



Havering
LONDON BOROUGH

HAVERING COUNCIL HOUSING REGENERATION PROGRAMME

*The Business Case
for a Joint
Venture Vehicle to
deliver the
Regeneration of
12 HRA Sites*

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EXECUTIVE SUMMARY

1. Introduction – Objectives of the Business Case

The London Borough of Havering is seeking to establish the viability of estate regeneration on 12 sites currently vested in the Housing Revenue Account (HRA). These being:

- Brunswick Court
- Delderfield House
- Dell Court
- Delta Estate
- Farnham & Hildene
- Maygreen Crescent
- Napier and New Plymouth House
- Oldchurch Gardens
- Royal Jubilee Court
- Solar, Serena & Sunrise Courts
- Waterloo Estate
- Queen Street

The objectives of this business case are to establish the following:

- Whether an estate regeneration programme delivers the Council's core strategic objectives.
- Whether the Housing regeneration schemes are viable and offer a value for money solution for the sites.
- If the schemes are deliverable.
- How they affect local residents and homeowners, the scope and nature of the 'local offer' to gain local support for such as scheme.
- The preferred vehicle to deliver the Council's objectives.
- The most appropriate procurement route.
- To enable the Council to decide whether to proceed with the programme.

The work carried out to date has highlighted the types of stakeholders the Council may wish to involve in the development process, the information required to assess viability and the private sector requirements in terms of commitment to invest and deliver.

An additional benefit of this business case is that it will establish a suite of documents, a financial model structure, a set of development assumptions, a range of procurement options, risks and issues that may be used to inform the potential for other estate regeneration projects around the Borough.

2. Council objectives for this project

The Council has established objectives for the regeneration project that are set out below:

- To contribute to meeting the wider housing needs of Havering through the regeneration and transformation of the Council's existing stock for predominantly residential use.
- To provide a choice of good quality housing for people at all stages of life, increasing tenure diversity through affordable rent, shared ownership, private rent, market sale and extra care sheltered housing.
- To deliver high quality residential led development that is commercially viable and generates receipts for cross subsidy to ensure the programme is sustainable.
- To achieve development returns, income and/or a range of secure revenue streams for the Council through re-provision of all Housing Revenue Account (HRA) stock lost through redevelopment with new HRA stock matching the existing tenure.
- Where viability permits, the developments should also aim to deliver additional HRA rented units to the level of existing stock on estates previously purchased under the Right to Buy scheme.
- Where viability permits, the developments should also aim to deliver additional affordable housing being up to 30% of all additional units above existing all tenure stock levels, thereby achieving over 40% affordable housing across the 12 sites. This additional affordable housing target tenure split to be equal numbers of HRA rented and shared ownership dwellings.
- Help mitigate the homelessness pressures in the General Fund by providing increased affordable housing numbers.
- Improve the viability within the Asset Management Strategy by reducing the cost of maintaining existing poor viability buildings.
- Land is expected to remain in Council ownership except any freehold properties built for outright sale.
- Where tenants and leaseholders wish to move back to a site, and there is suitable accommodation to meet their needs, they will be able to do so.

The overall objective of the 12 Site Regeneration Programme is to broaden and enhance the range, quality and quantity of housing across all tenures for existing and new residents, whilst also supporting the provision of facilities and services necessary to support growing communities.

In October 2016 it was reported to Cabinet that officers would start the procurement of the PSDP via a process called competitive dialogue. The proposals have been fully supported by the Greater London Authority (GLA) who has confirmed a £30.2million grant under the 2016-21 programme. A further application for site assembly costs of £2.7million is pending.

The realisation of all the key principles and objectives will be reliant on the provision of legitimate and attractive financial settlements to encourage existing freeholders and leaseholders to participate in the programme.

3. Strategic Context

In light of the above principles and objectives, Havering has reviewed the national and local strategic context. As a result, it is clear that the proposed regeneration of these sites has a strategic fit with policy at all levels. This applies both in terms of improving existing housing stock and in terms of making the sites better places to live whilst intensifying development to provide additional homes of all tenures.

Havering aspires to significant economic growth with associated infrastructure upgrades and housing development. This is reflected in the current and proposed planning policy and the Council's successful application for Housing Zone status in Romford and Rainham. The redevelopment and intensification of the selected sites can assist in meeting the Council's need for increased housing. The infrastructure improvements that must be provided alongside the redevelopments will assist in improving the perception of these sites as desirable places to live.

4. Financial Appraisal

The Council, working in conjunction with an external multidisciplinary team comprising of Savills, Gardiner & Theobald (cost consultants), Tibbalds (master planners), and PCKO (architects) have prepared capacity studies for each of the 12 sites. These have been subject to detailed cost analysis, valuation and assessment of build methodology to ascertain the financial viability of each site, both individually and collectively.

The HRA Business Plan (HRA BP) was reviewed taking into consideration a number of assumptions particularly with regard to stock condition based upon a Keystone Asset Management Analysis. Pre and post regeneration scenarios were modelled and it is clear that comprehensive regeneration delivers both significant uplift in housing stock, and enhanced net present value. In addition, it also has a positive effect on the HRA.

A viability model was established to provide an indication of the existence of a project surplus or deficit. A surplus was defined as sales revenue and capitalised revenues less development costs and house builder's priority return.

In the model infrastructure and other costs relating to each phase of estate redevelopment included buy-backs, compulsory purchase orders (CPO), home-loss payments, disturbance payments and site abnormalities.

4.1 Model Outputs

The initial outputs in terms of surplus/ deficit for each project are set out in Appendix 8.1: Financial Summary. Based on present modelling assumptions it is evident that a number of sites culminate in a negative residual land value (RLV) due to a combination of modest sales revenues and a high level of Right to Buy properties to be purchased by the HRA.

Viability across all 12 sites culminates in a modest positive RLV. Hence, whilst the overall opportunity being tendered is all 12 sites, the project will be split into four distinct works packages to facilitate appropriate levels of cross subsidy as the programme progresses.

Viability may improve due to a number of factors:

- On larger sites subject to regeneration, uplift in current market values is anticipated.
- The impact of infrastructure upgrades, including the arrival of Crossrail.
- It may be possible to secure public subsidy from available sources over time.

5. Options Analysis

Three options for delivery were considered. These were:

Option One: Development by a vehicle wholly owned by the Council

Option Two: Tradition contracting approach under a Development Agreement (DA)

Option Three: Joint Venture predicated on a competitive dialogue process

Having examined these options and their respective advantages and disadvantages, the preferred option was to seek an overarching Joint Venture Limited Liability Partnership (JVLLP) as this best met the Council's delivery criteria and objectives.

The Council, in conjunction with legal advisors Bevan Brittan, also considered the preferred procurement route to establish a JVLLP. It was concluded that the Council would procure the project using an approach similar to the competitive dialogue procedure (as described in Regulation 30 of the Public Contracts Regulations 2015 (as amended)), which provides the opportunity for a structured approach to procurement. However, the Council reserved the right to deviate from the formalities of the Public Contracts Regulations 2015 (as amended) in conducting the competition due to the flexibilities permitted by the Concession Contracts Regulations 2016 (CCR 2016).

This decision also recognised the cost and resources required for prospective partners and the Council in participating in such a procurement process.

A do nothing option was not considered viable as this would not meet the strategic objectives of the Housing Service or Council.

5.1 Soft Market Testing

Following a launch at MIPIM in March 2017, Havering started a soft market-testing programme. This culminated in 52 expressions of interest from a broad range of UK and overseas investors, volume house-builders and housing associations.

5.2 Competitive Dialogue Process

In May 2017 the Concessions Notice was published in the Official Journal of the European Union (OJEU) and the Selection Questionnaire was made available. Ten bidders responded and, following a detailed evaluation process, six were shortlisted to progress to phase 1 of the competitive dialogue process and issued with an Invitation to Participate in Dialogue (ITPD) document. The deadline for receipt of the phase 1 responses to the ITPD was 11th August 2017. On 13th September, three bidders were shortlisted to proceed to the second phase of the process and issued with an Invitation to Continue Dialogue (ITCD) document.

5.3 Competitive Dialogue Programme

Attached at Appendix 8.2 is the competitive dialogue programme that has been followed to achieve the selection of a preferred private sector development partner and secure appropriate Cabinet approval in January 2018.

6. Conclusion and Recommendations

Given the demonstrable evidence of interest to invest in Havering, the proposed regeneration programme and positive view of viability, the following can be concluded:

- The estate regeneration schemes will deliver the Council's core strategic objectives as they meet the relevant requirements of the Council's strategy and policy documents in all respects. They are also aligned to the national and London policy context.
- If the programme is procured in a number of distinct works packages, based upon programme assumptions and financial modelling undertaken to date, each works package meets current viability requirements. All in-house viability modelling has been subject to independent validation by external specialist consultants.
- To improve viability, whilst maximising the re-provision of affordable rented housing, it is prudent to seek funding from the Greater London Authority (GLA).

Note: the Council submitted a successful application to the GLA for the 2016-21 Affordable Housing Grant. An allocation of £30.2m has been agreed with a 50% draw down upon start on site. In addition, the LBH have an overarching agreement for Housing Zone Grant up to £2.7m as a contribution towards land assembly costs.

7. Structure of the Business Case

This document sets out the business case for the Council to intervene in order to deliver its regeneration objectives for the 12 HRA sites. It also considers a number of approaches to delivery and sets out the associated legal and financial implications.

This business case is structured on the 'Five Case Model' including procurement and contractual elements as stipulated in Government guidance.

The five case model delivers information under the following headings:

- Strategic Case
- Economic Case
- Commercial Case
- Financial Case
- Management Case

1. STRATEGIC CASE

1.1 Introduction and Purpose of the Strategic Case

This section sets out the Strategic Case for the investment in a JVLLP to deliver the regeneration of 12 HRA sites in Havering. The purpose of the Strategic Case is to demonstrate that the proposal provides business synergy and strategic fit and is predicated upon a robust and evidenced case for change. It includes the background to the JVLLP proposition and the rationale for intervention through a JVLLP to support the programme delivery and how the delivery of the project will reference good practice requirements for regeneration on occupied sites.

1.2 The National Picture

The regeneration, replacement and refurbishment of Council Housing, and the improvement of socio-economic conditions on Council sites, has been an ambition at national level for some time. The Decent Homes programme ran from 2000 to 2016 with an ambition to bring all Council homes up to an acceptable standard. The present government established the Estate Regeneration Strategy when, former Prime Minister, David Cameron launched ambitious plans to regenerate council sites with a speech in January 2016.

Similarly, there has been, at national level, a growing recognition and consensus that there is a shortage of homes and a large and growing unmet housing need amongst the population. Housing Zones, for which Havering has successfully bid, are one of the measures to combat this. A number of initiatives, largely aimed at home ownership have been tried, but the Government's recent White Paper (February 2017) 'Fixing our Broken Housing Market' represents a change in direction, and an acknowledgement that the challenges remain.

The increasing funding constraints suffered by local authorities have put considerable strain on local authority revenue and capital budgets. The cap imposed on the amount local authorities can borrow against their housing assets, depletion of the housing stock through right to buy and the forced decrease in rents are all impacting on the ability of local authorities to finance new homes, estate renewal and economic regeneration projects. As a result, local authorities are increasingly considering different delivery mechanisms, often involving the private sector, and this present review is extremely timely in that context.

Economically, despite the tensions exhibited as a result of Brexit, the property market remains resilient and the economy is continuing to grow and is currently forecast to continue to do so, albeit more slowly in 2018. London and the South East are likely to continue to benefit from this growth, and therefore continue to be areas for investment. Developers in the estate renewal field remain interested in new opportunities and are optimistic about the value of further investment.

1.3 London Context

The London Plan 2015, and now the new Draft London Plan, produced by the Mayor of London, sets out the integrated social, economic and environmental framework for the future development and growth of the city. (Any relevant changes in the new draft London Plan published on the 29th November 2017 will be considered but are not reflected in the Business Case.)

Appropriate to Havering, The London Plan recognises the unique characteristics of outer London.

Specifically in relation to Havering the current London Plan:

- Sets a minimum housing target of 11,700 new homes between 2015 – 2025;
- Identifies London Riverside (including Rainham and Beam Park) as an Opportunity Area (an opportunity area has significant potential for new residential and economic development);
- Identifies Romford as a metropolitan centre and Hornchurch, Upminster, Collier Row, Harold Hill, Rainham and Elm Park as district centres;
- Sets an annual indicative benchmark of 185 specialist housing units for older people between 2015 – 2025.

Havering as part of the outer north-east London sub housing market area has worked with the London Boroughs of Barking and Dagenham and Redbridge to prepare a Strategic Housing Market Assessment (SHMA). The Outer North East London SHMA indicates that Havering's full objectively assessed housing need is for 30,052 new homes over the period 2011-2033 (1,366 new homes per year). Of these, 35% are required to be affordable.

1.4 The Local Strategic Context

The Council has defined its new vision for Havering under the headings People, Places, Communities and Connections. This vision is enshrined within the Corporate Plan, and delivered through the Housing Services Plan. The requirement to deliver new homes to help meet the gap between housing supply and demand is detailed in the Housing Strategy whilst requirements for overall regeneration and economic growth are enshrined within the Economic and Growth Strategy. These form a clear strategic backdrop against which the options for estate regeneration must be considered. Any new approach must have the ability to realise the needs and objectives of the Council, as set out in these key documents.

That “golden thread” of evidence continues as the regeneration of the 12 sites and provision of new housing, including affordable housing and housing for older persons are established Council policy as set out below:

1.5 Havering Draft Local Plan 2017

At its July 2017 meeting, Council approved the Proposed Submission Havering Local Plan for publication and consultation under Regulation 19 of the Regulations prior to submission to the Secretary of State. This includes the 12 sites for regeneration and housing delivery.

The Local Plan emphasises the importance of ensuring infrastructure, including education and local health facilities and also the provision of affordable housing. The sites are referenced in the Housing Position Statement 2017. The Housing Position Statement document is a key part of the evidence base of the Local Plan and is an important part of the assessment into the ‘soundness’ of the Local Plan. It addresses how Havering will ensure there are enough homes in the borough in line with the London Plan requirements. It looks at matters including housing delivery supply, need and tenure. It makes explicit reference throughout to the significant role and contribution that the Council’s Sites Regeneration programme will have in ensuring there are enough homes in the borough and our residents have the opportunity to live in high quality places as part of settled and inclusive communities.

1.6 Romford Development Framework 2015

The Romford Development Framework, approved by Cabinet in July 2015, forms part of the evidence base for the emerging Havering Local Plan. The Framework indicated delivery within five years, i.e. by 2020. The Waterloo Estate, along with Bridge Close, is within this area and will facilitate the delivery of the wider regeneration of Romford.

1.7 Romford Housing Zone June 2016

Cabinet agreed to accept Housing Zone status for Romford from the Greater London Authority (GLA). Included within the zone is Waterloo Estate. Whilst the original bid identified the delivery of a modest 220 new homes through infill development, full regeneration of the site partly funded by Housing Zone funding from the GLA, is set to deliver a minimum of 1100 homes.

1.8 Rainham and Beam Park Housing Zone

This was the first of the areas in the borough to achieve the status of a housing zone with the GLA. This area will be transformed into a new community called Beam Park. Of the 12 sites, Napier and New Plymouth Houses, whilst outside the boundary of the Housing Zone, are within the Housing Zone Master plan area and will help deliver the vision for the new community.

1.9 12 HRA Site Regeneration Programme

Various reports have been presented to Cabinet over the last two years regarding the use of existing HRA sites to increase housing and affordable housing provision within the borough. By following the objectives detailed in section 1.16 of this “Strategic Case”, the 12 sites programme will achieve the following:

- an overall increase in housing.
- an increase in Council general needs rented properties well in excess of 30% on the twelve sites.
- a minimum 300 low cost ownership homes.
- a total increase of affordable housing provision across the 12 sites of up to 100%.
- modern housing for older people.

The Cabinet reports mentioned above have also provided:

- authority to start the procurement of a private sector partner to deliver the council's vision for the 12 sites through a competitive dialogue process
- authority to start to buy existing freehold and leasehold properties by negotiation and take reasonable steps to identify land which cannot be acquired by negotiation and appoint the relevant consultants in order to assess the need for a potential Compulsory Purchase Order (CPO).
- authority to start the decant process for existing tenants on the sites including the service of demolition notices.
- approval to enter into extensive consultation with residents regarding the regeneration of sites and the detail of the decant offer.

1.10 Review of Older Persons Housing

Reports have been presented to Cabinet identifying the need for improvements in the older persons housing provision in Havering. The improvements include the modernisation of some existing sheltered schemes and the redevelopment of three schemes to provide much needed extra care housing along with the provision of housing for people with dementia. The reports identified the overprovision of standard sheltered housing and under provision of extra-care and provision for people with dementia. In addition, these reports identified a need in the Borough for older people to be able to buy properties within a more supported environment. The 12 sites project is helping to deliver the Borough's vision for Older Persons Housing. More detail is provided in the full reports, as referenced in Appendix 8.3.

1.11 Havering Housing Strategy 2014-17

The Housing Strategy identifies the need for the provision of all forms of housing and, in particular, the need to provide affordable homes for local people, taking account of the supply and demand data that is available. This project is a key part in improving the supply of new homes that are affordable to local people.

1.12 Homelessness Strategy and Allocation Policy

The current homelessness strategy is a sub-strategy of the Housing Strategy. It is being reviewed as part of the work needed to prepare for the impacts of the Homeless Reduction Act. However, there is an identified need for the provision of affordable homes that meet the needs of vulnerable people who live in the borough at rents they can afford. In addition, we know that there are opportunities to enable existing tenants to move into low cost home ownership properties, thus freeing up affordable rent properties. The downsizing strategy also enables rental properties of the correct bedroom size to be freed up for families who are homeless or overcrowded. These strategic aims and service requirements are being assisted by the provision of the homes through this initiative.

1.13 HRA Business Plan 2017 – 2047

The HRA 30 year Business Plan is reported to Cabinet annually as part of the rent setting and budget setting process each February. In addition, an update of the Business Plan was presented to Cabinet in November 2017 identifying the potential financial impact of

delivering the 12 sites programme. Whilst the HRA can support the delivery of the new build via the JVLLP, there is an additional identified need to re-provide new affordable rental units in the HRA. This is because of the financial impacts of the number of homes lost through Right to Buy. The first issue is to increase the rental stream and service charge income in the HRA in order to support the delivery of services. Future losses could call into question the financial viability of the business plan. The second issue is to be able to spend the RTB 1-4-1 receipts on new homes in order to avoid having to repay the money back to the DCLG at a penal rate of interest.

1.14 Asset Management Strategy 2016

The latest review of the Asset Management Strategy and Plan presented to Cabinet in 2016 identified several poorly performing assets in the portfolio. These properties drain money out of the HRA as they cost more to maintain than the income provided through the use of the asset. The worst performing properties are removed through this project. In addition, there is significant reduction in the on-going maintenance requirements in the plan for other sites being demolished and re-provided with new assets.

1.15 Approval Process

The Council's 'in-house' legal team, OneSource, and the external legal advisors, Bevan Brittan, have been fully engaged in the procurement process to date. Below is a summary of the milestones and processes so far:

Date	Process	Document Name
June 2016	Cabinet Report	HRA Proposal for Investment in Housing
October 2016	Cabinet Report	Review of Older Persons Housing and New build proposal for 12 Housing Sites
December 2016	Procurement Checkpoint	The Appointment of Savills
January 2017	Executive Decision	To Procure the Multidisciplinary Team
April 2017	Procurement Checkpoint	Pre-procurement approval for a private sector partner
May 2017	Executive Decision	To commence the procurement process
July 2017	Executive Decision	Financial / Tax advice
September 2017	Non-Key Executive Decision	Update on the Procurement Programme
November 2017	Cabinet report	HRA Business Plan Review

January 2018	Cabinet Report	12 HRA Estates JV Procurement – Entering into a Limited Liability Partnership
	Cabinet Report	Approval of the Revised Local Lettings Plan & the new Decant Policy and Possession Procedure for the Housing Regeneration Programme

1.16 Council Objectives for this Project

The Council has established objectives for the regeneration project, which are set out below:

- To contribute to meeting the wider housing needs of Havering through the regeneration and transformation of the Council's existing stock for predominantly residential use.
- To provide a choice of good quality housing for people at all stages of life, increasing tenure diversity through affordable rent, shared ownership, private rent, market sale and extra care sheltered housing.
- To deliver high quality residential led development that is commercially viable and generates receipts for cross subsidy to ensure the programme is sustainable.
- To achieve development returns, income and/or a range of secure revenue streams for the Council through re-provision of all Housing Revenue Account (HRA) stock lost through redevelopment with new HRA stock matching the existing tenure.
- Where viability permits, the developments should also aim to deliver additional HRA rented units to the level of existing stock on estates previously purchased under the Right to Buy scheme.
- Where viability permits, the developments should also aim to deliver additional affordable housing being up to 30% of all additional units above existing all tenure stock levels, thereby achieving over 40% affordable housing across the 12 sites. This additional affordable housing target tenure split to be equal numbers of HRA rented and shared ownership dwellings.
- Help mitigate the homelessness pressures in the General Fund by providing increased affordable housing numbers.
- Improve the viability within the Asset Management Strategy by reducing the cost of maintaining existing poor viability buildings.
- Land is expected to remain in Council ownership except any freehold properties built for outright sale.
- Where tenants and leaseholders wish to move back to a site, and there is suitable accommodation to meet their needs, they will be able to do so.

The overall objective of the 12 Site Regeneration Programme is to broaden and enhance the range, quality and quantity of housing across all tenures for existing and new residents, whilst also supporting the provision of facilities and services necessary to support growing communities.

1.16.1 Guiding Principles

The objectives for this project have formed the basis of the detailed consultation with residents. The consultation process has involved lengthy discussions with residents who have provided feedback on the objectives and the overall strategic direction of this project.

That feedback has been used to confirm or change the proposals for the 12 sites as well as setting guiding principles that will be adhered to throughout the delivery phase of the programme. Those guiding principles include:

- i. Given the unmet housing need in the Borough, the regeneration programme must facilitate the Right to Return for all existing residents and a net gain in the level of affordable housing provision.
- ii. LBH will retain the freehold interest and long-term management of all affordable housing stock.
- iii. By retaining the freehold interest of the entire sites, the Council will be involved in the long-term stewardship of the new developments, and not just the affordable housing.
- iv. Delivery of the programme will contribute positively to the repositioning of the perception of Council housing sites in the Borough, providing new sustainable, multi-tenure communities.
- v. The programme will deliver a range of services and facilities as an integral part of the plan. These will include infrastructure upgrades, commercial, retail, leisure, health and education facilities.
- vi. This is not just about housing. It is about ensuring that amenities and services are delivered as an integral part of the plan, especially schools, open space and healthcare. However, it is not assumed that the programme will necessarily fully fund the provision of all of these amenities although it should provide the space for them within appropriate environments;
- vii. The programme will deliver quality homes at variable values, accessible to a broad demographic and affords the council the opportunity to act as a key enabler whilst harnessing private sector skills and investment.
- viii. The affordable housing must be affordable to local people at local income levels.
- ix. Achievement of good practice regeneration principles.
- x. The financial viability of the Programme will be underpinned by an increase in density of housing and the delivery of open-market housing will cross subsidise affordable housing through the use of sales receipts.
- xi. There will be no stock transfer as part of the programme;
- xii. There must be a right to return, or a right to a local replacement home, for all existing council tenants and leaseholders. If existing council tenants wish to investigate choices of other tenures, including low cost home ownership (LCHO) or access to the private market, they will be helped to do so.

xiii. Accessibility to the rail network and other public transport will be a key feature of urban design.

This Business Case and delivery programme have been considered, developed and written in light of these objectives and guiding principles.

1.17 The Regeneration Sites

1.17.1 Why these Sites

The Housing Regeneration programme comprises 12 sites. These are the initial sites identified as offering the greatest potential for the provision of new affordable homes or requiring intervention due to the costly or unacceptable quality of housing. In addition, the Council intend, where appropriate, to bring forward further sites for inclusion in the JVLLP at a future date.

Site Name	Ward	Rented Homes	Leasehold Homes	Total Homes
Waterloo Estate	Romford Town	171	73	244
Maygreen Estate	Hylands	88	23	111
Oldchurch Gdns	Brooklands	64	22	86
Napier and New Plymouth	S. Hornchurch	86	11	97
Delta TMO (Elvet Ave)	Squirrels Heath	45	18	63
Farnham, Hilldene and Chippenham	Gooshays	0	0	0
Royal Jubilee Court	Pettits	79	0	79
Solar, Serena and Sunrise	St Andrews	55	0	55
Brunswick Ct	Cranham	47	0	47
Dell Court	St Andrews	29	0	29
Delderfield	Pettits	14	0	14
Queen Street	Romford Town	31	0	31
Total		709	147	856

Existing number of homes to be demolished

Note 1: Waterloo includes 12 hostel not included above.

Note 2: 114 long term empty sheltered homes as not fit for purpose.

All Council HRA sites were subject to a Keystone Asset Management Analysis to provide an accurate assessment of their apparent condition and resulting impact on the stock investment programme. This asset management review was report to Cabinet alongside a new Asset Management Strategy and Plan during 2016. The sites included in this project were generally identified as negatively impacting the Asset Management Plan (AMP) either now or in the near future.

The Council undertook initial capacity studies for each of the site. These indicated strong potential to substantially increase the number of homes, including affordable homes, across

the sites whilst at the same time maximising the opportunities for regeneration and place shaping. Indicative numbers of new homes identified at this stage are set out below and have been set as the base-line numbers for this project:

Site Name	Ward	Rented homes	LCHO/sales	Total Homes
Waterloo Estate	Romford Town	237	863	1,110
Maygreen Estate	Hylands	100	100	200
Oldchurch Gdns	Brooklands	100	200	300
Napier and New Plymouth	S. Hornchurch	150	50	200
Delta TMO (Elvet Ave)	Squirrels Heath	45	305	350
Farnham, Hilldene and Chippenham	Gooshays	0	63	63
Royal Jubilee Court	Pettits	45	105	150
Solar, Serena and Sunrise	St Andrews	60	140	200
Brunswick Ct	Cranham	15	35	50
Dell Court	St Andrews	20	20	40
Delderfield	Pettits	15	15	30
Queen Street	Romford Town	7	27	36
Total		794	1,925	2,719

Capacity Study – potential number of homes

In addition, the rationale for including the sheltered schemes in the programme was that many of the homes were poor quality, bedsit accommodation and hard to let or designed in such a way that did not facilitate the delivery of the additional care that would be required for older and frailer people living independently in their own homes. In all, across the sheltered schemes in this programme, there were 114 long term vacant properties that had been vacant for up to ten years. It was not considered economically viable to refurbish these schemes to provide modern extra-care sheltered facilities.

The feedback obtained during the consultation process from residents on the sites indicates that many of the existing residents accept that, due to the poor quality of the buildings and estates, wider regeneration rather than investment in existing buildings and grounds is needed to achieve a lasting improvement in the homes and communal open spaces.

Under the GLA's 2016-21 Affordable Housing Programme, a grant allocation of £30.2million has been secured for phase one of the Estate Regeneration Programme. In addition to this, the Waterloo Estate is in the Romford GLA Housing Zone and as such attracts further GLA housing development funding. Confirmation of a Housing Zone grant application for site assembly costs is pending.

A multidisciplinary team (MDT), led by Savills, was appointed to carry out high-level appraisals of each estate to determine development capacity and financial viability. Having progressed to competitive dialogue stage, the market has validated these assumptions from a capacity, programme and financial perspective.

1.18 Socioeconomic and Demographic Context

In November 2016, an updated version of The Strategic Market Housing Assessment (SHMA) was published. The SHMA projected that based on household and population projections for the period 2011 – 2033, Havering would need an additional 30,052 new

homes -equivalent to 1,366 new homes per annum. As displayed in the table below the SHMA was used by Havering to identify the future size and tenure mix of housing need in the borough based on the current and projected households and population, and taking into migration and demographic changes, including affordability and household types.

	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5+ Bedroom	Total	%
Market Housing	1,590	3,030	12,490	2,260	160	19,530	65.0%
Affordable Housing	640	2,850	5,400	1,610	20	10,520	35.0%
Total	2,230	5,880	17,890	3,870	180	30,050	
%	7.4%	19.6%	59.5%	12.9%	0.6%	100%	

Full Objectively Assessed Need for Housing; Size and Tenure Mix across Havering for 2011-33

As above, and based on average household income figures, the SHMA dictates that 35% of new housing is required to be affordable in order to meet the Borough's housing need. The average gross income per household in Havering (£44,430, as measured in 2012/13) is low in comparison to the London average (£51,770) and slightly higher than the England average (£39,557).

Generally, those living on the regeneration sites have an income below the Havering average, peaking at £30,000. Attached at Appendix 8.4 is the Mosaic demographic profile of the residents on the regeneration sites which demonstrates a socioeconomic link between Havering residents on lower incomes and those with the poorest health and well-being outcomes.

Through regeneration, these sites will successfully establish new vibrant and connected communities, supported by the provision of good quality, energy efficient homes, high quality public spaces, and well-used community facilities. This will give residents the stable foundations to meet and pursue their economic aspirations.

The Equalities Impact Assessment (EIA) attached at Appendix 8.5 shows Havering's commitment to ensuring residents affected by the regeneration programme are supported and treated fairly throughout the process, and receives the long term benefits of regeneration.

1.19 Stock Condition

Following comprehensive assessment, current stock condition data has indicated that the sites identified for regeneration are either negatively impacting on the AMP or are projected to perform badly in the future, despite the levels of capital expenditure projected to be spent on the assets in the medium term. The financial modelling that follows indicates that a comprehensive redevelopment solution will be financially preferable to attempting to continue to maintain the sites within current revenue and capital constraints.

The continuation of the current maintenance regime will not increase either diversity of tenure, or quantum of available housing stock. It will not contribute therefore to the Council's strategic ambitions as set out above. The latest review of the Housing Asset Management Strategy and Plan presented to Cabinet in 2016 contains the detailed information relating to stock condition within Havering. It is this information that identifies the worst performing buildings in the Housing portfolio.

1.20 Estate Regeneration – The approach

To meet the objective of assessing the feasibility and viability of regeneration, it was necessary to establish a financial model. Capacity studies were produced for each of the 12 sites to determine the optimum development capacity.

Initially, the Council produced 'in house' financial appraisals predicated on these capacity studies. The site-specific financial models also considered key development criteria, namely:

- Development costs
- Sales revenues
- Programme duration
- Build methodology
- Sequence and phasing of build
- Tenure mix
- Rate of Sale

Each financial model was captured in a consolidation tool to provide a global discounted cash flow for the entire estate portfolio.

The external MDT was then invited to interrogate the model and assumptions and validate or refute the outcomes. Following extensive appraisal by the MDT a baseline model was adopted and the core principles and objectives translated into the documents used throughout the competitive dialogue process.

A financial dashboard was developed in order to identify high level financial impacts of this project. The outputs from the financial model identified above, along with information from the bidding organisations has all been used to populate the final financial dashboards that are informing the assessment of this proposal and the final Cabinet decision.

Originally, ten organisations submitted their response to the selection questionnaire. These were long listed to six organisations who started the dialogue process. Of these, three organisations were shortlisted to continue and complete dialogue and invited to submit final tenders.

Subject to Cabinet approval, selection of the preferred private sector development partner is anticipated in January 2018. That will mean that the "winning bidder" will achieve "Preferred Bidder" status whilst work continues on final confirmation of the legal documents that will govern the JVLLP to be set up and the Council funding is confirmed through the 2018/19 council budget setting process. Once all is confirmed, the Preferred Bidder will be formally awarded the contract and the JVLLP can be set up.

Following selection of a partner and formation of the JVLLP, there will be a 12 month pre-commencement programme, which will incorporate the following key activity:

- Design development
- Stakeholder and statutory consultation
- Site assembly (Inc. CPO if appropriate)
- Legal and technical due diligence
- Land referencing

One of the principles to be tested through the procurement exercise was the level to which the market would be able to increase the baseline number of homes on the sites (see 1.17.1 above), whilst keeping within reasonable density levels, and the extent to which more affordable homes could be delivered. The baseline number was built into the procurement objectives with the overage levels to be assessed through the bidding process.

Due to the size of the potential development on all 12 sites and the financial viability issues it would not be practicable to start work on all sites simultaneously. It was therefore proposed that the following 4 sites are prioritised:

- Waterloo Estate
- Queen Street (as part of the Waterloo Estate).
- Napier & New Plymouth
- Solar, Serena & Sunrise Court

Whilst these four sites are only 25% of the total sites, they would provide nearly 50% of the total new housing via this project. The next phase of sites to be bought forward will be reviewed once the JVLLP has been set up. The prioritisation of sites agreed at Cabinet in October 2016 is:

- Waterloo Estate
- Queen Street Sheltered Scheme
- Napier and New Plymouth
- Maygreen Estate
- Park Lane Sheltered Scheme (part of Maygreen Estate)
- Oldchurch Gardens
- Farnham, Hilldene and Chippenham Road
- Solar, Serena and Sunrise Sheltered Scheme.

From this priority list the first phase of sites is Waterloo Estate (including Queen Street Sheltered Scheme), Napier and New Plymouth and Solar, Serena and Sunrise. The next phase will be chosen from the above list and will be subject to an assessment of financial viability.

Part of the procurement process is to establish a set of metrics that will be used to assess the value for money for the costs of construction on the first batch of sites and further sites as they are bought forward. Each bidder is aware that the parameters they submit for the first four sites will be set and used to assess the delivery of the future sites.

In addition, as the dialogue sessions progressed, solutions have been sought from each bidder to show how value for money will be achieved, and evidenced, throughout this relationship. The first key principle established is that the council, as a joint member of the JVLLP board will see all costs and revenues associated with the contract. Secondly, each bidder has identified that they intend to procure, through formal tendering processes, all works packages and these will be reported to the JVLLP board.

Presently, commencement on site for Phase One of the programme is planned for March 2019. The indicative programme duration for completion of the entire regeneration portfolio is 10 years as attached at Appendix 8.6.

1.21 Commercial Principles

To deliver the regeneration of the 12 HRA Sites, the Council intends to partner with an organisation that can jointly plan, design, fund and deliver the programme of sites over a 10 plus year period. This offers a partner access to a pipeline of residential development sites in a growing part of London, and a long-term partnership with an ambitious London local authority committed to growth and development.

The competitive dialogue process has provided scope for bidders to put forward solutions that meet the Council's objectives. Initial work undertaken by the Council gave the starting principles for this dialogue with bidders:

- The Council and the partner will be members in a limited liability partnership for a minimum defined term subject to renewal.
- The JVLLP will take the form of a 50/50 deadlock limited liability partnership in which the JVLLP Partners will each hold an equal interest.
- The principal parties involved in this Joint Venture Vehicle are:
 - the Council
 - the Private Sector Development Partner (PSDP)
 - the Joint Venture, structured as a limited liability partnership
 - the PSDP Guarantor
 - the Development Manager
 - Providers of works and services
- The JVLLP will be governed by a Members' Agreement that sets the JVLLP's objectives, how it will operate and the financial arrangements.
- The JVLLP will propose an overall Business Plan and individual Site Viability Plans that will set out how each Site is delivered. The Business Plan must be agreed by Cabinet annually and will be reviewed quarterly.
- A template Site Development Plan, and approvals process, governing all sites will form part of the Partnership Agreement.
- Funding requirements will be agreed and set out in the Site Development Plan. The PSDP and the Council will provide initial working capital to develop proposals.
- An equal number of representatives appointed by each JVLLP Partner. The Board should not be too big or too small to manage to the business of the JVLLP. The right commercial

people need to be appointed so that the Board is a viable commercial decision-making entity. It is expected each partner will appoint three board members.

1.22 The Sites

The Housing Regeneration Programme currently comprises of 12 sites. The baseline future numbers are shown in section 1.17.1 above. However, additional numbers are possible across the sites up to a maximum that would be permitted by planning requirements. As stated in the guiding principles for this project, this is about good development and not just maximising numbers of units.

Whilst the baseline numbers have been used to inform the process, in order to maximise the value of the sites and thereby maximise the provision of new affordable housing, the market exercise is expected to identify higher numbers for each site. To inform the initial viability assessment for this project the council undertook an exercise to identify the capacity for each site along with an indicative unit type mix along with some design parameters to show that the developments could meet planning requirements. That information is indicative only and is provided below. The red line boundaries for each site are attached as Appendix 8.7.

i. Waterloo Estate

The Waterloo Estate is located within Romford on the western edge of Romford town centre. Approximately 4 miles northeast of Dagenham, 9 miles east of Stratford and 15 miles northeast of Central London. The Estate is located within Romford Town Ward in Havering. The site itself is located south of London Road and directly west of the A125. Directly to the east of the site across, the A125, is The Brewery Retail Park. Romford town centre lies beyond this. The Estate also lies directly southeast of Cottons Park. To the south of the site is the railway line along which Crossrail will run.

The London Plan identifies Romford as a Metropolitan Centre. These centres are earmarked for the intensification of commercial and residential development as well as improving the competitive choice of goods and services. The Waterloo Estate regeneration will, along with the Bridge Close regeneration proposals, see the start of a major change to Romford Town centre as the arrival of Crossrail in Romford prompts an increase of new build development in the Romford area.

The capacity proposal for Waterloo Estate provides 1,110 homes, with a mix of 1, 2 and 3-bed apartments, 3-bed maisonettes and 3-bed houses. On the eastern edge of the estate the design response is to maximise vistas from the ring road into the estate, integrating the estate into the wider area, and helping to 'humanise' the ring road.

Winter gardens have been incorporated into some buildings fronting Waterloo Road, as a way to increase floor space without having to deliver entirely single aspect units. Thought has been given to phases to enable development parcels to come forward separately from the central development parcel, upon which the two existing towers are situated. Podium parking in buildings with less floor space has also been minimised.

Where the storey heights are already constrained by neighbouring development, three-storey townhouses have been proposed.

Proposals for the new site will need to:

- Transform the site by providing high quality affordable/social and private homes on a tenure blind basis, which is complementary to existing dwellings.
- Consider the impact of additional car parking on existing dwellings.
- Replace the existing Council tenanted homes with affordable housing, to an agreed mix and size.
- Deliver all private homes in accordance with the appropriate space and amenity standards approved by the planning authority.
- Improve infrastructure provision on the site and surrounding area, including roads.

ii. Queen Street

The Queen Street Estate is located on the western edge of Romford town centre. It forms part of the bigger Waterloo Estate (see above). It is approximately 4 miles northeast of Dagenham, 9 miles east of Stratford and 15 miles northeast of Central London. The Estate is located within Romford Town Ward in Havering. The site itself is located south of London Road and directly west of the A125. Directly to the east of the site across the A125 is The Brewery Retail Park. Romford town centre lies beyond this. The Estate also lies to the south east of Cottons Park. To the south of the site is the railway line along which Crossrail will run.

The capacity proposal for Queen Street provides 36 homes with a mix of 1, 2, and 3-bed apartments and maisonettes.

Practically, this site will become part of the Waterloo Estate regeneration.

iii. Napier and New Plymouth House

Napier House and New Plymouth House are located in Rainham, a town located 2.3 miles to the south east of Dagenham and 4.8 miles to the south of Romford, approximately 15 miles east of Central London and within the Ward of South Hornchurch in Havering.

The estate itself is located 0.8 miles from the centre of Rainham. The area north of the estate is predominantly residential. To the south of the estate, there is an industrial area and beyond that is the River Thames. To the east of the industrial area are the Rainham Marshes Nature Reserve and the RSPB Visitor Centre.

Rainham has a historic village core, with over 40 independent specialist shops and restaurants. The majority of the independent shops are situated within a designated conservation area. Many of the shops were formally Georgian cottages, which were transformed into shop frontages in the 20th century forming the heart of the village.

The capacity proposal for Napier & New Plymouth provides 200 homes across 4 apartment blocks on the southern boundary and houses on the northern boundary to reconnect with the existing urban grain. The urban design response provides positive frontage to both New

Road and Dunedin and removes the majority of parking away from the street in the form of rear private parking courts. The houses located on the northern edge are predominantly 2/3 storey, the blocks on the south step up from four storey terminating at a nine storey focal tower.

Proposals for the new site will need to:

- Transform the site by providing high quality affordable/social and private homes on a tenure blind basis, which is complementary to existing dwellings.
- Replace the existing Council tenanted homes with affordable housing, to an agreed mix and size.
- Deliver all private homes in accordance with the appropriate space and amenity standards approved by the planning authority.
- Improve infrastructure provision on the site and surrounding area, including roads.

This estate is close to the new Beam Park community that will be developed as the new Beam Park station is built and will contribute to the overall regeneration and place making of that new community as part of Rainham Housing Zone initiative.

iv. Solar, Serena, Sunrise Courts

The Solar, Serena, Sunrise Estate is located in Hornchurch, a town located 2.5 miles to the south east of Romford, 1.5 miles west of Upminster and 4 miles north of Rainham, approximately 16 miles east of Central London and within the Ward of St Andrews in Havering. The site is located next to Harrow Lodge Park, approximately one mile to the south west of Hornchurch town centre.

The area surrounding the estate is predominantly residential. Harrow Lodge Park is adjacent to the west of the estate with the Chase Nature Reserve beyond that, 1.5 miles to the west of the estate. There is a wide residential mix in Hornchurch in terms of both a range of units and a range in values.

The capacity study for Solar, Serena and Sunrise provides 200 homes with a mix of 1 and 2 apartments. The block arrangement has been focused on providing positive frontage, attractive semi private amenity spaces and maximising the distant views to the open space to the north of Park Hill Close.

The blocks heights range from four storey in the North where there are existing dwellings in close proximity stepping up to 8 storey in less sensitive areas. Reference has been taken from the existing tower blocks when developing the development proposals.

Semi private courtyards have been created to the south and northeast maximising the benefit of the site orientation and sun path. The existing parking zones have been enhanced with landscape elements to soften the visual impact.

This site is an existing sheltered housing scheme. It suffers with a proportion of unlettable bedsit units and poor accessibility. It's location to the park and transport infrastructure makes it ideal for redevelopment as a modern extra-care sheltered scheme with provision for

dementia sufferers. The detail of the modern extra-care provision and the demand for such housing is identified in the Older Persons Housing Review. There will also be purchase options for those older persons who want to downsize and buy into a supported environment.

Proposals for the new site will need to:

- Transform the site by providing high quality retirement village with extra care facilities on a tenure blind basis.
- The development should be complementary to existing dwellings with a 70:30 split between market sale and affordable housing.
- Consider the impact of additional car parking on existing dwellings.
- Deliver all homes in accordance with the appropriate space and amenity standards approved by the planning authority.

v. Maygreen Crescent

The Maygreen Crescent and Park Lane Site is located within the community of Hornchurch, a town located to the 2.5 miles to the south east of Romford. It is approximately 18 miles northeast of Central London and within the Ward of Hylands in Havering.

The site itself is located south of the Park Lane Recreation Ground and to the north and east of the Roneo Corner Retail Park, Romford. Park Lane runs along the Eastern boundary of the site. The Estate is located less than 0.1 mile to the north of the Hornchurch Road (A124).

The capacity study for Maygreen Crescent creates a series of linear blocks on the East and Western boundary of the site. The proposed semi-private central landscaped amenity runs North to South and serves to create a link with the neighbouring park to the North.

The capacity proposal for Maygreen Crescent provides 200 homes with a mix of 1, 2 and 3-bed units. Building heights range from 4 storey on the eastern boundary stepping up to 6 storey on the blocks located in the north-west. There are no north facing single aspect units proposed in the study. The perimeter parking arrangement has been integrated into the scheme in the form of private parking courts.

Proposals for the new site will need to:

- Transform the site by providing high quality affordable/social and private homes on a tenure blind basis, which is complementary to existing dwellings.
- Consider the impact of additional car parking on existing dwellings
- Replace the existing Council tenanted homes with affordable housing, to an agreed mix and size.
- Deliver all private homes in accordance with the appropriate space and amenity standards approved by the planning authority.
- Improve infrastructure provision on the site and surrounding area, including roads.

vi. Oldchurch Gardens

The Oldchurch Gardens estate is located within the Romford on the south western edge of Romford town centre. Approximately 3 miles northeast of Dagenham, 9 miles east of Stratford and 15 miles northeast of Central London. The Estate is located within the ward of Brooklands in Havering. The site itself is located south of Oldchurch Road, which provides access onto the A125 and east of Dagenham Road, which runs south into Dagenham.

Directly to the east of the site is Oldchurch Park and beyond that Queen's Hospital. Romford Cemetery lies to the west of the site. The Estate also lies directly south east of Romford Gas Works. To the north of the site is the new build development Oldchurch Park that is being developed by Nu Living (an arm of Swan Housing Association).

The capacity proposal for Oldchurch Gardens provides 300 homes with a mix of 1 and 2 bed properties. The massing and proposed storey heights are in keeping with the existing context. There is an opportunity for a high quality podium deck garden for residents' use and the site benefits from overlooking the hospital green / park to the east.

The capacity study proposes private secure undercroft parking – reducing the visual impact of the car on the street scene. It also proposes strong urban design principles maximising views of the park for a large percentage of the units, as well as designing out north facing units as far as possible.

Proposals for the new site will need to:

- Transform the site by providing high quality affordable/social and private homes on a tenure blind basis, which is complementary to existing dwellings.
- Replace the existing Council tenanted homes with affordable housing, to an agreed mix and size.
- Deliver all private homes in accordance with the appropriate space and amenity standards approved by the planning authority.
- Improve infrastructure provision on the site and surrounding area, including roads.

vii. Royal Jubilee Court

Royal Jubilee Court is off Gidea Close, in Gidea Park, 1.1 miles to the north east of Romford and 6.5 miles to the west of Brentwood, approximately 15.5 miles east of Central London and within the Ward of Pettits in Havering.

The site itself is surrounded by Raphael Park to the west and a residential area to the east. To the south is Main Road, which connects Romford with the A127. The estate is located in the affluent neighbourhood of Gidea Park. Many of the properties have outdoor swimming pools and Gidea Park Lawn Tennis Club is in the centre of the residential area, 0.1 mile north of the estate. Raphael Park is a large landscaped park originally designed by Sir Humphry Repton, consisting of a lake, sports facilities, cafe and a large play area.

The capacity proposal for Royal Jubilee Court provides 150 homes in four apartments blocks arranged in a semi-formal configuration. The key drivers for the layout response has been focused on providing a strong frontage to Main Road and maximising the impressive views North for the majority of units.

The proposed blocks contain a variety of 1 and 2 apartments for use as extra care retirement housing and range in height up to 3 storey plus mezzanine.

Proposals for the new site will need to:

- Transform the site by providing high quality retirement village with extra care facilities on a tenure blind basis, which is complementary to existing dwellings with a 70:30 split between market sale and affordable housing.
- Deliver all homes in accordance with the appropriate space and amenity standards approved by the planning authority.

viii. Dell Court

Dell Court is located in Hornchurch, a town located to 2.5 miles to the south east of Romford, 1.5 miles west of Upminster and 4 miles north of Rainham, approximately 16 miles east of Central London and within the Ward of St Andrews in the Havering. The estate itself is located along Ravenscourt Grove, close to the centre of Hornchurch.

The area surrounding the estate is predominantly residential, although the estate is adjacent to a cemetery. Harrow Lodge Park is 1 mile to the west of the estate and Gaynes Parkway is 0.7 miles to the south. There is a wide residential mix in Hornchurch in terms of both a range of units and a range in values.

Hornchurch is identified in the London Plan as a local district centre with 31,000 square metres of commercial floor space. It is not considered a significant commercial office location but within Havering, it is identified as one of seven town centres in the borough. Known as a commuter town, a large proportion of its population commute to Central London each day to work.

The capacity proposal for Dell Court provides 40 homes with a mix of 1, 2 and 3-bed units in four linear apartment blocks. The two blocks fronting Ravenscourt Grove are predominantly 3 storey respecting the existing context. To the rear of the site two 4 storey blocks are proposed and are framed by the private landscaping and parking court.

Provision for parallel parking has been provided at the front of the development that is typical of the existing street.

Proposals for the new site will need to:

- Transform the site by providing high quality affordable/social and private homes on a tenure blind basis for over-55s.
- Consider the impact of additional car parking on existing dwellings.
- Replace the existing Council tenanted homes with affordable housing, to an agreed mix and size.
- Deliver all private homes in accordance with the appropriate space and amenity standards approved by the planning authority.

ix. Delderfield House

Delderfield House is located along the border between Collier Row and Rise Park, in a suburban area located 1.5 miles to the north of Romford and 7.5 miles to the west of Brentwood, approximately 16 miles east of Central London and within the Ward of Pettits in Havering.

The area surrounding the estate is predominantly residential with a small industrial area located 1 mile to the south west of the site. Lawns Park is situated half a mile to the north of Delderfield House.

Collier Row town centre is one of four minor district town centres within the London Borough of Havering. It has over 70 shops and restaurants and the majority of these outlets are small independent traders.

The capacity proposal for Delderfield provides 30 homes with a mix of 1, 2 and 3-bed units. It is based on two blocks fronting onto Havering Road/Portnoi Close with a central private landscaped amenity. Parking has been provided in the form of private parking courts located in front of the blocks.

Proposals for the new site will need to:

- Work within a constrained site area to produce the best possible design layout and unit mix for the site.
- Consider the impact of additional car parking on existing dwellings.
- Replace the existing Council tenanted homes with affordable housing, to an agreed mix and size.
- Deliver all private homes in accordance with the appropriate space and amenity standards approved by the planning authority.

x. Delta Estate

The Delta Estate is located within the ward of Squirrels Heath in Gidea Park, a town located 2 miles to the north east of Romford. Approximately 12 miles east of Stratford, 5 miles west of Brentwood and 20 miles to the north east of Central London. The site itself is located to the north of Squirrels Heath Lane with Elvet Avenue running north to south through the site. The surrounding area is largely residential with a small amount of retail located around Gidea Park station.

The capacity proposal for Delta provides 350 homes comprising 1 and 2 bed apartments and 3 bed houses. The height of the blocks gradually increase from 4 storey (relating in scale to the existing low rise housing on the east) stepping up to 9 storeys at the T junction of Elvet Avenue. Parking is provided in the form of rear parking courts which have been softened by focal trees and low level hedging.

Proposals for the new site will need to:

- Transform the site by providing high quality affordable/social and private homes on a tenure blind basis which is complementary to existing dwellings.
- Consider the impact of additional car parking on existing dwellings.
- Replace the existing Council tenanted homes with affordable housing, to an agreed mix and size.
- Deliver all private homes in accordance with the appropriate space and amenity standards approved by the planning authority.

xi. Farnham, Hildene and Chippenham

The Farnham and Hildene estate is located in Harold Hill, a town located 3 miles to the north east of Romford and 4.5 miles to the south west of Brentwood, approximately 17.5 miles north east of Central London and within the Ward of Gooshays in the Havering. The estate itself consists of flats above retail units to the south of Hildene Avenue in the centre of a largely residential area.

The area surrounding the estate is predominantly residential. The recreational area of Central Park is located 0.3 miles east of the estate.

Harold Hill has benefitted from the Harold Hill Ambitions regeneration project that was launched in 2007. As part of the programme, a number of new facilities were built including a library and a new centre for young people. The library is located on the estate.

The capacity study for Farnham, Hildene and Chippenham looks at the possibility of adding additional 1 or 2 storeys to the existing building and does not require the demolition of any existing units.

The existing development is currently 4 storey. The assumption at this stage is that roof top development would provide 63 homes; this is subject to further design work including building surveys and structural review. We have not reviewed the parking requirements for the proposed redevelopment at this stage and assume, subject to further parking surveys, that there is capacity in the current layout

Proposals for the new site will need to:

- Increase the density of the estate in a way that is sensitive and appropriate to the existing building.
- Consider the impact of additional car parking on existing dwellings.
- Deliver all private homes in accordance with the appropriate space and amenity standards approved by the planning authority.

xii. Brunswick Court

Brunswick Court is located within the Cranham neighbourhood of Upminster. The site is located south of Macon Way, east of Waycross Road and north of Brunswick Avenue. It is located within a largely residential estate with a small retail parade located approximately 0.1 miles to the west of the Brunswick Court. Upminster, which is located 1.4 miles to the south of the site, is the main commercial hub in the area. It is an existing sheltered housing scheme.

The capacity proposal for Brunswick Court provides 50 modern extra care sheltered homes with a mix of 1 and 2 bed units. All blocks are predominantly 3 storey respecting the existing context.

Proposals for the new site will need to:

- Provide an extra care sheltered facility with a 70:30 split between market sale and affordable housing.
- Transform the site by providing high quality affordable/social and private homes on a tenure blind basis.
- Provide appropriate infrastructure and adequate car parking.
- Deliver all homes in accordance with the appropriate space and amenity standards approved by the planning authority.

1.23 Resident Engagement

The Council has undertaken a significant amount of regenerating across all of the estate. Detail is provided in the Management Case section of this Business Case.

1.24 Potential Land Acquisitions – Additionality

The Council has actively reviewed and evaluated various land holdings.

The successful private sector partner will be actively encouraged to deliver additionality via further land assembly. High-level development appraisals have been undertaken to ascertain viability, potential marriage value and improved saleability resulting from further land acquisition.

1.25 Decanting and Vacant Possession

One of the Council's objectives and guiding principles is to offer all residents the right to return to their existing estate following regeneration. Predicated on the existing 'baseline' financial model Havering and the MDT have constructed a schedule of anticipated starts on site, completions and occupations (see Appendix 8.6). In addition, based upon projected build durations, the attached schedule at Appendix 8.8 illustrates the quarterly decant requirements over the project lifecycle.

1.25.1 The Local Lettings Plan

The Local Lettings Plan is the document that provides full details on the re-housing options for those tenants who have to move off the sites because of the regeneration proposals. Associated with this document is the Decant Policy and Possession Procedure document. The council carried out a twelve weeks consultation process on these documents so that residents could have a further opportunity to give their views on the "offer" within the documents could have a further opportunity to give their views on the "offer" within the documents in addition to the extensive consultation that is being undertaken with regard to the regeneration proposals themselves.

The Local Lettings Plan consultation was promoted in "At the Heart", "Sheltered Times" and "Living" publications, during the estate open meetings, one to one sessions, social media posts, and direct letters to tenants on the affected sites. The Council produced an on-line

survey response form to collect comments from residents. Comments received outside of the online survey have also been taken into consideration. This was also the subject of significant consultation prior to it being uploaded onto the Council website in November 2016. This document has been used to inform the decants that have been carried out thus far, by negotiation. However, as the timetable moves closer to the deadline for achieving vacant possession of the sites, the formal consultation exercise is being carried out ahead of any formal possession proceedings.

The Local Lettings Plan and consultation process is on the agenda for the January 2018 Cabinet.

1.25.2 Vacant Possession Update

Across the first four sites to be developed there are a number of existing residents. They will either be tenants or leaseholders/freeholders. The table below provides details on the occupancy of the initial four sites at the start of this process back in June 2016 when Cabinet gave its agreement to move forward with the regeneration programme. Most decant activity has occurred since January when the decanting process started in earnest. Queen Street and Solar, Serena and Sunrise are sheltered schemes.

Estate	Tenancies Oct 2016	Tenancies decanted	Tenancies matched	Tenancies remaining
Waterloo Estate	171	51	6	114
Queen Street	28	28	n/a	0
Napier/New Plymouth	86	48	3	35
Solar, Serena and Sunrise	30	4	4	22

The next table below shows progress in relation to the negotiated purchase of leasehold and freehold homes on the first phase estates. There are no leasehold properties in sheltered schemes as the RTB does not apply to sheltered schemes.

Estate	Total fhld/lhld	Properties purchased	Under negotiation	Fhld/Lhld remaining
Waterloo Estate	71	24	21	26
Napier/New Plymouth	10	4	2	4

The two tables above were correct as at 1st December 2017

The decant process has been informed by the extensive consultation with residents and is being carried out via direct offers of accommodation based on the decant assessment form completed with every tenant. This form details the type of property that would meet the needs of the tenant and their household. Offers of suitable accommodation are based on housing need, not on a like for like basis. Two offers of suitable accommodation are being made to tenants via this route. Failure to accept either of these properties will, in the course of time, result in a more formal approach to obtain possession. However, even whilst the more formal route is being pursued, officers will continue to work with tenants to make the two reasonable offers.

1.25.3 The offer to tenants

The key is for the council to be able to find suitable alternative accommodation for existing tenants. It is for this reason that the decant assessment form referred to in section 1.25.2 above is so important. The offer made to tenants has been shaped over the many

consultation events and is:

- Two reasonable offers of accommodation will be made.
- The offers will be based on housing need.
- All information regarding need will be taken account of in making matched offers.
- Offers will be made through direct allocation and not via the bidding system.
- All verified information provided by the resident regarding need and requirements will be taken into account.
- Location of offer will be matched as far as possible to preferred location of tenant but will be subject to availability.
- All reasonable out of pocket expenses will be met via the disturbance payment process.
- The council will take into account the wishes of the tenant where possible if this is outside of requirements identified as “housing need”.
- A one off statutory home loss payment of £6,100.

Havering is also offering an additional support package to make the process of moving easier. The help given to tenants includes using Council approved contractors to:

- organise the move including packing belongings, but not unpacking.
- unpacking can be provided to those who are most vulnerable.
- supply and fit new carpets and curtains chosen from a range of reasonably priced options
- disconnect and reconnect cookers, washing machines and similar equipment
- the above work is carried out at no cost to the tenant.

In addition, tenants can organise:

- post redirection
- water, gas and electricity and other utilities to be disconnected and reconnected
- although Havering will pay the reasonable cost of such work.

1.25.4 The offer to leaseholders and freeholders

The council is offering to buy back residential properties on the sites at a fair market valuation. Havering is working with three local agents who will provide “independent” valuations on properties so that negotiations can agree a contract price to achieve vacant possession. In the event that a valuation cannot be agreed, the owner can obtain their own independent valuation to help negotiations. If this does not achieve an agreed valuation, an independent third party is asked for a valuation. The council must offer a fair market valuation as failure to agree a price will ultimately result in a CPO situation. In such a circumstance, the valuation made by the District Valuation Service will be set at fair market value and the council must be seen to be acting fairly in its negotiations prior to any CPO process. In addition the council must pay a 10% compensation payment for resident owners and 7.5% for absentee owners.

1.26 Strategic Summary

The transformation envisaged for the 12 HRA sites will not be achieved without significant and well planned intervention providing a consolidated approach towards regeneration. This in turn must be enabled by the strategic assembly of the sites mainly through achieving

vacant possession of the residential units. The process must also ensure that good practice is achieved in relation to estate regeneration as this project is about redevelopment of established communities and occupied sites. The impact on, and needs of the existing residents, must be considered and safeguarded in order to successfully deliver the project.

The preferred option is for the Council to enter into a JVLLP. The PSDP involvement will add significant confidence to the delivery of the programme by providing a share of the capital requirement and also the development and management experience to secure a favorable outcome.

It is concluded that the benefits of the regeneration itself are significant, but these cannot be achieved without intervention and without a JVLLP with a development partner to drive it.

2. ECONOMIC CASE

2.1 Introduction and Purpose of the Economic Case

This section sets out the Economic Case that identifies and demonstrates how the appointment of a JVLLP partner to support the delivery of the development produces a public value. It explains how this is achieved by appraising a long-list of options against how well they meet the agreed critical success factors for the proposed regeneration programme.

2.2 Quantitative and qualitative cost/ benefit analysis and outputs

2.2.1 Non-financial benefits

Although the detailed design process is yet to commence, it has been essential to set indicative parameters in order to undertake the financial appraisal that underpins the business case for entering into the JVLLP venture. The key outcomes based on current modelling are envisaged to be:

- In excess of 2,719 new homes
- Including a minimum of 42% affordable homes
- Modern extra care housing for older people
- On larger developments there is to be commercial floor space, likely to be flexible workspace and small retail/ leisure;
- New and modern public realm experiences including modern waste disposal, public art, increase biodiversity linked to indigenous species.
- New play and recreational space to be provided
- Consideration to be given through the sites on provision for health, education, leisure facilities, transport etc. as part of the regeneration and place shaping process and where it is necessary.
- Considering links with other developments in the surrounding areas and looking for joint delivery of infrastructure
- Significant social value contributions are expected from the scale of the developments.

2.2.2 Ensuring delivery of infrastructure

- The Council's involvement in the decision making of the JVLLP provides the ability to ensure that the delivery of social infrastructure is a prime objective of the developer (i.e. the JVLLP) as well as a planning requirement.
- The baseline appraisal from Housing Services for the first three sites requires the delivery of over 40% of affordable housing for local people. This is in response to our responsibilities as a stock-owning local housing authority and Registered Provider. This provision of affordable housing for developments in the borough is significantly higher than the average level provided previously on development sites across Havering of 12%.
- The use of Housing Revenue Account resources is a cost-effective way of delivering affordable housing. The Housing Revenue Account will retain all income from the properties as well as retaining ownership of the land other than where freehold housing is developed and sold (minimal on these sites).
- Whilst the JVLLP does not gain financially from this arrangement, it does reduce risk in terms of planning and by guaranteeing a purchaser for a significant number of properties.
- The Council will also use its role in the JVLLP to negotiate inclusion of any key infrastructure requirements required not just on these developments but as a contributor to wider regeneration that is happening.
- The JVLLP make significant s106/CIL contributions to the council. The allocation of these resources is a separate decision making process by the Local Planning Authority.
- The nature and location of facilities to meet rising demand for primary health services or education facilities will be matters for the Clinical Commissioning Group to consider as part of its Primary Care Capacity Plan for Havering and for the local authority in its strategic education planning role. These organisations will be fully involved as the detailed planning for the developments take shape so that any requirements can be catered for.
- In the longer term, there is an expectation that the Council will be the freeholder of the entire developments (excluding any freehold disposals) and therefore have a greater level of control over the future stewardship of the new development and management of the new sites.

2.2.3 Social Value

The regeneration programme is an opportunity to embark on a fundamental social value programme for the benefit of local people. The JVLLP will develop a social value plan that will maximise the opportunity and benefit of regeneration to the Council and to local people. This plan will be delivered in four stages:

- The JVLLP will define a vision for social value that aligns with the Council's corporate vision in terms of place making, economic aspirations and community cohesion.
- The vision will be integrate across JVLLP activity, services and operations and involve stakeholder in design and delivery

- Both the Council and the PSDP will be committed to the maximising and delivering social value by establishing strong working partnerships with local organisations
- The Social Value programme will be a measured approach the will seek to plug gaps within the local community in order to effectively meet the needs and aspirations of local people.

As part of the procurement of a PSDP, the Council has specified for the Partner to drive social value in terms of:

- Providing apprenticeships and other skills development, work experience and opportunity access programmes to be provided in the Borough to secure skills to support the delivery of development programme and leave a legacy of workforce investment.
- Offering curriculum support to schools with contractors sharing knowledge and expertise about their discipline.
- Creating supply chain opportunities for SMEs and social enterprises.
- Supporting initiatives such as targeting hard to reach groups and offering training opportunities.
- Investing in delivering facilities such as libraries and leisure facilities to communities and making them available for community use.

Projects will be delivered within the areas of training and skills development, social enterprise and community cohesion and will seek to deliver value beyond the parameters of construction.

2.2.4 Financial benefits

There will be a range of financial benefits to which a monetary value can be attached. These include:

- Additional Council Tax income of £3m once the developments are complete
- Increased NNDR - to be calculated.
- A revenue and capital return to the Council HRA to be reinvested into regeneration of additional sites
- GLA funding of at least £30.2m
- Significant s106/ CIL and s278 contributions.
- Significant investment in new build in excess of £750m, some of which will be spent locally.

2.3 The Case for Intervention

In 2015-16 the Council undertook a detailed review of its HRA Business Plan, associated with the Housing Services Asset Management Strategy (as referenced at Appendix 8.9). In addition, due to increasing concerns about the suitability of the offer to older residents, the Council commissioned a detailed review of its Sheltered Housing portfolio. The concerns were associated with the type of accommodation being offered, bedsit units, and those properties with shared facilities. 114 units had been empty in excess of 10 years with resultant rental loss being incurred.

The findings of the review of sheltered accommodation concluded that not only were these types of units not fit for purpose but, based on the demographic analysis, there was an over provision of socially rented units and no provision for older owners to buy into a supported housing environment. The review also concluded that there was an under-provision of modern extra care housing in the borough with little or no provision to house those people suffering with dementia. Therefore there was a significant case to change the offer and provide more mixed tenure “village style” schemes.

The Asset Management Strategy set out how the Council reviewed its assets and moreover how investment decision were made. The strategy sets out the principal of a review of property condition on a “just in time” basis rather than a component life cycle basis with key estate locations being further assessed on a sustainability modelling technique. This means that in addition to long term investment projections being based on expected and actual component deterioration adding in socio-economic criteria. These include instances of crime and ASB, lettability and periods of rent loss. The portfolio was categorised into various levels of sustainability over a 30-year life cycle.

The resultant outcomes demonstrated that it was not economically viable to continue to invest in the property on these 12 sites. Moreover, if no intervention was made, the schemes would either become or increasingly impact negatively on asset values.

Extensive consultation has been undertaken with residents via consultation events at all sites. The outcomes of this had proven a willingness to participate in wholesale development as opposed to refurbishment and more limited infill developments provided the strategic objectives of the project were achieved. More detail on consultation is provided in the Management Case and Appendix 8.10.

2.4 Other Options Considered and Rejected

The original options for the sites over the past 5 years or so had identified limited improvement work and infill development in order to improve the condition of the properties, reduce the on-going maintenance liabilities and provide a smaller increase the number of affordable homes available for local residents. These wider and more ambitious options have resulted from the extensive work and changes in the financial position of the HRA:

- Complete review of the HRA Business Plan to identify significant resources available to deliver new affordable home in the light of the HRA self-financing regime.
- Completed review of the HRA Asset Management Plan to review poor performing buildings and reduce the on-going maintenance commitment to existing homes via the move to the “just in time” approach to stock investment.
- Review of the increasing supply and demand gap for affordable housing in the borough.
- Consideration of the improved financial viability of existing HRA land ownership afforded from the impact of infrastructure investment such as Crossrail and Beam Park station.
- Consultation with existing tenants and leaseholders and borough residents more widely.

The in-fill opportunities originally agreed as part of the HRA Pipeline proposals and GLA Housing Zone bids were financed through the HRA BP and Asset Management Plan in place at the time. The reviews of those plans has enabled wider regeneration proposals to be considered in order to greatly increase the level of affordable homes provided on the sites by up to 100%, subject to the outcome of the final assessment of bids.

Assessments have been produced over the last 12-18 months to show that increasing the number of houses for affordable rent, low cost home ownership (LCHO) and private sale both on the general needs sites and the sheltered housing sites through regeneration is financially viable. This option will provide significantly more new affordable homes than through a limited infill approach.

The 12 sites have been packaged together following the work described above to:

- Deliver a positive viability over the entire portfolio.
- Achieve a significant increase the amount of affordable housing available to reduce homelessness.
- Reduce the negative asset management value of the stock.
- Achieve estate regeneration on the least desirable council sites to deliver sustainable mixed tenure communities.
- Provide more modern older persons housing.

The Asset Management Strategy and Plan identified several negative value or low value sites that impacted on the HRA BP through poor condition, poor quality and difficult to let properties. The sites do not therefore provide viable refurbishment opportunities that significantly increase the supply of affordable homes.

Doing nothing was not financially viable and did not create sufficient new homes.

This option not only provides positive contributions to the HRA Business Plan financially, by removing low or negative value assets; it increases revenue to the HRA and increases housing numbers. Any overall surplus from this partnership will be used to fund additional provision of the HRA of affordable housing, either on the 12 sites or other sites.

The options for the delivery of this procurement and delivery model that were considered were either a corporate JVLLP partner or a contractual development partner route. Financially, the 12 sites are not all positive and the 12 sites could not be delivered on a site by site basis under a contractual route without "pump priming" by the Council for those sites which are not viable. Including all 12 sites in the procurement enables the more valuable sites to cross fund the less valuable sites. It would not be impossible to do this through a contractual route, but it is easier to do so through a corporate approach as it is intrinsically more flexible in the way phases are bundled and timed for delivery. In addition, the JVLLP route enables a longer term partnership to be developed that enables more sites to be added to this arrangement in future, using the value in the sites to cross subsidise future regeneration possibilities. This approach would not be as readily feasible via the contracting route.

This approach also enables the council to replenish affordable homes lost via the RTB regime which again would not be possible via a more traditional contracting approach where a RSL is likely to require the ownership of the affordable housing.

Consideration was given to the fact that Havering had completed the decent homes programme in 2014. This programme had seen £84m spent on improving properties over the period 2010 to 2014.

Of this £84m invested in decent homes, £62m was been funded via the Government Decent Homes Programme and £22m funded via the HRA. The works were carried out in accordance with the requirements of the asset management strategy in place at the time. The funding was provided at a time before the HRA self-financing reforms came in and at that time the Council had less certainty over its HRA resources. The new HRA self-financing regime enables the Council to consider and plan expenditure with much more certainty in the medium and long term.

The decision to spend decent homes money was taken at a point in time, when that was the correct decision based on what was known at that time. Whilst the works certainly improved the condition of amenities in properties, it did not change the overall medium term impact on the asset management strategy where buildings were costing more to keep up to the lettable standard than the income they provided. Whilst it is not ideal to demolish buildings where decent homes works have been completed, the decision needs to be taken now to achieve the wider objectives of providing more affordable housing. It should also be noted that much of the decent homes work was completed over 5 years ago meaning that significant value has been derived from the work carried out on the regeneration sites.

In addition, the reinvigorated RTB regime has increased the rental property losses to over 100 per year on average, meaning that action needs to be taken to re-provide rental properties to increase rental income and help sustain the HRA finances in the longer term.

2.5 Risks and Sensitivities

Risks will be monitored and managed in a number of ways, both within the JVLLP and independently within the Council:

- all reports to Members relating to 12 Sites and the JVLLP including the review of the JVLLP Business Plan.
- detailed reports to the JVLLP Board prepared by the Development Manager which will be independently scrutinised by the Council's client team.
- the Councils Execview performance monitoring system.
- other governance and financial reports to Members as advised by the Councils s151 and monitoring officers.

The risks considered to be most significant are summarised in Appendix 8.12 in a format consistent with Execview. A sensitivity analysis on potential HRA and housing development variables has also been conducted and has been summarised, and attached at Appendix 8.13, to demonstrate the impacts of both improving and worsening conditions that could affect the delivery of the programme.

2.6 Summary – The Preferred Option

The preferred option for delivering the proposed regeneration of the 12 sites is a 50/50 Joint Venture Limited Liability Partnership (JVLLP) between the Council and a private sector development partner. The JVLLP will be responsible the design and construction of the new developments and obtaining sufficient resource, including construction debt, to deliver the regeneration programme.

The build cost of the development programme across the 12 sites is estimated to be £525m, generating a Gross Development Value (GDV) of £750m including finance costs. Any surplus would be returned to the JVLLP of which the Council would have a minimum 50% share. The current assumption is that this will remain in the JVLLP to deliver further regeneration opportunities. Affordable housing funding provided by the GLA and the Council will assist with the maximisation of the provision of affordable homes at rental and ownership levels that are affordable to local people on local incomes.

The revenue from open market housing sales is expected to support the funding requirements of the programme of development including the provision of affordable homes. All the sites will generate S106 and CIL payments that will pay towards upgrading the infrastructure in the areas where these developments are taking place. Finance will be required however, to support the cash flow that will ultimately be derived from the market sales activity.

To provide this level of funding would be a significant undertaking for the Council to deliver alone. The PSDP will assist by investing alongside the Council to provide capital to the project and to defray risk both through a sharing of risk and reward but also by providing experience to support the JVLLP board in its management of risk. It will also raise finance to enable the development to progress.

Overall, the economic, social and environmental benefits of the proposed regeneration to be delivered by the proposed JVLLP exceed the estimated costs. A sensitivity analysis has modelled cost inputs and assumptions relating to land assembly, construction costs and the housing market. This shows there is headroom within forecast surpluses with which increases in land assembly and/or build costs or decreases in housing sales prices can be managed before viability is challenged.

The JVLLP would manage the sales risk involved in each regeneration site and seek to drive value from well designed and phased schemes that are focused on the provision of affordable homes and, critically, sales arising from private market homes. The PSDP with their regeneration experience, will bring improved efficiencies in construction through a well-managed delivery framework of contractors and advisors, and development management experience.

Despite risk management, the Council as a member of the JVLLP, will face risks in the delivery that might not be met by surpluses returned from the JVLLP during or after the programme of development has concluded. This being the case, it is judged that the primary purposes in being a corporate member in the JVLLP are non-commercial and socio-economic in their nature and are to secure the regeneration of the 12 sites. This is confirmed by the legal advisors in their advice provided at Appendix 8.14.

3. COMMERCIAL CASE

3.1 Introduction and Purpose of the Commercial Case

This section sets out the Commercial Case for the preferred option – the 50/50 Joint Venture Limited Liability Partnership (JVLLP) between the Council and private sector partner. The Commercial Case demonstrates that this will result in a viable procurement and a well-structured deal. This section considers the procurement strategy, contractual requirements and the key parameters of the commercial arrangement between the JVLLP partners.

3.2 Strategic and Delivery Options

The overarching aims of any procurement and resulting delivery structure will be to deliver new replacement and additional housing within the context of the Councils project objectives existing policies and best practice guidance for estate regeneration. This section sets out to analyse the different delivery approaches that are available to the Council, and the extent to which they can assist in meeting the strategic objectives and housing requirements.

Direct Development

The Council could carry out estate renewal itself. This could be done by the use of funding and available grant to work up schemes in conjunction with relevant stakeholders as appropriate. The Council could develop out sites itself. This option will involve the use of conventional approaches to take forward sites and it is dependant to some extent on the Councils appetite for risk, ability to deliver at scale and pace, and the availability of funding. The direct development option would envisage the Council taking risk in areas such as master planning, design, finance and sales and marketing (for market sale properties), although it could buy in services to assist in managing this risk.

Disposal of Individual Sites

Under this option, the Council takes forward sites (subject to available resources) and sells them into the market. Sites could be sold individually or packaged (i.e. through the creation of development platforms). Sites could be sold on a phased basis over time through development agreements/ conditional land sale agreements (with or without overage provisions) to the private sector or other public sector stakeholders.

This would involve the Council marketing sites so that they could be disposed of on a straight sale basis as freehold or leasehold assets. However, due to the complexity of regeneration schemes on housing sites these would be marketed with the appointment of a strategic development partner.

Joint Venture

A joint venture could be established, either on an overarching basis or on a site-by-site basis.

Overarching Vehicle

Under this option, the overarching vehicle (OV) is established between the Council and a strategic partner to create a partnership with responsibility for developing each of the sites through a corporate entity (which would become a public/ private developer). It is most likely individual sites or works packages would be undertaken through subsidiary vehicles to maintain the flexibility required for development finance and mitigate risk.

The Council would control exposure to the OV by ensuring that sites/ works packages are only drawn down once conditions precedent are satisfied i.e. planning, viability, agreement of business plans etc. The partner, which could comprise a consortium would provide finance and act as development manager for the OV.

The OV can provide a strategic role in taking schemes forward, which would allow the Council to add additional land through further site assembly.

Site Specific Vehicles

Under this model, the Council would establish site specific joint venture vehicles, with potentially different private sector partners. Each of these would comprise a separate development when conditions are satisfied. The Council would retain some control and influence over design, density, tenure and specification via the development agreement. Albeit this may impact on sales value, the Council would also receive sale proceeds and overage as the sites are developed out.

In relation to property the Council retains, the Council would need to appoint the developer to act in the capacity of contractor (or potentially to manage the contractor on a “cost plus” basis) to undertake the construction works for these elements on the Councils land.

Each individual vehicle would take the form of a special purpose vehicle, which would be owned equally by the Council and the private sector partner. Each vehicle would need to be procured separately and require its own governance structure with associate management resource and costs. The Council would put in an estate (subject to satisfaction of certain conditions) and the private sector partner would invest equity and act as development manager for the vehicle. The vehicle would then develop out the estate according to a pre-agreed business plan.

Council Wholly Owned Vehicles

The Council already has a wholly owned company Mercury Land Holdings. This vehicle is an independent company, at arm's length, albeit owned by the Council. It is not controlled directly by the Council, and not controlled by borrowing limitations and the funding restrictions applicable to the HRA.

It has the potential to offer flexibility on tenure and the ability to develop mixed tenure schemes including homes for sale, shared ownership and rented accommodation at social, affordable and market rents.

Subject to scheme viability, this flexibility can enable cross subsidy between tenures. The assets and debts of the company remain wholly on the public sector balance sheet with private sector involvement limited to works and services paid for by the company corporate structure.

A review of the potential delivery options has been undertaken and each have been considered, with reference to:

- The means by which they will assist in meeting the required outputs and objectives of the Council
- The extent to which they will support the Councils policy objectives
- The pros and cons of each option.

i. Option 1 – Direct Development by the Council

The Council would develop out sites itself and manage estate renewal projects.

Pros

- The Council retains control over development of the sites. This may be of particular benefit given that these are estate renewal sites.
- The financial benefits from sites would not need to be shared with a partner hence the Council would retain all development profits.
- The Council has complete discretion to choose when schemes come forward

Cons

- The Council has limited capacity and expertise to take sites forward itself, meaning progress would be slow and comprehensive estate renewal would be challenging. Some of the risk could be mitigated through the appointment of a development manager but this incurs increased costs and does not mitigate all of the development risk.
- The Council has limited finance for investment and limited access to third party funding.
- The Council is exposed to 100% of market and tenant risk throughout the development and investment programme. The Council would need to determine whether they are prepared to undertake speculative development outside social housing.
- The Council is required to take substantial financial risk and there is a requirement for internal funding resources and use of borrowing headroom. All finance would be on balance sheet.
- The Council take delivery risk on projects. It would need to manage contracts and internally resource the development management function.
- There would be reputational damage if projects were not delivered or were unsuccessful.
- The internal decision making timetables inherent in local government may extend the programme duration.
- This approach could not accelerate the delivery of estate regeneration.

ii. Option 2 – Disposal of Individual Sites

The Council take forward sites (subject to available resources and funding) and then sells the sites into the market either as individual sites or in packaged phases.

Pros

- The Council may receive capital receipts which may be used to cross subsidise other schemes, or to support the Council's financial position.
- Miscellaneous assets within the Council's portfolio which do not meet the Council's objectives could be disposed of.
- The majority of development risk and the costs of estate regeneration are passed to development partners.
- Allows the Council to react to market forces i.e. could sell assets as and when appropriate to achieve best value.
- It may be possible in certain circumstances, (on which further advice would need to be taken, as this is a complex legal area), to follow a non-EU Public Procurement Law compliant route, although given the scale of these estates, this may be limited, and may not be cost efficient in procurement terms. Broadly speaking, if a non EU Public Procurement Law compliant route was followed, the Council would need to ensure that there is no enforceable obligation to deliver works on the site. Therefore if the Council wants any degree of control or influence over design and quality/ timing of delivery it would need to run an EU public procurement law compliant OJEU advertised procurement.

Cons

- The Council has limited enjoyment of future receipts, and this is not totally mitigated by overage provisions.
- The council is unlikely to maximise returns. All developer return would go to the partner.
- Clawback and overage provisions are difficult to manage and are often not transparent.
- Development agreements are less flexible in the context of long term/ multiple site developments running over different market cycles.
- Market appetite for developers to take on the risks and costs of estate renewal sites in isolation may be limited, and where there are viability 'gap-funding' issues, this will be exacerbated.
- There is limited opportunity for bringing in private sector knowledge, skills and leveraging investment to the authority.
- If sites are required to be sold to demonstrate activity, could result in disposals at the bottom of the market.
- This is a single dimensional approach, and may require the Council to commit to a single developer per site.
- The Council has little control of when sites are taken forward and how, and to what extent, the delivery of those sites will achieve the Council's objectives.
- Its control will be exercised through conditions of sale, which will impact on the value of receipts for land.
- There is limited control or influence over the quality of development other than through planning.
- There is a considerable risk of 'land –banking' until more favourable market conditions arise and risks are reduced, therefore limited opportunity for quick delivery wins, or acceleration of development delivery from that of the current situation.
- The council; may be exposed to property market risk.

iii. Option 3 – Development and Regeneration by a Wholly Owned Company

The Council would use Mercury Land Holdings, or another vehicle established for this purpose to develop sites and carry out estate regeneration.

Pros

- A separate Council owned company has greater flexibility on tenure and offers the ability to develop mixed tenure schemes.
- Cross subsidy between tenures is possible.
- The Council retains total control over the physical development of the sites.
- The Council retains profits generated by the vehicle.
- The Council is able to dictate the timescales at which sites are brought forward.
- There are no complex overage provisions.
- The company could also develop PRS, which could provide an additional revenue stream to the Council.

Cons

- At present, Mercury Land Holdings is not operating at the scale to deliver estate regeneration and development across these 12 sites. This is typical of most currently established local authority housing companies. The Council will need to take a view how MLH could establish the capacity and expertise to operate at this scale and complexity. A development manager could be appointed, incurring further cost and without mitigating, the other concerns listed. Similarly, there would appear to be limited capacity and expertise to establish a further specialist company to take forward estate regeneration.
- The Council, through the vehicle is exposed to 100% of property market risk and tenant risks throughout the development and investment period.
- The vehicle would be completely on the Council's balance sheet, and the Council would take substantial financial risk, through additional borrowing or the use of internal resources. This level of financial risk is likely to be unacceptable at this time.
- The Council, (through the vehicle) take the delivery risk of projects, and would need to manage contracts and resource the development.
- There would be limited external investment to support development – activity would generally be funded through additional Council borrowing.
- The vehicle remains entirely in public sector ownership, with greater exposure to future changes in policy.
- At present there is potential for housing development by wholly owned companies to be outside the Housing Act 1985 and avoid 'right to buy' issues. However, the government has indicated (most recently in the recent Housing White Paper) that it wishes vehicles to offer the right to buy to tenants of social accommodation produced through such vehicles. It is possible that legislation in the future will seek to enforce this, possibly even retrospectively.

iv. Option 4 – Overarching Joint Venture Vehicle (JV)

Under this option, the JVLLP is established between the Council and a strategic partner or partners, to create an overarching development and regeneration partnership. This

partnership can take sites forward by way of direct development or different delivery mechanisms beneath the overarching level e.g. development agreements, SPVs etc.

Pros

- The Council retains control over the assets as a partner of the JV i.e. ongoing control over assets and any development.
- The Council participates in profits from the JVLLP (no complex overage provisions).
- There is flexibility to cross fund projects throughout the JVLLP.
- As there is only one JVLLP being established the establishment and procurement costs are reduced compared to the site specific vehicle option below.
- Including a range of sites within the JVLLP, creates a more diverse opportunity, which allows for a spread of risk, which will be attractive to a private sector partner. This can be further enhanced, if additional sites are added, either pre procurement or at a later time.
- The private sector partner is incentivised to bring forward the portfolio and deliver development as they also receive returns from development management services and, potentially construction works/ services.
- The Council can adopt a long term investment approach, including short term wins and long term strategy.
- There is ability to lever in private sector investment, skills and knowledge and allow for a mature partnership to develop, with the Council, investing in one set of inter-personal connections rather than multiple.
- Ability to protect the value in current market as the value of assets is crystallised on drawn down rather than on establishment of the vehicle i.e. avoids disposing of development sites at the bottom of the market.
- It is possible, and indeed may be positively beneficial to add further sites into the JVLLP Further assets may be required to create a more comprehensive development opportunity, or to equalise equity shares in the JVLLP.
- Flexibility exists to take sites forward individually by way of specifically tailored delivery mechanisms.
- Additional projects, in which the Council has limited land ownership, can be added and the Council can have influence and involvement.
- Flexibility is provided to allow monies to be retained within the vehicle and to be used to cross fund other projects.
- Potential opportunity to choose capital or revenue returns
- The Council has greater flexibility in terms of ownership options.

Cons

- No large capital receipts upfront until land values are crystallised.
- Costs (time and resource) of setting up the JVLLP and contributing to governance (albeit less than the previous option.)
- Lengthy procurement process inhibits quick wins.
- Structure needs to be acceptable to attract a suitable partner appropriate for the Council.
- Likely need for 50% equity share may have implications for the Council in relation to long term ownership, obtaining receipt for social housing, or inputting additional sites.
- Council shares risks as well as rewards up to the extent of its equity.

v. Option 5 – Site Specific Vehicle

Under this option, the Council would establish sites, or phase specific vehicles with private sector partners.

Pros

- The pros of this option are those listed above under Option 4.

Cons

- No large capital receipts upfront until values crystallised.
- Increased establishment costs in terms of time and resource for setting up each vehicle.
- Procurement process required for each vehicle (with cost, delay and market appetite implications).
- Depending on scale and phasing, limits the way by which the sites can be delivered.
- More difficult to cross subsidise less viable schemes.
- Limited flexibility as each vehicle would be established for a specific site only.
- Limited flexibility to include other stakeholders within the vehicles other than at a governance level.
- Potential conflict of interest between the vehicles i.e. competing sites.
- Lengthy procurement processes to establish the vehicle could result in a loss of momentum and slower delivery.
- Council shares risks as well as rewards up to the extent of its equity.
- The Council will have limited capacity to site on multiple SPVs and manage multiple long term relationships.

3.3 Personnel (TUPE) Implications

There are no TUPE implications in the proposed programme and JVLLP.

3.4 Accounting Treatment

Accounting treatment will need to be resolved during the further development of agreements and before the Members Agreement, Development Agreement and Business Plan are executed.

3.5 Recommended Option

Cabinet agreed to proceed on the basis of an overarching joint venture vehicle and to progress towards selection of a PSDP following a competitive dialogue process. This is subject to ensuring the Councils investment is sustainable and there is sufficient headroom within the HRA Business Plan as reported to Cabinet in November 2017.

3.6 Procurement and evaluation process

The procurement process is a major work-stream within the project. The overall Project Board to oversee this project was set up in mid-2016 as the project was reported to Cabinet in June 2016. The procurement timescales were designed to ensure that the process was

rigorous enough to identify the right partner to deliver this project as well as one that would encourage the widest interest and participation from the industry.

The procurement of works/services relating to the 12 site regeneration is subject to the European Public Procurement Law, as implemented in England by the Public Contracts Regulations 2015 (as amended) and the Concession Contracts Regulations 2016. This necessitates a procurement process following the publication of a notice in the European Journal (OJEU). These rules will continue to apply for the foreseeable future and therefore need to be adhered to throughout the process.

To complete a successful procurement process there needed to be a strong understanding of the key issues involved in establishing regeneration vehicles such as a JVLLP both legally and commercially. This included awareness of the changing needs of the market, changing market conditions and the Government policy context.

To take the 12 Sites project forward through a collaboration between public and private sectors, a JVLLP, provides the impetus required to enhance economic regeneration with the formation of a strong delivery vehicle providing the chance to shape and focus the future development and regeneration of significant areas of the borough. It is also a means of harnessing alternative sources of funding and facilitates the formation and implementation of an innovative approach to proactively deliver growth and regeneration.

In order to properly steer the procurement to achieve this, a significant amount of external support and challenge was also needed. Firstly to review the assumptions made by officers in their initial assessment of the viability of the project and secondly to guide the procurement process itself.

One of the first activities completed after the October 2016 Cabinet was the procurement and appointment of a specialist multi-disciplinary consultancy team (MDT) to lead on site due diligence and procurement of a joint venture development partner. This team comprised:

- Savills – Professional Team lead and advisors
- Tibbalds and PCKO – Architectural, Planning and Design advisors
- Gardner & Theobald – Cost Consultants.
- Bevan Brittan – Legal Advisers.

This team was procured to:

- Develop a detailed understanding of the Council's priorities and constraints for this programme and to recommend the best approach to meet those requirements.
- Deliver a 'Competitive Dialogue' process in accordance with EU procurement law principles, using an approach similar to and in accordance with the competitive dialogue process specified in the Public Contracts Regulations 2015 (as amended), Regulation 30, which provides the opportunity for a structured approach to procurement, while reserving the right to deviate from the formalities of the Public Contracts Regulations 2015 (as amended) in conducting the competition due to the flexibilities permitted by the Concession Contracts Regulations 2016, in order to which will procure a private sector

development partner (PSDP), who will deliver the site regeneration programme in partnership with the Council.

- Ensure the development opportunity was attractive to potential partners, commercially viable and enable the Council to secure the right commercial deal, mitigating risk and financial exposure,
- Ensure Council priorities are achieved through increasing and maximising the supply of new mixed tenure housing. This is to include replacing the existing amount of affordable housing currently on site, homes lost under the Right to Buy and delivering an additional amount of affordable housing in line with planning policy guidance, subject to viability,
- Help to achieve additional value through wider regeneration that supports growth and sustainability, including improvements to the public realm, new schools, health and community facilities, providing opportunities for new businesses, alongside employment, skills and training,
- Ensure that the Council optimises the value of its assets which may include the generation of capital receipts and income streams while securing best consideration where this is required,
- Provide expert and timely advice on property, development, commercial and procurement matters and to support the project leadership throughout the project life cycle. Also to help facilitate the programme, shape viable development proposals and negotiate terms of a robust development partnership agreement with the PSDP.

The commission fell into two phases:

- Phase 1: (Due Diligence):- included the review of existing proposals to establish suitable and commercially viable development proposals that were attractive to the market and form a base case for achieving the Council objectives and priorities.
- Phase 2: (Competitive Dialogue Procurement):- included managing the Competitive Dialogue Procurement to secure a suitable long term development partner, including developing the Council's requirements, supporting the preparation and presentation of the development opportunity to the market. This was to be delivered by providing specialist property, commercial and procurement support as a key member of the Council's project and procurement team.

The project and procurement team also drew on senior officers from across Havering and OneSource. The panel comprised Senior Housing Officers, OneSource Finance Officer, OneSource Procurement, Savills, and Bevan Brittan. This panel representation ensured that the procurement process drew on external professional expertise regarding development and regeneration, legal, commercial, procurement and housing expertise as well as local knowledge and technical HRA and General Fund expertise.

All of the financial aspects of the project were built into a financial dashboard used to identify the key financial inputs and outputs, including inputs from the HRA Business Plan. This financial modelling was reviewed and quality assured by KPMG as an external assessor.

This organisation was procured by OneSource Finance and has been retained for further financial advice including tax advice.

The procurement process is set out in summary below and key documents attached at Appendix 8.15:

- Issue of a Prior Information Notice for soft market testing advising of the Council's intention to launch a procurement process, and that an OJEU Concession Notice will be published in due course. It included an official launch of the opportunity at MIPIM in March 2017 followed by discussions with a representative sample of interested parties to provide outline information on the tender opportunity.
- Issue of an OJEU Concession Notice setting out the Council's intention to procure a partner to establish the joint venture and concurrently making available a prospectus which included the Memorandum of Information (MOI) and Selection Questionnaire (SQ) to potential bidders who registered an interest in the OJEU notice. Public Procurement Law only allows, during this first procurement phase, for information to be sought from bidders in relation to their previous experience i.e. it is not possible during the SQ stage to ask bidders for responses in relation to how they would deliver the project, i.e. operate the vehicle. Following receipt of the Selection Questionnaire responses these responses are evaluated to ascertain a long list of parties to progress to the next procurement phase, dialogue.
- Commencement of the dialogue phase. This phase was broken down into 2 stages, the ITPD stage (Invitation to Participate in Dialogue) and the ITCD stage (Invitation to Continue Dialogue). This dialogue process provided bidding parties with the opportunity to shape the final form of the proposed JVLLP. Bidders were asked to work up proposals for the structure of the JVLLP, business plan and governing legal documents, the initial financial offer based on indicative numbers and design briefs. Regular dialogue or clarification meetings were held with bidder parties during this stage in order to assist bidders with their submission as well as allowing the procurement panel to understand the potential submissions and organisations who were bidding. At the end of the ITPD stage bidding parties were requested to submit responses to the ITPD from which a short list of parties were evaluated and selected to progress to the next or ITCD stage. The ITCD stage enabled the shortlist of bidders and the procurement panel to enter into detailed discussions regarding the nature of the project and the relationship. Items of clarification that were relevant to all parties were published on the procurement portal so that all bidders were working with the same information. This detailed level of dialogue and understanding then finished on a pre-determined date prior to the final stage of ISFT.
- The ISFT, or Invitation to Submit Final Tender, is the submission of final tender stage. Bidders were asked to submit comprehensive Final Tender responses on the basis of the solution or solutions presented and specified during the dialogue in respect of the sites and the proposed JVLLP structure. Under the competitive dialogue process, tenders shall contain all the elements required and necessary for the performance of the project. These tenders may be clarified, specified and optimised at the request of the Council, as long as these clarifications do not involve changes to the essential aspects of the tender or of the public procurement where this is likely to distort competition or have a discriminatory

effect. After evaluation of final tenders and selection of a preferred bidder, a confirming commitments stage may take place with the preferred bidder to confirm financial commitments or other terms, provided that this does not materially modify essential aspects of the tender and does not risk distorting competition.

- Once these stages have taken place, contract award decision notices will be issued, (as set out in Regulation 47 of the CCR 2016). A standstill period will then follow (as set out in Regulation 48 of the CCR 2016) prior to the Contract Award Notice being published and contract commencement. This formal commitment will only occur once the council funding has been confirmed via the 2018/19 Budget Setting process.

The time-scales for the above process is summarised in the table below.

No.	Stage	Start	End	Participants
1	Concession notice published	12/05/17	12/05/17	52
2	Selection Questionnaire (SQ) period	12/05/17	13/06/17	10
3	SQ evaluation period	13/06/17	28/06/17	
4	ITPD period and submission of ITPD responses	30/06/17	11/08/17	6
5	ITPD responses evaluation period	14/08/17	11/09/17	
6	ITCD period	13/09/17	24/11/17	3
6	ISFT period and submission of ITPD responses	24/11/17	07/12/17	3
7	Final tender evaluation period	07/12/17	18/12/17	
8	Cabinet report for selection of preferred bidder	17/01/18	17/01/18	1
9	Final agreement of legal documents	23/01/18	22/02/18	1
10	Full Council approval of funding	21/02/18	21/02/18	1
11	Formal signing of contract	22/02/18	22/02/18	1
12	Issue of contract award notification and start 10 day stand-still period	23/02/18	09/03/18	10
13	Expiry of standstill period	09/03/18	09/03/18	1

3.7 Evaluation

The ISFT document identified the requirements for the submissions from the final three bidders, much of which were covered during the dialogue process. It also illustrates the weighting and scoring criteria that the procurement panel used.

Each procurement panel member was provided with a full set of the ISFT documents submitted by the final three bidders. Each of the panel members individually scored the submissions and those scores were placed into a scoring matrix for each panel. An adjudication and moderation process was then carried out, overseen by the OneSource Procurement Officer, to produce the consensus scoring and reasons against which the weightings were then applied. This gave the final scores.

The Preferred Bidder status winner, as identified in this report, is the bidder with the highest overall points score.

The requirements of the ISFT submission and the scoring matrix were design to ensure that the bidder which provided the most economically advantageous tender whilst delivering the Council's requirements and objectives would become the Preferred Partner.

3.8 Resources for implementation

An indicative budget for the period to contract award is set out at Appendix 8.16.

During the implementation and procurement process, it was important for the Council to have a dedicated project team, the costs of which are not included in the above budget. In so far as was possible that team remained consistent during the procurement process and will need to be consistent through mobilisation, establishment and delivery processes. As well as having an overarching project lead within the council for the project, the following sub-work streams will require resources from the Council. Financial and legal work streams will require specialist support. The workload of the work streams will differ during the various stages of the process.

- Property and statutory considerations – including the collation of information and due diligence.
- Financial and accounting considerations.
- Preparing reports for Council approvals and scrutiny.
- Implementation and establishment of the Joint Venture.
- Mobilisation and delivery phases.

The governance requirements for the JVLLP will need to be in place and conform to the Havering Governance requirements that are currently being developed for presentation to Cabinet early in 2018.

3.9 Summary

A robust procurement exercise has confirmed the PSDP as the Council's preferred development partner. This preferred bidder status is subject to conditions, negotiation of satisfactory contract terms and further due diligence as part of the confirming commitments process.

It is proposed that the Council and the PSDP will form a JVLLP owned 50% by each Member. The JVLLP will have a 15 year term which can be extended by mutual agreement, and will be governed by a board.

The JVLLP will be bound by a set of legal agreements signed by both parties, including a Members' Agreement, Development Agreement, Development Management Agreement, a Land Acquisition Strategy and a CPO Indemnity Agreement.

Once established, the JVLLP will propose for agreement by the board and its members (the Council and the PSDP) an annual Business Plan (ABP) setting out the objectives to be achieved, the requirements for finance, delivery, the land acquisition strategy and other policies. The ABP will be presented to and agreed annually by Cabinet and will be reviewed quarterly by Executive Brief.

A Development Management Agreement will be entered into with the PSDP for development management and project management services against a specification of services and agreed payment terms.

4. FINANCIAL CASE

4.1 Introduction and Purpose of the Financial Case

This section sets out the Financial Case for the preferred option – the 50/50 Joint Venture Limited Liability Partnership (JVLLP) between the Council and private sector partner. The Financial Case demonstrates that the preferred option is expected to result in a viable and affordable deal funded through and impacting on the HRA. This section includes information on the financial model, the financial impact on the JVLLP and Council, sensitivity modelling, the overall funding arrangements and affordability of the proposed approach.

4.2 Current HRA Business Plan

In November 2017 Cabinet considered the HRA Business Plan Review and the impact of the provision of new affordable homes via regeneration schemes in Havering.

The HRA remains a ring-fence account that is used to manage the Councils own housing stock. The proposed business plan will enable the Council to manage the existing stock to a reasonable standard, to maintain the decent homes standard and provide significant resources for the development of new affordable homes for local people.

The report provided Cabinet with the latest assessment on the impact of the provision of new homes via the HRA 12 sites regeneration project and the establishment of the HRA JVLLP.

Elements of the business plan that have a direct impact on the income into the HRA BP include:

- Social rent setting policy in the years following four years of 1% reduction.
- Any capping of local housing allowance (LHA) levels.
- Rent policy regarding supported housing rents.
- Service Charge recovery

Elements of the service that impact on the levels of expenditure in the HRA BP include:

- Planned maintenance to existing stock.
- Responsive repairs cost to existing stock.
- Delivery of new build homes
- Staffing costs
- Financing costs of borrowing in the HRA
- Losses arising from Bad debts, voids etc.

4.3 Building New Homes and Regeneration

As the main income to the HRA Business Plan comes from rents, it is imperative that the numbers of rental properties is maximised. The current HRA business plan expects to lose 80, possibly 100, properties per year through the Right to Buy (RTB). This reduces rental income by a minimum of £0.390m per year, assuming a full year loss of income per property. Since the start of the RTB regime, Havering has lost some 4,000 properties out of the HRA. This equates to an annual loss of rent of £19.5m per year. Moreover, this is a significant loss of properties available for local people who need affordable housing or become homeless.

As increased demand for properties continues and the number of families presenting as homeless rise, there is a trend for more families to be housed for longer in hostels and there is a risk that the Council will need to resort to the use of expensive B&B emergency accommodation. This is a General Fund (GF) cost. More properties available in the HRA mean more properties available for permanent housing and therefore reduced spend on B&B in the GF.

In addition, changes to the costs of temporary accommodation are adversely impacting on the General Fund. The key impacts are coming from the increased costs of procuring temporary accommodation in the private rented sector and reductions in benefits subsidy to pay for temporary accommodation. One way of mitigating these rising pressures is to build new homes that can be accessed by local people who are facing homelessness.

The HRA BP resources can be used to fund new build and can be augmented by right-to-buy receipts. Failure to use right-to-buy receipts in this way would see the Council having to pay the receipts over to the GLA with additional interest. Some Council housing new build schemes have also attracted grant from the GLA. The Council have been awarded just over £30.296m from the GLA for the affordable housing provision on the first three sites in the HRA 12 sites project. Those sites are Waterloo Estate in Romford, Napier and New Plymouth Houses in Rainham and Solar, Serena, Sunrise sheltered scheme in south Hornchurch.

The HRA BP Review presented to Cabinet in November 2017 identified a total of £200m within the HRA BP over the next 10 years that was available for investment in new units of affordable housing to help replenish losses of units through the right to buy and to help local people access affordable housing. The report identified £55m had been earmarked for new affordable housing on the Bridge Close development and £145m has been identified for the purchase of affordable housing through the 12 sites project.

As more sites come forward in this JVLLP, further applications will be made to the GLA for additional affordable homes funding. If the GLA were to fund those sites at the same rate as the first four sites, the total GLA funding for these sites would rise from the £30.2m already confirmed up to some £49m.

4.4 Viability

4.4.1 Overview and Approach

A baseline viability model has been established by the Havering, working in conjunction with a multi-disciplinary team to provide an indication of the likely project surplus or deficit where surplus is defined as:

- Sales revenues; less
- Housing builders priority return/ margin; less
- Development costs of new units; less
- Infrastructure/ other costs related to each phase of an estate redevelopment (which includes compensation for homes owners, demolition and allowances for infrastructure and abnormals); less
- Site assembly cost/ Vacant Possession; less
- Cost of finance.

The aim of the viability model is to create a flexible tool to allow the project team to consider the viability of the project and make updates to assumptions and inputs as more information is sourced from within the Council and from external consultancy reports/ due diligence.

In order to deliver that flexibility the model can be manipulated to:

- Address build methodology and phasing.
- Appraise cost value relationships by tenure and archetype.
- Variable construction costs dependent upon unit type and construction type(s).
- Build duration and rate of sale.
- Variable revenues by tenure.
- Site wide costs and abnormals.
- Development on costs.
- Aspiration on margin.

The baseline viability model that has been established has provided a set of outputs based appropriate research, industry norms and independent scrutiny and validation.

This report is predicated upon the baseline viability model however the model will evolve to reflect the market's response as we move through the competitive dialogue phase.

4.4.2 Approach and Quality assurance

The approach taken to creating the model is as follows:

- We assessed output requirements of the model, i.e. new housing delivery, programme durations, decant requirements, costs of delivery, potential sales receipts and potential net surplus/ deficit.
- We collated initial inputs commissioning external consultancy studies to ascertain development capacity, site constraints and build methodology.

- These outputs were then translated into a bespoke appraisal system to demonstrate the optimum viability, key financial and physical outputs.
- Input assumptions have been updated to reflect specialist consultancy validation reports.
- The model is subject to quarterly review to reflect fluctuating market conditions, build cost indices and inflation.

4.5 Viability Model Assumptions

This section sets out the assumptions used in the viability modelling and describes the source of the assumption.

4.5.1 Existing Ownership and Residents Offer

The model requires information on the current housing stock in order to calculate the costs of demolition, compensation for owners and tenants and the cost of re-providing housing. These assumptions can be sensitised to help develop the residents offer. The initial assumptions are as follows:

Description	Assumption	Source
Existing ownership Numbers Ownership type	112 No. Leasehold/ Freehold	Council Data
Compensation for Private Owners	MV plus 10% +/- £750 per plot (avg) disturbance payment	Council assumption and independent valuation
Compensation for Council Tenants	£6,100 Home loss £8,000 (avg) disturbance payment	Council assumption
Property value inflation	5% p.a.	Council assumption
Cost inflation (Applied to Council tenant compensation)	2.5% p.a.	Modelling assumption

4.5.2 Layouts and Phasing

Each of the sites within the portfolio demonstrates unique characteristics and development capacity. The smaller sites lend themselves to comprehensive redevelopment in a single phase. With regard to the larger sites, these will be undertaken in multiple phases for the following reasons:

- Rate of build will be driven by rate of sale
- Minimise disturbance and disruption to existing residents and other stakeholders
- Scope of infrastructure upgrades required
- Efficient decant programme.

The phasing methodology adopted is reflected in the 'baseline financial model' programme assumptions and sales profile. Upon selection of the preferred bidder, the JVLLP will produce indicative design proposals for each site which will include phasing methodology.

PCKO and Tibbalds have prepared feasibility studies for each of the 12 sites to determine development capacity. These have been translated into the baseline financial model. In addition, they inform the memorandum of information issued to potential bidders to provide guidance on matters such as height, density, massing etc.

The proposed tenure mix facilitates the 'right to return' for all existing tenants on the sites and provides 794 affordable rent dwellings. In addition, we have included 300 LCHO dwellings to be sold at 40% of open market value (OMV) at point of sale. This product will enable existing leaseholders to return to the regenerated sites at an affordable price point.

4.5.3 Costs

Cost revenue forecast and programme assumptions for the regeneration programme are as follows:

Description	Assumption	Source
Build Costs	Net £222 ft ² Gross £265 ft ²	Council Savills Gardner and Theobald (cost consultants)
Programme Duration	10 years	Council Consultants Market
Revenue Forecast	Range: £360 ft ² - £479 ft ²	Savills
Gross Margin	Pre-interest 16.4% Post-interest 12.7%	Modelling assumption
SDLT	None: Build under Licence	Modelling assumption
Residual Land Value	£13.120m translated into loan note (Council equity stake)	Modelling assumption
Peak Debt (After overheads and interest)	£167.5m	Modelling assumption
CIL	£20m ² (open market units only)	Modelling assumption
S106 Contributions	£6,000 per plot	Modelling assumption

4.5.4 Housebuilders Margin

The blended margin equates to 16.4% of GDV comprising 18% of GDV for open market dwellings and 12% of costs for affordable dwellings.

This is in line with Savills recommendation for a programme of this magnitude and value and delivers a net margin, post interest of 12.4%.

As stage one of the competitive dialogue process we received six bids, primarily from national house builders, all but one of the bidders reflected an aspiration on margin in line with our forecast.

4.5.5 Acquisitions of Affordable Rent Units

LBH will retain the freehold interest and long term management of all affordable rent units re-provided across the 12 sites. These will be acquired from the JVLLP at point of build completion. The HRA offer price equates to £225 ft², an average purchase price of £172,000 per plot.

Following a successful bid to the GLA under the 2016-2021 Programme, a grant allocation of £30.2million has been secured. In respect of phase one of the regeneration programmed this will be drawn down, 50% upon start on site, and 50% upon build completion. In addition to the above, we have now submitted a bid to the GLA for site assembly grant, an overarching agreement is in place, and we hope to proceed to contract, following the GLA's due diligence on the toolkit appraisal. Potentially, this would attract further grant/ loan up to £2.7million.

4.5.6 Low Cost Shared Ownership Units

The baseline financial model assumes an income stream equivalent to 40% of open market value payable at point of sale. The Council will seek a legal charge over the retained equity (60%). Based upon current market value, the retained equity is valued at £40m; the capitalised rental stream would generate a passing rent of £1.2m per annum.

4.5.7 Viability Model Caveats

The assumptions contain some known limitations at this stage, these are summarised below:

- Transport infrastructure/ infrastructure upgrades – the requirement to invest in and around the sites to support increased population needs. Currently bidders have provided provisional sums within the financial proformas. These will need to be captured in a risk register and quantified following the appointment of a preferred bidder and implementation of detailed site investigations and capacity studies commissioned.
- Phasing – the potential phasing methodology applied to the development will be determined following selection of a preferred partner. The three shortlisted bidders have submitted preliminary phasing proposals which are subject to ongoing evaluation.
- Unit mix – as the potential density and layout is adjusted and refined the final unit mix may change from that within the current financial model.
- Stamp duty land tax – the financial model is currently predicated on a 'build under licence' arrangement which does not give rise to an SDLT liability. This assumption is subject to further specialist tax advice.
- Planning/ Development Control – The indicative layouts and capacity studies are subject to fluctuation following consultation with development control.

4.5.8 Income

In line with expected practice in Havering, the financial outputs from the viability modelling have been inserted into a financial dashboard.

All income assessments are at 2017 prices – with no House Price Inflation - but an allowance is made for increases in the sale price of properties as regeneration takes place and the first properties are occupied. This is a standard approach and Crossrail and the new C2C station at Beam Park are also expected to increase sales values across the 12 sites. The most important income element at the sites is the value of residential properties. Sales values are always expressed as an average £ per sq. ft.

Three sales values have been modelled to show the overall financial impacts. The current values expected from similar developments (the “Red Book”). The values expected taking a prudent view of where the sales values will be when new homes start to be sold in around 2 years (the Budget or Base level). Sales values that could be achieved taking a more optimistic view of house price growth due to regeneration (the Target Level).

- The financial model breaks-even at £460 per sq. ft.
- Based on advice by Glenny and Knight Frank, if the development was to be open now the average £ per sq. ft. would be £479. This is known as the ‘Red Book’ valuation.
- The Council proposed (and the tendering exercise confirms) that the Business Plan should be based on an expected case of £500 per sq. ft. This cautiously allows for a 4.4% regeneration uplift from the Red Book or today’s level. This is the Budget level.
- A more optimistic external assessment predicts that the average value throughout the life of the project (at 2017 prices) would be £532 per sq. ft. which is 11.1% higher than ‘Red Book’. This is the ‘Target’ scenario
- £532 is consistent with market evidence from our own professional advice through our Specialist Team (MDT) and the market exercise. To support its own financial offer, each bidder has appointed third party advisers on the future market trends.

The JVLLP will be expected to provide quarterly assessments and projections against the Budget and Target levels.

4.6 Financial outputs

4.6.1 Model Outputs

The outputs from the viability modelling are presented in the Financial Summary at Appendix 8.1. Scheme viability varies from site to site over the entire portfolio resulting in a nominal surplus. In order to manage viability, it is proposed the sites are grouped into a number of distinct works packages to ensure, where possible, each works package delivers a nominal surplus. Any works package that culminates in a nominal deficit, the shortfall will be financed via the HRA.

The revenue forecast adopted in the baseline model is considered prudent and has been informed and supported by independent market research, as evidenced in Appendix 8.17.

4.6.2 Council Investment

The Council has elected to retain the freehold interest and long term management of all affordable housing units to be re-provided across the 12 sites. These units will be purchased from the JVLLP for a pre-agreed price, as they achieve build completion. Acquisition costs will be funded through a combination of GLA grant, HRA resource and cross subsidy generated through open market sales receipts.

The HRA Business Plan has been reviewed and presented to Cabinet in November 2017. That review and report identifies that the 12 sites regeneration programme is sustainable via the HRA.

4.6.3 The Offer to Tenants, Leaseholders and Other Residents

Attached at Appendix 8.18 is the Havering Council housing regeneration pack comprising of:

- The Local Lettings Plan.
- The Re-housing options for non-secure tenants in temporary accommodation.
- The Regeneration decant policy and possession procedure.
- The offer to leaseholders.

Through these documents, the Council aims to:

- Ensure no resident is financially worse off as a result of estate regeneration.
- Maximise the ability of residents to obtain replacement homes in new developments where they wish to do so.
- Enable residents to move to comparable homes in the borough where they would prefer to move elsewhere.
- Make the disruption to existing residents as small as possible. Estate regeneration is disruptive to the lives of residents affected and can be distressing and upsetting. The Council is committed to provide support to residents during this time.

The adopted policies aim to provide a consistent, fair and equitable approach to the rehousing and financial payment commitments made to household who need to move as a result of estate regeneration schemes. They aim to minimise disruption to residents by the provision of clear, timely information and providing additional support to vulnerable residents. They provide an outline process by which the Council will obtain vacant possession of properties required for regeneration works to take place.

When estate regeneration is being considered, residents can expect:

- Full consultation.
- Provision of timely information to keep them informed.
- Support when needed from the Council.
- Support and advice from an independent resident advisor to enable tenants and residents including freeholders to be actively engaged and involved in the process.
- A fair financial offer for buy backs, out of pocket expenses and compensation.

Where estate regeneration is agreed, the Council will provide housing options in accordance with estate regeneration best practice. Residents can expect a range of compensation and financial assistance as prescribed by legislation. A summary of the offer is set out below:

Non Resident Leaseholder

- Market Valuation
- 7.5% Supplement
- Legal Fees

Leaseholder / Private Owner

- Market Valuation
- 10% supplement
- Legal Fees

Council Tenant

- Home Loss (Qualifying) £6,100 per household
- Qualifying disturbance payments

4.7 Summary

The JVLLP is fundable through the HRA and an affordable deal can be secured. The Council has settled on a Base Case model which is predicated on a set of prudent assumptions which have been challenged and subjected to due diligence both by the Councils Specialist Multidisciplinary Team (MDT) lead by Savills and by the Council to confirm that these assumptions are reasonable having regard to the current market and the nature of the development proposals being made. In addition, the procurement exercise has confirmed the approach and assumptions made by the council are a sound and deliverable proposal.

The Base Case shows a total estimated income in the region of £800m from the proposed development programme, a total estimated development cost of £750m and a potential £50m million surplus being achieved by the JVLLP. This would be split 50/50 between the Council and PSDP.

The JVLLP will be funded through a combination of GLA loan, equity from the Council HRA mainly in the form of land value, equal equity from the PSDP and third party debt raised by the JVLLP.

5. MANAGEMENT CASE

5.1 Introduction and Purpose of the Management Case

This section sets out the Management Case for the JVLLP and demonstrates that it is capable of being delivered successfully, in accordance with recognised best practice.

5.2 Deliverability

The redevelopment of the 12 sites are a considered, deliverable and realistic project. Key elements to support this assessment are detailed below.

5.3 Land assembly

The level of ownership and control of land by the JVLLP partners, together with the land assembly strategy within the JVLLP's Business Plan and the intention to adopt Compulsory Purchase Order action makes it very likely that vacant possession of the sites can be secured.

The Council has started the process of land assembly, including key actions as follows:

- From Tuesday 17 January 2017, all HRA rented properties, which become empty and are capable of being relet, are being examined to see if they meet the housing needs of people being moved from the regeneration sites. If they match, an offer will be made. If the offer is accepted, the move takes place as quickly as possible with the Council providing assistance to residents who are moving.
- Almost every Council tenant has accepted the offer for a one-to-one meeting about their housing needs and has been sent two copies of the Decant Assessment Form, which summarises the one-to-one meeting. The information on the Decant Assessment Form is being used to identify a match for a property to be offered for rehousing.
- Demolition Notices have been delivered to around 900 properties.
- The Council has contracted TPAS (Tenant Participation Advisory Service) to provide free, independent help and advice to individual tenants. TPAS will provide independent advice to any resident who needs help.
- Consultation on a Local Lettings Plan that communicates to Council tenants their rehousing options and allocation principles and procedures.
- Leaseholders can sell now - some leaseholders are already in discussion with the Council about selling their property to the Council. Leaseholders and freeholders wishing to sell their property on the Maygreen Crescent and Park Lane, Napier House and New Plymouth House, Oldchurch Gardens or Waterloo Estate regeneration sites are being particularly encouraged to speak to the Council.
- Section 1.25.2 of this Business Case provides more information on activity towards achieving vacant possession.

5.4 Planning

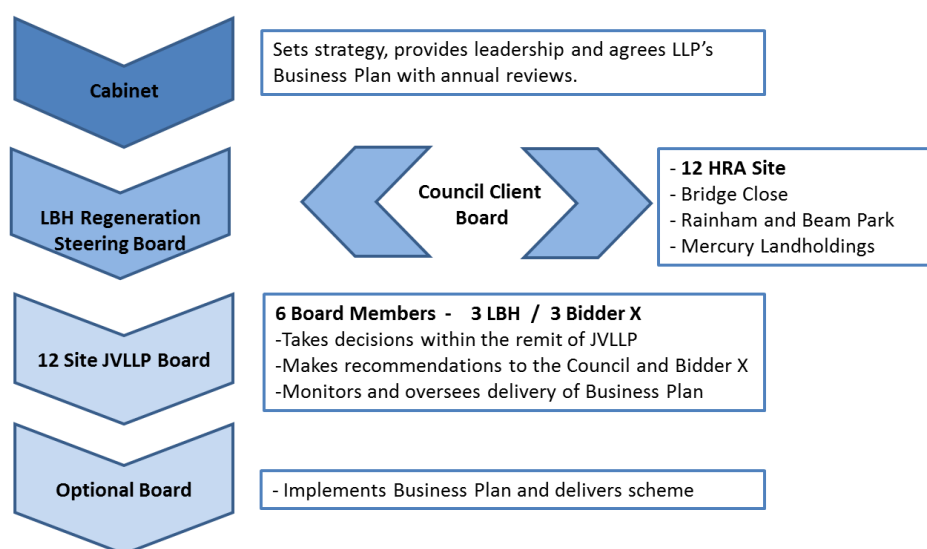
A sound policy framework already exists as described in the Strategic Case of this business case. The approach to secure planning permission will be based on compliance with local and London plan requirements, early and continued involvement of the Local Planning

Authority including a Planning Performance Agreement, a programme of public, Member and stakeholder engagement, and a commitment to high quality design and management standards.

5.5 Programme & Project Management Structure

In addition to the governance of the JVLLP, the Council must have its own arrangements in place to ensure its involvement facilitates the delivery of the JVLLP objectives whilst protecting the Council's interests. The Chief Executive will present proposals for a new client function to support the Council's regeneration programme to Cabinet early in 2018. The diagram below is indicative of arrangements for the 12 Sites Programme.

The Partnership: Governance Arrangements



The Council's HRA Development Team will lead, for the Council, on the delivery of the JVLLP and be accountable for its success. This will include all aspects of project and financial management. The HRA Development Team will require sufficient resources to manage this major regeneration programme including support from other Council departments, other public organisations and local businesses. The project will report to the Council's Regeneration Programme Executive and Board.

The Council's Senior Leadership Team (SLT) and Corporate Leadership Team (CLT) support the vision for the 12 sites and will act both as advocates for the project and assist in key relationship management when required with Cabinet, Councillors, the GLA, the PSDP and other funders and stakeholders.

5.6 Programme

Following the procurement process, the key milestones that will drive the project going forward are set out in the table below.

5.6.1 Key anticipated milestones (first 4 sites)

Milestone	Anticipated date
Cabinet approval to establish a joint Venture Limited Liability Partnership.	January 2018
Council approval of Capital funding	February 2018
Approval of legal agreements including JVLLP Business Plan	March 2018
Cabinet approval of Compulsory Purchase Order resolution	June 2018
Viability review of remaining sites and agreement of phasing	Summer 2018
Submission of 1 st planning application	Summer 2018
Determination of 1 st planning application	January 2019
Vacant possession of sites	September 2019
Potential Start on Site	September 2019
First completions	May 2021
Scheme complete	January 2027

The competitive dialogue process has required the bidders to carry out extensive delivery proposals that have been presented to the procurement panel through the year. The competitive dialogue process has required selected shortlisted bidders to negotiate the terms of the agreement during the second dialogue stage. However, at the point at which the leading bidder is awarded “preferred bidder” they will have an opportunity to confirm commitments to finalise the proposed contractual arrangements prior to a final award decision.

The detailed project programme, including public engagement and consultation, will be reported regularly through the Council, Housing Services and the JVLLP’s governance arrangements.

5.7 Project Team

The Project Team is listed in the table below. The Council’s Project Sponsor will be the Director of Neighbourhoods for the London Borough of Havering. The Project Director will be the Programme Director of Regeneration. The Project Team will report to the Project Board, with the Project Director being Chair. The Project Board will in turn report to the Council’s Regeneration Steering Board.

The Project Board and the Regeneration Steering Board will approve this business case and all associated Cabinet Papers prior to Cabinet approval.

The Project governance and oversight, including Project Management (PM) arrangements, will comply with the requirements of the Council's wider team addressing all of its development joint ventures.

Name	Role	Title
Stephen Moore	Project Sponsor and Chair of Regeneration Board	Executive Director of Neighbourhoods
Neil Stubbings	Project Director and Chair of Project Board	Interim Programme Director of Regeneration
Paul Gayton	Programme Manager	Programmes and Projects Manager HRA, Development
Mike Gappy	Project Manager	New Business Officer HRA Development
Martin Fahy	Finance Manager	Finance Manager, OneSource
Siobhan Fry	Legal Manager	Principal Lawyer, Planning, OneSource
Lauren Sinclair	Project Officer	Project Officer, HRA Development

OneSource Legal, acting for the Council, has managed the legal contributions made by the Council's external advisors, Bevan Brittan. Bevan Brittan will continue to provide legal advice on this project in relation to the procurement and legal agreements for the setting up of the JVLLP. OneSource will continue to provide direct legal advice relating to the Local Lettings Plan and work with leaseholders leading to vacant possession.

OneSource Procurement has advised throughout the procurement process.

5.8 Use of Specialist Advisers

In addition to Council resourcing, due to its niche area of expertise, external support has been required to provide capacity in commercial and legal matters, development management, developer negotiation and the Project Team. Our specialist advisers include:

- Savills – Professional Team lead and advisors
- Tibbalds and PCKO – Architectural, Planning and Design advisors
- Gardner & Theobald – Cost Consultants.
- Bevan Brittan – Legal Advisers.
- KPMG – specialist financial advice.

5.9 Legal documents

The legal work on the structures and legal agreements will require further work to ensure the detail of the final submission documents are enshrined within final version documents and that they are satisfactory for the Council and Preferred Bidder to formally sign to enter into the JVLLP. This should require minimal changes to the documentation already provided.

5.10 Design work

This work was carried out during the tender stage and was essentially indicative to inform the final bid and has been carried out at the bidders expense. A lot of work was put into this by the bidders and their partners, including initial discussions with Havering Planning Officers. However, all bidders are aware that these designs are indicative and the process of consultation with residents and neighbours of the sites will commence in detail to properly inform any final designs that inform the planning process and final application once Preferred Bidder status is confirmed and during the operation of the JVLLP.

5.11 Financial appraisal

The outcome of the procurement process has effectively set financial parameters that must now be adhered to by the preferred bidder as they enter into the design consultation stage in respect of the four initial sites. Items such as build costs, margins, overheads, future sales revenues, funding arrangements etc. have been bid and accepted. However, this will now need to be reviewed in the light of the detailed work to be carried out on the design of the new developments mentioned in the above paragraph, during the operation of the joint venture. Items such as final numbers of units to be built, precise requirements for the infrastructure and potential additional acquisition of neighbouring land to enhance the development opportunities will now all need to be reworked and input into the financial models.

5.12 Consultation Report

The consultation for the 12 Site Regeneration programme was set up to follow the Regeneration Consultation and Communication Strategy, attached at Appendix 8.10. The extensive consultation process has been reported to Cabinet at regular intervals. The regular updates show that full information and updates have been provided to residents and that they have been given the opportunity to provide feedback and comments. That feedback has then shaped the final proposals on the 12 sites. The following is a further update on the activity carried out:

- To date, 82 site specific meetings have been held, including resident meetings and neighbour meetings for those affected by the housing regeneration programme.
- A total of 61 site-specific newsletters have been issued to date which detail the information provided at meetings. They also respond to site specific issues raised by residents in and between consultation meetings and provide a FAQ section (example provided in Appendix 8.19).
- 72 site specific meetings have been held in the sheltered schemes being retained.
- There have been in excess of 2100 attendees at the site specific meetings.
- In addition to the site specific webpages, the Building New Homes for Havering is now active, giving residents and members access to updates and advice regarding the regeneration programme, and sub-programmes including the decant activity and compulsory purchase orders.
- Two additional staff briefings have been held since October 2016, updating staff on the progress of the programme and giving them an opportunity to gain an understanding of the journey we are taking residents, our customers, on.

- The regeneration programme has been a continual feature in the quarterly magazines “At the Heart” and “Sheltered Times”. In spring 2017, we released a “Special Regeneration Edition” of “At the Heart”, which updated all Housing Services’ tenants and leaseholders on the Regeneration Programme.
- Social media postings have been used throughout the programme to update stakeholders on consultation meetings and project milestones.
- A stand was set up at the 2017 Havering Show where officers were available to discuss the regeneration programme with local people.
- In October 2017, we launched the Local Lettings Plan and Regeneration Decant Policy and Possessions Procedure Consultation enabling tenants to voice their views on both documents via an online survey.
- To date, consultations have been led and carried out by Council staff. Once the JVLLP has been established a joint approach to consultation, resident engagement and social cohesion that will allow us to create the sustainable communities on the new sites. The council will remain the lead for this activity.
- Intensive support and reassurance continues to be provided on a one to one basis for any resident and their families worried about the renewal programme and potential decant process.
- A decant satisfaction survey records the outcome of the decanting process from the tenants point of view.
- Specific information provided for leaseholders.

Every tenant on the 12 sites has been offered and, the majority accepted, the opportunity to have a one to one meeting, at which their family is encouraged to be present. This meeting is designed to provide a comfortable environment to enable residents and family to ask any questions they may have about the programme and what it means for them personally. Also it gives the opportunity for the tenant to provide the council with information needed to identify where they would want to move to as part of the decant process. This information is used to populate a “Decant Assessment Form” which is then signed by the tenant as a true record of their decant requirements. This process has proved to be a good way for the tenants and their families to engage in the entire process and for the council to fully understand how we can best support tenants through what is accepted to be a very stressful process.

At each of the sites that are undergoing regeneration residents have been encouraged to set up a more formal Resident Group. The hope for this group is that it is chaired by a resident with administrative support from our tenant engagement team. The resident group themselves would set the agenda and officers attend to provide updates and any information requested as well as taking back information to inform the programme. The groups were also intended to challenge officers to ensure information is provided in an understandable manner and accessible format.

A full record of meetings held and number of attendees is provided in Appendix 8.11.

The council has also appointed TPAS to provide independent and free advice to the residents. TPAS have provided contact details so that any resident can contact them for independent advice. At the contract meeting held with TPAS towards the end of October 2017, the following update was provided:

Seven calls have been made to TPAS via this service. The main issues raised with TPAS are:

- Quality of void works being done before decanting takes place
- Delays on payments been received
- Problems achieving out of borough moves
- Recharges for void work

TPAS provided comparison information with a similar service they have been providing to another London Borough. The Freephone service has taken more than 600 calls compared to the 7 for Havering in the same period of time which TPAS says reflects the quality of the information and engagement work being carried out in Havering.

At each event with residents, information is also provided for leaseholders who are impacted by this programme.

5.13 Summary

Project management structures, resourcing and risk management procedures will be put in place by the JVLLP to ensure that it can be delivered successfully, in accordance with recognised best practice.

A strong team of in-house experts will deal with the required development, finance, project management and construction, and will also have access to a number of frameworks from which to source consultants and contractors to provide advice including design, planning, community engagement, site assembly, and to deliver construction and facilities management.

In addition, to support the Council in undertaking its responsibilities for management and scrutiny of the JVLLP (as Member in the JVLLP), and in support of the governance processes, a client side will need to be resourced to ensure access to relevant capacity and capability as required.

6. SUMMARY OF ORGANISATIONS

Following a soft market-testing programme over a two month period, 54 expressions of interest were received. Of these, ten progressed to submit preliminary proposals. These comprised a range of national and regional developers and one registered provider leading a consortium approach.

Following an evaluation of the preliminary proposals, six bids were shortlisted to progress to invitation to proceed to dialogue.

We anticipate selection of the Preferred Bidder, subject to Cabinet approval, in January 2018.

7. GLOSSARY

<u>Term</u>	<u>Definition</u>
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.
Compulsory purchase order (CPO)	A legal function that will allow the Authority to purchase land or property without the consent of the owner i.e. if a proposed development is considered to be for public betterment
Concession Notice	Must be published in OJEU at the same time as tender documents being published online to alert the market of the tender opportunity
Gross development Value (GDV)	The value a property development project may be worth on the open market once all development works have been completed
Housing Revenue Account (HRA)	The income and expenditure relating to the provision of Council-owned homes
Housing Zone	A London Mayor initiative to accelerate housing development in areas across London where there is high potential for growth
Invitation to Participate in Dialogue (ITCD)	The second stage of dialogue with shortlisted bidders where development proposals are refined to form solutions specific to the Authority.
Invitation to Participate in Dialogue (ITPD)	The official start of the dialogue period. The Authority hosted dialogue sessions with suppliers before shortlisting. Suppliers are required to respond to the Authority's specification for economic and financial standing, technical and professional ability.
Invitation to Submit a Final Tender (ISFT)	Once sufficient dialogue has taken place and the Authority is comfortable with the solutions proposed by suppliers dialogue is closed and suppliers are invited to submit their final tenders.
Joint Venture Limited Liability Partnership - JVLLP	50/50 joint equity and ownership with a Private Sector Development Partner (PSDP) of a development vehicle to deliver housing regeneration
Multidisciplinary team (MDT)	A group of housing development professionals specialising in different disciplines
Official Journal of the European Union (OJEU)	To comply with EU legislation, public sector tenders valued over a certain threshold must be published here as a gateway for suppliers to search for new business opportunities.

Open Market Value (OMV)	The price at which an asset would trade in a competitive auction setting.
Pre-qualification / Selection questionnaire (PQQ or SQ)	A questionnaire issued at the beginning of the procurement process that allows the Authority to select a longlist of suppliers to invite to tender. At this stage, suppliers are required to display a certain level of technical ability and financial capacity.
Private Sector Development Partner (PSDP)	A private housing development business that will allow the Council and the JVLLP to benefit from specialist sector knowledge, resources and ingenuity to deliver sustainable housing and communities through regeneration
Residual Land Value (RLV)	The monetary value given to land with development potential. $RLV = \text{Value of completed development} - \text{development costs (Inc. profit)}$
Right to Buy (RTB)	Scheme which allows Council tenants to purchase their properties with a discount
S106 and Community Infrastructure Levy (CIL)	S106 contributions are negotiated between a local authority and developer to ensure that developments pay for infrastructure that supports them, e.g. schools, healthcare facilities and affordable housing. CIL is different to S106 in that it is levied on a much wider range of developments and according to a published tariff schedule.
Tenant Participation Advisory Service (TPAS)	TPAS are a national agency that works independently with residents to help them get involved with their landlord.
Viability	The optimum point at which level of affordable housing and planning obligations are maximised when developer returns are set at a reasonable level.

8. APPENDICES

- 8.1** Financial Summary
- 8.2** Competitive Dialogue Programme
- 8.3** Housing Accommodation Plan: Review of Older Persons' Housing Needs
- 8.4** 12 Site Mosaic Demographic Analysis
- 8.5** 12 Site Regeneration General Needs and Sheltered EIAs
- 8.6** Completions Schedule
- 8.7** Red Line Boundaries
- 8.8** Decant Schedule
- 8.9** Housing Services Asset Management Strategy
- 8.10** Housing Regeneration Consultation and Communication Strategy
- 8.11** Consultation Update – December 2017
- 8.12** Risk Analysis
- 8.13** Sensitivity Analysis
- 8.14** Legal consideration in relation to the overarching JVLLP
- 8.15** Competitive Dialogue Procurement Documents:
PIN; MOI; SQ; ITPD; ITCD; ISFT
- 8.16** Indicative Budget
- 8.17** Sales and Marketing Strategy
- 8.18** Regeneration Pack
- 8.19** Waterloo Estate Newsletter