



<b>Report for:</b> <b>ACTION</b>
<b>Item Number:</b>  11

<b>Contains Confidential or Exempt Information</b>	Yes – in part. Appendices 1 and 2 are exempt from disclosure by virtue of paragraph 10.4(3) of the Access to Information Procedure Rules
<b>Title</b>	Broadway Living, 301 Ruislip Road Approval
<b>Responsible Officer(s)</b>	Pat Hayes – Executive Director for Regeneration and Housing
<b>Author(s)</b>	Dave Baptiste – Head of Housing Development
<b>Portfolio(s)</b>	Housing
<b>For Consideration By</b>	Cabinet
<b>Date to be Considered</b>	14 <sup>th</sup> February 2016
<b>Implementation Date if Not Called In</b>	27 <sup>th</sup> February 2017
<b>Affected Wards</b>	
<b>Keywords/Index</b>	Ruislip Road, Broadway Living, Private Rent, Affordable housing

**Purpose of Report:**

To request approval for the Council to provide funding to Broadway Living by way of loans for the purchase of 32 homes by Broadway Living at Ruislip Road, Greenford for intermediate rent.

**1. Recommendations**

It is recommended that Members:

- 1.1 Note that Cabinet has previously authorised the disposal by the Council of 32 units at 301 Ruislip Road to Broadway Living by way of a long lease on the basis set out in paragraph 1.4 below.
- 1.2. Authorise the Executive Director of Corporate Resources to negotiate and enter into funding arrangements with Broadway Living including a funding agreement to fund Broadway Living to purchase 32 homes at 301 Ruislip Road, Greenford UB6 9SE, on the basis of the proposed terms which are explained in the draft report attached at Confidential Appendix 1.
- 1.3. Note the Council will be funding Broadway Living for this purchase via:
  - A loan of £6.829m from the Council, which the Council will be funding through borrowing; and
  - Share issue from Broadway Living to the Council valued on the basis of the attributable net assets, taking into account the market value of the properties less the debt finance

- 1.4. Note the loan of £6.829m comprises of:
  - £6.500m for purchase of 32 units at Ruislip Road
  - £0.329m for associated on costs incurred by Broadway Living
- 1.5. Approve the capital receipt for HRA purposes, through a capital contribution to the HRA capital programme from the General Fund to the value of £6.500m.

## **2. Reason for Decision and Options Considered**

- 2.1. Since the Housing Commission report approved at Cabinet on April 24<sup>th</sup> 2012, the Council has been developing and refining its plans for regeneration and new development. The Council wishes to build more new homes over a range of tenures, including affordable and private rent, to assist in meeting the housing demand in the borough, and the commitment is to provide at least 500 new Council homes in the next 5 years.
- 2.2. Following approval from Cabinet in October 2013, the Council has incorporated a wholly owned subsidiary called Broadway Living (BL) whose objectives are to offer a complementary delivery vehicle for new Council owned homes outside the Housing Revenue Account (HRA). BL is a wholly owned subsidiary of the Council and the Council is therefore the sole shareholder. One of the key objectives of the Council is to offer a diverse range of housing tenures to meet housing demand.
- 2.3. As part of the Council's objective to build more homes for a variety of tenures it entered into an innovative contract with Hill Partnerships (Hill's) in March 2014. The Council provided land (mainly disused sites and garage courts) and the agreement was for Hill to build out a mixture of private and affordable homes for rent, using the sales profit on the sales homes to pay for the construction of the affordable homes. Ruislip Road was one of these sites that were included in the Hill's agreement with the Council.
- 2.4. The development at Ruislip Road has a total of 50 homes, 18 are for open market sale by Hills and the remaining 32 are currently retained by the Council. In March 2016 cabinet authorised the disposal of the 32 homes to Broadway Living under a long lease for intermediate rent subject to Broadway Living securing funding. As Broadway Living has the majority share of the new homes, it has been agreed that Broadway Living will take responsibility for the external management and maintenance of the shared roads, car parking and landscaping areas within the development. The occupiers of the Hill's sale homes and Broadway Living homes will be separately responsible for any services internally in their respective homes, for example communal cleaning. See site plan at Appendix 3
- 2.5. At the March 2016 Cabinet meeting members also agreed the recommendation below:

*To note the principle of the Council lending Broadway Living approximately £7m on a commercial basis through prudential borrowing, to enable Broadway Living to pay the HRA a proportion of the market value of the 32 intermediate properties to be transferred; and issue shares in the company to reflect the*

*proportion of the market value of the properties that is not covered by the cash payment. A further report will be brought back to Cabinet to approve the final terms of the funding agreement with Broadway Living.*

- 2.6. The viability of the intermediate rent homes at Ruislip Road has been assessed using the same appraisal criteria used for Eastcote Lane, Copley Close and Abbots Road, as set out in the October 2013 and April 2016 cabinet report that approved the transfer of land for 76 homes to Broadway Living for the Copley Close development.

### **3. Key Implications**

#### **Management Arrangements for the Broadway Living intermediate rent homes**

- 3.1. Bell Management Ltd manages BL's existing properties at Eastcote Lane and Abbots Road. There is a discount available to BL for having more homes in management. It is proposed that Bell Management will also manage the homes at Ruislip Road.
- 3.2. This will ensure a consistent, high quality service to all of BL's tenants protecting the reputation of the business.

#### **Leasehold management arrangement for all the homes in the development**

- 3.3. The management of the wider development at 301 Ruislip Road will be carried out by Broadway Living (see 2.4 above) as a term of its lease with the Council. Broadway Living will then charge the private occupiers for their share of the charges (based upon a square foot apportionment).
- 3.4. The management of the leasehold services will also be carried out by Bell Management Ltd following a negotiation process by Broadway Living and Hill's.

#### **Legal and Funding arrangements for Broadway Living**

- 3.5. Subject to Cabinet approval, the Council will enter into a number of legal agreements with Broadway Living for the purchase of the homes and the funding facility:
  - 3.5.1. The contract for the sale of the leasehold interest in Ruislip Road sets out the purchase price and other matters dealing with the agreement to sell the land. The lease will also be entered into on completion of the homes.
  - 3.5.2. The terms of the loan will be set out in a funding agreement and will include the amount of the loan, the interest payable and each party's obligations. The Council will also enter into a debenture for Ruislip Road which is a charge that protects the Council's loan.
  - 3.5.3. The development will be valued and the payment split into two elements, cash and shares (see below for further detail). The Council will receive these shares by way of a share certificate. Broadway Living will provide a certificate to say it has made the allotment of these shares and that this is lodged with Companies House.

#### **4. Financial**

- 4.1. The proposal is for the Council to enter into a contract with BL for the transfer of the 32 homes for intermediate market rent.

The payment for the purchase is split into two elements:

1. Cash for the construction cost element and on costs; and
2. An issue of shares in the company valued on the basis of the attributable net assets taking into account the market value of the properties less the debt finance

Once funding has been secured Broadway Living will then be purchasing the 32 units from the Council (General Fund)

A capital receipt contribution from the General Fund to the HRA will be made to the value of the construction costs of the assets which is £6.500m

The receipt will be committed to reinvestment into the HRA New Build Capital Programme

Further financial implications are in Confidential Appendix 2.

#### **5. Legal**

- 5.1. The land on which the properties are built is held within the General Fund and therefore Secretary of State consent is not required for disposal.

- 5.2. The Council and Broadway living will enter into three documents as outlined at paragraph 2.5. In this regard:

- 5.3. The contract for the sale of the leasehold interest in Ruislip Road sets out the purchase price which will be payable by Broadway Living to the Council on completion of the lease by way of a payment equating to construction (and associated) costs and the issue of shares in Broadway Living. The cash element of the purchase price will be loaned to Broadway Living under a loan agreement that is secured by way of a debenture (see paragraph 4.2.3 below);

- 5.4. The lease will be completed ten working days after the later of (1) practical completion of the Property and (2) provision by the Council of the required handover information. The lease is for 125 years and reflects the terms of the lease of the remainder of Ruislip Road which has previously been granted to Hill Partnerships by the Council. The key difference is that Broadway Living takes a lease of the balance of the estate and with it, assumes responsibility for the provision of management services across the estate. A fair proportion of these costs will be payable by the Council to Broadway Living and recoverable by the Council under its lease to Hill;

- 5.5. The terms of the loan will be set out in a funding agreement that reflects the terms previously agreed between the parties in relation to Eastcote Lane. The Council will also enter into a debenture for Ruislip Road which is a

charge that protects the Council's loan. In order to simplify the security arrangements, this will in due course supersede the debenture that exists over Eastcote Lane when it is released. Please refer to the confidential report on the documentation attached at Appendix 1.

5.6. The Council can rely upon the general power of competence in s.1 Localism Act 2011 or s.24 Local Government Act 1988 to make a loan to Broadway Living for the purpose of delivering PRS housing.

## **6. Value for Money**

- 6.1. Obtaining value for money on the construction contract was through the procurement process, and the Council were able to demonstrate this in their approvals to enter into the Hill Partnership contract.
- 6.2. The Directors of the BL have a duty to ensure they achieve best value for the company.

## **7. Sustainability Impact Appraisal**

- 7.1. The buildings have been designed, and constructed using the best modern practices, materials and techniques, and this will result in dramatically reduced energy and water use compared to an existing traditionally built house of the same size. In addition, the proposed construction method requires significantly lower CO2 production than traditional methods.

## **8. Risk Management**

- 8.1. Scheme Viability – an appraisal has been carried out for the preferred option and the scheme is viable using our current assessment criteria.

## **9. Community Safety**

- 9.1. The new homes are built to comply with secure by design guidelines and planning requirements to ensure that modern homes are safe and secure.

## **10. Links to the 6 Priorities for the Borough**

- 10.1. Broadway Living supports the council's priorities in the following ways:
- 10.2. *Prosperous*: Broadway Living provide affordable high quality housing in line with this priority. The provision of mixed tenure housing will provide the conditions for growth in the borough.
- 10.3. *Safer*: The properties have been built to Secure by Design standards, which will contribute to residents' safety both in new homes and the surrounding area.  
*Cleaner*: The new homes under Broadway Living will be well managed improving environment of private sector housing in Ealing. More energy efficient homes will make a positive contribution to reducing CO2 emissions.
- 10.4. *Fairer*: The use of cross-subsidy in this development is an efficient use of resources to provide maximum benefits to the residents of Ealing
- 10.5. *Healthier*: The homes are built to lifetime homes standards, which provide the basis for easy adaptability to suite a range of disabilities within a household, and enable more support and care to be provided to help residents maintain their health and wellbeing.

## **11. Equalities, Human Rights and Community Cohesion**

11.1. An initial equalities impact assessment has been carried out with regard to development of the schemes for building the new Council house schemes. There are no additional equality implications arising from the decision to transfer the properties to Broadway Living.

## **12. Staffing/Workforce and Accommodation implications:**

12.1. None

## **13. Property and Assets**

13.1. The properties are part of the General Fund and Cabinet has previously agreed to dispose of them.

## **14. Any other implications:**

14.1. None

## **15. Consultation**

15.1. None.

## **16. Timetable for Implementation**

Sale agreement for leasehold interest, funding agreement and lease will all be entered into on completion of the homes in April 2017.

## **17. Appendices**

17.1. Confidential Appendix 1 Report on Documentation

17.2. Confidential Appendix 2 Financial Advice

17.3. Appendix 3 Site Plan

## **18. Background Information**

- Cabinet report October 2013 - Housing Development Delivery Options
- Cabinet report 27 November 2012 – Council House building update
- Cabinet report 23 July 2013 – Housing Regeneration update
- Cabinet report 22 March 2016 – Housing Regeneration and New Build Update

## Consultation

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
<b>Internal</b>				
Paul Najsarek	Chief Executive	19/01/17	19/01/17	
Jackie Adams	Director, Legal Services	03/01/17	02/02/17	5. Legal
Rahima Jahan Ali	Senior Finance Business Advisor (Housing and Regeneration)	03/01/17	02/002/17	4. Financial
Chris Neale	Strategic Finance Partner (Accountancy)	29/01/17	02/02/17	4. Financial
Ross Brown	Director of Finance	03/01/17	02/02/17	4. Financial
Julian Bell	Leader	31/01/17	31/07/17	
<b>External</b>				

## Report History

<b>Decision type:</b>	<b>Urgency item?</b>
Key decision	No
Report no.:	Report author and contact for queries:
	Dave Baptiste – Head of Housing Development