

MUNICIPAL YEAR 2019/2020 REPORT NO.

ACTION TO BE TAKEN UNDER DELEGATED AUTHORITY

PORTFOLIO DECISION OF:

Cllr Caliskan, Leader of
the Council

REPORT OF:

Director of Housing and
Regeneration and
Director of Finance

Agenda – Part: 1

KD Num: 4989

**Subject: Electric Quarter: Acquisition of
new homes**

Wards: Ponders End

Contact officer and telephone number: Mamta Toohey

Email: mamta.toohey@enfield.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 The provision and growth of good quality, affordable homes are a key priority for the Council as set out in report KD4830 of 13 February 2019. KD4830 confirmed the resolution to deliver additional social and affordable rented homes owned by the Council and Cabinet delegated authority to the Director of Housing and Regeneration in consultation with the Director of Finance to approve third party land and property acquisitions subject to due diligence and valuations.
- 1.2 Following submission of the "Building Council Homes for Londoners" (BCHL) bid to the GLA, the Council were successful in securing c£18.1m of grant. This funding along with RtB receipts and HRA headroom borrowing is planned to deliver 3,500 homes in the next 10 years.
- 1.3 This proposal seeks to acquire 75 market value homes from Lovell, developer for the Electric Quarter Regeneration Scheme. The acquisition will bring the level of affordable homes on the scheme from 30% to over 47% and provide new affordable homes ready for occupation. The acquisition will comprise a substitute scheme for the GLA BCHL programme and makes an early contribution to meeting the Councils targets for 2019/20. KD4830 approved the GLA BCHL programme and the affordable housing programme and delegated authority to the Cabinet Member for Housing in consultation with the Director of Housing and Regeneration and Director of Finance to approve individual schemes included in the GLA BCHL programme and affordable housing programme and any substitute schemes

2. RECOMMENDATIONS

- 2.1 Agree for the Director of Housing and Regeneration and the Director of Finance to approve the inclusion of the Electric Quarter scheme as a substitute scheme to the GLA BCHL affordable housing programme for the acquisition of up to 75 homes .
- 2.2 See part 2 of this report
- 2.3 Further to recommendation 2.2 to delegate authority to Director of Housing and Regeneration in consultation with the Director of Finance to approve the acquisition of up to 75 homes within the Electric Quarter Scheme
- 2.4 To authorise the Director of Housing and Regeneration to agree and finalise the Heads of Terms – the latest version of which is detailed at Appendix 1 to Part 2 of this Report - for the purchase of the homes.
- 2.5 To delegate authority to Director of Housing and Regeneration to negotiate and agree the terms of disposal of those homes which are to be disposed of by the Council on a shared ownership basis and to appoint an agent to market the disposal of the Shared Ownership homes .

3. BACKGROUND

- 3.1 Cabinet agreed on the 13 February 2019 (KD4830) the development strategy and pipeline of homes behind the GLA bid identifying sites where homes could be secured in 2019/20. Following another scheme being withdrawn from the GLA BCHL programme, the Electric Quarter Regeneration Scheme has been substituted as a scheme in the first year. It is a mixed-use scheme in the East of the borough and will deliver 167 homes in total. Of those, 62 have already been delivered, sold and occupied as part of its first phase in 2017/18. Overall, the second phase will deliver a further 106 homes by 2020/21. The proposal involves the Council acquiring up to 75 homes in the second phase (Phase B). The registered provider for the scheme intends to acquire the remaining 31 homes.

3.2 Acquisition proposal and overall package

The proposal involves the package solution of acquiring up to 75 new homes. The accommodation and tenure solutions are provided in the

tables below. The price the council is paying for the package is detailed in Part 2 of this report.

Proposed Tenure	Unit Type	Number of Units	Number of persons per home
LAR (London Affordable Rent)	1B Flat	25	50
EAR (Enfield Affordable Rent)	3B House	17	85
	4B House	5	30
SO (Shared Ownership)	1B Flat	14	28
	2B Flat	14	56
TOTAL		75	249

Table 1: unit breakdown

- 3.3 The accommodation is spread across 3 blocks within Phase B of the Electric Quarter Scheme, all currently under construction to substructure and superstructure levels. Block B2 will accommodate 22 three and four bedroom houses; B3, 28 one and two bedroom flats and B4 25 one bedroom flats.
- 3.4 The Director of Housing and Regeneration will continue to refine the tenure mix within the investment criteria in the housing development strategy.
- 3.5 **Purchase Price**
A price has been agreed with Lovell for 75 units as detailed in part 2 of this report.
- 3.6 Savills have confirmed that the price agreed with Lovell represents good value for money. A significant discount has also been negotiated on the purchase price making it a viable acquisition. A red book valuation carried out by Savills confirms the above.
- 3.7 The acquisition will be on the basis of rent levels set at London Affordable rent in line with GLA requirements for drawing down grant.
- 3.8 This approach creates a number of opportunities. This scheme is currently on site with construction underway to sub structure and superstructure stages. The 22 houses are due to be completed by Spring

2020 and the remaining 53 flats by Spring 2021. Therefore, this scheme is highly likely to guarantee delivery of 22 affordable housing homes in the immediate future and a further 53 homes as the scheme progresses contributing significantly to the Council's pipeline of affordable housing and current Cabinet approved affordable housing programme and BCHL GLA targets for 2019/20.

3.9 Delivery Programme

Description	Date
Electric Quarter Phase B Lease granted	30 August 2019
Draft Complete HoTs	November 2019
Council approval of acquisition of 75 homes	This report
Confirm scheme with GLA	This report
Enter into purchase contract with Lovell	December 2019
Drawdown of part GLA funding	December 2019
PC and handover of 22 houses	Spring 2020
PC handover of 53 flats	Spring 2021
Drawdown of remaining GLA funding at Practical Completion	March 2021
Handover (all units)	March 2021

- 3.10 Should it prove necessary the Council will enter into two separate sale and purchase agreements, the first for the sale and purchase of the houses and the second for the sale and purchase of the flats.

Block management

- 3.11 The acquisition package includes homes across 3 blocks in phase B of the Electric Quarter Scheme. Appendix 2 provides details of the location of the homes.
- 3.12 **Block B2** The Council intends to purchase all 22 three and four bedroom town houses in B2 will be acquired and managed by LBE. The Heads of Terms propose that Lovell surrender its leasehold interest in Block B2 and the Council retain freehold title of all houses. A 10 year NHBC certificate will be provided for each home prior to completion.
- 3.13 **Block B3** North London Muslim Housing Association (NLMHA), the schemes registered provider, intend to acquire 12 shared ownership homes in accordance with the original s.106 agreement for the scheme. There are 3 separate cores in B3. The Heads of Terms set out a provision for NLMHA to purchase the 12 homes within a single core. The Council intend to purchase the remaining 28 flats in the remaining 2 cores. Block B3 also contains five commercial units at ground level.

- 3.14 The Council has proposed in the Heads of Terms that transfer of the 28 flats be achieved by Lovell surrendering its leasehold interest in Block B3 and the Council retaining the freehold ownership in Block B3 (including the 28 flats) and the Council granting to Lovell long leases of the five commercial units for a nominal premium - rather than Lovell having transferred to it the freehold and Lovell granting to the Council leases of the 28 flats. It is the Council's intention to dispose of the 28 one and two bedroom flats in Block B3 under shared ownership leases. This proposal will help facilitate the granting by the Council of the shared ownership leases. This proposal has yet to be agreed by Lovell. The terms of acquisition/ disposal at Block B3 will be agreed by the Director of Housing and Regeneration pursuant to Recommendation 2.4.
- 3.15 **Block B4** This consists of 25 one bedroom flats located over 5 floors. The ground floor and mezzanine level will form the replacement library and community hub and will be transferred to the Council as operator of the space. With the acquisition of the homes on the upper floors, the Heads of Terms propose that Lovell surrender its leasehold interest in Block B4 and that the freehold be retained by the Council and that the Council take ownership and management of the entire block.
- 3.16 The Council will manage all houses and flats in-house. The terms of acquisition/ disposal will be agreed by the Director of Housing and Regeneration pursuant to Recommendation 2.4.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 **Do nothing** - The Council would miss out on an opportunity to use this as a substitute scheme and lose GLA BCHL grant to buy additional housing at significantly subsidised market rates. It is vital that these homes are acquired to meet the GLA BCHL programme.
- 4.2 The loss of this acquisition opportunity would otherwise provide much needed council homes and reduce pressures on the council house waiting list and temporary accommodation budgets.

5. REASONS FOR RECOMMENDATIONS

- 5.1 This proposal contributes to the affordable homes targets identified in the GLA BCHL programme and provides a substitute site for 2019/20 targets.
- 5.2 The transaction provides good value for money

- 5.3 The acquisition will provide additional pipeline housing units, (the intention being 47 social rent and 28 shared ownership)
- 5.4 The acquisition will enable drawdown of significant levels of GLA BCHL grant in 2019/20. It will contribute to Council's supply of affordable homes and nomination rights reducing the number of residents in temporary accommodation
- 5.5 The level of affordable housing provision on the Electric Quarter scheme and the way in which ownership and development is structured, presents an opportunity for the Council to purchase market value homes for conversion into much needed affordable rented homes, with minimal impact on the HRA.

6. COMMENTS FROM OTHER DEPARTMENTS

6.1 Financial Implications

Refer to part 2 of this report

6.2 Legal Implications

6.2.1 Section 120 of the Local Government Act 1972 provides that for the purposes of any of their functions or for the benefit, improvement or development of their area a council may acquire by agreement (for money or money's worth) any land, whether situated inside or outside their area, for any purpose for which they are authorised by the 1972 Act or any other enactment to acquire land notwithstanding that the land is not immediately required for that purpose.

6.2.2 Under the Housing Act 1985, the Council has a duty to consider the housing needs of its district and has power to provide housing accommodation by acquiring land or dwellings and also to repair or improve any such dwellings acquired. The Local Authorities (Capital Finance & Accounting) (England) Regulations 2003 (as amended in 2013) made by the Secretary of State under powers set out in the Local Government Act 2003 provide how a local authority must use its capital receipts (including those from right to buy (RTB)). A proportion of RTB receipts must be returned to central government unless the authority has entered into an agreement with the Secretary of State under Section 11(6) of the LGA 2003 (as inserted by the Localism Act 2011, Section 174).

6.2.3 The Council has power under Section 111 of the Local Government Act 1972 to do anything which is calculated to facilitate, or

is conducive or incidental to, the discharge of any of its functions. Further, the Council also has a general power of competence under Section 1(1) of the Localism Act 2011 to do anything that individuals may generally do, provided it is not prohibited by legislation and subject to public law principles.

6.2.4 The Council must comply with all requirements of its Constitution including, in relation to any property transactions, its own Property Procedure Rules which set out mandatory procedures regarding (amongst other things) the acquisition, management and disposal of property assets.

6.2.5 The Council must demonstrate that it has exercised its powers in a manner that is reasonable and proportionate and in a manner consistent with its fiduciary duties to ensure sound management of the public finances. There is also the Council's general duty at public law to exercise its powers reasonably, properly and in accordance with best value, and to have regard to its fiduciary duty and to general administrative law principles with regard to mitigation of risk and due diligence.

6.2.6 Legal due diligence is required on all proposed property acquisitions to include a full review to title and ownership and searches and enquiries of the vendor in order to ascertain any relevant liabilities and restrictions associated with any such acquisitions.

6.2.7 Under Section 14 (3) of the Local Government Act 2000, the executive may arrange for any of its functions to be discharged by an officer of the authority

6.2.8 All legal agreements arising from the matters described in this report must be approved in advance of commencement, by Legal Services on behalf of the Director of Law and Governance.

6.3 Property Implications

Refer to Part 2 of this report

7. KEY RISKS

7.1 See Part 2

- 7.2 **Delays in Construction** – if Lovell experience delays in construction there could be concomitant impact on council GLA targets and drawdown of GLA grant in 2019/20.

Mitigation: Substructure and superstructure stages are in progress of all blocks in phase B. The construction programme is on target to complete the first homes by 2019/20. The construction programme is on schedule for the first 11 houses to be completed by December 2019 and the a further 11 houses by March 2020.

- 7.3 **Financial:** Unable to sell shared ownership units due to market conditions, Brexit etc.

Mitigation: Officers have profiled the sale of SO units 3 months after Practical Completion; therefore, any financial impact of delayed sales has already been captured within the financial appraisal; in addition, the SO homes can be reverted to Help to Buy. Engagement with an experienced agent to market SO homes is proposed as part of this proposal.

8. INTERNAL DEPARTMENT IMPLICATIONS/CONSULTATION

Internal Place departments have been involved and consulted where relevant.

9. IMPACT ON COUNCIL PRIORITIES – CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD

9.1 Good homes in well-connected neighbourhoods

This acquisition will increase the supply of affordable homes creating sustainable growth. The Electric Quarter scheme is located on Ponders End High Street that is serviced by a number of rail stations and bus routes. The scheme is of high design and quality and new homes acquired here will increase the supply of good quality affordable homes in a diverse neighbourhood. Its town centre location offers a range of local facilities to new and existing residents including a good retail offer, open space through Ponders End Park, local community activities and health provision. In addition, Ponders End has the Lea Valley canal, waterfront and countryside within easy reach, by foot, cycle and public transport.

9.2 Sustain strong and healthy communities

Developing and sustaining good quality homes in areas where people desire to live will help to create and maintain strong sustainable communities. The Electric Quarter development will deliver a new nursery and library/community facility and commercial space that will provide a mixed offer promoting health and wellbeing. The investment is located a short distance from public open space promoting healthy activities and sporting opportunities.

9.3 Build our local economy to create a thriving place

The investment will improve and provide an enhanced offer to North East Enfield and Ponders End High Street. The proposal and adjoining improvements will create a step change by offering significantly more modern commercial, retail, community active frontages on the High Street helping to create a more vibrant local community.

10. EQUALITIES IMPACT IMPLICATIONS

Corporate advice has been sought in regard to equalities and an agreement has been reached that an equalities impact assessment is neither relevant nor proportionate for the approval of this report.

It should be noted that any contracts awarded should include a duty on the successful applicant to assist us with meeting our obligations under the Equalities Act 2010. Projects or work stream deriving from this may be subject to an Equalities Impact Assessment, therefore the work streams will be reviewed to ensure that the council meets the Public Sector Duty of the Equality Act 2010.

11. PUBLIC HEALTH IMPLICATIONS

Housing is fundamental to human health as demonstrated by that life expectancy in the homeless is in the order of 30 years less than the national average. Providing good affordable housing will put in place a basic building block of health

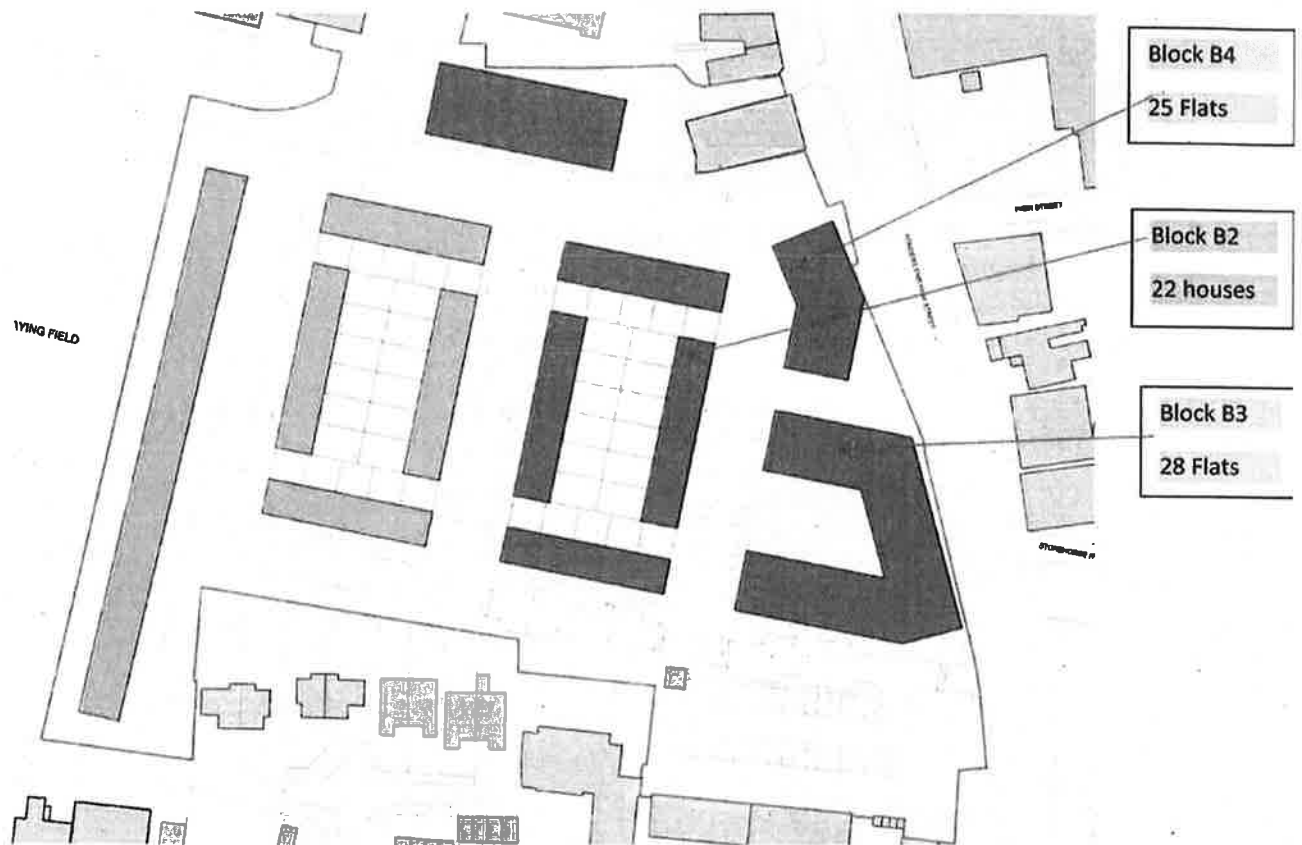
Background Papers

Appendix 1 – See part 2 of this report

Appendix 2 – Scheme layout and Block Plan

Appendix 2 -Electric Quarter: Acquisition of new homes

Scheme and Block layout



Electric Quarter Regeneration Scheme

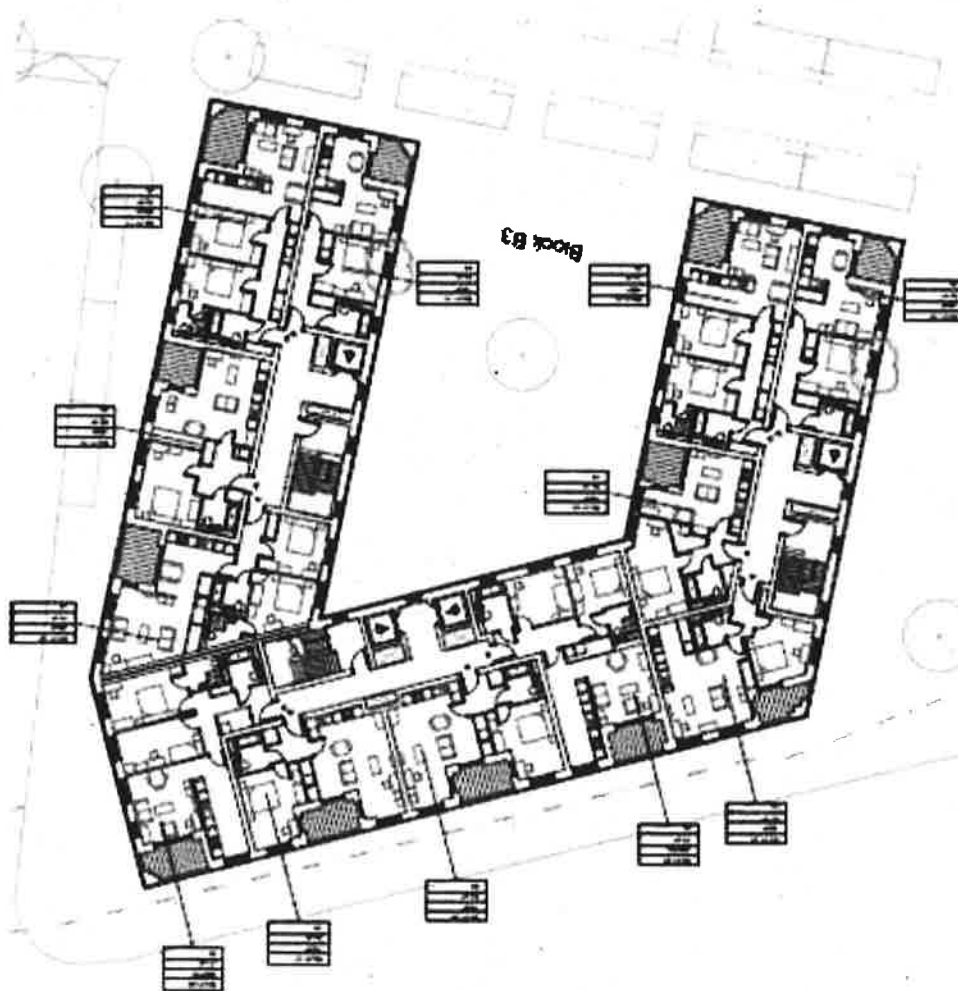
Key

Phase A	Completed.
Phase B	Construction underway

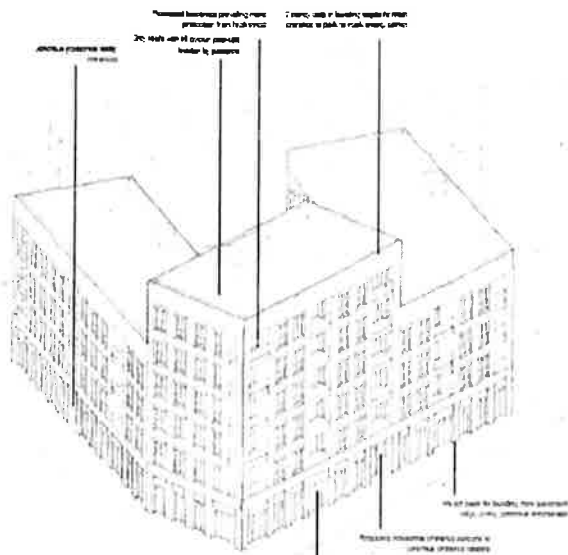
Block B2 – 22 houses



Block B3 – 28 flats (2 single cores)



B3 - shared block with Registered Provider



Block B4 – 25 flats



Block B4 including library hub on ground/mezzanine level

