



Report to Safer and Stronger Communities Scrutiny Committee 31st July 2014

Report of: Executive Director, Communities and Executive Director, Place

Subject: Council House Building

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Summary:

One of the top priorities for the HRA Business Plan is the delivery of new/ additional council homes through either acquisition or new build.
Phase 1 of the Council Housing New Build programme is due to complete in March 2016 and will include around 48 new build council homes across three sites.
All properties in phase 1 will meet the Lifetime Homes standard and 25% properties will meet in full the wheelchair standard.
Sites are currently being identified for phase 2.
The New Build project is being managed by the City Council with specialists procured as necessary.
Most of the Council's existing cleared sites will be developed by the Sheffield Housing Company which has a 15 year plan to build 2,300 new homes in seven of Sheffield's neighbourhoods.

Type of item: The report author should tick the appropriate box

Reviewing of existing policy	
Informing the development of new policy	
Statutory consultation	
Performance / budget monitoring report	
Cabinet request for scrutiny	
Full Council request for scrutiny	
Community Assembly request for scrutiny	
Call-in of Cabinet decision	
Briefing paper for the Scrutiny Committee	x
Other	

The Scrutiny Committee is being asked to: Provide feedback on current proposals

Background Papers:

Report to Cabinet: Delivering More Council Housing, 19th February 2014

<http://sheffielddemocracy.moderngov.co.uk/ieListDocuments.aspx?CId=123&Mid=5151&Ver=4>

Report to Cabinet: Housing Revenue Account (HRA) Business Plan update report, HRA Budget and Rent Increase 2014/15, 15th January 2014

<http://sheffielddemocracy.moderngov.co.uk/ieIssueDetails.aspx?IId=12818&PlanId=0&Opt=3#AI7171>

Category of Report: OPEN/CLOSED (please specify)

Report of the Director of Communities

Council House Building

1. Summary

- 1.1 One of the top priorities for the HRA Business Plan is the delivery of new/ additional council homes either through acquisition or new build.
- 1.2 Phase 1 of the Council Housing new Build programme is due to complete in March 2016 and will include around 48 new build council homes across three sites.
- 1.3 All properties in phase 1 will meet the Lifetime Homes standard and 25% properties will meet in full the wheelchair standard.
- 1.4 Sites are currently being identified for phase 2.
- 1.5 The new build project is being managed by the City Council with specialists procured as necessary.
- 1.6 Most of the Council's existing cleared sites will be developed by the Sheffield Housing Company which has a 15 year plan to build 2,300 new homes in seven of Sheffield's neighbourhoods.

2. Background

- 2.1 In January 2014 the Council made a commitment to make full use of the capacity of the HRA to deliver the maximum number of new/ additional council homes possible under the current borrowing rules. In order to make the schemes viable, and so as not to compromise existing investment priorities and the wider business plan, all new units must be self-financing over the long term.
- 2.2 At an individual property level this means that the rental income generated by a new property over 30 years must be equal to or exceed the cost of delivering that unit plus the 30 year costs associated with that property. The key factors determining viability are
 1. The purchase/ build cost of the home
 2. Rental income from the home once it is delivered and
 3. The availability of match funding to part fund the scheme and so reduce the need for HRA borrowing
- 2.3 Consequently and where this is consistent with Government guidance many new units and all additional new build units will be let at Affordable Rent. However where circumstances permit, for example for more cheaply acquired property (such as former council homes) purchased using RTB receipt, a Social Rent can and will be charged.
- 2.4 Also schemes will only be brought forward when there is sufficient match funding to make them viable. Initially around 600 units (plus the 30 already delivered in 2013) are forecast in the coming 6 years. This number will be updated as forecasts of match funding develop.
- 2.5 At least 120 of these homes will be new build council houses, 75 of which will be delivered by March 2016.

3. New Build proposals

- 3.1 Phase 1 of the Council Housing New Build Project includes delivery of around 48 new council homes. Procurement will be undertaken in late summer 2014 with an expected start on site in Spring 2015. The property types to be built will be determined by the needs of the local area. Local consultation will be undertaken later in 2014.
- 3.2 Phase 1 includes three proposed sites: Ouse Road, Scotia Drive and Westfield Crescent.
- 3.3 Ouse Road is the site of a former tool works and terraced housing at Kettlebridge in Darnall, which could accommodate around 30 properties. The proposed mix includes 2, 3, 4 & 5 bed houses, with the emphasis on the larger properties required by families in the local area.
- 3.4 Scotia Drive is a cleared site in Manor, adjacent to Manor Fields Park. A scheme of 2, 3 & 4 bed homes is proposed, around 16 in total. Most properties will be 2 bed, in line with local demand. A new pedestrian link into the park will be explored.
- 3.5 Westfield Crescent is a small infill site in Mosborough. It is proposed to develop a pair of 3-bed bungalows, given the particularly high demand for such accommodation in the south of the city.
- 3.6 It is planned to develop 100% of the properties to Lifetime Homes standard including 25% to full wheelchair standard.
- 3.7 The sites identified for Phase 2 so far are infill sites in Parson Cross: Palgrave Road, Wordsworth Avenue and Knutton Rise. Other additional sites are likely to be proposed.

4. Project approach

- 4.1 The project is being led within the Housing & Neighbourhood Regeneration Team and will eventually pass over to the Council's Capital Delivery Service to manage the construction stage.
- 4.2 It is proposed to use the Sheffield Housing Company's portfolio of housetypes as a base for a new suite of Council housing archetypes. A waiver from Standing Orders is being sought to appoint the SHC's Phase 1 Design team to amend their own designs for social housing purposes.
- 4.3 The design team will take the project up to planning stage, after which a contractor will be procured to deliver the schemes on site. The method of contractor procurement is currently being considered by officers.

5. Timeline

- 5.1 The projected Phase 1 timetable is as follows:
- Design and Consultation (Autumn 2014)
 - Planning (Winter 2014/15)
 - Start On Site (Spring 2015)
 - Completion (March 2016)
- 5.2 The timeline for Phase 2 has yet to be confirmed but would probably start on site in 15/16 and complete in 16/17.

6. Risk

6.1 The main risks for the Council Housing new build programme are as follows:

- Build costs increase faster than rents making schemes less viable. This is the key risk to the current programme.
- Availability of land limits future ambitions. Land availability is likely to be the main restraint on the delivery of new build via the HRA.
- Availability of match funding and borrowing capacity in the HRA. These may limit development through the HRA in the longer term.

7. Sheffield Housing Company (SHC)

7.1 Sheffield Housing Company (SHC) is a developer partly owned by the City Council which was established to build high quality new homes in the City.

7.2 The SHC has a 15 year plan to build 2,300 new homes in seven of Sheffield's neighbourhoods. The majority of the new homes built by the SHC will be available to buy outright although some of the new homes will be for rent and advertised via the Sheffield Property Shop.

7.3 The SHC comprises SCC and Keepmoat & Great Places (KGP). SCC contributes land (mostly from the HRA), KGP contributes equivalent finance, the SHC together raises any additional borrowing required and any eventual profits are split between SCC and KGP.

7.4 The SHC was not procured as a vehicle for building Council housing. Great Places owns and manages the affordable rented homes that the SHC is contracted to provide.

7.5 However, SCC has acquired 30 properties from the SHC in Phase 1 of development at Parson Cross, Shirecliffe and Norfolk Park. These properties would have been sold on the open market if the Council had not acquired them. They are in addition to the affordable housing managed by Great Places on the same phases.

7.6 It remains an option for the Council to acquire further properties from the SHC, as it could from any other developer, if those purchases were viable and met the criteria in the Acquisition Strategy.

7.7 The SHC is due to develop around 60ha of HRA land, so one effect of the SHC is to limit the amount of developable HRA land remaining for SCC new build. Most of the remaining HRA land is smaller infill or garage sites, with the exception of a few very large sites that would be more suitable for mixed tenure or perhaps Extra Care development (e.g. Skye Edge, Manor 14, Adlington).

8 What Does This Mean For The People Of Sheffield?

8.1 The 2013 Strategic Housing Market Assessment considered there to be an overall annual shortfall of market housing in Sheffield of 1,250 – 1,700 units and an overall annual shortfall of affordable housing of 725 units. A council housing new build programme contributes towards the overall need for new homes in the City as well as the target for affordable homes meaning an improved availability of homes for current and prospective council tenants without detriment to the wider market.

- 8.2 Because new build offers the council the opportunity to determine the specification and standards of new homes this means higher quality standards for tenants than might be delivered through other routes.
- 8.3 New Build can lead to greater choice for tenants in terms of the design, size and type of council home which in turn can lead to improved community sustainability.
- 8.4 House building has a role in stimulating the local economy and it has been reported that for every £100,000 invested in building houses, one job is created for one year.
- 8.5 New housing brings additional funding into the City Council in the form of grant and council tax income.

9. Recommendations

- 9.1 The Scrutiny Committee is asked to provide feedback on current proposals

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