



CABINET

12th February 2020

Subject Heading:

**Havering and Wates Regeneration LLP
Business Plan and Budget 2020/2021**

Cabinet Member:

Councillor Damian White- Leader of the Council and Portfolio Holder for Regeneration.

SLT Lead:

Neil Stubbings - Director of Regeneration

Report Author and contact details:

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Policy context:

Havering Housing Strategy 2014-2017
National Planning Policy Framework 2012
Draft London Plan 2017
Emerging Havering Local Plan 2017
HRA Business Plan 2017-2047
Romford Housing Zone - Overarching Borough Agreement with the GLA
Havering Local Development Framework and Romford Area Action Plan 2008
Romford Development Framework 2015

Financial summary:

Is this a Key Decision?

This is a key decision

When should this matter be reviewed? Autumn 2020

Reviewing OSC: Towns and Communities OSC

The subject matter of this report deals with the following Council Objectives

Communities making Havering	<input type="checkbox"/>
Places making Havering	<input checked="" type="checkbox"/>
Opportunities making Havering	<input checked="" type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

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SUMMARY

The council's overarching vision for setting up the Havering and Wates Joint Venture (HWR) was to facilitate the regeneration of key areas of the borough; to kick-start renewal of key town centres and estates; and deliver truly affordable homes for local people. In addition, the aim is to ensure good quality design of buildings and places by being a joint owner of the development company, thus giving greater control over the design process and ensure delivery of key infrastructure requirements. Any returns to the council are being identified to fund future regeneration programmes across the borough and help fund renewal of our cherished town centres across the borough at a time when the traditional high streets are under significant threat from changing consumer habits.

Through the significant development value generated by this initiative, (approximately £1.5bn) many local businesses and residents will see economic benefits as there will be a focus on maximising the number of contracts awarded to those local companies. A secondary impact of the schemes will also be to support local businesses on those high streets where the developments take place by creating greater "spending power" for those businesses to take advantage of.

When Cabinet agreed to establish the Joint Venture (JV), this was on the basis that there would be regular (annual) reviews and Cabinet would be asked to agree material changes to the business plan on an annual basis, in line with the annual budget setting process. This is the second review following establishment of the JV in April 2018.

The key inputs into the financial models have been reviewed and externally validated. The key inputs are construction costs, expected sales revenues, land values plus other costs such as expectation on s106 and CIL payments. Areas of non-residential use have been updated as the design and planning process proceeds. This incorporates the inclusion of the impact of consultation and engagement events through the planning process.

In addition, the proposed developments have changed with stakeholder engagement to include specific changes as identified below;

- An increase in the affordable housing numbers.
- An increase in the amount of family sized affordable housing.
- Improved build quality of the developments.
- Enhanced design requirements.
- Provision of efficient energy provision.
- Improved specification for the underground refuse storage system.
- Upgraded fire safety specification, including more 'fire lifts'.
- Enhanced social value offering.
- The use of British materials and components where possible.

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The resulting increase in affordable housing is significant, rising from 1,186 at the bid stage of the JV to 1,624 as part of this annual review. This is an increase of 438 affordable homes at affordable prices for local people.

The Council, through its involvement in the JV is committed to the delivery of the highest quality homes and places for our residents to live in. The goal is to set a high standard for other developers to follow. This is being achieved as evidenced in paragraph 2.2 below.

The increase in affordable housing and good quality design is being achieved at a time when land values and therefore the inherent value in development has been reducing. Housing values have not increased for the last couple of years whilst construction cost inflation has continued. In the current housing market climate, most developers would halt work or prolong the program until the housing market improves. Moreover, developers would normally look to reduce affordable housing and family housing to protect profits. However with the Councils support, the Joint Venture has continued with the programme dedicated to providing good quality affordable family housing with enhanced design. The additional funding identified within the report shows how these changes are being delivered.

As an estate regeneration programme, the wishes of those moving off the estates remain paramount. Good progress continues to be made on re-housing residents from the estates, with an excess of 98% satisfaction from residents with their new home and the rehousing process.

The updating of these numbers in the viability models and then into the Councils financial dashboards means that this report is able to inform Cabinet of any changes to the expected outputs from the JV as well as informing Cabinet of any changes in the financial position of the JV and our financial commitments to the JV as an investor. This report not only informs Cabinet of changes but also seeks approval of the new Business Plan and the expected financial commitments.

The original decision to set up the JV was informed by key indicators on the viability and outputs. Those key indicators were: Overall % return, Overall financial return, initial stake (Equity: borrowing and land value), impact on the MTFs from the cost of borrowing in the early years, total number of units, number of affordable housing units. These metrics are considered to be the key indicators to identify the viability, outputs and potential financial risks.

The development is currently forecast to receive £60 million development return in revenue to the HRA from year 5 to 15 (see paragraph 6.15). This figure is built into the HRA Business Plan and Rent Setting report also being presented to Cabinet and is not included within the calculations for the average cost of an affordable housing unit within this report.

The table below details those key metrics as reported to Cabinet in the 2019/20 Business Plan and Budget Review and compares them with the numbers in this Business Plan. The table also provides a brief explanation for any changes;

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Indicator	Bid Position	Year 1 Review	Year 2 Review	Movement Bid – Year 2	Commentary
% return (profit on cost)	12.2%	12.8%	11.6%	-0.6%	
Equity stake (£)	£63.3m	£41.2m	£36.0m	-£27.3m	MTFS impact of equity investment. Increased level of forward funding and affordable housing, reduces equity requirement.
Equity stake (Land value)	£59.7m	£24.8m	£4.7m	-£55.0m	Changes to specification and tenure mix have eroded Phase 1 land value.
MTFS Revenue Impact 2018-2023 (£)	£0.0m	£9.9m	£6.5m	+£6.5m	MTFS impact of equity investment. Increased level of forward funding and affordable housing, reduces equity requirement.
Total affordable units	1,186	1,599	1624	+438	Increased provision of affordable housing despite reduction in overall unit numbers.
Total Open Market Sale	1926	2152	2094	+168	Addition of NNP Blue Line and Chippenham Road, removal of Delta Estate. Majority of 3 bed units have been reverted to affordable housing product in Phase 1.
Total units	3,112	3,936	3,718	+606	Changes through the planning process and the addition of a further site
% Affordable	38%	41%	44%	+6%	

RECOMMENDATIONS

That Cabinet:

1. **Agree** to endorse and recommend the inclusion of a budget of £121.6m equity for the 12 Sites scheme together with a budget of £76.4m (including £19.6m Napier New Plymouth Blue Line) for potential land acquisition/CPO costs within the proposed HRA capital programme that will be considered by Cabinet in February 2020 in the annual rent setting and capital programme report and that this is recommended to Council for final approval in February 2020.
2. Subject to the approval of the required budget and funding referred to at recommendation 1 **approve** the Havering and Wates Regeneration Joint Venture Business Plan dated January 2020, as attached at the exempt agenda report.
3. Subject to the approval of the required budget and funding referred to at recommendation 1 **agree** to forward fund phase 1 of the 12 Site Programme up to £45.4 million for the development of Napier and New Plymouth (£14.9 million), Solar, Serena and Sunrise Courts (£15.9 million) and the Waterloo Estate (£14.6 million **and authorise** the Director of Regeneration to enter into the necessary forward funding agreements.
4. **Authorise** the Director of Regeneration to consider the appropriation of land at the appropriate time in work package one from the Housing Revenue Account (HRA) to the General Fund, for planning purposes and to consider the appropriation of land at the appropriate time in work package one back to the HRA .
5. **Authorise** the Director of Regeneration to enter into the build licence or build lease (as is appropriate) for sites within work package one of the 12 site regeneration programme, once the Council has met the Conditions Precedent for individual sites.
6. **Approve** the budget of up to £8million for the demolition of the Waterloo Estate and **Agree** for the Director of Regeneration in consultation with the Director of Legal and Governance to enter into contract with the Havering and Wates JVLLP to carry out the demolition of the Waterloo Estate, subject to approval of the demolition application.
7. **Agree** the land assembly budget and proposed redevelopment of the Farnham and Hilldene Estate as part of the Harold Hill District Town Centre Regeneration Project.

8. **Approve** the removal of the Delta Estate from the 12 site regeneration programme.
9. **Authorise** the Director of Regeneration to enter into variations of any of the existing joint venture documentation which is required to implement any of the recommendations contained in this report.

REPORT DETAIL

1.0 **Background**

- 1.1 In June 2016 and October 2016, Cabinet received reports which proposed to increase the number of affordable homes on housing sites owned by the Council. As a result of the information provided to Cabinet, 12 sites vested in the HRA were identified for regeneration.
- 1.2 Key requirements of the project are for the Council to retain the long-term freehold of the land; retain management of the affordable housing; jointly deliver the new developments and to aim to double the amount of affordable housing on the sites while of increasing and maximising the supply of new mixed tenure housing. The objectives for the programme were presented in the Business Case that was agreed by Cabinet in January 2018.
- 1.3 In January 2018, following a Competitive Dialogue procurement process, Cabinet agreed to the formation of HWR; a joint venture established with Wates Residential by entering into a Members' Agreement for the purpose of meeting the Council's regeneration objectives for the 12 HRA sites, on the basis of the Business Case and Legal Summary contained in the Exempt Agenda Report.
- 1.4 HWR has been established as a long-term development partnership to facilitate a programme of residential-led regeneration and estate renewal across an initial tranche of 12 Council-owned housing sites. The joint venture partnership enables both partners to share costs and long term financial risk associated with development whilst retaining a degree of control, ensuring that social and economic benefits remain a focus.
- 1.5 The Council has the right to acquire any affordable housing at a pre-agreed value and allocate those properties via the Council's Housing Register in accordance with its Allocation Policy.
- 1.6 The Council's objectives for this programme have been enshrined into the Members Agreement between the JV partners as objectives for HWR. As a development company HWR will procure design, obtain planning permission, develop, market and sell/let each scheme for the best value achievable.

- 1.7 On 13th February 2019, the first review on the JV's Business Plan was reported to and approved by Cabinet. The review was reported on the basis of updated assumptions which were reflected, scrutinised and verified via updated site development appraisals and the JV's employed agent.
- 1.8 In particular, the report focussed on the progress made on the schemes within Work Package One (WP1) of the 12 Site Programme, which includes Napier and New Plymouth House, Solar, Serena and Sunrise Courts and the Waterloo Estate. Since the last business plan, work has continued to maximise the level of affordable, family sized housing across these schemes as part of the pre-application planning process and expedite the delivery of new homes where possible.
- 1.9 The last business plan also introduced the development prospects identified in Harold Hill, including the redevelopment of the Chippenham Office site as a potential precursor to the wholesale development of the Farnham and Hilldene Estate. This report will inform Cabinet of the progress that had been in assessing the feasibility of delivering this project as part of the 12 site regeneration programme.
- 1.10 The Development Agreement provides that, following the satisfaction of the pre-conditions for a site, the Council will grant and the LLP will accept a building licence unless the parties agree that the Council will grant a building lease because it is a requirement of a lender, it would mitigate any tax liability or the parties agree it would be beneficial or preferable in the circumstances. Whether a building licence or a building lease should be granted will need to be considered by the Council and the LLP each time the conditions are satisfied.

2.0 Progress

2.1 Planning and Design Development

Design development as part of the pre-application planning process has continued for the sites in WP1. Good design has been a key aspect in the evolution of the schemes since establishing the JV, ensuring that each scheme acts as an exemplar housing development within the borough.

- 2.2 As part of the pre-application planning process, consultation has continued with residents, the Local Planning Authority, Strategic Planning Committee, independent Quality Review Panel and other key stakeholders. Each scheme has evolved to design quality environments and homes where residents want to live in and public realm that support community living. Place-making has been a key objective for the Council and each site in WP1 is being designed to meet this objective:

- Napier New Plymouth will set the standard for new homes in Rainham, being a marker of quality for apartment living. The homes will be bright and warm with sunlit courtyards for residents to enjoy the outdoors. The

central park will bring people together, through the careful design of bike and pedestrian paths and children's play spaces. The Majors Panel has commented that "Napier New Plymouth is an exemplar design and has set the standard for Havering going forward".

- Solar Serena Sunrise will be a place with vibrant community spirit, bringing new and existing neighbours together. This flagship retirement village will be home for the active older person. Facilities designed to encourage a range of activities, from a gentle stroll through the central landscaping, or a cycle through Harrow Lodge Park. The new neighbourhood has been carefully designed to create an inclusive and fully accessible environment for residents and visitors. Communal, social open spaces and central garden to support healthy active lifestyles will make this a unique retirement village in Havering. The scheme is committed to enhance flexible space and has dedicated the ground floor of block C to a new flexible communal space.
- The Waterloo Estate will be a destination where everyone is welcome. Residents and the community will feel safe and at home, with front doors lining the streets in a clean and tidy local environment. Biodiversity will return to the town centre. Residents will feel in touch with nature, with ample tree planting, garden beds and places for children to play. Local businesses will thrive in the commercial space fronting Waterloo Road and Adaptable community space will be a focal point for all. The Quality Review Panel has commented that "the reduction in off street parking and the vehicular movement through the development creates a more generous public space within the development".

2.3 The JV is obliged to deliver each scheme in accordance with the Key Requirements set out in the Development Agreement. These requirements set out the parameters for a planning application and include:

- The number of units to be delivered across the development
- The housing bed size and tenure mix
- A requirement for non-residential uses such as commercial and retail.

The Key Requirements for each site may vary as a result of stakeholder consultation and planning policy but will always be required to meet the Council's objectives for the Regeneration Programme. The key requirements of work package one sites have been reviewed to ensure each site meets the Council's objectives and are reported to Places Theme Board prior to a planning application being submitted and are incorporated in the body of the report.

2.4 As part of the review of the key requirements for each scheme in WP1, officers completed a review of the level of affordable housing and bed sizes of the homes being delivered across the sites.

- 2.5 As evidenced below, in comparison to the information extracted from the Local Planning Authority, each site in WP1 is delivering above the average level of affordable housing on major development sites (above 10 units) approved from 2014-18.

Affordable Rent	282	6%
Intermediate	366	8%
Market	4041	85%
Not Known	60	1%
Total	4749	100%

- 2.6 Since bid stage, levels of affordable housing has increased in line with the Council's objectives to maximise the delivery of affordable housing across each site.

Site	Affordable Housing – Bid Stage	Affordable Housing – Year 2 review
Napier and New Plymouth	77.7%	64%
Solar, Serena, Sunrise	25.8%	77%
Waterloo Estate	38.5%	40%
WP1 Total	41.3%	46.4%

- 2.7 The introduction of more affordable housing across WP1 and the provision of private rented housing on the Waterloo Estate has removed £8million worth of cross-subsidy from the financial model. As a result, the development of the retirement village and Waterloo stages one to four will be funded through forward funding from the Council, instead of external debt funding.

- 2.8 In addition to the review of the level of affordable housing, the bed size mix of affordable homes has also been a part of the review process. The Draft Local Plan requires affordable housing to be delivered according to the bed-size mix in the table below. Amongst other sources, this mix has been influenced by the Strategic Housing Market Assessment, which was carried out in 2016, and provides a longer term assessment of housing need, from 2011 – 2033.

Bed-size	1-bed	2-bed	3-bed	4-bed +	Total
	10%	40%	40%	10%	100%

- 2.9 A key requirement for each site within the 12 site programme is that new homes not only meet a demonstrable housing need, but also facilitates the Right to Return for Council tenants that have been rehoused away from a regeneration site. The table below demonstrates that across WP1, the highest level of demand, derived from the Right to Return, is for one bedroom homes.

Right to return requirement	1-bed	2-bed	3-bed	4-bed	Total	
	%	%	%	%	No.	%
Waterloo Estate	32%	32%	35%	1%	171*	100%

Napier and New Plymouth House	64%	30%	6%	0%	87	100%
Total	43%	31%	25%	<1%	258	100%

*no re-provision of Sheltered Housing provision at Queen Street

- 2.10 In addition to the Right to Return, the Council's housing register provides a reference to identify an immediate need for affordable housing provision in the borough, based on those households that present themselves to the local authority. Data from August 2019 shows that in comparison to the Local Plan prescription, a higher proportion of one-bedroom affordable units are required to meet the demand of Havering households. The table below shows bed-size need for the people on the housing register:

Housing Register demand by bed-size	1-bed	2-bed	3-bed	4-bed	5-bed	Total	
	%	%	%	%	%	No.	%
	25%	37%	33%	5%	<1%	1956	100%

- 2.11 The affordable housing demand emanating from the Right to Return and the Housing Register have been imperative in determining the bed-size mix of the affordable homes that will be delivered across WP1. Changes to the proposed housing mix as a result of the data above, are demonstrated below.
- 2.12 Whilst this data supports the delivery of one-bedroom affordable homes across General Needs sites, the provision of affordable and oversized one-bedroom homes at the Solar, Serena Sunrise retirement village was deemed to be the most appropriate solution to meet the housing needs of the over 55's, by providing an affordable home with the flexibility of extra care provision where required.

Bed size	Affordable bed size mix – Bid Stage				Affordable bed size mix – Year 2 review			
	1	2	3	4	1	2	3	4
Napier and New Plymouth	35%	50%	15%	0	44%	42%	14%	0
Solar, Serena, Sunrise	61%	39%	0	0	86%	14%	0	0
Waterloo Estate	43%	50%	7%	0	45%	35%	20%	0
WP1 Total	43%	49%	8%	0	51%	33%	16%	0

- 2.13 In October 2019 the planning application for the redevelopment of Napier and New Plymouth House was approved by the Council's Strategic Planning Committee. This scheme will deliver 197 new homes, 64% of which will be affordable, delivering 126 affordable residential units, including 87 as part of the 'right to return' re-provision for previous Council Tenants.

- 2.14 The planning application for the redevelopment of Solar, Serena Sunrise Courts was submitted in November 2019. Following market research and

refined design principles, greater provision has been made for flexible communal areas to meet the needs of residents and facilitate social inclusion within the local community.

- 2.15 In addition to this, a greater provision of affordable housing has been attained, increasing the affordable provision from 55 homes for affordable rent to a total of 134 affordable homes amounting to an affordable provision of 77%; 80 homes for affordable rent and 54 homes for low cost home ownership.
- 2.16 Low cost home ownership was deemed to be a necessary tenure for the over 55's, enabling a current homeowner to downsize as well as providing an opportunity for them to gain financial flexibility. In line with the GLA Capital funding guide, the shared owners' maximum equity share will be 75% of the property's value.
- 2.17 Some cost increases have resulted from the requirements from the GLA building specification such as the energy centre on Waterloo Estate or through the up-grading of fire protection design in the wake of the Grenfell fire and are specified in the report.
- 2.18 As reported previously, the Waterloo Estate will be developed in a phased approach due to the quantum of homes on the new development. In total, the redeveloped scheme will deliver 1378 new homes. Stage one of the development will include the delivery of 371 homes.
- 2.19 Following stakeholder consultation and design development, a review of the affordable housing that will be delivered across the Waterloo Estate has been reviewed and this has been incorporated within the report. The provision of affordable housing has increased to 40%, from 520 affordable homes to 556. As part of the review, the proportion of homes within the affordable tenure available for rent has risen from 55% to 73%. The number of 3 bedroom affordable homes has increased, from 57 to 110.
- 2.20 The planning processes for Work Package One sites will continue through the business plan period until an implementable planning consent is achieved. The table below shows planning and development milestones for the sites that have been progressed since the last business plan as well as a forecast for the remaining sites in the 12 site programme.

	Submission of Planning Application	Resolution to Grant	1st Completions	Site Completions
Work Package One				
Napier and New Plymouth House	Apr-19	Oct-19	Jan-22	Jun-22
Solar, Serena, Sunrise	Nov-19	Mar-20	Aug-22	Dec-22

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Waterloo Estate	May-20	Nov-20	Sep-22	Jan-30
Work Package Two, Three and Four				
Chippenham Rd	Sep-20	Jan-21	Oct-22	May-23
Farnham and Hilldene	Dec-21	Mar-22	Autumn 2024	Spring 2027
Brunswick Court	Dec-21	Mar-22	Spring 2024	Spring 2024
Maygreen Crescent	Dec-23	Mar-24	Summer 2026	Autumn 2027
Delderfield House	Dec-23	Mar-24		Winter 2025
Dell Court	Dec-23	Mar-24		Spring 2026
Oldchurch Gardens	Dec-25	Mar-26	Summer 2028	Summer 2029
Royal Jubilee Court	Dec-25	Mar-26	Spring 2028	Winter 2029
Napier and New Plymouth Blue Line	Dec-25	Mar-26	Autumn 2028	Summer 2030

2.21 Vacant Possession

The estate regeneration program continues to move forward with the requirements of the existing residents being paramount. A significant effort has been made to ensure those people moving out of their homes find suitable alternative homes that meet their needs and that they are supported through the moving process. A full support and compensation package is available and moving residents have been able to take advantage of this and the services of dedicated council offers to arrange moves. We continue to seek feedback from people who have moved and the satisfaction level with the move and new home is at just over 98%.

Council tenants, Leaseholders and freeholders have all received the appropriate support to assist with moves. Council Officers have continued to work with residents to either move them to a new home or purchase their property. The table below shows that good progress has been made regarding the ongoing Council tenant decant programme and leaseholders/freeholders buyback programme. In addition to the Solar, Serena, Sunrise sheltered scheme, Napier and New Plymouth is now completely vacant. This has afforded us the opportunity to begin demolition on these sites.

Demolition of Solar, Serena, Sunrise has now been completed and Napier and New Plymouth nears completion.

Site	Vacant Properties	Temporary Accommodation residents		No. of Council Tenants		Leasehold/freehold purchases		Total	
		Tenants matched	Tenants remaining	Tenants matched	Tenants remaining	Purchases Underway or Agreed	Negotiation Yet to start or Ongoing		
General Needs	Waterloo Estate	268	2	1	3	0	11	6	291
	Chippenham Road	22	0	0	0	0	2	8	32
	Farnham and Hilldene	13	0	70	5	15	0	17	117
	Maygreen Crescent (& Park Lane)	9	0	87	3	7	1	4	111
	Oldchurch Gardens	10	0	55	1	7	1	11	84
Sheltered	Brunswick Court	27	0	0	9		0	0	36
	Delderfield House	2	10	0	0		0	0	12
	Dell Court	2	0	0	11		0	0	13
	Royal Jubilee Court	8	0	0	26		0	0	34
Total	361	225		87		61		734	

2.22 Vacant possession across regeneration sites has been aligned with the strategy to reduce the homelessness pressure on the General Fund. Properties vacated by secure tenants and leaseholders across the regeneration programme have been used as temporary housing for homeless households. As the demolition target date for each site approaches, Housing Services will work to find these households suitable alternative accommodation.

It is the Councils sole responsibility to demonstrate good title and deliver vacant possession on each of the 3 sites. In order that we can extinguish existing development rights, the sites will be appropriated under the Town and Country Planning Act into the General Fund and subsequently returned to the HRA. Any claims for compensation arising from extant rights or Right of Light issues are to be borne by the Council (HRA).

2.23 The expedited delivery of new homes has been a priority for the Council and the JV. Due to the progress of the vacant possession programme at the Waterloo Estate, as demonstrated in the table above, it was proposed by the development team and agreed in principle by the JV Board that the site be considered for demolition, prior to satisfying the conditions precedent, as stipulated by the JV's Development Agreement.

2.24 Two options for demolition have been considered for the Waterloo Estate – single-phase demolition and multi-phase demolition. Evaluation of both options determined that single phase demolition would best meet the Council’s regeneration objectives by delivering:

- £5m savings in comparison to the phased option.
- Accelerated delivery of the development programme by approximately one year.
- Reduced security and estate management costs.
- Reduced disruption to surrounding residents and businesses.

2.25 To facilitate the demolition of the Waterloo Estate the Council will enter into a demolition contract with the JV, and fund the demolition to the cost of up to £8million.

3.0 Scheme Review

3.1 The current scheme design and development financial model anticipates that 1,750 new homes will be delivered in Work Package One, 98 fewer homes than reported at bid stage.

3.2 In line with the Council’s objective to maximise the number affordable homes across its regeneration programmes, through further design development, updated financial appraisals and consultation, 97 more homes will be available on an affordable tenure. This has increased the proportion of affordable homes from 41% to 46%.

3.3 The increase in affordable housing has resulted in the reduction of the number of homes for open market sale, and therefore the financial subsidy that those units provide for the delivery of affordable homes. The movement schedules contained within the exempt agenda demonstrates how the financial model has been affected by the increased proportion of affordable homes.

Site	Demolitions		Proposed					% affordable Housing
	Social Rent	Leasehold/ Freehold	Affordable Rent	LCHO	PRS	Open Market Sale	Total	
Work Package One								
Napier and New Plymouth House	87	10	126	0	0	71	197	64%
Solar, Serena, Sunrise	55	0	80	54	0	41	175	77%
Waterloo	202	71	407	149	0	822	1378	40%

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Estate (and Queen Street)									
Work Package Two									
Chippenham Road	20	12	115	25	0	66	206	48%	
Farnham and Hilldene	90	27	145	0	0	395	540	27%	
Brunswick Court	47	0	54	0	0	0	54	100%	
Work Package Three									
Maygreen Crescent	88	23	94	24	0	177	295	40%	
Delderfield House	14	0	22	0	0	0	22	100%	
Dell Court	29	0	29	0	0	51	80	36%	
Work Package Four									
Oldchurch Gardens	64	22	122	0	0	184	306	40%	
Royal Jubilee Court	79	0	53	0	0	99	152	35%	
Napier and New Plymouth Blue Line	0	51	63	62	0	188	313	40%	
Subtotals	775	216	1310	314	0	2094	3718	44%	
Total	991		3718						

3.4 Based on the 3,718 model, the 12 site programme would deliver 44% affordable housing, whilst more than doubling the number of occupied affordable homes across the sites. These figures are summarised for comparison in the table below:

	Now	Future	Change
Total number of homes	991	3718	+275%
Occupied General Needs homes	551	1123	+104%
Occupied Sheltered rented homes	224	187	-17%
Low Cost Home Ownership	0	314	+314
RTB losses	217	0	-217
Total occupied affordable homes	775	1624	+110%

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- 3.5 In February 2019, Chippenham Road was identified as an opportunity site for regeneration, given its close proximity to the proposed Farnham and Hilldene Estate development and the closure of the Council Housing Office.
- 3.6 Since the decision to include Chippenham Road in the 12 site programme, consultation has been carried out with key stakeholder groups. Evident from this has been the necessity for strategic alignment between the Chippenham Road and Farnham and Hilldene sites in order to develop a vibrant district Town Centre in Harold Hill.
- 3.7 It is envisaged that a comprehensive Harold Hill town centre development would be a flagship, place-making community-led regeneration programme that supports the socio-economic aspirations of the local community. Investment in this area would seek to get the most out of local community assets, with the intention of creating public spaces that promote health, happiness, wellbeing of residents and opportunities for growth for local businesses.
- 3.8 Initial appraisals on the proposal for comprehensive redevelopment in Harold Hill have been carried out and are being refined to reflect feedback received during initial consultations with stakeholders and principles of good place-making established during the planning process of WP1. In Spring 2020 a report will ask Cabinet to consider a proposal for comprehensive redevelopment, including targets for delivery such as cost and units. One option for the scheme would be development through the Havering and Wates JV.
- 3.9 The updated financial model assumes the removal of Delta Estate from the 12 Site Regeneration Programme. Our original proposal for the Delta Estate proposed that up to 495 new homes could be developed across the estate and presented a good opportunity to intensify affordable housing in close proximity to the upcoming Crossrail station at Gidea Park.
- 3.10 However, through further consultation and after revisiting the original capacity studies, carrying out more technical surveys and planning feasibilities of the area, it was determined that the proposed scheme would not meet the regeneration objectives agreed by the Council, nor the aspirations of local residents.
- 3.11 Work has continued to develop the additional opportunity and “blue line” sites. Based on the capacity studies carried out on these seven opportunities and blue line sites, an additional 1,293 new homes could be delivered, 44% of which would be affordable.
- 3.12 It is therefore proposed that the Council agree to move forward with the Napier and New Plymouth blue line opportunity, in place of the Delta Estate. Characteristically, blue line sites present a development opportunity in close proximity to the sites that have already been approved by Cabinet.

3.13 As presented above, capacity studies and preliminary planning assessments indicate a scope to deliver 313 new homes on the Napier and New Plymouth Blue Line site, 40% of which would be affordable. This site will be subject to an extensive site assembly programme, requiring the acquisition of 51 freehold properties.

4.0 Financial Review

4.1 The business case assumptions have been updated to reflect anticipated economic conditions and design development including enhanced design features and the reduction in open market housing cross subsidy due to the increased provision of affordable housing.

4.2 Key changes are summarised in the following text and in the exempt agenda report.

4.3 **Unit Numbers** – The financial review assumes that 606 more homes will be delivered across the 12 site programme than that which was anticipated at bid stage. This is mainly attributable to the introduction of the Chippenham Road and Napier and New Plymouth Blue line sites.

4.4 **Affordable Housing** – The updated financial model assumes an additional 438 affordable units across the 12 sites since bid stage. This is the result of increased affordable provision across WP1, in addition to the high proportion of affordable housing proposed on the Chippenham Road site.

4.5 **Price per Affordable Rented Unit** – At bid stage an average offer price of £172,000 per plot for the affordable rented units. Forward funding has effectively increased this to £222,317 per plot as a result of: build cost inflation, design and development enhancements, reduction in private sale cross subsidy and the impact of providing more affordable housing and more family sized accommodation.

4.6 **Demolition of the Waterloo Estate** – It is proposed that the Council will enter into contract with the JV for the demolition of the Waterloo Estate, prior to meeting the Condition Precedent as set out in the Development Agreement. The anticipated costs of demolition is up to £8m.

4.7 Forward Funding

In February 2019, it was reported to Cabinet that due to the splitting of WP1 and effective removal of the cross-subsidy from Waterloo Estate, Napier and New Plymouth House would require forward funding to enable its development. The Council is essentially providing a grant to the LLP to fund the delivery of affordable housing and part of the development cost to deliver the scheme of Napier and New Plymouth. Following the financial review of this business plan, the forward funding requirement has increased from £12.3m to £14.9m as a result of design enhancements.

- 4.8 The forward funding agreement will be contracted in the form of a grant agreement between the Council and the JV LLP for the amount of £14.9m. The grant will be delivered in staged payments, certified by Ikon – the Council’s employed agent and can only be used to deliver the development as per the planning permission and London Design Guide and Specifications. The JV will be required to monitor the development costs on a quarterly basis as part of the agreement.
- 4.9 Key changes to the Solar, Serena, Sunrise and Waterloo Estate schemes mean that forward funding is also required in order to unlock the development of these sites:
- Solar, Serena, Sunrise retirement village – an increased number of affordable homes, reduction in subsidy from open market sales, larger provision of communal spaces and design enhancements have led to an increase in the cost of delivering the scheme. The requirement of forward funding from the Council for this site is £15.9m.
 - Waterloo Estate - an increased provision of affordable and 3 bed affordable homes, reduction in cross subsidy due to the reduction of homes for open market sale, enhanced provision of public realm and building designs have led to an increase in the cost of delivering the scheme. The requirement of forward funding from the Council for this site is £14.6m.
- 4.10 The financial figures identified in this report represent a point in time, and it is anticipated that as the development progresses, the housing market will revert to a period of growth in house prices, which will enhance the value of the scheme. Had the housing market performed in line with historic trends, it is estimated that open market and shared ownership revenues to HWR would have increased by £49 million, effectively eliminating the requirement for forward funding. The blended average cost to the HRA including shared ownership units is £180k per unit. This represents good value is significantly below what can be delivered from the market, other development partners and delivery models.

REASONS AND OPTIONS

- 5.0 **Reasons for the decision:**
- 5.1 To incorporate revised assumptions an updated programme into the Business Plan for the period 2019-20.
- 5.2 To continue to secure the Councils regeneration objectives for the 12 Site Regeneration Programme.

5.3 The optimisation of affordable housing provision to be purchased by the HRA, on advantageous terms via a Joint Venture vehicle, to help sustain the HRA long term.

5.4 To maximise the level of family housing and retirement provision in the borough.

5.5 **Other options considered:**

The adoption of the Business Plan is a consent matter. Without the Council's approval, as a Member of the LLP, the revised Business Plan could not be adopted and the current Draft Business Plan would be maintained. The Council is in contract with Wates as a commercial partner for the delivery of the regeneration of sites within work package one and share the associated costs. These commitments will need to be upheld.

5.6 Not approving the revised Business Plan may have a negative impact on the

Council's ability to continue funding land acquisition which in turn will have implications with delivery targets including affordable housing delivery and achieving targets agreed with GLA in the Overarching Borough Intervention Agreements.

Not adopting the revised Business Plan may also give rise to negative market sentiment with a consequential impact on the wider development market that this scheme would otherwise seek to stimulate.

IMPLICATIONS AND RISKS

6.0 **Financial implications and risks:**

6.1 Detailed Financial information is contained within the exempt appendices.

10.0 **Legal implications and risks:**

10.1 This report follows a number of previous reports to Cabinet including the report in February 2019 which considered the first JV business plan.

10.2 The Council is being asked to approve the business plan dated 3 December 2019, which includes a number of changes from the previous business plan that was approved.

10.3 The Council has entered into the joint venture LLP with Wates pursuant to a number of powers including the Housing Act 1985, the Housing and Regeneration Act 2008, the Local Government Act 1972 and the general power of competence in section 1 Localism Act 2011. The general power of

competence will enable the Council to enter into the contract required with the JV LLP to carry out demolition works at the Waterloo Estate.

10.4 The Council is now contractually committed to progress the project in accordance with the agreements that have been entered into with Wates and the JV LLP, unless variations are agreed by the parties.

10.5 This report seeks approval for an amended work package one and sets out the financial and other implications of proceeding with the scheme.

10.6 More detailed legal advice is contained within the exempt appendices.

11.0 Human Resources implications and risks:

11.1 There appear to be no HR implications or risks arising that impact directly on the Councils workforce.

12.0 Equalities implications and risks:

12.1 The public sector equality duty under section 149 of the Equality Act 2010 (“PSED”) requires the Council when exercising its functions to have due regard to: (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; and (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and to foster good relations between those who have protected characteristics and those who do not. ‘Protected characteristics’ include: gender, race and disability, sexual orientation, age, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment. The Council is committed to improving the quality of life for all, and supports wider social and economic growth through social and physical regeneration.

12.2 The wider implications associated with the project are addressed in the overarching Equalities Impact Assessment (EIA) appended to the January 2018 Cabinet report - 12 HRA Sites JV Procurement – Entering into a Limited Liability Partnership. Consequently all matters associated as a result of entering this agreement are addressed.

12.3 Officers are about to embark on a commissioning process to update site specific EIAs to re-evaluate the need of individuals and households affected by this regeneration programme. This will also include a site specific EIA for the Napier New Plymouth Blue Line site.

BACKGROUND PAPERS

None