

# London Borough of Havering

## Business Case for a LLP to regenerate Bridge Close, Romford

### 1 Background

- 1.1 This document sets out the business case for the Council to intervene in order to deliver its regeneration objectives for Bridge Close, considers a number approaches to delivery, and sets out the associated legal and financial implications.
- 1.2 This business case is structured on the 'Five Case Model' including procurement and contractual elements as stipulated in Government guidance.

### 2 The Strategic Case

#### a) Introduction - Strategic Objectives

- 2.1 The regeneration of Bridge Close is established Council policy. The strategic objective is therefore to ensure delivery and to maximise the overall quality of a new development.
- 2.2 The policy background and Cabinet decisions are summarised below.

#### Local Development Framework and Romford Area Action plan 2008

- 2.3 The Romford Area Action Plan adopted in 2008 as part of the Local Development Framework for Havering (also adopted in 2008) contained a specific site allocation for residential development at Bridge Close (reference ROMSSA2).

#### Romford Development Framework 2015

- 2.4 The Romford Development Framework approved by Cabinet in July 2015 forms part of the evidence base for the emerging Havering Local Plan. It confirmed Bridge Close as a key regeneration site. The Framework identified parameters for the development, including the East-West link and River Rom, which have informed all subsequent work. The Framework indicated delivery within five years, i.e. by 2020.

#### Romford Housing Zone June 2016

- 2.5 Cabinet agreed to accept Housing Zone status for Romford from the Greater London Authority (GLA) with £34.9m grant (some recoverable) including £12.4m in respect of Bridge Close to support land assembly, an east-west link bridge and improvements to the River Rom.

#### Bridge Close June 2016

- 2.6 A report on Bridge Close was presented to Cabinet in June 2016. The Cabinet's decisions can be summarised as:
  - a vision for Bridge Close encompassing a comprehensive development, quality of design, an East-West link and improvements to the River Rom. The east-west link in particular will benefit the regeneration of the whole of West Romford.

- agreement to enter into direct negotiations with land owners to purchase sites on Bridge Close and delegating the authority to approve the terms of acquisition of sites by private treaty and any financial arrangements for relocation
- delegation of authority to take reasonable steps to identify land which cannot be acquired by negotiation and appoint the relevant consultants in order to assess the need for the use of CPO.
- authorising officers to negotiate suitable arrangements with appropriate developers to deliver the Council's vision

#### Havering Draft Local Plan 2017

2.7 Council approved a draft Local Plan in July 2017 which retains Bridge Close as a site for regeneration and housing delivery. The draft Local Plan emphasises the importance of ensuring infrastructure including education and local health facilities.

#### **c) The case for intervention**

2.8 The most important reasons for considering intervention by the London Borough of Havering are:

- i) Ensuring a comprehensive development
- ii) Quality of development and provision of infrastructure
- iii) Land assembly

#### **i) Ensuring a comprehensive development**

2.9 The Council's policy objective of a comprehensive development is to ensure consistency of quality and design, good standards of access, and allow cross-subsidisation of infrastructure contributions and affordable housing. A comprehensive approach is particularly important for a site where there are multiple land owners and thus an increased risk of a number of small developments 'cropping up' in an uncoordinated way. Whichever route to delivery is taken the Council would wish to see a Masterplan for the whole of Bridge Close even if it is delivered in phases and even if ultimately delivered by more than one party.

2.10 The importance of a comprehensive redevelopment, and the prospects of achieving a Masterplanned approach, has been a consideration in the preparation of the business plan and options appraisal.

#### **ii) Quality of development and provision of infrastructure**

2.11 The prominence of Bridge Close means that the nature and quality of development is of paramount importance. The development must set a benchmark quality standard for future development in Romford and in doing so, help overcome strongly held negative perceptions (by Members and the public) of development based on the

relatively poor quality of some nearby schemes that have met planning requirements but are unpopular.

- 2.12 If Bridge Close was not to be of the highest standard of design and accompanied by a strong management plan, development across the whole of Romford might be jeopardised with a knock on implication for the Council's approach to housing delivery and thus the Local Plan policies of protecting other parts of Havering.
- 2.13 The Council is also committed to ensuring provision of facilities such as schools, health facilities and affordable housing. Whilst local and London planning policy sets a framework and requirements, developers will frequently make the case that infrastructure is not affordable or should be provided elsewhere with a s106 contribution instead. The pattern of developers' inability or reluctance to provide infrastructure can create major problems for residents and the local authority. In the case of Bridge Close, the Council is also seeking infrastructure (such as the East-West link) which developers might challenge as not essential.
- 2.14 Ensuring the delivery of infrastructure at Bridge Close is therefore another key factor in determining the best approach.

### **iii) Land assembly**

- 2.15 There are 18 freehold commercial premises within the industrial area (some occupied by the owners with the majority leased) and 37 residential properties comprising owner occupiers, private tenants and Council tenants. Occupants of the commercial properties include community/ faith groups and an ambulance centre.
- 2.16 Over the years that Bridge Close has been earmarked for redevelopment a number of owners of property interests sought to sell their interests to private sector developers. This process has typically broken down due to the developers' inability to secure agreements on enough land to be able to proceed. Other parties have expressed an interest without owning or acquiring land or demonstrating any relevant experience. For the type of comprehensive development described above and reflected in planning policy to come forward, it is very likely that some form of intervention of the London Borough of Havering will be required. Moreover, for the reasons described below, the Council wishes to ensure the highest quality development possible.

## **3 The Economic Case**

### **a) Quantative and qualitative cost/ benefit analysis and outputs**

#### **i) Non-financial benefits**

- 3.1 Based on current modelling the scheme is expected to deliver:
- 1,070 new homes (including at least 30% affordable homes).
  - a 3 form entry primary school
  - a local health facility
  - commercial floor space, likely to be flexible workspace and small retail/ leisure.
  - a new pedestrian and cycle bridge from Bridge Close to near Romford station

- environmental improvements to the River Rom
- an average of 205 jobs during the construction period \*
- a net increase in employment of 500 direct and indirect jobs once the development is complete \*
- a site of religious worship (on or off-site). Support to the provision of ambulance service facilities to serve the Havering area.

**b) Financial benefits**

- Council Tax income of £1.9m once the development is complete.
- Increased NNDR - to be calculated.
- A projected total revenue and capital return to the Council of £13.691m.
- Housing Zone grant of £12.4m of which £6.5m is repayable loan.
- Significant s106/ CIL and s278 contributions.
- significant construction spend, some of which must be spent in the local economy
- an estimated £4.0m spend in the local economy annually \*

note: source of information marked \* is from an Economic Benefits assessment undertaken by Savills' economic team. Other information is from the scheme appraisal.

**c) Options appraisal**

3.2 A detailed options appraisal of the following options has been undertaken:

- Developer led - Council adopts a 'do nothing' approach
- A Limited Liability Partnership (LLP) with First Base BCR
- Commence an OJEU process to select a developer.
- Commence an OJEU process to select a LLP partner

3.3 The following criteria were used;

- Ensuring a comprehensive development
- Direct influence over design and management standards
- Ensuring delivery of infrastructure
- Meeting deadlines to retain GLA Housing Funding
- Minimising investment and risk
- Obtaining a financial return from the scheme
- Cost of procurement

3.4 A primary reason for considering a partnership with First Base Bridge Close Regeneration LLP (a partnership between Savills Investment Management and First Base Ltd) is that it has secured a significant land interest at Bridge Close. This evaluation however does not presume that a partnership with First Base BCR is preferable

3.5 The options, including the advantages and disadvantages, are summarised below.

**Option 1 – developer led, Council adopts a 'do nothing' approach**

i) **Summary**

- The Council awaits a planning application (or applications) for all or part of the site.
- The Council may wish to produce its own Masterplan so that any applications are consistent with the Council's vision, or it may require the first applicant to submit a Masterplan.
- The Council seeks on-site infrastructure and s106/ CIL contributions
- Land assembly is for the developer(s) to deal with; the Council does not seek to use Compulsory Purchase Order powers

ii) **Main advantages**

- No capital investment by the Council is required and the risk to the Council is low
- Development may commence earlier as a CPO process is not required
- Potential competition between developers
- The Council can distance itself from unpopular proposals

iii) **Main risks/ disadvantages**

- The past failure by other parties to secure the whole site, or even the entirety of any part of the site, suggests that without some form of intervention a comprehensive development that meets the Council's objectives could not be delivered.
- Unlikely to meet the deadline for GLA Housing Zone funding or be eligible.
- Developer(s) must meet minimum planning requirements for a social infrastructure but school and health less likely to be on-site and may not include the East-West link or improvements to the river.
- Unlikely to meet the deadline for GLA Housing Zone funding or be eligible.
- The Council's control over design is limited to its role as planning authority
- Increased risk of no development happening meaning the site deteriorates further.
- Potential damage to the Council's reputation in the development market, with the GLA, residents and businesses.
- The Council would have little to show for project costs incurred to date.
- May suggest that the Council lacks confidence in its own vision for Romford.
- Uncertainty for businesses and residents including some who have accepted offers or are making alternative arrangements.
- No financial return to the Council

**Option 2 – JV LLP between the Council and First Base BCR**

i) **Summary**

- Cabinet agrees to enter into a legal agreement to establish a Limited Liability Partnership and to invest equity. The legal agreements include a Business Plan which includes development parameters and a financial model.
- The Council establishes its own governance and 'client' function.

- The LLP seeks to acquire land by negotiation. The Council agrees the use of Compulsory Purchase Order Powers with an indemnity from Bridge Close BCR.
- A detailed planning application is submitted either for the whole site or part of the site with an outline application for the remainder.
- The LLP is the developer and takes responsibility for the delivery of the scheme governed by its owners.

**ii) Main advantages**

- Greater Council influence/ control over quality and timing of the development within a comprehensive Masterplan.
- Infrastructure is an element of the LLP agreement as well as the planning process.
- The Council has a 50% vote on how and when the project is pursued at each stage.
- Continuity – First Base BCR has accumulated knowledge, a relationship with landowners and control over a significant proportion of the site.
- The Council has more influence over support given to businesses, community groups and residents displaced/ seeking relocation.

**iii) Main risks/ disadvantages**

- The Council assumes development risk
- The Council and First Base BCR may disagree within the LLP at detailed planning application stage.
- The Council as planning authority may disagree with the Council as a development partner.
- The Council has not tested the market

**Option 3 - Council appoints a developer following an OJEU competition**

**i) Summary**

- The Council instigates an OJEU process to select a developer. A Development Agreement (or similar) is entered into - not a LLP.
- A Masterplan is set in advance by the Council including infrastructure such as a school and the East-West link. The Council could seek outline planning permission in advance (recognising the advantages and disadvantages associated with this approach).
- Alternatively, overall parameters are set for the competition and the detailed Masterplan is agreed through negotiation with the preferred development partner.
- The developer acquires land by negotiation (including the Council as landowner and MNO/First Base). The Council agrees to use CPO powers subject to a suitable indemnity and Masterplan
- Developer responsible for on-site infrastructure and s106/CIL.
- The Council may receive an overage payment but risk and reward is vested with the developer.

**ii) Main advantages**

- No capital investment required from the Council with limited risk
- Members are able to compare developers and make a selection.
- A reduced risk of challenge
- Delay would mean it would be easier to assess the impact on values of Crossrail.

**ii) Main risks/ disadvantages**

- As First Base BCR is holding conditional sale agreements under which it has paid, albeit at its own risk, it might strongly contest the Council taking the scheme to market at this stage.
- Potential damage to Council's reputation in the development market which could deter companies taking part in a procurement exercise, or indeed investing elsewhere in Havering.
- Potential damage to the Council's reputation with the GLA, residents and businesses
- Cost of procurement process
- Delay and consequential loss of Housing Zone funding
- The underlying viability and design challenges remain unchanged.
- Council has less direct control than under an LLP option

**Option 4 - Council selects a JV LLP partner following an OJEU process**

**i) Summary**

- The Council seeks an orderly exit strategy with First Base BCR
- The Council instigates an OJEU process to select a LLP partner.
- A Masterplan is set in advance by the Council including infrastructure such as a school and the East-West link. The Council could seek outline planning permission in advance (recognising the advantages and disadvantages associated with this approach).
- Alternatively, overall parameters are set for the competition and the detailed Masterplan is agreed through negotiation with the preferred partner.
- The LLP acquires land by negotiation (including the Council and MNO/ First Base). The Council agrees to use CPO powers subject to a suitable indemnity and Masterplan
- LLP responsible for on-site infrastructure and s106/CIL in addition to the infrastructure in the Masterplan.
- The Council is an investor and shares risk and reward.

**ii) Main advantages**

- Members are able to compare developers and make a selection.
- Reduced risk of challenge
- Delay would mean it would be easier to assess the impact on values of Crossrail.

**iii) Main risks/ disadvantages**

- Capital investment required by the Council with associated risk
- As First Base BCR is holding conditional sale agreements under which it has paid, albeit at its own risk, it might strongly contest the Council taking the scheme to market at this stage.
- Potential damage to Council's reputation in the development market which could deter companies taking part in a procurement exercise, or indeed investing elsewhere in Havering.
- Potential damage to the Council's reputation with the GLA, residents and businesses
- Cost of procurement process
- Delay and consequential loss of Housing Zone funding
- The underlying viability and design challenges remain unchanged.

3.6 The outcome of the evaluation was as follows:

**1<sup>st</sup>** **JV** LLP between the Council and First Base BCR

**2<sup>nd</sup>** Council selects a JV LLP partner following an OJEU process

**3<sup>rd</sup>** Council appoints a developer following an OJEU competition

**4<sup>th</sup>** Developer led - Council adopts a 'do nothing' approach

3.7 The remainder of this business case is therefore predicated on the preferred option of a LLP between the London Borough of Havering with First Base BCR LLP to be called Bridge Close Regeneration LLP.

## **4 The Commercial Case**

### **a) Procurement**

4.1 In 2016 the Council was approached by Savills Investment Management and First Base Ltd which was in the process of establishing an LLP (First Base Bridge Close Regeneration LLP) for the specific purpose of developing Bridge Close. Savills Investment Management had entered into legal agreements with the owner of several parcels of land at Bridge Close including the single access road. It is known that the landowner chose Savills Investment Management following a competitive exercise.

4.2 These agreements gave Savills Investment Management exclusive negotiating rights over that land – the owner cannot deal with any other party as long as the agreements are in place. Savills Investment Management transferred the benefit of these agreements to First Base BCR which in December entered into conditional sale agreements with the owner

4.3 It was suggested that First Base BCR and the Council should establish a Limited Liability Partnership. The Council is mindful however of the importance of considering other options available and of ensuring full legislative compliance. The options appraisal is addressed above in section 3 of this business case. In order to address the legal implications, the Council appointed Browne Jacobson to advise on procurement and all matters arising.



4.4 Browne Jacobson has provided detailed legal advice regarding procurement, vires (e.g. statutory powers); State Aid and the Council's Contract Procedure Rules. The legal advice is reported in the Cabinet report which accompanies this business case and is therefore not replicated in this document. The recommendations in the Cabinet report, including the recommendation to establish an LLP with First Base BCR are entirely consistent with Browne Jacobson's legal advice.

**b) Service requirements**

4.5 The Council will ensure that there is an adequately resources client function to support Members to monitor the work of the LLP and take decisions reserved from the Council. This will include liaison and negotiation with the LLP and its professional advisers.

4.6 To be updated with proposals for the overall regeneration programme.

**c) Charging Mechanism**

4.7 The LLP does not charge the Council but instead spending presents proposals to its Members as set out the legal agreements.

**d) Risk Transfer**

4.8 As a partner in the Limited Liability Partnership, the Council is electing to assume risk in order to meet its strategic objectives. There are however ways in which risk will be transferred, notably;

- Savills Investment Management must enter into a deed of guarantee in favour of the LLP in respect of First Base BCR's obligations under the Members agreement, i.e. if the latter defaults or its obligations become unenforceable, invalid or illegal.
- The LLP will indemnify the Council in respect of the Compulsory Purchase Orders. The Council itself will bear 50% of any payments under the indemnity agreement as a LLP partner with First Base BCR also assuming 50% of the risk.
- As Development Manager, First Base Ltd will be required to ensure comprehensive insurance arrangements on behalf of the LLP including requiring all contractors and consultants to have a required minimum level of insurance. First Base Ltd itself must have professional indemnity insurance for at least £10m.

**e) Accounting Treatment**

4.9 International Accounting Standard 28 governs the accounting for an organisation's investment in a joint venture. The method prescribed by the standard means that the council must show in its accounts, the carrying value of its share of the net assets of the joint venture. The group accounts will consolidate the Council's share of the profit/loss of the joint venture with the Council's overall surplus/deficit.

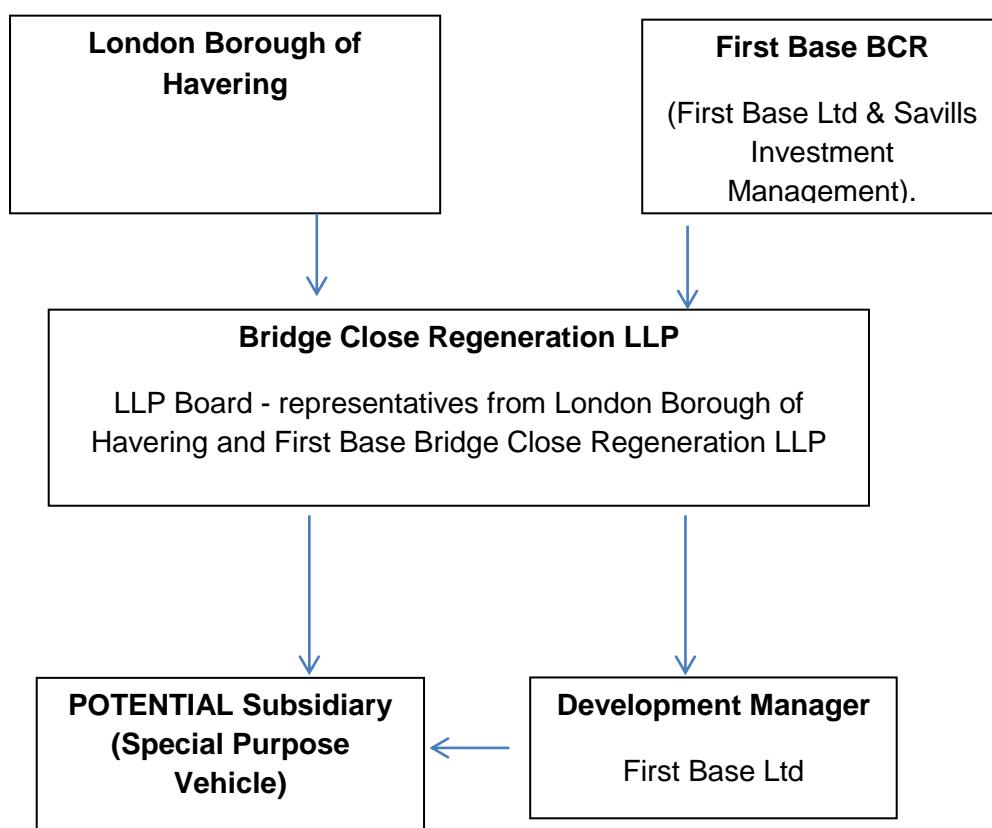
4.10 The company status of the JV as a Limited Liability Partnership (LLP) means that it is not subject to Corporation Tax. Distributions from the LLP will be taxed "in the hand"

of the recipient. The Council is exempt from Corporation Tax and therefore will not pay tax on the distribution.

**f) Key Contractual Arrangements**

4.11 The report to Cabinet accompanying this business case sets out the legal implications and the advice provided by Brown Jacobson (legal advisers) in relation to procurement, vires (i.e. statutory powers), State Aid, and the Council's Contract Procedure Rules. That legal advice is not replicated in this document.

4.12 The overall structure of the LLP is shown below:



4.13 The Council will also enter into a contractual funding agreement with the Greater London Authority in respect of Housing Zone Grant the principle of which was approved by Cabinet in June 2016.

**g) TUPE implications**

4.14 None – no Council staff will transfer to the LLP

**5 The Financial Case**

5.1 The detailed financial implications for the Council are set out in the Exempt Cabinet report which accompanies the Business Case and not replicated here.

## **6 The Management Case**

### **a) Deliverability**

6.1 The redevelopment of Bridge Close is a considered and deliverable and realistic objective. Key elements of this assessment are:

#### **i) Land assembly**

The level of ownership and control of land by the LLP partners together with the land assembly strategy within the LLP's Business plan and the intention to adopt Compulsory Purchase Order makes it very likely that the whole site can be secured.

#### **ii) Planning**

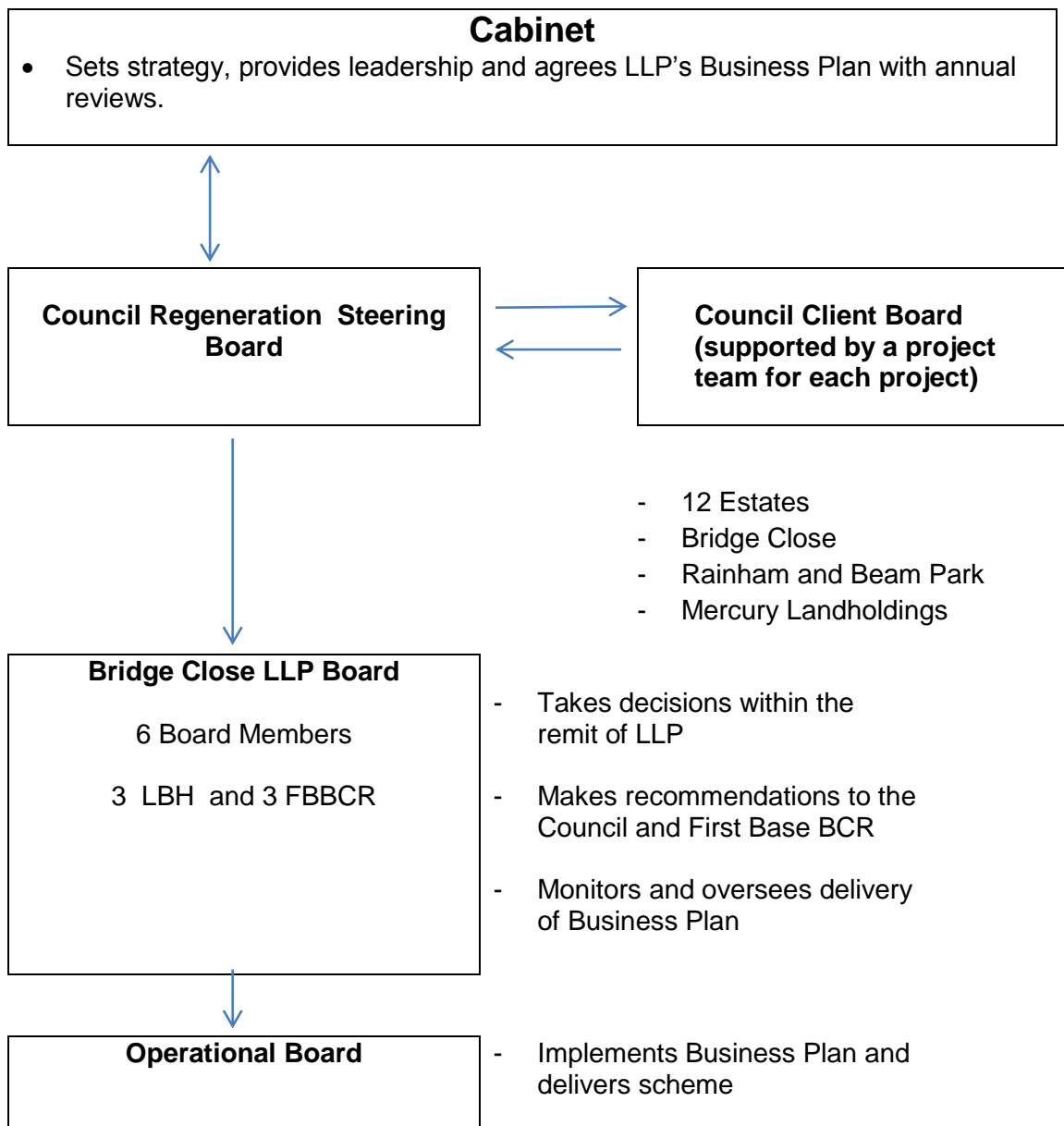
A sound policy framework already exists as described in section 2 of this business case. The approach to secure planning permission will be based on compliance with local and London plan requirements, early and continued involvement of the Local Planning Authority including a Planning Performance Agreement, a programme of public, Member and stakeholder engagement, and a commitment to high quality design and management standards.

#### **iii) Viability**

The financial business case is referred to in section 5 above and set out in detail in the Cabinet report which accompanies this Business Case.

### **b) Programme & Project Management Structure**

6.2 In addition to the governance of the LLP described in section 4 and set out the Business Plan, the Council must have its own arrangements. The Director of Neighbourhood Services will present proposals for a new client function to support the Council's regeneration programme to Cabinet in December 2017. The diagram below is indicative of arrangements for Bridge Close.



6.3 A monthly Development Management report will be produced by the Development Manager summarising progress against the key project milestones, and the JV Board will meet on at least a six weekly basis to review the report.

**c) Programme & Project Management Plans**

6.4 The table below sets out key milestones. The detailed timetable will be kept under continual review by the Joint Venture Board and reported to Members through [to be updated with SM/CH's of the Regeneration Board.

Cabinet approval to establish a Limited Liability Partnership subject to approval of Council capital funding and finalisation of legal agreements.	November 2017
Council approval of capital funding	February 2018
Approval of legal agreements including LLP Business Plan	by February 2018
Cabinet approval of Compulsory Purchase Order resolution	June 2018
Submission of 1 <sup>st</sup> planning application	Summer 2018
Determination of 1 <sup>st</sup> planning application	January 2019
Appointment of main construction contractor (phase 1)	August 2019
Potential Start on Site	January 2020
First completions	May 2022
Scheme complete	Jan 2027

**d) Use of Specialist Advisers**

6.5 The Council has taken independent advice during the formulation of proposals as well as utilising in-house expertise across a number of disciplines. The advisors have been:

- Browne Jacobson – Legal
- Glenny – Property and valuation
- Grant Thornton - Tax and accountancy

6.6 External advice will continue to be sourced as required.

6.7 In order to assess the development potential of Bridge Close and prepare the Business Plan, First Base BCR and the Council agreed to appoint a professional team of advisers by competition. Most were appointed following a joint selection process with First Base BCR with the Council sharing costs. The formal appointments were made by First Base BCR with the intention of novating contracts to the LLP once established.

6.8 The professional team will include:

- Masterplanning consultants
- Planning consultants
- Architects
- Quantity Surveyors

- Structural and Services Engineers
- Technical survey consultants
- Environmental

**e) Change & Contract Management Arrangements**

- 6.9 The Members' Agreement for the LLP stipulates the decision making process including matters, such as material changes to the LLP's Business Plan, which must be referred to the Members for agreement.
- 6.10 The Development Management Agreement stipulates the LLP Board's responsibilities for managing the Development Manager. It also stipulates the Development Manager's responsibilities for managing consultants and contractors.

**f) Benefits realisation**

- 6.11 The anticipated benefits to Havering of the LLP (financial and non-financial) are stipulated in the LLP's Business Plan, this Business Case and the accompanying report to Cabinet. The nature of the scheme and the benefits will evolve, for example through the planning and land acquisition process. This business case describes the monitoring and decision making processes; distinguishing between monitoring undertaken within the LLP and by the council independently, and the separation of decision making.

**g) Risk Management**

- 6.12 Risks will be monitored and managed in a number of ways within the LLP and independently within the Council:
- all reports to Members relating to Bridge Close and the LLP including the review of the LLP Business Plan
  - detailed reports to the LLP Board prepared by the Development Manager which will be independently scrutinised by the Council's client team
  - the Council's Execview performance monitoring system
  - other governance and financial reports to Members as advised by the Council's s151 and monitoring officers.
- 6.13 The risks considered to be most significant are set out in the Appendix

**LLP procurement arrangements**

- 6.14 The LLP's Business Plan will include a Procurement Strategy. As the LLP is not a public sector body, it is not strictly governed by the laws associated with procurement of services for public sector bodies. However the Council and thus the LLP must demonstrate value for money. The Council also wishes to ensure that the LLP's procurement policy delivers significant benefits to local residents and businesses including employment, training and supply chain initiatives. Also, that all contracts set high standards in terms of environmental management and other policy objectives.

- 6.15 The criteria and weighting given to each procurement process will be made clear in any requests for quotes or tender documentation prior to their issue and absolutely prior to any evaluation of returns. The policy stipulates that all LLP employees, directors and agents shall demonstrate a high standard of transparency and integrity in regards to purchasing decisions. Awards shall be made to the supplier whose bid or offer is most economically advantageous to the LLP considering price, relevant experience, proposed team, quality and lifetime cost.

**h) Monitoring during implementation**

- 6.16 The Development Manager will report progress to the LLP monthly using a format prescribed in the Development Management Agreement. These reports will be considered by Council representatives on the LLP Board and independently by the Council's own client function.
- 6.17 Council Members will also receive regular progress reports in line with the new governance and client arrangements (see 6.2 above).
- 6.18 The LLP's business plan will be subject to an annual formal review by each of the LLP partners including Cabinet and the relevant Scrutiny Commission on behalf of the Council.
- 6.19 The Council's corporate financial, audit and risk management reporting mechanism will also address regeneration projects including Bridge Close.

**i) Post Implementation Evaluation**

- 6.20 The development manager will undertake a post-evaluation review which will be considered by the Joint Venture Board and reported to the Member Stakeholder Board. The Council will also undertake its own post-implementation review in accordance with its methodology and structure at the time

**j) Contingency Arrangements**

- 6.21 In the event that the LLP is not formed or for any reason is discontinued, the Council will review the alternative options set out in section 3. It is likely that the Council will instigate an OJEU process.

## Bridge Close Regeneration – Summary of most significant risks at November 2017

As described in section 6, risks will be monitored and managed in a number of ways within the LLP and independently within the Council:

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

The risks considered to be most significant are summarised below in a format consistent with Execview

<b>Risk</b>	<b>Description</b>	<b>Severity (i.e. impact)</b>	<b>Mitigation</b>
<b>1. Planning</b>	Planning permission is not obtained or there is a significant delay.	<b>Red</b>	<p>The project plan allows for a detailed design process which will include Member, public and stakeholder engagement. The latter will include the GLA and other statutory bodies.</p> <p>A Planning Performance Agreement will formalise consultation with the Local Planning Authority throughout the process.</p>



			<p>Pre-planning consultation will be undertaken in addition to statutory consultation requirements.</p> <p>The Council must give its approval to each planning application</p> <p>The planning application for the first phase will include a Masterplan for the whole site and seek at least outline approval for subsequent phases.</p>
<p><b>2. Economic Conditions</b></p>	<p>Economic conditions deteriorate leading to slower sales rates or lower sales values. This reduces sales receipts and/or delays receipts thereby increasing financing costs.</p> <p>Interest rates rise thereby increasing the Council's and/ or the LLP's borrowing costs.</p>	<p>Amber</p>	<p>Each stage of development is subject to a detailed 'gateway' process so that the LLP's proposals reflect market conditions and provide the owners with the LLP with a detailed assessment for decision making.</p> <p>The Council's business case models a more pessimistic 'red book' scenario so that the implications of lower than expected sales values are understood.</p> <p>The average sales rate in the LLP Business Plan is below that originally proposed by the developer, is comparable with other projects and should be achievable even with a downturn scenario.</p> <p>Negotiated land transactions will as far as possible be phased to ensure that land is only acquired when required thereby partly compensating for any delay in sales.</p> <p>Phased planning applications provides some flexibility to adjust outputs in response to economic conditions (e.g. mix of 1/2/3 beds or residential/ commercial space).</p>

			<p>Additional sources of funding for all forms of infrastructure will be sought throughout the project. Bidding processes often require evidence of delivery within a short timescale so once established the Council will be able to present strong case.</p>
<p><b>3. Legal Challenge to LLP</b></p>	<p>A third party applies for a Judicial Review or instigates another form of legal action. even if unsuccessful, this would cause delay and incur expenditure</p>	<p>Amber</p>	<p>The Council has taken external legal advice which is reported to Members in the Cabinet report. The advice confirms the lawfulness of the proposed arrangement and the statutory powers being relied on.</p> <p>A VEAT notice will be issued to provide any party with the opportunity to challenge.</p> <p>Legal advice will continue to be taken as the project progresses.</p>
<p><b>4. Land acquisition</b></p>	<p>Land cannot be acquired or the process causes delay</p>	<p>Red</p>	<p>The LLP partners already control a substantial part of the site.</p> <p>The LLP's Business Plan includes a Land Acquisition Strategy. There will be continual engagement with landowners, businesses and residents with the intention of securing land by private treaty and assisting relocation where feasible. This includes the Council's agreed Regeneration Plan and Local Lettings Plan in respect of the residential properties.</p>

			<p>The Council and the LLP will work with the Ambulance Services and the Islamic Cultural Centre to secure off-site provision; alternatively provision will be made on-site.</p> <p>Cabinet in June 2018 will be asked to approve the in-principle use of Compulsory Purchase Orders which will be followed by a formal resolution to make compulsory Purchase Orders.</p> <p>The Council will take external legal advice at all stages of the CPO process.</p>
<b>5. GLA Housing Zone funding</b>	<p>Agreement not reached with the Greater London Authority regarding the terms of Housing Zone Funding due to the level or mix of affordable housing, or timescales for delivery.</p>	<b>Amber</b>	<p>The Council will complete the GLA's due diligence process. The Council's investment to increase affordable housing to 30% forms the basis of discussions regarding future funding streams to meet a level of 35%.</p> <p>A review of the scheme design and financial model will be required if funding is not secured.</p>
<b>6. School and Health Facilities</b>	<p>The LLP's business plan assumes that the school and health facilities will be funded by parties other than the LLP.</p>	<b>Red</b>	<p>A Capital bid will be submitted to Cabinet and Council in February 2018. Whilst external funding will be sought and it is expected that s106 payments from Bridge Close and nearby schemes will total over £15m, approval by Council will provide security of delivery.</p>

<p><b>7. Client role</b></p>	<p>Risk of insufficient client capacity and expertise to support and advise Members including monitoring the work of the LLP</p>	<p>Amber</p>	<p>The Director of Neighbourhood Services is undertaking a review of resourcing and skills requirements across the Council's regeneration programme and will present proposals to Cabinet.</p> <p>The effectiveness of the client function will be kept under review.</p>
<p><b>8. Conflict of Interest</b></p>	<p>There may be situations where the interests or views of the Council differ from those of the LLP.</p>	<p>Amber</p>	<p>The Legal Agreements and the LLP's Business Plan set objectives and parameters which are reflected in the Cabinet report and the Council's Business Case.</p> <p>Any significant changes in the LLP's Business Plan will require Cabinet approval so this alignment is maintained.</p> <p>The Director of Neighbourhood Services' review will distinguish the roles of those representing the Council on the LLP and the client function to ensure transparency.</p> <p>The independence of the Council's statutory roles means that there may be differences on matters such as planning; these are common to all development projects and the joint working should reduce the likelihood of such situations arising.</p>

## **LLP Business plan**

### Structure

1. Overview
2. Vision
3. Development Objectives and Parameters
4. Resources & Services
5. Legal Structure and Funding
6. Project Governance
7. Site Assembly
8. Planning and Stakeholder Consultation
9. Design and Construction Procurement
10. Marketing, Branding & Communications
11. Sales and Leasing
12. Estate Management
13. Programme
14. Risk Management
15. Budgets
16. Financial Returns

### Appendices

- A. Market Reports
- B. Masterplan Overview
- C. Financial Model Summaries
- D. Development Programme
- E. Planning Strategy & Obligations
- F. Cost Report
- G.** Risk Schedule
- H. Site Acquisition Strategy
- I. Communications Protocol
- J. Stakeholder Engagement Strategy
- K. Pre-Approved Supplier/Consultant Schedule
- L. Procurement Policy & Procedures
- M. Governance Structure
- N. Affordable Housing Strategy

### Appendix 3

#### INDICATIVE Gateway Process

Gateway 1	Feasibility	<p>This Gateway will approve;</p> <ul style="list-style-type: none"> <li>• Proposed targets for acquisition</li> <li>• A resume of land assembly proposals including access</li> <li>• Outline appraisals that will indicate commercial targets including acquisition, construction and sales target costs within a financial summary</li> <li>• Assessment of the planning position</li> <li>• Proposals to aid relocation of existing businesses</li> <li>• A budget for any due diligence on the site required at this stage, including surveys</li> <li>• The design team and budget to prepare concept schemes for appraisal</li> <li>• The proposed supply chain and structure to deliver the development</li> <li>• Confirmation that commercial targets taken from the LLP Business Plan are capable of being achieved</li> </ul>
Gateway 2	Exchange	<p>This Gateway will approve;</p> <ul style="list-style-type: none"> <li>• The updated development appraisal (financial summary) and any mitigation that might be required to demonstrate that the agreed land cost, including land value and any compensation, can be recovered as part of any return from the development.</li> <li>• Approach to funding of infrastructure requirements</li> <li>• Timetable for the development Communication and Consultation Strategy</li> <li>• Branding Strategy</li> <li>• A conditional agreement with that will oblige the LLP to draw down land on agreed triggers</li> <li>• Conditional support and approval from each of the Members to capital investment proposals</li> <li>• The design team and budget to progress the design and to make the planning application, including the Planning Fee.</li> <li>• Assessment of the planning position</li> <li>• Commercial targets for the design team including housing densities and construction costs</li> <li>• Confirmation that commercial targets taken from the LLP Business Plan are capable of being achieved</li> </ul>

		<ul style="list-style-type: none"> <li>• Authority to proceed with the land acquisition</li> </ul>
Gateway 3	Planning	<p>This Gateway will approve;</p> <ul style="list-style-type: none"> <li>• The updated development appraisal and any mitigations that might be required to satisfy commercial success measures taken from the LLP Business Case and previous Gateways</li> <li>• Communication and Consultation Strategy pre and post planning application submission</li> <li>• The Procurement strategy</li> <li>• The list of Contractors to be invited to tender</li> <li>• The Planning Application (including design and survey information)</li> </ul>
Gateway 4	Build Contract and Construction Finance	<p>This Gateway will approve;</p> <ul style="list-style-type: none"> <li>• The updated development appraisal and any mitigations that might be required to satisfy commercial success measures taken from the LLP Business Case and previous Gateways</li> <li>• Receipt of the Planning Consent and proposals for any Planning Agreements</li> <li>• Funding proposals, including in principle commitment letters where the proposal is dependent upon a third- party debt finance facility</li> <li>• Equity requirements from the Members of the LLP</li> <li>• The facility required to manage Cost Over-run risk</li> <li>• Forecast development proceeds</li> <li>• Market tested construction costs in sufficient detail to demonstrate Value for Money</li> <li>• Value for Money assessment (to include options appraisal of alternative delivery approaches if necessary)</li> <li>• Appointment of the Building Contractor</li> <li>• A detailed programme, including Construction and sales</li> </ul>
Gateway 5	Sales and Marketing	<p>This Gateway will approve;</p> <ul style="list-style-type: none"> <li>• The updated development appraisal and any mitigations that might be required to satisfy commercial success measures taken from the LLP Business Case and previous Gateways</li> <li>• Proposed sales prices and pricing strategy</li> <li>• Sales phasing and launch strategy</li> <li>• Off plan sales requirements</li> <li>• Facilities Management requirements during the sales period</li> <li>• Marketing Strategy</li> <li>• Appointment of sales agents and proposals for</li> </ul>
Can happen out of sequence - as early as it needs to		

		any show homes
Gateway 6	Handover	<p>This Gateway will approve;</p> <ul style="list-style-type: none"> <li>• The completed development appraisal and any programme impacts requiring board response</li> <li>• Feed-back collected from the previous Gateways</li> <li>• Confirmation that commercial success measures taken from the LLP Business Case and previous Gateways have been satisfied</li> <li>• Customer and tenant satisfaction and any actions required</li> <li>• A project review</li> <li>• Any process update or refinements required</li> <li>• Any mitigation that may be required</li> </ul>