number of private-sector developments which are considered likely to present strategic acquisition opportunities in the near future. Appendix 4 also provides an update on acquisition opportunities previously presented to Cabinet as well as an overview of other schemes which may generate acquisition opportunities in coming years and may therefore form part of a future Cabinet report.
- 1.10 The HRA Business Plan, approved by Council in January 2021, includes £114m for housing growth which is broken down as follows:

Scheme category	Business Plan Amount	Est. no. homes
Delivered or nearing delivery	£ 3,486,147	281
Projects underway	£ 35,993,824	215
Projects approved in 2020/21 programme	£ 6,715,342	37
Projects proposed for this 2021/22 programme	£ 21,102,182	129
Future projects to bring to Cabinet for approval from 2022/23 onwards	£ 46,893,103	374
Total:	£114,190,598	1036

2. Key Issues

- 2.1 There are around 6,800 applicants on the waiting list for Council housing in Rotherham. These households are likely to be in homes unsuitable for their needs in some way, such as homes which are too small, affected by issues such as damp and disrepair, or inappropriate for someone who is elderly or has a disability. The Council's ambitious housing growth plan is critical to

supporting these families into high quality and affordable accommodation. New homes have been and will be delivered by the Council across the borough, as demonstrated in the map included as Appendix 6.

- 2.2 Social Value: The Council will also be able to maximise the social value opportunities of its residential development projects, collaborating with services across the Council at the outset of each new scheme to ensure HRA-led development achieves the best possible outcomes for Rotherham.
- 2.3 Energy efficiency and climate change: Through its own delivery programme, the Council has the ability to ensure that the new homes are high quality, energy efficient and able to meet the challenge of climate change, irrespective of tenure. The use of modern methods of construction will be considered for all new schemes, where value for money can be demonstrated as well as carbon reduction.

3. Options considered and recommended proposal

3.1 Option 1: Direct Council build for all new homes in 2021/22 programme

Primary benefits:

- Full Council control
- 100% additionality to housing growth
- 100% affordable housing

Primary drawbacks:

- Highest capital cost (compared to acquisitions purchased at a discount, or selling land)
- Most retained risk

Whilst this option provides the greatest degree of control for the Council in respect of what will be delivered and where, it is also the costliest option to pursue and retains the most risk for the Council. A development programme consisting of only direct build would therefore achieve much lower delivery numbers overall, meaning the Council's ability to replace homes being lost through the Right to Buy and to contribute toward corporate housing growth targets would be diminished. **This option is not recommended.**

3.2 Option 2: Strategic acquisitions for all new homes in 2021/22 programme

Primary benefits:

- Lowest capital cost in return for stock
- Lower risk than direct build
- Acquisitions will be 100% affordable housing

Primary drawbacks:

- No additionality
- No strategic control
- Market dependent

Strategic acquisitions from the open market, and particularly those available at a discount from market value through 'Section 106' affordable housing planning provisions, are currently the most cost-efficient way for the Council to obtain new housing stock. The Council has no control over these developments and the homes offered may not provide sufficient strategic fit. Further, the Council cannot guarantee that it will always obtain open market acquisitions as it will be in competition with the market, including other registered providers of social housing (housing associations). This option also provides no additionality in that the homes will be made available whatever the Council chooses to do. **This option is not recommended.**

3.3 Option 3: Housing association delivery of all new homes in 2021/22 programme

Primary benefits:

- No capital outlay
- Potential capital receipts
- Lower risk than direct build
- 100% affordable housing
- 100% additionality
- Nomination rights for the Council

Primary drawbacks:

- No strategic control
- Does not replace stock being lost through the Right to Buy

Delivery of new homes on Council land by housing association partners provides a means by which new social homes can be brought forward within the borough at very little cost to the Council. The Council will also benefit from nomination rights to the new homes to help meet demand from the Council's Housing Register, and the transfer of land may also generate a capital receipt. However, the Council would retain no direct control over the resulting development and unlike direct build or acquisitions, transfer to a housing association does not yield any new homes for the Council itself, meaning it would not contribute toward replacing Council homes being lost through the Right to Buy. **This option is not recommended.**

3.4 Option 4: Sell all land to enable the private sector to build new homes

Primary benefits:

- No capital outlay
- Probable capital receipts
- Lower risk than direct build
- 100% additionality
- Potentially supports local SME developers
- Potentially supports individuals wishing to self-build

Primary drawbacks:

- Dependent on market interest
- No strategic control

- Does not replace stock being lost through the Right to Buy
- No social housing
- Affordable housing less likely
- Need to prevent land banking

Option 4 is much like option 3 in that the sale of land to the private sector (with conditions to ensure the construction of new homes) will create additionality and capital receipts for the Council. However similarly, the Council will retain no direct Council control beyond general planning provisions and as a further drawback the new homes will not be made available as social housing so the Council will be unable to discharge demand from its Housing Register. **This option is not recommended.**

3.5 Option 5: Blended approach combining direct Council build, strategic acquisitions and housing association delivery for 2021/22 programme

Primary benefits:

- Balanced approach of capital outlay and risk
- Achieves significant new homes for the Council
- Provides nomination rights to other social homes
- Supports the wider sector

Primary drawbacks:

- Most complex approach
- Most resource intensive approach

A blended approach means that the Council can derive benefits from each of the delivery routes outlined above, whilst also achieving a pragmatic balance between strategic benefit and capital outlay. This will therefore achieve both an increase to the Council's housing stock and generate wider additionality, by supporting the construction of more new homes overall. **This option is recommended.**

3.6 Option 6: Not to bring forward any new proposed housing development schemes in 2021/22

Primary benefits:

- No capital outlay
- No risk

Primary drawbacks:

- Does not replace stock being lost through the Right to Buy
- No social housing
- No affordable housing
- No additionality
- No support for the wider sector

This would not achieve any of the benefits provided by supporting housing growth, would make it significantly more difficult for the Council to achieve its corporate and national targets and means that there would be no mitigation

against Council's social housing stock being lost as a result of the Right to Buy. **This option is not recommended.**

4. Consultation on proposal

- 4.1 Residents will be consulted via the Planning process, but the Strategic Housing and Development Service has also worked with the Neighbourhood Service to assist with disseminating information about development in localities, identifying alignment with ward priorities. Regular articles about housing development are also included in the tenants' newsletter, Home Matters.
- 4.2 Ward Members have received specific briefings on potential sites in their wards and their feedback has been taken into account to ensure they are supportive of proposed developments in their ward.
- 4.3 This report has also been presented to and approved by both the Asset Management Board and Housing and Regeneration Board.
- 4.4 Regular engagement is undertaken with developers, housing associations, Homes England and the Sheffield City Region. An example of this is the virtual housing development event which was organised by the Council at the end of January 21 and attended by almost 100 organisations. This engagement helps the Council to understand the level of interest across the sector, and to identify appropriate delivery and procurement routes.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Assistant Director of Housing will have responsibility for implementing the programme.
- 5.2 It was agreed by Cabinet in January that six-monthly progress reports should be presented to Cabinet. It is anticipated that the next report will be presented in October 2021. Any sites with more than ten units will be presented as separate reports as and when required.

6. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)

- 6.1 Each scheme within the capital programme is assessed against affordability within the context of the HRA Business Plan. This includes, for example, assumptions for unit costs, rental income and the application of both internal and external funding. The release of sites identified in Appendix 3 and the programme of strategic acquisition opportunities listed in Exempt Appendix 4 will be subject to business case and assessed for affordability within the context of the assumptions in the HRA Business Plan and the resources approved as part of the Council's Capital Programme.
- 6.2 There are no direct procurement implications arising from the recommendations detailed in this report. The relevant procurement

implications for each site will be considered as they are brought forward as part of the governance arrangements.

7. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)

- 7.1 The delegations sought under this report are consistent with the Council's Constitution and as stated in the body of the report allow for quicker and more flexible decisions to be made in respect of potential housing developments.
- 7.2 There are no direct legal implications arising from this report. The relevant implications for each site will be considered as each is brought forward for development.

8. Human Resources Advice and Implications

- 8.1 There are no Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 The development programme includes two, three and four bedroom homes which will allow families with children to access high quality, affordable homes, thus contributing to improving children's health, wellbeing and opportunity.
- 9.2 The programme includes bungalows which will allow older and disabled people to live in safe, suitable accommodation that meets their needs and allows them to live independently for longer.

10. Equalities and Human Rights Advice and Implications

- 10.1 The current Housing Strategy was approved by Cabinet in April 2019. The Strategy outlines how the Council will increase the local supply of high quality, affordable homes to meet a wide range of needs, through the housing development programme. The Council holds a wide range of data which is used to determine the different needs and influence the types of homes being built. For example of Rotherham's 263,400 residents, 25% are aged 60 years or over and 8.5% are aged 75 years or over and the housing development programme includes bungalows that are suitable for older people, as well as people with disabilities.
- 10.2 There are currently 6,800 households on the Council's housing register, who are likely to currently be in homes unsuitable for their needs, such as homes which are too small, affected by issues such as damp and disrepair, or inappropriate for someone who is elderly or has a disability. The Council's ambitious development programme is critical to supporting these families into high quality and affordable accommodation. Any new homes offered for rent by the Council are managed through the Council's Allocations Policy to ensure a fair and transparent approach to helping people in the greatest housing need to gain access to suitable and appropriate accommodation. A

full Equality Analysis has been carried out for both the Housing Development Programme 2021/22 and the Allocations Policy which was approved by Cabinet in February 2021.

- 10.3 There is evidence to suggest that a higher proportion of people within protected characteristic groups, such as age and disability, will be reliant on welfare benefits and therefore more likely to require access to affordable housing. The Programme's aim is to increase overall housing supply and in turn bring forward more affordable housing to assist such groups.
- 10.4 Surveys will be carried out with the occupants of new homes, and equality and diversity results analysed and compared with other relevant data sets such as the Housing Register. This will allow the Council to understand whether any protected characteristic groups are over or under-represented in new build homes and take appropriate action if required.

11. Implications for Ward Priorities

- 11.1 The 2021/22 housing development programme affects six wards. The Strategic Housing and Development Service will liaise with Neighbourhoods Team and Ward Members to ensure any social value opportunities are aligned with local priorities.

12. Implications for Partners

- 12.1 The 2021/22 delivery cycle and longer-term development programme will provide a number of opportunities for new partnerships to be formed as individual schemes are brought forward. As a blended programme with no 'one size fits all' approach to procurement and delivery, there will be opportunities for both large and small (SME) private sector construction companies and Registered Providers (housing associations) to work with the Council. This will help to both support and diversify the local construction industry.
- 12.2 The Council has an existing partnership with Engie and Mears through the housing repairs and maintenance contracts and the existing contract terms allow for some housing development. As such, the development programme may also provide an opportunity for the partners to work with the Council on housing development schemes where this would not be at a detriment to the core repair and maintenance functions.
- 12.3 Housing associations continue to play an important role in delivering affordable housing in Rotherham. The Council has a successful track record of working with housing associations to bring land forward for development and maintains strong relationships with many of the largest and most reputable organisations through the Rotherham Strategic Housing Forum. The programme makes provision for the transfer of land to housing associations for which the Council would receive nomination rights to help address demand from the Council's Housing Register.

13. Risks and Mitigation

13.1. The key risks are summarised in the table below:

Risk	Mitigation
Coronavirus – delays due to staff shortages in the construction sector and increased costs due to additional safety measures	Covid risk registers, monitor costs, facilitate access to lateral flow testing where appropriate / possible, continue to support businesses through prompt invoice payments, continual monitoring of impact of pandemic on local housing market and wider construction industry
Exit from the EU – pressure on resources and materials	Regular risk workshops, advance ordering and storage of materials where appropriate / possible, ongoing monitoring of impacts.
Site suitability - even at a late stage in the process, sites can be found to be unsuitable (for example due to severe contamination or high flood risk) or need to be heavily restricted in terms of the type and numbers of new housing which can ultimately be achieved.	All sites proposed for delivery in 2021/22 have been subject to initial appraisals to give confidence as to their suitability for housing development including consultation with Planning. Grant funding will also help the Council to mitigate against the cost of ground remediation works but where a site is ultimately unsuitable for development it will not be brought forward.
Internal staff capacity – Housing, Legal, Procurement, Asset Management etc	Explore different partnering arrangements to reduce client-side resource intensity, including pre-contract service agreements whereby contractor carries out early feasibility work at risk. Ongoing dialogue between services regarding forward planning and resource requirements, and HRA contributions to staffing costs in key supporting services.
Community opposition	Early and regular consultation with Ward Members, communication strategy to provide information on the schemes and explain the rationale.
Funding availability	Continual dialogue with Homes England and SCR. Investment of time in robust business case preparation to ensure overall costs remain within approved HRA Business Plan affordability modelling and Capital Programme approvals. Regular meetings with Finance colleagues to monitor programme.

14. Accountable Officers

Tom Bell, Assistant Director of Housing

Jane Davies, Head of Strategic Housing and Development

David Bagnall, Housing Development Manager

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	Date
Chief Executive	Sharon Kemp	Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Named officer	Click here to enter a date.
Head of Legal Services (Monitoring Officer)	Named officer	Click here to enter a date.

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