

<b>Report to:</b>	Cabinet
<b>Lead Cabinet Member:</b>	Cllr John Batchelor – Lead Cabinet Member for Housing
<b>Lead Officer:</b>	Kirstin Donaldson – Service Manager - Acquisitions & Development
<b>Key Decision:</b>	Yes

## **Affordable Housing Acquisition – 33 no. New Homes, Cottenham**

### **Executive Summary**

1. In February 2024 the opportunity arose for the New Build Team to bid to acquire a further 33 new homes on the ‘Cottenham Grove’ site in Cottenham parish.
2. The site has received planning consent, and the affordable homes available for acquisition meet the requirements of the S106 Agreement.
3. SCDC are already the Registered Provider for the 10no. affordable homes on one of the initial phases of the development.
4. SCDC submitted a competitive tender bid to Redrow Homes in February 2024. The offer was caveated that it was subject to any outstanding planning matters and due political process.
5. Redrow Homes have confirmed on 1 March 2024 that SCDC are the preferred bidder.

### **Recommendations**

6. It is recommended that Cabinet approves this acquisition, authorising the Service Manager – Acquisitions and Development to proceed to contract with the developer (Redrow).
7. It is recommended the Cabinet approves the onward sale of the relevant Shared Ownership homes (4).

### **Details**

8. This acquisition is for a total of 33 no. new build affordable homes. The schedule of accommodation is as follows:

<b>TYPE</b>	<b>NO.</b>	<b>TENURE</b>	<b>STOCK CATEGORY</b>
1 bed maisonette	6	Affordable Rent	Flat
2 bed house	19	Affordable Rent	House
3 bed house	4	Affordable Rent	House
3 bed house	4	Shared Ownership	House

9. The figure negotiated with Redrow for the acquisition of the above homes can be found in Appendix A Table 1 column A.
10. The full cost of the acquisition to the HRA is comprised of the negotiated sum (column A) plus all legal and professional costs, HRA overheads, SDLT, loan repayment costs, and a sum allocated to contingency. This full appraisal cost can be found in Appendix A Table 1 column B.
11. This expenditure would be comprised of Right to Buy Receipts, shared-ownership receipts, cash reserves and borrowing. The application of Right to Buy Receipts and Shared Ownership Receipts is laid out in Appendix A Table 2. The use of cash reserves and borrowing will be dependent upon the delivery programme, and the availability of internal borrowing at key payment dates.
12. This acquisition will be paid off in a maximum of 35 years, in line with the policy laid out in the New Build Council Housing Strategy (revised 2023).
13. The New Build Council Housing Strategy (revised 2023) set the target for the delivery of new council homes for 2023-24 and 2024-25 at 75 per year. The New Build Team currently deliver new homes via a process of S106 Acquisition, and 'Direct Delivery' on land currently owned by the Council.
14. Given the nature of the land held within the HRA, the process of direct delivery is slower and lacks the potential to deliver affordable homes at the scale required to meet the need and demand demonstrated by the Housing Register.
15. To meet local demand S106 Acquisition is currently the primary means by which the New Build Team are delivering affordable homes.
16. S106 Acquisitions are affordable homes that have been permissioned by the Local Planning Authority, the tenure mix having been agreed in consultation with the Housing Strategy Team.
17. Because the homes acquired in this way have already received planning consent, there is little scope for changing the specification of the homes acquired.
18. The majority of the affordable homes on this site will be completed in 2025-26.
19. Regarding the acquisition of S106 properties, SCDC have been advised by Freeths that the developer (in this instance Redrow Homes) have the extent of

'Exclusive Rights' sufficient to mean that SCDC may contract with them under the 'negotiated procedure without prior publication' without a competitive process under regulation 32 (b) iii of the Public Contracts Regulations 2015.

20. SCDC Procurement Manager advises: *"The developer has exclusive rights and so Section 32 (b) iii of the regulations would apply. This means that you are able to enter to into a contract with the party that has exclusive rights."*

21. Public Contracts Regulations state:

"Where the works, supplies or services can be supplied only by a particular economic operator for any of the following reasons:

- (i) the aim of the procurement is the creation of acquisition of a unique work of art or artistic performance;
- (ii) competition is absent for technical reasons;
- (iii) the protection of exclusive rights, including intellectual property rights"

## Reasons for Recommendations

22. SCDC's Business Plan set the ambitious target to double the number of New Build Affordable Homes built annually.

23. Prior to the submission of bids for this site a full financial appraisal of this was undertaken which has been approved by Finance.

24. The scheme can be considered value for money in that it pays off in 35 years – within the limit of 45 set in the New Build Council Housing Strategy (revised 2023).

## Options

1. Cabinet could approve this acquisition and authorise the Service Manager to proceed into contract and authorise the onward sale of shared ownership properties.
2. Cabinet could reject this acquisition.

## Implications

25. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

## Financial and Fraud Risk

26. Since the approved Capital Programme was published in February 2024, SCDC has accepted additional funding from the LAHF (Local Authority Housing Fund) of £1,868,000 for 10 more homes. £4,370,000 has been allocated for the acquisition of these homes. The current unallocated budget for New Build is £90,550,000

(ninety million, five hundred and fifty thousand pounds) over the next five years. This equates to £18,110,000 per year. This acquisition is therefore within our capital programme budget.

27. As stated above, 30% of this acquisition is to be funded by Right to Buy receipts. Failing to acquire new affordable housing risks failing to spend these receipts, which would be required to be returned to the Treasury with interest.

## **Legal**

28. Please see paragraph 19 above. Regarding S106 Housing Acquisitions, Freeths have advised that in such instances as these the developer have the extent of 'Exclusive Rights' sufficient to mean that SCDC may contract with them under the 'negotiated procedure without prior publication' without a competitive process under regulation 32 (b) iii of the Public Contracts Regulations 2015.

## **Risks/Opportunities**

29. All commercially based investments and/or developments involve risk, and at each stage of the process the commitments made will be at risk as there can be no guarantee that the investment will be secured, or a fully successful development will be achieved. Moreover, the timing of the exercise can also be a critical factor in achieving optimum success, particularly in terms of market conditions, the state of the national economy and levels of investment confidence within the development industry.
30. There is a low-level risk in the current economic climate that development and construction companies could enter administration owing to rising costs. This risk is far greater for small firms, and unlikely in this instance. SCDC will undertake financial checks on development partners prior to contracting.
31. Owing to supply chain issues facing the construction sector there is a small risk that the longstop date for delivery could be exceeded. SCDC mitigate against this possibility in the contract which allows us to charge for any losses (rental income) incurred by such a delay.
32. Generally speaking, investment in property in this area is sound, particularly where there is no intention for onward sale (affordable rent).
33. Owing to the high value of market properties in South Cambridgeshire we have generally found that Shared Ownership properties which provide an affordable route to home ownership perform well in this area. To ensure quick sale of these properties and return of Capital Receipts, the New Build Team have procured and instructed a sales partner to sell these properties "off plot" where possible. In the unlikely event that we are unable to sell a shared ownership property, we could apply to the LPA for a Deed of Variation to switch its tenure to Affordable Rent, allowing us to recover a rental income.

## **Consultation responses**

34. The Lead Member for Housing has been consulted and is supportive of this proposed acquisition.
35. The Local Ward Members have also been consulted. Councillor Wilson has provided the following feedback: *'The already acquired homes on this development have created a lot of interest from residents on local social media. When these additional homes become available, I'm sure that the residents will be very pleased at the opportunities for affordable housing that they will offer'*

## **Alignment with Council Priority Areas**

### **Housing that is truly affordable for everyone to live in**

36. This acquisition will actively contribute to the Council's Business Plan commitment to deliver more affordable homes. It is important to us that we deliver new homes where people want to live, and this means delivering in our existing communities as well as at our strategic sites.

## **Appendices**

Exempt Appendix A – Acquisition Costs – 33no. Affordable Homes Cottenham

### **Report Author:**

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