

Notice of Non-key Executive Decision

Subject Heading:	Approval of phase viability plan for the Solar Serena Sunrise 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 business case and phase viability plan to develop the Solar Serna Sunrise Estate at a cost of £60.125 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

Non-key Executive Decision

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 business case and Phase Viability Plan (PVP) attached at Appendix 1 for the development of the Solar Serena Sunrise estate as a mixed tenure scheme, for a total development cost budget of £60.1 million. The underlying budget, business case and phase viability plan for SSS remains unchanged from the Havering and Wates Regeneration LLP (HWR) business plan and budget approved by Cabinet on 17 March 2021 (2021-22 HWR Business Plan Refresh).
- 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
 - Annex 4 – Build Contract and list of appointments. (EXEMPT)
 - Annex 5 – Financial Appraisal (EXEMPT)
- 1.3 The approval of the PVP by both JV Partners is necessary to ensure the development can proceed and permit HWR to enter into a building contract with Wates Construction Limited (WCL) for an agreed contract sum of £48.1 million. The cost of which would be funded from the overall development budget of £60.1m.
- 1.4 The annexes confirm that the scheme has met the necessary criteria to progress to development. Annexes 1 and 2 confirm that necessary planning approvals are in place (awaiting confirmation). Annex 3 provides the project documents, confirming the approach and methodology. 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 PVP be approved. Annex 5 contains the final detailed financial appraisal.

Non-key Executive Decision

AUTHORITY UNDER WHICH DECISION IS MADE

2.1 Cabinet approved the Havering and Wates Regeneration LLP Business Plan and Budget 2021/22 Cabinet report of 17 March 2021, including the approval of the HWR Work Package 1 (WP1) Business Plan for the first three sites (Waterloo, Napier New Plymouth and Solar Serena). The total approved WP1 development cost budget approved is £562.9 million (£510.7m costs + £52.2 million developer margin).

Budget	NNP £m	SSS £m	WQS £m	WP1 £m
HWR Development Budget total	57.4	60.1	445.4	562.9

2.2 As a result, the Council acting as JV Partner approved a development budget of £60.1m to progress the Solar Serena Sunrise estate.

2.3 The Leader, after consultation with the s151 Officer, shall be asked to approve the business case and PVP for Solar Serena Sunrise estate.

STATEMENT OF THE REASONS FOR THE DECISION

3.1 In July 2020, the planning application for the redevelopment of one of the 12 sites, Solar Serena Sunrise estate was submitted by HWR and approved by the Council's Strategic Planning Committee. The approved scheme proposes to deliver 175 new homes, 77% of which will be affordable, delivering 134 affordable residential units.

3.2 For each Phase, HWR 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.

Non-key Executive Decision

- 3.3 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 Solar Serena Sunrise (SSS) will be a retirement village with facilities, with a mixed tenure offering with 41 units earmarked for private sale, and 134 units of affordable housing. The scheme will be funded from a mixture of HWR partner equity, affordable housing payments and disposal receipts.
- 3.5 The total development budget of £60.125 million, includes a provision of £3.465 million development margin, payable upon the successful completion of the project. The budget excluding the development margin, is £56.660 million and would be funded as follows: -

Budget	LBH £m	Wates £m	Disposal £m	Total £m
HWR Partner Equity	9.949	9.949	-	19.898
Affordable Housing	13.760	-	-	13.760
Forward funding	17.489	-	-	17.489
Disposal receipts	-	-	5.513	5.513
Total Development Budget (exc margin)	41.198	9.949	5.513	56.660

- 3.6 A further £23.363 million of disposal receipts have been budgeted, which upon receipt would be used to repay the HWR Partner equity, £19.898m, and development margin, £3.465 million.
- 3.7 The Council has set aside a HRA capital budget of £41.198 million to progress the scheme, providing 73% of the funding requirement. The overall development cost budget remains unchanged at £60.125 million from the draft attached to the Cabinet Report dated 17 March 2021.

Non-key Executive Decision

Reasons for the decision

- 3.8 Cabinet have approved progression of SSS as an older persons mixed tenure scheme at a cost of £60.125 million. Underpinning that commitment is a Council budget of £41.198 million. The capital funding as set out above, is in place to progress the scheme. The Joint Venture Agreement require that the 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.
- 3.9 Not adopting the Phase Viability Plan will delay the delivery of the SSS 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.

Non-key Executive Decision

OTHER OPTIONS CONSIDERED AND REJECTED

4.1 Not approving the Phase Viability Plan, which would in effect place a pause on development activities. Any further delays would increase pressure on scheme viability which would necessitate a review leading to a redesign or mothballing of the scheme.

PRE-DECISION CONSULTATION

5.1 Consultation with Regeneration Member Steering Group and colleagues in OneSource Legal and OneSource Procurement.
5.2 Consultation with the s151 Officer.

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

Name: Martin Fahy

Designation: Financial Analyst (Regeneration)

Signature:

Date: 27.04.2021

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

- 6.1 This report follows that to Cabinet on 17 March 2021 where Cabinet approved the Havering and Wates Regeneration LLP Business Plan and Budget 2021/22.
- 6.2 For each Phase, HWR 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.
- 6.3 The Leader of the Council, after consultation with the s151 Officer, is now being asked to approve the Phase Viability Plan for SSS and related viability assessment.
- 6.4 The Leader is able to take any executive decision, in accordance with the provisions of the Constitution and s9E Local Government Act 2000.

FINANCIAL IMPLICATIONS AND RISKS

- 7.1 The Council committed to funding the SSS development cost budget of £60.125 million in partnership with Wates Construction to acquire 134 units of affordable housing. The financial implications of the decision were set out in the Cabinet Report dated 17 March 2021.
- 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 SSS into the JV Agreements.
- 7.3 This will be funded from existing capital budget envelope for the 12 Estates programme of £513.2 million, approved by Cabinet on 17 March 2021. A total of £41.198 million has been earmarked for SSS, including £17.489 million forward funding, £9.949 equity and £13.760 million affordable housing.
- 7.4 As of 28 February 2021, both partners have invested a combined £4.365 million of equity into the scheme to fund pre-construction costs.
- 7.5 Embedded within the development cost budget is a developer contingency of £0.900 million to manage risk against the agreed build contract million provisional sums, which amount to £48.055 million. The Employers Agent, IKON has reviewed the contingency and validated the adequacy of the contingency.

Non-key Executive Decision

7.6 As agreed with HWR, any amount unused at the completion of the development would be repaid to the Council.

7.7 The financials implications and risks associated with the approval of the SSS business case were documented in the 2021/22 HWR BP Refresh report, approved by Cabinet on 17 March 2021.

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

EXEMPT Appendix 1 - Phase Viability Plan FINAL (Solar Serena Sunrise)

Annexes to Appendix 1

Non-key Executive Decision

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

Non-key Executive Decision

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 black ink, appearing to read 'Damian White', with a horizontal line underneath the name.

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

Date: 29/04/2021

Following consultation with:

Signed

Jane West
COO & Section 151 Officer

Non-key Executive Decision

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 _____