Report for: Cabinet – 5th July 2022

Report Title: Wards Corner: Acquisitions Programme

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Ward(s) affected: Seven Sisters

Report for Key/
Non Key Decision: Key

1. Describe the issue under consideration

1.1. The purpose of this report is to seek approval to acquire a number of third-party property and land interests within the Wards Corner site; including those held by Grainger which are subject to the Development Agreement (DA) option in favour of the council, and where necessary make use of the existing Compulsory Purchase Order (CPO), to enable a new council led approach to be developed.

1.2. The Wards Corner site has long been identified by the council as a key gateway site for improvement and regeneration. In 2004, the council published a development brief for Wards Corner/Seven Sisters Underground, which stated its vision as delivering a "landmark development that acts as a high-quality gateway to Seven Sisters, providing mixed uses with improved facilities".

1.3. The proposed acquisitions will put the council in a unique position to pursue a new council-led delivery approach for the Wards Corner site that aligns with the council's strategic priorities for housing, economy, place and community wealth building and complements Transport for London's (TfL) plans for Seven Sisters Market (SSM).

1.4. The report is also seeking cabinet approval for the site objectives set out at paragraph 4.11 of this report, which will guide the new delivery approach.

2. Cabinet Member Introduction

2.1 The long-term renewal of Wards Corner is critical to support the vibrant and diverse communities of Seven Sisters. The council has, for the first time in almost 20 years, an opportunity to look at this area afresh and consider a new council led delivery approach for this site that is closer in line with the new Haringey Deal and placemaking ambitions.

2.2 A new council led delivery approach provides the opportunity to deliver new council homes alongside a retail offer to support local jobs; Seven Sisters' unique food and culture offer and drive wider local benefits in line with our Good Economy Recovery Plan.

2.3 Importantly, we want to ensure a different approach to the new scheme – one which seeks to engage and work with residents, businesses, and local partners on a new design that compliments TfL's Seven Sisters Market and delivers on the aspirations of the "Community Plan" with the Latin Village at its heart.

2.4 This decision is not without risk; however, we must recognise that the council is uniquely placed to finally deliver a renewed high-quality town centre in Seven Sisters.

3. Recommendation

3.1 Cabinet agrees:

a.) To approve the Option 3 - alternative council led delivery approach to the Wards Corner site (as set out in paragraphs 5.15 to 5.24 of this report) and the site objectives which will guide this approach (as set out in paragraph 4.11 of this report).

b.) To acquire for planning purposes the third-party property and land interests shown coloured pink on the Site Acquisition Plan attached at Appendix 1, all within the Wards Corner site shown edged red on the Site Plan attached at Appendix 2; and

c.) To the termination of the Development Agreement dated 3rd August 2007 (as amended by the Supplemental Agreement dated 23rd January 2015) for the reasons set out in paragraph 8.11 of this report, and to acquire for planning purposes the entirety of Grainger Seven Sisters Limited's property and land interests in the Wards Corner site (as set out in the schedule at Appendix 3 in Part B of this Report) by exercising the option contained within the Development Agreement for a total sum set out in Part B of this report: and

d.) To acquire for planning purposes any remaining third-party property and land interests as set out in the schedule at Appendix 3 in Part B of this report, by serving the requisite CPO General Vesting Declaration notices or by agreement with third parties on this site for a total sum set out in Part B of this report.

e.) To approve a budget for these acquisitions being a total sum set out in Part B of this report, to be funded from the Strategic Acquisitions Fund.

f.) To give delegated authority to the Director of Housing, Planning and Regeneration after consultation with the Cabinet Member for Finance and Local Investment and the Cabinet Member for Council House Building, Placemaking and Development to agree the price for each acquisition and the final heads of terms and legal documentations.

g.) To approve a further budget from the Strategic Acquisition Fund, as set out in Part B of this report, to fund the costs associated with developing a strategy which will guide the new council led delivery approach for the Wards Corner site.

h.) To consult with the Bridge Renewal Trust and the Department for Levelling Up, Housing and Communities, to request that the £1,500,000 (plus interest) of New Deal for Communities 'Interim Gap Funding' paid by the council to Grainger Seven Sisters Limited, and recoverable under the termination provisions of the Development Agreement, is used as a funding contribution to the costs of delivering an alternative development scheme on the Wards Corner site.

i.) To note that VAT will be payable on certain of the acquisitions and that the council will recover the VAT.

j.) To note that a capital bid as set out in Part B of this report will be submitted for the substantive investment, as part of the next budget setting round.

4. Reasons for Decision

Termination of the Development Agreement with Grainger

4.1. In July 2004, the Bridge New Deal for Communities, and the council selected Grainger plc as its development partner to bring forward proposals for the redevelopment of the Wards Corner Site. In August 2007, the council entered into a Development Agreement (varied through a Supplemental Agreement in January 2015) with Grainger Seven Sisters Limited (Grainger), which set out the form of development required at Wards Corner and regulated the relationship between the parties.

4.2. In April 2021, Grainger advised the council that they were experiencing viability challenges with the Wards Corner development and subsequently provided the council with information to support their view that the planning approved scheme was not viable as set out in Part B of this report.

4.3. The council commissioned BNP Paribas (BNPP) to independently interrogate and analyse Grainger's viability assessment. The outcome of this review is set out in Part B of this report.

4.4. As a result, In August 2021 Grainger confirmed that they will withdraw from the Wards Corner development. Grainger's DA with the council included a longstop date of 3rd August 2021 when all preconditions had to be satisfied. As all preconditions were not satisfied, this means that either Grainger or the council can trigger the DA termination provision at any time. Once the DA is terminated, the council has 6 months to exercise its option under the DA to acquire (or nominate a third party to acquire) the entirety of Grainger's property interests in the site.

4.5. Following the announcement that Grainger would not be progressing with the Wards Corner development including the temporary SSM at Apex Gardens, TfL indicated their intention to work with SSM traders and the community to secure the SSM and former Wards Corner Department Store buildings as a community asset into the future.

4.6. The Wards Corner site represents a significant strategic site above a major transport interchange and has the potential to act as a better gateway to Seven Sisters and West Green Road. The opportunity to complement a refurbished SSM building presents a significant potential to reinforce the local high street economy.

4.7. As a result of the viability issues with the Grainger scheme for the Wards Corner site the council's focus has been on reviewing options for an alternative council led delivery approach to the site.

4.8. Three main alternative delivery approaches have been considered. The first is based on externally commissioned feasibility work and envisages the council acquiring the Grainger and remaining third-party property interests for short-term comprehensive redevelopment. The second is a "do not acquire" option. The third option involves the council acquiring the relevant land interests under an alternative council led delivery approach. The main features of each option are set out below with a summary and assessment of these options together with a key risk assessment included at Appendices 5 and 6 respectively of Part B of this report.

Strategic objectives

4.9. Further to the vision for the Wards Corner site as set in the 2004 development brief for this site to act as a new high-quality gateway to Tottenham in Seven Sisters, the Tottenham Area Action Plan (2017) sets out the regeneration ambitions for Wards Corner as part of the Seven Sisters/West Green Road neighbourhood area. It identifies it as a key site for redevelopment to deliver a mixed-use development with town centre uses; a replacement market and residential uses.

4.10. More recently, the Strategy for Tottenham High Road (2019-29) includes a vision for the wider Seven Sisters area, including West Green Road and Broad Lane that will be identifiable as an exciting and new destination and the gateway to Tottenham; focussing on building on its international food offer inspired by the market; and a high-quality, safe and welcoming atmosphere for visitors and locals alike.

Site development objectives

4.11. Given the site's contribution to the wider strategic priorities and the Seven Sisters area, the following four key development objectives have been set out to guide the approach to a new Wards Corner development.

Objective 1 – A Placemaking Approach to Seven Sisters Gateway

- Involve the current occupants and landowners of the site in the project from the outset and as it develops, seek to closely engage with and look to accommodate businesses that wish to remain on site.
- Work with and empower local communities to participate in the design process to ensure that key objectives for the masterplan align with local aspirations/needs.
- Work with local communities, particularly young people and underrepresented groups, to shape the future of commercial, community and public spaces proposed on this scheme.
- Greater focus on promoting Seven Sisters strengths, such as its unique international food and beverage offer.
- Help to foster strong, vibrant, diverse and culturally rich town centre by celebrating its uniqueness, diversity of communities and their heritage and culture.
- Enhance the reputation and safety of the area, such that it might be competitive with other Victoria Line destinations.
- Improve visitor experience, including through smart technologies and public realm improvements.

Delivering on the above objectives will promote the social well-being of the Seven Sisters area

Objective 2 – Delivering a Good Economy

- Deliver on the council's Community Wealth Building Agenda through commissioning
- Drive wider local benefits relating to place making and social value
- Enable greater town centre activity with activation of retail on High Road frontage, Seven Sisters and West Green Road to support local employment opportunities.
- Improve linkage between creative clusters on West Green Road and Seven Sisters Road.
- Encourage the development of a suitable day and evening economy.

Delivering on the above objectives will promote the economic well-being of the Seven Sisters area

Objective 3 – Delivering council homes

- Provide secure, high quality and affordable housing which residents are proud to call home.
- Aim to maximise the quantum of council rented homes, consistent with a viable scheme.
- Deliver inclusive, mixed and sustainable communities. Mixed tenures should be 'tenure blind' with no distinction in terms of design or space standards.

Delivering on the above objectives will promote the social and environmental well-being of the Seven Sisters area

Objective 4 – Climate change and sustainability at its heart

- Target net zero for new development, prioritising renewable energy sources
- Retain buildings where possible to enhance local character and deliver on Circular Economy principles

- Delivering on the Council's 'Health in All Policies' agenda, by responding to air and noise pollution, minimising parking and promoting use of sustainable transport (walking and cycling).

Delivering on the above objectives will promote the environmental well-being of the Seven Sisters area

5. Alternative Options Considered

Option 1 – Short Term Comprehensive Redevelopment

5.1. This option requires the council to acquire both the DA property and land interests from Grainger, and the acquisition of the remaining property and land interests from third parties either by agreement or using the existing CPO powers. The redevelopment of the site would start as soon as possible thereafter.

5.2. The council commissioned architects (Levitt Bernstein) to review comprehensive development options for the site and BNPP to undertake viability testing of those options.

5.3. The review considered two main comprehensive development options, the first being a 'moderate' development scheme which was based on an indicative residential development scenario included as part of the 'Community Plan' planning application. The second option is a more intensified 'maximised' development scheme. The two development options are illustrated at Appendix 7.

5.4. The options review took into account changes required to the Grainger scheme as a result of the requirement to comply with current building regulations and design standards which have been updated since the scheme received planning approval in 2012. These changes along with generally increasing construction costs have had a substantial negative financial impact on the costs of delivering a scheme on the site. The review allowed for 50% of residential units being provided for council social rent which has also had a negative impact on viability (the Grainger planning approved scheme did not include any affordable housing provision).

5.5. The options review process has also afforded the council an opportunity to secure the views of the Planning Authority, with the advice being that it was likely that the 'maximised' development option is excessively ambitious and unlikely to be supported. However, advice was that in planning terms the ‘moderate’ development option is likely to be supported and that there is some modest opportunity for some limited intensification of that option.

5.6. The BNPP viability review of the ‘moderate’ development option set out the full costs of immediate land assembly, construction and the likely returns on development and identified a substantial viability gap for the comprehensive redevelopment of the site as set out in Part B of this report.

5.7. Following the completion of the BNPP viability review the Greater London Authority (GLA) advised the council of a new approach they will be taking to all mixed tenure projects receiving funding from the 2021-2026 Affordable Housing Programme (other than those already approved as ‘named schemes’), the new rules are as follows:

1. The GLA’s starting position will be that, as a rule, they will not look to fund the first 35% of all homes on a given site
2. The first 20% of all homes on a given site are not eligible for funding under any circumstances
3. In exceptional circumstances, the GLA will be willing to hear viability cases that clearly demonstrate that a project requires capital grant funding for all affordable homes above the 20% limit (with the key point being that the project would not be delivered at all without the additional funding).

The impact of the GLA’s new approach on the ‘moderate’ development option viability gap is set out in Part B of this report.

5.8. There are specific delivery challenges connected with this option, notably the interaction with the neighbouring TfL scheme to improve the existing SSM buildings, and in particular the need to use some of the land currently owned by Grainger to provide a short-term outdoor market during the development period.

5.9. This option is likely to deliver on the council’s strategic placemaking objectives in the medium term as it would result in a comprehensive development of the site.

5.10. There are some options remaining to be considered which could potentially improve the viability of the scheme (notably on design, construction/delivery and potential external funding options), however the order of deficit is still likely to be significant. As such, at this point in time it is not recommended that given the unknowns and the potential scale of loss to the council, this option is pursued.

Option 2 – 'No Acquisition’

5.11. In this scenario, the council would not exercise its option under the DA to acquire Grainger’s land interests, nor would it complete the acquisition of remaining third-party land interests by agreement or using existing CPO powers.

5.12. A central feature of this option is the lack of control the council would then have over the site (outside of its statutory planning and related powers), and significant uncertainty regarding what would occur in the future. The most likely outcome for the site would be a piecemeal and unstructured evolution, which is very difficult to define with any great certainty.

5.13. This option is least likely to secure the delivery of the council's strategic placemaking for the site.

5.14. This option does however result in no immediate financial outlay for the council.

Option 3 – Alternative council led delivery approach

5.15. The comprehensive development of the Wards Corner site is a long-standing strategic objective of council. In this context, the council will continue to explore further options to improve the viability of a comprehensive redevelopment scheme. However, it is clear from the independent viability review (see paragraphs 5.1 to 5.10 of this report) that a comprehensive redevelopment (i.e. Option 1) has significant viability challenges. Also, there are challenges with securing the council's strategic objectives with Option 2. In this context and having particular regard to the tight timescales dictated by the existing CPO, the council has sought to identify a third alternative council led delivery approach.

5.16. This option (as set out in Part B of this report) would see the council acquiring Grainger's and the remaining third-party property and land interests and then developing a more detailed delivery strategy for the site that could include a range of options from demolition and rebuild, to retain and refurbish, to disposal. Each of these options could apply to some, none or all of the acquired interests and the council would need to keep in mind the protection of its financial interests during this process. It is important to note that the council will not be acquiring the SSM buildings and TfL have indicated their intention to work with SSM traders and the community to secure the buildings as a community asset into the future. The council will need to work with TfL and the community to ensure that the plans for this key part of the Wards Corner site are realised.

5.17. The rationale for this delivery approach begins with a number of important deliverability considerations. The first relates to the TfL programme requiring the use of some of the current Grainger land for a period of up to 3 years to facilitate the short-term provision of SSM whilst the substantive works are undertaken to the market hall. The delaying of the delivery of a council led scheme addresses this challenge.

5.18. The second is financial (as set out in Part B of this report), where the up-front compensation payable to buy out 3 leasehold property interests is not required and thus reduces the total third-party property acquisition cost (this has been reflected in BNPP's viability assessment of the 'moderate' comprehensive development option).

5.19. A slower, more nuanced delivery approach gives the council the time to develop a placemaking approach to implementing a viable development strategy working closely with the local community. It also gives the council the opportunity to explore further external funding opportunities to help bridge the gap between the council's strategic objectives and the current viability of the scheme.

5.20. There is a strong likelihood that any delivery strategy will come at a net cost to the council and in the event that these costs are viewed to not represent good value for money in the future it is critical that the council considers what its exit strategy would be. In this event, the council would implement a disposal strategy which could include disposing of all or some of the acquired property interests in order to recoup the capital outlay.

5.21. An assessment of a reasonable worst case financial scenario based on the council having acquired the properties, held them for five years, and then disposing (having failed to identify a viable delivery route) of all the property interests acquired has been undertaken. The outcome of this assessment and resulting financial implications is detailed within paragraphs 8.1 to 8.9 of this report.

5.22. While in the short term this option is likely to have a reputational benefit, there are significant medium-term risks in the event that the pace of improvements is slower than the community may hope for, or a viable delivery strategy cannot be identified.

5.23. This option allows the council to develop a scheme for the Wards Corner site that secures the best likelihood of the council delivering on the strategic placemaking objectives set out at paragraphs 4.9 to 4.11 of this report. Delivering on these objectives will promote the social, environmental and economic well-being of the Seven Sisters area. However, there still remains a risk that the council will not be able to deliver on its objectives for the site.

5.24. The total budget to fund the costs associated with developing a strategy which will guide the new council led delivery approach for the Wards Corner site is set out in Part B of this report.

6. Background

Site background

6.1. The Wards Corner development site is located on the western side of Tottenham High Road and comprises 227 - 259 High Road, 709 – 723 Seven Sisters Road, 1a – 11 West Green Road and 8 – 30 Suffield Road, which are all 2/3 storey Victorian residential and commercial properties. The site also includes the TfL owned Seven Sisters Market (SSM) and former Wards Corner Department Store buildings which are situated partially above the Seven Sisters Victoria Line Underground Station and tunnels. A Site Plan is included at Appendix 2 of this report.

6.2. In July 2004, the Bridge New Deal for Communities and the council selected Grainger as its development partner to bring forward proposals for the redevelopment of the Wards Corner Site. In August 2007 Grainger entered into a DA (varied in January 2015) with the council, which set out the form of development required at Wards Corner and regulated the relationship between the parties.

6.3. In July 2012, the council granted planning permission to Grainger for a mixed-use development including new retail and leisure space, a re-provided SSM and 196 new homes for private rent.

6.4. Since 2004, Grainger have been acquiring land and property within Wards Corner and so far, have acquired c60% ownership of the site. The rest of the land and property is owned by London Underground Limited (subsidiary of TfL) – c. 28% including the Seven Sisters Market and former Wards Corner Department Store building; the Council – c.10% made up of 2 residential properties on Suffield Road and a retail unit on Seven Sisters Road; the remaining c.2% of the site is owned by other third parties. A Site Ownership Plan is included at Appendix 4 of this report.

Seven Sisters Market

6.5. TfL's ownership interest in the Wards Corner site includes the Seven Sisters Market (SSM) and adjacent former Wards Corner department store buildings and a small portion of land off Suffield Road.

6.6. The Grainger planning approved scheme for the Wards Corner site included the provision of a new market hall for SSM. The s106 agreement connected with Grainger's planning consent for the Wards Corner development includes the requirement for Grainger to provide a temporary SSM on the ground floor of their Apex Gardens development, located directly opposite the Wards Corner site. This was to provide SSM traders with space to occupy whilst their new permanent home within the Wards Corner development was completed.

6.7. In March 2020, SSM closed due the main power supply being disconnected as it was deemed unsafe and the introduction of Government Covid-19 restrictions requiring all non-essential retail premises to close. The SSM main market hall did not reopen when Covid-19 restrictions were lifted in June 2020 as TfL identified serious Health & Safety issues and the risks were too high to safely reopen the market hall. Apart from 6 units fronting the High Road, SSM has remained closed.

6.8. Following the announcement that Grainger would not be progressing with the Wards Corner development including the temporary SSM at Apex Gardens, Transport for London (TfL) indicated their intention to work with SSM traders and the community to secure the SSM and former Wards Corner Department Store buildings as a community asset into the future.

6.9. TfL’s intended approach is in line with the principles of the planning approved ‘Community Plan’ scheme. This scheme involves the restoration of the existing SSM and former Wards Corner Department Store buildings for community and commercial uses including a refurbished market hall for SSM.

6.10. In order to enable SSM traders to recommence trading whilst refurbishment works are undertaken to the SSM buildings, TfL have developed proposals for a temporary SSM. The proposals include a temporary indoor market to be provided within the ground floor of 245 – 249 High Road which are retail units owned by TfL and situated adjacent to the SSM buildings. The indoor temporary indoor SSM received planning consent in May 2022 and TfL have advised it is targeted to open in early 2023.

6.11. TfL’s temporary SSM proposals also include the provision of an outdoor market on vacant land adjacent and to the rear of 245 – 249 High Road. The land is currently owned by Grainger and is included in the property interests to be acquired by the council under the DA option. TfL require a 3 year lease of the land which would impact on the timing of any council led development.

Compulsory Purchase Order

6.12. The council have a CPO in place to acquire third part property and land interests which cannot be acquired by agreement. The CPO was confirmed by the Secretary of State in January 2019 and the final legal challenge to the CPO was dismissed in March 2020.The council has until October 2022 to commence the CPO implementation process prior to the end of January 2023, when the CPO expires.

6.13. The council, as acquiring authority entered into a CPO Indemnity Agreement (CPOIA) with Grainger in January 2015. The CPOIA governs the CPO process and requires Grainger to fund all the council’s costs associated with the making and implementation of the CPO. However, on termination of the Development Agreement, the CPOIA will also terminate, and Grainger will have no further liability in this respect.

New Deal for Communities (NDC) Funding

6.14. The council as Accountable Body for the Government funded New Deal for Communities programme (NDC) paid £1.5m of ‘Interim Gap Funding’ to Grainger in 2008. The NDC ‘Interim Gap Funding’ payment was made against reasonable evidence received from Grainger that it had incurred costs and expenses in the acquisition of part of the land assembly needed for the Wards Corner development scheme.

6.15. The council’s DA with Grainger includes a provision requiring Grainger to repay the £1.5m (plus interest from when it was paid to when it is repaid) of Interim Gap Funding when the DA is terminated either by the council or Grainger.

6.16. The NDC programme ended in March 2011 and as part of the programme's succession and legacy arrangements the Bridge Renewal Trust was established as a successor body to ensure that the outcomes of the NDC programme were sustained beyond the life of the programme.

6.17. The cabinet approved NDC succession arrangements made specific recommendations on the position with the use of the £1.5m of Interim Gap Funding paid to Grainger if this is repaid under the terms of the DA. This recommendation was as follows:

Any future repayments of the £1.5 million (plus any interest) interim Gap Funding paid back under the Development Agreement dated 2 August 2007 for the Wards Corner redevelopment being ring fenced in a special Council escrow account and used to address housing needs in the NDC area, the Council to ensure that both the Trust and CLG were consulted on the use of the funds.

Property and Land Interests to be Acquired

6.18. The properties and land interests to be acquired under the DA option with Grainger and from third parties comprise a mix of freehold and leasehold residential, commercial and vacant land interests. The properties and land are shown coloured pink on the Site Acquisition Plan included at Appendix 1 of this report and are set out in the schedule attached at Appendix 3 of Part B of this report.

1- Grainger

6.19. The council's contractual position with Grainger has been set out within paragraph 8.11 of this report. The DA with Grainger gives the council the option to purchase all the property interests within the Wards Corner site which have been acquired by Grainger. The DA option splits the properties as follows:

1. 16 commercial, residential and land acquired prior to the completion of the 2015 Supplemental Agreement to the DA. The DA sets out that the purchase price for these properties is based on the price paid by Grainger (including acquisition costs) plus a 6% annual return from the date of acquisition until sale completion. The purchase price agreed with Grainger for these properties is set out at Appendix 3 of Part B of this report.

2. 21 commercial and residential property interest to be acquired at Market Value. The purchase price agreed with Grainger for these properties is set out at Appendix 3 of Part B of this report.

6.20. Thirteen of the residential properties to be acquired from Grainger are occupied by tenants on Assured Shorthold Tenancy (AST) agreements granted by Grainger. Under the terms of the DA option the council are required to acquire all of these properties with the residential tenants in situ. As the properties are being acquired for planning purposes pending redevelopment as part of the wider Wards Corner site they will be held in the General Fund and occupied by the AST tenants on a temporary basis.

2- TfL

6.21. TfL's relevant holding within the development site is a single vacant plot of land located off Suffield Road. The position with the council's acquisition of this land is set out in Part B of this report.

3- Private Third Parties

6.22. Grainger have previously been in contact with all private third-party freeholders and leaseholders and those that remain in this category are those with which Grainger have either failed to reach agreement on terms or have ceased negotiations based on the realisation that their development proposals had become unviable. The council proposes to step into Grainger's shoes and restart discussions with these private third-party interest holders which are set out at Appendix 3 of Part B of this report.

6.23. The council envisages that discussions could take the form of a twin track format with formal negotiations being undertaken strictly in accordance with the CPO timescales and protocols (as set out in Part B of this report). This formal CPO route represents the backstop scenario and provides certainty on acquisition.

6.24. A Project Cost Estimate for the acquisition of the remaining private third-party land interests to be acquired is set out at Appendix 3 of Part B of this report.

6.25. The total acquisition budget for the Grainger DA, third-party and TfL property interests including estimated Stamp Duty Land Tax, acquisition fees/costs and contingency allowances is set out in Part B of this report.

6.26. The proposed acquisitions have been assessed against the following criteria as set out in the Council's Disposal and Acquisitions Policy and summarised below:

Policy	**Comments**	
MTFS contribution	Allocation in MTFS includes Strategic Acquisitions Fund (Council capital funding).	✔
Asset Management Plan	Acquisitions support objectives of the Borough Plan in terms of Economy, Place and Housing	✔
Business Case	Strong case to acquire in accordance with council's Masterplan and placemaking strategy for the Wards Corner site	✔

Deliverability	Acquisitions will initially form a standalone investment and the council will seek to secure flexible interim lease arrangements pending future development of the site.	✔
Valuations/ Development appraisal supports	Acquisitions will be supported by RICS Red Book valuations	✔
Affordability	Acquisitions will be financed using Strategic Acquisition Fund funding from the Council's Capital Programme	✔
Legal assessment	See separate Statutory comments at paragraphs 8.11 to 8.16 of this report	✔
Alternative options considered	See Appendix 5 of Part B of this report – Summary of options considered	✔
Risk assessment	See Appendix 6 of Part B of this report – Key Risk Assessment	✔
Political	See Appendix 5 of Part B of this report – Summary of options considered	✔

Expected rental income

6.27. The commercial properties to be acquired from Grainger and third parties currently generate an aggregate £270,550 per annum under the terms of the existing leases. There are however four outstanding rent reviews which, if settled at rent levels advised by BNPP, would increase the gross aggregate rent to £302,250 per annum. This rental increase would be backdated to the relevant review dates which pre-date the anticipated property acquisition date.

6.28. The strategy during the course of this year is to agree wherever possible new leases to existing occupiers to cover the anticipated pre-development period and the revised level of rent payable by those tenants subject to outstanding rent reviews would form part of the overall negotiations. Thus, the anticipated aggregate rental income from these commercial units is projected to be £302,250 per annum during the entirety of the pre-development period.

6.29. The thirteen residential properties to be acquired from Grainger with Assured Shorthold Tenants in situ are currently generating a total gross income of £196,060.

7. Contribution to Strategic Outcomes

7.1. The project will support the council in delivering the following priorities in the council's Borough Plan.

Economy - a growing economy which provides opportunities for all our residents and supports our businesses to thrive

7.2. The Council launched the ‘Good Economy Recovery Plan’ in Autumn 2020 in response to challenges posed by Covid-19 to High Streets, Town Centres and individual businesses. Key priorities include:

- Re-opening and supporting high streets and town centres.
- Supporting businesses through recovery and into renewal; and
- Securing social and economic value through investment in neighbourhoods and communities.

7.3. This project will seek to invest in the physical environment to bring poor quality and underutilised property on the site into productive use through commercial uses. This will deliver a ‘good economy’ model – good jobs, greater fairness, recognising the link between health and wellbeing, business resilience and environmental sustainability.

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

7.4. The Wards Corner project will support the Place Priority by:

- Transforming the physical environment and public realm on the site, to deliver a safe, lively and welcoming place where people can have greater pride in their local area; and
- Building on the site’s existing character and working closely with the existing community to ensure that the development reflects its local context.

Housing - a safe, stable and affordable home for everyone, whatever their circumstances

7.5. One of the Council’s highest priorities is to deliver high quality council homes on council land. The project will seek to provide secure, high quality and affordable housing as part of a new urban neighbourhood, delivering inclusive, mixed and sustainable communities with the right mix of tenures to meet local needs.

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

Finance

8.1. The recommendations of this report are for the council to exercise its right to acquire the properties from Grainger under the development agreement dated 2015 as Grainger have determined that their proposed scheme does not meet the viability test of the development agreement. In addition, it is proposed that the council acquire the non-Grainger properties by CPO or agreement and a piece of TfL land by agreement.

8.2. During the period of acquiring and holding the properties the council will incur interest costs on the borrowing to fund the expenditure. It will also have to make the statutory minimum revenue provision (MRP) to repay the borrowing.

Offsetting this, the council will receive rental income from the tenants. The table below sets out the costs and income on a full year basis. For 2022/23 it is anticipated that there will be minimal rental income as the programme for acquisition is expected to conclude in the latter part of 2022 which would generate only a quarter of the annual rent roll. In 2023/24 it is assumed that there will be rent reviews in line with the tenancy agreements, thus providing additional income.

Estimated expenditure pressure

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
Net rent	-0.06	-0.35	-0.35	-0.35	-0.35	-1.47
MRP	0.0.0	0.52	0.53	0.55	0.56	2.16
Pressure	-0.06	0.17	0.18	0.20	0.21	0.69

8.3. The estimated net income in 2022/23 is highly dependent on the timing of acquisitions. The pressure identified in future years will be managed through the next iteration of the MTFS. In addition to the above the Council will incur interest charges on its borrowing. In line with the revised policy on major schemes the interest will be deferred until the project is completed. The total deferred interest is estimated to be £1.25m over the five year life of the project.

8.4. In 2021/22 the Strategic Acquisition Fund budget was £57.1m. Expenditure of £3.311m was incurred during the last financial year, and a carry forward of £53.76m. The Strategic Acquisition Fund for 2022/23 is £14.0m which when added to the carry forward results in a budget of £67.76m. Cabinet at its meeting of the 8th March 2022 allocated £26.8m to the Gourley Triangle project.

8.5. This allocation means that there is an uncommitted budget of £40.96m. The recommendation of the report is that there should be an allocation of £24.743 to cover acquisition costs, SDLT and scheme development costs. If this allocation is agreed there will be an unallocated budget of £16.217m in 2022/23. A number of the property acquisitions will involve the Council in paying VAT. To the extent that VAT is payable it will be reclaimed as part of the Council's normal VAT arrangements. It is not possible to estimate accurately the VAT payable at this stage but as the Council will reclaim the VAT there is no net cost to the Council.

8.6. The estimated profile of the expenditure is given in the table below.

Anticipated spend profile

2022/23	2023/24	2024/25	2025/26	2026/27	Total
£m	**£m**	**£m**	**£m**	**£m**	**£m**
23.33	0.45	0.2	0.2	0.55	**24.74**

8.7. The estimated acquisition cost in the table below includes the anticipated all-in costs of purchasing the properties under the Development Agreement, acquiring all other land interests (through the CPO or agreement), the costs of developing a draft scheme and minor capital expenditure on the properties for 5 years. This expenditure would be funded by borrowing. The table also includes the deferred interest discussed above.

8.8. Should a scheme not proceed, and the Council decided to exit its ownership of all the property on Wards Corner then it is anticipated that the properties would generate sale proceeds of £17.88m. It is expected that this capital receipt will be used to pay down the debt incurred. As is required by statute, the Council would have made £2.16m of minimum revenue provision for the borrowing undertaken as a result of the acquisitions and development expenditure during the development period. The table below shows that should the Council not be able to take a scheme forward it is estimated that there will be a residual debt of £5.95m. The table also shows what would happen if the sale proceeds were 10% less and 10% more.

	Baseline	-10%	10%
	£m	**£m**	**£m**
Acquisition cost	24.74	24.74	24.74
Deferred interest	1.25	1.25	1.25
Minimum Revenue Provision	-2.16	-2.16	-2.16
Sale proceeds in 2028	-17.88	-16.09	-19.67
Net residual debt	**5.95**	**7.738**	**4.162**
Net Annual Revenue Cost	0.33	0.43	0.23

8.9. The residual debt of £5.95m will increase the Council's revenue cost of borrowing by £0.327m per annum for 30 years.

Procurement

8.10. Strategic Procurement note the content of the paper. There are no current procurement implications associated with the content of the report.

Legal

8.11. As set out in this report, Grainger has informed the Council that they will not be taking their scheme forward although they have not as yet served a termination notice. The DA can be terminated if all the conditions set out in the DA have either not been satisfied or waived by the relevant date of 3 August 2021. Then either the Council or Grainger may serve notice electing to terminate the DA with immediate effect. Also, where Grainger does not consider that the Development will satisfy the viability condition and serves notice upon the Council to that effect, then either the Council or Grainger may serve notice electing to terminate the DA with immediate effect. The Council can therefore terminate the DA if Grainger does not want to do it.

8.12. The recommendation is to acquire two lots of properties contained within the development site. Those that are currently owed by Grainger and those that are still owed by third parties. The Granger properties can be acquired using the option contained in the DA. The Council have the right within 6 months of termination to serve notice on Grainger requiring them to sell the whole of their interest in the site to the Council. There is a very strict time limit of 20 working days for completion of the purchase. The DA sets out how the properties should be valued. The Council is proposing to continue using the CPO to acquire the other properties.

8.13. The Council has the power under section 227 of the Town and Country Planning Act 1990 to acquire by agreement any land which they require for any purpose for which a local authority may be authorised to acquire land under section 226. Under section 226 has authority, on being authorised to do so by the Secretary of State, have power to acquire compulsorily any land in their area:

(a) if the authority think that the acquisition will facilitate the carrying out of development, re-development or improvement on or in relation to the land
(b) it is required for a purpose which it is necessary to achieve in the interests of the proper planning of an area in which the land is situated.

8.14. But the Council must not exercise the power under paragraph (a) unless it thinks that the development, re-development or improvement is likely to contribute to the achievement of any one or more of the following objects:

(a) the promotion or improvement of the economic well-being of their area;
(b) the promotion or improvement of the social well-being of their area;
(c) the promotion or improvement of the environmental well-being of their area.

8.15. In addition the Council also has the power under section 120 of the Local Government Act 1972 to acquire by agreement any land for any purpose for which they are authorised any enactment to acquire land, notwithstanding that the land is not immediately required for that purpose; and, until it is required for the purpose for which it was acquired, any land acquired under this subsection may be used for the purpose of any of the council's functions.

8.16. The Council also made a payment of £1.5m (described as an 'Interim Gap Funding' to Grainger. The Interim Gap Funding (plus interest) will be repaid if the DA is terminated prior to all of the conditions (as defined in the DA) have been satisfied and the Council ask for repayment. Paragraph 6.17 of this report sets out how that money should be spent and who the council needs to consult with prior to spending the monies.

Equality

8.17. 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 protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not

8.18. 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. Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.

8.19. In April 2022, the council commissioned Mott MacDonald (MM) to undertake an Equalities Impact Assessment (EqIA) to assess any equality effects associated with the recommended new council led delivery approach for the Wards Corner site including the possible use of CPO powers to acquire third-party property interests. The EqIA is included at Appendix 8 of this report.

8.20. The EqIA considered the impact of the recommended delivery approach on equality, and particularly the impact on the existing community of the site, including residents and businesses. The assessment of equality effects was undertaken considering the characterisation of the effects including the sensitivity of the affected parties, distribution of those groups on and around the site, the nature of the anticipated effects, and mitigation measures in place to address them. This included reference to COVID-19 where relevant.

8.21. The EqIA identifies that the scheme has the potential to provide improved living conditions, housing quality, accessibility, public realm, and community benefits. However, the EqIA advises that these potential positive effects must be weighed against several potential risks and in particular the lack of clarity for businesses and occupiers of residential properties regarding their future on the site.

8.22. As recommended by MM, the council will undertake a further EqIA in order to assess any other potential impacts relating to the final development delivery strategy for the site which will be developed through a co-design led process. The council will ensure equalities impacts are taken into account throughout and at the heart of the co-design process.

8.23. The EqIA recognises that the council has sought to mitigate the risks for residents through a range of reasonable and proportionate measures focused on engagement, rehousing assistance, and alternative tenancy options to improve the outcomes of the scheme for the current and future site community but should continue to work with local businesses and residential occupiers to ensure a smooth and just transition upon implementation of the final development delivery for the site.

8.24. The EqIA makes several recommendations which are set out in the Action Plan within Chapter 7 of the EqIA included at Appendix 8 of this report. The key themes from these recommendations include:

1. Loss of social cohesion and community resources – to continuously work proactively and constructively through a various of channels of communication including face to face engagement where possible with residents and businesses, keeping up-to-date records of changing needs and circumstances.
2. Alternative housing should meet residents needs in relation to affordability, accessibility, and size.
3. To prevent displacement and social isolation, residents affected by scheme should be located within local area, to reduce the need for school moves, loss of employment or access to care networks.
4. Potential loss of business – ensure adequate support for businesses including: the provision of business support to guarantee the viability of businesses future on the site, enable existing businesses to continue to operate on the site should they wish to, including temporary periods of inactivity.

8.25. The council are committed to the above key recommendation themes and will develop a refined Action Plan in line with these as part of the further EqIA to be undertaken when the final development strategy for the site is completed.

9. Use of Appendices

Appendix 1 – Site Acquisition Plan

Appendix 2 – Site Plan

Appendix 3 – Property and Land Acquisition Schedule (Exempt Report Part B)

Appendix 4 – Site Ownership Plan

Appendix 5 – Summary and Assessment of Options Considered (Exempt Report Part B)

Appendix 6 – Risk Assessment (Exempt Report Part B)

Appendix 7 – Site development options

Appendix 8 – Equalities Impact Assessment

10. Local Government (Access to Information) Act 1985

The exempt part of this report is not for publication by virtue of paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972 as it contains information classified as exempt under Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

In all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Categories of Exemption

Exempt information means information falling within the following categories:

Part 1
1. Information relating to any individual.

2. Information which is likely to reveal the identity of an individual.

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

4. Information relating to any consultations or negotiations or contemplated consultations or negotiations in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or holders under, the authority.

5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

6. Information which reveals that the authority proposes – (a) to give under any enactment a notice under or by virtue of which requirements are imposed upon a person; or (b) to make an order or direction under any enactment.

7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

Part 2
Qualifications to the above exempt information:
(a) Information falling within paragraph 3 above is not exempt information under that paragraph if it is required under – (a) the Companies Act 1985 (b) the Friendly Societies Act 1974 (c) The Friendly Societies Act 1992 (d) The Industrial and Provident Societies Acts 1965 – 1978 (e) the Building Societies Act 1986
(f) The Charities Act 1993.

(b) Information is not exempt information if it relates to proposed development for which the local planning authority may grant itself planning permission pursuant to regulation 3 of the Town and Country Planning General Regulations 1992.

(c) Information which – (i) falls within any of paragraphs 1-7 above; and (ii) is not prevented from being exempt under (a) or (b) above is exempt information if an so long as, in the opinion of the Monitoring Officer, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Background Documents

Development Agreement and Supplemental Agreement with Grainger (2007 & 2015)

Cabinet Decision (July 2014) – 'in principle' approval of CPO powers and amendments to DA
Compulsory Purchase Order Indemnity Agreement (2015)