

Notice of Non-key Executive Decision

Subject Heading:	Tenure Change Napier New Plymouth Havering Wates JV LLP
Cabinet Member:	Councillor Damian White Leader of the Council
SLT Lead:	Neil Stubbings Director of Regeneration
Report Author and contact details:	Maria Faheem Maria.Faheem@havering.gov.uk
Policy context:	Havering Housing Strategy HRA Business Plan 2020-2050 National Planning Policy Framework Draft London Plan Havering Proposed Submission Local Plan
Financial summary:	The Council committed to acquiring all 197 units of housing developed on the Napier New Plymouth Estate, at a gross cost of £57.370 million, an increase of £20.812 million from the HWR 2020/21 Approved Business Plan. The decision to provide the additional 71 units as shared ownership would alter the financing of the scheme with the Council securing additional grant and initial disposal receipts, which is estimated to yield an additional £6.922 million of capital receipts to the HRA.

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Relevant OSC:	Towns and Communities
Is this decision exempt from being called-in?	Yes - It is a non-key decision

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

Communities making Havering	<input checked="" type="checkbox"/>
Places making Havering	<input checked="" type="checkbox"/>
Opportunities making Havering	<input checked="" type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

This report seeks approval of the Director of Regeneration, in consultation with the Director of Housing, to approve the change of tenure of the 71 units to be acquired at Napier and New Plymouth from Open Market housing to an affordable tenure of Shared Ownership for all 71 units, being Option 4a presented to the Cabinet on 5th August 2020 Appendix 1.

AUTHORITY UNDER WHICH DECISION IS MADE

Pursuant to the Cabinet meeting of 5th August 2020, authority is delegated to the Director of Regeneration, in consultation with the Director of Housing, to make a final decision as to the tenure of the additional 71 units to be acquired at Napier and New Plymouth now that the development will be as a 100 per cent Council Scheme. As stated in the NNP Options paper of 5th August 2020 Appendix 1.

STATEMENT OF THE REASONS FOR THE DECISION

The extended lockdown linked to the COVID-19 outbreak has resulted in a severe economic downturn. This has created a significant element of uncertainty in the housing market. Across the housing sector, it has been highlighted that assumptions on house-prices may need to be revisited and remain uncertain in the short term. Both the Council and Wates Construction Limited (WCL) have agreed it would not be possible to proceed to the construction of NNP in accordance with the Business Plan until after the housing market returns to pre-COVID19 levels or the Council along with its JV Partner Wates Construction Limited resolve the deterioration in viability linked to COVID19.

The decision was made by the Cabinet meeting of 5th August 2020 to progress the development of Napier New Plymouth as a 100 per cent Council scheme.

The Director of Regeneration, in consultation with the Director of Housing is now asked to approve the tenure of the additional 71 units as an affordable product of Shared Ownership, pursuant to Option 4a of the 'Covid-19 Options Paper' presented to Cabinet at that meeting.

Shared Ownership is an alternative home ownership scheme which gives first-time buyers, and those that do not currently own a home, the opportunity to purchase a share in a new build property as an owner-occupier. Deposits are generally lower than buying on the open market, mortgages are more accessible to those on lower incomes and it offers long-term stability. Population turnover has been identified as a key problem within disadvantaged neighbourhoods, homeownership enables residents to stay within existing communities, building cohesive strong communities for the future of Havering.

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Mixed tenure schemes are often advocated to counter adverse neighbourhood effects and promote the improved provision of facilities and integrated services. It has been evidenced that mixed tenure schemes promote social cohesion, reduce social exclusion, and can create stronger communities.

Tackling Housing demand remains at the forefront for Havering and there is likely going to be an enhanced demand after the market stabilises post-COVID-19 and when the Help-to-Buy scheme comes to an end in 2023. Shared Ownership may be the only route to homeownership for those earning below the average median annual income, thus providing much-needed homes for local people.

The 71 dwellings at NNP were originally earmarked for outright sale, which was underpinned by professional advice from the HWR advisors CBRE and confirmed the demand for home ownership in the area. The move to shared ownership reaffirms this commitment to a mixed tenure approach and will enhance the market access to those who aspire for home ownership in the borough.

Furthermore, the Council has a successful track record of delivering shared ownership schemes across the borough, with 69 successful completions yielding an average initial receipt of 44% of open market value since the inception of the new build programme in 2015.

Qualifying households meet the following eligibility criteria for shared ownership in Havering: -

- maximum household income of £90,000;
- must be able to buy a property to meet their needs on the open market;
- be able to demonstrate that they have the income to keep up payments;
- have passed a financial assessment.

Under the terms of the existing Council shared ownership scheme, qualifying households can acquire up to a maximum of 75% as an initial stake in their property. Rent would be charged at 2.75% of the residual equity held by the Council, which is estimated to yield £407,000 per annum and is subject to an annual rent review, with rents increased in line with greater of the movement in the Retail Prices Index + 0.5% or 0.5%.

Estate costs including management and maintenance are recoverable from shared ownership households under the terms of the lease and is compliant with the terms of the 16-21 affordable housing grant programme.

It should be noted that the GLA require that monthly housing costs including rents, service charges and mortgage, are less than 40% of income after tax for households earning up to £90,000. This would restrict applications to households with a minimum income of £31,000 to £40,000. Median annual household income in the borough was £32,972 (Annual Survey of Hours and Earnings 2017)

Background

London Borough of Havering ("the Council") entered into a contract for a partner to form a long-term corporate joint venture ("JV") property vehicle to secure investment and

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expertise to deliver Havering's housing led regeneration strategy, entered into 27 April 2018 .

The uncertainty caused by the Covid-19 outbreak will have a material effect on sites which are scheduled to come forward for development within the next 12 months, including Napier New Plymouth (NNP), where construction was scheduled to commence at the end of April 2020. The uncertainty in house prices has eroded confidence in the projected level of sale receipts on NNP, underpinning the approved Business Plan. In response, both the Council and Wates Construction Limited (WCL) have agreed it would not be possible to proceed to construction in accordance with the Business Plan until after either the housing market returns to pre-COVID19 levels or the Council along with its JV Partner Wates Construction Limited resolves the deterioration in viability linked to COVID19.

Cabinet approval was obtained on 5 August 2020 to progress Napier New Plymouth as 100 per cent Council scheme in order to eliminate the JV sales risk and for the Council to deliver on targets including affordable housing delivery and achieving targets agreed with the GLA in the Overarching Borough Intervention Agreements as agreed in the Options Paper of Cabinet 5th August 2020.

OTHER OPTIONS CONSIDERED AND REJECTED

Other Tenures considered and rejected;

Two other tenure options were considered and rejected: -

Option 4b (Shared Ownership 36 units and private sale 35 units)

The Council would need to set aside a provision for CIL and sales and marketing fees for the open market units, estimated at £25,000 per unit. The Council could benefit from potential upside on sales as the market recovers from the end of the lockdown. However, based on the current market valuation, it would be difficult to justify a policy of open market disposals, as it is unlikely to recover cost. However, should revenues return to pre-COVID-19 levels when construction is completed, the disposals could yield an overall net return to the Council.

Option 4c (London Affordable Rent, 71 units)

Affordable rent tenure has not been taken forward as this would result in the scheme becoming a mono-tenure estate, and would be a departure from the Council aspirations and policy for housing regeneration.

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PRE-DECISION CONSULTATION

Consultation with the Director of Housing.

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NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: Maria Faheem

Designation: Regeneration Officer

Signature:

Date:

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

This report follows a number of previous reports to Cabinet and most recently in August 2020.

At its meeting of 5th August 2020 the Cabinet approved the development of Napier New Plymouth as a 100 per cent Council scheme, at a total development cost of £57.370 million, and delegated the final decision on the tenure of the additional 71 units to the Director of Regeneration in consultation with the Director of Housing.

The report to Cabinet outlined three options for affordable tenure being 4a Shared Ownership (71 units); 4b Shared Ownership (36 units) with open market sale (35 units); and 4c London Affordable Rent (71 units).

This report seeks approval of the Director of Regeneration to Option 4a, Shared Ownership (71 units).

The Council has the power to make market sales of housing developed out of the HRA where it is part of a housing decision taken for the purposes of meeting housing need under Part 2 Housing Act 1985. This can include cross-subsidy models where there are elements of market sale in a scheme to make the provision of sub-market housing, which is needed to meet housing need, viable.

FINANCIAL IMPLICATIONS AND RISKS

See the exempt appendix for the detailed financial implications.

Financial risks

The decision to convert the 71 units earmarked for private sale as shared ownership, will reduce the level of sales risk but not eliminate it. The Council will retain a risk on holding costs (interest), until the units are disposed of. It will be necessary to ensure that a targeted sales and marketing strategy is in place to expedite the disposal of the units and reduce the financial exposure to the Council (HRA). The Council also retains the option to change the tenure of the units, to respond to changing market conditions.

It is intended to apply for additional grant £1.988 million from the GLA, subject to approval from Cabinet in December 2020. The GLA are awaiting an application from the Council, and subject to Council approval the risk of an unsuccessful application is deemed low risk.

HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)

NONE.

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

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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.

BACKGROUND PAPERS

NONE.

APPENDICES

[Appendix 1 – Exempt Cabinet Report – 05 August 2020.](#)

[Appendix 2 – Exempt Financial Implications](#)

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Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Delete as applicable

~~Proposal NOT agreed because~~

Details of decision maker

Signed:



Neil Stubbings

Director of Regeneration Programme Delivery

Date: 17/11/2020

In Conjunction with:



Signed:

Patrick Odling-Smee
Director of Housing Services

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Date:

Lodging this notice

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Democratic Services Officer in Democratic Services, in the Town Hall.

For use by Committee Administration

This notice was lodged with me on _____

Signed _____