

Report for: Cabinet, 7th November 2023

Title: Acquisition at pre-construction stage of 46 affordable homes and commercial space within Block D4 in the Clarendon Gas Works Development being delivered by St William Homes LLP.

Report authorised by: David Joyce, Director of Placemaking and Housing

Lead Officer: Robbie Erbmann, Assistant Director of Housing
robbie.erbmann@haringey.gov.uk

Ward(s) affected: Noel Park

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

1. Describe the issue under consideration

- 1.1 Cabinet is asked to approve in principle the acquisition at pre-construction stage of 46 affordable homes and a commercial space contained within Block D4 in the Clarendon Gas Works Development being delivered by St William Homes LLP (a subsidiary of the Berkeley Group).
- 1.2 Acquisitions, alongside direct delivery, are an integral part of the Council's programme to deliver a new generation of Council homes in Haringey. This report sets out the reasons for this acquisition and seeks authority to acquire these units: these include the overwhelming need for affordable Council rent homes, the robust business case for the acquisition, and the high quality of the 46 homes that would be delivered for households in the greatest need.

2. Cabinet Member Introduction

- 2.1 There is an overwhelming need for affordable family homes in Haringey, and this acquisition will help the Council provide accommodation for those on the Council's Housing Register who are most in need.
- 2.2 The scheme will allow 46 families, including more than 100 children, to move out of temporary, overcrowded, and unsuitable accommodation into new two-, three- and four-bedroom Council homes. The high-quality homes will meet the Mayor's housing design standards, and energy efficiency measures will help decrease energy bills and reduce carbon emissions. The homes will be part of a sustainable Wood Green neighbourhood, which will deliver a 71% biodiversity net gain with increased tree cover, parkland, linear habitats and native planting and green roofs.

- 2.3 Overall, this scheme will support growth in a key placemaking area and will make a meaningful contribution to the Council's target of 3,000 homes by the end of 2031.

3. Recommendations

3.1 Cabinet is recommended to:

- 3.1.1 Approve the acquisition at pre-construction stage of 46 affordable homes and 120 m² commercial space within Block D4 in the Clarendon Gas Works Development being delivered by St William Homes LLP (SWH) for the premium set out in Exempt Part B report and on the basis set out in the Heads of Terms in the Exempt Part B report.
- 3.1.2 Approve the total scheme cost, on costs and fee budget set out in the Exempt Part B report.
- 3.1.3 Approve the use of Right to Buy receipts to subsidise this acquisition to the value set out in Exempt Part B report.
- 3.1.4 Grant delegated authority to the Director of Placemaking and Housing after consultation with the Head of Legal and Governance (Monitoring Officer) and Lead Member for Housing to agree the final legal documentation and complete the transaction.

4. Reasons for decision

- 4.1 The acquisition of these residential units will allow the Council to secure the delivery of 46 new Council homes at Council rents, building towards Haringey's pledge to build 3000 Council homes by 2031.
- 4.2 There is an overwhelming need for affordable homes in Haringey and particularly affordable family homes. This acquisition, which includes 36 three and four bedroom homes, will help the Council provide accommodation for rent to those on the Council's Housing Register.
- 4.3 The homes to be delivered are very well located and will be high quality, meeting the Mayor's housing design standards.
- 4.4 The acquisition is good value for money, being cheaper per home than the average new build property in the Council's own housing construction programme and is supported by funding from Right to Buy Receipts.

5. Alternative options considered

- 5.1 **Not to acquire the homes.** This option was rejected because it would represent a missed opportunity for the Council to:
- 5.1.1 Secure 46 homes to let as Council rent tenancies.
- 5.1.2 Avail of unallocated Right to Buy funding.
- 5.1.3 Assist in maintaining momentum and progress in the overall aspiration to provide affordable housing in the borough.

6. Background information

- 6.1 The Clarendon Gasworks development covers an 11-acre site located in Wood Green. The predominant former use of the site was a National Grid Gas Works, in addition to land acquired by SWH from LB Haringey (Olympia Trading Estate). Hybrid Planning Permission was granted in April 2018 (HGY/2017/3117) for a major mixed-use redevelopment of the site consisting of a minimum of 1,780 homes and 125,000 sqf of commercial uses. Planning permission required a minimum of 32.5% affordable housing (calculated by habitable room).
- 6.2 Since receiving Hybrid Planning Consent in 2018, SWH have secured approval for three further reserved matters applications to cover the seven blocks within their Phase 3, including block D4. Currently, the site-wide affordable housing proportion sits at 32.9%, excluding 145 homes that were sold to L&Q as additional shared ownership (non-S106 homes). Including these additional homes means the current site-wide proportion of affordable housing is 40% (by habitable room) - 599 homes in total.
- 6.3 To date St William have commenced or completed 1,100 homes including the 483 homes within Phase 3. Block D4 was granted reserved matters consent in October 2019 (ref HGY/2019/1775). It comprises 46 homes for affordable rent (10 x 2, 19 x 3 and 17 x 4 bedroom flats), a small commercial space (120 m²), and a large basement and ground floor energy centre for the local District Energy Network (DEN). Site plans and indicative images of building D4 are at Appendix 1.

Design Quality and Specification

- 6.4 The 'reserved matters' detailed design proposals for block D4 were approved by the Local Planning Authority in 2019. The block achieves a good standard of design, with 100% dual aspect homes, up to 11 storeys in height. The block is in a prominent location in the Clarendon Gasworks masterplan, forming the entrance to Moselle Walk from the north. The building forms part of a high quality new neighbourhood, with extensive landscaping and public space. The SWH Clarendon Gasworks masterplan won the 'Planning for Affordable Housing' award at the Planning Awards in 2022.
- 6.5 The main pedestrian approach route to this building will be either via the entry court directly off Brook Road from the north or from Mary Neuner Road through a public communal courtyard, which will be gated, to limit public access outside of daylight hours. Both are fully wheelchair accessible. Play space and equipment will be provided within both public open space and shared communal gardens that are only accessible to residents of the block (located to the south, accessible directly from the ground floor lobby). This will provide amenity space for the children of families housed in the scheme. Access to the building and private amenity space at ground floor level will both be controlled by fob access for residents of block D4 only. All of the new homes have generous private balconies.
- 6.6 This building will be served by heat and hot water from the Combined Heat and Power (CHP) plant. Currently the energy centre for the local CHP network

supplying the Clarendon Gas Works masterplan area is located in an adjacent block, but the intention is that a larger District Energy Network will in time be established, to service the broader local neighbourhood. If this District Energy Network is established the proposal is for the main Energy Centre to be located on the lower floors of D4.

- 6.7 A positive initial design and specification review took place with internal housing representatives in December 2022. A more detailed review of SWH's detailed specification for the block will be undertaken in line with the Housing Delivery 'design lock' process prior to the final formal agreement to acquire these homes.
- 6.8 Officers are currently procuring a Monitoring Surveyor to oversee this development and act as the Council's agent on site. Their initial role will be to compare the proposed SWH specification and construction contract details with the Council's typical Employer's Requirements, to flag any variance. At present officers anticipate minimal adjustments will be required as the headline specification issued by SWH is typical for the current Registered Provider market, but the Development Agreement will include clear processes for managing and controlling specification changes.

Location, lettings, future housing management and estate service charges

- 6.9 The site is well located both in terms of local social infrastructure and transport links, but also in terms of the proximity of the Council's offices and other Council housing stock, for ease of management.
- 6.10 Given the density of large family homes within this block, lettings and management arrangements need to be carefully considered and planned, especially as there is no space on site for a management presence within the block – the detailed arrangements for this will be confirmed in due course with the housing team, but there may be an opportunity to coordinate management space/arrangements with the Council's Chocolate Factory development nearby.
- 6.11 The details of proposed management arrangements for the broader surrounding estate, which will remain as private unadopted land, remain to be confirmed, along with the detail of proposed estate management charges and billing arrangements. These charges will cover the maintenance and repair of the private unadopted land and street furniture, management of refuse, including refuse compaction on site (to reduce the number of bins required within the block) and ensure bins are pulled for collection on street. They will also cover the regular maintenance of the local landscaping and play spaces. The business case appraisal for the acquisition includes anticipated estate management costs guided by SWH, but a more detailed assessment of ongoing costs and liabilities will be secured prior to completing the agreement to purchase.
- 6.12 The cost of providing these services will be recovered through an annual service charge. The implications to the Council of these costs are set out in the Exempt Part B report.

Commercial Unit

- 6.13 As noted above, a small (120 m²) commercial space forms part of the ground floor of the block. It is anticipated that this would be suitable for a local food and beverage offer or shop, and any future lease and use of this space will be carefully managed to ensure it does not restrict or negatively impact on the full use and enjoyment of the homes above. SWH are anticipating commercial spaces in their surrounding blocks being occupied by a local supermarket, coffee shop and early years nursery. SWH have submitted proposals to the Local Planning Authority suggesting that this unit will be marketed for use as a café, and Strettons, acting as their commercial advisors have suggested a number of potential local businesses who would be appropriate occupiers for this space. The Council, as landlord, will decide what is the final use and tenant for this space.
- 6.14 The Council's Economic Development team will advise regarding the local need for workspace and commercial space, and the Housing Delivery team have allowed for fees to cover both commercial advice, marketing and legal fees in relation to this space. It is anticipated that the proposed use of this space will be related to the use of the block for its principal purpose as housing, and as such, the commercial space will be held in the Housing Revenue Account (HRA) portfolio.

Wood Green District Energy Network and District Energy Centre

- 6.15 The Clarendon Gas Works site is earmarked to form part of the planned Wood Green District Energy Network, which could in future supply heat to ca. 5000 homes and 145,000 m² commercial space within the surrounding neighbourhood. This strategic project is at design stage, led by the Council's Carbon Management team, with a business case under development to delineate and secure the full infrastructure investment required.
- 6.16 The space earmarked for the main Energy Centre for this proposed District Energy Network sits within block D4, over the basement and ground floors. The provision of this Energy Centre is a requirement of the S106 legal agreement associated with the planning permission for the Clarendon Gasworks masterplan. The S106 agreement requires the Energy Centre to be offered to the Council for lease at a peppercorn once certain key legal triggers have been achieved.
- 6.17 As noted above, at present, the existing homes and commercial spaces that have been completed and occupied across the Clarendon Gas Works site are heated from a smaller local Combined Heat and Power (CHP) network, with communal CHP plant located in an adjacent block. This existing network could supply the new homes and commercial space in block D4, prior to any transfer across to the proposed larger Wood Green District Energy Network in due course. The establishment of the Wood Green District Energy Network is subject to the Council approving a business case for the infrastructure investment required, and if this does not proceed, the homes and commercial space in block D4 can continue to be provided with heat from the local CHP network or other alternative sources, with the basement and ground floor Energy Centre space being repurposed for alternative uses.
- 6.18 The establishment, specification and operation of the Energy Centre and the broader local District Energy Network is being overseen by the Council's Carbon

Management team. A detailed specification for the centre, including some additional works not specified in the S106 agreement, is currently being negotiated with SWH. The specification, leasing, commercial operation and management of the Energy Centre sits outside the main purpose of the purchase of block D4 for housing, and as such the current proposal is to acquire the 46 new homes, associated communal areas and commercial space on a long (999 year) lease, with the developer retaining the freehold and the ownership of the Energy Centre. SWH will then separately establish the Energy Centre ownership transfer arrangements to the Council or the Council's proposed operator in due course, if the Council establish a business case for the broader District Energy Network investment, and once the Council are satisfied with the specification and works to the centre, in line with the DEN requirements. This circumstance is not included in the Heads of Terms for this transaction.

- 6.19 The ground floor of building D4 has been carefully designed with input from services, structural, energy, air quality and acoustic consultants and LB Haringey's Planning and Carbon Management team. The proposed building configuration and façade design is capable of providing adequate fresh air intake and air exhaust, whilst mitigating any impact on the residents of the block. Fresh air intakes are located near to the D4 amenity space. Air extracts are located towards Moselle Walk and the entry court, where people are less likely to dwell. The main flues from the plant within the Energy Centre rise up a dedicated shaft in the heart of the building and exit 3m above roof level.

Acquisitions and Disposal Policy

- 6.20 The Acquisitions and Disposals policy is contained in the Asset Management Plan February 2020 which was updated and adopted by Cabinet in February 2021. The policy sets out key 'Principles' and 'Tests' that determine alignment with the Borough Plan. This transaction aligns with the Borough Plan's Housing Priority.
- 6.21 The policy also states that acquisitions will be considered in order to acquire completed new housing units being developed on private land, former Council land and other private housing acquired individually or in groups, which will increase the Council's stock of homes. The Council will aim to acquire via negotiation in the first instance having carried out a RICS valuation, and having assessed the business case for acquisition, including affordability.
- 6.22 The acquisition process and the negotiations with the developer have been coordinated to date between the Council's Housing Delivery and Property teams. The Property officers working on this acquisition are RICS qualified and have significant previous experience of property transactions, asset management and investment. The Red Book Valuation (RBV) for the purchase price has been independently commissioned and provided by a national surveying practice. The terms of reference for the RBV are governed by the RICS.
- 6.23 This proposed acquisition has followed the Council's internal governance process and been recommended by both Housing Board and Capital and Property Board.

- 6.24 Generally this acquisition is good value for money, costing less than the average cost per home for new build within the Council's Housing Delivery programme. The acquisition cost can be accommodated within the HRA Business Plan.
- 6.25 The basis for this acquisition has been assessed and found to meet key criteria as set out in the Council's Disposal and Acquisitions Policy, as outlined in the table below:

Assessment Criteria:	Test	Outcome
MTFS contribution	Assessed as part of Business case.	√
Asset Management Plan	Corporate Delivery Plan priority for delivery of affordable housing for rent.	√
Business Case	Approved by Finance Department.	√
Deliverability	Ensured delivery by third party developer as part of Development Agreement.	√
Valuations/ Development appraisal supports	Red Book Valuation for Open Market Value	√
Affordability	Demonstrated within the Business Case.	√
Legal assessment	Approval of Heads of Terms leading to documentation of transaction.	√
Alternative options considered	Only alternative is not acquire the homes which would lead to failure to achieve Housing Targets.	√
Risk assessment	Risk to Council covered by financial retentions and project monitoring safeguards in contract.	√
Political	Transaction has been presented to The Leader and the Lead Cabinet Member.	√

Valuation and Purchase Price

- 6.26 The long leasehold interest of the new homes, associated communal spaces and the commercial premises in block D4 will be secured by the Council once the first phased payment is made at 'Golden Brick' stage.
- 6.27 The purchase price as set out in the Exempt Part B report encompasses the 46 affordable homes and commercial premises. This value is supported by a Red Book Valuation from Carter Jonas assessing the Open Market Value, net of any grant or other subsidy.
- 6.28 The total cost of the acquisition, including fees and overheads, is detailed in the Exempt Part B report. This acquisition is included in the current HRA business plan.

Use of Right to Buy Receipts

- 6.29 As a stock owning authority, LB Haringey retains the capital receipts from the sale of Council homes under the Right to Buy (RtB). The purpose of retaining these proceeds is to recycle the money back into the provision of replacement

Council homes. The Government's preference is that the replacement homes are delivered through new build stock and encourages authorities to utilise RtB receipts as capital subsidy for this delivery. To further incentivise this, in the Spring 2023 Budget it was announced that councils can retain 100% of the RtB receipts they receive in the financial years 2022/23 and 2023/24. Previously, an administration fee was payable, in addition to the 'Treasury Share'; a percentage of the total sums received that was payable yearly to central Government.

- 6.30 Therefore, the Council is currently benefitting from a greater pot of receipts than in previous years and has an opportunity to channel more capital funding into supporting the Housing Delivery Programme. If the RtB funds are not recycled as capital subsidy to support the delivery of new Council homes, once the repayment moratorium ends in April 2024, after 5 years they will be paid in full to the Treasury and the benefit to the Council lost.
- 6.31 Cabinet is asked to approve the use of retained RtB receipts as capital subsidy to support the acquisition of 46 homes within Clarendon block D4, to the value specified in the Exempt Part B report.
- 6.32 Without the use of RtB receipts or other grant subsidy the acquisition is not financially viable. RtB receipts and GLA capital grant cannot be utilised as subsidy on the same new build homes. The Clarendon acquisition does not already have an allocation of GLA grant, meaning it was one of the few schemes eligible for RtB subsidy in the Housing Delivery Programme.

7 Contribution to the Corporate Delivery Plan 2022-2024 High level Strategic outcomes

- 7.1 This acquisition, as part of the Council's broader Housing Delivery Programme will play a key role in achieving the outcomes under the CDP theme: 'Homes for the Future'. In particular, the targeted outcomes to achieve 'an increase in the number and variety of high-quality and sustainable homes in the borough' and 'an improvement in the quality of housing and resident services in the social rented sector'.
- 7.2 The acquisition will support housing growth in a key regeneration area, and will make a meaningful contribution to the Council's target of 3,000 homes by the end of 2031.

8 Carbon and Climate Change

- 8.1 Building D4 forms part of the Clarendon Gasworks masterplan, designed and developed by SWH with significant input and involvement from the Council's Carbon Management team, particularly in relation to the proposal for and specification of a new District Energy Network, with the principal Energy Centre for this network located in this building. The operation of this network will provide low carbon heat and hot water for the new homes and community and commercial spaces across the neighbourhood. The homes were designed to comply with the previous requirement (pre-2022) to achieve a 35% reduction in carbon emissions beyond that required by Building Regulations Part L (2013).

- 8.2 Beyond the block itself, the masterplan being delivered on the Clarendon Gasworks site will be a highly sustainable and low carbon neighbourhood. In total the scheme will deliver 71% biodiversity net gain with increased tree cover, parkland, linear habitats and native planting and green roofs.

9 Statutory Officers comments

Finance

- 9.1 Initial viability assessment indicates that this scheme is viable and can be contained within the HRA plan.
- 9.2 Finance agrees, in principle, the recommendations in this report outlined in paragraphs 3.1.1 to 3.1.5 subject to finalisation of the latest iteration of the HRA financial plan.
- 9.3 Further finance comments are contained in the exempt report.

Procurement

- 9.4 Strategic Procurement (SP) has no concerns regarding the recommendation in section 3 above.

Legal

- 9.5 The Head of Legal and Governance (Monitoring Officer) has been consulted in the preparation of this report.
- 9.6 The Council has the power under section 120 of the Local Government Act 1972 for the purposes of any of its functions under that Act or any other enactment, or the benefit, improvement or development of their area, to acquire by agreement any land, whether situated inside or outside its area.
- 9.7 The Block D4 will be acquired for housing purposes and therefore will be held in the Housing Revenue Account. Under section 17 of the Housing Act 1985 the Council as a local housing authority may for housing purposes acquire land as a site for the erection of houses, or acquire houses, or buildings which may be made suitable as houses, together with any land occupied with the houses or buildings.
- 9.8 The budget requested in this report must be within the budgetary framework as approved by full Council.

Equality

- 9.9 The Council has a Public Sector Equality Duty (PSED) 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
- 9.10 The three parts of the duty apply 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.
- 9.11 The purpose of this report is to seek approval for the acquisition of 46 homes, a commercial space and District Energy Centre in block D4 at the Clarendon Gasworks site.
- 9.12 The objective of the decision is to increase the supply of Council housing in Haringey. The groups that the decision is most likely to directly affect are Haringey residents living in temporary accommodation and Haringey residents who are at risk of homelessness. Data held by the Council suggests that women, young people and BAME communities are over-represented among those living in temporary accommodation. Individuals with these protected characteristics as well as those who identify as LGBTQ+ and individuals with disabilities are also known to be vulnerable to homelessness, as detailed in the Equalities Impact Assessment (EqIA) of the Council's Draft new Housing Strategy. As such, it is reasonable to anticipate a positive impact on residents with these protected characteristics.
- 9.13 The Council considers there will not be any negative impacts associated with this proposed acquisition.

10 Use of Appendices

Appendix 1: Location Plan and Indicative Images of Building D4

Part B: EXEMPT

- Total Cost, Fee and On Costs Budget
- Right to Buy Receipts Subsidy
- Heads of Terms

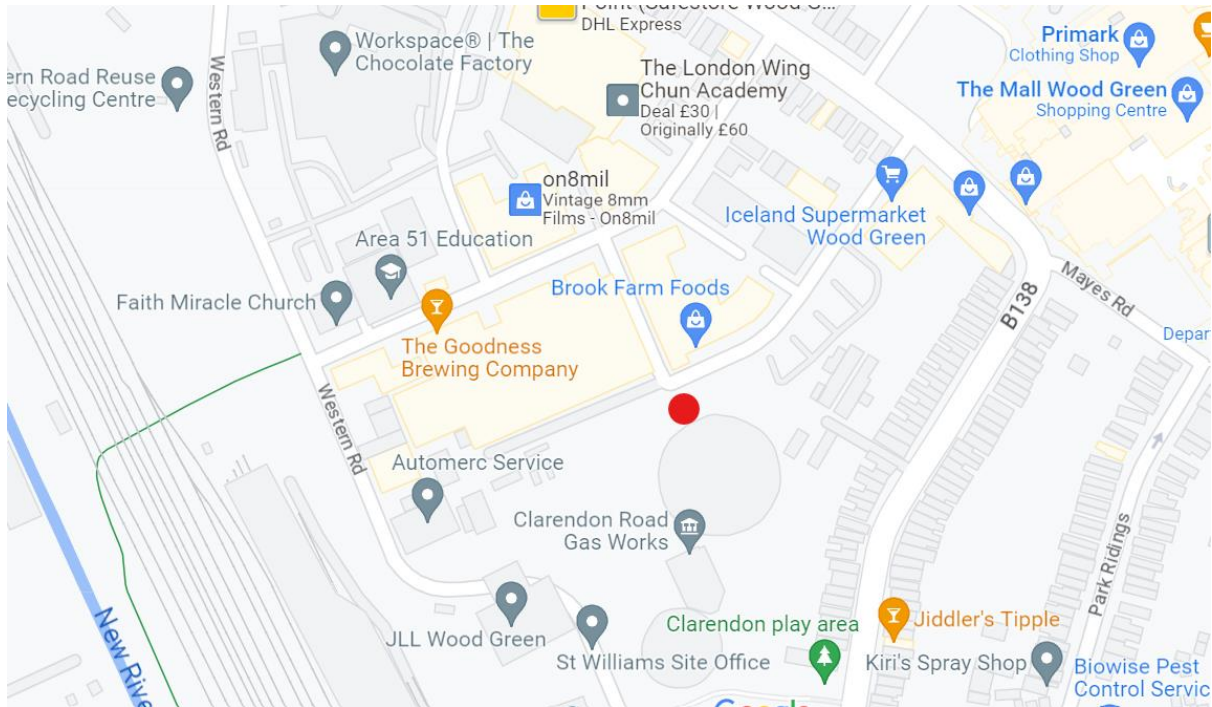
11 Background Papers

11.1 No background papers.

11.2 Part B of this report is NOT FOR PUBLICATION by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. This Part B is not for publication 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).

Appendix 1: Location Plan and Indicative Images of Building D4



Google Maps location plan – building D4 site marked by red dot



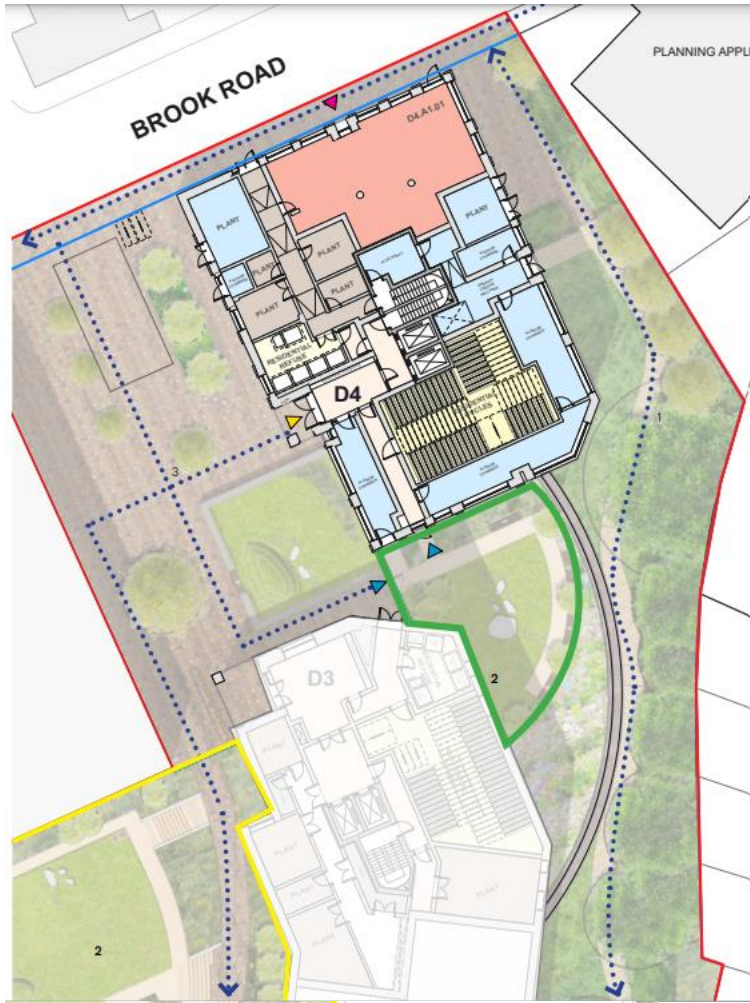
Location Plan



KEY

- 2B
- 3B
- 4B
- Wheelchair accessible internal route
- Residents entrance
- Stair core
- Passenger lift

Typical floor plan



- KEY**
- ▲ Main residential entrance
 - ▲ A1 Retail Unit entrance
 - ▲ Access to private communal amenity
 - Public communal courtyard
 - Communal private amenity
 - A1 Retail Unit
 - 1 Moselle Walk
 - 2 Playspace
 - 3 Entry Court
 - Wheelchair accessible pedestrian route

Access and Amenity Space



Illustrative view showing approach to D4 from Silsoe Road



Illustrative view showing D4 and the entrance to the Moselle Walk



Illustrative view showing the approach to D4 from the public courtyard. Building name is indicative.

