

**Report for:** CABINET 16 March 2021

**Title:** High Road West Scheme – Conditional Approval of Funding and Next Steps

**Report authorised by:** David Joyce, Director of Housing, Regeneration and Planning

**Lead Officer:** Sarah Lovell, Head of Area Regeneration (North), sarah.lovell@haringey.gov.uk 020 8489 2025

**Ward(s) affected:** Northumberland Park

**Report for Key/  
Non Key Decision:** Key

## **1. Describe the issue under consideration**

- 1.1 In 2017 the Council entered into a Development Agreement with Lendlease (High Road West) Limited (“Lendlease”) to deliver the High Road West Scheme (“the Scheme”), aimed at taking a once in a lifetime opportunity to tackle the barriers of inequality in North Tottenham and deliver comprehensive, coordinated change. An increase in council owned social rent homes alongside a suite of other benefits that would be delivered as a result of approving this report would ensure that our residents and businesses are given opportunities for optimism and the freedom to grow.
- 1.2 In 2018 the Council initiated a review of the Scheme, in order to increase the number of Council owned social rented homes being delivered. In the same year, the Greater London Authority (GLA) introduced the Mayor Ballot Funding Condition, which meant that a ballot on the Love Lane Estate would be required in order to draw down the funding, which the GLA had allocated to the High Road West Scheme in 2016 (Housing Zone Funding).
- 1.3 Since 2018 the Council and Lendlease have been working within the framework provided by the Development Agreement to increase the amount of social rented homes provided by the Scheme from 145 to 500. The council has also been working closely with the GLA to review the funding for the Scheme, with the view of securing more grant. Grant has been required to cover the financial effect of delivering more social rented homes, a higher percentage of affordable homes (40% from 30%) and the delay to the Scheme.
- 1.4 Discussions with the GLA relating to funding and provision of the additional social rented homes, have been helped latterly by the Mayor’s support and promotion of council owned social housing. The discussions have culminated in the Council securing a significant funding package from the GLA that will ensure the Scheme can progress.

- 1.5 This report seeks approval of this funding package, which totals £91,512,000 and consists of £70,312,000 of Affordable Housing Grant and £21,200,000 of Mayor's Land Fund. This funding is required to kick-start the delivery of the first phases of the Scheme and the delivery of the 500 social rented homes.
- 1.6 This report also seeks approval for the Council to acquire the additional social rented homes the Scheme will deliver, which will allow the council to meet a long-held ambition, expressed by residents, that these homes, like the 145 replacement homes already secured under the Development Agreement, are owned and managed by the Council.
- 1.7 In addition, this report seeks approvals with regards to the contractual arrangements required as a result of the decisions being made in this report that would permit the council to deliver the Scheme in the event of a supportive ballot. The report also recommends updating an existing delegated authority regarding the level of spend on acquisition of properties required to deliver the Scheme, in accordance with the land assembly budget in the Capital programme agreed by Council in March 2021.

## **2. Cabinet Member Introduction**

- 2.1 The Council is committed to creating a borough where everyone, regardless of their background has the same opportunities to reach their full potential. We know that delivering on this commitment is especially critical for our residents in North Tottenham, an area where for too long, they have not had the same opportunities as residents elsewhere in our borough.
- 2.2 North Tottenham is an area rich in culture and potential but is also an area where many residents face barriers including high levels of deprivation, lack of access to training and employment opportunities, perpetually high levels of both serious and low-level crime and an under provision of good quality and affordable housing. Tottenham is the third most overcrowded constituency in the UK, with 30% of households (around 10,000) in overcrowded accommodation. The difficulties facing residents and businesses have been made acutely worse by the impact of Covid-19 and particularly in relation to vulnerable groups and children.
- 2.3 As set out in our Borough Plan and our Good Growth Strategy, the Council understands that delivering high quality affordable housing in safe, welcoming and healthy neighbourhoods, increasing the number of, and access to training and employment opportunities and supporting a good local economy can all help tackle inequalities and ensure that our residents and businesses are given opportunities for optimism and the freedom to grow.
- 2.4 This is why the Council is seeking to deliver the High Road West Scheme, and why in 2018, our administration sought an increase in the number of council homes (social rented units) delivered by the Scheme, from 145 to 500. This increase enables residents on the estate, including residents in secure and non-secure tenancy homes to remain together as a community and delivers on the council's commitment to ensure that when any part of Haringey is being redeveloped, the residents in the area are an integral part of that neighbourhood's future. The Scheme offers a once in a lifetime opportunity to

tackle the barriers of inequality in North Tottenham and deliver comprehensive, coordinated change. It represents a substantial and far-reaching investment, which includes delivery of the following benefits:-

- Over 2,500 high-quality, sustainable homes, including 500 council owned social rent homes and 40% affordable housing.
- £10m of funding for social and economic support for both businesses and residents, ensuring the local community benefit from the Scheme
- A cutting edge new Library and Learning Centre and a refurbished Grange Community Hub which will provide improved community facilities early in the Scheme.
- Around 143,000sqft of green spaces for the community including a large new community park with an outdoor gym, children's play area and Grange Gardens: a safe, central green space for local people.
- A welcoming new civic square which will be an important focus of local events and activities, bringing the community together, promoting cultural activities and enhancing activity and safety at night.
- Over 130,000sqft of commercial, retail and leisure space throughout the Scheme providing a wide range of leisure, employment space, shops, cafes and restaurants around a new civic square.
- £500k of investment in the town centre and a £500k fund for events and activities, as well as meanwhile uses which will revitalise the local centre during construction and afterwards.
- Over 3,300 construction jobs and more than 500 end-user jobs once the development is complete.

- 2.5 Securing the £91m funding package from the GLA ensures that the Council can increase the overall percentage of affordable homes being delivered by the scheme from 30% to 40% for this first part of the scheme, and a target of 40% for the whole scheme. We can now also increase the number of social rented homes from 145 to 500 and ensure that these homes are genuinely affordable for residents, with the Council able to provide homes at social rent levels. The Council is able to do all of this, without sacrificing the other key benefits that the Scheme will deliver.
- 2.6 This is a significant achievement for the benefit of people in the borough, particularly residents of the Love Lane Estate. The GLA funding means that the Council now has the best opportunity for the High Road West Scheme to deliver the benefits that the community have asked for, including a range of affordable and quality homes, public and green space, jobs and training opportunities and new community and leisure facilities.
- 2.7 Should Cabinet agree to the recommendations contained in this report, as well as delivering on the commitments made by the council to deliver High Road West and support people living in North Tottenham, it would represent a unique opportunity to help the Council meet the Borough Plan objective to substantially increase the number of council owned social rented homes in the borough. However, the ultimate decision on whether the Scheme will go ahead will of

course rest with eligible residents who will decide whether the Scheme goes ahead in a ballot, which will be taken later in the year.

### **3. Recommendations**

#### **3.1 It is recommended that Cabinet:**

- i. Note that the fundings from the GLA referred to in this report are subject to a successful ballot of the residents on the Love Lane estate favouring the proposed development;
- ii. Agrees to the Council accepting a sum of £70,312,000 in Affordable Housing Grant and entering into a Funding Agreement with the GLA in respect of that sum, based on the heads of terms summarised in Appendix 1 (included in the exempt report) including terms that permit the transfer of that funding into the Scheme as described in paragraphs 6.12-6.14;
- iii. Agrees to the Council accepting a sum of £21,200,000 from the Mayor's Land Fund and entering into the Funding Agreement with the GLA in respect of that sum based on the heads of terms summarised in Appendix 2 (included in the exempt report) and described at paragraphs 6.15-6.18;
- iv. Gives delegated authority to the Director of Housing, Regeneration and Planning, in consultation with the Director of Finance after consultation with the Cabinet Member for Finance and Strategic Regeneration to agree the final Funding Agreements set out in recommendations 'ii' and 'iii' above, in order to deliver the scheme including the increased number of social rent homes as set out in recommendation 'viii' and 'ix';
- v. Agrees to pay the Affordable Housing Grant amount of £70,312,000 received from the GLA to Lendlease (High Road West) Limited in relation to the development costs relating to the affordable housing, and for the Council to enter into a funding agreement with Lendlease based on the terms set out in paragraphs 6.12 and Appendix 3 (included in the exempt report) of this report, and give delegated authority to the Director of Housing, Regeneration and Planning, in consultation with the Director of Finance after consultation with the Cabinet Member for Finance and Strategic Regeneration to agree the final terms and the final agreement with Lendlease;
- vi. Agrees to the Council providing Lendlease (High Road West) Limited with a loan in the sum of £21.2m (in accordance with the drawdown profile and other relevant terms of the Mayor's Land Fund agreement with the GLA) and based on the terms described in paragraphs and the Loan Terms Sheet 6.15-6.20 and Appendix 4 (included in the exempt report) of this report and give delegated authority to the Director of Finance in consultation with the Director of Housing, Regeneration and Planning, after consultation with the Cabinet Member for Finance and Strategic Regeneration to agree the final terms of the loan agreement, 'pass through' agreement and any other necessary agreements;

- vii. Gives delegated authority to Director of Housing, Regeneration and Planning, in consultation with the Director of Finance and after consultation with the Cabinet Member for Finance and Strategic Regeneration to update the contractual arrangements with Lendlease to give effect to the decisions set out in this report;
- viii. Subject to recommendations 'i' to 'iv' above being approved (noting the condition of a positive ballot as a condition of the funding), agrees to the Council acquiring for housing purposes the additional 355 social rented homes to be delivered in the High Road West Scheme, for the sum set out in the exempt report (plus associated purchase costs such as stamp duty land tax) and based on the terms set out in paragraphs 6.24 and Appendix 5 (included in the exempt report) and agrees that the payment profile for the 191 replacement units already agreed to be acquired in the Development Agreement shall be the same as for the additional 355 social rented units ; and
- ix. Gives delegated authority to the Director of Housing, Regeneration and Planning in consultation with the Director of Finance after consultation with the Cabinet Member for Finance and Strategic Regeneration to agree the final terms and the final agreement for the purchase agreement in relation to the council's acquisition of the additional homes;
- x. Agree to update the delegated authority given in recommendation 2 of the High Road West Cabinet Report and agreed by Cabinet on 6<sup>th</sup> March 2018 as follows:

To agree the acquisition of all third party land interests within the boundary of the High Road West Blue Line Plan attached to the Cabinet Report of 6 March 2018 (other than any compulsory acquisitions), to be acquired by private treaty by the Council pursuant to the terms of the Compulsory Purchase Order Indemnity Agreement ("CPOIA") dated 20 December 2017, to facilitate the High Road West Regeneration Scheme and gives delegated authority to the Director of Housing, Regeneration and Planning and Director of Finance to agree the final price (including the land price, costs, compensation and fees) to be paid for each third party land interests provided that the total sum to be spent on these acquisitions shall not exceed the sum included in paragraph 6.32.

#### **4. Reasons for decision**

##### Accepting the GLA funding package

- 4.1 The GLA funding provides the Council with the means to be able to progress the scheme as proposed in this report, and take this unique opportunity to tackle the entrenched social and economic barriers that residents face in North Tottenham and deliver on the benefits the community have said they want such as good quality affordable homes, jobs and training and new and improved community and leisure facilities. It would represent a significant step forward in progressing the Council's and the community's ambition to ensure that north Tottenham is a fairer, healthier place where all our residents can thrive.



## Acquisition of social rented homes

- 4.2 The Council's Borough Plan Priority 1 "Housing", is for a "safe, stable and affordable home for everyone, whatever their circumstances" and states that an increasing supply of council housing is one of the most important things the council can do, "because for many people, a council home offers the only real chance of putting roots in Haringey in a stable, good-quality home". The Council has established its own council house building programme to support this objective. This programme seeks to secure council owned housing by a range of methods including; acquiring homes, acquiring stalled sites and building council housing. The High Road West Scheme represents an important contribution to the Council priority by delivering 500 social rent homes for acquisition by the Council.
- 4.3 The Council had previously agreed to acquire 191 replacement homes to be delivered under the High Road West Scheme (145 social rented units and 46 shared equity units). Acquiring the additional 355 social rented homes and delivering a total of 500 council homes as part of the High Road West Scheme would support the pace of delivery of this objective. It would also deliver much needed council homes in an area where there is great need.
- 4.4 North Tottenham is home to a large proportion of families with children; making up 51% of households in the area, compared to 35% borough wide; and with 32.0% of children living in poverty, more than 50% higher than the London average. But there is a deficit of family housing, with fewer than 14% of council owned properties in Haringey providing three or more bedrooms. Overcrowding is particularly acute in Tottenham, with the Children's Commissioner and Public Health England both highlighting the negative impacts this has on physical and mental health, particularly for children and young people, an issue that has been exacerbated during the Covid crisis.
- 4.5 The delivery of 500 new council owned social rented homes through the Scheme, offers a chance to address this by increasing the number of council owned social rented homes in the area and ensuring the mix of the new homes reflects the needs of residents who will be moving into them. Eligible residents living on the Love Lane Estate will be offered a council home which meets their needs. Residents on the Housing register, who are waiting for a new home, can be offered one of the c.200-250 homes available beyond those committed to residents on the Love Lane Estate, which also meets the needs of the wider community in the area, part of the council's commitment to deliver a new generation of council homes for local people. For many residents, the offer of a secure council tenancy in a home has been long awaited and will offer them much needed stability, that will help them to take better advantage of their opportunities in their careers, family and community activities.
- 4.6 The homes will be delivered as part of a healthy and sustainable neighbourhood which recognises the need for these to be part of a mix of employment, community and leisure activities, responding to the identified needs of the local community regarding issues such as health, financial security, community cohesion and personal safety and in particular, a step change improvement in the quality of homes for local residents. Alongside a £500k package to support for existing local businesses and funding to support

new local business start-ups, a variety of commercial uses and employment activities will be delivered including retail, business and leisure space, which will help to support the town centre and support good business growth in the area. A range of types and levels of employment will be created which will include requirements for targets to be met in relation to employment of local people and people from 'protected characteristic' groups. This will be complemented by a focussed training programme, funded as part of the £10m socio-economic programme, that will help local people to access higher paid jobs in the local and wider London area and develop a sustainable career path, supporting existing successful programmes in the area and optimising the new opportunities provided, such as through the new Library and Learning Centre and community hub at the Grange.

#### Contractual arrangements

- 4.7 It was always envisaged that the Scheme would require public funding. The funding package that has been secured from the GLA, totalling £91,512,000, which has faced extensive competition from other similar schemes across London, and will replace the Housing Zone funding.
- 4.8 The Affordable Housing Grant and the Mayor's Land Fund will provide the necessary public funding required to kick-start the delivery of the High Road West Scheme and provide certainty over the delivery of the 500 social rented homes. Whilst this funding is conditional on a successful ballot outcome, the council needs to ensure that the necessary contractual and financial arrangements are in place to receive this funding, and that these are aligned with the contractual arrangements with Lendlease to deliver the Scheme.

### **5. Alternative options considered**

#### Receipt of Funding

- 5.1 An alternative option would be not to accept the funding. This option was not considered as it would not deliver on the benefit of the additional social rent homes that would meet the ambitions of the council and the clear objectives of the Borough Plan. The Scheme offers a unique opportunity for the Council to secure the largest number of council homes built through one scheme in the borough for decades and to opt not to do so would be a substantial lost opportunity.

#### Do not acquire the additional social housing units

- 5.2 The Council has considered not acquiring the additional social rented homes and allowing an alternative Registered Provider to do so. This option would mean that the Council would not need to acquire the additional units.
- 5.3 However, this option would mean that the rents may not be set at council rents or target rents, which could mean an increase in rents for our residents. It also does not support the Council's Borough Plan objectives of increasing the number of Council owned homes in the borough, at council rents. It would mean a loss of the opportunity to diversify its stock and ensure that more homes of

family size are delivered to meet the needs of residents in North Tottenham, as set out in paragraph 4.5 above.

- 5.4 It has been clear through previous consultation and engagement on the Love Lane Estate that there is a very strong preference for the Council to continue to be the landlord of the new social rented homes delivered through the High Road West Scheme. Not acquiring these units, would mean we would not be able to meet residents' clear aspirations.

## **6 Background information**

### Housing Zone Funding and procurement process

- 6.1 The High Road West masterplan framework was agreed by the Council's Cabinet in 2014, following three years of engagement and consultation with the local community. The Scheme has always had viability challenges due to the need to deliver substantial upfront investment in the early phases of the Scheme to secure community benefits, such as housing, the new Library and Learning Centre, the new public square and a district energy network. Rising land assembly costs have also always been a challenge to the Scheme's financial position.
- 6.2 In 2016, the Council secured Housing Zone Funding from the GLA and following Cabinet approval entered into an Overarching Borough Agreement. The Overarching Borough Agreement set out that the Council would be awarded c.£60m of funding, which would be split into two different funding streams, one to support land assembly and one to support infrastructure. It was intended that the Council would then enter into Borough Intervention Agreements with the GLA for the two different funding pots.
- 6.3 The funding commitment from the GLA ensured that the Council was able to initiate the Competitive Dialogue procedure under the Public Contract Regulations 2015. This procurement process concluded in 2017 with the selection of Lendlease as the Council's preferred development partner and the Development Agreement and Compulsory Purchase Indemnity Agreement being entered into with Lendlease to deliver the High Road West Scheme on 17 December 2017.

### Development Agreement

- 6.4 The Development Agreement is the overarching legal document which sets out the obligations on the Council and Lendlease and how both parties will work to ensure that the Scheme is delivered including the benefits provided by the scheme and measures to resolve any matters that might arise. Under the Development Agreement and CPOIA the Council will acquire the land within the High Road West Scheme and then grant a 250 year phase lease to Lendlease, for them to deliver the development. Lendlease will pay the Council a land premium for each phase lease, which will be based on an agreed calculation set out in the Development Agreement. Lendlease are obligated to carry out the development of the High Road West site in phases.



- 6.5 The Council will acquire a lease back from Lendlease for a period of 250 years minus nine days for the social rent homes at the point where the construction of the homes has progressed above foundation level (commonly referred to as the 'Golden Brick'). The Council will also receive a leaseback for the same period at no cost to the Council for the Library and Learning Centre and the Decentralised Energy Centre. The freeholds of the whole site will however remain in the council's ownership.
- 6.6 In addition to the Development Agreement, the Council also at the same time entered into a Compulsory Purchase Order Indemnity Agreement with Lendlease ("CPOIA") which sets out both the Council and Lendlease's obligations to acquire and secure vacant possession of the land within the Scheme. Under the CPOIA the Council is obligated to acquire all land within the Scheme and Lendlease is obligated to reimburse the Council for all of the costs associated with acquiring the land, this is in addition to any land premium which the Council may receive from Lendlease when the 250 year phase leases are granted to Lendlease.

#### Review of the Outputs delivered by the Scheme

- 6.7 As set out above, in 2018 the Council sought a review of the High Road West Scheme, with the view to seeking to deliver more social housing through the Scheme and delivering a higher overall percentage of affordable homes. At the same time the GLA introduced the Mayor's Ballot Funding condition and informed the Council that the Housing Zone Funding, would be dependent on the Council undertaking a ballot on the Love Lane Estate. These two events resulted in the Council and Lendlease revising the Scheme and initiating a new dialogue with the GLA to seek to explore ways of securing additional funding into the Scheme.
- 6.8 In December 2019, the GLA withdrew its Housing Zone programme, to be replaced by other existing housing delivery programmes such as the Affordable Housing Grant and Mayor's Land Fund.

#### New GLA Funding package

- 6.9 Following extensive discussions with the GLA and a rigorous process of due diligence undertaken by the GLA to justify their support for the Scheme, the Council has now secured a commitment from the GLA to provide a total funding package of £91,512,000 comprising of £70,312,000 of Affordable Housing Grant and £21,200,000 of Mayor's Land Funding to kick-start the first phases (referred to as "Phase A") of the High Road West Scheme. This Phase A (which is subject to change in relation to the location for delivery of the required homes) is shown in Appendix 6 and will deliver around 1,435 homes of the total Scheme amount of c.2,600 homes and ensures the ability of the Council and Lendlease to deliver the 500 social rent homes for acquisition by the Council, as well as the other community benefits referred to earlier.
- 6.10 This initial injection of funding in the early phases meets the requirement for early investment, that has always been needed, in order to be able to proceed to deliver the whole Scheme. It plays a critical role in supporting the viability of

later phases of the Scheme, which will be progressed in line with the Development Agreement.

- 6.11 The GLA funding is subject to a successful ballot of all the residents of the Love Lane Estate in favour of the proposed development and this will be the subject of a separate report to Cabinet.

#### Affordable Housing Grant – Conditions and Grant Agreement with Lendlease

- 6.12 The £70,312,000 in Affordable Housing Grant will be paid to the Council, as a registered provider with the GLA - Lendlease are not a registered provider, making the option of the GLA funding Lendlease directly unavailable. The funding is to be paid at key milestones. Once the Council has received these funds, it will pay the funds onto Lendlease through a separate grant agreement in order to meet the Scheme development costs. This will primarily be on a 'back to back' arrangement, based on the terms and conditions in the Council's Affordable Housing agreement with the GLA, with key terms listed below and summarised at Appendix 3 (included in the exempt report), excepting Council obligations (such as management of the social rent homes and staging of the initial payment).

- Milestones and outputs including start on site conditions
- Requirements to maintain affordable homes in the designated tenure
- Repayment of grant if milestones and mitigation measures are not met
- Ballot requirements

- 6.13 A provisional timescale for delivery of scheme 'plots' is being developed (current anticipated timetable below). This will be subject to further consideration and adjustments in order that it optimises delivery in relation to providing homes in accordance with the needs of residents and the community, as well as other matters such as Planning requirements.

First plot (all dates provisional)	30 <sup>th</sup> September 2022
Second plot	31st March 2023
Third plot	30th June 2024
Fourth plot	31st December 2024
Fifth plot	31st March 2026

- 6.14 The Affordable Housing Grant from the GLA will be subject to the following conditions:

- A positive ballot outcome on the Love Lane Estate
- The first phases of the Scheme and delivering 40% affordable housing
- Delivery of 574 affordable homes in first phases, including 500 social rent, 28 shared ownership and 46 shared equity units
- Meeting key milestones related to start on site dates, planning and completion of units
- Repayment of the grant if milestones are not met

---

#### Mayor's Land Fund - Conditions and Grant Agreement with Lendlease

- 6.15 The £21,200,000 Mayor's Land Fund is a repayable grant and supports the cashflow of land assembly acquisition costs related to the early phases of the Scheme. The Mayor's Land Fund will be paid to the Council in accordance with the agreed drawdown profile that provides for the grant to be paid in three tranches. The drawdown of funding will be subject to the following conditions, including:-
- A positive ballot outcome on the Love Lane Estate
  - Delivery of the first phases of the Scheme and delivering 40% affordable housing
  - Delivery of 861 market homes
  - Meeting key milestones relating to start on site and acquisition of land.
- 6.16 Once the Council receive the grant, it will then be provided to Lendlease in the form of a repayable loan on commercial terms. Lendlease require the loan to support the cashflow of land assembly which it is required to pay to the Council in the early phases in accordance with the Compulsory Purchase Order Indemnity Agreement. Lendlease will repay the loan to the Council, in accordance with the loan agreement. A separate agreement will be in place between the Council and Lendlease to capture key obligations which the Council need to 'pass through' to Lendlease in respect of the funding (see summary of terms at appendix 3 (included in the exempt report)). This agreement will ensure that Lendlease meet the necessary terms and conditions. This includes mirroring terms relating to the repayment of the Mayor's Land Fund grant referred to at paragraph 6.17, so that should the grant repayment trigger be hit, Lendlease provide the necessary funds to the Council to pay back the GLA.
- 6.17 The Mayor's Land Fund is only repayable to the GLA if the Scheme performs very well financially and the super profit (a level of profit that is over and above that expected from the scheme), measured as an 'Internal Rate of Return' (IRR) reaches a certain threshold. This is referred to as the Repayment Trigger. If the IRR reaches that Repayment Trigger threshold a proportion of the grant, necessary to reduce the IRR back to the Repayment Trigger rate, would be repaid to the GLA.
- 6.18 The grant repayable from any super profit arising from the Scheme, would be paid ahead of the Council and Lendlease securing any overage. It is worth noting that the repayment calculation will only take place after the Council has received the land premium from Lendlease for its land as set out in the Development Agreement.

#### Loan Agreement with Lendlease

- 6.19 As set out above, the Council will be using the £21.2m of Mayor's Land Funding to provide Lendlease with a loan that they will use to help cashflow the payment of land assembly costs payable by Lendlease to the Council. The Loan Agreement will be based on the terms outlined in the Loan Term Sheet (see Appendix 4 (included in the exempt report)), including the interest rate paid to the Council, the repayment timetable, in accordance with the timing of the GLA contract, and commercial terms of the loan.

- 6.20 The arrangements set out in this report will be guaranteed by Lendlease Corporation Limited as agreed in the Development Agreement. The guarantee will be through the parent company guarantee from Lendlease Corporation Limited.

Acquisition of additional social rent homes

- 6.21 In September 2017, the Council's Cabinet agreed to acquire the 145 social rented replacement homes and 46 shared equity homes which were being delivered through the High Road West Scheme. The price for acquiring these units was set during the procurement process and is enshrined in the Development Agreement at a favourable rate to the Council, in comparison with the cost of alternative means to deliver equivalent homes, of £64k per unit.
- 6.22 The Development Agreement includes a provision for the Council to acquire any additional social housing units (above the 145 social rent and 46 shared equity), at the equivalent specification and requirements of the 145 social rent homes, in the event that they were delivered by the Scheme, with the Council and Lendlease required to agree the commercial terms for the acquisition of these units. In accordance with this provision, the Scheme is now able to deliver an additional 355 social rented homes as a condition of the GLA funding, which the Council can acquire.
- 6.23 The Council has negotiated a rate for the additional 355 social rented homes, which ensures that the Council are paying a fair and competitive market rate for the homes. The average cost per unit to the Council's Housing Revenue Account of acquiring the 500 social rented units is cheaper than the average cost per unit of building council homes through the Council's new build programme and is covered in the exempt report.
- 6.24 The Heads of Terms for the acquisition of these units, which will be in accordance with the Development Agreement are attached at Appendix 5 (included in the exempt report). The main terms include:
- The cost paid for the units and profile of payments
  - Indexation arrangements
  - Timing and method of payment
  - Specification- linked to agreed specification within the Development Agreement
  - Warranties
- 6.25 This report seeks authority to acquire the additional 355 social rented units and a delegation to the Director of Housing, Regeneration and Planning, in consultation with the Director of Finance, after consultation with the Cabinet Member for Finance and Strategic Regeneration to finalise the terms and contractual arrangements of the acquisition.
- 6.26 As noted above, the Council had already agreed a fixed price for the 145 replacement social rented homes and 46 shared equity homes within the Development Agreement. The detailed payment profile for these homes, however, has not been finalised. This report seeks approval for the payment

profile for these units to match the payment profile for the additional 355 social rented units as set out in Appendix 5 of the exempt report.

#### Updating contractual arrangements

- 6.27 The Council may need to make minor variations to the Development Agreement with Lendlease to ensure that the agreement is updated to reflect the current position with the project. This particularly includes any amendments required to reflect the Council acquisition of the additional social rented units, should this be agreed at Cabinet, as well as any other contractual terms that are required as part of the GLA funding contracts.
- 6.28 A delegation to the Director of Housing, Regeneration and Planning, together with the Director of Finance, after consultation with the Cabinet Member for Finance and Strategic Regeneration is recommended to agree any variations to the contractual arrangements as is necessary.

#### Land Assembly

- 6.29 The land assembly required to deliver the scheme comprises over 150 properties and interests, including some that have been acquired and those to be acquired. The site plan attached at Appendix 7, was previously appended to the 2017 and 2018 Cabinet Reports and shows the land within the High Road West Area. To date the Council have acquired 36 leasehold properties on the Love Lane Estate as well as three commercial properties and land interests.
- 6.30 Under the Development Agreement and CPOIA, the Council is obligated to acquire land and property interests required to facilitate the High Road West Scheme. The value of these properties has been estimated to enable a land assembly budget to be put in place, with prices to be agreed through negotiation with the owners of the land and interests. Lendlease is under an obligation under the terms of the CPOIA to fully repay the Council the amounts spent under the Land Assembly Budget. The Land Assembly Budget is reviewed every six months to ensure that it is up to date.
- 6.31 In 2018, the Council gave delegated authority to the Strategic Director of Regeneration, Planning and Development and the section 151 Officer to agree the final prices of the acquisitions of land and property in the High Road West area up to a ring fenced sum of £87.1m. The sum of £87.1m reflected the amount allocated in the Capital Programme at the time. As noted in the finance comments in the 2018 report, this was an indicative sum, which would be updated in line with the Capital Programme, which would in turn be updated by the Land Assembly Budget.
- 6.32 Since the 2018 capital programme has been brought up to date with the current total sum for the land assembly, which is £148.15m including a 'peak debt' arrangement agreed with Lendlease that helps with the management of the annual cashflow of the budget as described in paragraphs 8.7. It is recommended that the delegation to officers is updated to reflect the revised position.



## Next Steps

- 6.33 Based on an approval of the recommendations in this report, the Council would then proceed to prepare for the resident ballot in June. Consultation and engagement have commenced with consultation due to continue until March and be considered at Cabinet prior to the ballot. Should the ballot indicate support by the residents for the Scheme to progress, a planning submission is scheduled for the Autumn for consideration by the planning committee in Spring 2022 prior to progressing to delivery.

## **7. Contribution to strategic outcomes**

- 7.1 The delivery of the High Road West Scheme will support the Council in delivering its corporate priorities, as well as supporting the progression of objectives in the London Plan to support regional growth in North London.
- 7.2 The regeneration at High Road West will help to enhance the area in relation to the following four priorities set out in the Council's Borough Plan (2019-2023):
- Priority 1 – Housing (“A safe, stable and affordable home for everyone, whatever their circumstances”): the Council wants all of its residents to have a safe, stable and genuinely affordable home, and as such is committed to delivering new Council homes, bringing up the standard of private rented housing, and preventing homelessness. The Council has a strong focus on significantly extending housing options for its residents, including direct delivery of homes and initiatives. High Road West makes an important contribution to the borough's housing targets. Overall, the Council has a five year housing target of 12,799, approximately 2,500 per year, with High Road West able to deliver on average, around 10% of this number over the life of the development.
  - Priority 2 – People (“Strong families, strong networks and strong communities nurture all residents to live well and achieve their potential”): As a Borough we are seeking to build the capacity of its communities and focus on a strengths-based approach, which doesn't focus solely on needs and deficits but on assets and qualities at individual, family and community level. This work is initially focusing on North Tottenham. Early intervention and prevention is at the heart of this, with services being pulled together around the individual linking in with work to integrate health and social care, including through the delivery of Health and Wellbeing Hubs.
  - Priority 3 – Place (“A place with strong, resilient and connected communities where people can lead active and healthy lives in an environment that is safe, clean and green”): The Community Safety Strategy 2019-23 sets out how the Council will deliver on its firm commitments to enhanced safety, including support for vulnerable young people from violence, abuse and exploitation in the Young People at Risk Strategy and through programmes such as Haringey Gold. This is complemented by a focus on promoting physical activity which will be delivered through a 'whole system approach', which is proactive in promoting facilities, improved parks and open spaces, active and safe

travel between areas, and direct interventions into schools and communities to promote sports and other activities.

- Priority 4 - Economy (“A growing economy which provides opportunities for all our residents and supports our businesses to thrive”): Realisation of opportunities for good local business growth and skill and employment growth, in line with the current “community wealth building” approach. The Council approved this approach in October 2019 aimed at supporting the financial and social resilience of the borough’s communities. A new Good Economy Recovery Plan provides a focus on a good economy – good jobs, fairness, health and well-being and environmental sustainability

7.3 High Road West will support the North Tottenham Improvement Plan’s people-focused, cross sector, “Locality” based approach to improving areas and services by putting the quality of life for local people at the heart of decision making. Locality, or placed based services, are being introduced or piloted across North Tottenham, demonstrating a strong existing infrastructure to address the pressing challenges in the area. The North Tottenham Localities based work in summary includes:

- a) Connected Communities – a locality-based approach to early intervention and prevention.
- b) Place based care – delivery of holistic care in the community
- c) NHS Estates review – supporting a shift of services into the community
- d) Area based workers such as Local Area Coordinators (LACs), Employment Navigators, Haringey Gold community Safety Champions
- e) Building voluntary and community sector capacity to work directly with the public sector and to deliver sustainable change.

7.4 The recommendations within this report follow previous Cabinet decisions in relation to the High Road West Scheme, in December 2014 and December 2015, which agreed the High Road West masterplan, the tenant and leaseholder guides, the commencement of the rehousing process for Love Lane residents, the demolition of the Love Lane Estate and noted the business case for the preferred delivery structure for the Scheme. They also follow the decisions at Cabinet on 12th September 2017 and subsequently on the 9th October 2017 to appoint Lendlease as the preferred partner for the delivery of the Scheme and approval by Cabinet on 6<sup>th</sup> March 2020 to consult on a Local Lettings Policy and Leaseholder Offer that will support the delivery of high quality replacement homes as part of the Scheme.

## **8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**

### **Director of Finance**

8.1 The Scheme has evolved over time and this evolution was anticipated in the Development Agreement signed by the Council in 2017. The revised scheme is described in the report, and as part of that revision the financial underpinnings

have also been revised. The key drivers of the changes to the scheme that impact financially are: the higher number of social housing units to be acquired by the Council, up from 145 units to 500 units; a higher overall percentage of affordable homes; increased costs of land assembly due to property price increases; and revised levels of grant agreed with the GLA.

- 8.2 It has always been envisaged that the Scheme would be delivered in phases and that the Development Agreement would provide the framework for the evolving Scheme and phases to work within. The Scheme is currently being split into Phase A) and Phase B) with Phase A being the focus of the GLA funding. The details of Phase B) are still being developed and are likely to be subject of further Cabinet decisions. **The table in the exempt report** sets out the key metrics of the Scheme as agreed in 2017 and the details of Phase A).

### General Fund Capital Programme

- 8.3 Under the terms of the Development Agreement and CPOIA with Lendlease the Council is obliged to acquire the land in the red line area of the Development Agreement and Lendlease is obliged to repay the Council at the relevant milestones. The current estimate of when the land will be transferred to Lendlease as part of Phase A), and the Council reimbursed its expenditure is as referred to at paragraph 6.13.
- 8.4 The CPOIA with Lendlease has an estimate of the costs of the land acquisition programme, known as the land assembly budget, and within the approved capital programme there is matching provision for the land assembly budget. The land assembly budget has changed over time as the cost of land acquisition has changed. To meet its obligations, the Council's capital programme has had to change to match. Currently the land assembly budget is £148.15m. The Council's approved capital programme mirrors that obligation. At its budget setting meeting of the 1<sup>st</sup> March the Council agreed a budget of £111.4m for the period 2021/22-2025/26. This combined with the 2020/21 budget of £20.3m and pre 2020/21 expenditure of £16.5m, totals £148.2m. The expenditure by year is set out in the table below.

	£000's
2015/16	993
2016/17	1,000
2017/18	3,718
2018/19	4,613
2019/20	6,265
2020/21	1,877
<b>Total</b>	<b>18,465</b>

- 8.5 The current profile of the budget is heavily front loaded (£90m in 2021/22) to allow for both opportunistic purchases and to provide sufficient resource cover should landowners wish to sell in the early stages of the project.

**8.6 (This information is included in the exempt report)**

- 8.7 Within the agreement with Lendlease there is a cap on the Council's expenditure under the CPOIA which is known as Peak Debt. The level of the cap is set out in the exempt report but is substantially lower than the total cost land assembly costs. What this means is that when the Council has acquired property to a value of more than the cap, Lendlease are obliged to provide the funds to the Council over the cap. Once the cap has been reached Lendlease are obliged to fund the Council's further land acquisition costs. If this were to happen, the ownership of the property still resides with the Council until it is transferred through a 250-year phase lease to Lendlease. The Council's approved capital programme uses the Lendlease contributions outlined above as a funding solution within the capital programme.
- 8.8 The financing cost of the borrowing up to the Peak Debt is a charge on the Council's revenue account however, this cost is offset in two ways. Firstly, when the Council purchases former Right to Buy (RTB) properties on the Love Lane estate and lets them it can retain the income received. Secondly, the Council makes savings on its temporary accommodation budget by utilising these properties. So, the interest cost of the debt is broadly offset by the income and savings that the Council receives and makes. Once land is transferred to Lendlease the Council is reimbursed its purchase costs, it will be open to the Council to pay down the debt that it has incurred in acquiring the properties.

**Affordable Housing Grant (AHG).**

- 8.9 The Council will receive a total of £70.312m from the GLA. Of this sum, £1.064m supports the delivery of 28 shared ownership properties. The balance of the grant, £69.248m, is to support the delivery of social rented units.
- 8.10 The Council is the recipient of the AHG as Lendlease are not a registered provider of social housing, unlike the Council, and as such are ineligible to receive AHG directly from the GLA. The Council will receive the funding at key milestones. When the grant is received the funds will be paid to Lendlease in stages to support the viability of the Scheme and in accordance with the agreement with Lendlease.
- 8.11 The AHG is governed by a standard form of grant agreement between the Council and the GLA. As the Council is not directly delivering the houses it needs to pass down to Lendlease the obligations imposed on it by the GLA (to the extent that they are capable of being discharged by Lendlease). As a standard contract, no changes have been permitted to the grant agreement by the GLA, requiring this to be reflected in the agreement between the Council and Lendlease to ensure consistency with the Development Agreement. The Council will need to draft a funding agreement with Lendlease to flow down those obligations placed on the Council by the GLA that are being discharged by Lendlease. The draft HOT's between the Council and Lendlease attached to the exempt report represent the current position reached in that process.

**8.12 (This information is included in the exempt report)**

**8.13 (This information is included in the exempt report)**

## **Mayor Land Fund (MLF).**

- 8.14 The Council will receive £21.2m from the GLA. The funding will be transferred to the Council at agreed milestones. **(This information is included in the exempt report)**
- 8.15 The MLF is governed by a form of grant agreement between the Council and the GLA. The terms of the MLF grant agreement are being negotiated with the GLA (they are not as prescriptive as the terms of the AHG grant agreement). The MLF is being provided to assist the viability of the scheme and has specific expenditure that the grant can be spent on. The grant cannot be used for the delivery of social housing. The Council has agreed draft HOT's summarised as attached as Appendix 2 (included in the exempt report).
- 8.16 The Council will then lend Lendlease the amounts referred to **in the table at 8.14 in the exempt report**. The loan will be on commercial terms for loans of this nature. Lendlease will then repay the Council the loan with interest. **The repayment profile is referred to in the exempt part of the report.**
- 8.17 The making of a loan to Lendlease is capital expenditure and the repayments to be received are capital receipts which can be used to repay debt or fund capital expenditure. The HoTs for the loan are set out in Appendix 4 (included in the exempt report).
- 8.18 If the recommendations in relation to the AHG, and MLF are accepted then they will be added to the capital programme in line with estimated timelines outlined above. Similarly, if agreed, the loan to Lendlease will be added to the capital programme.

## **Housing Revenue Account Capital Programme**

- 8.19 The High Road West Scheme will deliver 500 social rented units which will be accounted for in the Housing Revenue Account (HRA) and have been included in the current version of the HRA business plan. The net capital cost of the 500 units to the HRA (plus associated purchase costs such as stamp duty land tax) compares favourably to the budget assumptions within the current HRA business plan. **(This information is included in the exempt report)**
- 8.20 to 8.25 **(This information is included in the exempt report)**
- 8.26 The provisional timeline for the acquisition of socially rented homes from Lendlease reflects the delivery dates set out in paragraph 6.13 above. The payment profile for the acquisition of the 500 social rented homes is set out in Appendix 5 (included in the exempt report).

## **Procurement**

- 8.27 The projects that will be delivered utilising the grant funding shall be procured in line with the authorities standing orders and Public Contract Regulations, to ensure compliance and to demonstrate value for money. The projects will be delivered with support from the Strategic Procurement department.



### **Comments of the Head of Legal and Governance (Monitoring Officer)**

- 8.28 The Council can accept the Mayoral Land Fund and the Affordable Housing Grant but is required to enter into a funding agreement for each funding with the GLA. Members should note that both these agreements create contractual obligations vis a vis the GLA and they also contain repayment requirements if the dwelling outputs are not achieved by the milestone dates or if there is any material breach of the fundamental terms and conditions of the two agreements. The key terms of the Mayor Land Fund Agreement and the Affordable Housing Grant are set out in in this report. It is a condition of these agreements that the Council carries out a ballot of all the Love Lane residents and each funding will only be paid if the result of the ballot is in favour of the proposed development.
- 8.29 The Council has the power under section 1 of the Localism Act 2011 to provide the loan and the grant. Under this section the Council as local authority has power to do anything that individuals generally may do. However, this general power does not enable a local authority to do (a) anything which the authority is unable to do by legislation, or (b) anything which the authority is unable to do by virtue of a post-commencement limitation which is expressed to apply (1) to the general power, (2) to all of the authority's powers, or (3) to all of the authority's powers but with exceptions that do not include the general power.
- 8.30 The provision of both the loan and the grant is subject to the Council and Lendlease entering into a Loan Agreement and Funding Agreement respectively. The loan is being provided on commercial terms as set out in this report, this does not raise any state aid issues. The Affordable Housing Grant, if used for delivery of affordable housing, would not be subject to state aid rules. The Council must therefore ensure, through the funding agreement that the AHG is indeed spent on the development costs for delivery of the affordable housing units that the Council will be acquiring.
- 8.31 This report also seeks authority to acquire additional social housing properties to be constructed under the Scheme. The Council as a local housing authority has power under section 17 of the Housing Act 1985 to acquire houses, or buildings which may be made suitable as houses, together with any land occupied with the houses or buildings, This acquisition will be the subject of a contract between the Council and Lendlease. The payments will be in stages and security is to be provided to protect those payments in the form of a parent company guarantee.
- 8.32 to 8.34 **(This information is included in the exempt report)**

### **Equality**

- 8.35 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
  - Advance equality of opportunity between people who share those protected characteristics and people who do not
  - Foster good relations between people who share those characteristics and people who do not.
- 8.36 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 8.37 The substantive decision of this report concerns a funding agreement with the GLA that will enable the Council to expand the number of social rented homes from 150 to 500 delivered as part of the HRW Scheme, and to acquire those homes so that they are managed by the Council, thereby meeting an ambition of residents and the Council. The GLA funding package detailed above is required to kick-start the delivery of the first phases of the scheme and the delivery of the 500 social rented homes.
- 8.38 The decision to expand the number of council-owned homes to 500 will have positive impacts for individuals across a range of protected groups by increasing the provision of affordable housing. This will have positive impacts specifically for individuals with protected characteristics who occupy a lower socioeconomic group. Benefits will particularly be felt by, but not be limited to, protected groups overrepresented in lower socioeconomic groups, including BAME residents, women (including single mothers), and residents with limiting health conditions or disabilities.
- 8.39 An EqlA has been undertaken and is appended to this report Appendix 8. The EqlA provides an analysis of the decision to expand the number of council-owned social rent homes in the scheme from 150 to 500 and to accept GLA funding. EqlAs have previously been undertaken for Cabinet decisions relating to the High Road West (HRW) scheme in December 2014, December 2015 and October 2017. As part of our ongoing Public Sector Equality Duty, the Council has taken this opportunity to review equalities data and previous analysis and update the scheme's EqlA,
- 8.40 The EqlA has highlighted impacts on all protected groups from the HRW scheme, though these impacts are consistent with those highlighted in previous EqlAs that have accompanied decisions on the HRW scheme. Mitigating actions have been described in the EqlA to minimise negative impacts where they exist. This approach will help to secure the wider socio-economic benefits of the scheme for the local community, including those with protected characteristics, as well as taking steps to address housing needs.

## **9. Use of Appendices**

App. No.	Name	Public/Exempt report
1	Affordable Housing Grant Key Terms	Exempt
2	Mayor's Land Fund Key Terms	Exempt
3	Heads of terms for arrangements between London Borough of Haringey and Lendlease (High Road West) Limited / Lendlease Corporation Limited	Exempt
4	Loan Term Sheet	Exempt
5	Heads of terms between London Borough of Haringey) and Lendlease (High Road West) Limited / Lendlease Corporation Limited for the acquisition of 355 additional social rent units to be provided within the High Road West scheme and acquired by LBH	Exempt
6	Indicative Phase Plan	Public
7	Site Plan	Public
8	High Road West Equalities Impact Assessment (EqIA)	Public

## 10. Local Government (Access to Information) Act 1985

High Road West Cabinet Papers:

- 10<sup>th</sup> March 2020 Cabinet Report - High Road West – Approval of the next steps for the Love Lane Leaseholder Offer and for delegated authority to agree all valuation and compensation packages for the land interests due to be acquired ([link](#))
- 6<sup>th</sup> March 2018 Cabinet Report- High Road West Regeneration Scheme – approval of the next steps for the Love Lane Leaseholder Offer and for delegated authority to agree all valuation and compensation packages for the land interests due to be acquired ([link](#))
- 12<sup>th</sup> September 2017 Cabinet Report- High Road West Regeneration Scheme – appointment of a preferred bidder and next steps ([link](#))
- 13<sup>th</sup> September 2016 Cabinet Report- Tottenham Housing Zone Phase 2- North Tottenham ([link](#))
- 15<sup>th</sup> December 2015 Cabinet Report- High Road West Regeneration Scheme Update and Next Steps ([link](#))
- 20<sup>th</sup> January 2015 Cabinet Report - Site Acquisitions Fund – approval for decisions under Delegated Authority ([link](#))
- 16<sup>th</sup> December 2014 Cabinet Report- High Road West Regeneration Scheme- Masterplan and Next Steps ([link](#))
- 15<sup>th</sup> July 2014 Cabinet Report- High Road West Regeneration Scheme Consultation. ([link](#))
- 28<sup>th</sup> November 2013- High Road West Regeneration Project - Master Plan Option Consultation Feedback and Next Steps. ([link](#))

## **Housing and Estate Renewal, Rehousing and Payments Policy Cabinet Papers:**

- 17 October 2017, Revised Estate Renewal Rehousing and Payments Policy following consultation ([link](#)) [to note, paragraph 6.25 of this report and 3.2 of the Estate Renewal Rehousing and Payments Policy provide further details regarding the Discretionary Panel]
- 12 July 2016 - Estate Renewal, Rehousing and Payments Policy – Final policy for adoption ([link](#))