

Report for: Cabinet Member Signing – 26 September 2017

Item number: 4

Title: Variation of Heads of Terms relating to the Sale of Land to Sanctuary Housing Association to enable phase 2 of the Infill development programme

Report

Authorised by: Strategic Director of Regeneration Planning and Development

Lead Officer: Dan Hawthorn Director for Housing and Growth
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Ward(s) affected: All

Report for Key/

Non Key Decision: Key Decision

1. Describe the issue under consideration

- 1.1. On the 23rd January 2017 (Link attached to report in item 10) the Cabinet Member for Housing Regeneration and Planning authorised the disposal of a portfolio of potentially under-utilised infill sites for development to Sanctuary Housing Association. This report seeks authority to vary the Heads of Terms agreed by the Cabinet Member in that report and also seeks authority to use £2.1m of Right to Buy Receipts to fund Social Housing and improve the viability deliverability of the scheme.
- 1.2. The main variation is the recommendation at 3.3 to use £2.1m of Right to Buy Receipts to improve the viability of the scheme and to improve deliverability. This funding avenue was discussed in the original report but no specific allocation was set aside. Other sundry modifications are within the Heads of Terms, which are exempt on grounds of commercial confidentiality.
- 1.3. The Council has identified a portfolio of potential under-utilised infill sites for development to help address the need for increased affordable housing supply within the borough. Offers were sought from our Preferred Partner Registered Providers in order to access their development funding and expertise, to transfer development risk, and to enable the efficient delivery of the dwellings and the Report of 23 January 2017 authorised the disposal of up to 20 infill sites to Sanctuary Housing Association.
- 1.4. The disposal contract will be subject to planning and the Council being satisfied that open market value has been achieved for the land value - this is linked to viability and achieving the maximum affordable housing provision. It is proposed that maximising the numbers of affordable housing dwellings to be developed will take priority over receiving a direct capital receipt

2. Introduction

- 2.1. The Council's Corporate Plan includes objectives to increase the supply of new affordable housing and which is also reflected in our recently adopted Housing Strategy
- 2.2. This report proposes an initiative to develop our phase 2 infill sites portfolio to provide a significant number (in the region of 70) of new dwellings, of which a minimum of 50% are to be affordable homes
- 2.3. These infill sites are too small to be of interest to the proposed Haringey Development Vehicle, and disposal to our chosen Preferred Partner Housing Association will enable development by accessing their funding, resources and expertise whilst retaining full nomination rights to the borough
- 2.4. In this way, we will further the development of high-quality, well-insulated homes for local people without a call on the Housing Revenue Account budget and thus enable more funding to be retained for improving the quality of stock for existing residents

3. Recommendations

The Cabinet Member is recommended to:

- 3.1. Notes the similar report of the 23rd January 2017.
- 3.2. Agrees the variation to the Heads of Terms (attached in the exempt part of the report) and as set out this report.
- 3.3. Agrees to invest £2.1m of retained Right to Buy Receipts to help fund Social Housing and improve the viability and deliverability of the scheme subject to Sanctuary Housing Association entering into a funding agreement.

4. Reasons for decision

- 4.1. There is an acute shortage of housing supply, particularly of affordable housing, in Haringey and the borough has identified a portfolio of 20 potential development sites within its ownership to help address this shortage

**Statutory Officers comments (Chief Finance Officer (including procurement),
Assistant Director of Corporate Governance, Equalities)**

5. Finance

- 5.1. The value of the land being disposed of is to be determined at a later point in the negotiations. The consideration to be received by the Council that reflects the value is likely to consist of a combination of the following:
- Affordable housing outputs
 - Land receipts
- 5.2. There is enough money in the RTB retained receipt to cover the £2.1m funding, subject to Sanctuary Housing entering into funding agreement, recommended in this report.
- 5.3. However, the benefit the Council will derive from this additional funding over and above those in the original head of terms should be clearly stated in the revised head of terms and funding agreement.

Procurement

- 5.4. Of the 6 LBH Preferred Partners, 4 responded to the Expression of Interest.
- 5.5. Procurement acknowledges that the Registered Providers (RPs) are development focused and resourced to speedily obtain planning consent and commence delivery of the homes in question.
- 5.6. The five key competition objectives employed during the evaluation stage are listed in section 6.3.
- 5.7. The Invitation to Tender was issued via the procurement portal on 12th September 2016 with a tender return date at the end of October 2016.
- 5.8. The 4 Preferred Partners issued ITTS were Sanctuary, Notting Hill, Family Mosaic and Newlon.
- 5.9. The fact that Sanctuary Group was the only tender received, reflected the general unattractiveness of these very small, resource hungry infill sites. No comparison summary was produced on this basis.
- 5.10. Procurement notes that discussions held at Priority 5 board level have led to the reasons given in section 6.3 of this document as being sufficiently strong to accept the Sanctuary tender
- 5.11. Procurement notes that whilst no estimate of package value currently exists, valuation sign off on a site by site basis once the unit and tenure mix is confirmed at planning consent stage will be provided.
- 5.12. Following Bid Evaluation by a Panel comprising representatives from Housing, Planning and Homes for Haringey, a recommendation was agreed at Priority 5 Operational Board

in early November, subject to Cabinet approval, to proceed with S disposal of these sites to enable develop to sanctuary Housing. – any disposal to be subject to obtaining the consent of the Secretary of State

6. Legal

- 6.1. The Council is proposing to dispose of land held for housing purposes. The Council has the power under section 32 of the Housing Act 1985 to dispose each of these sites but must obtain the consent of the Secretary of State. Where the site is vacant no specific consent is required, instead the Council will be able to rely on the General Consent for the Disposal of land held for the purposes of Part II of the Housing Act 1985-2013 where the disposal is for a consideration equal to its market value or if the land is vacant (i.e. where there are no dwellings or the dwellings have been demolished or are unfit for human habitation and are to be demolished) the price is to be determined by the Council.
- 6.2. The Council is also proposing to provide £2.1m of Right to Buy Receipts to help improve viability and deliverability of the scheme. The Right to Buy Receipts are subject to an Agreement entered into on 25 September 2012 between the Council and the Secretary of State. The Council is required under the agreement to use retained amounts for social housing. Amounts not used for this purpose have to be paid to the Secretary of State as set out in the agreement. The funding must be spent on Social Housing which is rented accommodation available for rent, at a rent below the market rate and made available in accordance with rules designed to ensure it is made available to people whose needs are not adequately served by the commercial housing market. The funding agreed here will need to be subject to a funding agreement to ensure the conditions set out in the agreement are met.

7. Equality

- 7.1. The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:
- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
 - advance equality of opportunity between people who share those protected characteristics and people who do not;
 - foster good relations between people who share those characteristics and people who do not.
- 7.2. These disposals will enable development of a higher proportion of affordable housing than required by planning policy (minimum 50% affordable). Both the affordable rented and low cost home ownership dwellings will be targeted at local people who cannot afford to buy or rent on the open market.

- 7.3. Rents will be in accordance with the borough's Housing Strategy and the affordable housing will be targeted at priority groups in compliance with borough housing policy.
- 7.4. At least 20% of the shared ownership dwellings will be marketed at the minimum initial equity tranche of 25% making these dwellings more affordable and potentially more attractive to Council tenants interested in home ownership
- 7.5. The provision of additional affordable housing to own and rent will have a positive impact for groups with the protected characteristics, in particular younger residents, ethnic minorities and lone female parents, who we know have a disproportionately greater need for affordable housing.
- 7.6. 10% of the properties will be wheelchair accessible in accordance with our planning policy, increasing suitable stock of housing for people with physical disabilities.
- 7.7. The homes will be constructed to Code 4 equivalent for high-insulation homes to combat fuel poverty, known to disproportionately impact on households with low incomes.
- 7.8. Sanctuary will require an element of local labour /training to be included as a requirement within their construction contract, creating job and apprenticeship opportunities particularly for young people.
- 7.9. As a Preferred Partner R.P. Sanctuary has Equal Opportunities policies acceptable to the borough, and will be expected to comply with the Equality Act 2010 and our borough wide commitment to fairness and equality.
- 7.10. Equalities considerations and strategic affordable housing goals will continue to inform the planning process for the infill sites as they are brought forward.

8. Use of Appendices

Appendix 1 - Heads of Terms –exempt under Schedule 12A of the 1972 Act, paragraph 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information).

9. Local Government (Access to Information) Act 1985

- 9.1. Background Papers - Housing Investment Strategy Cabinet Report July 2015.
10. <http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=435&MId=8104&Ver=4>
- 10.1.

Part B – draft Heads of Terms- is Exempt under Schedule 12A of the 1972 Act, paragraph 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information)