

CABINET

29th November 2018

This Cabinet Report is part exempt and Appendix A is not available for public inspection as it contains or relates to exempt information within the meaning of paragraph 2 and 3 of Schedule 12A to the Local Government Act 1972. It is exempt because it refers to information, which is likely to reveal the identity of an individual and includes price sensitive information in relation to the proposed acquisition of residential interests; and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Subject Heading:

Bridge Close, Romford - purchase of residential properties on Waterloo Road and Oldchurch Road

SLT Lead:

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Policy context:

London Plan 2011 and Draft London Plan 2019 - 2041

Havering Local Development Framework, Romford Area Action Plan 2008 and Romford Development Framework 2015

Havering Proposed Submission Local Plan 2017

Bridge Close Business Plan and Joint Venture Partnership Agreement - Cabinet November 2017

Bridge Close, Finalisation of Legal Agreements to enter into a Limited Liability Partnership – Executive Decision March 2018

Financial summary:

The cost of acquiring residential properties not in Council or Joint Venture ownership is set out in Appendix A.

It is proposed that properties acquired may subsequently be transfer to the Joint Venture as part of the Council's equity

contribution as agreed by Council in February 2018, and in accordance with the terms of the Joint Venture legal agreements. Prior to transferring to the Joint Venture, it is proposed that the properties be used as temporary accommodation.

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[x]
Places making Havering	[x]
Opportunities making Havering	[x]
Connections making Havering	[x]

SUMMARY

The Bridge Close redevelopment area includes residential properties, which front onto Waterloo Road and Oldchurch Road. These are owned by the Council, the Bridge Close Regeneration LLP (the Joint Venture) and private owners. This report proposes that the Council should seek to purchase **all** of the privately-owned residential properties not in Council or Joint Venture ownership through private treaty. The expected cost of acquiring the residential properties not in Council or Joint Venture ownership is set out in Appendix A.

It is proposed that properties acquired may be subsequently transferred to the Joint Venture as part of the Council's equity contribution as agreed by Council in February 2018, and in accordance with the terms of the Joint Venture legal agreements signed in April 2018. Prior to transferring to the Joint Venture, it is proposed that the properties be used as temporary accommodation, to assist to reduce General Fund pressures around homelessness.

The proposal constitutes an adjustment to the HRA Capital programme to provide sufficient funding for the Council to acquire the privately owned residential properties through private treaty.

RECOMMENDATIONS

That Cabinet:

1. **Agree** to the Council entering into direct negotiations with landowners to purchase up to 23 residential properties on Waterloo Road and Oldchurch Road, Romford through private treaty.
2. **Agree** to delegate to the Director of Regeneration authority to take all necessary steps to enable and complete the acquisitions outlined in Resolution 1 above following consultation with the Director of Finance; that includes the authority to approve the terms to enable of the acquisition by private treaty, any financial arrangements for relocation of current land owners or tenants, completion of relevant agreements and appointments of relevant professionals.
3. **Agree** that in the event that Cabinet agrees resolutions 1 and 2 above to agree to recommend to Council to include sufficient financial provision as set out in Appendix A, to enable the private treaty purchase of the 23 residential properties on Waterloo Road and Oldchurch Road, Romford.
4. **Note** that the transfer of the properties acquired via this Cabinet decision may be transferred to the Bridge Close Regeneration LLP in accordance with the terms set out in the Land Acquisition Strategy, the Land Agreement and the Members Agreement.

REPORT DETAIL

1 Background

a) Relevant decisions taken

- 1.1 In June 2016 Cabinet approved an in-principle vision for Bridge Close which included that the Council enter into direct negotiations with land owners of residential properties on Waterloo Road and Oldchurch Road, Romford to purchase these properties through private treaty.
- 1.2 In November 2017 Cabinet approved a Limited Liability Partnership (“the Joint Venture”) for the purpose of meeting the Council’s regeneration objectives for Bridge Close and, authority to enter into a number of legal agreements including a Members’ Agreement and a Land Agreement. The Land Agreement in particular governs the arrangements for assembly of the Bridge Close site, including the residential properties.
- 1.3 The decisions made by Cabinet in November were subject to the approval of funding by Council in February 2018. In March 2018 the Leader made an Executive Decision, which executed the recommendations agreed by Cabinet in November 2017. The Council entered into the legal agreements in April 2018.

b) Current ownership

- 1.4 The Council currently owns 6 properties within the Housing Revenue Account (HRA).
- 1.5 Cabinet gave approval in June 2016 to enter into negotiations with owners as part of our involvement in the regeneration of Bridge Close. 4 properties were acquired.
- 1.6 1 additional property is expected to complete before the end of this calendar year in accordance with an Executive Decision of 19th July 2018.
- 1.7 This means the Council will own 11 properties by the end of 2018.
- 1.8 There are 26 further residential properties within the Bridge Close regeneration area. 3 of these properties are under option to Bridge Close Regeneration LLP (the Joint Venture), leaving 23 properties to be acquired. This report relates to these 23 properties.

2 Rationale for Council purchase of residential properties

a) The Joint Venture's Land Acquisition Strategy

2.1 Further to the Land Agreement, the Joint Venture will ultimately own all properties that will be required to enable the approved regeneration. This will be a combination of properties that:

- the Joint Venture already owns or has an agreement in-place to purchase;
- the Council already owns and which will transfer to the Joint Venture;
- are acquired by either the Joint Venture or the Council by private treaty negotiations; and
- are secured by the use of Compulsory Order Powers (CPO)(subject to approval by Cabinet and with the agreement of the Secretary of State) which will be acquired by the Council and then transfer to the Joint Venture.

2.2 Transfer of land interests, and the indicative timing, from the Council to the Joint Venture is reflected in the Joint Venture's Business Plan. Any transfer of Council's land interests will form part of its equity contribution to the Joint Venture.

2.3 The Joint Venture Land Acquisition Strategy provides the option and anticipates that the Council will acquire residential properties by private treaty based on Compulsory Purchase Order compensation and then transfer the land when required by the Joint Venture. This is the approach recommended in this report in respect of the remaining 23 privately owned residential properties. For clarity, the commercial property interests will be purchased by the Joint Venture who is making progress towards amicable acquisitions.

2.4 The date at which land will be required by the Joint Venture is dependent on the progress of the overall project, including the design and planning programme. Subject to approval by Cabinet, the Joint Venture will commence discussions to purchase the private residential properties during 2019 with the aspiration to complete the acquisition of all interests through private treaty as soon as possible and by mid-2020 at the latest. This timescale is based on the assumption of submitting a planning application in Spring 2019. Prior to transfer, the acquired properties will be used by the Council for temporary accommodation.

b) Advantages and disadvantages of early Council purchase

2.5 This section sets out advantages and disadvantages of Council purchase; the detailed financial and legal implications and risks are set out in later sections of the report.

i) Advantages

- Any early purchase assists the overall land assembly process and reduces the risk of problems at a later stage, for example if a third-party purchases a property in the erroneous belief that a significant 'ransom' profit can be made.
- The Council is protected against any loss as a result of adverse market development by provisions in the Land Agreement guaranteeing the Council will be reimbursed the purchase price and related costs. This is addressed later in the report.
- The Council is able to use properties as temporary accommodation to house homeless people in Havering, until such time as the properties may be required for regeneration. This reduces financial pressures in the General Fund associated with homelessness.
- Owning a higher proportion of the properties would give the Council a greater influence in future if for any reason the proposed redevelopment of Bridge Close does not proceed or later phases are not completed.

ii) Disadvantages

- Settled private tenants would be faced with a loss of their home earlier than would otherwise be the case unless there are circumstances in which the Council can continue to let to them.
- Whilst some of the properties are in a good condition, others will require investment in order to bring them to the required standard for use as temporary accommodation. The cost of refurbishment is off-set against the savings/income generated in the financial implications section of this report.
- A financial loss may be incurred if properties are acquired but the redevelopment does not proceed or later phases are not completed and the market drops. In that scenario the Council would retain ownership and assess the options available at the time.
- Similarly, the Council would not be able to recover costs associated with the purchase of properties if they do not transfer to the Joint Venture.

3 Consultation and Next Steps

- 3.1 The Council has previously consulted with owners of residential property at Bridge Close at a Public Meeting held in October 2016, on the principle of regeneration, the making of offers for purchase 2016 and 2017, and more recently, by way of letter in September 2018 in relation to the Public Consultation Events underway in anticipation of submitting a planning application in Spring 2019. In this communication, the Council has restated

its commitment to purchase the remaining residential interests not in Council or JV control subject to release of funding in Autumn 2018. The Public Consultation held in September 2018 also provided the opportunity to engage with owner-occupiers and tenants and to outline the options and support available to them. Further Public Consultation events have been scheduled for November 2018 and in the beginning of 2019.

- 3.2 Subject to approval being granted by Cabinet, steps will be taken as soon as practicable to negotiate the purchase of the remaining 23 properties.
- 3.3 Where special circumstances apply, for example in relation to identified vulnerable residents, additional consultation through the Council's Housing and Access teams may be appropriate. Appropriate resources, funded by the JV, are in place. Furthermore, specific arrangements for existing owners to remain in their property may be agreed subject to entering into a lease from the Council until such time as the property may be required by the JV for redevelopment. It is noted that one of the properties identified does relate to a vulnerable person.

IMPLICATIONS AND RISKS

4 Financial implications and risks:

- 4.1 The report considers a proposal to acquire residential land interests on the Bridge Close development site. The proposal is to acquire the properties in advance of a subsequent transfer to the Bridge Close Regeneration LLP (BCR LLP). During the period of Council ownership, the properties will be provisioned for use as short life temporary accommodation. The proposal will have direct implications for both the Council and BCR LLP.
- 4.2 The financial information is detailed in the Exempt Appendix A.
- 4.3 The key financial risks are set out in Table 3 below:

Table 3 Risk Assessment		
Risk	Impact	Mitigation
House prices (reduction)	Reduction in values likely to be reflected across the scheme. Likely to impact on viability and therefore partners would consider putting scheme on hold until market conditions improved or scheme cancelled.	LBH would continue to let out the properties until scheme restarted. If scheme cancelled consider disposing of assets.
Borrowing costs (increase)	Adversely impact on revenue, increasing deficits	Likely to secure fixed rate borrowing from PWLB. Modelling assumes 3.0%.
Voids and Bad Debt (increase)	Increased void levels will adversely impact on revenue.	Given demand for temporary housing in borough, it is unlikely that properties will stay empty for very long.
Repairs (tenant damage)	If not managed damage to properties will result in increased repair allowances.	Robust property and tenant management procedures.

5 Legal implications and risks:

- 5.1 Sections 8 and 9 of the Housing Act 1985 impose a duty on local authorities to review housing needs in their district and provides them with related powers to provide housing accommodation by building and acquiring houses or by converting other buildings into houses. These powers can include provision via third parties.
- 5.2 Section 123 of the Local Government Act 1972 provides the Council with the power to dispose of non-housing land for best consideration. The Council will therefore need to demonstrate its compliance with section 123 when transferring, if any, land into the LLP. In order to demonstrate full compliance with section 123, the Council will need to take any necessary further independent valuation advice where necessary throughout the delivery of the project. However, the agreed position with the Joint Venture is that land will transfer at a full value with land acquisition costs refunded from the Joint Venture and therefore in accordance with section 123.
- 5.3 Acquisition by the Joint Venture of properties in the ownership of the Council is pursuant to steps at clause 5 of the Land Agreement dated 4th April 2018 ("Council Land"). Any Future Land transfer (anticipated land acquisitions)

are specified in the Land Acquisition Strategy which includes the privately owned residential properties on Waterloo Road and Oldchurch Road.

- 5.4 Additionally, Members are advised that the Council may rely upon the General Power of Competence (“general power”) provided for in Section 1 of the Localism Act 2011 to pursue the proposed development scheme and hence related purposes. The general power is a wide power which allows the Council to do anything that an individual may do (subject to public law principles), and subject to certain statutory limitations.
- 5.5 Members are correctly advised that officers consider that the proposed purchase of the residential properties are required in keeping with the terms of the Joint Venture Agreements which sets out best value approach and steps to be undertaken in such residential property acquisitions.

6 Human Resources implications and risks:

- 6.1 The Council’s lead role in acquiring residential properties is reflected in the Assistant Director Development’s staffing proposals for the Regeneration Team, supported by funding from the Joint Venture under a Services Agreement.
- 6.2 Council purchase of the residential properties may however impact on the work of other services, notably the Legal Service to complete transactions. The Council will recover all legal fees associated with the purchase of the properties at the time that the properties are transferred to the Joint Venture.
- 6.3 For vulnerable residents, and where appropriate, additional resource will be provided via the Council’s Housing and Access teams. This resource will be funded by the Joint Venture.

7 Equalities implications and risks:

- 7.1 The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:
- (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
 - (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
 - (iii) foster good relations between those who have protected characteristics and those who do not.

Please note 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

- 7.2 The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.
- 7.3 A comprehensive Equality Impact Assessment (EIA) was undertaken in respect of the Bridge Close redevelopment and reported to Cabinet in November 2017. The preparation of the EIA included engagement with affected residents and businesses alongside a review of the wider Romford Town ward to establish a demographic profile of those affected. This broadly considered the impact of the proposal on these stakeholders, within the context of the protected characteristics. The EIA will continue to be monitored and updated as part of a process of continuous engagement with stakeholders.
- 7.4 The November 2017 report explained that there will be some adverse impact from the redevelopment of Bridge Close, particularly as a result of the displacement and disruption caused to existing businesses, staff, residents and their families, and some religious groups. To reduce this impact, the Council is working closely with those affected and offering a full package of support, through access to dedicated advice and assistance, through the offer of financial compensation, by offering a range of options to help residents move to a new home and providing businesses and other groups with help in finding and relocating to new premises, as well as additional support to encourage business improvement and sustainability in the future.
- 7.5 The report explained that the EIA concluded that the benefits of the Bridge Close redevelopment are likely to outweigh the adverse impacts identified. Most relevant to this report is that the overall number of residential properties in the area is expected to increase from 37 to over 1,000 with a target of at least 30% affordable homes.
- 7.6 It should be noted that the sale of properties by existing owners under the arrangement proposed in this report is voluntary. There may be some adverse impact on private tenants but this will be offset by the benefits for people entitled to temporary accommodation under homeless legislation.
- 7.7 Further to review, officers consider the Equalities Impact Assessment undertaken and reported to Cabinet in November 2017 remains relevant for the purposes of the Council's proposed acquisition of residential interest as set out in this report.