



CABINET

24 September 2014

Subject Heading:

COUNCIL HOUSING NEW BUILD PROGRAMME

Cabinet Member:

Councillor Damian White, Cabinet Member for Housing

CMT Lead:

Joy Hollister, Group Director – Children, Adults and Housing

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Policy context:

The Council's Housing Strategy 2014-2017 demonstrates a need for additional affordable housing in the borough.

Financial summary:

A total of £3,192,000 grant from the Greater London Authority has been secured. Approval is now sought for the allocation of the funding identified at the bid stage, together with two additional schemes Dewsbury & Kilmartin, at a cost of £1.768m. These 8 no. schemes require £19,069,000 of HRA capital resources available within the HRA Business Plan.

Is this a Key Decision?

Yes

Is this a Strategic Decision?

Yes

When should this matter be reviewed?

Not Applicable

Reviewing OSC:

Value

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

| | |
|--|-------------------------------------|
| Clean, safe and green borough | <input type="checkbox"/> |
| Excellence in education and learning | <input type="checkbox"/> |
| Opportunities for all through economic, social and cultural activity | <input type="checkbox"/> |
| Value and enhance the life of every individual | <input checked="" type="checkbox"/> |
| High customer satisfaction and a stable council tax | <input checked="" type="checkbox"/> |

SUMMARY

1. In line with the Council's commitment to address the local need for good quality affordable homes, approval was given by the Leader of the Council on 4th March 2014 to submit bids to the Greater London Authority (GLA) to attract inward funding for new build housing schemes. Although the bidding round was extremely competitive, the Council was successful in securing £3,192,000 inward investment from the GLA to fund development in the borough. This funding covers six schemes consisting of 117 new homes and a shop unit integrated into one of the housing schemes.
2. This report seeks authority to allocate the required complementary funding from unallocated Housing Revenue Account (HRA) capital sources.
3. The report also seeks authority to allocate Right-to-Buy receipts and the required complementary funding from unallocated HRA capital resources for two additional schemes at Kilmartin Way and Dewsbury Road. GLA funding has not been sought for these as the combined use of right-to-buy and other HRA resources is sufficient. These schemes will deliver 10 new homes, making a total of 127 new homes for which approval is now sought.
4. As part of the enabling programme this report seeks permission to proceed with the making of a compulsory purchase order (CPO) generally under the Acquisition of Land Act 1981 and specifically under Section 17 of the Housing Act 1985 to compulsory acquire the leasehold interests within the block 9-35 Briar Road, Harold Hill, RM3 8AH located on the Briar Road Estate, Harold Hill, in the event of acquisition by agreement proving to be unsuccessful.

RECOMMENDATIONS

Cabinet

Authorises:

1. The making of the London Borough of Havering (Briar Road) Compulsory Purchase Order 2014 under Section 17 and Part XVII of the Housing Act 1985, and the Acquisition of Land Act 1981 to acquire all leasehold interests with the block 9-35 Briar Road, Harold Hill to develop new residential flats and houses. The premises detailed for acquisition are shown on the plan in Appendix 2.
2. The Director of Legal and Governance to alter the Compulsory Purchase Order boundary as shown on the plan in Appendix 2 so as to exclude any land/interests acquired prior to the sealing of the Order.
3. The Director of Legal and Governance to seal the Order and take all necessary steps, including the publication of all statutory notices, to secure confirmation of the Order (with or without modifications).
4. The Director of Legal and Governance (in the event that the Secretary of State notifies the Council that it has been given the power to confirm the Compulsory

Purchase Order to confirm the Order and take all steps necessary to secure possession of the property, including the making of a General Vesting Declaration if he or she is satisfied that it is appropriate to do so.

5. The Head of Homes and Housing and/or the Property Services Manager both in advance of and after the making and confirmation of the CPO, to arrange for negotiations to proceed with the owners of leaseholders interests and rights in the land with a view to acquiring those interests and rights by agreement if possible but thereafter by determination, and to pay such compensation for the acquisition of the interests and rights as may be proper and reasonable

Approves:

6. An allocation of £495,000 from Right-to-Buy receipts should be agreed for this new build programme.
7. The entering into a funding agreement with the GLA to enable the Council to receive grant.
8. The commencement of the process of procuring the main contractor/s to deliver the schemes.
9. The appropriation of the proposed development site at Ongar way into the HRA should this be necessary.

Notes:

10. That the specific financial allocations from all sources are applied to the constituent schemes as detailed in Appendix 3 to this report and **notes** that the requested increase to the capital budget is £22,756,000 inclusive of the externally funded grant from the GLA of £3,192,000 and that this increase be **agreed** and is to be **referred to council** for final approval.
11. That the Cabinet resolves to spend the proceeds of the shared ownership home sales, on housing and/or regeneration projects.
12. That properties at Diana Princess of Wales House, Ongar Way, Kilmartin Way and Dewsbury Road previously agreed by Cabinet for disposal in the open market are now being retained for direct housing development and that earlier Cabinet decisions regarding these sales are superseded by this report.
13. **Agrees** that an allocation of £19,069,000 resources from the HRA Business Plan should be agreed across the whole of new build programme (whether in addition to GLA or RTB funds), for expenditure across 2015/16 to 2017/18.
14. **Delegates authority** to the Lead Member for Housing to make variations to any of the schemes covered in this report, including virement between schemes, deemed desirable following scheme review, resident consultation and/or identified as a planning requirement unless the variations would incur additional capital investment by the Council in which case the approval of Cabinet and Council would be sought.

REPORT DETAIL

This report covers a number of affordable housing schemes, funded in a range of different ways. These are discussed in detail below.

Council funded schemes with Greater London Authority grant support

1. As a registered Investment Partner with the Greater London Authority (GLA), the Council submitted bids for housing development funding under the Mayor of London's '2015-18 Housing Covenant'. The bids consisted of a number of affordable housing schemes to be built on Council-owned land, held within the Housing Revenue Account (HRA).
2. One site at Ongar Way had previously been declared surplus to requirement within the HRA. An opportunity, however, arose to bid for GLA funding to support a development of shared ownership properties on the site. This was in addition to the Housing Covenant Programme. It may prove necessary to appropriate this site between the general fund and the HRA; this is currently being investigated and approval is sought in this report should this prove necessary.
3. In all cases, capital funding from the HRA Business Plan is also required as the GLA places a cap on the amount of grant it makes available to individual schemes.
4. The schemes allocated funding by the GLA are set out in summary in the table below with full details in **Appendix 1**. The full financial detail is set out in exempt **Appendix 3**.

| Scheme | Number of new homes | Type and tenure mix/Comment |
|---|----------------------------|---|
| Briar Road Harold Hill | 46 | <ul style="list-style-type: none">• 15 no 1 bed flats for rent,• 21 no. 2 bed flats for rent,• 4 no. 2 bed houses for shared ownership,• 6 no 3 bed houses for shared ownership, and• one no. shop unit <p>Note: This scheme requires the demolition of 7 shops with residential maisonettes above, some of which are leased and will need to be repurchased, block 1-7 Briar Road and the Betty Whiting Centre , and 10 no. garages.</p> |
| Former Princess Diana of Wales Hostel site Harold Hill | 6 | <ul style="list-style-type: none">• 5 no. 3 bed houses for shared ownership, and• 1 no. 2 bed wheelchair bungalow for rent |

| | | |
|--|------------|--|
| Lexington Way Cranham | 12 | <ul style="list-style-type: none"> • 7 no.3 bed houses for shared ownership, • 3 no. 2 bed houses for shared ownership, and • 2 no. 2 bed flats for rent |
| New Plymouth & Napier House (infill site) South Hornchurch | 14 | <ul style="list-style-type: none"> • 7 no. 2 bed houses for rent, and • 7 no 3 bed houses for shared ownership |
| Block Extensions (sites to be identified) | 27 | <ul style="list-style-type: none"> • 27 no 2 bed flats for rent |
| Ongar Way South Hornchurch | 12 | <ul style="list-style-type: none"> • 2 no. 1 bed bungalows, • 4 no 2 bed bungalows, • 2 no 3 bed houses, and • 4 no. 4 bed houses all for shared ownership |
| TOTAL | 117 | |

Council funded schemes

- The Council has entered into an agreement with Communities and Local Government under Section 11(6) of the Local Government Act 2003 to use Capital Receipts from the sale of dwellings under the Right to Buy. The agreement allows the Council to retain use of the receipts for the provision of affordable rented housing provided the monies are expended within three years of receipt. This report includes two proposed schemes funded using right-to-buy and additional HRA capital funding.
- The schemes funded using only Council resources are set out in summary in the table below with full detail in **Appendix 1**. The full financial detail is set out in exempt **Appendix 3**.

| Scheme | Number of new homes | Type and tenure mix |
|---------------|----------------------------|---|
| Kilmartin Way | 5 | <ul style="list-style-type: none"> • 5 no. 3 bed houses for rent |
| Dewsbury Rd | 5 | <ul style="list-style-type: none"> • 5 no. 3 bed houses for rent |
| TOTAL | 10 | |

Development Programme Principles

- The proposals contained in this report produce a mix of accommodation which reflects the broad range of housing need in the Borough set out in the Council's Housing Strategy and will deliver both homes for rent and low cost home ownership opportunities for local people looking to take a first step on the home ownership ladder.
- Rental levels for the rented units are set at 'Discounted Rent' levels agreed within the Borough Framework, which is a local agreement with the GLA guiding rental levels and shared ownership affordability. These rents are capped at 80% of the market rent for equivalent one and two bedroom properties and 67% of market rent for three

bedroom properties. However, there is one wheelchair unit that has been set at the lower 'Capped Rent' level of 50% of market rent.

8. The low cost home ownership units are planned to be sold on a shared ownership basis, with an average initial sales tranche of 50%. The Homes and Housing Service's research indicates these will be affordable for local people.
9. For all these new council housing developments:
 - the new homes will be developed on land held within the HRA,
 - the Council will retain a freehold interest, albeit on a shared ownership basis where applicable
 - the rented properties will be held and managed within the HRA
 - development using the Council's own land and capital resources will remove, or at most reduce to an absolute minimum, any requirement to offer nominations to other boroughs.
10. The proposed use of HRA land is in keeping with the Council's Asset Management Plan which states that land and property assets should only remain in Council ownership if they:
 - need to be retained in Council control for the provision of services
 - are of great value to the Council, community and other stakeholders and are in need of the degree of protection from development or other uses afforded only by ownership
 - are investment properties providing a financial return that can fully satisfy relevant investment criteria.
11. All schemes will meet London Housing Design Guide standards including the current Lifetime Homes standards and Level 4 of the Code for Sustainable Homes which, among many design improvements, aims to reduce fuel bills for the occupants.

REASONS AND OPTIONS

Reasons for the decision:

Development of the proposed schemes will meet well-documented housing need, and is fully in line with the Council's Housing Strategy 2014-17. The schemes will provide a range of rented and shared ownership homes for local people. The new homes will remain a Council asset and a significant element of the overall programme attracts GLA subsidy.

The programme will ensure the final phase of the Briar Road Estate Regeneration scheme can be completed while the selection of other small sites makes good use of existing underused assets to deliver new homes.

Developing on Council-owned land and retaining control over the new dwellings would strengthen the Council's housing portfolio and future revenue sources.

Other options considered:

Disposal of the land for development by a housing association or private developer – REJECTED. The proposals to expand its existing development programme rather than to dispose of the sites ensures the Council has full control over the type, number and quality of homes developed and retains control over allocation through existing Housing policy.

It is also important to note that should the Council not be able to spend its right-to-buy receipts within three years of their generation, they will need to be returned to the HCA/GLA with interest. These proposals will obviate the risk of this.

IMPLICATIONS AND RISKS

Financial implications and risks:

Right to buy receipts

The Council holds £2,340,389 in unallocated right-to-buy receipts. Under the agreement made between the Council and the Department for Communities and Local Government, DCLG, in June 2012, the Council can retain the proceeds of right-to-buy sales (net of receipts already assumed within the HRA Business Plan) for the sole purpose of delivering new housing for 'low cost rent', whether at Discounted or Capped Rent levels. These receipts can fund development directly by the Council or be converted to grant to subsidise a housing association's or other developer's social or affordable rented scheme in the borough. Under the terms of the agreement, the right-to-buy receipts cannot be used to fund the development of shared ownership homes.

Under the agreement to use right-to-buy receipts on new affordable housing, the Council must spend the resources within three years of their generation. Failure to do so would render the Council liable to repay the receipts to the DCLG, for onward transmission to the GLA, with interest. The proposals in this report will utilise in part the unallocated right-to-buy receipts currently received and further schemes will need to be brought forward in a timely fashion and thus obviate this risk of repayment.

HRA Business Plan resources

The schemes require £19,069,000 of HRA resources from the HRA Business Plan.

Completion of all the GLA funded schemes is required by March 2018. The initial funding profile will see c£3.8m spent in 2015/16, c£7.6m in 2016/17 and c£7.6m in 2017/18. This profile, alongside previous commitments on HRA resources, will see annual investment in excess of £10m across these years in the Council's existing stock to enable the Decent Homes standard to be maintained and further improvement beyond this standard to be made.

It should also be noted that under the GLA grant funding agreement, when any further tranches of the shared ownership properties are sold, an element of the receipt proportion to the original GLA grant funding must be set aside by the Council in a Recycled Capital Grant Fund" (RCGF) for investment in future affordable housing development.

Mitigating development risk

Any large-scale construction programme will carry some degree of development risk. That said, the Homes and Housing Service is doing much to mitigate these risks. It is noted that the build costs estimated by cost consultants could vary from actual tenders from main contractors. A contingency of 2.5% of total scheme costs has been built into the budgets as standard practice, and there is some flexibility within the HRA should any major financial implications arise (in which case a subsequent report to Members would be required) – there would be no liability falling to the general fund. The Council aims to enter into appropriate contracts with main contractors to protect its interests after a competitive procurement process. All schemes would have the necessary professionals involved including Employer's Agents, Clerks of Works and CDM Co-ordinators.

Costs have been incurred at risk to date within the HRA in preparing the schemes in advance of planning consent. Any abortive costs could be absorbed within the HRA although pre-planning consultation with planners is keeping this risk to an absolute minimum.

Whilst GLA funding has been secured in principle, the actual draw down of all the grant funds will only be possible upon completion of the developments. The schemes will need to be completed in accordance with the completion deadline agreed with the GLA of March 2018, and therefore has the inherent risks associated with this which the Council will need to manage. Should financial risk arise as a result of timing or other issues, this will be negotiated with GLA as part of the programme monitoring process. There is some contingency built into the timeline in case of slippage.

It is not possible to estimate at this stage the likely costs the Council will have to incur for the CPO at Briar Road and acquisition as it is not clear whether or not an inquiry will be required, nor how many of the properties within the block will be subject to compulsory purchase. These costs will be met by the HRA.

Revenue

Financial analysis indicates that the properties to be developed net of repurchase costs would make a positive revenue contribution to the HRA Business Plan over a 30 year lifecycle. The first development scheme will start to make a positive contribution to the HRA from year 13, will be Lexington Way.

Legal implications and risks:

There are no direct legal implications in the development proposals themselves except the potential existence of third party rights over the land or other restrictions. Initial investigations have been undertaken which appear to indicate there are no legal impediments to the works being undertaken, however, more detailed investigations will be undertaken and legal advice provided as appropriate.

Acceptance of grant funding from the GLA will be subject to a number of conditions including timescales and the design standards for the proposed units. The Council will need to ensure that it complies with these, failing which funding may be withdrawn or clawed back if additional time cannot be negotiated.

Section 17(3) of the Housing Act 1985 allows local authorities to acquire land and property by Compulsory Purchase Order for housing purposes

The Compulsory Purchase Orders will be subject to confirmation by the Secretary of State.

Office of Deputy Prime Minister Circular 06/2004 provides that there must be a compelling case in the public interest for the Compulsory Purchase Orders given the interference with the property rights of those affected. This Report sets out that out the reasons for the CPO which is the development of flats and houses.

Human Resources implications and risks:

The report deals with the development of affordable homes and therefore has no direct Human Resources implications or risks

Equalities implications and risks:

The report deals with the development of affordable homes. This will benefit those in lower incomes within the community to buy or rent affordable accommodation.

BACKGROUND PAPERS

The Mayor's Housing Covenant - 2015-18 Programme – GLA
Affordable Housing Capital Funding Guide 2014-15 - HCA
Havering Housing Strategy 2014-2017

APPENDIX 1

PROPOSED DEVELOPMENT SITES

Scheme 1

Briar Road site

Harold Hill

Redevelopment of the shopping precinct and associated space at Briar Road

- The site is located at Briar Road, Harold Hill

The site currently accommodates 7 no shop units and 7 no residential.

3 no shops are currently vacant as are 5 residential units. The remaining two residential units have been sold on a leasehold basis and will need to be repurchased. The existing shop leases will need to be brought to an end through use of Compulsory Purchase Powers if it is not possible to achieve vacant possession through negotiation.

The site has been earmarked for development for some time under the Briar Road Development Programme

Demolition of the existing units will enable provision of 46 units for rent and shared ownership together with a single shop unit suitable for a general store serving the estate.

- This scheme will provide

15 no 1 bedroom 2 person flats for discounted rent
10 no 2 bedroom 3 person flats for discounted rent
11 no 2 bedroom 4 person flats for discounted rent
4 no 2 bedroom houses for shared ownership
6 no 3 bedroom houses for shared ownership
1 no shop unit

Scheme 2

Former Princess Diana of Wales Hostel

Harold Hill

- This is the site of the dis used homeless hostel at Harold Hill
- The site will be developed to provide

5 no 3 bedroom houses for shared ownership and
1 no 2 bedroom wheelchair adapted bungalow for social rent

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| Scheme 3 |
| Lexington Way Upminster |
| <ul style="list-style-type: none">• The site is located in Upminster between Lexington Way, and Roseberry Gardens.• It is split into two areas. Roseberry Gardens (south) and the main site area towards the north. It consists of a large grassed area with 10 garages.• The scheme will provide 7 no 3 bedroom houses for low cost home ownership 3 no 2 bedroom houses for low cost home ownership 2 no 2 bedroom flats for affordable rent |
| Scheme 4 |
| New Plymouth & Napier House (infill) Rainham |
| <ul style="list-style-type: none">• New Plymouth House infill sites scheme will provide 7 no 2 bedroom house for affordable rent 7 no 3 bedroom houses for shared ownership |
| Scheme 5 |
| Block Extensions |
| <ul style="list-style-type: none">• Block extensions (Sites yet to be identified)• This scheme will see the provision of 27 units for rent |
| Scheme 6 |
| Ongar Way |
| <ul style="list-style-type: none">• An opportunity arose to develop this site for shared ownership sale under the continuous market engagement arrangements• This scheme will deliver 2 no 1 bedroom bungalows for shared ownership 4 no 2 bedroom bungalows for shared ownership |

2 no 3 bedroom houses for shared ownership
4 no 4 bedroom houses for shared ownership

Scheme 7

Kilmartin Way

- Located in Elm Park, this site offers a viable and deliverable solution to spending our RTB receipts relatively quickly
- The scheme will provide

5 no 3 bedroom houses for affordable rent

Scheme 8

Dewsbury Road

- Located in Harold Hill, this site is split into two areas. The east of the site currently has 26 lockup garages. The north west of the site is an unused allotment
- Utilising RTB receipts, this scheme will provide

5 no 3 bedroom houses for affordable rent

APPENDIX 2

Briar Road CPO Boundary (Outlined in red)

