

## **CABINET**

The appendices to this report are not available for public inspection as they contain or relates to exempt information within the meaning of paragraph 8 of Schedule 12A to the Local Government Act 1972.

These are in the exempt part of the agenda because they refer to the amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services and the public interest in maintaining the exemption outweighs the public interest in disclosing the information

<b>CABINET</b>	
<b>Subject Heading:</b>	<b>Purchase of affordable housing units at St Georges Hospital Site</b>
<b>Cabinet Member:</b>	<b>Councillor Chapman</b> <b>Lead member for Housing</b>
<b>SLT Lead:</b>	<b>Patrick Olding-Smee</b> <b>Director of Housing</b>
<b>Report Author and contact details:</b>	<b>Garry Knights</b> <b>Assistant Director of Property Service</b> <b>01708 432834</b> <b>Garry.knights@haverling.gov.uk</b>
<b>Policy context:</b>	<b>To increase the supply of affordable homes available in the district</b>
<b>Financial summary:</b>	<b>Total commitment of £9.928 million, part funded by £1.596 million in grant with the residual from borrowing</b>
<b>Is this a Key Decision?</b>	<b>Expenditure or saving (including anticipated income) of £500,000 or more</b>

**When should this matter be reviewed?**

**Reviewing OSC:**

**Town and Communities**

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

Communities making Havering  
Places making Havering  
Opportunities making Havering  
Connections making Havering

[x]  
[x]  
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**SUMMARY**

This paper seeks to approve the purchase of 36 affordable housing units at St Georges Hospital, Hornchurch from Bellway Homes Limited.

This paper details the steps taken to date to secure this opportunity on behalf of the Council.

**RECOMMENDATIONS**

1. That the Council acquires the land and properties under a sale agreement (land) and separate building contract for 36 affordable housing units (14 affordable rent and 22 Low cost home ownership) at St Georges Hospital, Suttons Lane, Hornchurch on the basis of the heads of terms provided in Exempt Appendix A.
2. That the Council Housing Revenue Account (HRA), supported by GLA grants, funds the purchase of the homes based on the financial viability of the scheme as shown in Exempt Appendix B , be approved

3. That the additional expenditure for the procurement of relevant specialist external services including legal advisors and Employers Agents as set out at Exempt Appendix B is approved
4. That the Director of Housing acting in consultation with the Section 151 Officer, be authorised to enter into all necessary legal agreements, incorporating any associated minor adjustments to the heads of terms set out at Exempt Appendix A, to bring into effect the proposed arrangements in Recommendations 1 and 2 as soon as is practicable.

<b>REPORT DETAIL</b>
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Bellway Homes Limited (Bellway) has been developing the St Georges site as a mixed development site of private sales and affordable homes in line with the approved planning and S106 agreement

This has been a phased development and on the first phases all affordable units were purchased by Home group

Mercury Land Holdings (MLH), acting on behalf of the LBH, has continued conversations with Bellway regarding the affordable elements on future phases and through continued dialogue LBH are now the preferred partner for the affordable units on the next phase of the development.

This amounts to 36 units, broken down into

<b>Tenure</b>	<b>Number of units</b>
<b>Affordable rent</b>	
1 Bed	3
2 Bed	11
<b>LCHO</b>	
1 bed	5
2 bed	17
<b>Total</b>	<b>36</b>

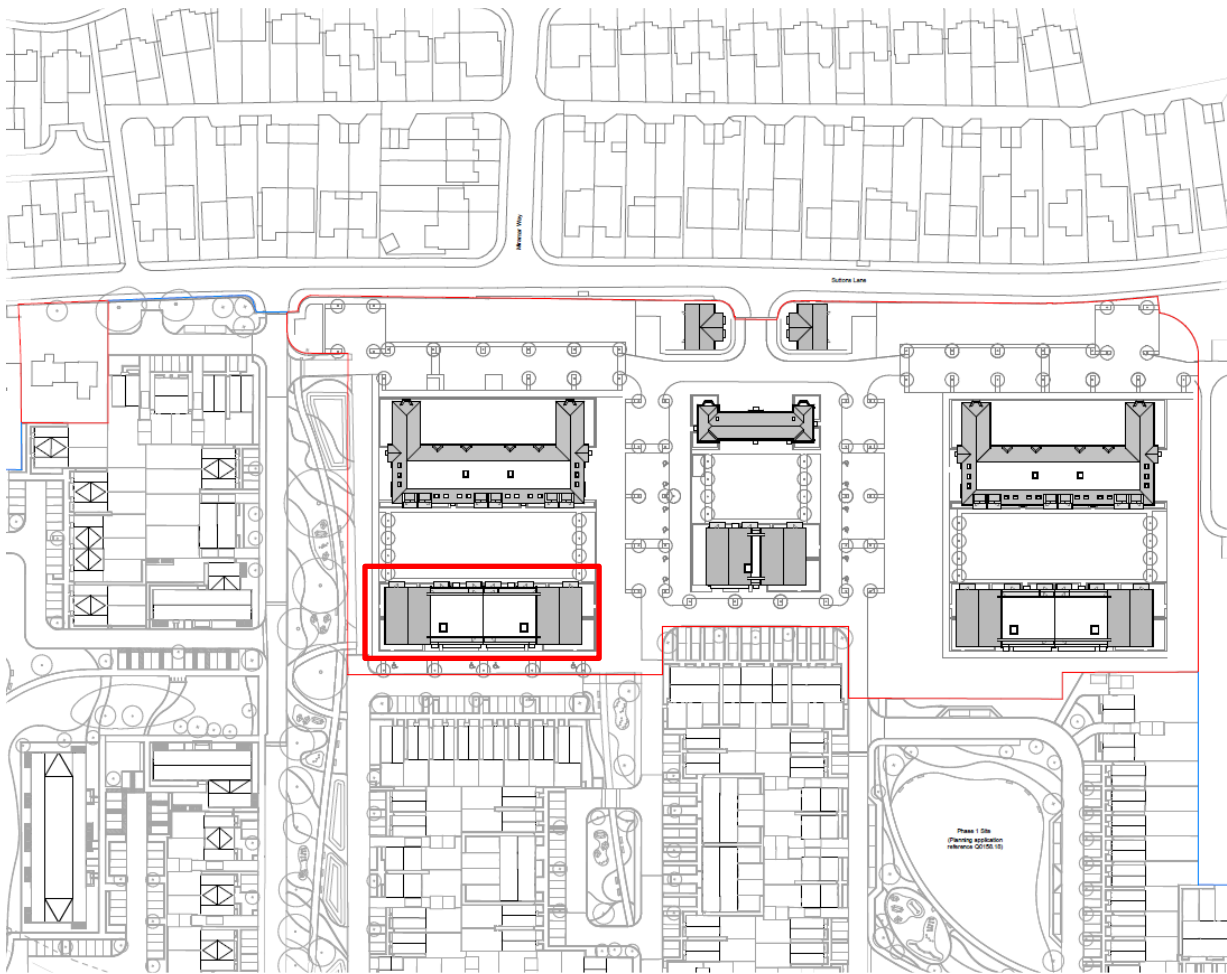
The mix and tenure type has been determined by the Section 106 agreement for the entire scheme.

All properties will be purchased on a freehold basis and LBH will manage these properties within the HRA using existing management mechanisms

**Site location**



**Site plan**



### **Demand**

The housing register shows current demand for homes of this size are;

468 applicants waiting for 1 bedroom homes

788 applicants waiting for 2 bedroom homes

As can be seen there is significant demand for homes of this size and we therefore see no issues in letting these properties

### **Financial**

The full financial appraisals and proposed cash flow of the scheme are shown in Appendix B.

The scheme has been modelled based on London affordable rents, the HRA has sufficient cash flow to purchase and manage the units as proposed and all management costs and ongoing maintenance costs form part of the financial appraisal in appendix B

LBH will acquire the freehold of the standalone block (Block A2) containing all 36 units and the associated car parking land.

LBH will be responsible for the internal and external management of this block and the land within its ownership. LBH will also be responsible for paying a fair and reasonable proportion of the estate service charge. Management of the estate will be through a management company to be set up by Bellway and LBH will be a member of this management company.

## **Grants**

This scheme will be funded through the GLA grant programme, attracting grant of £70k per rented unit and £28k per LCHO unit. The remaining costs will be funded from the HRA and is included in the current business plan.

## **Contract**

The contract will be structured as a a sale contract for the land and a separate build contract for the units themselves, both documents to be exchanged simultaneously. An initial deposit will be paid on exchange of the sale contract and once all of the units have reached at least two brick layers above damp proof course level the golden brick payment will be made and the units will be transferred to LBH giving LBH freehold title of the land.

A RICS red book valuation will be undertaken prior to exchange to ensure the land value at golden brick is in line with current market values.

The units will be delivered to a pre-agreed specification appended to the build contract.

The Heads of terms, as shown in appendix A, are subject to final negotiation and will include full details of specification and management responsibilities,

## **Initial share of Low Cost Home Ownership (LCHO) units**

LCHO units are usually offered with an initial 40% share, however given the potential impact on the economy of Covid-19 we have also modelled based on both an initial share of 25% and converting all units to affordable rents, all appraisals are shown in Appendix B.

The final tenure mix and initial share offering will be determined by the Director of Housing and detailed as part of the scheme marketing strategy which will comply with LBH lettings and sales policies, both of which are being developed and will be in place before completion of this scheme.

## **Associated Workstreams**

At this current time Housing does not have the capacity to act in the full client role to best represent LBH. MLH has been appointed to act in the client capacity leading on the full negotiation of the sale contract and build contract , liaising with relevant third parties etc to ensure the successful delivery of this project. Their fee proposal is detailed in Appendix B

In addition, it will be necessary to procure additional professional services to represent the council on legal and technical matters. The proposed additional expenditure is detailed in Appendix B.

**Programme**

The indicative programme provided by Bellway Homes at this time is;

Start on site	October 2020
Golden brick	June 2021
Practical completion	July 2022

This is an indicative programme at this time and may be impacted by any further Covid restrictions, we will however ensure that the legal agreements are flexible enough to deal with future issues and allow us to exit the scheme should significant delays arise

**Risks**

Please see Appendix B for key risks

## **REASONS AND OPTIONS**

### **Reasons for the decision:**

The scheme represents an opportunity to provide additional affordable housing for residents in the borough in line with the Havering plan.

The housing register shows clear demand for properties of this size and the scheme works to provide a positive financial return and works within the HRA business plan.

This phase of the development is now ready to proceed with planning having been secured start on site forecast for October 2020.

### **Other options considered:**

The only other option therefore considered was to not proceed with this scheme, however given that the scheme is financially viable, it works as part of the overall HRA business plan, attracts GLA funding and meets current housing need this option was rejected.

Best value is demonstrated through the financial appraisal which is there to ensure the scheme meets our financial parameters, this is coupled with the assessment that this is affordable within the HRA and the demonstration of demand which show this to be an appropriate proposition.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

Financial appraisal as per appendix B

Budget has been set aside for the purchase of these properties as approved by Council in February 2020

### **Legal implications and risks:**

The Council has powers contained within section 120 Local Government Act 1972 to acquire land for the purposes of the performance of its function or for the benefit, improvement or development of its area. The delivery and promotion of housing and in particular affordable housing in a local authority's area is such a function. In this case, the Council's primary or main purpose in acquiring the freehold of the Site is



to secure the outcome of the development in progress being the 36 units. The Council also has powers under section 17 Housing Act 1985 to acquire land for housing purposes, pursuant to its housing function.

The Council will acquire the 36 units relying on funds provided by the Council's Housing Revenue Account supported by GLA grants. These units will then be subject to the provisions of the Housing Act 1985 and form part of the Council's council housing stock.

The Public Contracts Regulations 2015 provide that where the Council procures services, supplies or works they must follow the procedures set out in the Regulations. In the context of works the Regulations only apply to procurements where the estimated value exceeds £4,73m. Certain types of procurement are exempt under the Regulations in particular "*the acquisition or rental, by whatever financial means, of land, existing buildings or other immovable property*". Public works contracts are defined as having as their "object" the execution, or both the design and execution, of works related to one of the activities listed in the Regulations (i.e. construction, demolition, civil engineering works, plumbing and glazing); or the execution, or both the design and execution of a work; or the realisation, by whatever means, of a work corresponding to the requirements specified by the contracting authority exercising a decisive influence on the type or design of the work. In this instance the Council is purchasing a form of development designed and built to the Seller's requirements in advance of its completion rather than at completion, In the circumstances the main object of the arrangement is that of a land transaction and therefore it is exempt from the provisions of the Regulations.

From a Real Estate perspective the principal legal risks are any significant title issues. As part of the due diligence exercise being undertaken on behalf of the Council, there will be a full title report addressing any title issues.

Subject to the above, it is the case that in relation to the title this appears to be relatively clear and free of any significant issues such as restrictive covenants or rights which could potentially constrain development or occupation of the units for their intended purpose.

Sharpe Pritchard are advising on the transaction. They are in the process of completing their due diligence and appropriate warranties for the benefit of the Council will also be secured as part of the transaction

#### **Human Resources implications and risks:**

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

#### **Equalities implications and risks:**

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.

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

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.

Properties will be let based on the normal lettings approach to residents on the housing register so there should not be any equalities issues

### **Health and Wellbeing implications and Risks**

It is widely acknowledged that the provision of good quality homes, which are well insulated and free from damp and mould have a significant positive impact on the health and wellbeing of the residents of those homes.

The homes will be built to meet all current Building Control standards and level of insulation will ensure they help to address fuel poverty issues for residents.

The site has been designed to include significant amounts of green space which will be open and available for residents to use, and the scheme is of mixed tenure which will help in breaking down some of the social stigmas which can often be attached to social housing.

The site is within easy reach of public transport, both bus routes and mainline trains which open up employment opportunities and will help encourage residents away from using cars as their principle transport

The site is within walking distance of a number of schools, local shops and local amenities including the Ingrebourne Valley Visitor Centre