

CABINET MEETING – 17 NOVEMBER 2020

EXECUTIVE SUMMARY SHEET – PART 1

Title of Report:

Acquisition of bungalows at Hylton Road, Sunderland

Author(s):

Executive Director of Neighbourhoods

Purpose of Report:

To seek approval to acquire properties at Hylton Road for supported bungalow accommodation

Description of Decision:

Cabinet is recommended: -

- I. To approve the acquisition of 15 new build residential bungalows at Hylton Road for supported accommodation on terms to be agreed by the Executive Director of Neighbourhoods in consultation with the Executive Director of Corporate Services and Portfolio Holder for Dynamic City.
- II. To authorise the Executive Director of Neighbourhoods to submit an application to Homes England for grant funding to support the acquisition of the properties and subject to securing the agreement of the Executive Director of Corporate Services as to the acceptability of the grant terms to accept any grant funding which is offered further to these applications.

Is the decision consistent with the Budget/Policy Framework?

Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

The acquisition of the Properties is in accordance with the Council's strategic housing priorities and delivery outputs within the Housing Investment and Delivery Plan, approved by cabinet in February 2020 and supports the City Plan.

A financial viability appraisal of the properties will be undertaken to ensure that the financial returns are in keeping with the Council's financial requirements, however the likely value of the project will exceed delegated limits of the Executive Director of Neighbourhoods approved by Cabinet on 16 June 2020 and therefore needs Cabinet approval to proceed.

Alternative options to be considered and recommended to be rejected:

That the Council does not proceed with the purchase of the Properties

This option has been rejected as the Properties will meet an identified local strategic housing demand for supported accommodation. The acquisition also aligns with the outputs within the Housing Delivery and Investment Plan, approved by cabinet in February 2020 and the City Plan objectives.

Impacts analysed;

Equality

Privacy

Sustainability

Crime and Disorder

Is the Decision consistent with the Council's co-operative values? **Yes/~~No~~**

Is this a "Key Decision" as defined in the Constitution? **Yes/~~No~~**

Is it included in the 28-day Notice of Decisions? **Yes/~~No~~**

ACQUISITION OF BUNGALOWS AT HYLTON ROAD, SUNDERLAND

REPORT OF THE EXECUTIVE DIRECTOR OF NEIGHBOURHOODS

1. Purpose of the Report

To seek approval to acquire properties at Hylton Road for supported bungalow accommodation

2. Description of Decision (Recommendations)

Cabinet is recommended: -

- I. To approve the acquisition of 15 new build bungalows at Hylton Road for supported accommodation on terms to be agreed by the Executive Director of Neighbourhoods in consultation with the Executive Director of Corporate Services and Portfolio Holder for Dynamic City.
- II. To authorise the Executive Director of Neighbourhoods to submit an application to Homes England for grant funding to support the acquisition of the properties and subject to securing the agreement of the Executive Director of Corporate Services as to the acceptability of the grant terms to accept any grant funding which is offered further to these applications.

3.0 Background

- 3.1 On 11 February 2020 Cabinet approved the Housing Delivery and Investment Plan. Since this Cabinet approval progress has been made in engaging with the local SME Construction Sector and have been identifying suitable properties and projects to meet local strategic housing needs.
- 3.2 The Council have engaged with MCC Homes Limited, a local construction business, who intends to build 15 bungalows at a site on Hylton Road. Their proposal is that the Council enters into an agreement to purchase the bungalows on practical completion.
- 3.3 Homes England through their Shared Ownership and Affordable Homes Programme 2021 to 2026 offer grant funding to Local Authorities to support the acquisition of properties for use as affordable housing. It is the Council's intention to apply for grant funding under this programme to support the acquisition costs for each of these properties. Acquisition of these properties will only proceed if funding at levels to enable the viability of the project are awarded.

4.0 Hylton Road bungalows for supported accommodation

- 4.1 MCC Homes Limited aware of the Council's Housing Delivery and Investment Plan and aspirations to work with local SME businesses, have offered to build fifteen bungalows for the Council on a site on Hylton Road.

- 4.2 The proposal is that the Council enters into a “turnkey” agreement to purchase. The Council will acquire the properties in three phases on practical completion of the last bungalow in each phase. The exact phasing of the scheme is yet to be determined but it has provisionally been agreed that each phase will be made up of a third of the development (i.e. 5 bungalows per phase).
- 4.3 MCC Homes Ltd have recently secured the land interest and now are keen to structure a turnkey arrangement with the Council.
- 4.4 Initial designs show that 15 bungalows can be delivered but MCC Homes Ltd will need to undertake further site investigation works at their risk in order to firm up the final price for the project.
- 4.5 Once the Council confirm that they have an interest in the turnkey delivery of the bungalows MCC Homes Ltd will commence site investigation works and complete all financial assessments. The Council would on completion of the financial assessment review the project cost against its development appraisal parameters to ensure that it meets all financial requirements.
- 4.6 Therefore it is proposed that the Council enters into an agreement with MCC Homes Ltd on a turnkey arrangement subject to satisfactory financial proposals and assessments that meet the requirements of the Council.
- 4.7 Therefore to progress the negotiations and suitable Terms, Cabinet are requested to authorise the Executive Director of Neighbourhoods in consultation with the Executive Director of Corporate Services and Portfolio Holder for Dynamic City to review and approve the acquisition of the 15 bungalows on terms to be agreed.
- 4.8 The Housing Delivery and Investment Plan for the West area of Sunderland identifies a target of 22 bungalows in the area. This project would enable the Council to provide 15 new bungalows against this target.
- 4.9 The bungalows fit with the Council’s strategic housing priorities and aims outlined within the Housing Investment and Delivery Plan.
- 4.10 The project has been identified with colleagues in Adult Social Care as offering an opportunity to provide appropriate accommodation that will meet significant demand for people with learning and physical disabilities as well as wider needs.
- 4.11 The intention would be that these bungalows would provide the “spoke” to existing provision at the “Hub” at St Clement’s Court and ensure a more comprehensive, connected and efficient support service.
- 4.12 Adult Social Care have confirmed that they have the budget to commission the project and the support services will be delivered across the bungalows by SCAS.

- 4.13 All of these homes would be delivered as rented homes in line with the agreed Housing Delivery and Investment Plan approach.
- 4.14 The project will require grant funding support from the Homes England Shared Ownership and Affordable Homes Programme 2021 to 2026 and Cabinet is requested to authorise the Executive Director of Neighbourhoods to apply to Homes England for grant funding to support the acquisition of the properties. This would be subject to securing the agreement of the Executive Director of Corporate Services as to the acceptability of the grant terms in relation to the viability of this acquisition.

5.0 Reasons for the Decision

- 5.1 The acquisition of the Properties is in accordance with the Council's strategic housing priorities and delivery outputs within the Housing Investment and Delivery Plan, approved by Cabinet in February 2020 and supports the City Plan.
- 5.2 A financial viability appraisal of the properties will be undertaken to ensure that the financial returns are in keeping with the Council's financial requirements, however, the likely value of the project will exceed the delegated decision arrangements for the Executive Director of Neighbourhoods approved by Cabinet on 16 June 2020 and therefore needs Cabinet approval to proceed.

6.0 Alternative Options

That the Council does not proceed with the purchase of the Properties

This option has been rejected as the properties will meet an identified local strategic housing demand for supported accommodation. The acquisition also aligns with the outputs within the Housing Delivery and Investment Plan, approved by Cabinet in February 2020 and the City Plan objectives.

7.0 Impact Analysis

- (a) **Equalities** - An Equality Impact Assessment will be undertaken once viability of the project has been confirmed
- (b) **Privacy Impact Assessment (PIA)** – there are no foreseen risks to the privacy of the public.

(c) **Sustainability**

Sunderland Strategy Objectives cross checked with decisions outcomes:

- Dynamic City
 - ✓ More and better jobs
 - ✓ More and better housing

- **Healthy City**
 - ✓ More people living healthier for longer
 - ✓ People enjoy independent lives
 - ✓ Cleaner and more attractive city and neighbourhoods
- **Vibrant City**
 - ✓ More residents participating in the communities
 - ✓ More people feel safe in their neighbourhoods and homes
 - ✓ More resilient people

(d) Reduction of Crime and Disorder – Community Cohesion / Social Inclusion

The projects and properties will have a specification that provides safe and secure homes

8.0 Financial Implications

- 8.1 Financial modelling against this project acquisition will need to demonstrate that the rental income arising from this investment will cover the costs incurred, both borrowing to fund the initial investments and the on-going maintenance and management costs. This will ensure that the projects return a positive Net Present Value over 50 years, this being the key financial criteria.
- 8.2 The costs associated with this project can be met from the allocation for the Housing Delivery and Investment Plan within the approved capital programme once it has been confirmed that it meets all of the required financial hurdles.

9.0 Other Relevant Considerations / Consultations

Co-operative Values – By delivering new social housing it demonstrates the values of a co-operative council by providing homes and support for those in greatest need and creating more mixed and sustainable communities.

- (i) Risk Analysis** – This project has been reviewed from a financial and social housing needs perspective.
- (ii) Legal Implications** – Section 120 of the Local Government Act 1972 provides a general power to local authorities to acquire land by agreement. A local authority may purchase for the purpose of any of their functions or for the benefit or improvement of their area under Section 120. The land is being purchased for Housing. Officers will obtain an independent valuation to confirm that the price to be paid for the acquisition is market value.
- (iii) Policy Implications** – these properties would be managed in line with the requirements that meet the Regulator of Social Housing's Regulatory Standards

- (iv) **Implications for Other Services** – Building Services would be allocated future work through refurbishment and repairs which would be a required extension to existing service arrangements.
- (v) **The Public / External Bodies** – The Regulator of Social Housing and Homes England have both advised on matters relating to the Council's intention to deliver social housing such as these projects
- (vi) **Compatibility with European Convention on Human Rights** – There are no issues in relation to compatibility with the European Convention on Human Rights at the present time.

