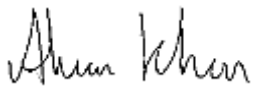


## LONDON BOROUGH OF WALTHAM FOREST

|                                   |  |  |
|-----------------------------------|--|--|
| Meeting<br>Date                   | <b>Cabinet</b><br><b>13 October 2022</b>   |  |
| Report Title                      | <b>Acquisition of Newbuild Units</b>   |  |
| Cabinet Portfolio                 | Councillor Ahsan Khan,<br>Deputy Leader and<br>Portfolio Lead Member for<br>Housing & Regeneration   |  |
| Report Author/<br>Contact details | Darren Welsh, Corporate Director of Housing<br><a href="mailto:darren.welsh@walthamforest.gov.uk">darren.welsh@walthamforest.gov.uk</a>  |  |
| Wards affected                    | None specific  |  |
| Public Access                     | <b>OPEN except for Appendix A which is EXEMPT</b> in accordance with Section 100(A-H) of the Local Government Act 1972 and Schedule 12A as amended, on the grounds that it involves the likely disclosure of exempt information as defined in Part 1, paragraph 3, as it contains information relating to the financial or business affairs of any particular person (including the authority holding the information) and disclosure would not be in the public interest. |  |
| Appendices                        | Appendix A – Financial ( <b>Exempt</b> )<br>Appendix B – Equalities Screening Template   |  |

### 1. SUMMARY

- 1.1 The recommendations in this report request that a budget is approved to acquire newbuild units to let as affordable housing.
- 1.2 This opportunity to deliver much needed additional affordable units has arisen because the Council has secured grant from the Greater London Authority (GLA) as part of the Affordable Housing Programme 2016-2023.
- 1.3 The grant funding will make the acquisition of up to 58 new build affordable units possible.

### 2. RECOMMENDATIONS

- 2.1 Cabinet is recommended to:

- 2.1.1 Subject to affordability in the Medium Term Financial Strategy (MTFS) for 2023/34, authorise a budget, as set out in the exempt Appendix A, for the acquisition of up to 58 affordable rent units.
- 2.1.2 Delegate the final number of units to be acquired and agreement of the financial terms to the Director of Housing Delivery, in consultation with the Portfolio Lead Member for Housing & Regeneration, the Commercial Director – Property and Delivery, and the Strategic Director of Finance and Governance.

### **3. PROPOSALS**

#### **3.1 Background**

- 3.1.1 The Council has secured £8.8m grant from the GLA. The grant rate is £100k per unit and will therefore allow the Council to acquire 88 new units for affordable rent that would not have been affordable to residents at an open market cost.
- 3.1.2 For the Council to drawdown the grant on these units it would be necessary to achieve a start on site or exchange date prior to the end of March 2023.

#### **3.2 Avenue Road Regeneration Option**

- 3.2.1 A minimum of 30 of the 88 units necessary will be acquired from the developer partner at Avenue Road Regeneration.
- 3.2.2 Avenue Road regeneration was approved by Cabinet in February 2021 following a positive resident ballot. In September 2021 Cabinet gave approval to enter into a Development Agreement with a development partner.
- 3.2.3 The parties agreed a Development Agreement that includes an Additional Affordable Dwelling Option (The Option) that the Council may exercise in the 2 months following the date of planning approval if it chooses.
- 3.2.4 The Option provides additional affordable rented units to the Council at a set price within the Development Agreement.
- 3.2.5 In September 2022 Cabinet gave approval to exercise The Option in the Avenue Road Regeneration Development Agreement.
- 3.2.6 However, the final number of units available through The Option will be confirmed when planning is granted. The price agreed with the developer partner will be based on the final number, type and size of units acquired through The Option.
- 3.2.7 In addition to The Option there is a further opportunity to acquire an additional 3 four-bedroom units at Avenue Road Regeneration. The Cabinet report of 22 September 2022 delegated the final decision on whether to purchase these 3 units and the terms of the acquisition to the Corporate Director of Housing, in consultation with the Commercial

Director – Property and Delivery, and the Strategic Director of Finance and Governance.

### **3.3 Proposals for acquisition of remaining units**

- 3.3.1 This report sets out the routes available to the Council to acquire the remaining units required up to 58 units, once The Option has been exercised at Avenue Road.
- 3.3.2 It is anticipated that the numbers of units to be acquired at Avenue Road will be confirmed by the end of November 2022. The minimum number of units that will be acquired at Avenue Road is 30.
- 3.3.3 Cabinet is therefore asked to authorise a budget to allow the Council to acquire up to 58 units through one or more of the following routes.

### **3.4 1 - Units under construction by Capital Delivery**

- 3.4.1 The Capital Delivery Team is currently constructing new units at several locations in the borough where units intended for private sale could be acquired by the Housing Revenue Account and instead used for affordable rented accommodation.
- 3.4.2 The benefits of this approach are that whole blocks can be acquired and managed directly by the Housing Management team. There is an increase in affordable housing delivered in the borough and units can be let directly through the Housing Register to those households most in need.
- 3.4.3 The Capital Delivery Team will avoid the need to carry out marketing and sales for individual units and can dispose of entire blocks in line with their business plan saving considerable resource. Cost savings on sales and marketing functions can then be built into the acquisition price for the HRA.

### **3.5 2 - Ex Local Authority Units**

- 3.5.1 A further option is for the Council to purchase ex local authority units in the borough on the open market.
- 3.5.2 These units can be purchased within the affordability parameters set out in the exempt Appendix A and can easily be integrated into the Council's existing portfolio for management.

### **3.6 3 - Open Market Acquisition**

- 3.6.1 The Council's preference would be to use one of the above approaches, however, if there are still remaining units to be acquired once the above routes have been implemented, the open market purchase of newbuild units from a third-party developer is a final option.
- 3.6.2 It has been confirmed with the GLA that units acquired in any London borough will be eligible for the funding.
- 3.6.3 The Council's Housing Regeneration team are currently liaising with developers and other partners about acquiring suitable units if this route becomes necessary, however it will be used only in the event that the

necessary units cannot be secured in the borough or a neighbouring borough.

### **3.7 Further considerations relating to the proposals**

- 3.7.1 The exempt Appendix A sets out the detail of the budget proposed for the acquisition and how this will be accommodated within the HRA MTFS. Further detail on the financial implications of this decision is provided at 7.1.
- 3.7.2 Any units acquired by the Council in order to secure the GLA grant must adhere to the qualifying criteria as set out by the GLA. Council officers will review as part of any negotiation to ensure that any purchased units are compliant.
- 3.7.3 As well as securing the GLA funding, the proposal to purchase newbuild market units will provide additionality in terms of affordable housing delivery, will help the Council to meet the demands of the Housing Register and also contribute towards meeting the targets of the Local Plan.

## **4. OPTIONS & ALTERNATIVES CONSIDERED**

- 4.1 The alternative option to reallocating the GLA grant is to forfeit the drawdown of £8,800,000 that will contribute towards both the Council's and the GLA's provision of new housing.
- 4.2 The Council has investigated the possibility of acquiring any Sixty Bricks constructed private units, however the only scheme that would be eligible is already being sold on the open market and this decision would have an impact on those reservations that have already been made. The scheme would also not provide the necessary numbers of units required.

## **5. SUSTAINABLE COMMUNITY STRATEGY PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)**

- 5.1 The Council has set ambitious plans for housing delivery and has demanding housing targets to reach from the Mayor of London. The acquisition will contribute to meeting these targets by securing additional affordable homes for the Council.
- 5.2 There are no implications directly arising from this report.

## **6. CONSULTATION**

- 6.1 No consultation is required in respect of this decision as it will not directly impact any existing Council residents.

## **7. IMPLICATIONS**

### **7.1 Finance, Value for Money and Risk**

7.1.1 There is currently no budget provision within the HRA Capital Programme for the acquisition of properties. However, the Council is at risk of losing £8.8m of GLA grant if a budget cannot be accommodated within the HRA's MTFS. The full HRA MTFS is under review with an update due to Cabinet due later in the year.

7.1.2 A consistent HRA affordability framework has been established against which to assess the addition of new housing stock (either via new build or acquisition). This framework includes 3 key requirements for a scheme to be considered viable:

- Revenue generated is sufficient to **cover all operating** costs (inc. interest) in every year of the scheme
- The scheme pays back within 40 years
- The scheme delivers minimum annual revenue growth to the HRA of 1%

7.1.3 The exempt Appendix A sets out an indicative budget requirement within the HRA Capital programme to fund an acquisitions programme to ensure the council can retain the funding from the GLA.

## **7.2 Legal**

7.2.1 The Council as local housing authority has the power under section 9 Housing Act 1985 to provide housing accommodation by, amongst other things, acquiring houses within the Borough. If as a last resort, housing is acquired outside of the Borough this is permitted under section 14 of the Housing Act 1985 provided that there is a need for the housing and the relevant local authority is advised prior to the acquisition.

7.2.2 The Council has the power to acquire properties for housing under section 1 of the Localism Act 2011 and/or section 111 of the Local Government Act 1972 in accordance with its powers and duties as a housing authority.

7.2.3 Any property acquisitions must be in accordance with the Property Procedure Rules.

7.2.4 Any units to be acquired from Capital Delivery schemes are already in the ownership of the Council.

## **7.3 Equalities and Diversity**

7.3.1 A screening EQIA has been carried out and is included at Appendix B.

7.3.2 It is not anticipated that there will be any impacts on protected characteristics as a result of this decision as it does not directly affect any current Waltham Forest residents.

## **7.4 Sustainability (including climate change, health, crime and disorder)**

7.4.1 There are not considered to be any additional sustainability implications as a result of this decision.

## **7.5 Council Infrastructure**

7.5.1 N/A

### **BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)**

None