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# Growth Strategy

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# Broadacres Growth Strategy 2018 - 2023

## 1.0 Introduction and Context

### 1.1 History

Broadacres Housing Association (BHA) was formed in 1993 following the transfer of Hambleton District Council's housing stock and now has a group structure comprising four subsidiaries including development and property management companies. BHA had a turnover from social lettings of £36m in 2016-17 and assets with a book value of £289m.

### 1.2 Existing Stock

BHA owns and manages 6,071 homes (as at March 2017), with the majority located in the district of Hambleton. There are significant areas of concentration in the major market towns of Northallerton, Thirsk, Easingwold, Stokesley and Bedale. Over the past 20 years BHA has developed across North Yorkshire and into parts of County Durham, Leeds City Region and Teesside.

This strategy is not just about growth. It recognises that developing new homes can take 3-4 years from first plans to homes being occupied but that today's new homes will have to last 80-100 years and during that time be proactively maintained and managed. It is important therefore that BHA only develops new homes in areas where it can provide first class management and maintenance services. This strategy seeks to balance the need and capacity for growth whilst ensuring a concentration of stock that enables the efficient delivery of services and a wider role for Broadacres in Placeshaping.

### 1.3 The Housing Market

Many of the areas BHA works in have relatively high property prices. Residential land prices in 2015 varied from an average of £2.7m per ha in York to £2.5m in Harrogate and £2m in Hambleton. Private sector rents in 2016 for a 2-bedroomed property varied from an average of £843/month in York to £823/month in Harrogate to £618 in Hambleton. Average house prices in 2016 were highest in Harrogate at £342k and lowest in Leeds at £214k with York £265k and Hambleton £263k. (Source G L Hearn Harrogate SHNA Report 2017).

These figures mean that affordability is an issue in many areas. Median affordability ratios (in 2016) show Harrogate the least affordable at 10.6 times average annual incomes and Leeds the most affordable at 5.8. Hambleton was 8.8 and York 8.3, reflecting lower average incomes in Hambleton. Shared ownership might have a greater role to play than it has done to date, providing a route into home ownership for those on below average incomes and without substantial deposits.



Continuing to deliver our core social and affordable product at scale is as greater challenge as ever. Whilst the recent announcements about rents and more grant funding are welcome, the housing market remains competitive and BHA must pay the market price for land, construction materials and labour. The pre-Brexit period brings short term uncertainty.

#### 1.4 Planning in North Yorkshire

Most Local Planning Authorities (LPAs) in North Yorkshire are currently reviewing their Local Plans and a host of Housing Needs Assessments have taken place as part of this process. Plan periods vary slightly but all will run to late 2020's/mid 2030's, longer than this Development Strategy.

The projected new affordable homes required per annum in each local authority area in North Yorkshire and neighbouring authorities is shown below using both the government's proposed standard assessment formula and the LPA's local housing needs assessments.

Local Authority	Government proposed Formula Based assessment	Current LA Housing Needs Assessment
Harrogate	395	669
Hambleton	226	296
Richmondshire	14	180
Ryedale	187	195
York	1,070	867
<b>Sub-Total</b>	<b>1,892</b>	<b>2,207</b>
Darlington	177	446
Redcar & Cleveland	142	132
Scarborough	162	175
Selby	371	450
Stockton	533	600
<b>Sub-Total</b>	<b>1,385</b>	<b>1,803</b>
<b>TOTAL</b>	<b>3,277</b>	<b>4,010</b>

#### 1.5 Links to other Strategies

This strategy should be read in conjunction with BHA's new Corporate Plan 2018-2023 and its Care and Support and Asset Management Strategies. Its implementation will need to align with Local Plans and the "York, North Yorkshire and East Riding Housing Strategy 2015-21".



## 2.0 Vision

2.1 Our corporate vision is for BHA to be a placeshaper in North Yorkshire and aim to provide 300 new homes per year across North Yorkshire and the Leeds City Region, by the end of this strategy timeframe. BHA will use its experience in developing rural homes to become a regional leader in this specialism, focusing on affordable low carbon heating solutions in areas where gas is not available.

2.2 For BHA Placeshaping is not just about the bricks but understanding the areas we work in and striving to improve our homes, services and neighbourhoods for the benefit of those living, working and visiting the communities. We do this by working in partnership with local authorities, health providers, businesses and charities to help create vibrant and sustainable villages, towns and cities.

## 3.0 Types and Tenures

3.1 BHA's development programme will be predominately affordable housing comprising social/affordable rent and low-cost sale (including shared ownership). The provision of new social/affordable rented homes is where we can make the biggest impact in communities and so we aim for this tenure to form at least 60% of our programme.

3.2 Shared ownership can support first time buyers getting a foot on the housing ladder in areas with higher values, as well as providing affordable homes near to places of work and in rural areas help make villages sustainable. Typically, the gross income required to access shared ownership (based on current costs and interest rates) is 30% lower than outright purchase and 20% lower than purchase with a help to buy equity loan. Deposit requirements are also much lower, making this form of home ownership accessible to those on average and in many locations, below average incomes.

3.3 Consideration will be given to market rent but before any developments are contemplated a full market research exercise will be undertaken. Market sale may form a minority part of future developments to provide balanced communities and surpluses to help fund social or affordable rented homes. Where built, such homes will be priced at the mid to lower end of the market.

3.4 It is expected there will be at least two tenures on each of BHA's sites, however local need and viability will be the key decision drivers, nevertheless large mono-tenure developments will be avoided.

3.5 The programme will be mainly new build development, although occasionally buying older property for refurbishment may be appropriate to meet specific needs.

3.6 Most of our new homes will be provided for families and older people, along with small scale developments for single people (under 35) most likely on a sharing basis and those with learning difficulties and mental health issues. The latter customer groups will require support but the homes themselves will not differ noticeably in design or specification from others.



3.7 Our new older persons housing will be designed for independent living and will include homes for rent and shared ownership aimed at people downsizing. Homes will be accessible, adaptable and capable of utilising telecare. They will also recognise that many people in their 60's and 70's are still car owners. We have no immediate plans to add to our existing stock of extra care housing but may do so if a demonstrable need arises in our areas of operation.

3.8 Many of the areas BHA plans to develop in are rural, as is much of our existing stock. We recognise the challenges of providing new homes in rural areas; most often longer lead in periods, limited site availability and specific planning requirements, nevertheless we will increase production over the lifetime of this strategy both for rent and low-cost sale to at least 15% of our programme annually. We will seek innovative low carbon solutions to economically heat homes in "off-gas" areas.

3.9 BHA will also consider growth by acquiring tenanted or shared ownership stock from other Registered Providers in areas where we already have a stock holding and where such acquisitions could help improve our efficiency and provide our new customers with a service at least as good as they receive currently. BHA will expect existing residents to be consulted ahead of any purchase being completed.

#### **4 Areas for Development**

4.1 BHA will aim to develop about 75% of its new homes in the following local authority areas; Harrogate, Hambleton, Richmondshire, Ryedale and York with the balance of the programme delivered in; Selby, Scarborough (Whitby and North Yorks Moors), Leeds (North and East), Darlington, along with the market towns and the rural Tees valley, south and east of the A66/A1.

4.2 Developing strong and effective partnerships with these local authorities is critical to both BHA's and our partners' success in providing a range of affordable housing in the districts we both serve. We recognise we cannot be a placeshaper in all areas and where we cannot we will support our colleagues in delivery, avoiding unnecessary competition but not being afraid of putting ourselves forward where we have the resources and experience to deliver.

4.3 Land is a key raw material for development and we will seek to form relationships with landowners, both public and private and their agents. The MoD for example is a big landowner in North Yorkshire and as they rationalise their land requirements, opportunities could arise for BHA to increase the supply of homes in the region.



## 5 Procurement

5.1 BHA will seek to procure homes by a variety of approaches which will include;

- land led
- purchase of s106 homes from housebuilders
- partnerships with developers, contractors and housebuilders
- purchasing existing houses

5.2 BHA recognises that the risks and rewards can vary between such methods and that it needs appropriately qualified personnel to deliver such a programme.

5.3 Land led developments put BHA firmly in control but mean the organisation shoulders all the risk. However, such schemes mean BHA can get exactly what it wants for its customers; provide the flexibility to change plans dependent on market conditions and can attract grant funding. Adequate due diligence prior to commitment to purchase is critical and the Board will require evidence of this before approving land purchases. Risks of land led developments can be reduced by passing some of the construction risk onto a contractor by using design and build contracts. Over time, BHA will aim to deliver around a third of its programme via this method.

5.4 Land will not be purchased unconditionally and must have at least an outline residential planning consent (with at least 12 months to run) at the time of completion. Some sites may present greater risks than the norm (e.g. those in or near conservation areas) in such cases any purchase should be conditional upon detailed planning permission. BHA will work closely with Local Authorities and landowners in identifying sites which may not currently have consent but which have development potential. In such cases conditional contracts will be used to minimise the risk to BHA. All purchase prices must be at a figure not exceeding that approved by an independent RICS valuer. All purchases must be approved in accordance with the organisation's scheme of delegation

5.5 S106 purchases are less risky than land led. However, there is limited scope to change a housebuilders specification, the mix is prescribed by the LPA and grant aid from the HCA is generally not available. Deliverability goes hand in hand with the housebuilders production programme so can vary with market conditions. Nevertheless, s106 homes can be good value for money and are well integrated with other tenures in popular locations. BHA expects to deliver at least 50% of its programme using this method.

5.6 BHA is often approached by contractors and developers to enter "package deals" on land they own (or plan to own). This approach reduces risk to BHA, although sites are often not the best (otherwise the developers would have built them out on their own) and there is the opportunity for BHA to shape the scheme if involved early enough. Again, due diligence is critical and a strong negotiating position should be taken with early decisions made as to the suitability of the site and the partner.



5.7 Acquisition of existing homes, vacant or tenanted (from other RP's only), can lead to rapid growth but thorough due diligence including surveys to gain an accurate picture of immediate and future maintenance requirements is vital. This may include buying back previously BHA owned stock where there are sound management reasons for doing so.

5.8 Only freehold or long leaseholds (60 years plus for existing homes; 125 years for land) will be considered.

5.9 It is difficult to be prescriptive about minimum or maximum size of sites. Risk is a key factor to consider, along with the type of scheme and viability both of the development and future management. Outside rural areas a minimum of 10 homes would be a sensible guideline and anything over 50 homes should be discussed at an early stage with the senior management team.

5.10 Suitable due diligence on all contractors, consultants, suppliers and developers will be undertaken before tenders are invited and/or contracts are entered into to test their experience, skills, health and safety record and qualifications, financial stability and overall suitability for the work being contemplated.

5.11 Procurement of building contractors and consultants will be in accordance with Broadacres Procurement Strategy and meet OJEU requirements where applicable. Use will be made of Framework Agreements and procurement clubs. Both price and quality criteria will be used in assessing bids.

5.12 Formal written contracts will be entered into using industry standard forms amended only after expert advice has been taken.

## 6 Design Standards

6.1 BHA recognises its ability to influence design varies with the procurement method. Commercial considerations can also impact on design, for example, bungalows might be popular but they can take up a lot of land which might have a negative impact on viability and mean that land bids are uncompetitive. The LPA will also have standards that need to be met which might or might not fully accord with BHA's requirements. Many North Yorkshire authorities are proposing to adopt the national space standards in their new Local Plans, which will help to create a "level playing field" for all developers.

6.2 BHA will, separately to this strategy, during 2018 review its design and specification requirements for new homes. Key components such as windows, doors, kitchen, sanitary ware, roofing, heating and ventilation will be specified, along with health and safety in the home, affordable warmth and cost effectiveness in maintenance. BHA recognises that the cost of heating a home can be significant for many of our customers who rent their home. We will ensure that not only are heating installations sustainable but are cheap to run and maintain. Development will work closely with asset management and customer services teams in reviewing requirements and standards.



6.3 BHA has accreditation under the ISO 14001 Environmental Management standard and during the lifetime of this strategy we will seek to ensure that new development is brought within the scope of the standard.

6.4 The use of modern methods of construction (MMC) or off-site construction will only be considered after comprehensive due diligence into the system and its supplier. BHA recognises that MMC is often only viable at scale and individually it does not currently have such scale, although collaborations or frameworks could be used to facilitate the required scale.

## 7 Risk Appetite and Management

7.1 All new developments and property acquisitions must be considered in the light of BHA's risk appetite and risk management strategy. Reports seeking approval for new developments and property purchases will be the subject of appropriate legal and technical due diligence resulting in a comprehensive report and viability appraisal, including a risk analysis and mitigation strategy, confirmation of planning status, along with alternative exit routes should market or funding conditions change.

7.2 All schemes presented for approval should be subject to market research to confirm existing and future demand.

## 8 Funding

8.1 BHA's financial plan has the capacity to deliver the ambitions in this strategy. Nevertheless, regular review of the plan as the programme develops will be required along with close working between members of the senior management team.

8.2 Recognising that land is in limited supply, BHA will aim to maximise grant aid to help deliver sub-market homes, where the terms of such grant fit with this strategy. BHA will also make use of its RCGF within the timescales set by the HCA. From time to time, BHA's Board may determine that reserves be used to support the development of new social or affordable rented homes. A limit to such subsidy is one of the development viability criteria referred to in 9.1.

8.3 Appendix 1 shows an indicative 5-year programme of 1,248 new homes costing an estimated £149m (including grant of £22.5m), generating £47m of sales receipts giving a long-term funding requirement of almost £80m. The unrestricted open market value of the 1,248 new homes with vacant possession is (for the purposes of this illustration) c.£188m. A large part of this difference is accounted for by s106 purchases at pre-determined transfer values.





## 9 Development Viability Criteria

9.1 The Board of BHA will set development viability criteria that will be reviewed annually. All schemes presented for approval will be expected to adopt such criteria. Criteria will include clear “hurdle rates” either on a tenure or a scheme basis. Exceptionally, schemes may be brought forward where the criteria cannot be met, in such instances a comprehensive case for proceeding with the scheme will need to be made.

## 10 Governance and Monitoring

10.1 Close monitoring of the development programme will be carried out by the Executive and the Asset and Development Committee under delegation from the BHA Board. The programme will be reviewed annually as part of the business planning cycle.

10.2 A set of development KPI’s will be established and reported at every meeting of the Asset and Development Committee and Board. The Board will see a more limited set of strategic KPI’s.

10.3 KPI’s will include a requirement to report cost overruns or other factors that might mean scheme viability at approval stage is in jeopardy, as soon as it becomes apparent. Such a report is to include remedial measures.

10.4 Land owned or controlled by BHA will be regularly reviewed by the Asset and Development Committee.

11.0 Customer Feedback

11.1 BHA will commission feedback from all its new homes customers soon after they move in and will use the information to re-consider design, specification and all aspects of delivery and service.

12.0 Review

12.1 This strategy will be reviewed in 2023.

