

Please note Part 2 report is now confidential appendix.

London Borough of Enfield

Operational Report

Report of **Joanne Drew**

Subject: **Approval to enter into a Sale Agreement for 27 homes with Vistry Partnerships**

Executive Director: **Sarah Cary**

Ward **Upper Edmonton**

Key Decision: **KD 5472**

Purpose of Report

1. To approve the acquisition of 27 newbuild homes on Meridian Water (Phase 1a) by entering into a Land and Build contract (Sale Agreement) with Vistry Partnerships.

Proposal(s)

2. Authorise expenditure to be committed in 2022/2023 for the acquisition of 27 newbuild homes on Meridian Water Phase 1a for London Affordable Rented.
3. Delegate authority to the Director for Housing and Regeneration in consultation with the Acting Director of Law and Governance, Director of Development (Meridian Water) and Executive Director for Resources to agree the purchase and ancillary documents related to the purchase.
4. Approve associated bid and acceptance of grant under the GLA Building Council Homes for Londoners affordable housing grant programme.
5. Submit claim for 100% relief in respect of Stamp Duty Land Tax to HM Revenue & Customs together with appropriate Options to Tax to maximise tax reliefs as these are assumed in the financial modelling.

Reason for Proposal(s)

6. On 24th April 2019, Cabinet approved the appointment of Vistry Partnerships as developer for Meridian One (KD 4864). Vistry submitted planning applications for 977 homes across Phase 1, of which 50% will be affordable. Phase 1a was approved under Reserved Matters Application (20/03821/RM) for 300 new homes and Phase 1b submitted as a full planning application is currently under determination (21/04742/FUL) and subject to planning committee later in the year.
7. Phase 1a works have commenced on site and the build for Block E2 where the 27 shared ownership units are located achieved "Golden Brick" stage on 30 June 2022,

which means the first course of bricks are now laid above the foundation and residential build is fully underway. The Council is also considering acquiring an additional 92 units (B1) for Shared Ownership within Phase 1B, subject to grant and a separate authority. The anticipated grant of headlease of the relevant Block (B1) in Phase 1B is expected by September 2022, subject to planning.

8. The Council will be acquiring Shared Ownership units outside of the mechanics of the Development Agreement. These homes were expected to be acquired by a Registered Provider(s) (also known as Housing Association) but following a marketing process, only one block (A1) was acquired which enabled the Council to make an offer on the shared ownership homes adjacent to the Council's homes already under contract. Block E2 is currently shared ownership but as the majority are large family homes (3bed and 4beds) the Council has secured additional grant to convert these to social housing. An application for a Non-Material Amendment to the planning permission will be submitted by the Council to change the tenure from shared ownership to social housing, noting the homes remain affordable in perpetuity. Block B1 is subject to a grant bid and if approved, these will be brought into the housing development programme as affordable home ownership and offered in line with the Intermediate Housing Policy.
9. Phase 1a is 93% affordable of which the Council has the majority ownership and this decision seeks to secure more affordable housing for the Borough. Block E2 (Phase 1a) will deliver 27 new homes to be provided as social housing units, which remains a priority tenure in the borough. If authorised under this report, Block E2 will be owned and managed by the Council which alongside the existing Council housing homes, secures a significant stake in the long-term management of Meridian Water Phase 1.
10. The Council is acquiring the 27 shared ownership units to provide as social housing outside of the Development Agreement mechanism, which already contains provision for the Council to acquire affordable housing units. Pursuant to the terms of the development agreement the Council may acquire 242 affordable housing units on Phase 1 which will transfer from the General Fund to Housing Revenue Account by appropriation on completion. This will be the subject to a separate cabinet report at the time.
11. The Council has negotiated a competitive price for the newbuild homes and subject to contract to purchase 27 homes on Phase 1a (Block E2), is also able to seek SDLT relief on the purchase price, if grant is used to acquire the properties.
12. The Council entered into contract under the Building Council Homes for Londoners (BCHFL) programme in 2019. The BCHFL contract requires that any slippage has to be replaced with substitute units and deliver starts as per the original allocation. The 27 homes are proposed as substitutions for Dendridge Close, which was earmarked for development of underutilised land in 2021. Following a procurement exercise last year, Dendridge had a limited tender response with a single bid received for 23 homes. The tender was above the approved budget.
13. Through negotiations with the GLA, the Council has secured additional grant to secure 27 additional council owned homes on Meridian Water. As the 27 units, are currently designated as Shared Ownership under the planning consent, a non-material amendment will be required to change the tenure as the Council intends to let the homes as social housing. This application is anticipated to be submitted by the Council and approved before the first let, next year.

Relevance to the Council's Plan

14. The decision will enable the Council to steward the residential placemaking, support delivery of much needed affordable homes and create a new neighbourhood.

Background

15. Vistry Partnerships were appointed as the developer on Phase 1 and Meridian 2 at Meridian Water. They are currently on site and building homes at pace.

Main Considerations for the Council

16. The Council will secure the delivery of much needed social housing for people on the housing register and affordable home ownership options for those who cannot afford to buy and are ineligible for social housing.
17. The homes offer a range of bedroom sizes and wheelchair adapted homes which will help to address specific needs for those who are on the waiting list. Homes will be practically complete from November 2023 onwards.
18. The Council has negotiated affordable housing grant to support the purchase of the 27 shared ownership homes on Phase 1a, which will help to reduce the overall call on borrowing. The current price is within the borrowing limits set within the HRA Business Plan.
19. The payments will be made as per the Heads of Terms provided in the Confidential Appendix, which requires the Council to make a payment on the following basis:
 - **Golden Brick Price - (30%)**
Definition of Golden brick to be first rising column from foundation slab
 - **Works Price - (70%)**
Works price to be paid via monthly valuations in agreement with Employer's Agent.
20. 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.

Safeguarding Implications

21. None

Public Health Implications

22. No direct public health implications identified but affordable and healthy homes are prerequisite for the health and wellbeing of our residents.

Equalities Impact of the Proposal

23. 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.
24. The broad aim of the duty is to integrate equality considerations into general policy and decision making and we do this using the process of equality impact assessment.
25. An equalities impact assessment (EqIA) of the proposals has been carried out and is attached at Appendix B. The EqIA has not identified negative impacts on any equalities group. The Council recognises that providing good quality, affordable housing within the Borough helps those most in need of a home and least able to afford property on the open market. There is a need for more family housing and 50% of the 27 homes will be 3- and 4-bedroom homes. The acquisition is likely to benefit families with children and young people among other household characteristics on the housing register. The purchase of larger homes will also enable us to deliver on our commitments to provide appropriate social housing and reduce overcrowding.

Environmental and Climate Change Considerations

26. The development will implement significant energy efficiency measures, to achieve the required carbon emission reductions by the Local Authority. The residential units in Phase 1a have been calculated to achieve as much as 86% improvement in CO2 emissions over the baseline requirements within Building Regulations Approved Document Part L1A 2020 through the use of enhanced building fabric, connection to a heat network and low and zero carbon technologies.
27. The Reserved Matters Application (20/03821/RM) was also submitted with a Green Procurement Plan which outlined how the development will seek to minimise the environmental impact of the scheme through responsible sourcing of materials, minimising construction site impacts, local procurement and employment strategies and the minimisation of construction and demolition waste.

Risks that may arise if the proposed decision and related work is not taken

28. The potential risk if the decision is not taken is that the Council will not be able to acquire affordable housing to let as social housing and this will negatively impact ability to deliver the much needed social housing to those in need in the borough.
29. There also is a risk that should the Council not acquire these units Vistry Partnerships may not be able to secure an Affordable Housing Provider for the affordable provision which could impact on cashflow for the main construction and delay the programme. The development agreement will set out assumptions relating to land value which is usually predicated on sale of any units

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

30. A non-material amendment application will need to be made to the Local Planning Authority to change the tenure, which will remain affordable. The 27 shared ownership units which are intended to be let as London Affordable Rented homes. There is a risk that permission may not be forthcoming. However, as the proposal is a minor amendment, does not reduce the overall affordable housing and is replacing one tenure with another affordable tenure in line with the Local Authority housing

need, this is a low risk. Additionally, the acquisition of the 27 homes secures earlier provision of council housing if approved as converting from Shared Ownership to social housing.

Financial Implications

Summary

31. This report is proposing to commit to the acquisition of 27 affordable units with Vistry Partnerships (the Developer) as part of Phase 1 Meridian Water development at a total cost (including fees) as set out in the Confidential Appendix for further details.
32. This report is also proposing to acquire a further 92 shared ownership units, however this is still at the negotiation stage and will require a separate key decision and subject to contract and GLA grant being allocated.

Legal Implications

33. Section 8 of the Housing Act 1985 requires the Council to consider the housing conditions and needs of their area with respect to the provision of housing accommodation. Section 9 of that Act empowers the Council to provide housing accommodation by erecting houses, or converting buildings into houses, on land acquired by them or by acquiring houses. Section 17(1)(b) of the Housing Act 1985 empowers the Council to acquire dwellings for housing purposes and section 120(1) Local Government Act 1972 gives the Council the power to acquire any land where it is for the purposes of (a) any of its statutory functions or (b) for the benefit, improvement or development of its area. Accordingly, taken together, these provisions give the Council power to acquire the shared ownership units as proposed in this report.
34. In acquiring the units the Council must comply with its Constitution including its Property Procedure Rules.
35. The acquisition of shared ownership properties proposed in this report is in addition to and separate from the right to acquire affordable housing units as set out in the Council's Development Agreement with the Meridian Water Phase 1 Developer. It is proposed that the Council will "flip" the shared ownership units it acquired to London Affordable Rent housing. This will require planning approval.
36. The Council must comply with any conditions of grant funding set out in the grant agreement with the GLA. Failure to do so may result in a demand for any grant advanced to be repaid or a withholding of future grant.
37. All legal documents arising from the matters approved in this report must be approved in advance of commencement by Legal Services on behalf of the Director of Law and Governance.
38. The Council must comply with its obligations set out in the grant agreement with the GLA.

Workforce Implications

39. None

Property Implications

40. HRA property implications: these are to be found throughout the report.
41. Corporate property implications: the transaction that is described in this report has the indirect effect of supporting property values that are used within the business case of the Council's Meridian Water project, thus helping to underpin the continuing viability of the scheme.

Other Implications

42. None

Options Considered

43. The council has promoted the opportunity on Meridian Water to a range of Registered Providers, to acquire the homes, prior to expressing an interest in acquiring Block E2 and B1. As Phase 2 is a 100% affordable scheme owned and managed by a Housing Association and a private registered provider is purchasing the shared ownership units on Phase 1 (A1), there was limited interest to date from other Registered Providers. By the Council being the "RP" for the affordable homes on Phase 1 it is minimising the risk of multi-landlord estate management strategy which can see conflicts in standards arise and overall will enable the high quality of housing management and place shaping.

Conclusions

44. By purchasing the homes, the Council is able to fulfil its grant obligations under the Mayor's Affordable Housing Programme, secure ownership and management of the whole affordable housing on Phase 1a and potentially take a stake on Phase 1b to manage the long-term stewardship of this significant regeneration scheme.

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Appendices

Appendix A - Confidential Appendix
Appendix B – Equalities Impact Assessment (EqIA)

Background Papers

The following documents have been relied on in the preparation of this report: