



## CABINET REPORT

<b>Report Title</b>	<b>Purchase of new homes for use as affordable rented housing</b>
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**AGENDA STATUS: PUBLIC**

<b>Expected date of decision:</b>	16 December 2020
<b>Key Decision:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	No
<b>Directorate:</b>	Housing and Wellbeing
<b>Accountable Cabinet Member:</b>	Councillor Stephen Hibbert
<b>Ward(s)</b>	Delapre and Briar Hill

### 1. Purpose

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- 1.1 The purpose of this report is to ask Cabinet to approve the acquisition of a residential block of 44 apartments, known as 85-89 Lion Court, Southbridge, and to ratify Northampton Partnership Homes' 'in principle' bid to acquire the residential block, through the Housing Revenue Account, in order to increase the supply of affordable rented housing.

### 2. Recommendations

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- 2.1 It is **recommended** that Cabinet:
- a) Approves the use of the Housing Revenue Account Capital Programme to purchase the apartment block known as 85-89 Lion Court, Southbridge (edged in red on the plan in Appendix A), at a cost described in Exempt Appendix B, in order to provide 44 affordable rented homes that will be let to eligible households on the Housing Register;

- b) Ratifies the 'in principle' bid that Northampton Partnership Homes has made, on the Council's behalf, for the apartment block known as 85-89 Lion Court, Southbridge at the price described in Exempt Appendix B;
- c) Delegates to the Director of Housing and Wellbeing, in consultation with the Chief Finance Officer, the Borough Secretary, the Cabinet Member for Finance and the Cabinet Member for Housing and Wellbeing, to undertake appropriate due diligence and, if then satisfied with the results of this exercise, to acquire the property known as 85-89 Lion Court, Southbridge;
- d) Delegates to the Director of Housing and Wellbeing, in consultation with the Cabinet Member for Housing and Wellbeing and the Chief Finance Officer, the authority to determine the rent levels and service charges for the new affordable rented homes; and
- e) Delegates to the Director of Housing and Wellbeing, in consultation with the Cabinet Member for Housing and Wellbeing and Northampton Partnership Homes, the authority to develop and approve a Local Lettings Policy that determines how the homes in 85-89 Lion Court are allocated.

### 3. Issues and Choices

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#### 3.1 Report background

- 3.1.1 Lion Court is a cul-de-sac comprising a number of apartment blocks in Southbridge, Northampton.
- 3.1.2 The apartment block the Council is proposing to purchase has the postal address 85-89 Lion Court and is under construction. It comprises 44 apartments and a small commercial unit and is due to be completed in February 2021.



- 3.1.3 85-89 Lion Court comprises 15 one-bedroom apartments, 28 two-bedroom apartments and 1 three-bedroom apartment which are served by two separate entrances (85 and 87 Lion Court) each with its own stair core and lift. The commercial unit (89 Lion Court) has its own separate entrance.
- 3.1.4 Parking comprises a mixture of undercroft parking and a separate outdoor parking court. There is also provision for secure bicycle storage.
- 3.1.5 The purchase of 85-89 Lion Court offers the Council the opportunity to increase the supply of affordable rented housing in the borough and to reduce the use and cost of temporary accommodation.
- 3.1.6 On behalf of the Council, Northampton Partnership Homes (NPH) has had a series of discussions with the developer and, at the Council's request, submitted a bid to purchase 85-89 Lion Walk.
- 3.1.7 The bid was submitted in principle and is subject to ratification by Cabinet.
- 3.1.8 If Cabinet approves the purchase, NPH will conclude the negotiations and recommend that the Council proceeds with the exchange of contracts.
- 3.1.9 It is anticipated that, if contracts are exchanged in January 2021 and the purchase is completed in March 2021 (following practical completion of the construction in February 2021), tenants could move in from early April 2021.

## **3.2 Issues**

### Housing Revenue Account

- 3.2.1 It is proposed that the purchase of 85-89 Lion Court is funded through the Housing Revenue Account (HRA) and that the new homes will be owned and managed within the HRA.
- 3.2.2 This will afford the Council the opportunity to subsidise the purchase, and minimise the amount of borrowing required, by investing Right to Buy receipts or securing a grant from Homes England.
- 3.2.3 In common with other applicants, new tenants will be provided with Introductory Tenancies for the first year and, as long as they comply with their tenancy conditions, their tenancies will then be converted into secure tenancies.
- 3.2.4 It is proposed that the homes will be let at affordable rents (up to 80% of the market rent) but will not exceed the Local Housing Allowance (LHA) rates.
- 3.2.5 The new homes will be let and managed by NPH in accordance with the Management Agreement.
- 3.2.6 The small commercial unit will be marketed through a local agent. As this is de minimis in relation to scale within the overall housing scheme, it will be retained as an HRA asset.

### Design and construction

- 3.2.7 The construction of the scheme is well advanced and is currently forecast to be completed in February 2021.
- 3.2.8 On behalf of the Council, NPH is undertaking technical due diligence to ensure the apartment block has been constructed in accordance with the agreed planning consent and Building Regulations.
- 3.2.9 To assist with the technical due diligence, NPH has appointed an independent Chartered Surveyor and an independent Fire Consultant, the cost of which will be included in the overall cost of the acquisition.
- 3.2.10 The independent Chartered Surveyor will carry out a full design review that will include the following:
- A desk-top inspection and site inspection of the design criteria, including a robust assessment of the scheme's compliance with relevant Building Regulations, both for means of escape and structural compliance;
  - A site inspection focusing on building quality;
  - A final review to ensure that the scheme meets the agreed internal fit-out specification; and
  - A review of all warranties associated with the construction and design.
- 3.2.11 The independent Fire Consultant will review the fire safety strategy and evidence that this has been approved by Building Control and followed in construction.
- 3.2.12 On completion of the purchase, the Council will have the benefit of a 12-months defect period and, during this period, regular site visits will be carried out jointly by NPH and the developer (to deal with any defects that arise) and the Council will hold a 2.5% retention of the final contract sum until the defect period is complete.
- 3.2.13 Works will be covered by an NHBC (or similar) warranty for ten years. Certain products may have longer warranties which the Council can also benefit from should the need arise.
- 3.2.14 At the end of the defect period, NPH's Maintenance Team will take on the responsibility for all repairs and maintenance of the completed homes.

### Local Lettings Policy

- 3.2.15 It is proposed that the 44 apartments in 85-89 Lion Court are let as permanent affordable rented homes as part of a wider initiative to maximise the supply of affordable housing and reduce the use and cost of temporary accommodation.

3.2.16 The housing scheme has a useful mixture of one and two-bedroom apartments and is in a good location due to its proximity to local services, employment and public transport. To help establish a mixed and sustainable community at 85-89 Lion Court, it is proposed that a Local Lettings Policy is introduced to determine the way in which the homes are allocated.

3.2.17 Modelled on other schemes – such as Centenary House – the Local Lettings Policy will aim to strike the right balance between existing council tenants, homeless households and other applicants on the Housing Register.

### **3.3 Choices (Options)**

#### Option 1 (recommended)

3.3.1 Cabinet can choose to approve the purchase of 85-89 Lion Court.

3.3.2 This option is recommended because this apartment block of 44 homes offers the Council and NPH an excellent opportunity to quickly increase the supply of affordable rented homes in a sustainable location and reduce, directly and indirectly, the use and cost of nightly-purchased temporary accommodation.

#### Option 2 (not recommended)

3.3.3 Cabinet can choose to do nothing.

3.3.4 This option is not recommended because there is an urgent need to increase the supply of affordable rented housing and reduce the use and cost of temporary accommodation.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 The purchase of 85-89 Lion Court for use as affordable rented housing for households on the Housing Register will help the Council to meet its policy objectives of maximising the supply of affordable housing and reducing, directly and indirectly, the use and cost of temporary accommodation.

4.1.2 It supports the three strategic priorities in the Corporate Plan 2019 –2021:

- A stronger economy;
- Resilient communities; and
- Exceptional services to be proud of.

### **4.2 Resources and Risk**

4.2.1 NPH instructed a local valuer to provide an independent RICS ('Red Book') valuation of 85-89 Lion Court. The valuation is attached as Exempt Appendix C.

4.2.2 The terms of the valuer's appointment include provision to ensure that the Council – and not just NPH – is able to rely fully on the advice given.

4.2.3 The financial viability of the acquisition of 85-89 Lion Court has been appraised by NPH and reviewed by the Council's external advisers GL Hearn (Capita) using the ALMO Appraisal Model (see Exempt Appendix B) which takes into account the following:

- The total scheme costs;
- Any subsidy provided by Homes England, the proceeds from the sale of council homes, the inclusion of market rented housing in a mixed tenure scheme, or the inclusion of market rented housing in a mixed tenure scheme that is also subsidised by Homes England or Right to Buy receipts;
- Interest on borrowing;
- Management and maintenance costs; and
- Rent levels

4.2.4 The appraisal has shown that, over 30 years, the scheme has a negative Net Present Value of £308k, excluding the residual asset value.

4.2.5 As this falls outside of the normal HRA Business Plan financial assessment, a 40 year measure has been conducted. Over 40 years, the scheme has a Net Present Value of £747k.

4.2.6 Sensitivity analysis on the scheme has been conducted identifying the key variables which affect financial viability of the scheme. The output of this is detailed in Exempt Appendix B.

4.2.7 The Council instructed an independent financial review of the scheme by GL Hearn (Capita). The results of this review are detailed in Exempt Appendix B.

### **4.3 Legal**

4.3.1 Pursuant to the Section 1 of the Localism Act 2011 the Council has the power to do anything that individuals generally of full capacity may do. The scope of the General Power of Competence provided by Section 1 of the Localism Act 2011 confers on the Council the power to exercise such a power or otherwise for the benefit of the Council, its area or persons resident or present in its area

4.3.2 Whilst noting the importance of, and not to detract from, the value the Council may gain from the increase in available affordable rented accommodation, that position notwithstanding, it is noted that the report lacks from the benefit of a comprehensive business case, the absence of which may impact on Cabinet ability, to properly exercise its discretion as part of the decision making process and as a consequence may be open to challenge, given the proposed financial investment as outlined in Exempt Appendix B.

4.3.3 It is noted that Northampton Partnership Homes has pursuant to paragraphs 3.1.6 and 3.1.7 above, progressed a number of steps in connection with the proposed acquisition, none the less such steps in advance of Cabinet approval so to act, may, whilst being proactive and supportive of the Council's strategic priorities, such steps should only be undertaken, once Cabinet have had the opportunity to consider the proposed acquisition in full so that Cabinet as part of its decision making process can avoid issues of predetermination.

4.3.4 It is to be recommended that the Council establish a multi-disciplinary team which includes Housing, Legal, Finance, and Northampton Partnership Homes to monitor the progress of this acquisition so as to ensure a successful delivery of the Council's objectives as outlined herein.

4.3.5 Cabinet, as part of the decision-making process, has a duty to consider and co-operate with the West Northamptonshire Unitary Council.

#### **4.4 Equality and Health**

4.4.1 The action proposed in this report will help to improve the housing conditions and life chances of people with protected characteristics, including people with disabilities and families with children. They will therefore have a positive impact on Equality and Diversity.

4.4.2 Maximising the supply of new homes is part of the Council's commitment to improving communities and our town as a place to live.

4.4.3 When developing the Local Lettings Policy, the Council will have due regard to its Public Sector Duty and will continue to work to tackle discrimination and inequality and help to create a fairer society.

#### **4.5 Consultees (Internal and External)**

4.5.1 The Senior Management Teams of the Council and NPH have worked collaboratively on the proposed purchase of 85-89 Lion Court.

4.5.2 Consultation on the development proposal will be undertaken as part of the planning application.

#### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 The action proposed in this report will help meet 5 of the priorities in the Council's Corporate Plan 2019 - 2021:

- More homes, better homes
- Shaping place and driving growth
- Creating a thriving and vibrant town
- Spending your money wisely
- Putting the customer first

#### **4.7 Environmental Implications (including climate change issues)**

4.7.1 Although parking spaces are available in the scheme, the site's town centre location and the provision of secure bicycle storage is likely to reduce the need for car use.

4.7.2 NPH will work with the developer to produce a 'new home' pack (which will include energy saving tips for new residents) and encourage recycling in the recycling provision which will be included as part of the scheme's waste management policy.

## 4.8 Other Implications

4.8.1 There are no other implications.

## 5. Background Papers

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Corporate Plan 2019 – 2021

## 6. Appendices

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Appendix A: Site Plan of 85-89 Lion Court (edged in red)  
Appendix B: Exempt Appendix (Financial Information and Appraisal)  
Appendix C: Exempt Appendix (RICS Valuation of 85-89 Lion Court)

## 7. Next Steps

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7.1 If Cabinet approves the purchase of 85-89 Lion Court, the next steps are expected to be as follows:

<b>Date</b>	<b>Activity</b>
December 2020 – January 2021	Conclusion of due diligence
January 2021 – February 2021	Exchange of contracts
February 2021 – March 2021	Completion of purchase
April 2021 – May 2021	Tenants move in

**Phil Harris**  
**Director of Housing and Wellbeing**