

LONDON BOROUGH OF WALTHAM FOREST

Meeting Date	Cabinet 12 January 2023	
Report Title	Acquisition of 47 Shared Ownership Units at Marlowe Road Regeneration	
Cabinet Portfolio	Councillor Ahsan Khan, Deputy Mayor & Portfolio Lead Member for Housing & Regeneration	
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Wards affected	Wood Street	
Public Access	OPEN except for Appendix A which is EXEMPT 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 (Exempt) Appendix B – Equalities Matrix	

1. SUMMARY

- 1.1 The recommendations in this report request that a budget is approved to acquire newbuild homes at Marlowe Road Regeneration from the developer partner, Countryside Properties (UK) Ltd, in order to realise an opportunity to increase the number of affordable homes provided by the Council.
- 1.2 This opportunity to deliver much needed affordable homes has arisen because the Council has secured additional grant from the Greater London Authority (GLA) as part of the Affordable Housing Programme 2016-2023. The grant will allow the Council to make a financially viable and competitive offer to Countryside for the properties.

- 1.3 This report seeks Cabinet approval to acquire all 47 Shared Ownership homes in Block S1, in Phase 2B/3 of the Marlowe Road redevelopment and to dispose of these properties on the open market on a Shared Ownership basis, prioritising those who already live and work in the borough.

2. RECOMMENDATIONS

- 2.1 Cabinet is recommended to:
 - 2.1.1 Approve a budget, as set out in the exempt Appendix A, for the acquisition of 47 Shared Ownership units in Block S1 at Marlowe Road Regeneration.
 - 2.1.2 Delegate authority to the Corporate Director of Housing, in consultation with the Portfolio Lead Member for Housing & Regeneration, the Commercial Director, Property and Delivery, and the Strategic Director of Finance and Governance to approve the final commercial terms of the acquisition and enter into all associated legal documents.
 - 2.1.3 Approve a Deed of Variation to the Marlowe Road Development Agreement to reflect amendments necessary in the event that the Council agrees a deal to acquire the units.
 - 2.1.4 Delegate authority to the Corporate Director of Housing, in consultation with the Portfolio Lead Member for Housing & Regeneration, the Commercial Director, Property and Delivery, and the Strategic Director of Finance and Governance to approve the final amendments to the Development Agreement.
 - 2.1.5 Approve that the 47 Shared Ownership units are disposed of to the open market in line with the Council's Shared Ownership policy.

3. PROPOSALS

3.1 Background

- 3.1.1 The Development Agreement with Countryside Properties UK Limited (Countryside) for the redevelopment of the Marlowe Road estate was signed on the 20 September 2016 and planning consent was granted November 2016.
- 3.1.2 Phases 1A, 1B & 2A of the regeneration are now complete and have delivered 331 mixed tenure units as well as a new plaza, park and district heating network.
- 3.1.3 In 2019 the Council acquired two blocks totalling 66 units in Phase 1B of Marlowe Road from Countryside. One block of 37 units was sold as privately whilst the second block of 29 units was designated as Shared Ownership by the Council, increasing the amount of affordable housing provided on the estate. The sales of all private and Shared Ownership units have been completed and in respect of the Shared Ownership were prioritised to those living and working in the borough.

- 3.1.4 In November 2021 Cabinet approved a Deed of Variation to the Development Agreement to allow Countryside to submit a new planning application in respect of Phases 2B & 3.
- 3.1.5 Planning approval in respect of the revised Phase 2B/3 was granted in October 2022, however the new Phase 2B/3 has not yet gone unconditional.
- 3.1.6 The drawdown of each phase is conditional upon the satisfaction of certain specified conditions stated in the Development Agreement. As each phase is drawn down Countryside is granted a long lease of 250 years of each private block on that phase. A 5 year lease is granted to Countryside to carry out the Council's building works in each phase.
- 3.1.7 The revised Phase 2B/3 site has been demolished under licence and no leases have yet been granted to Countryside.

3.2 Acquisition of 47 Shared Ownership Units

- 3.2.1 Following Cabinet's approval of the Deed of Variation to the DA, Countryside submitted a revised application in respect of Phases 2B/3 of the development. This included Block S1, a block of 47 Shared Ownership units.
- 3.2.2 Countryside is looking to secure a buyer for these homes as it is not a Registered Provider (RP) and therefore unable to sell the units directly itself as Shared Ownership. It is important for Countryside that the disposal of the units is complete before Phase 2B/3 goes unconditional.
- 3.2.3 There have subsequently been discussions with Countryside regarding proposals for the Council to acquire Block S1. This has been made possible by additional grant secured by the Council from the GLA.
- 3.2.4 The breakdown of the units in Block S1 is as follows:

1 bed	8
2 bed	25
3 bed	14

- 3.2.5 The final acquisition price will include an appropriate discount on the open market valuation of the units to reflect the Shared Ownership tenure.
- 3.2.6 The Council has had its own independent valuation of the units undertaken on a Shared Ownership basis. It is proposed that this valuation will form the basis of further negotiation around the final terms of the deal.
- 3.2.7 The acquisition of Block S1 is considered to be a good opportunity and investment for the Council for the following reasons:
 - It will facilitate the continued delivery of the Marlowe Road Regeneration to programme

- The purchase will increase the Council's housing stock and assets
- Additional Council owned affordable accommodation will be provided on Marlowe Road estate and in the Wood Street area
- When disposed of on the open market as Shared Ownership the 47 units will provide a return to the Council
- Sales of the units will be prioritised to those already living and working in the borough in line with the Council's Shared Ownership policy
- The acquisition allows for consistent management strategy across the estate, governed by the Council

3.3 Structure

- 3.3.1 The Council has already taken tax advice on the structure of a potential deal. It is an opportune time to agree a deal with Countryside before any leases are granted on the next phase of the scheme.
- 3.3.2 The leases will be amended to reflect that Block S1 will not be leased to Countryside on the standard 250 year lease and instead revert to the Council once the 5 year build lease falls away.
- 3.3.3 The final acquisition terms will have an impact on the Development Agreement. Appropriate amendments to reflect the acquisition will be agreed by both parties and finalised by delegated authority.
- 3.3.4 The details of the financial proposal are included in Appendix A.

3.4 Risks

- 3.4.1 A risk associated with the purchase is that a prolonged market downturn could leave the Council with units that it is unable to sell or that are devalued from the price that it paid. However, the risk is considered low as the units will not be complete until 2025.
- 3.4.2 The budget approved for the acquisition will also include costs to cover sales and marketing of the units. In addition, the sales and marketing costs allow for incentives if any of the units prove hard to sell or if there is a market downturn.
- 3.4.3 If there is a delay in agreeing a deal this could impact on the grant drawdown that the Council has secured in respect of Phase 2B/3.

4. OPTIONS & ALTERNATIVES CONSIDERED

- 4.1 In the event that the Council did not purchase Block S1, Countryside would need to find another RP to dispose of the units to. This would result in an additional landlord at Marlowe Road and result in a more complex management structure on the estate.
- 4.2 This could also cause a significant delay to the scheme going unconditional and delay the delivery of much needed affordable and social homes.

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 This regeneration programme forms part of the Council's commitment to facilitate and enable the delivery of 27,000 new homes of all tenures over the next 15 years, with particular emphasis on providing affordable homes for local households.
- 5.3 The proposal would increase the number of Council owned homes on Marlowe Road estate and will contribute to not only improving the quality of accommodation for Council tenants but also to making a major improvement to the local environment. It will attract new economically active people and families into the area who will contribute to the sustainability of small local shops and businesses.

6. CONSULTATION

- 6.1 Consultation has been carried out with residents and other local stakeholders throughout the Marlowe Road Regeneration.
- 6.2 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 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%
- 7.1.2 The scheme has been appraised based on an offer set out in the exempt Appendix A with additional costs relating to sales and marketing also included within the appraisal.
- 7.1.3 The hurdles set out above are all met. Operating costs are covered over each year of the scheme, The scheme pays back in 12 years and an average annual return of over 2.5% is achieved. The exempt Appendix

A sets out an indicative budget requirement within the HRA Capital programme to fund the acquisition.

- 7.1.4 These units will sit in the HRA as dwellings for affordable use (i.e. social rent and Shared Ownership) and cannot be operated from the General Fund. Shared Ownership dwellings are not subject to the Right To Buy, the buyer can staircase at any time to own a larger percentage, up to 100% of the property.
- 7.1.5 Risks and mitigations have been considered as part of the overall financial appraisal exercise with various sensitivities being run against the base assumptions. To maintain financial resilience this scheme will need to be able to respond appropriately to any future changing conditions. The current mitigating actions are strategic and timely, underpinned by stress testing.

7.2 Legal

- 7.2.1 The decisions in this report are being undertaken under Section (1) of the Localism Act 2011, the power to do anything that individuals may generally do (the general power of competence). The Council also has the 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.
- 7.2.2 The Council is able to acquire land or property by agreement under Section 120 Local Government Act 1972 ("Section 120") for the purposes of any of its functions, or the benefit, improvement or development of its area. The implications of Section 120 will need to be considered as part of the delegated approval at recommendation 2.1.3.
- 7.2.3 Under Sections 1 and 12 of the Local Government Act 2003 the Council may borrow money or invest for any purpose relevant to its functions or for the prudent management of its financial affairs. The borrowing must be prudent and comply with the Prudential Code.

7.3 Equalities and Diversity

- 7.3.1 A full EQIA has been carried out for the Marlowe Road Regeneration 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.
- 7.4.2 The matrix to assess climate change impacts for the overarching scheme has been completed as an appendix to the Cabinet report of November 2021.

7.5 Council Infrastructure

7.5.1 N/A

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

None