

182. DEPUTATIONS/PETITIONS/QUESTIONS

Deputation 1 - Item 10 – Appointment of a preferred bidder for the Haringey Development Vehicle.

The Leader invited Paul Burnham, representing Defend Council Housing, to put forward his deputation to Cabinet. The representations were concerning the decision at item 10, appointment of a preferred bidder for the Haringey Development Vehicle.

Mr Burnham began his deputation by asking Cabinet to not set aside the Scrutiny Panel review and recommendations and to not appoint a preferred bidder for the Haringey Development Vehicle. The deputation party felt that this was a privatisation scheme and highlighted the following concerns:

- No adequate risk assessment had been made available to provide residents with any assurances about this joint venture scheme
- Potential Council loss of control over the company
- The lack of guarantees for the local authority in this type of arrangement
- The potential to demolish Council and Housing Association homes and replace them with profitable housing
- The lack of guarantees for council tenants and the terms and conditions that they can return to their homes on
- Apparent democratic deficit with no consultation with residents and no potential decision at full Council
- Some residents did not want re – development of their estates and wanted retention of good council housing
- Questioned the appropriateness of the preferred bidder and their effects on the social environment

The Cabinet Member for Housing, Regeneration and Planning responded to the deputation's concerns and highlighted the significant work undertaken by procurement, legal and finance professionals to assess the risk in taking forward this joint venture scheme. The Cabinet Member stressed, that it was not the case that the Council's land would automatically be passed over to the developer on the first day of the partnership. Decision making on land transfer would be on a phase by phase basis with these decisions taken by the Cabinet. The Cabinet Member provided assurance that there had been significant discussion on this issue.

The Cabinet Member emphasised, that it was not the case that Council homes would be demolished by the vehicle and replaced with profitable homes. The Council did not have the capacity and expertise to deliver the regeneration plans on its own and were seeking a partner to deliver the much needed homes and regeneration for the borough. Any future decisions on demolition would be consulted upon and made by the Council.

The Cabinet Member advised, the Haringey Development Vehicle would provide clear guarantees for tenants, more affordable housing and there was no race for profit being pursued by this model.

In relation to the concerns raised on the democratic deficit, there had been significant consultation and this was still ongoing in Northumberland Park and on Broadwater Farm. This consultation had included the site allocations Development Plan Documents, the Tottenham Area Action Plan and in relation to Northumberland Park, the development plans had been agreed with residents.

The Cabinet Member advised that the referenced practices of the subsidiary company had already ceased when the preferred bidder had taken control. The preferred bidder had a strong record of working in the public sector and had contracts with the BBC, Parliament and in Liverpool where they had two trade union academies.

In reference to the relationship between Southwark Council and the preferred bidder, the Cabinet Member stressed the difference in approach and financial arrangements being taken forward by the Council. Notwithstanding this, the Council would still take lessons from this previous arrangement.

183. DEVELOPMENT VEHICLE - SCRUTINY REVIEW AND CABINET RESPONSE TO RECOMMENDATIONS

The Chair of the Housing and Regeneration Scrutiny Panel, introduced the review of the Haringey Development Vehicle governance arrangements by setting out the context, origins and scope of the review which had been tasked with adding value to the organisation by providing recommendations on the Haringey Development Vehicle governance arrangement.

During the process, the Scrutiny Panel had felt that they could not make recommendations about the governance structure of the proposal without addressing the overarching question marks which were coming forward on the risks of embarking on the development vehicle scheme which was of a significant scale with uncertainties around the financial arrangements.

The Panel felt that to ignore the potential risks of a scheme that the governance arrangements were intended to mitigate, felt eventually to be counter intuitive.

This was particularly pertinent for a Panel whose role was primarily to carry out oversight and to present critical thorough constructive challenge to decision makers.

The Panel felt that tight governance could mitigate against risks for the public sector, however in a partnership which was equal, such as the Haringey Development Vehicle, there were concerns about how to enforce these, simply because the Council would be in a position of negotiation rather than having an ultimate decision making role.

The overarching questions that remained did not deter the panel making recommendations on the governance of the Haringey Development Vehicle.

The Panel Chair strongly believed that the critique of the proposed Haringey Development Vehicle rests largely on risk and mitigation, and it would have been

irresponsible of the Panel not to recommend protections, if the proposal went ahead.

The Panel would be continuing their work on the Haringey Development Vehicle, and had agreed the parameters both at the Panel meeting and the main Overview and Scrutiny meeting.

The Panel Chair felt that that many of the answers to the questions posed to officers and other authorities came back with answers that simply left the Council with more and new questions.

Questions had arisen around certainties, guarantees and commitments that the Council could deliver at this stage. Ultimately the Panel felt that what it needed to always consider the Council's primary function and aim and purpose as a local authority. This was mainly about providing certainty and security to vulnerable families who had faced years of temporary accommodation and uncertainty.

The Panel and the main Scrutiny Committee were unanimous in its view that the prudent course of action was for the Haringey Development Vehicle process to be stopped allowing for further necessary scrutiny.

Councillor Strickland thanked the Scrutiny Panel for their work on Haringey Development Vehicle, governance process and addressed the issue of enforcement of the Haringey Development Vehicle objectives which was a cultural question and further provided assurance, that although this was an equal joint partnership, decisions by the Haringey Development Vehicle board would only be taken forward if reached by a consensus. The Council would have a powerful blocking vote if proposals were not acceptable to them.

The Cabinet were accepting 11 of the recommendations and part accepting 4 but could not accept delaying preparations for the establishment of the Haringey Development Vehicle which was expected to come forward, for decision by Cabinet, in the summer. During the intervening period of 5 months, there would be a good opportunity for Council with the preferred bidder resolve the details on governance and the function of the Board. Both Councillors and residents would be able to discuss and tackle the concerns regarding the governance process.

If the process was stopped then this would also prevent answers to the issues raised coming forward and it would then be difficult to restart the process in a time where new homes and affordable housing was greatly needed.

In terms of housing for existing tenants, the Council would be striving, with the development partner, to reach a good deal for tenants. The task for the next 5 months was to secure this as Cabinet recognised that Councillors and residents need to get assurances before a decision is made on the Haringey Development Vehicle.

In relation to the role of Councillors on the Haringey Development Vehicle Board and potential conflicts of interest, there were already examples of Councillors sitting on various Boards such as the Alexandra Park and Palace Board where they were acting as trustees and considering a range of complex issues.

It was emphasised that Council-nominated Members of the board would be acting within the parameters of the Cabinet agreed business plan so there was significant democratic control. If there was any change to the agreed business plan, then this would need to come back to the Cabinet for agreement.

Councillor Strickland thanked the Panel Chair and provided assurance that the 5 month delay in establishing the Haringey Development Vehicle would provide the opportunity address the concerns highlighted in the presentation.

The Leader invited questions from non Cabinet Members and there were issues raised in relation to:

- Consultation with tenants, businesses and leaseholders,
- The commercial portfolio handover, evidence of consultation with businesses
- Full Council vote on the Haringey Development Vehicle.
- Providing the Housing and Regeneration Scrutiny Panel with the comprehensive Haringey Development Vehicle risk assessment which works back from the worst eventualities as the Haringey Development Vehicle is the underpinning solution for housing and there would also be far reaching financial implications for the Council if this venture was not successful.
- Whether Cabinet can make a decision on the preferred bidder following the pre-action letter to the Monitoring Officer, calling for the Haringey Development Vehicle plans to be immediately halted.
- Halting the Haringey Development Vehicle process until risk assessments were considered.
- More of a capital risk to the Council finances than the developer.
- Position on negotiation.

In response to these questions, the following information was noted:

- The Cabinet Member for Housing, Regeneration and Planning confirmed that the tenants and business affected by phase 1 had been written to and the Council had been transparent about plans, but there had been few responses and no concerns raised by businesses. Notwithstanding this, businesses and tenants in Northumberland Park had further been informed by the Tottenham regeneration team, via literature provided to residents on the regeneration decisions coming forward, on how they would be affected.
- The Cabinet Member stressed nothing changes for Council commercial portfolio tenants apart from their landlord's name.
- Housing rents would not be increased and any rent policy would need to be agreed by the Haringey Development Vehicle board which the Council would be a part of. Council rents would be reviewed in the normal way when up for renewal.
- The arrangement did not include community buildings which there was strong protection for with the Council involved in the Haringey Development Vehicle Board. Industrial estates would be included as their modernisation would provide more jobs.

- At this stage the Council were selecting a preferred bidder to enable the further discussion to set up the Haringey Development Vehicle so no full Council decision was required.
- The Cabinet Member emphasised that the Council were fully aware of the importance of this decision in respect of housing and the budget. This was a long and thorough process which would lead to the Council having, by the summer, considered 5 reports on the Haringey Development Vehicle. The business case, for the Haringey Development Vehicle, considered by Cabinet in November 2015, had 6 options for increasing housing and regeneration and had contained details of the assessments around financial legal and procurement risks, including detailed scenario planning for events such as dealing with property market changes and if there are issues with the partnership arrangements.
- The Assistant Director for Regeneration further explained that the risk assessments had formed the legal basis of the procurement and this was not available, currently, as it would jeopardise the procurement process but the Council had been open to discussing the risks with Scrutiny Panel and how they would be dealing with them. When the recommendation for the Haringey Development Vehicle comes forward, approval of the final legal agreements would be part of the decisions being made.
- The Monitoring Officer confirmed that a pre – action protocol letter had been received and would be responded to but there was no reason why the decision on the preferred bidder could not be taken at this evening’s meeting.
- Although the risk assessments were commercially confidential at this stage, a summary document on the risks would be published at the right time.
- Noted that the capital being added by the partner was equal to the value of commercial portfolio.
- In relation to the Housing estates, the Future Housing review sets out the negative financial value of the estates which is also the case across London. It was evident that the borough’s large estates needed work and regeneration and were not worth large amounts of money and so by not transferring other higher valued land, the developer would not be able to match the contribution to regeneration of the estates.
- The equity in the partnership, put forward from the developer, would be equal to that of the Council as this was a fundamental principle of the agreement.
- The valuations of the housing sites would be completed at the time of the transfer and it was not possible to predict their values at this stage

Further to considering the summary of the scrutiny review, the Cabinet Members response and responses to member questions, Cabinet

RESOLVED

1. To note the Overview and Scrutiny Report on Governance arrangements for Haringey Development Vehicle (attached as Appendix 1).
2. To agree the responses to the Overview and Scrutiny report recommendations (attached as Appendix 2).

Reasons for decision

On 17 January 2017, Overview and Scrutiny Committee approved the report of the Housing and Regeneration Scrutiny Panel (HRSP) on the governance arrangements for the proposed Haringey Development Vehicle (HDV), a joint venture between the Council and a private partner to support local housing and regeneration ambitions.

In developing its report, the HRSP held a number of evidence gathering sessions and taken evidence from local stakeholders including Council officers, community group representatives, other local authorities, Investment Partners in other joint ventures and expert independent opinion via the Chartered Institute of Housing. The HRSP then made a number of recommendations.

Alternative options considered

As set out in the HRSP's report, in view of the Panel's objection to the Haringey Development Vehicle it could have chosen not to make any recommendations about the governance arrangements for the Haringey Development Vehicle. If it was not to make any recommendations however, the Panel felt it may miss the opportunity to influence ongoing procurement discussions with the preferred bidder and so decided to make recommendations.

184. APPROVAL OF PREFERRED BIDDER FOR THE HARINGEY DEVELOPMENT VEHICLE

The Cabinet Member for Housing, Regeneration and Planning introduced the report which set out the outcome of the Competitive Dialogue procurement process under the Public Contracts Regulations 2015 to procure an investment and development partner with which to establish the Haringey Development Vehicle ('HDV').

The Cabinet Member provided some context to this procurement decision which was the desperate need for housing both locally and nationally. He further highlighted the strategic analysis demonstrating the need for different types of housing to deal with the housing crisis. The Cabinet was committed to not managing decline and was not simply going to accept the effects of the housing crisis but wanted to build new homes and also improve existing Council housing together with providing good employment opportunities for residents.

It was also important to consider the financial ability of the Council to build the large number of homes needed given the government had withdrawn £160 million from the Council and restricted how the Council spends housing money. It was evident, when

considering all other London boroughs positions, that there was not any money for Councils to build a significant number of homes without support.

Members and officers had worked hard, through the Future Housing Review to bring forward options, for increasing housing in the borough. This group had considered a range of working models to increase the availability of housing such as wholly owned Council companies which were actually building fewer homes. They also considered other standard models but as the Council owned land on the housing sites, the Haringey Development Vehicle option offered the better option for the development. This model also ensured the Council could have a share of the profits and be able to reinvest this in community facilities and existing housing whilst maintaining control over the development.

Cabinet's consideration of the Haringey Development Vehicle had started in February 2015 and the procurement process instigated by Cabinet in November 2015. The Cabinet Member felt that this had been a good thorough process, resulting in a strong preferred bidder coming forward.

If the bidder was approved, there would follow a five month process to finalise the final agreement on the terms of the Haringey Development Vehicle. The Cabinet Member reiterated that he would be working hard to get a good deal for residents during this 5 month period.

The Leader invited questions from Members and the following issues were raised:

- Assurance that Council rented homes would not decrease in favour of shared ownership properties,
- Would the construction exclusivity agreement with Lendlease incentivise them to act in a beneficial manner with Council?
- Charge from Lendlease for their expertise?
- Halting the procurement process.
- Independent tenants and leaseholders survey which indicates that there is little knowledge of the Haringey Development Vehicle
- Providing tenants in the housing estates, potentially affected by demolition and decanting, with new homes on the new estate and with a secure tenancy at target rent.
- Whether it was made clear to Lendlease, during the procurement process, that they will re-provide Council homes, following demolition, at full right of return, at target rents, and on secure tenancies?
- Exclusivity and development of other sites and the role of Lendlease?
- Right of return for leaseholders - enough money given to buy a home on the existing estate?
- The construction exclusivity agreements and the Lendlease benefit from this, with assurances sought that they guarantee to fully declare profit to enable this is shared fairly with the Council.
- Profits from capital and expertise from the partner.
- Were Lendlease matching their equity stake with cash, or loan notes?
- Minutes of the future Haringey Development Vehicle Board available to the public.
- Southwark model with Lendlease.

- Croydon Council experiences in development.
- The lessons learned from experiences of other authorities.
- Dual role on boards.
- Liabilities and gearing.

The following information was provided in response by the Cabinet Member for Housing, Regeneration and Planning:

- The Cabinet Member for Housing, Regeneration and Planning provided assurance that the Council tenanted homes would be fully re-provided where the housing was rebuilt through the Haringey Development Vehicle and tenants would have lifetime tenancies on similar terms as current tenancies. Also there were benefits to having the HDV Company as a landlord, incurring limited interference from wider tenant government policies.
- In terms of the Planning target for 40% of affordable housing, this would be applied to the estates proposed for re-development. Development would also be subject to consultation with residents and master planning. There would be an overall increase in the number and types of homes available, improvements to existing housing and affordable housing added to sites in the vehicle which currently did not have any housing.
- The Cabinet were not obliged to choose a partner, if they were not happy with the process and outcome and there would not be a direct cost if the Council did not proceed to a final decision. However, there would be a reputational risk of taking forward a lengthy procurement exercise and not making a final decision.
- In relation to the construction exclusivity agreement, the precise financial details were subject to the procurement so these were not in public domain. The Assistant Director for Regeneration advised that in relation to the principles of the construction exclusivity agreement, construction contracts would be subject to approval by the Haringey Development Vehicle Board. Also the figures for construction would be benchmarked against the market to ensure the construction costs meets good value in the construction market.
- Fees agreed and paid as per a normal development agreement.

There were 13 items put forward for negotiation with the preferred partner, prior to establishment of the Haringey Development Vehicle, by Councillor Bevan, and the Cabinet Member for Housing, Regeneration and Planning agreed to take the following issues forward :

- Clear commitment to Council tenants on rent rates, ensuring the rents on the new estates match rents for equivalent Council homes.
- Council tenanted homes built through the Haringey Development Vehicle, would not be available through Right to Buy scheme.
- Strong safeguards in place to protect vulnerable tenants from eviction.
- Replacement properties will need to meet the needs of the overcrowded families.

- Adoption of a resident's charter by Cabinet - this will be a document setting out expectation of Northumberland Park residents which is compiled by the residents, themselves, allowing them to set out their ambitions.
- 40% of affordable housing must be provided and Haringey Development Vehicle, profits used to boost affordable housing numbers where possible.
- A support package for leaseholders so they do not lose out when their property is subject to CPO.
- Further consultation with residents guaranteed, prior to a housing site's transfer to Haringey Development Vehicle, and demolition allowed once full resident consultation has taken place.
- No scheme land transfer takes place without Cabinet approving the business plan which will set out expectations on: the number and type of housing, employment spaces, job numbers, and employment, inclusion of open space and community facilities.
- The timetable of decisions for the developments and assessment of key risks be available for discussion with Councillors and be set out in the Council Forward Plan.
- Regular reports to Cabinet on the performance of the Haringey Development Vehicle, with performance indicators included.
- The Haringey Development Vehicle, corporate business plan scrutinised by the Overview and Scrutiny on an annual basis with senior Haringey Development Vehicle, officials available to answer questions as required.
- A consultative structure established with ward Councillors aware and able to inform the decision making process on site decant and demolitions.
- An update on governance discussions, and detailed risk assessment be brought back to Councillors.

The Cabinet Member for Housing, Regeneration and Planning continued to respond to the questions as follows:

- The Cabinet Member contested the view provided that only 4% of residents in Northumberland Park knew anything about the regeneration. It was reported that 4% knew a lot and then 70% advised they knew about the regeneration. Although, there was still a lot of work to be done with residents and further consultation undertaken to ensure all residents affected were reached. Agreeing a master plan for these areas, would take time and during this period the Council would be making sure all affected residents, including socially excluded tenants, were fully consulted. There would also be opportunities established for local residents to communicate their views directly to senior staff.
- The Southwark judgement had been explored and the Council were committed to a fair deal for leaseholders. The Cabinet Member referred to the Love Lane Estate solution which was providing leaseholders shared equity in their new home.
- Apart from the category 1 sites, there was no restriction on the Council continuing wider development and building their own affordable housing.

- There were clear commitments provided on tenancies for rehoused tenants and these would be life time tenancies and tenants would have a lifetime security. At this stage of the process, the preferred bidder was being decided and not the details of the tenancy agreements which would be discussed further in the next 5 months.
- Confirmation was provided, that re-provision of all affected Council housing was included in the financial modelling considered in the procurement process for the Haringey Development Vehicle, partner.
- There was no in house construction staff to build houses, hence the further reason for the Haringey Development Vehicle, model being taken forward.
- The Cabinet Member confirmed that the Haringey Development Vehicle, financial arrangements were far removed from the type of PFI deal described in the question from Cllr Tucker. The Cabinet Member acknowledged that there would be risk by working with a private partner, but this arrangement would be subject to best value considerations and fixed financial discussions so the Council was continually assured that its duty on best value was being met. The contractors would be agreed by the board which the Council would be part of so there would be transparency on this. These were valid questions to be included in the discussions on the Haringey Development Vehicle.
- As part of the first stage of procurement, prospective bidders filled in pre-qualification questionnaires, which set out clear thresholds to meet and the financial capacity needed to commit to the scheme in order to give confidence that able to commit to the scheme. Bidders progressing to the long list and shortlist would need to have demonstrated this financial capacity.
- The Haringey Development Vehicle partner was not expected to write a cheque on the day that land transfers to the Haringey Development Vehicle, but commit cash or make a binding guarantee to commit the cash when the vehicle needs it.
- In a meeting with Lendlease, officers clarified that they had previously acquired a company with historical black listing involvement and this had all ceased by the time Lendlease acquired the company and they had also settled any historical claims. Lendlease was highlighted as good practice case by UCATT for their implementation of two construction union training centres in Liverpool.
- The Cabinet Member clarified that Heygate estate in Southwark was very different and was done via a development agreement. This had involved sale to the developer. Southwark Council was maximising sales in zone 1 to use profits to build more affordable housing in the surrounding areas. The Council would have a different relationship with Lendlease with significant financial controls.

- The Cabinet Member made clear that Cabinet Members were not involved in the procurement selection processes and it was at the end of an objective process that Cabinet Members are advised of the outcome. Cabinet's role is to ensure the process has produced a good bid.
- Not got to the level of detail on availability of minutes of LLP board meetings. There would be wider discussion on how Councillors were more widely involved in the vehicle and on regeneration planning.
- Many Councillors were already used to having dual role on boards and meeting their Council duties. This was part of an established conflict of interest which Councillors can get legal advice on.
- The future Housing Review Members had travelled around the country to see and experience the range of different Housing development models. This had included development vehicles with an entire day at Sunderland Council where there was solid questioning of officers and the Council exploring the detail of their development vehicle arrangements.
- The business case for the development vehicle, considered by Cabinet in November 15, contained 6 housing development options with independent analysis. Croydon had participated in a small scheme for Council offices; the proposed development scheme for Haringey would include a varied portfolio such as homes, commercial buildings and offices, providing a better prospect of generating profit. The Croydon Leader had assured the Leader of the differences in the two schemes. The Cabinet Member accepted that there were risks but a significant amount of work on these risks had been completed and would also continue to be worked on in the next 5 months.
- In relation to the liabilities and gearing, the higher risks connected with higher borrowing, the Chief Operating Officer clarified that the Council would need to abide by prudential code and this required looking at affordability. This was done in every annual Council meeting and calculations completed on what the Council could afford. The code allowed borrowing as much as needed, with the caveat that it is affordable within the Council's income levels.

The Leader invited Cabinet Members asked to put forward their questions.

A question was raised in relation to the involvement of the trade union in the process. The Cabinet Member advised that trade unions would be engaged in the next 5 months where the Council would be clearer on the TUPE position. However, the anticipated number posts likely to be transferred would be low.

The Cabinet Member for Communities discussed meeting the aspirations of families and the people part of the regeneration. The Cabinet Member for Housing, Regeneration and Planning, advised that given the press coverage and mis - information, it was important to be honest with residents on Council estates and realise that the decent homes impact was minimal and did not solve the type of long term construction problems of some estates. It was evident that a solution was needed to satisfy ambitions of local people including: providing new homes and jobs,

a firm commitment on skills, apprenticeships, increase of GP surgeries, more community facilities. Also, through master planning, providing more green and play space, and children centres. Schools would continue to be engaged with about the Haringey Development Vehicle, also offered the opportunity to build a new school in Northumberland Park.

Cabinet agreed families need more facilities and better homes and would work hard with Councillors and residents on examining what people want in their areas and what the Haringey Development Vehicle should be considering.

The Cabinet Member for Economic Development, Social Inclusion and Sustainability enquired about: the potential homes to be built by the Haringey Development Vehicle, the criteria included for social dividend, as the place where people live was important to them, in terms of having an opportunity to work. In response, it was noted that a minimum of 6000 homes could be provided by the Haringey Development Vehicle, but the hope was to increase this number when looking in further detail at sites.

Unless the Council worked with partners then they would only be able to build a small number of homes when thousands were needed. So without a partner the process would be slower with no control on what happened and not a share of profits. The Council would remain guardians of land setting out the clear dividend to be achieved to invest in housing and social schemes.

The criteria for the procurement had also included social economic scoring which was equally weighted with the other regeneration priorities. Therefore, it was clear to the bidders that social economic criteria would need to be worked to and the Council had been clear on this.

The Cabinet Member for Finance and Health referred to the concerns raised on the financial risks of the Haringey Development Vehicle, and spoke about considering the future financial sustainability of the Council given the overspend and government grants currently being phased out. Councillor Arthur highlighted the increased risk of not having a clear way of delivering new homes. There currently was no risk free way to build homes, and it was not financially prudent for the Council to take a housing development venture forward alone.

The proposed decision would in future bring financial sustainability for the Council with increased business tax revenue and additional Council tax income to deliver the services needed across the borough. The Council would be eligible for 50% of the profits, allowing them to recycle this income into housing or back into the Council for investment in services.

The Leader concluded the discussion by speaking about the importance of providing a sense of certainty to people in the borough with no security of homes and to those who do not live in Council homes. There were only 1300 Council homes built in the whole country, in the last year, and the Council would need to be bold whilst taking proportionate risks to increase housing.

Cabinet considered the outcome of the Competitive Dialogue Procedure under the Public Contracts Regulations 2015 as outlined in the report.

Cabinet unanimously **RESOLVED:**

1. To agree to the selection of Lendlease as preferred bidder with whom the Council will establish the joint venture HDV.
2. To agree to the selection of a reserve bidder as set out in the exempt part of this report.
3. To agree to proceed to the Preferred Bidder Stage ('PB Stage') so the preferred bidder's proposal can be refined and optimised, in particular to formalise the structure of the vehicle, finalise legal documents and further develop site and portfolio business plans, as required to establish the HDV; and gives Delegated Authority to the Director of Regeneration, Planning and Development after consultation with the Leader of the Council to agree any further documentation as is required at the PB Stage.
4. To note the emerging arrangements for governance of the vehicle and its likely shadow implementation, and emerging issues informing the management of the Council's relationship with the vehicle.
5. To agree to receive a further report recommending approval of the final documentation to support the establishment of the Haringey Development Vehicle, and agreement of the relevant business plans, following further refinement at preferred bidder stage.

Reasons for decision

The case for growth

The Council's corporate plan makes a strong commitment to growth. Specifically, it identifies the need for new homes to meet significant housing demand which is making decent housing unaffordable for increasing numbers of Haringey residents, and causing more and more families to be homeless. It also identifies the need for more and better jobs, to revitalise Haringey's town centres, increase household income for Haringey residents and give all residents the opportunity to take advantage of London's economic success. This commitment to growth is further reflected and developed in the Council's Housing Strategy and Economic Development & Growth Strategy.

Growth is also essential to the future sustainability of the Council itself. With Government grant dwindling, local authorities are increasingly dependent on income from Council tax and – in light of recent reforms – business rates. Without growing the Council tax and business rate base, the Council will increasingly struggle to fund the services on which its residents depend. Improvement in the living conditions, incomes, opportunities and wellbeing of Haringey residents will also not only improve their quality of life, but also reduce demand for Council and other public services.

The risks of failing to secure growth in homes and jobs – or of securing growth at low quantities, quality and/or pace – are significant:

Failure to meet housing demand will lead to more and more families unable to afford a home in the borough, either to rent or buy, deepening the already stark housing crisis.

Failure to meet housing demand will also drive up levels of homelessness, not only leading to more households finding themselves in crisis, but also increasing the already significant pressure on the Council budget through increased temporary accommodation costs.

Failure to increase the number of jobs in the borough will lead to fewer opportunities for Haringey residents to boost their incomes and job prospects, less vibrant and successful town centres with less activity and spending during the working day, and increased risk of 'dormitory borough' status as working residents leave the borough to work elsewhere.

Insufficient or poor quality housing, low employment and poor quality urban environments are all linked to poor public health outcomes which in turn place a burden on Council and other public services; improved outcomes for residents also create reductions in demand-driven public sector costs.

Low levels of development reduce the Council's receipts in s106 funding and Community Infrastructure Levy, in turn reducing the Council's ability to invest in improved facilities and infrastructure (like schools, health centres, open spaces and transport) and in wider social and economic programmes such as those aimed at improving skills and employability.

Failure to grow the Council tax and business rate base will increasingly lead to a major risk of financial instability for the Council, and to further, deeper cuts in Council budgets and hence to Council services as Government grants dwindle to zero over the coming years.

Options for driving growth on Council land

The Council cannot achieve its growth targets without realising the potential of unused and under-used Council-owned land. Accordingly, in autumn 2014 the Council commissioned work from Turnberry Real Estate into the options for delivering these growth objectives, either on its own or in partnership with the private sector. Turnberry also examined the market appetite for partnership with the Council to deliver new housing and economic growth.

In February 2015 Cabinet, on the basis of this work, agreed to commission a more detailed business case to explore options for delivery. At the same time, the Member-led Future of Housing Review concluded (as set out in its report to Cabinet in September 2015) that a development vehicle was 'likely to be the most appropriate option' for driving estate renewal and other development on Council land.

The business case developed following Cabinet's February 2015 decision compared a number of options for achieving the Council's objectives, and ultimately recommended that the Council should seek through open procurement a private sector partner with whom to deliver its objectives in an overarching joint venture development vehicle. This business case, and the commencement of a procurement process, was agreed by Cabinet on 10 November 2015.

The joint venture development vehicle model

The joint venture model approved by Cabinet on 10 November 2015 is based on bringing together the Council's land with investment and skills from a private partner, and on the sharing of risk and reward between the Council and partner. The Council accepts a degree of risk in that it will commit its commercial portfolio to the vehicle, and will (subject to the satisfaction of relevant pre-conditions) also commit other property, as its equity stake in the vehicle. It has also to bear the costs of the procurement and establishment of the vehicle, and a share of development risk. However, in return, the contribution to its Corporate Plan objectives, including high quality new jobs, new homes including affordable homes and economic and social benefits, would be at a scale and pace that would otherwise be unachievable. The Council will also receive a financial return, principally through a share of profits that it can reinvest in the fulfilment of its wider strategic aims as set out in the Corporate Plan.

Under this model, the development partner matches the Council's equity stake, taking a 50% share of the vehicle and hence a 50% share of funding and development risk. In return, and by maintaining strong relationships and delivery momentum, they obtain a long term pipeline of development work in an area of London with rising land values, and with a stable partner.

The preferred bidder decision

As well as approving the business case for establishing the Haringey Development Vehicle, at its meeting on 10 November 2015 Cabinet also resolved to commence a Competitive Dialogue Procedure under the Public Contracts Regulations 2015 to procure an investment and development partner with which to establish the Haringey Development Vehicle. Following a compliant procurement process, the preferred bidder is recommended in this report.

By approving the final stage of work with a single preferred bidder, paving the way for a final agreement and establishment of the vehicle later in 2017, Cabinet will be taking the next vital step in unlocking the considerable growth potential of the Council's own land and meeting a number of core Council ambitions.

Alternative options considered

In November 2015, Cabinet considered and approved a business case for establishing an overarching joint venture vehicle to drive housing and job growth on Council land. That business case identified and assessed a number of alternative options for achieving the Council's objectives, and found that the overarching joint venture vehicle would be the most effective mechanism of achieving those goals.

The Council has reserved its position to not appoint any of the bidders in the event of the bids not being satisfactory, or otherwise not wishing to proceed. The report outlines the benefits and projected outcomes that will arise from the appointment of the proposed preferred bidder, and how they meet the Council's objectives and aspirations as set out in the November 2015 report to Cabinet. If the Cabinet chooses not to appoint any bidder, it will not obtain these likely benefits.

Notwithstanding the above, choosing a preferred bidder does not at this stage commit the Council to enter into an agreement or indeed to the establishment of the Haringey Development Vehicle at all. That decision is taken after the close of the preferred bidder stage and will be the subject of a further report to Cabinet.

The Council has within its procurement documentation made clear to bidders that bidders' participation in the process is at their own expense, that the Council will not be responsible for bid costs and that it is not obliged to accept any tender.