

London Borough of Waltham Forest

Report Title	Proposed Acquisition of New Build Affordable Homes for Rent
Meeting / Date	Executive Decision, 23 rd December 2024
Cabinet portfolio	Councillor Ahsan Khan, Portfolio Lead Member for Housing & Regeneration
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Wards affected	Chapel End
Public access	OPEN except Appendix 2 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 1 – Plan of Site Appendix 2 – Financial (Exempt) Appendix 3 – Preliminary Equality & Diversity Template Appendix 4 – Climate Change Impact Matrix

1. Summary

- 1.1 On the 30th July 2024, the Secretary of State for Housing, Communities and Local Government announced changes to the rules which govern Right to Buy (RtB) receipts. The new rules allow more flexibility on how receipts can be used for the next two years.
- 1.2 The flexibility to utilise RtB receipts to fund 100% of acquisition costs and the removal of the cap on the number of acquisitions made using RtB provides the council with an opportunity to bring additional affordable homes into its portfolio. These will provide high quality permanent homes for households on the borough's Housing Register and in homeless households living in temporary accommodation.
- 1.3 This report sets out proposals to utilise the council's RtB receipts to enable the acquisition of 53 new build homes at Fellowship Square development (Hepworth Place), from the council's development partner Countryside Properties. It is proposed that these homes will let at social rent level.

2. Recommendations

- 2.1 The Deputy Leader and Portfolio Lead Member for Housing & Regeneration is recommended to:
 - 2.1.1 Approve the use of the council's available Right to Buy receipts to acquire 53 newbuild homes at the Fellowship Square development (Hepworth Place), to be let as social rented housing.
 - 2.1.2 Approve the acquisition on the terms as set out in the exempt Financial Appendix 2 of the report.
 - 2.1.3 Approve entering into all necessary legal agreements for the acquisition of the homes by the council.

3. Proposals

- 3.1 This opportunity has arisen due to changes that have been made by central government to the way that local authorities can utilise RtB receipts. Previously it was only possible to contribute 50% of RtB receipts towards an acquisition, meaning that the remaining 50% would be required to be funded from the Housing Revenue Account (HRA). The changes were made in recognition of the challenging circumstances that local authorities are working in, constraints on HRAs and the need to release funds that can unlock new affordable housing.
- 3.2 The key changes are:
 - Until March 2026, local authorities can now use up to 100% of their retained RtB receipts to fund replacement affordable housing.
 - RtB receipts will be permitted to be used alongside Section 106 contributions where this is required.
 - The homes to be acquired must be practically complete and ready for occupation by March 2026.
- 3.3 The council has explored various options for acquiring additional homes using its RtB receipts to maximise the quantum of affordable housing that can be delivered under the revised rules. The most advantageous opportunity was identified at Fellowship Square, part of the Waltham Forest Town Hall complex.
- 3.4 The council entered a Development Agreement with Countryside Properties (UK) Limited (CP) in 2020 relating to Fellowship Square. The scheme has planning for 433 homes, a new Civic building, a nursery, a commercial unit, comprehensive public realm improvements and 50% affordable housing delivery will be achieved across the scheme. The original intention was that all of the affordable homes would be provided by a third party registered provider (housing association) rather than the council.

- 3.5 Due to the impacts of Brexit, COVID-19, construction cost price inflation and market conditions, rephasing was agreed with Countryside in 2021 and 2023 to protect the overall delivery of the scheme.
- 3.6 An opportunity has arisen for the council to acquire 53 homes in Block C. These affordable homes were to be delivered in Block H of the development, however, Block H will not complete by March 2026.
- 3.7 The council has agreed in principle that the affordable homes can be swapped from Block H to Block C, which completes in November 2025. This retains the levels of affordable housing across the scheme and also increases the number of larger family homes delivered within the 53 home acquisitions. A further benefit is the that homes will be assets on the HRA's balance sheet.
- 3.8 It was possible to agree favourable terms for the council on the basis that the deal potentially can be agreed and finalised as soon as possible.
- 3.9 The breakdown of the units in Block C is as follows:

Block C	Homes
1B2P	7
2B3P	14
2B4P	26
3B5P	6
TOTAL	53

- 3.10 Block C has an improved mix of homes for social rent letting and will be delivered to the council's required specification for the tenure. The homes are within a separate core, which will simplify the management of the homes by the Housing service.
- 3.11 This opportunity is considered to provide the following benefits to the council:
- Allows the council to maximise the benefit of available RtB funds within the period 2024/25 – 2025/26.
 - Protects and expedites the delivery of affordable housing at Fellowship Square
 - Increases the council's overall supply of social rented housing.
 - Increases the council's ownership of homes at the Fellowship Square scheme.
 - Improves the viability for the continued delivery of the Fellowship Square scheme for both the council and Countryside Properties.
 - Is financially viable for the council within the HRA's Medium-Term Financial Strategy (MTFS) as the project will provide a surplus in year 1 due to the acquisition being funded with no borrowing.

- Allows for a reduction in temporary accommodation reliance and costs by increasing the council's housing stock.
- 3.12 The council has taken tax advice on the acquisition, and it has been confirmed that no Stamp Duty Land Tax (SDLT) will be payable.
- 3.13 Following the completion of the acquisition the council will appoint a technical team to oversee the delivery of the homes to the required specification and timescales. The costs for this, as well as the other overheads associated with the acquisition are set out in the Finance section of this report.
- 3.14 The Executive Decision is recommended to facilitate the acquisition in December 2024 or early 2025, thereby securing the best possible terms for the council.
- 3.15 In lieu of having the necessary time for the decision to be approved through the standard cabinet process, Scrutiny Committee reviewed the decision on the 11th December 2024.

4. Options & Alternatives Considered

- 4.1 The council could choose not to spend its RtB receipts at this point and retain a surplus. However, the opportunity to contribute 100% towards a single acquisition is only available until March 2026, and it allows the council to deliver new homes without placing additional financial burdens on the HRA. This may not be a possibility in the future.
- 4.2 Acquire homes in another location. The council has considered various options prior to making an offer to acquire the homes at Fellowship Square. However, due to the time sensitive nature of the requirements, no other opportunities were considered as advantageous to the council as acquiring the units at Fellowship Square, due to the reasons outlined at 3.11.

5. Council Strategic Priorities (and other National or Local Policies or Strategies)

- 5.1 The delivery of affordable housing is a strategic priority identified by the council's Local Plan and critical to the borough's identified 5-year housing supply.
- 5.2 Mission Waltham Forest sets out how the council will make strategic investments for the greatest impact. This decision is being taken in line with that aspiration to ensure that an opportunity is not missed to increase housing supply in the borough without impacting the HRA.
- 5.3 Unlocking the delivery of new affordable homes in the borough as set out in this report will help the council meet key outcomes of the Housing Strategy 2024- 2029, including:
 - Outcome 2a: Increasing the supply of different types of homes so people can stay in Waltham Forest throughout their lives.

- Outcome 2b: New development provides homes for residents who need them most.

6. **Consultation**

- 6.1 Comprehensive consultation has been undertaken in respect of the Fellowship Square development.
- 6.2 No additional consultation was required in respect of this decision as there will be no impact on any existing residents as a result of the acquisition.

7. **Implications**

- 7.1 Finance, Value for Money and Risk
 - 7.1.1 The acquisition would be fully funded by RtB Receipts, therefore there would be no requirement for any council borrowing.
 - 7.1.2 The detailed financial implications of this acquisition can be found in Appendix 2.
- 7.2 Legal
 - 7.2.1 Under section 9 Housing Act 1985 the council as the local housing authority has the power to provide housing accommodation by acquiring properties for that purpose.
 - 7.2.2 The council has entered into an agreement with the Secretary of State under section 11(6) Local government Act 2003 that enables it to retain RTB receipts. The proposed use of RtB receipts for this acquisition is in accordance with the guidance 'Retained Right to Buy receipts and their use for replacement supply' as updated in July 2024.
 - 7.2.3 The council will enter into the necessary legal agreements with CP to acquire the properties on the agreed terms.
- 7.3 Equalities and Diversity
 - 7.3.1 An Equality and Diversity Screening template has already been completed for the Fellowship Square redevelopment and is reattached at Appendix 3. There are no further equality impacts as a result of this decision.
- 7.4 Sustainability (including climate change, health, crime and disorder)
 - 7.4.1 A Sustainability Matrix has already been completed for the Fellowship Square scheme from December 2019 when the decision to enter into the development agreement was originally made, and is reattached at Appendix 4. There are no further considerations as a result of this decision.
- 7.5 Council Infrastructure
 - 7.5.1 There are no implications for council infrastructure related to this report.

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

None