



London Borough of Enfield

Title:	Acquisition of 7 newbuild social housing units at the former Royal Chace site.
Report to:	Joanne Drew, Strategic Director Housing and Regeneration
Directors:	Joanne Drew, Strategic Director Housing and Regeneration
Report Author:	Amena Matin
Ward(s) affected:	Ridgeway
Key Decision Number:	KD5544
Classification:	Part 1 & 2 (Para 3)
Reason for exemption:	Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Purpose of Report

1. To authorise the acquisition of 7 residential newbuild properties at the former Royal Chace site and associated fees, using HRA capital investment and Right To Buy receipts.

Recommendations

- I. Approve the acquisition and associated expenditure for 7 residential properties (2 x 1 Beds and 5 x 3 Beds) at the former Royal Chase site, for £3.007m (cost plus fees) and approve entering into a Turnkey Contract with the developer.
- II. Approve expenditure and entering into any associated agreements including consultancy agreements and statutory services relevant to the acquisition

Background and Options

2. KD5544 provided authority for an acquisition programme funded by a combination of Housing Revenue Account (HRA) capital investment, Right to Buy (RTB) receipts or grant, for a period of five years commencing in 2022/2023. This is based on the current rules for use of RTB receipts.
3. The decision authorised expenditure for future years and provided delegated authority to the Director for Housing and Regeneration in consultation with the Director of Law and Governance and Executive Director for Resources to agree the ancillary agreements and documents related to the purchase.
4. The Council has an obligation to deploy unspent RTB receipts or risk returning monies with interest after 5 years of the date of receipt. There is currently £19.1m of receipts which need to be committed in cash rather than contract by March 2025 to support the delivery of new affordable homes.
5. The Council agreed authority to spend right to buy receipts on various projects. An opportunity to acquire 7 London Affordable Rented units (2 x 1 Beds and 5 x 3 Beds) at Old Royal Chace, EN2 from Bellway Homes Limited has been identified. In addition to cost of the units, the Council will need to engage the services of an Employer's Agent to support the ratification of the technical documents provided by the developer and assist in the snagging and handover process.
6. The acquisition of newbuild homes will enable the Council to increase its overall affordable housing stock which will help to meet the needs of residents. The Council has an ambitious programme to increase the number of social rented homes it owns and can offer to residents also improving rental income and balancing our stock portfolio.
7. The last two years or so have been hard for many sectors. The impact of Brexit, Covid and now the war in Ukraine has led to considerable volatility in the construction market and mortgage availability has made sale of private homes high risk.
8. This, along with the general impact of the recession, has led to a change in contractor attitudes to risk and willingness to fix prices. Material prices, labour availability, building regulation changes and sub-contractor insolvencies have

all led to pressures on main contractor boards having to be more robust in their risk profiling. By establishing an acquisitions programme, this de-risks the council's development and regeneration programmes by offsetting price increases on direct delivery and slowdown in sales (which could impact on construction cashflow and build out) and enables the Council to commit its Right to Buy receipts within the restrictions set by Government.

9. This means that overall, the proposed strategy to invest in homes under construction or with planning, will enable the Council to de-risk the HRA's 3500 homes programme over the next two years and limit risk exposure of direct costs of capital for commissioning build.

Preferred Option and Reasons For Preferred Option

10. By acquiring the seven homes at the former Royal Chace site, the Council will secure the delivery of much needed affordable housing and ensure the completion of the development. The contract will be a Turnkey agreement whereby the Council pays a deposit on exchange of the contract and then pays the balance on completion of the units. The Council has commissioned Stace LLP as Employers Agent to lead on snagging and handover over of the units which is targeted for June 2024.
11. The Council can apply up to 50% RtB receipts against total scheme costs (TSC) which is higher than current levels of affordable housing grant (approximately 15% of TSC) and means less onerous conditions to support the delivery of homes. By acquiring homes based on fixed price this will help to reduce the overall call on borrowing over the next two years regardless of fluctuations in the market. The current price is within the borrowing limits set within the HRA Business Plan.
12. A scheme appraisal was completed using ProVal which assessed the life cycle costs and includes contingency. The acquisition meets the hurdle rates set for the HRA. Any acquisition must comply with the Property Procedure Rules and the content of this report complies with those rules. An independent valuation by a RICS surveyor was undertaken to assess the potential market value of the newbuild homes. This Red Book Valuation is contained within the Confidential Appendix 1.

Relevance to Council Plans and Strategies

13. The decision will enable the Council to steward the residential placemaking, support delivery of much needed additional affordable homes and create new and safe neighbourhoods.

Financial Implications

14. To approve the acquisition of 7 units at the former Royal Chace site for the sum of £3,000,088, this is excluding employer's agent and legal costs, and to appoint Stace LLP as Employers Agent to lead on snagging and handover of the units with a budget of £7,000 that includes contingency. The total expenditure is £3,007m.

Capital budget impact

15. As part of the HRA Business Plan update agreed at Council in February 2024 KD5667, the council agreed a 5-year acquisitions programme of £102.09m funded from RTB receipts. This acquisition is included within that programme.
16. The table below shows the breakdown of the cost and how the acquisition will be funded:

Expenditure:	£000's
Acquisition	3,000
Employers' agent (Inc. contingency)	7
Total	3,007
Funded by:	
RTB receipts @ 40%	1,203
Borrowing	1,804
Total funding	3,007

17. RTB receipts are classed as public subsidy due to a policy change, meaning that the acquisition would be exempt from SDLT liability.
18. Overall, the scheme is viable and within the set hurdle rates which is contained in Part II Confidential Appendix.

Legal Implications

19. KD5544 agreed an acquisition programme funded by a combination of Housing Revenue Account (HRA) capital investment, Right to Buy (RTB) receipts or grant, for a period of five years commencing in 2022/2023. This decision to purchase 7 properties at the former Royal Chace site is made pursuant to that overall strategic decision.
20. The Council has various powers to acquire and hold land and properties for social housing. The decision maker will need to be satisfied that this represents good value for money taking all material considerations into account.

Equalities Implications

21. The Public Sector Equality Duty requires all public bodies to have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
22. An initial screening exercise has been undertaken and it is considered that there are no adverse equality implications arising from this report

Property Implications

23. This relates to an acquisition into the Housing Revenue Account and therefore there are no corporate or General Fund implications.

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Appendices

Part II Confidential Appendix

Background Papers

[Acquisition Programme using Right to Buy receipts](#)

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