

Notice of Non-key Executive Decision EXEMPT

Subject Heading:	Approval of the revised business case and phase viability plan for the Napier New Plymouth Estate
Cabinet Member:	Councillor Damian White Leader of the Council
SLT Lead:	Neil Stubbings – Director of Regeneration Programmes
Report Author and contact details:	Martin Fahy martin.fahy@havering.gov.uk
Policy context:	Havering Housing Strategy National Planning Policy Framework Draft London Plan Emerging Havering Local Plan HRA Business Plan 2020-2050
Financial summary:	This report seeks approval for the revised business case and phase viability plan to develop the New Plymouth Estate at a cost of £57.370 million. This estate forms part of the 12 Estates regeneration programme.
Relevant OSC:	Towns and Communities
Is this decision exempt from being called-in?	Yes

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

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

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

- 1.1 This report seeks Leader approval for the revised business case and Phase Viability Plan attached at Appendix 1 for the development of the Napier New Plymouth estate as a 100 per cent Council scheme, at a budget of up to £57.370 million.
- 1.2 Appended to the Phase Viability Plan (Exempt Appendix 1) are the following annexes: -
- Annex 1 – Planning Permission FULL
 - Annex 2 – Planning Agreement
 - Annex 3 – Project Documents FINAL
 - Annex 4 – Build Contract and list of appointments
 - Annex 5 – Financial Appraisal
- 1.3 The annexes confirm that the scheme has met the necessary criteria to progress to development. Annex 4 appends the draft build contract and a list of professional appointments which would be approved by the HWR and the Council, should the Phase Viability Plan be approved.

AUTHORITY UNDER WHICH DECISION IS MADE

- 2.1 This is a Leader decision pursuant to the Cabinet report of 5 August 2020 Havering and Wates Regeneration Covid-19 Options where it was resolved to progress the development of Napier New Plymouth as a 100 per cent Council scheme, at a total development cost of £57.370 million.
- 2.2 The Leader, after consultation with the s151 Officer, shall be asked to approve the revised business case and phase viability plan for Napier New Plymouth

STATEMENT OF THE REASONS FOR THE DECISION

- 3.1 In October 2019 the planning application for the redevelopment one of the 12 sites, Napier and New Plymouth House was submitted by the Havering and Wates Joint Venture and approved by the Council's Strategic Planning Committee. The approved scheme proposes to 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.
- 3.2 To address the current uncertainty in the housing market linked to COVID19, the Council agreed at a Cabinet meeting of 5th August 2020 to acquire the additional 71

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open market units. A separate decision on the tenure of these units is to be taken by the Director of Regeneration, under delegated authority. The decision to acquire the 71 units eliminated the JV sales risk as the Council committed to acquiring all the housing on the development. This also serves to increase the quantity of housing in the Borough at a time when the demand for affordable housing linked to COVID-19 outbreak is likely to increase. With the Council's support, the joint venture can continue with the programme dedicated to providing good quality affordable family housing with enhanced design to meet the need of local residents.

3.3 For each Phase, the JV must produce a Phase Viability Plan in accordance with the requirements of the JV Agreement which sets out what will be developed on that Phase and when and contains (amongst other things) a financial appraisal. Once the Phase Viability Plan has been approved the parties then work to satisfy the conditions in the Development Agreement so that the development can be progressed.

3.4 The previous iteration of the Phase Viability Plan for NNP assumed that the scheme would be partly funded by the JV in relation to the delivery of the open market units referred to above and that those units would be sold by the JV. However, the Council is now responsible for 100% of the development cost of NNP. It is therefore necessary to approve a revised Phase Viability Plan to reflect the agreed changes. The development cost is now projected to be £57.370 million as set out in the attached Phase Viability Plan; the Council secured a reduction of £4.382 million (TABLE 1) from the total development cost as agreed at the approved business plan, £61.752 million (Havering and Wates Regeneration LLP Business Plan and Budget 2020/2021, approved on 12 February 2020). This is funded from compensating cost savings (TABLE 1) from HWR coming from the sales and marketing budget, financing and the development margin, 50 per cent of which would have been payable to the Council and is instead passed on through a reduction in the cost of development.

TABLE 1 – PROPOSED CHANGES TO NNP COSTS AND REVENUES

Item	Movements £M	Notes
Revenues – 15% Discount	3.672	Discount to private sale
Revenue – Car Parking	0.710	Removed – 100% affordable scheme
Revenue – Net Loss	4.382	
Developers Margin	-2.670	Margin is payable on open market units. 2% contracting margin
Sales & Marketing	-0.888	Open market units removed
Developers contributions	-1.026	Reduction linked to increased affordable outputs

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Interest – Partner Loans	-0.398	Reduced as payments from Council covering 100% of construction
Planning / Design / Build costs	0.600	Some redesign linked to reconfiguring tenure.
Net Cost Savings	-4.382	

3.5 This will be funded from existing capital budgets. A forward funding budget of £14.886 million was set aside for NNP. The residual £42.484 million will be funded from the overall affordable housing budget set aside for the 12 Estates programme, totalling £287.746 million, approved by Cabinet on 12 February 2020 and ratified by Full Council on 26 February 2020. This budget was set aside to bring forward the development of up to 1,310 new affordable homes on the 12 Estates programme. NNP is the first site to be brought forward and would deliver 197 homes.

3.6 Funding from existing capital budgets will permit the scheme to progress in advance of the refresh of the HWR Business Plan, scheduled to be presented to Cabinet in December 2020.

3.7 The move to 100 per cent Council scheme changes the risk profile of the development, as effectively this moves away from an affordable housing fixed price agreement to a development contract. A contingency of 5 per cent including a developer's contingency has been set aside to manage risk. This site has been extensively surveyed and the level of contingency has been validated to be sufficient under the worst-case scenario by IKON, the employer's agent for the development.

3.8 The overall development cost budget remains unchanged at £57.370 million from the draft attached to the Cabinet Report dated 05 August 2020.

3.9 The development budget makes provision for an enhanced specification on the 71 additional units, which would provide the Council with the maximum flexibility if a decision is made to alter the tenure of some of the units at a later stage.

Reasons for the decision

3.10 Cabinet have approved progression of NNP as a 100% Council scheme at a cost of £57.370 million. The capital funding as set out above, is in place to progress the scheme in advance of the HWR business plan refresh scheduled for December 2020. The Phase Viability Plan has been amended to reflect these approved changes and the terms of the Joint Venture Agreement require that the revised Phase Viability Plan must be approved by each member of the Joint Venture in order that development can be progressed in accordance with that Phase Viability Plan.

3.11 Not adopting the Phase Viability Plan will delay the delivery of the Napier New Plymouth development, which may have a negative impact on the Council's ability to deliver on targets including affordable housing delivery and achieving targets agreed with the GLA in the Overarching Borough Intervention Agreements.

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OTHER OPTIONS CONSIDERED AND REJECTED

4.1 Not approving the Phase Viability Plan, which would in effect place a pause on development activities. This was rejected on the grounds that it would not resolve the viability issues and lead to increasing costs.

PRE-DECISION CONSULTATION

5.1 Consultation with Regeneration Member Steering Group and colleagues in OneSource Legal and OneSource Procurement.

NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: Martin Fahy

Designation: Financial Analyst (Regeneration)

Signature:

Date: 18.11.2020

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

This report follows that to the Cabinet on 5 August 2020 where it was agreed to progress the development of Napier New Plymouth as a 100 per cent Council scheme, at a total development cost of £57.370 million.

The Leader of the Council, after consultation with the s151 Officer, is now being asked to approve the revised Phase Viability Plan for Napier New Plymouth and related viability assessment, to reflect that the Council is now responsible for 100% of the development cost of NNP.

For each Phase, the JV must produce a Phase Viability Plan in accordance with the requirements of the JV Agreement which sets out what will be developed on that Phase and when and contains (amongst other things) a financial appraisal.

Changes contained in the revised Phase Viability Plan will be reflected in a revised Business Plan to be brought to Cabinet for determination in December 2020.

The Leader is able to take any executive decision, in accordance with the provisions of the Constitution and of s.9E Local Government Act 2000.

FINANCIAL IMPLICATIONS AND RISKS

7.1 The Council committed to funding 100 per cent of the development cost £57.370 million to acquire 197 units of housing. This is an increase of 71 additional units of housing, which were originally earmarked for private sale. The financial implications of the decision were set out in the Cabinet Report dated 5th August 2020.

7.2 As set out above, the adoption of the Phase Viability Plan (PVP) is a JV consent matter, so it requires approval by the members of the Joint Venture. The approval of the PVP would incorporate the necessary financial provisions to progress the development of NNP into the JV Agreements.

7.3 The approval of the PVP by both partners sets the development cost budget. This does not directly impact on the decision to agree the tenure given the specification on the units remains unchanged; providing the Council with flexibility to change the tenure of some of the units at a later date, should market conditions improve.

7.4 A final decision to determine the tenure of the 71 units will be made by the Director of Regeneration as it will not alter the provisions of the Phase Viability Plan.. However, the build contract sum makes provision for an enhanced specification. Should any of the additional units be provisioned as affordable rent, the JV will credit any savings on internal specifications against the final build contract sum

7.5 This will be funded from existing capital budgets. A forward funding budget of £14.886 million was for NNP of £14.886 million and the residual £42.484 million

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from the overall affordable housing budget set aside for the 12 Estates programme £287.746 million, approved by Cabinet on 12 February 2020 and ratified by Full Council on 26 February 2020.

7.6 Embedded within the development cost budget is a developer contingency of £1.097 million. As agreed with HWR, any amount unused at the completion of the development would be repaid to the Council.

7.7 The move to 100% Council scheme changes the risk profile of the development, as effectively this moves away from an affordable housing fixed price agreement to a development contract. A contingency of 5 per cent including a developer's contingency has been set aside to manage risk. This site has been extensively surveyed and the level of contingency has been validated to be sufficient under the worst-case scenario by IKON, the employer's agent for the development.

HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)

None

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

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:

the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;

the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it 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, 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.

The wider implications associated with the project are addressed in 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.

BACKGROUND PAPERS

NONE.

APPENDICES

Appendix 1 - Phase Viability Plan FINAL (Napier New Plymouth)

EXEMPT Annexes to Appendix 1 (EXEMPT)

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Annex 1	Planning Permission FULL (Approved)
Annex 2	Planning Agreement
Annex 3	Project Documents FINAL
Annex 4	Build Contract and appointments
Annex 5	Detailed Financial Appraisal

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Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Details of decision maker

Signed

A handwritten signature in cursive script that reads "Damian White". The signature is written in black ink on a white background.

Councillor Damian White
Leader of the Council & Cabinet Member for Regeneration

Date:

Following consultation with:

Signed

A handwritten signature in cursive script that reads "Jane West". The signature is written in black ink on a white background.

Jane West
COO & Section 151 Officer

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Lodging this notice

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Democratic Services Officer in Democratic Services, in the Town Hall.

For use by Committee Administration

This notice was lodged with me on _____

Signed _____