

<b>CABINET</b>	<b>DATE</b> 24 July 2018	<b>ITEM NO</b> 6
<b>TITLE:</b> Disposal of Three Sites to Pocket Living	<b>WARD (S)</b> <ul style="list-style-type: none"> <li>• Charlton</li> <li>• Blackheath Westcombe</li> <li>• Greenwich West</li> </ul>	
<b>LEAD OFFICER:</b> <ul style="list-style-type: none"> <li>• Director of Regeneration, Enterprise &amp; Skills</li> <li>• Director of Housing and Safer Communities</li> </ul>	<b>CABINET MEMBER</b> Housing	
<b>DECISION CLASSIFICATION</b> <ul style="list-style-type: none"> <li>- Key</li> <li>- Non-exempt</li> </ul>	<b>FINAL DECISION</b> To be made at this meeting on the recommendations in this report	
<ul style="list-style-type: none"> <li>- 28 Days' notice Issued? Yes</li> </ul>		

## **I Decision required**

This report makes the following recommendations to the decision-maker:

- I.1 Agree in principle to the disposal of three sites to Pocket Living Limited, subject to the outcome of consultations with tenants and leaseholders.
- I.2 Note that subject to agreement this will deliver approximately 150 intermediate affordable homes and approximately £100,000 to £130,000 in Council Tax yield.
- I.3 Agree that 20% of the receipt will be for public realm improvements in the immediate estate (proportionate to the value of the receipt for each site).
- I.4 Agree that 80% of the receipt will be used to deliver new Council built and managed homes.
- I.5 Agree to report on consultation with those tenants and leaseholders of the Council potentially affected by the proposal.
- I.6 Delegate authority to report on the consultation to the Director of Housing and Safer Communities in consultation with the Cabinet Member
- I.7 Delegate authority to agree detailed terms for each disposal to the Director of Regeneration, Enterprise and Skills, in consultation with the Cabinet Member and taking consideration of the consultation.

- 1.8 Agree to treat the information presented at Exempt Appendix I as exempt under the provisions of the Local Government Act 1972, Schedule 12A on the basis of 3) Information relating to the financial or business affairs of any particular person (including the authority holding that information).
- 1.9 Agree that the exempt information, presented at Exempt Appendix I is not subsequently released to the press or public.

## **2 Links to the Royal Greenwich Strategy**

- 2.1 This report relates to the following Council objectives from the Greenwich Corporate Plan 2014 - 2018:
- Promote economic prosperity
  - Ensure a healthy and safe living environment
  - Support and protect children and families in need
  - Social care and health
  - Housing

## **3 Purpose of Report and Executive Summary**

- 3.1 This report recommends the disposal of three sites to Pocket Living Limited (“Pocket”) to deliver approximately 150 affordable homes
- 3.2 Disposal of the sites to Pocket would offer an opportunity to secure three new developments that will provide 100% intermediate affordable housing for sale to first-time buyers who live or work in the borough and whose income is up to £90,000 per annum and note that 70% of Pocket purchasers have incomes of less than £40,000.
- 3.3 The sites are located on Council housing estates and are not considered to be in optimal use as they are currently used as car parking and garages.
- 3.4 Disposal of the sites would result in some loss of amenity to secure tenants of the Council and, in such circumstances; legislation requires local authorities to consult with tenants. This report seeks authority to report on the consultations.
- 3.5 As the anticipated capital receipt for each site exceeds £100,000, any disposal will require approval by Cabinet in accordance with the Scheme of Delegations in the Council’s constitution.

## 4 Introduction and Background

- 4.1 Pocket approached the Council to express an interest in developing small to medium sized developments of one bedroom affordable homes with a 20% discount and a restrictive covenant that controls the future affordability of the homes in perpetuity. Pocket was created in 2005 and since then has secured significant loan funding from the £51.6m from GLA (since 2013) and £35m from the Homes & Communities Agency.
- 4.2 Pocket have confirmed that they are signed up to the London Living Wage. They have also confirmed that they provide homes that are equivalent to Code for Sustainable Homes Level 4. Pocket homes will also be excluded from the ability to opt into a CPZ and this will be included within the S106 agreement.
- 4.3 Appendix I to this report provides a map showing the London boroughs where they have delivered completed developments, are in construction or in pre-construction stages.
- 4.4 The following statistics have been provided by Pocket:
- Across London the average Pocket buyer is 32 years old
  - 70% of Pocket buyers earn less than £40,000
  - Approximately 50% of Pocket buyers work in the public and charitable sectors
  - Approximately 50% of Pocket buyers use Help to Buy (a government scheme aimed at helping people to become home owners)
  - To date, 764 homes have been completed or are currently under construction
  - Pocket is working with over half of London's local authorities to deliver affordable intermediate housing
- 4.5 Following discussions, three sites have been identified as being potentially suitable for development by Pocket.
- 4.6 The sites are held in the Housing Revenue Account and are currently in use as parking and garage areas on RBG housing estates in the following locations:

<b>Site</b>	<b>Comments</b>
The Heights, Charlton (The Heights Estate)	Site extends to approximately 1,200 m <sup>2</sup> , shown for identification purposes edged red on Plan I in

	<p>Appendix 2 and in the site photos in Appendix 3</p> <p>Pocket's appraisal of the site indicates that, subject to planning, it would be suitable for a four-storey development comprising 45 one-bedroom units.</p>
<p>Kidbrooke Park Close, Kidbrooke (Kidbrooke Park Estate)</p>	<p>Two parcels of land extending to approximately 2,100 m<sup>2</sup>, shown for identification purposes edged red on Plan 2 in Appendix 2 and in the site photos in Appendix 3.</p> <p>Pocket's appraisal of the site indicates that, subject to planning, it would be suitable for two three-storey blocks comprising a total of 46 one-bedroom units.</p>
<p>Quince Road, Lewisham (Orchard Estate)</p>	<p>Site extends to approximately 1,250 m<sup>2</sup>, shown for identification purposes edged red on Plan 3 in Appendix 2 and in the site photos in Appendix 3.</p> <p>Pocket's appraisal of the site indicates that, subject to planning, it would be suitable for a six-storey development comprising 60 one-bedroom units.</p>

- 4.7 Pocket developments consist primarily of one-bedroom flats with a floor area of approximately 38 square metres. This is slightly above the space standard set out in the London Plan for one-bedroom one-person dwellings with shower rooms rather than bathrooms, which is 37 square metres.
- 4.8 Pocket aims to maximise use and provide a sense of space, by incorporating the following features into the design:
- Oversized windows
  - Hallway & storage space
  - Separate bedroom with space for a double bed
  - Wet room

- 4.9 Pocket homes are built for sale on a long leasehold basis and are classified as intermediate affordable housing. Pocket buyers own 100% of their homes; there is no shared equity.
- 4.10 Annex 2 of the National Planning Policy Framework (NPPF) includes a definition of affordable housing which was also incorporated into the current London Plan 2016. The draft London Plan issued in December 2017 also includes the same definition as the adopted London Plan. The definition is:
- 4.10.1 *'Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.'*
- 4.10.2 *'...Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.'*
- 4.11 The recent consultation for the NPPF in March 2018 has created a revised definition of affordable housing, which provides an additional definition; 'Discounted Market Sales Housing' as follows:
- 4.11.1 *'Discounted Market Sales Housing is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and house prices. Where provisions are in place for the homes to remain at a discount for future eligible households.'*
- 4.12 Pocket ensures that its homes qualify as affordable housing under the current NPPF/London Plan and the draft London Plan and NPPF definitions by satisfying the three key criteria:
- 4.13 Restricted eligibility  
Pocket Homes are available only to first-time buyers, with no other property interests, who live or work within the borough where the development is situated and whose earnings are below the affordability threshold for intermediate housing, which is currently up to £90,000 per annum albeit 70% of Pocket buyers have incomes of less than £40,000

- 4.14 Provisions in place for properties to remain at an affordable price  
Pocket homes cannot be sold within the first year of ownership and restrictions in the lease ensure that owners can only sell their homes to purchasers who meet the eligibility criteria. This ensures that the homes remain affordable in perpetuity and available to the target group. Subletting is prohibited other than in very exceptional circumstances of hardship. Pocket undertakes an annual verification check to ensure that owners are actually in occupation of their homes.
- 4.15 Cost below market levels  
Pocket's mechanism for ensuring that homes are affordable to the target group is to discount sale prices by a minimum of 20% compared to similar properties for sale in the locality. As all of the flats within the development are offered for sale on this basis, each development provides 100% affordable housing.
- 4.16 In August 2017, The Mayor of London invested agreed additional loan funding of £25m (taking the total GLA loan investment to £51.6m) to Pocket to help secure the provision of at least 1,059 new homes by March 2021. A third of these units are expected to be built using modular construction, a process that involves building 'modules' off-site in controlled conditions and transporting them to site for final assembly.

## **5 Consultation**

- 5.1 Section 105 of the Housing Act 1985 provides that the Council must consult with those of its secure tenants who are likely to be substantially affected by a matter of 'housing management'.
- 5.2 It is for the Council to determine what constitutes 'housing management', but it is clear that a change of amenity would result if the Council were to dispose of areas of land that have historically been used for parking and garages. In addition, the associated works or capital receipts may improve a number of other amenities available to residents – play areas, community gardens and landscaping.
- 5.3 Consultation must be undertaken when proposals are still at the formative stage and sufficient time and reasons are given to those being consulted to enable them to provide a meaningful response and for those responses to be considered as part of the decision-making. 28 days is generally considered as reasonable and is consistent with the Councils general approach to consultation exercises.

- 5.4 The Council does not have a duty to consult with leaseholders but it would be good practice to do so particularly as these homes will require planning consent and the consultation exercise may highlight the kind of representations that may be made in respect of any planning application.

## **6 Available Options**

### **6.1 Retain Sites in Existing Use**

- 6.1.1 The Council could choose to do nothing and retain the sites in their existing use. This would result in a missed opportunity to optimise the use of the sites and is not recommended.

### **6.2 Dispose of Sites on the Open Market**

- 6.2.1 The sites could be offered for sale to private developers on the open market. If this option is pursued, the Council could secure a capital receipt and there would be an opportunity to secure policy compliant affordable housing via the planning process. Under current policy, the maximum amount of affordable housing achievable would be 35%.

### **6.3 Develop Sites under LA New Build Scheme**

- 6.3.1 The Council could develop the sites itself via the Local Authority New Build programme. This option would provide 100% affordable housing but would be subject to the availability of funding and would not generate a capital receipt to the Council.

### **6.4 Dispose of Sites to Pocket Living**

- 6.4.1 Disposal of the sites to Pocket would generate a capital receipt to the Council and provide 100% affordable housing comprising an estimated 151 intermediate affordable one-bedroom units.
- 6.4.2 The estimated number of units is based on Pocket's initial appraisal of the sites. Disposals will be subject to Pocket securing planning permission on each of the sites and unit numbers may increase or decrease following detailed discussions with RBG planners and submission of formal planning applications.

## **7 Preferred Option and Reason for Recommendations**

- 7.1 Option 6.4 is the preferred option for the following reasons:
- Land use will be optimised and 100% intermediate affordable housing will be delivered on the sites.
  - A capital receipt will be generated.

- The risk to RBG will be minimal because the Council will have no direct involvement in funding or delivering the developments once the sites have been sold to Pocket.

## **8 Next Steps: Communication and Implementation of the Decision**

- 8.1 If recommendations 1.1 to 1.9 are agreed, the following actions will be taken:
- 8.2 Tenants and leaseholders on the three affected estates will be consulted about the proposed disposals.
- 8.3 Subject to the outcome of the consultations, detailed terms will be negotiated with Pocket to secure the best consideration reasonably obtainable.
- 8.4 The agreed terms (which will be on a subject to planning basis) will be reported to the Director of Regeneration, Enterprise and Skills for final approval in consultation with the Cabinet Member.

## **9 Comments of the Director of Housing and Safer Communities**

- 9.1 For all three sites, lack of adequate parking provision has become a major issue. Consequently, proposals that reduce parking are likely to be met with some opposition. The only parking control measures in place at present are in respect of Quince Road where a CPZ between the hours of 12 and 2 pm has been introduced, and an extended CPZ at Kidbrooke Park Close. The Director of Housing and Safer Communities would need to consider options for managing the parking on the affected estates. At present estate, residents are not charged for parking within the estate.
- 9.2 There is significant demand for affordable housing in all three sites. Consideration can be given in the consultation as to whether first refusal can be given to residents affected by the development.
- 9.3 Quince Road SE13: Part of the proposed site for disposal includes underground garages. 50% of those garages are in use and with a waiting list for the remainder once they have been repaired. Should a decision to dispose be made and following the statutory consultation with tenants, Notice to quit the garages would need to be served on the users. The lettings are non-secure and therefore there is no right of use for the garages. It may be necessary however to obtain a possession order through the courts should any tenants refuse to vacate. There are also other amenities on this estate, such as the communal garden, that may benefit from investment.

- 9.4 The Heights: The Council has invested significant amounts of money improving the properties at The Heights and plans to conclude the work with environmental improvements. Planning approval has been obtained by Goundworks and includes part of the site under consideration for disposal to Pocket Living. There is a current expectation by residents that parking facilities will form part of the improvements. The consultation exercise will look at how existing proposals can be improved through the use of capital receipt to improve parking availability across the area of the whole estate.
- 9.5 Kidbrooke Park Close: 50% of the garages are in use. Should a decision to dispose be made and following the statutory consultation with tenants, Notice to Quit the garages would need to be served on the users. The lettings are non-secure and therefore there is no right of use for the garages. It may be necessary however to obtain a possession order through the courts should any tenants refuse to vacate.

## 10 Cross-Cutting Issues and Implications

Issue	Implications	Sign-off
<p><b>Legal</b> including Human Rights Act</p>	<p>Section 1 of the Localism Act 2011 grants to the Council a general power of competence that enables it to do anything an individual may do although the proper exercise of this power is still subject to those limitations that existed before the coming into effect of that section.</p> <p>The important limitation in these circumstances is that, under s123 of the Local Government Act 1972, the specific consent of the secretary of state to the terms of the transaction is required unless the consideration for the disposal is the best consideration reasonably obtainable. In the opinion of the Council's agents involved in negotiating this transaction (given at paragraph 6.4.1 and 6.4.2 of the confidential appendix) this requirement to achieve the best consideration reasonably obtainable will be satisfied.</p>	<p>Eleanor Penn, Assistant Head of Legal Services, 26/06/2018</p>

	<p>The Council must be satisfied that its resources in its stewardship are being used correctly and are value for money for the Council. Although the terms of the proposed disposals come within the terms of the General Disposal Consent, the decision to use the Council's powers in granting such disposals is subject to an overarching requirement to comply with the obligations arising out of the Council's fiduciary duty. This duty to local taxpayers concerning the stewardship of public monies and assets is to ensure that Council resources are used economically and efficiently.</p> <p>The report notes that tenants Council and leaseholders of the Council are likely to be affected by the proposal. The framework for consulting with them is set out in paragraph 5 of the report. Failure to consult appropriately could result in a successful challenge of the Council's final decision.</p> <p>Cabinet is authorised to make the decision requested in this report pursuant to Part 3 of the Council's Constitution.</p>	
<p><b>Finance</b> and other resources including procurement implications</p>	<p>Cabinet is requested to agree in principle to the disposal of three sites to Pocket Living Limited and to delegate authority to agree detailed terms for each disposal to the Director of Regeneration, Enterprise and Skills, in consultation with the Cabinet Member and taking in to consideration the consultation outcomes.</p> <p>Cabinet is also requested to agree to delegate authority to report on the consultation to the Director of Housing and Safer Communities in consultation with the Cabinet Member.</p>	<p>Jason Coniam, Senior Principal Accountant 21/06/2018</p>

	<p>Cabinet is asked to agree that any potential HRA disposal receipt which could be realised from this proposal is split at follows:</p> <ul style="list-style-type: none"> <li>• 20% Public Realm Improvements</li> <li>• 80% Delivery of new affordable homes</li> </ul> <p>In taking this decision, the Director of Regeneration, Enterprise and Skills will take account of the relevant Secretary of State guidance in respect of disposals.</p> <p>In considering the utilisation of the potential disposal receipt in the delivery of new affordable homes, under current regulations the potential receipt will not be able to be used alongside RTB receipts and help support the funding of the RTB programme.</p> <p>This report does constitute a key decision and will not impact on any other budgets or resources.</p>	
<b>Equalities</b>	<p>The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no apparent equality impact on end users.</p>	<p>Gary Stevens, Valuer</p>

## 11. Report Appendices

11.1 The following documents are to be published with and form part of the report

- Appendix 1 – Map showing Pocket developments across London
- Appendix 2 – Site Plans
- Appendix 3 – Site Photographs
- Exempt Appendix 1 – Indicative Site Values

### Background Papers

None

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