Haringey Development Vehicle Business Case

October 2015

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1 Executive Summary

Introduction

Haringey Council is seeking to implement a new delivery approach that will facilitate estate renewal, town centre regeneration and economic growth on its own land within the Borough. This new approach will seek to build on and complement existing regeneration strategies of the Council using the Council's extensive commercial portfolio and key assets to assist the Council in achieving its aims as set out in the Corporate Plan.

The purpose of this Business Case is to set out the findings of the review and analysis undertaken to determine the viability and feasibility of the Council implementing a new delivery approach, and provide a recommendation as to the most appropriate structure for this new approach.

Context

The Borough has huge potential for growth and opportunity. Haringey, and in particular Tottenham, is today seen as London's next big growth opportunity. The Council's Corporate Plan states that by harnessing the Borough's potential correctly it can become a more balanced and prosperous area and an important part of the future of London. It is believed Tottenham alone is capable of delivering 10,000 new homes and 5,000 new jobs by 2025.

The Council is therefore seeking to meet the priorities outlined in the Corporate Plan, reinforced by the London Plan, and capitalise on the opportunities of the Borough. The Council has identified the following key objectives:

- To deliver growth through new and improved housing; town centre development; and enhanced use of the Council's property portfolio;
- To achieve and retain a long term stake and control in development of the Council's land, maintaining a long term financial return;
- In partnership with the private sector, to catalyse delivery of financially challenging schemes;
- Achieve estate renewal by intensification of land use and establishment of a range of mixed tenures, together with tenure change across the Borough where appropriate;
- To secure wider social and economic benefits in areas affected, including community facilities, skills and training, health improvement or crime reduction for the benefit of existing residents; and
- Incorporate land belonging to other stakeholders, both public and private sector, into development.

However, the Council is aware that although it is 'land rich', due to increased funding constraints, and lack of Council cash, capacity and expertise resource, it is unable to deliver the aimed for scale and quantum of regeneration and development on its own land without input from other stakeholders. This Business Case therefore explores the options available for a new delivery approach through which these objectives can be fulfilled.

Property Portfolio

The Council owns a substantial and diverse property portfolio within the Borough which includes residential estates, development sites, Council occupied / civic assets and a commercial portfolio. Many of the sites suffer from:

- Being in areas of deprivation;
- Low land values;
- Low housing densities;
- Underperformance;
- Adjacency to other sites, in private ownership, with which they would ideally be consolidated; and
- Requiring public sector funding and/or innovative development solutions.

A cross section of assets from this extensive portfolio have been considered as part of the proposal for establishing a new delivery approach, in order to demonstrate how these might be delivered from a financial perspective. These assets have been identified as priority sites on which large scale estate renewal and town centre regeneration can be undertaken and the aspirations of the Corporate Plan and Housing Strategy can be fulfilled:

- Wood Green;
- Northumberland Park regeneration area;
- Medium Potential Development Sites (Park Grove, Leabank View and Cranwood are assessed for the purposes of this Business Case); and
- Commercial Portfolio.

For note, several assets within the Council's portfolio are already being taken forward by different routes – for example Alexandra Palace, High Road West and Tottenham Hale – on the basis that these are significant stand alone sites for which a clear route has already been determined, and therefore have not been considered under the options analysis as part of this Business Case.

Options Analysis

The following options have been identified as potential new delivery approaches which the Council could implement in order to achieve fulfilment of the objectives:

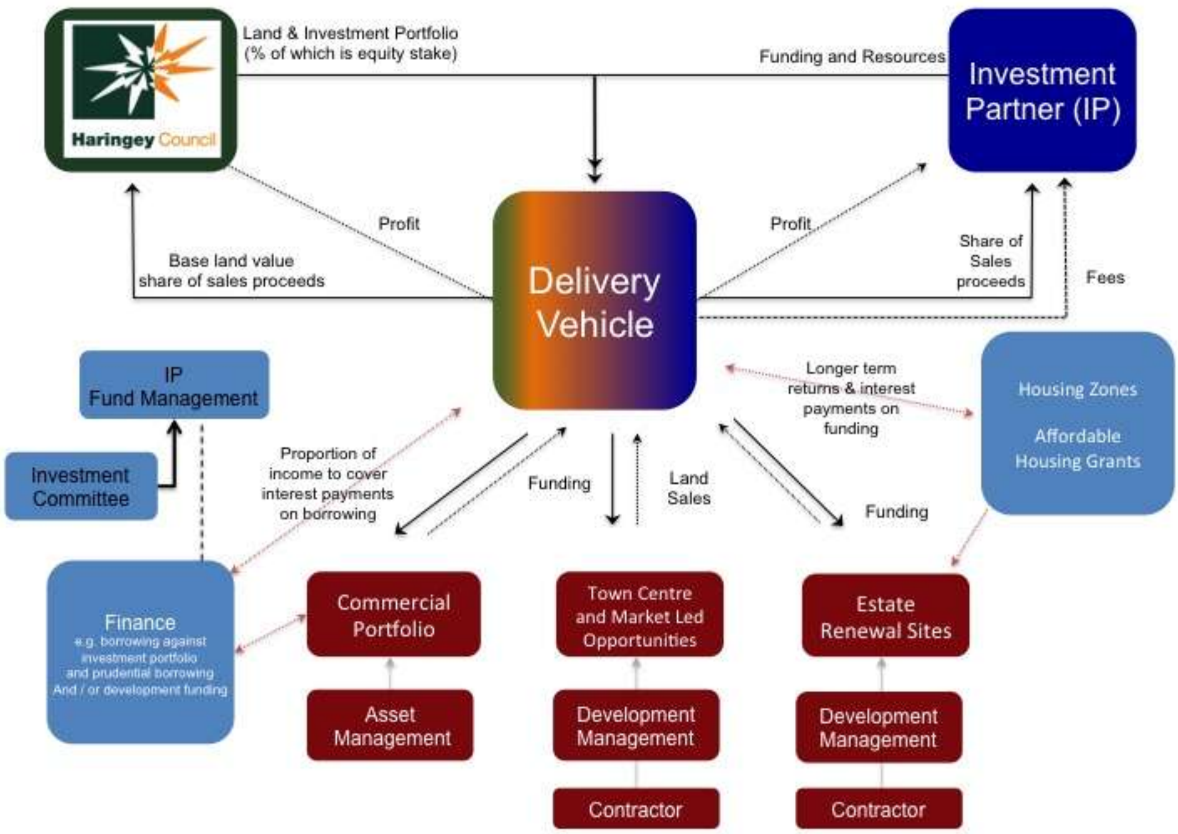
- **Option 1**: **Base Case** – the Council continues with the current approach (taking forward and developing sites themselves, including restructuring of the commercial portfolio);
- **Option 2**: **Disposal of Individual Sites** – the Council takes forward sites (subject to available resources and funding) and then sells the sites into the market either individually or packaged up as portfolios;

- **Option 3**: **Outsource Asset Management and Services** – the Council outsources management of its entire portfolio (including the commercial portfolio and large estate renewal sites) to a third party provider who provides services on behalf of the Council;
- **Option 4**: **Council Wholly Owned Vehicle** – the Council establishes a vehicle (arms length independent company) through which it would develop sites;
- **Option 5**: **Site Specific or Asset Focused Vehicles** – the Council establishes site or asset specific vehicles, predominantly for the estate renewal and town centre sites, with different private sector delivery partners; and
- **Option 6**: **Overarching Vehicle** – the Council establishes an overarching vehicle with a strategic partner to create an overarching strategic partnership. Sites are taken forward through different delivery mechanisms beneath the overarching level e.g. development agreements, joint ventures etc.

A qualitative and quantitative analysis was undertaken of these options, which concluded that Option 6: Overarching Vehicle would be the most suitable delivery approach for the Council in order to fulfil the Council's objectives and aims of the Corporate Plan. It also provides the flexibility to combine the benefits from all the other options considered into one option.

Recommended Delivery Approach

The key aspects of this approach are set out below:



This is based on the 50:50 form of a special purpose vehicle, which is owned by a public sector partner (the Council) and a private sector partner with the specific purpose of carrying out regeneration and development.

The overarching vehicle has been termed the Haringey Development Vehicle (HDV).

- The HDV is established between the Council and a private sector Investment Partner (IP) with each holding a 50% equity interest;
- The HDV will be established as a long term vehicle, most likely for a period of 15 – 20 years with the option to renew if the partners elect to do so after the end of this period;
- As equal stakeholders, the partners share the risks, rewards and control;
- The HDV is likely to perform its activities through different subsidiary vehicles i.e. commercial portfolio; town centre and market led opportunities; estate renewal sites;
- The IP will provide, or secure the provision of, the following services:
    - Development management;
    - Asset management;
    - Fund management;
    - Management of residential accommodation; and
    - Development / contractor services.
- The services provider will receive fees for providing these services with remuneration based on incentivised targets;
- The Council will contribute development sites and the commercial portfolio to the HDV. In the case of the commercial portfolio, this could be by means of transfer on day one of establishment and, in the case of the estate renewal and development sites, future transfer subject to conditions precedent being satisfied;
- Sites will be transferred on a long leasehold basis;
- The IP will be required to input funding to match the Council's equity interest and additional funding on a debt basis;
- Profits are distributed between the partners following repayment of debt; and
- The business plans of the HDV will provide the opportunity for the Council to enshrine its objectives into the sites and vehicle.

Financial Outputs

A full financial model has been developed of the preferred option. The table of financial outputs has been included in the exempt portion of this report.

Conclusion and Next Steps

The conclusion of the Business Case recommends that an Overarching Vehicle – the Haringey Development Vehicle – is established between the Council and an Investment Partner. In order to turn strategy into delivery, the following steps will need to be undertaken:

- Resourcing: establishment of a dedicated project team to oversee implementation of the project;

- Pre-procurement work: uncertainty can severely diminish the value of a deal and it is therefore imperative that as much information as possible is obtained prior to going to market and commencing the procurement process; and
- Procurement work: implementation of a full procurement process from issue of OJEU through to financial close.

2 Introduction

The London Borough of Haringey (the Borough) has huge potential for growth and opportunity and Haringey Council's (the Council) vision through its Corporate Plan 2015-2018 "Building a Stronger Haringey Together" (the Corporate Plan) states that by harnessing that potential correctly the Borough will become a more prosperous and balanced community and an important part of the future of London.

Haringey, and in particular Tottenham, is today seen as London's next big growth opportunity. Tottenham alone is capable of delivering 10,000 new homes and 5,000 new jobs by 2025 (as directed by the Strategic Regeneration Framework). The London Plan also sets out a target for Haringey for the delivery of 1,502 homes per annum between now and 2026. The Council owns a significant property portfolio, including land with major development potential, and is keen to utilise this opportunity to drive forward growth and fulfil the Borough's potential.

The Council is therefore seeking to meet the priorities outlined in its new Corporate Plan (committing Haringey to major growth in housing and employment), reinforced by the London Plan expectation for significant housing and employment growth, and capitalise on the opportunities of the Borough and its landholdings to promote the area for regeneration and development. The Council wishes to assess how its assets could be structured to better meet its underlying objectives, and exploit the value of its assets to best effect to drive housing and economic growth, with a strong focus on ensuring that this growth benefits existing residents of the Borough and where possible helps to meet the wider aims of the Council's Corporate Plan.

The Council is aware that due to increasing funding constraints (including the costs involved in utilising facilities such as prudential borrowing; the caps imposed on the amount Councils can borrow against their housing assets; acceleration of the Right to Buy and therefore the depletion of housing stock; and the forced decrease in rents (1% per year for four years) which will reduce the Council's ability to finance new homes and estate renewal), it is unable to deliver the aimed for scale and quantum of regeneration and development on its own land without input from other stakeholders, including the private sector. The Council is also aware that although it is 'land rich' it lacks the cash, capacity and expertise to deliver the aimed for growth against this financial context and the social and economic challenges faced by the Borough – for example whilst the Borough has more affordable housing and low values in some areas compared to some neighbouring London Boroughs, much of the social housing needs substantial improvement and there is low consumer spend and limited job supply.

2.1 Objective of the Business Case

The Council is therefore seeking to define a way forward which will enable it to use its own landholdings to drive housing and economic growth, facilitate wider social and economic regeneration, and in particular will allow it to harness alternative sources of funding.

Through the Local Plan, Site Allocations, Tottenham Strategic Regeneration Framework and Area Action Plan (AAP) and emerging Wood Green Investment Framework and AAP, Haringey has laid much of the important groundwork for bringing forward its developable land. The acknowledged belief that Tottenham and Wood Green are areas of potential in London for growth and the development of an 'affordable London' illustrate that now is the right time to harness the potential of the Borough, including the Council's land. The Council has also undertaken an extensive review as to the future of housing delivery in Haringey (Housing Strategy and Social Housing Review) and review of the current and future funds and costs for the Council (Capital Strategy).

The Council is therefore considering the proposition of implementing a new delivery approach as a means of achieving this goal. This proposition would seek to use the Council's asset base to provide substantial leverage of private sector funding and would facilitate implementation of an innovative development delivery approach to proactively accelerate and deliver growth and regeneration in the Borough. The strategy would therefore seek to combine Council assets with private investment and expertise, whilst allowing the Council to retain control over pace and quality of development, providing the Council with long term revenue and investors with long term yields.

This Business Case has been written to analyse the viability and feasibility of the Council establishing a new delivery strategy; review the options for the structure it could take; assess those options against the Council's objectives, the Corporate Plan and other strategic objectives such as the Tottenham Strategic Framework and the emerging Wood Green Investment Framework; provide a recommendation as to the most appropriate delivery approach for the Council; and set out the potential next steps (including establishment and implementation). The document will draw together the findings of the analysis and review and provide a document from which the Council can make a fully informed assessment as to whether to proceed with the implementation of a new delivery approach.

The Business Case has been prepared by Turnberry Real Estate, Bilfinger GVA and Pinsent Masons drawing upon the findings and work already undertaken to date by the Council and its consultants.

2.2 Structure of the Business Case

The objective of the Business Case is to identify and recommend an appropriate approach for unlocking a portfolio of the Council's own landholding to support regeneration, housing delivery and economic development. This will include assessment of the types of partners who may be interested in working with the Council on such an opportunity and how investment could be attracted through a delivery structure.

This document therefore sets out and examines the delivery options available to the Council, and provides a formal recommendation as to the most appropriate option for the Council. In summary, the Business Case will address the following issues:

- Analysis of the Borough's currents assets and suitability of these assets for including in any delivery option;
- Analysis of the opportunities and delivery options available to the Council in order to fulfil the objectives and vision of the Corporate Plan;

- Assessment of the feasibility, viability and deliverability of the options, which will include a detailed qualitative and quantitative analysis;
- Analysis of the opportunities for using innovative solutions to deliver a range of housing tenures (market for sale, private rented, social rented, shared equity, estate renewal) and achieve maximum value, employment creation and financial returns from the commercial portfolio;
- Recommendation of a preferred option, including the structure, operation and implementation of this option;
- Market summary and soft market testing;
- Proposed delivery programme, including implementation and next steps.

2.3 Approval Procedure

This Business Case has been prepared for submission to Cabinet in October 2015.

Using the Business Case, Cabinet will be able to make an informed decision as to whether to proceed with the procurement of a partner, and (following the procurement process) the establishment of a development vehicle.

3 Strategic Case

Increasing funding constraints are putting considerable strain on Local Authority revenue and capital budgets. The caps being imposed on the amount Local Authorities can borrow against their housing assets; acceleration of the Right to Buy and therefore the depletion of housing stock; the forced decrease in rents (1% per year for four years); and the costs involved in utilising facilities such as prudential borrowing are all impacting on the ability of Local Authorities to finance new homes, estate renewal and economic regeneration projects. There is also significant pressure on Local Authorities to ensure their property portfolios are rationalised, fit for purpose and are being used efficiently. As a result, Local Authorities are increasingly giving consideration to facilitating development through delivery arrangements, with this financial context provoking an exciting opportunity to implement new delivery methods and strategies.

The Council holds a considerable portfolio of land and property, but although it is 'land rich', due to financial constraints and lack of resource and expertise the Council is unable to deliver the required scale and quantum of regeneration and development on its land on its own.

Against this context, the Council is proactively seeking to implement a new delivery approach which will define a way forward by which to deliver the vision of the Corporate Plan and estate renewal strategy, whilst complementing Council regeneration strategies already in place. By this means, it will seek to fulfil the strong economic and growth potential of the Borough, as identified in both the Council's Corporate Plan and the London Plan.

3.1 Strategic Context

The Council has identified a strong vision for the Borough through the Corporate Plan, the draft Housing Strategy, and the Economic Development & Growth Strategy. These form a clear strategic backdrop against which the proposal to implement a new delivery approach must be considered. Any new approach must have the ability to realise the needs and objectives of the Council as set out in these key documents.

Corporate Plan

Housing is a major Council priority. As identified in the 2011 census the population is growing faster than previously estimated, and for the plan period 2011-2016 there is a requirement for a housing target of over 19,000 houses. The Council via its Local Plan DPD allocations has identified sites for 18,000 homes with the shortfall to be made up of windfall sites. In addition, however, the Council through its Corporate Plan makes it clear that they are seeking to implement a regeneration strategy that goes further than simply adding to housing stock.

In order to meet the Council's ambitious Corporate Plan Objectives, the delivery approach will have to be able to deliver a more holistic and wider remit than a standard housing regeneration scheme; it will also need to drive growth and employment from which everyone can benefit (Corporate Plan Priority 4); and create homes and communities where people choose to live and are able to thrive (Corporate Plan Priority 5).

Link to Corporate Plan on Council Website

Housing Strategy (2015 – 2020)

With a 65% reduction in the amount of subsidy that is now available to the Council to build affordable homes, as well as the continuing changing nature of the housing market, both locally and nationally, the housing challenge for the Borough is even more significant, and the Council currently cannot meet demand. In particular, demand for affordable housing exceeds supply in the Borough, and currently the Borough has the second highest number of households in temporary accommodation. London Councils have estimated that over 800,000 new homes will need to be created over the next decade within London, but currently only 25,000 are provided annually.

The Council's latest draft Housing Strategy outlines the Council's position for housing over the next five years, including the Council's estate renewal strategy to tackle issues such as mono tenure, non permeable estates, poor stock profile and low density. It is an important document that builds on the Corporate Plan and sets out how the Council will deliver and plan new housing to support growth in the Borough, based on a vision that states:

> *" Housing is about people and communities, not just bricks and mortar. This means mixed and inclusive neighbourhoods where residents can lead happy and fulfilling lives"*

In order to carry out this ambitious strategy the Council understands that a step change in the number of houses being built and the type of density of housing is required. This will enable the Council to tackle the current housing crisis and drive up the quality of homes whilst building mixed and balanced communities in a Borough that already has huge disparity across its wards. The aim also being to ensure no net loss of existing affordable housing floorspace across the Borough; ensure affordable housing units are designed to a high quality; and are fully integrated within schemes.

This strategy supports and works in tandem with the planning policy of the local development plan, ensuring new homes:

- Are affordable to current and future residents of the Borough;
- Provide an appropriate mixture of different tenures;
- Are designed for peoples needs including accessibility to numbers of bedrooms.

Link to Housing Strategy on Council Website

Future of Housing Review

As part of the housing transformation programme, a review of Future Housing Delivery in Haringey has recently been undertaken to examine the future delivery and investment in housing services after March 2016. This coincided with the end of the Homes for Haringey (HfH) contract and the end of Decent Homes funding.

The Council owns over 15,000 homes, currently managed by HfH. In addition there are nearly 5,000 leaseholders. A significant amount of Decent Homes work has been carried out but little estate renewal has been completed. There are some technically complex and high cost estates. There is also considerable demand and pressure on the Council's housing stock which has been exacerbated by purchases under the Right to Buy scheme reducing stock numbers.

Having considered, at length, a number of options available to the Council, the report concludes that regeneration through a development vehicle is likely to be the Council's best solution for the improvement of estates. This solution would allow new housing and the replacement of old stock. It is unlikely to be a refurbishment vehicle, and transfer would most likely operate on the basis of decanting tenants and potentially offering them the opportunity to return.

The recommendations of the review are that:

- There is no compelling case for bringing the service back in house and that HfH should continue with an extended contract. They should be charged with continuing to improve performance and to reviewing the service provided for leaseholders;

- As transfer, either whole stock or partial, is unlikely, further investigation should be carried out into the possibility of a development vehicle for Haringey which appears to offer the best chance of building new housing and replacing old stock;

- Noel Park and Broadwater Farm are key estates with particular condition needs and solutions should be brought forward for their improvement; and

- The Council should examine its approach to ownership and direction of the housing service and particularly clarify ownership and decision making on investment and development.

Because there is not a solution that would close the financial deficit, the Council should adopt an asset management approach for the future, which would establish:

- Priorities between investment, new build and regeneration;

- Standards to which the housing stock will be maintained;

- Programmes to deliver those standards; and

- Continued concentration on managing costs down.

Economic Development & Growth Strategy – A Plan for Jobs, Growth and Prosperity

The Economic Strategy states that by regenerating areas within the Borough the Council will not only be able to deliver increased housing but will also ensure that its long term aims for economic growth are achieved. Despite the Borough having close proximity to some of London's key business centres such as King's Cross and Tech City, and having a long legacy of creative and artistic talent with a diverse mix of cultures, the Borough has not yet been able to harness or leverage these advantages. Since 1994 local jobs have only grown by 120 per year, and many are at entry level in the retail and service economy. The Borough is underemployed and has earnings levels below the London average.

Any new delivery approach needs to act as a catalyst and platform for economic regeneration and growth in the Borough with greater opportunity and prosperity for residents. The Economic Strategy aims to see:

- A fully employed Borough: 75% of the Borough working age population in work. In today's population this would equate to more than 17,500 residents finding work today to reach that target. The Council would also like to see full time earnings in line with London averages for the bottom quartile and median earners along with an increase in qualifications; and
- A more dynamic Borough: an increase in jobs by 20,000 from the baseline 2011 position, with a profile change from less public sector and retail to greater ranges including an increase in higher skilled and innovative sectors.

Although the Borough has the disadvantage of starting from a low base, it has a number of key advantages when looking to improve economic performance:

- The Borough is situated at the edge of inner London, with inner London's businesses currently diversifying and expanding at their fastest rate in some years. The Borough is the natural stepping stone for these innovative and successful businesses to move to; and
- The Borough, with its development opportunities and progressively good transport connections, provides an environment that is highly conducive for economic growth and is attractive to incoming businesses.

By increasing economic and business demand in the area, it is hoped that this will catalyse job creation, and therefore generate business rates revenue, which the Council could retain for reinvestment in further growth, and key services.

The Tottenham Programme

The Council's commitment to delivering change is most demonstrable in Tottenham where an exciting regeneration programme, capable of delivering 10,000 new homes and 5,000 new jobs by 2025, is being delivered. The regeneration programme is guided by the Strategic Regeneration Framework (SRF), which sets out the vision for the future of Tottenham.

These ambitions are supported by circa £300 million of public sector investment in infrastructure in Tottenham. This funding will deliver:

- An intermodal station at Tottenham Hale;
- The three and ultimately four tracking of the West Anglia Main Line;
- The incorporation of the Edmonton Green line into the London Overground network;
- The electrification of the Barking Gospel Oak line; and
- Improvements in frequency between Northumberland Park regeneration area, Tottenham Hale and Stratford on the West Anglia Main Line.

Financial Strategy

One of the Council's main long-term strategic objectives is to secure a better balance between long-term revenue streams, by participating in the development and holding of property, as opposed to short term capital receipts achieved through the sale of assets; together with maximising the value of both assets that are retained and of those assets that are disposed. There is an acknowledged shortfall of development management skills within the organisation which means that, combined with lack of capital funding, the Council is unable to establish an effective development function of its own to secure best use and maximise value of its land and assets to deliver the required growth. The Council is currently reviewing its capital strategy - this business plan is based on the assumption that the Council is seeking to build a sustainable and long term income stream to deliver its long term revenue strategy.

On-going reduction in Government grants has required the Council to find savings of £70 million over the next three years and consequently a period of transformative change is required to meet this challenge. The savings are additional to the £117 million that the Council has had to save since 2010. Despite these funding cuts, the Council has further ambitions to manage growth, and some of its key priorities include delivery of more than £1 billion of new external investment into the Borough, which will create more affordable homes and jobs, increasing average household earnings. The Council has a yearly capital programme and indicative planned programme for a further two years. Given the scale of the Council's plans, the aim is to extend the planning process for its capital funds and asset opportunities to ensure that the amount of funding available is clearly known and strategically prioritised to meet the Council's priorities in the long term.

Due to the scale of the opportunity and the Council's ambitions, it is clear that any delivery approach needs to attract significant investment from the private sector. In order to do this, it must provide a viable portfolio of assets that will make the private sector attracted to participate. The Council is keen to explore new delivery approaches that will attract the private sector funds, skills and investment need to catalyse and deliver the aimed for development and growth across the Borough.

Whilst the Council's land has a major role in delivering housing growth and wider regeneration, the Council is aware that if its housing objectives are to be achieved a partner is required to provide investment both in equity, and in commercial and development expertise and resource. Without this input the Council will not be able to succeed in delivering the step change in housing delivery and tenure balance, and the town centre redevelopment, that is essential within the Borough.

3.2 Council Objectives

Haringey is a Borough of great opportunity, with enormous potential for growth in the economy and housing. Growth is at the centre of the Council's Corporate Plan, and the Council intends to deliver and embrace that growth to create thriving, prosperous and equal communities.

In determining the best approach to securing development and regeneration on its own land, the Council has identified the following key objectives from the vision set out in the Corporate Plan and other strategic documents:

- To deliver growth through new and improved housing; town centre development; and enhanced use of the Council's property portfolio;
- To achieve and retain a long term stake and control in development of the Council's land, maintaining a long term financial return;
- In partnership with the private sector, to catalyse delivery of financially challenging schemes;
- Achieve estate renewal by intensification of land use and establishment of a range of mixed tenures, together with tenure change across the Borough where appropriate;
- To secure wider social and economic benefits in areas affected, including community facilities, skills and training, health improvement or crime reduction for the benefit of existing residents; and
- Incorporate land belonging to other stakeholders, both public and private sector, into development.

The objectives are, by definition, high level and it is not appropriate to set specific KPIs, for example regarding target levels for jobs / economic outputs from projects at this stage. However, any delivery arrangements put in place – including the selection of a partner or partners – will be designed to align with the Council's objectives, and these objectives will be enshrined in the project business plans, with further clear objectives set on a project by project basis at the appropriate time.

3.3 Economic Context

At a national level, there is continuing growth in the economy with consumer confidence at its highest level since the pre-crash levels of 2006. Projections from the Bank of England predict a continuation of this solid demand for growth with an anticipated growth to household spending and business investment combined with low costs of finance. Whilst inflation is at a record low, the MPC expects it to bounce back to 2% in the short to medium term with unemployment rates continuing to fall.

London, in particular, will benefit most from this projected growth and therefore this continues to be an area for investment. This sets the Council in a strong position when seeking to draw in private sector investment and equity to facilitate housing and economic regeneration and growth proposals through new delivery approaches in the Borough.

As a result of this economic growth, housing values (particularly within London) have also experienced enormous change. The average cost of a home in London is set to breach the £1 million level by 2030 as house building struggles to keep pace with a rapidly rising population. With London's population set to increase by 14% (more than 1 million people) over the next decade, the level of housing required is unlikely to be reached. This demand / supply imbalance means that the rise in the London housing market is set to continue in the medium term.

The opportunities within the Borough to undertake estate renewal, rebalance housing tenures, improve stock quality and increase housing density are therefore well placed to capitalise on this period of demand / supply imbalance and rise in values.

Further detail regarding the macro and micro context in respect of the economy is set out at Appendix 1.

4 Property Portfolio

The Council owns a significant and diverse property portfolio within the Borough, including large residential estates (such as Love Lane and Northumberland Park regeneration area), development sites, various council occupied / civic assets (including Wood Green) and a significant investment commercial portfolio. However, many of the sites within the Council's ownership suffer from:

- Low land values;
- Low housing densities;
- Underperformance;
- Being in areas of deprivation;
- Adjacency to other sites, in private ownership, with which they would ideally be consolidated; and
- Requiring public sector funding and/or innovative development solutions.

The Borough, however, is displaying increasing signs of rejuvenation. Areas of low value have shown significant increased house prices (30% on average in 2013 – Nationwide). The existing good transport links are continuing to be strengthened, with the real possibility of Crossrail2 making a further significantly positive impact on the Borough.

The Council has undertaken considerable work to date in respect of its property portfolio. This has included both in-house work and commissioning of reports and strategic masterplan proposals by external consultants. Listed below are the key reports that have been reviewed as part of this analysis:

- North Tottenham Investment Framework High Road West (Arup; JLL);
- Tottenham Regeneration Project – Review of Funding & Delivery Options (PWC – November 2013);
- Report on the London Borough of Haringey Commercial Portfolio (DTZ – January 2014);
- Masterplan work related to High Road West (Arup – May 2014);
- Masterplan work related to Northumberland Park regeneration area (Fletcher Priest Architects – October 2014);
- Strategic Options for Future Use of London Borough of Haringey Assets in Wood Green (PRD – September 2014);
- Viability studies for High Road West, Northumberland Park regeneration area and Broadwater Farm Area (Frost Associates – 2013 / 2014);
- Hornsey Town Hall Options Appraisal for CAB (September 2014); and
- Carter Jonas Review of Commercial Property.

For note, each has been undertaken and written independently. Consequently, although the Council has a wide range of information available on specific sites and assets, there is not a cohesive structure or comprehensive strategy when looking at the entirety of the Council's development and investment assets.

In essence the development of any one site will necessarily impact on the feasibility of its neighbouring sites. Whilst individual sites may not be viable in isolation, by adopting a more holistic and comprehensive approach, sites which previously have been thought to be undeliverable (especially from a financial viability perspective), may potentially now be delivered when considered in the context of a more comprehensive delivery approach where cross subsidy can potentially take place between assets.

Similarly, much focus has been on leveraging additional public sector funding on a site specific basis. The benefit of offering and delivering a portfolio of sites within a cohesive strategy enables the partners to participate in significant long term opportunities and demonstrate to the wider public sector and stakeholders the Council's ambition and determination in regenerating the Borough. This has the potential to catalyse and unlock far greater public and private sector funding to deliver the full potential of the Borough. The Council has also been considering the role of the Arms Length Management Organisation (Almo) Homes for Haringey (HfH), through an independent review, in order to better determine how to hold and manage the social rented estate across the Borough.

Sections 4.1 to 4.6 below set out a high level summary, based on the reports and analysis commissioned by the Council to date, of the assets that have been considered as part of the proposal for establishing a new delivery approach. Further detail on these assets is contained within Appendix 2. These assets have been identified as priority sites on which large scale estate renewal and town centre regeneration can be undertaken and comprise:

- Wood Green;
- Northumberland Park regeneration area;
- Medium Potential Development Sites: Park Grove Estate , Leabank View estate, Cranwood House; and
- Commercial Portfolio.

These will assist the Council in fulfilling its aspirations of developing strong mixed communities and driving Borough wide growth as set out in the Corporate Plan whilst achieving affordable, mixed tenures as set out in the Housing Strategy.

Although there will be a commitment by the Council to contribute these assets in their entirety to any new delivery approach over time, it is likely that the land would be contributed on a phased basis subject to meeting pre-agreed conditions (as set by the Council).

For note, whilst the Council owns a number of sites ranging in scale and complexity that might be taken forward through the recommended delivery approach, a cross section has been selected to demonstrate how these might be delivered from a financial perspective. The Council would expect to determine a finalised list of sites as part of the procurement dialogue with its prospective partner(s).

It should also be acknowledged that although a new delivery approach is being considered for many of the sites within the Council's portfolio, several of the assets are currently being taken forward by different routes – for example Alexandra Palace, Hornsey Town Hall, High Road West and Tottenham Hale. This is on the basis that these are significant stand alone sites for which a clear delivery route forward has already been determined. A clear strategy has already been determined for High Road

West, and a summary of this proposal is provided by way of background and context of the on-going regeneration of the North Tottenham area. Other sites – including the Broadwater Farm area – are not considered ready for consideration as part of the new delivery options at this stage, but could be considered for inclusion in future phases of work under any of the options described in the Business Case.

4.1 Wood Green

Wood Green is west of Tottenham and south of Palmers Green. The population, which comprises of Noel Park and Woodside wards, is approximately 28,000.

The Council owns an extensive portfolio of assets within Wood Green's town centre, in three clusters at the Library, River Park House / Station Road and the Civic Centre. The quantum of the Council's land and asset ownerships in Wood Green, together with the strategic locality of these ownerships and adjacencies to significant assets that are currently outside Council control but which could form part of a significant and comprehensive redevelopment, together with the potential for two nearby Crossrail stations, present a unique opportunity to unlock a significant regeneration opportunity in Wood Green. Wood Green town centre also includes a large shopping centre (Wood Green Shopping City) that extends along both sides of the High Road, and is currently owned by the specialist property REIT, Capital & Regional. The area also includes other privately owned sites of strategic significance, including a large parcel of land owned by National Grid.

The Council is leading a proposal to create an Investment Framework document for Wood Green to guide its delivery. The vision for the Wood Green Investment Framework is:

> "*Wood Green will be a dynamic, distinctive and accessible town centre, offering new homes, a choice of high-quality shops and vibrant leisure and cultural attractions all of which local people are proud to call their own, with clear accessible links from the town centre through to Alexandra Palace and the rest of the Borough.*"

The aim for the Framework is to create a clear and comprehensive delivery and investment plan that will enable major regenerative change in Wood Green town centre, new residential development, public realm improvements, higher quality retail and leisure, and improved connectivity. This would be in conjunction with corporate policies already highlighted and in further consultation with local stakeholders and investors.

It is considered that the Wood Green assets would be suitable for inclusion within any delivery approach. They present an exciting opportunity for regeneration that would incorporate both housing and economic growth. However, the Council is unable to resource the scale and quantum of development that would be required without harnessing investment from alternative sources, such as the private sector.

4.2 Northumberland Park Regeneration Area

The Northumberland Park regeneration scheme is focused on delivering comprehensive estate renewal and major housing growth to a priority regeneration area for the GLA and Haringey. Located to the north and east of the new Tottenham Hotspur FC development and the High Road

West regeneration area, the Northumberland Park regeneration scheme includes approximately 30 hectares of predominantly Council owned housing and education land. The estate currently provides reasonably low density housing (approximately 254 habitable rooms per hectare), with an unbalanced tenure mix and lack of diversity in housing typologies, and also suffers from issues of poor estate design and lack of connectivity with the surrounding areas. The estate presents an opportunity to create a higher standard of quality homes for a range of communities and has the potential to deliver approximately 3,700 (gross) new homes.

Funding has also been agreed to deliver a new four trains per hour service between Northumberland Park regeneration area, Tottenham Hale and Stratford by 2018, and further frequency and capacity improvements are anticipated along this line, including the potential delivery of Crossrail 2.

Fletcher Priest Architects, on behalf of the Council, have prepared a high-level, strategic spatial masterplan framework for the area. As well as setting out levels of potential development capacity, the strategic masterplan framework establishes key principles of change and parameters for any potential redevelopment of this area. It is anticipated that development in this area could deliver between 2,000 and 3,000 (net) additional new homes for the Borough.

A new approach to delivery would seek to help unlock this site, allowing for estate renewal to commence and the issues of the area to be addressed. The scale of the estate and the vision of the area would benefit from input of expertise and resources currently unavailable to the Council.

4.3 Medium Potential Development Sites

The Council owns a number of other smaller and medium sized development sites throughout the Borough, as identified as part of the estate renewal strategy (November 2013). These include residential sites on which there is already existing housing (albeit with the opportunity to develop further housing on these sites). The Council has brought these sites forward as individual strategic development sites within the Local Plan.

Due to the borrowing constraints and limited development capacity and expertise of the Council, this portfolio of sites has been considered as suitable for inclusion in any new delivery approach where funding and expertise can be drawn in to realise maximum value and opportunities from the sites.

For note, the Business Case does not consider each site on an individual basis. However, Park Grove estate, Leabank View estate and Cranwood House are included in the financial analysis and therefore further detail of these sites is included at Appendix 2. These sites have been identified to demonstrate how a range of viable and unviable development opportunities can be delivered in a commercially acceptable way. They are offered as indicative examples only, and would not necessarily together comprise the first phase of sites brought forward under this heading through any of the proposed new delivery approaches.

4.4 Commercial Portfolio

The Council owns a large commercial portfolio. The significant proportion of the commercial assets within the portfolio (excluding telephone masts, wayleaves etc.) comprises 146 assets (offices, industrial and retail) with a portfolio value of £48 million generating a net annual income of £2.1 million. The assets are spread across the Borough and mainly comprise older retail and industrial stock which is secondary / tertiary in nature. The opportunity exists to rationalise the portfolio, including releasing some of the assets to yield capital receipts, which, alongside a more comprehensive asset management strategy should improve the income profile, reduce the management costs and assist in the creation of jobs and therefore economic revitalisation of the Borough.

Sale of assets and receipt of an income stream would both be of significant value to any delivery approach, as well as diversifying the nature of the portfolio on offer, and therefore the commercial portfolio should be included in any such structure. The commercial asset base could also be leveraged to facilitate and / or influence redevelopment opportunities on employment land i.e. to maximise employment uses. The focus of any suggested delivery approach must be to deliver the aims and objectives of the Corporate Plan, and it will be important to ensure that regeneration and development in the Borough remains its key focus and the inclusion of the commercial portfolio should not detract from this.

4.5 Broadwater Farm Area

Broadwater Farm is a predominantly residential estate occupying a site extending to 8.46 hectares. The estate comprises 12 concrete blocks / towers housing 1,075 units. The estate has been identified as a possible area for redevelopment within the Council's Draft Site Allocations Document and within the Council's Housing Estate Renewal programme.

The Council wishes to see regeneration of the area, including steps to redress tenure imbalances and alter the currently negative perception of the area. Any potential improvements to the housing estate need to improve stock, design of the site and routes through the area.

Although the area presents an opportunity for a large scale regeneration project, there are currently no firm plans in place for the estate and therefore it has not at this stage been included in the financial analysis for a delivery approach due to issues surrounding viability and feasibility. A long term approach will need to be adopted in respect of this area with the Council assuming delivery in a timescale of 2020 onwards. The Council will also need to undertake extensive resident engagement prior to implementing any regeneration of the site. However, should an appropriate delivery approach be implemented it may be that through means of cross subsidy or other public sector investment this estate could be brought forward in the future.

4.6 High Road West

The High Road West regeneration area (HRW) is located in North Tottenham between the Greater Anglia rail corridor to the west and the High Road to the east. It extends from Brook House in the north to Brereton Road in the south. HRW sits opposite the proposed redevelopment of Tottenham Hotspur Football Club (THFC) stadium. To the east of THFC is the Northumberland Park estate.

The HRW masterplan was adopted by Cabinet in Autumn 2014, this includes the delivery of c. 1,700 residential units, alongside retail, leisure and the delivery of a new station at White Hart Lane. The proposals support THFC's development plans for the stadium to facilitate wider regeneration of the area.

Consideration has been given as to whether HRW and Northumberland Park regeneration area should be included as part of the same package for the procurement of a development partner / implementation of a new delivery approach i.e. whether HRW should be included in any delivery approach such as a joint venture vehicle. However, at this stage it has been concluded that the projects will remain separate due to timings in bringing forward the sites and the involvement of THFC land and development proposals. This is set out in more detail in Appendix 2.

Any delivery approach implemented would offer sufficient flexibility for further assets (such as High Road West) to be included in the future as appropriate.

5 Public Investment in Haringey

In order to facilitate early development on a number of these sites, it is likely that the Council will need to continue to attract public sector funding in order to promote viability. Ideally the recommended delivery structure would allow for some cross subsidy between sites, albeit an overall commercially acceptable financial return would be required, to be utilised by the Council in accordance with its statutory functions and Corporate Plan objectives. Therefore, in order to accelerate delivery, public sector grant funding (in a number of forms) must continue to be considered as part of each development process. The ability for the Council to be able to continue to influence and facilitate public sector funding into the Borough will be of significant interest to the private sector.

From the reports already commissioned by the Council, several funding sources have been highlighted as currently being available (in addition to the public sector funding already identified for Tottenham). The Council has a proven track record in securing significant public funding from a wide range of stakeholders including Central Government, the Homes and Communities Agency, the GLA and other public bodies and this is recognised and welcomed by the private sector market. The Council must continue to liaise with public sector stakeholders in order to continue to promote the Borough and encourage further funding – this will further catalyse the regeneration of the Borough.

The Council is committed to delivering a substantial programme of regeneration throughout the Borough. High level details of some of the funding schemes available are set out below.

Housing Zone

Housing Zone is a new initiative to accelerate housing delivery in areas with high development potential and was introduced by the London Mayor's Housing strategy. Bids were invited from London Boroughs for a £400 million programme, which is jointly funded by the Mayor and National Government. The scheme hopes to create 20 housing zones across London, delivering 50,000 new homes and over 100,000 associated jobs over the next ten years.

The Council has been successful in securing a Housing Zone bid for the whole of Tottenham, with Phase 1 funding secured and Phase 2 under development.

Phase 1

The Borough has already been successful in achieving its Phase 1 bid which was announced in February 2015 for Tottenham Hale. This will deliver c 2,000 new homes across Tottenham Hale and Seven Sisters, and will assist in achieving the AAP target of 4,000 jobs (gross), as well as new commercial floorspace including managed workspace, retail and community facilities.

Phase 2

The Council is in discussion with the GLA about the potential for a further submission for funding under Housing Zone Phase 2. A funding bid of around £150 - £180 million is envisaged comprising a mixture of recoverable and non-recoverable loan support.

5.1 Additional Sources of Funding

An Opportunity Investment Fund of around £4 million has been established to enable the Council to invest in workspace and employment projects in Tottenham. The Fund is jointly provided by the Council and the GLA.

The Council has also created its own Acquisition Fund. This is supported borrowing for a rolling £50 million fund, for the Council to acquire key sites, either to develop itself or to undertake land assembly. The fund is new and already has over £5 million committed.

Other sources of external funding can potentially be made available to the Council to support the wider development and regeneration objectives across the Borough and should be considered as part of more detailed analysis. These could include:

- Affordable Housing Grant;
- Tax Increment Financing;
- Local Retention of Business Rates;
- Community Infrastructure Levy;
- New Homes Bonus; and/or
- Other new infrastructure funds set up by Central Government / GLA including the London Housing Bank; and
- Prudential borrowing.

5.2 Transport Funding

Haringey has a proven track record in securing funding to improve transport services across the Borough. The Borough is well served by London Underground, overland rail services and bus services. However, in order to unlock areas of potential development and regeneration, including Northumberland Park regeneration area, the Council must build on recent successes in securing significant funding. Connectivity remains the most important issue in driving land values and wider regeneration benefits.

5.2.1 STAR

The STAR scheme is the fully funded Stratford, Tottenham and Angel Road scheme. Its aim is to deliver three tracks between Tottenham Hale and Angel Road and allow four trains per hour to operate all day between Angel Road and Stratford (with all services stopping at Northumberland Park and Tottenham Hale).

It is estimated to cost over £80 million and should be implemented by 2018. The funding for this has been gained from Network Rail in the majority and other commitments from the London Enterprise Panel and Transport for London. The Council's longer term aim for the West Anglia Main Line is that it is 'four tracked' which will not only be able to provide even greater frequencies but is a prerequisite for the delivery of Crossrail 2. Delivery of the "four tracked" service is hoped to bring an increased connectivity that connects people to the Victoria Line at Tottenham Hale (3 minutes) or Stratford (14 minutes) which will help develop the Borough into a well-connected innovative residential neighbourhood for north London.

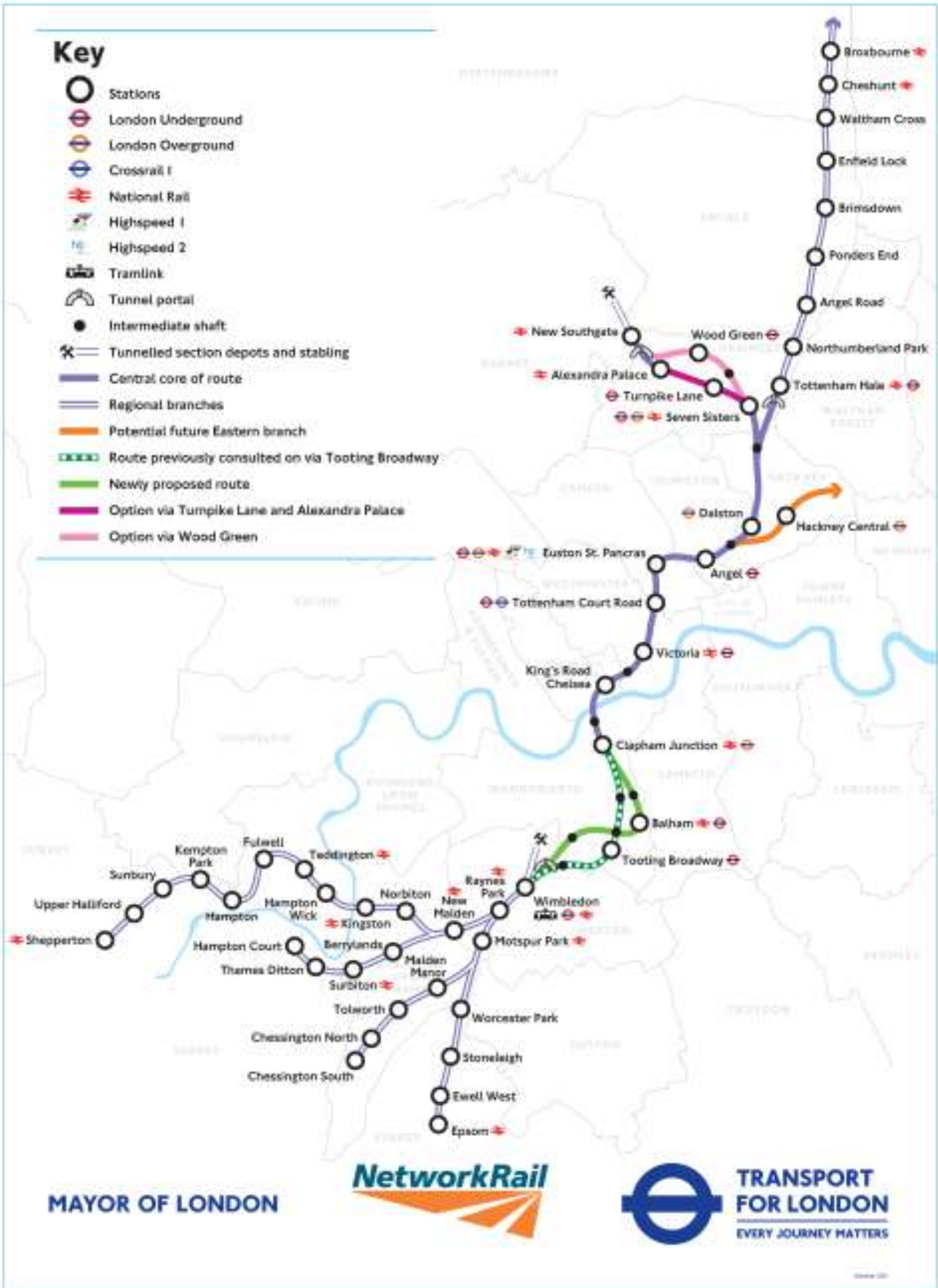
5.2.2 Crossrail 2

Crossrail 2 will add much needed capacity to London's rail network and support economic regeneration. With up to five stations planned for Haringey, it is expected to bring improvements to the Borough such as a reduced journey time from Tottenham Hale to Clapham Junction from 45 minutes to 22 minutes.

It is also projected that the potential development of Crossrail 2 could mean that the number of jobs within 45 minutes of Tottenham Hale will grow from 2.6 million today to 2.8 million in 2030. The associated transport accessibility improvements will make development of new sites, such as those that might be contained within the proposed delivery structure, viable.

Crossrail 2 will be a brand new high capacity railway line with 250m long trains with capacity for over 45,000 persons per hour, per direction, operating up to 30 trains per hour. Current plans are that it will serve south west to north-east London through central London. It is hoped that it will be open in 2030 and is estimated to cost £25 billion. The identified route will significantly improve the already strong existing transport connections in the Borough.

Crossrail 2 route (autumn 2015)



The results of the 2013 consultation on Crossrail 2, carried out by Transport for London and Network Rail, demonstrated considerable support for Crossrail 2, particularly for the regional route which has since been adopted. Research shows that areas close to a planned Crossrail 2 station could see a rise in values of more than 70% by 2030, directly enhancing the latent potential of the Borough.

5.2.3 Summary of Transport Improvements

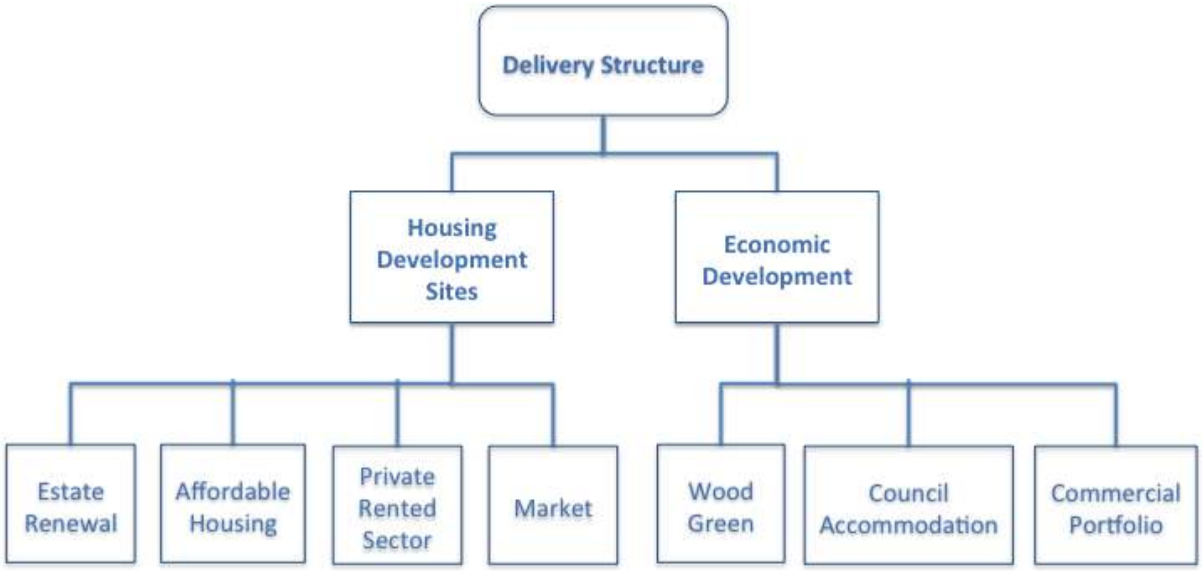
Since 2012, circa £300 million of public sector funding has been identified to come into Tottenham to support:

- Delivery of an intermodal / hub station at Tottenham Hale (£20 million);
- The three (ultimately four) tracking of the West Anglia Main Line (STAR Scheme) between Stratford, Tottenham Hale and Northumberland Park to increase capacity and frequency of services (£80 million);
- The incorporation of the Edmonton Green line into the London Overground network;
- The electrification of the Barking Gospel Oak line (£90 million); and
- Improvements to the road network to deliver better connectivity between Tottenham Hale and Tottenham Green and unlock development sites near Tottenham Hale (£41 million). There has also been the transfer of some of the West Anglia suburban rail services to the London Overground Network (including the Liverpool Street to Enfield Town line which stops at White Hart Lane, Bruce Grove and Seven Sisters), which should improve both frequency and reliability of these services.

6 Strategic Options

The overarching aims of any delivery structure will be to deliver housing and catalyse economic growth in the context of the Borough's overall regeneration strategy. This is as set out in the Corporate Plan, the relevant strategies and explicit within the Council's objectives.

The diagram below illustrates these required outputs and the likely form of the end uses of these outputs. For note: the extent to which the end uses are either sold; held (to generate revenue streams); or passed on to third parties to deliver will be dependent on the nature of the assets; the nature of any partner that may be procured as a result of the recommended delivery structure; and the capital strategy the Council wishes to follow.



This section therefore sets out to analyse the different delivery structures that are available to the Council and the extent to which they could assist in achieving the overarching objectives and the required outputs.

6.1 Delivery Options

The following options have been identified as potential delivery structures (including establishment of a joint venture vehicle), which the Council could implement in order to fulfil its objectives. These options take into account the Council's financial and investment capability, the type and size of the assets within the Council's asset portfolio, and the need to meet the objectives of the Council. Consideration has also been given as to the most effective ways in which to deliver the estate renewal sites (such as Northumberland Park regeneration area) and achieve economic growth.

Option 1: Base Case

The Council continues with its current approach i.e. taking forward and developing out sites, including undertaking the restructuring of the commercial portfolio. The Council continues to provide funding and uses available grant funding to work up sites in conjunction with the relevant stakeholders as appropriate.

Under this option, the Council would continue to take forward assets itself. This could be done through site sales / disposals, the Council developing out sites itself, through development agreements with clawback provisions etc. This option would therefore involve the use of conventional structures to take forward sites, and would to an extent be dependent on the Council's appetite for risk and the availability of funding (including grant funding) to take sites forward.

Option 2: Disposal of Individual Sites

The Council takes forward sites (subject to available resources, financial resources and grant funding) and then sells the sites into the market. Sites could be sold individually or packaged up and sold as portfolios e.g. the commercial portfolio. Sites could be sold on a phased basis over time through development agreements (with or without overage provisions) to the private sector or other public sector stakeholders, or through straight disposals.

This would involve the Council marketing sites so that they could be disposed of on a straight sale basis e.g. disposal on the open market as freehold or leasehold assets. It is likely that those sites which do not fit the objectives of the Council would be sold on a straight sales basis. However, the large regeneration schemes and town centre sites would be marketed with appointment of a strategic development partner i.e. entering into a development agreement with a development partner in the short/medium term.

Under this structure the Council would enter into a traditional development agreement with a development partner and the site would be drawn down as development pre-conditions are satisfied i.e. the site is drawn down in phases as specific "development criteria" are satisfied. The development partner would need sufficient financial and resource capability to provide the necessary funding for the site development, achieving planning etc.

The Council is able to exercise control through planning powers and is able to insert conditions as to when development should commence, albeit this will impact on sale value. The Council would also receive sale proceeds and overage as the site is developed out.

Option 3: Outsource Asset Management and Services

The Council outsources the management of its entire portfolio, including the commercial portfolio (which is currently managed in-house) (but excluding the residential i.e. it is not a stock transfer) and any development management activity associated with the renewal of the large estate sites, to third party providers who provide services on behalf of the Council. In essence, under this option the Council retains ownership of its assets, provides funding for development activity, and takes on the risk of development; but resources the services (development and asset management) provision to a third party. This could include sale and leaseback and services provision, increased asset management and facilities management, refurbishment programmes, undertaking surplus property disposals and development of key sites as part of a full outsourcing service. This would focus on maximising financial returns from the commercial portfolio, usually through 'sweating' the assets i.e. increased asset management of investment generating assets and outsourcing of development management services for large estate renewal opportunities, which are funded by the public sector.

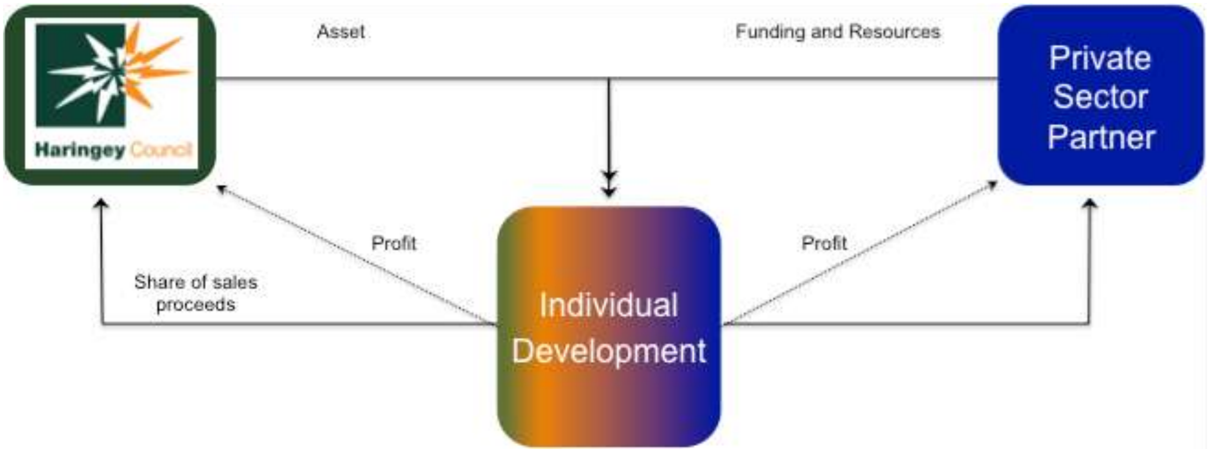
Option 4: Council Wholly Owned Vehicle

A vehicle is established which is wholly owned by the Council. This vehicle is an independent company (i.e. wholly owned by the Council, albeit as an arms length organisation) which is not controlled by the borrowing limitations, and therefore funding implications, of the HRA restrictions. It has the potential to offer greater flexibility on tenure and the ability to develop mixed tenure schemes including homes for sale, shared ownership, and most importantly, rented accommodation at social/affordable/market rents. This flexibility can enable cross subsidy between tenures, with market sale or rent homes enabling the provision of more affordable homes which would be the priority for the company. The assets and debts of the company remain on the public sector balance sheet, with private sector involvement limited to works and services paid for by the company.

Option 5: Site Specific or Asset Focused Vehicles

Under this option the Council would establish site or asset specific vehicles, predominantly for the estate renewal sites, and the town centre assets, with different private sector delivery partners. Each individual vehicle would take the form of a special purpose vehicle, which would be owned equally by the Council and different private sector partners. Each vehicle would be for a specific asset, for example carrying out estate renewal at Northumberland Park regeneration area; or town centre redevelopment in Wood Green; or development of individual medium sites. By taking sites through different delivery structures, this spreads the risk for the Council and employs a mixed economy approach.

Each vehicle would need to be procured separately and would require its own governance structure with associated management resource and costs.



The Council could invest particular sites into specific individual vehicles, for example a housing vehicle, which would develop the Council's large housing estates such as Northumberland Park regeneration area, and smaller estates across the Borough that have proven uneconomical to invest in. The private sector partner would invest the equity. The vehicle would then work up the site up according to a pre-agreed business plan. The site could revert back to the Council if the vehicle does not progress the site as specified.

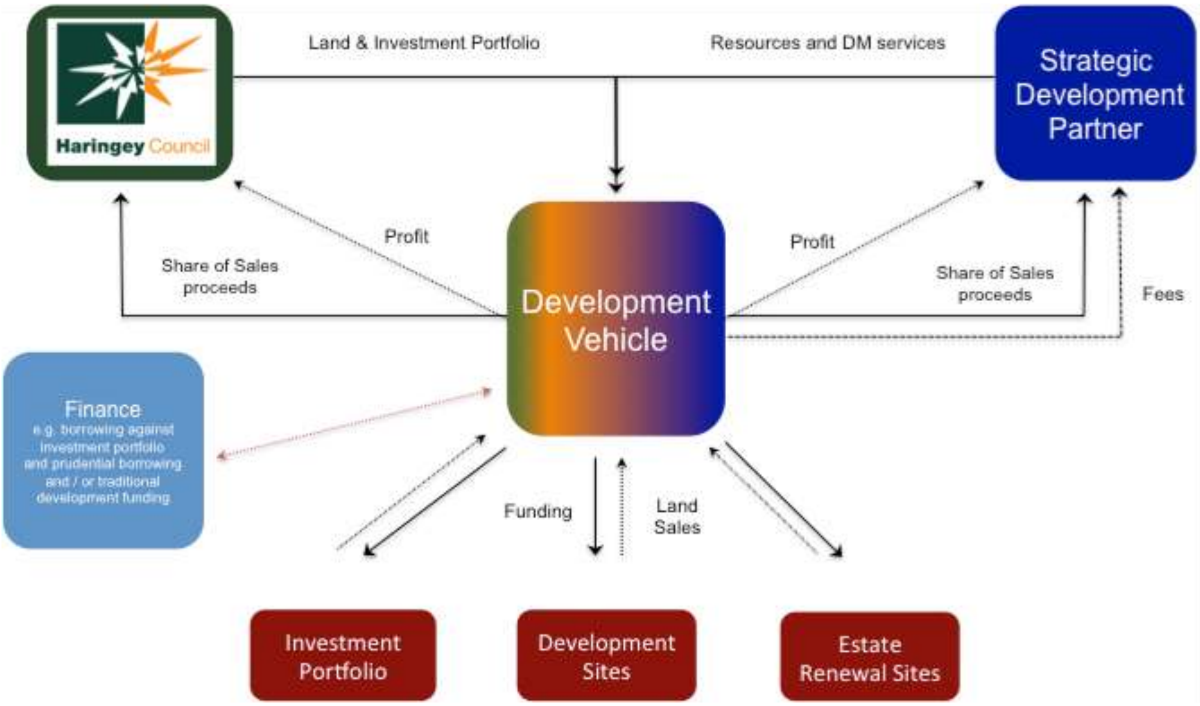
A separate vehicle could be bought forward using the council's assets to support Town Centre regeneration, which would seek to reinvigorate Wood Green. A partner would invest equity and the Vehicle would then develop the site according to a pre-agreed business plan. Again, the site(s) could revert back to the Council if the Vehicle does not progress the asset as specified.

Having a number of separate vehicles would make it more difficult for the Council to include receipts from profitable schemes to support more financially challenging opportunities in a State aid compliant manner.

Option 6: Overarching Vehicle

This option builds on the initial concept set out at Option 4. However, under this option the Overarching Vehicle (OV) is established between the Council and a strategic partner e.g. a development partner and/or strategic funding investment partner, in order to create an overarching strategic partnership. This partnership can then take assets forward by way of different delivery mechanisms beneath the overarching level e.g. development agreements, joint ventures etc. Assets could be taken forward individually, as portfolios or through sub portfolios of assets. The structure would also allow for the cross funding of income from the commercial portfolio and quick win projects (i.e. value release properties) to be used to fund projects such as the key estate renewal sites. The OV could also provide an asset management role to 'sweat' the assets in this portfolio or be established with an investment partner with delivery of sub portfolios beneath this using development partners and local services providers. The OV could also act as a development manager, asset manager and fund manager and provide a strategic funding role in taking schemes forward, which would allow the Council involvement in those schemes where they have limited land ownership.

As per Option 5, taking forward sites via different delivery structures both spreads the risk for the Council and employs a mixed economy approach.



6.2 Strategic Review of Delivery Options

A strategic review has been undertaken of these potential delivery options. The various options have been considered in turn below, by reference to:

- The means by which they will assist in meeting the required outputs and objectives of the Council;
- The extent to which they will support the Council in fulfilling the aims of the Corporate Plan; and
- The high level pros and cons of each option.

6.2.1 Option 1: Base Case

The Council would continue to take forward assets itself through the use of site sales / disposals, the Council developing out sites itself, and development agreements with clawback provisions for example.

Pros:

- The Council retains control over development of the sites e.g. the estate renewal sites as the Council will be developing out the sites themselves
- The benefits from sites would not need to be shared with a partner so the Council would retain all development profits
- The Council is able to dictate the timescales at which sites are brought forward

- Allows cross funding of sites i.e. investment income can be used to fund development sites

Cons:

- The Council has limited capacity and expertise to take sites forward itself, meaning progress will be slow and targets cannot be met
- The Council has limited funds / access to funds to be able to progress sites and achieve the required quantum of development
- The Council is exposed to 100% of property market risks and tenant risk (through the development and investment period). The Council will also need to determine whether they are prepared to undertake speculative development
- The Council takes substantial financial risk i.e. requirement for internal funding resources / headroom
- The Council takes delivery risk of projects i.e. will need to manage contracts, internally resource the development / project manager
- Reputational risk if projects not delivered / unsuccessful
- Extended timescales due to internal decision making requirements
- Unlikely to deliver the required economic outcomes and the wider social and economic objectives from the Corporate Plan, at least in the short-medium term, or accelerate the delivery of development

6.2.2 Option 2: Disposal of Individual Sites

The Council takes forward sites (subject to available resources, financial resources and grant funding) and then sells the sites into the market either individually or packaged up as portfolios.

Pros:

- The Council receives capital receipts which can be used elsewhere within the portfolio i.e. for cross funding of other schemes
- Allows for the sale of miscellaneous assets within its portfolio which are not part of the objectives of the Council
- The Council transfers the majority of the development risk and costs of the estate renewal sites to development partners
- Allows the Council to react to market forces i.e. can sell assets as and when appropriate / best value
- Non OJEU / procurement route can be followed if structured as a land transaction only
- Offers the potential to enable the delivery of economic outcomes on key development sites, subject to market demand

Cons:

- Limited participation in future receipts, unless overage provisions are included as a condition of sale i.e. unlikely to maximise returns
- Clawback and overage provisions are difficult to manage and often are not transparent
- Limited market appetite for developers prepared to take on the risks and costs (particularly of the estate renewal sites) where there are 'gap' funding issues
- Limited opportunity for bringing in private sector knowledge, skills / leveraging in investment
- If sites are required to be sold to demonstrate activity, could result in site disposals at the bottom of the market
- Single dimensional approach and may require the Council to commit to a single developer per site
- Loss of control over key sites could result in challenges in delivering the Corporate Plan objectives
- The Council risks losing control of when and how sites are taken forward
- Control through conditions of sale which will impact on land value receipts
- Limited control / influence over quality of development other than through planning
- Sites could be "land banked" until more favourable market conditions arise and risks are reduced, therefore limited opportunity for quick delivery wins or acceleration of development delivery from that of the current situation
- Exposure of the Council to property market risk

6.2.3 Option 3: Outsource Asset Management and Services

This would involve the Council procuring a third party provider to manage the entirety of the Council's portfolio (including the commercial portfolio).

Pros:

- Drives maximum efficiency from the portfolio
- The third party provider will be driven by returns, therefore will need to deliver on the portfolio as soon as possible i.e. quick wins which could deliver economic benefits in the short term
- Efficiencies in asset management could lead to improved income generation from the portfolio which can be used to cross fund other projects e.g. estate renewal sites
- Could increase value release from sites

Cons:

- The Council loses control as the entire portfolio is outsourced to a third party provider

- The Council is required to pay a management fee to the third party provider, therefore will need to allow for this within annual budgets
- The Council may not be able to meet its Corporate Plan objectives
- The Council loses development control, except through planning
- Profits will need to be shared with the third party provider
- The third party provider may be self-focused on financial returns rather than delivering economic outputs

6.2.4 Option 4: Council Wholly Owned Vehicle

Under this option the Council would establish its own vehicle and would be able to utilise the vehicle to develop sites.

Pros:

- A separate Council owned company has greater flexibility on tenure and offers the ability to develop mixed tenure schemes
- Cross subsidy between tenures possible
- The Council retains total control over the physical development of sites
- The Council retains profits generated by the vehicle
- The Council is able to dictate the timescales at which sites are brought forward
- No complex overage provisions
- The company could also specialise in the provision of PRS which could provide a revenue stream to the Council

Cons:

- The Council has limited capacity and expertise to take sites forward themselves
- The Council (through the vehicle) is exposed to 100% of property market risks and tenant risk (through the development and investment period)
- The vehicle would sit on the Council's balance sheet. The Council takes substantial financial risk i.e. requirement for internal funding resources / headroom
- The Council (through the vehicle) takes delivery risk of projects i.e. will need to manage contracts, resource the development / project manager
- Limited external investment to support development – activity would generally be funded through additional Council borrowing
- The vehicle remains entirely in public sector ownership, with greater exposure to future changes in policy
- The procurement of works and services would be subject to OJEU

- Although there is presently potential for housing development to be outside the Housing Act 1985 and therefore avoid "Right to Buy issues", it is likely that legislation in the future will seek to prohibit this even retrospectively

6.2.5 Option 5: Site Specific or Asset Focused Vehicles

Under this option the Council would establish site or asset specific vehicles, predominantly for the estate renewal sites, and the town centre assets, with private sector delivery partners.

Pros:

- The Council retains control of the specific assets as a partner of the vehicle i.e. on-going control over the asset and the development
- The Council participates in profits from the vehicles
- The Council can put income from the commercial portfolio etc. into the vehicles to cross fund sites, albeit this will need to come through the Council rather than the vehicles
- Ability to leverage in private sector investment, skills, knowledge
- Each vehicle should be established to 'hit the ground running' i.e. to move assets forward more quickly to accelerate delivery and catalyse investment
- Ability to protect value in current market / economic climate as value of assets crystallised on draw down rather than on establishment of the vehicle i.e. avoids the Council disposing of key development sites at the bottom of the market, but could still deliver economic outcomes for the Borough
- No complex overage provisions
- Allows the Council greater flexibility in terms of ownership options, particularly for residential assets

Cons:

- No large capital upfront receipts until values crystallised
- Increased establishment costs (time and resource) as costs will be incurred for setting up each vehicle
- Procurement process required for each vehicle (with cost, delay and market appetite implications)
- Provides only a single means by which the sites can be delivered
- More difficult to cross subsidise less viable schemes
- Limited flexibility as each vehicle would be established for a specific site only
- Limited flexibility to include other stakeholders within the vehicles other than at a governance level
- Potential conflicts of interest between the vehicles i.e. competing sites

- Lengthy procurement processes to establish the vehicles could result in a loss of momentum in terms of Masterplan delivery
- The Council would be sharing in the risks as well as the rewards
- The Council will have limited capacity to sit on so many different SPVs (especially as there are already separate arrangements at High Road West and Tottenham Hale)

6.2.6 Option 6: Overarching Vehicle (OV)

Under this option the OV is established between the Council and a strategic partner e.g. a development partner, in order to create an overarching strategic partnership. This partnership can then take assets forward by way of different delivery mechanisms beneath the overarching level e.g. development agreements, joint ventures etc.

Pros:

- The Council retains control over the assets as a partner of the OV i.e. on-going control over assets, development
- The Council participates in profits from the OV
- Flexibility to cross fund projects through the OV e.g. income from the commercial portfolio and site disposals could be used to fund other projects e.g. estate renewal sites
- Reduced establishment costs compared to Option 4 as only one OV being established
- Including a range of sites within the OV creates a more diverse portfolio, therefore allowing for the spread of risk which will be attractive to a private sector partner
- The private sector partner is incentivised to bring forward the portfolio, deliver development and undertake asset management as their returns are received through the provision of asset management, development management and fund management services
- The Council can adopt a long term investment approach, including short term wins and long term strategy
- Ability to incorporate other stakeholders (public sector partners) at a sub portfolio level, without including at an overarching governance level i.e. not at the OV governance level
- Ability to leverage in private sector investment, skills, knowledge
- Ability to 'hit the ground running' i.e. ensure quick wins, acceleration of development and catalysing investment. The OV will be a 'doing' vehicle
- Further sites will be able to be added into the OV in the future e.g. particularly where further assets are required to create a more comprehensive development opportunity
- Flexibility of overarching structure to take sites forward individually, as sub portfolios etc. by way of specifically tailored delivery mechanisms

- Provides the flexibility for the estate renewal sites to be included in the OV structure, in order to harness the benefits of this overarching approach, but allows for individual delivery mechanisms to be applied to each of these projects at a sub portfolio level
- Provides a structure through which the Council can influence / become involved in those projects in which they have limited land ownership
- Provides the flexibility for the private sector partner to provide asset management, development management and fund management services or for these to be provided by local service providers
- Enables a more strategic approach to the Corporate Plan delivery to promote complementarities and completeness
- Provides the flexibility for monies to be retained within the Vehicle and be used to cross fund other projects
- Allows the Council greater flexibility in terms of ownership options, particularly for residential assets

Cons:

- No large capital upfront receipts until values crystallised
- Use of income from the commercial portfolio to cross fund development projects will reduce the revenue budget available to the Council and the Council will need to manage this accordingly
- Costs (time and resource) of setting up the OV and contributing to governance (albeit lower than for Option 5)
- Lengthy procurement process could prevent the delivery of quick wins for the Borough
- Structure needs to be attractive to attract suitable partner and one appropriate for the Council in the current market

6.3 Qualitative Analysis of Delivery Options

A qualitative analysis has been undertaken of the delivery options to assess the extent to which the options achieve and fulfil the Council's objectives and required outputs from a potential delivery and regeneration strategy. Building on the analysis of the pros and cons of each option, the qualitative analysis determines the benefits, drawbacks and risks of each option. Each Council objective is ranked according to its importance to the Council i.e. high, medium, low, with an attached weighting. Each option is then scored on a scale of one to five on the basis of the extent to which it fulfils the Council's objectives and the associated benefits and drawbacks it provides. The weighting is then applied to each score to provide an overall weighted score for each option. Each option is then ranked according to its overall weighted score.

The criteria for the qualitative analysis are as follows:

- Deliver growth through new and improved housing: town centre development; and enhanced use of the Council's property portfolio;

- Achieve and retain a long term stake and control in development of the Council's land, maintaining a long term financial return;
- In partnership with the private sector, to catalyse delivery of financially challenging schemes;
- Achieve estate renewal by intensification of land use and establishment of a range of mixed tenures, together with tenure change across the Borough where appropriate;
- Secure wider social and economic benefits in areas affected, including community facilities, skills and training, health improvement or crime reduction; and
- Incorporate land belonging to other stakeholders, both public and private sector, into development.

The full qualitative analysis is attached at Appendix 3. Set out below is a summary of how each option scored:

Option 1: Base Case (weighted score: 29% rank: 6)

Option 2: Disposal of Individual Sites (weighted score: 38% rank: 4)

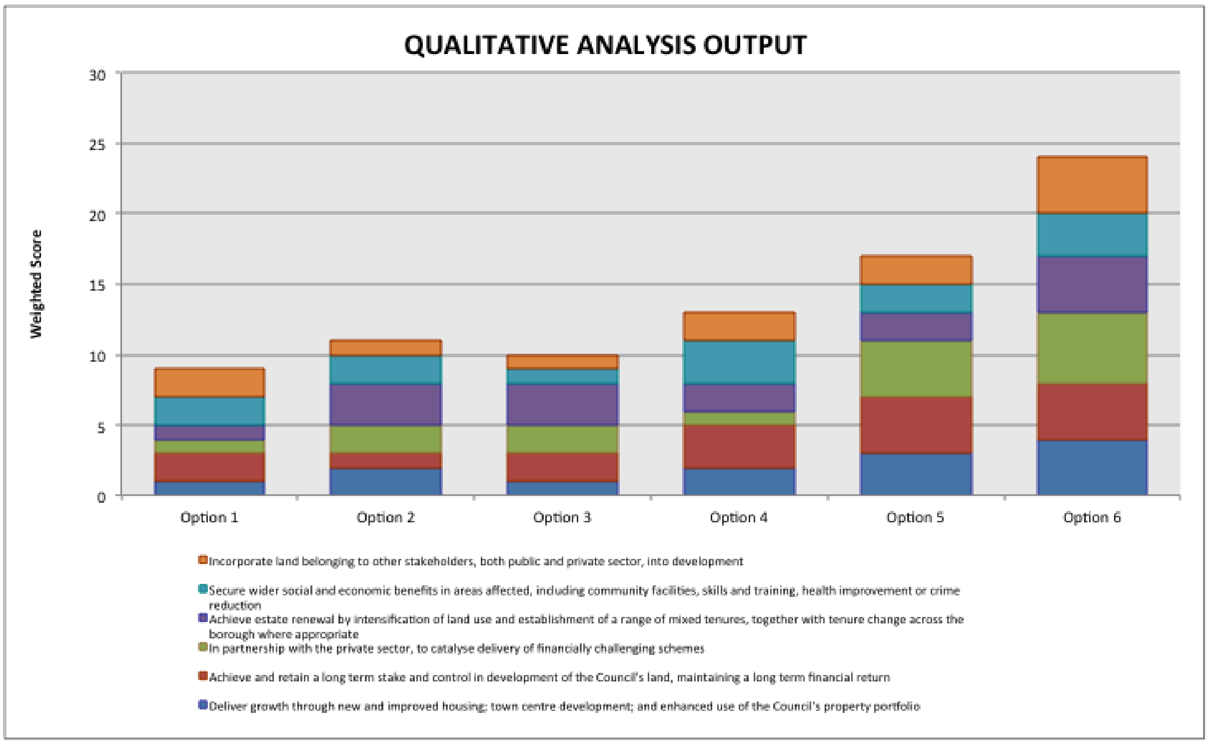
Option 3: Outsource Asset Management and Services (weighted score: 35% rank: 5)

Option 4: Council Wholly Owned Vehicle (weighted score: 44% rank: 3)

Option 5: Site Specific or Asset Focused Vehicles (weighted score: 58% rank: 2)

Option 6: Overarching Vehicle (weighted score: 80% rank: 1)

A summary graph showing the results produced is set out below:



6.4 Conclusion

The results of the qualitative analysis and the issues highlighted in the analysis have identified Option 6 - the Overarching Vehicle as the recommended option for a delivery structure for the Council. This option provides the flexibility to combine the benefits from the other options (particularly Options 3 and 5) in one option i.e. by creating an OV but allowing for the use of different delivery mechanisms (asset management, development management, fund management, joint ventures, services provision) under the overarching structure. The option also provides a means by which the Council can achieve its objectives. The structure also allows for value to be extracted from the commercial portfolio and the town centre market led opportunities to be used to cross fund other projects e.g. the estate renewal sites. Monies will also be able to be retained within the vehicle and be used to cross fund other projects. It also allows for the creation of an environment whereby delivery can be enabled, which will encourage further economic development and demand and enable the wider social and economic benefits described in the Council's objectives.

6.5 Case Studies

There needs to be a strong understanding of the key issues involved in establishing regeneration vehicles when setting up those such as Joint Venture Vehicles. This includes awareness of the changing needs of the market, changing market conditions and the Government policy context. Taking assets forward through collaboration between the public and private sectors often provides the impetus required to enhance economic regeneration, with the implementation of a delivery vehicle providing the chance to shape and focus the future development and regeneration of an area. It is also a means of harnessing alternative sources of funding, using an asset base to leverage funding and allow for implementation of an innovative delivery approach to proactively deliver growth and regeneration.

Appendix 4 sets out recent examples of joint venture delivery vehicles that have been established to facilitate regeneration or development of a portfolio of sites, including an investment portfolio.

For note, whilst examples of ventures established elsewhere within London Boroughs are included for reference, these are for much smaller schemes than that proposed for Haringey.

7 Financial Appraisal of Recommended Option

Following the conclusion of the Strategic Options and the recommendation of establishing an Overarching Vehicle, analysis has been undertaken to determine what this structure could deliver in reality and the expected financial returns to the Council and private sector partner. A quantitative analysis has therefore been undertaken to provide financial evaluation including project costs, on-going costs, cashflows, returns, funding requirements and allow for assessment against the other delivery options.

7.1 Approach

In order to test the financial viability and deliverability of the option a bespoke financial model has been constructed. The benefit of this approach is that it allows a high level of forensic analysis and most importantly the ability to quickly model different scenarios and sensitivities.

The purpose of this model is to:

- Develop cashflow projections for the option;
- Provide a monetary value of the outputs of the option; and
- Illustrate how the option would work in practice.

The production of this information allows a comparison of the quantitative findings against the findings identified in the qualitative options analysis. This in turn enables conclusions to be reached as to whether this is the most suitable option for the Council.

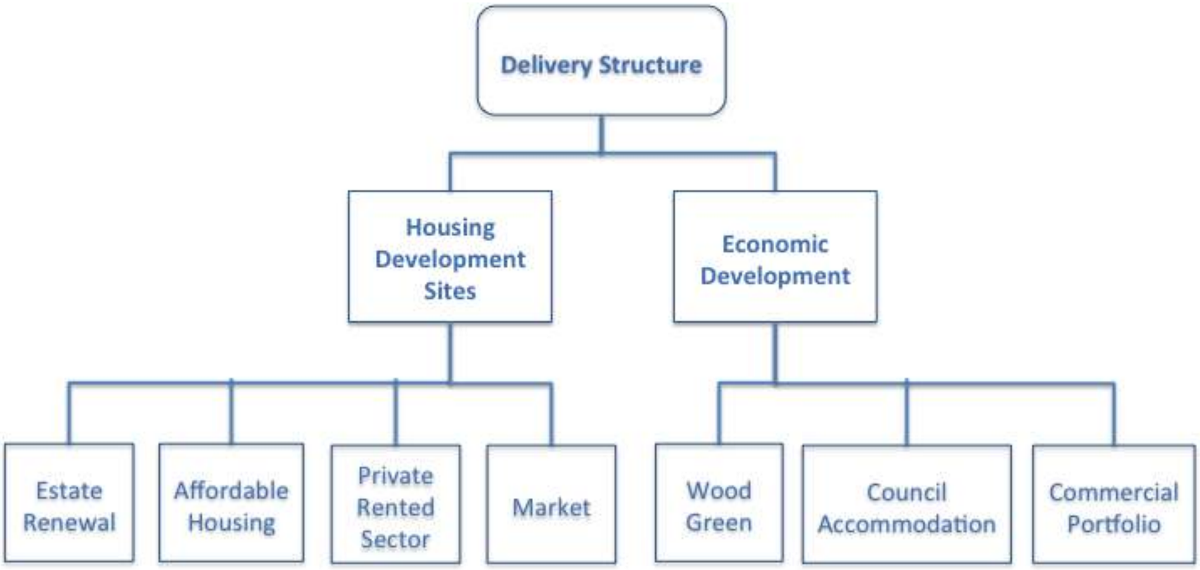
7.2 Conclusion

The results of the quantitative analysis reinforce the findings from the qualitative analysis, identifying Option 6 (Overarching Vehicle) as the recommended option for a delivery structure for the Council. This option allows for the sites to be delivered and brought forward by the Vehicle, accelerating development and catalysing regeneration whilst allowing for the Council to retain control and receive returns from the portfolio. The structure also allows for value to be extracted from the commercial portfolio and be used to cross fund other projects e.g. estate renewal and social dividend and therefore ensure that the objectives of the Council and the Corporate Plan are delivered.

Further detail of the analysis is set out in Appendix 5.

8 Structure and Operation

This section explains the proposed structure of the recommended Overarching Vehicle strategy proposed for the Council. This is based upon the 50/50 form of a special purpose vehicle, which is owned by a public sector partner (the Council) and a private sector partner with the specific purpose of carrying out regeneration and development. There are two likely types of partner that could be procured for the Overarching Vehicle. These are explored further below.



8.1 Types of Partner

For an Overarching Vehicle there are two likely types of partner:

- An Investment Partner
- An Investment/Development Partner

The Investment Partner will provide funding only. Works and services will need to be procured separately by the Vehicle. The Investment/Development Partner will provide both funding and services to the Vehicle. A comparison is set out below. It is likely that, given the need to accelerate delivery in the Borough, the Council's objectives will be best met by securing a partner who is capable of providing both funding and resource.

8.1.1 Overarching Vehicle with an Investment Partner

The Council establishes an Overarching Vehicle with a strategic private sector partner i.e. a strategic funding investment partner. The procurement could be effected without going through the OJEU procurement process as the partner will provide funding only, and not works and services. The vehicle, upon establishment, would however thereafter need to procure Development Management capacity in order to manage the business and operations of the vehicle. All relevant works and services contracts thereafter would also likely be subject to OJEU procurement. The OV provides funding and strategic advice only for opportunities taken forward by the delivery vehicle.

Pros:

- Single partner, enabling simpler relationship management
- Leverages private sector investment funding
- Potentially simpler route to procurement (possibility of avoiding OJEU) with associated cost savings on establishment
- One vehicle controls funding and (Council led) development activity across the Borough
- Potential to secure capital receipts early
- This Vehicle is likely to drive the highest commercial return for the partners as investment will be made on a long term basis (with resulting implications on pricing)

Cons:

- Interests aligned to one party over the long term
- Investment partner will bring limited strategic development skills (due to nature of the partner)
- Council could fund activity through Prudential borrowing for better commercial return
- Limited number of potential partners
- Limited ability to cross fund projects
- Investment partner likely to want Council to take headlease positions to guarantee financial returns
- Potential for activity to take longer to commence (need to procure development team)
- Investment partner will provide limited resource and skills to catalyse development activity

8.1.2 Overarching Vehicle with an Investment/Development Partner

An Overarching Vehicle is established between the Council and a strategic private sector partner, which itself comprises either a development partner with significant financial resources (either through backing or in its own right) or a consortium comprising a funder and development manager. The partner would introduce not only investment to the vehicle, but would also commit skills, expertise and resource. Where additional skills are required by the vehicle, these can be secured from expert third parties or through the OV employing additional skills direct. The OV would not need to follow OJEU procurement rules in order to secure works and services, although the partners would require that best value guidelines be followed when committing the OV to expenditure.

Pros:

- Provides the flexibility for the private sector partner to provide development management services and funding – asset management services can be provided by local service providers if required
- The private sector partner is incentivised to bring forward the portfolio, deliver development as their returns are received through the provision of development management services and funding (
- Council can adopt a long term investment approach, including short term wins and long term strategy to generate revenues over time (
- Ability to incorporate other stakeholders at a sub portfolio level, without including them at an overarching governance level
- Ability to 'hit the ground running' across a wider range of assets i.e. ensure acceleration of development and catalysing investment ((
- Flexibility to cross fund projects
- Including a range of sites creates a more diverse portfolio, therefore allowing for the spread of risk
- Ability to leverage in private sector investment, skills, knowledge
- Flexibility to add further sites into the Vehicle in the future e.g. particularly where additional assets may be required to create a more comprehensive development opportunity

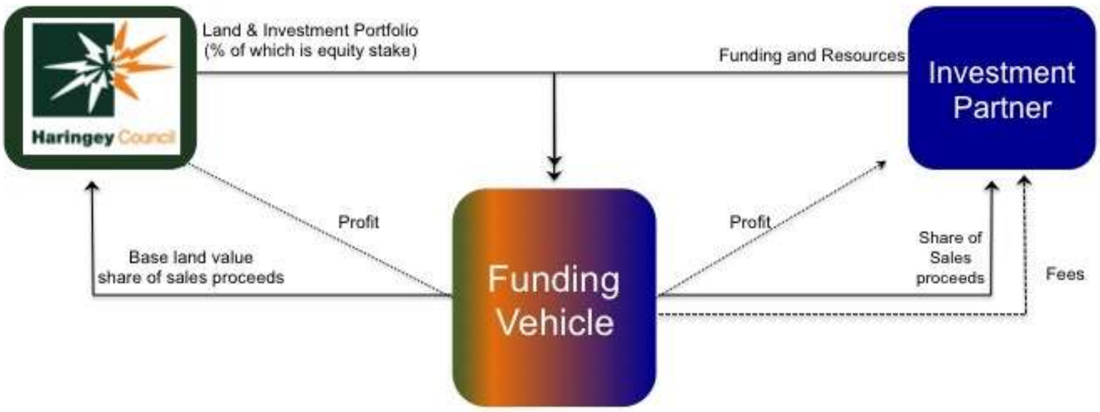
Cons:

- No large capital upfront receipts until values crystallised
- Use of any income from the Council to cross fund development projects will reduce the revenue budget available to the Council and will need to be managed accordingly
- Establishment costs (time and resource) of setting up the overarching Vehicle (likely through OJEU)
- Need for Council to participate in on-going management of the Vehicle
- Structure needs to be attractive to attract a suitable partner and one appropriate for the Council.

It is recommended that an Investment/Development partner be sought in favour of a partner that would provide investment only. In order to catalyse regeneration activity, and ensure that the Council best meets its stated objectives, a partner that can provide the necessary and appropriate skills and resource will be as important in the establishment and successful operation of the vehicle as the financial investment required.

8.2 Haringey Development Vehicle

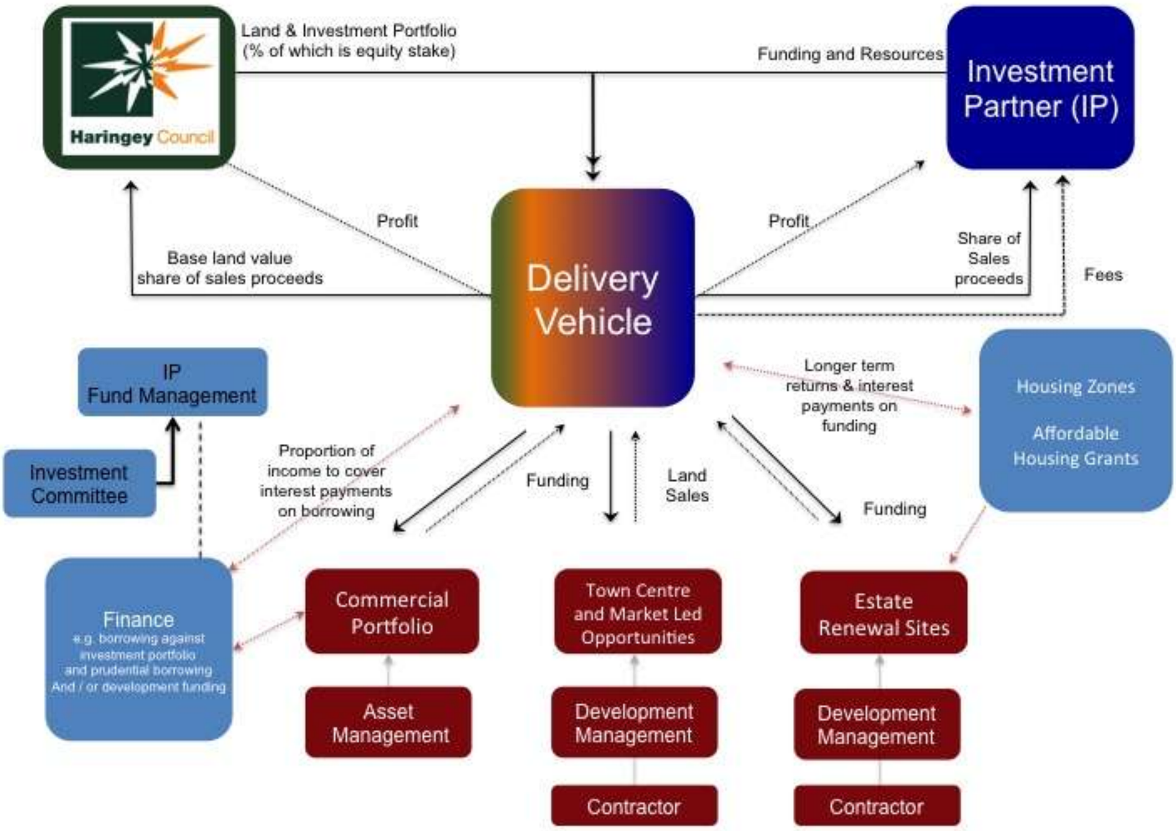
The Overarching Vehicle (special purpose vehicle) has been termed the Haringey Development Vehicle (HDV). This structure and summary are as set out below, with full details set out in Appendix 6.



- The HDV is established between the Council and a private sector Investment Partner (IP) with each holding a 50% equity interest;
- As equal stakeholders in the Vehicle, the partners share the risks, rewards and control;
- Certain decisions will be reserved for determination by the partners. Where the partners cannot agree deadlock procedures will be triggered. Matters reserved to the partners will include:
  - Approval and adoption of Business Plans;
  - Third party funding;
  - Alterations in the nature of the business;
  - Taking actions outside the scope of Business Plans;
  - Admitting new members;
  - Other usual shareholder protection rights preventing dilution or actions impacting on shareholder value;
- The HDV is likely to perform its activities through different subsidiary vehicles;
- The IP will be required to provide, or secure the provision of, the following services:
  - Development Management (DM) – commercial consultancy;
  - Asset Management (AM) – maximising revenues and raising finance against the investment portfolio;
  - Fund Management (FM) – accessing finance and investing commercially;
  - Management of rented accommodation to include PRS and social housing stock;
  - The IP will also have the opportunity to provide development / contractor services;

- The IP will receive fees for providing these services with remuneration based on incentivised targets;
- The Council will contribute development sites and the commercial portfolio to the HDV. In the case of the commercial portfolio, this could be by means of transfer on day one of establishment and, in the case of the town centre/market led and estate renewal sites, future transfer subject to the satisfaction of conditions precedent;
- Values will be determined as part of the bidding process, with the value (or part) comprising the Council's equity interest;
- The IP will be required to input funding to match the Council's equity interest, and will also have the ability to invest funding directly into projects on commercial funding terms;
- Profits are distributed between the partners following repayment of debt;
- Controls will be put in place to secure the Council's objectives and to allow for ongoing monitoring of the activities within the HDV;
- The business plans of the HDV will provide the opportunity for the Council to enshrine its objectives in respect of the type and level of development undertaken;
- In order to protect the Council's interests it is likely that sites will be transferred into the HDV either on a freehold basis or subject to option / conditional land sale agreements;
- The running costs of the HDV will be paid for by the HDV, in part through the funding contributions from the IP;
- The HDV will have the ability to raise development finance (i.e. third party debt) against specific development activities.

This structure is illustrated further in the diagram below.



In order to procure a partner for the HDV, the Council will be required to undertake a full OJEU procurement process (most likely by way of competitive dialogue) – see Section 10. To engage an appropriate partner, the Council must therefore provide a very clear position on how the opportunity will be structured and the objectives of the Council, as set out above. By engineering a competitive situation between bidders, this will not only make the market competitive but will also deliver the best returns for the Council, which can be invested in accordance with the Council's statutory functions, in the further development of socio-economic benefits to the community or spent on the delivery of wider Corporate Plan objectives.

8.3 Haringey's Capital Strategy

The Council is currently developing its long term Capital Strategy, and Cabinet is expected to adopt the first fully documented strategy in December 2015. The aim of the Strategy is to outline the Council's total capital investment requirements to enable the achievement of the Corporate Plan outcomes for the benefit of Haringey residents, communities and businesses. Alongside the Strategy the Council will be presented with a financial model designed to deliver that ambition, which will include proposed financing arrangements over the medium to longer term.

Intrinsic to the delivery of the Council's Regeneration and Housing outcomes is the establishment of a development vehicle, as outlined in this paper. The Capital Strategy will therefore recognise the impact of the asset movement and financial modelling associated with the vehicle on the longer term asset and financial position of the Council. The main impacts on the Council's overall capital finances that need to be taken into consideration are:

- The Council's capital financial model will include forecasts for the costs of investment schemes which may in future be considered for delivery by the delivery vehicle. This methodology will ensure that investments are documented in one single place and that the Council's financial commitments, whether expressed directly or via the future plans of the HDV, remain clear;
- Land assets, including the commercial estate could be transferred to the development vehicle. The value of these asset transfers has been modelled in line with the development vehicle financial modelling;
- The capital strategy is likely to highlight a funding gap for achieving the Council's long term ambition and the Council will need to determine its appetite and capacity to afford additional prudential borrowing.

9 Conclusion

The Council is seeking to implement a new delivery approach to build on and complement existing regeneration strategies in the Borough; and use the Council's extensive commercial portfolio and key assets to assist the Council in achieving its aims as set out in the Corporate Plan.

The Borough has huge potential for growth and opportunity. Haringey, and in particular Tottenham, is today seen as London's next big growth opportunity. However, the Council is aware that due to increased funding constraints, and lack of Council cash, capacity and expertise resource, it is unable to deliver the aimed for scale and quantum of regeneration and development on its own land without input from other stakeholders.

In order for the Council to meet the priorities outlined in the Corporate Plan and capitalise on the opportunities of the Borough it has identified the objectives that need to be met to fulfil the aims within its strategy documents. This Business Case has therefore explored the options available for a new delivery approach through which these objectives can be fulfilled and the potential of the Borough can be realised.

A cross section of assets from this extensive portfolio have been considered as part of the proposal for establishing a new delivery approach, in order to demonstrate how these might be delivered from a financial perspective. The following assets have been identified as priority sites on which large scale estate renewal and town centre regeneration can be undertaken and the aspirations of the Corporate Plan and Housing Strategy can be fulfilled:

- Wood Green;
- Northumberland Park regeneration area;
- Medium Potential Development Sites (Park Grove estate, Leabank View estate, Cranwood House); and
- Commercial Portfolio.

A detailed Options Analysis was carried out with six delivery approach options identified, which the Council could implement in order to achieve fulfilment of the objectives:

- **Option 1**: **Base Case** – the Council continues with the current approach (taking forward and developing sites themselves, including restructuring of the commercial portfolio);
- **Option 2**: **Disposal of Individual Sites** – the Council takes forward sites (subject to available resources and funding) and then sells the sites into the market either individually or packaged up as portfolios;
- **Option 3**: **Outsource Asset Management and Services** – the Council outsources management of its entire portfolio (including the commercial portfolio and large estate renewal sites) to a third party provider who provides services on behalf of the Council;
- **Option 4**: **Council Wholly Owned Vehicle** – the Council establishes a vehicle (arms length independent company) through which it would develop sites;
- **Option 5**: **Site Specific or Asset Focused Vehicles** – the Council establishes site or asset specific vehicles, predominantly for the estate renewal and town centre sites, with different private sector delivery partners; and
- **Option 6**: **Overarching Vehicle** – the Council establishes an overarching vehicle with a strategic partner to create an overarching strategic partnership. Sites are taken forward through different delivery mechanisms beneath the overarching level e.g. development agreements, joint ventures etc.

A qualitative and quantitative analysis was undertaken of these options, which concluded that Option 6: Overarching Vehicle would be the most suitable delivery approach for the Council in order to fulfil the Council's objectives and aims of the Corporate Plan. It also provides the flexibility to combine the benefits from all the other options considered into one option.

Through the qualitative and quantitative analysis, it is clear that the Council needs to establish a structure which allows for tailored delivery mechanisms to be applied to its portfolio, implement a comprehensive approach to the portfolio and facilitate the use of private sector funding and expertise (where these resources are limited within the Council) to bring forward the portfolio. By this means, the Council will be able to more successfully achieve their objectives and utilise income and funding.

The recommended strategy following the analysis is for the establishment of an Overarching Vehicle – Haringey Development Vehicle. This option provides the flexibility to combine the benefits of the other options explored within this Business Case review in one option i.e. by creating an umbrella vehicle but allowing for the use of different delivery mechanisms (asset management, development management, fund management, joint ventures, services provision) under this overarching structure. The option also provides a means by which the Council can achieve its objectives, particularly those of the Corporate Plan, and allows for the creation of an environment whereby delivery can be enabled, which will encourage further economic development in the Borough and enable the wider social and economic benefits described in the Council's objectives.

10 Next Steps

This section seeks to set out the next steps for the project, which will focus on turning strategy into delivery.

10.1 Implementation and Programme

Establishment of the HDV will need to be delivered by way of a full OJEU process for procurement of the IP. However, it is imperative that before approaching the market on this basis, that the opportunity can be presented as a commercially viable and definitive proposition. In order to get an IP engaged, the Council must therefore provide a very clear position on how the opportunity will be structured, how it will work operationally and the viability of the opportunity. The process must also be as streamlined as possible to reduce costs for the Council and bidders.

Set out below are the key steps required in order to implement the strategy, undertake marketing and procurement and ultimately establish the HDV.

10.2 Pre-Procurement Work

Uncertainty can severely diminish the value of a deal and it is therefore imperative that as much information as possible is obtained prior to going to market. The significant work already undertaken will need to be supplemented prior to commencing the procurement process for the IP. This work will include:

- Working up in detail the proposals for the structure of the proposed HDV to include the legal and financial structure and procurement strategy, whilst retaining sufficient flexibility for bidders to propose a range of alternative approaches to meeting our objectives within the defined parameters;
- Undertaking due diligence on the assets and collation of property information;
- Establishment of a data room to provide a secure single point of reference to view and manage the property portfolio data and disseminate information to bidders and the potential team;
- Preparing the documentation for the procurement process to include the OJEU notice, Prospectus (Memorandum of Information and Pre-Qualification Questionnaire), main procurement documents and output specification, thoroughly thinking through the strategic elements of the project such as the award and evaluation criteria to be used throughout the procurement process for the selection of the IP. It is vital that these documents clearly set out the proposal and demonstrate the attractiveness of the opportunity to the market;
- Preparing the procurement process timetable. It is important that procurement timescales are kept to a minimum to increase the attractiveness of the project and reduce costs for all parties. The commercial negotiation stage of the procurement process therefore needs to be clearly structured and managed, with a defined schedule from the outset of bidder meetings (clarification and interviews) together with the governance

process for submitting and responding to queries and deadlines for submission of documents;

- Preparing the internal Council approvals for implementation and establishment of the HDV;
- Preparation of marketing documentation including advertising of the opportunity in publications such as Estates Gazette, Property Week and further relevant publications; and approaching potential bidders directly through meetings and telephone calls.

The information and documentation provided to the bidders must be as robust and comprehensive as possible. The crucial information provided to the bidders will be the property information. Ensuring that bidders are fully aware of all the issues surrounding the property portfolio will enable them to base their bids on common terms which will ease evaluation. If the information is robust enough there will be little room for further questioning and clarification during the procurement process, and this will also assist in preventing "deal drift".

10.3 Procurement Work

High level details regarding the procurement process are set out below:

- Issue of an OJEU (Official Journal of the European Union) notice setting out the Council's intention to procure a partner to establish the HDV and concurrently making available a Prospectus (Memorandum of Information and Pre-Qualification Questionnaire) to potential IP bidders who register an interest to the OJEU notice. The regulations surrounding the OJEU process only allow, at this first procurement phase, for information to be sought from bidders of a "backward looking" nature i.e. it is not possible to ask bidders for information concerning how they would operate the vehicle. From receipt of the pre-qualification questionnaires, responses are evaluated to ascertain a long list of parties to progress to the next procurement phase;
- Commencement of the dialogue phase. This stage provides bidding parties with the opportunity to shape the final form of the proposed HDV. During this stage bidders will be asked to work up proposals for the structure of the HDV, business plan and vehicle documents, and undertake work surrounding the property portfolio and proposals for the assets (commercial portfolio, town centre/market led opportunities and estate renewal sites). It is suggested regular clarification meetings are held with bidding parties during this stage in order to assist bidders with their submissions. At the end of this stage bidding parties will be requested to submit an Interim Submission of Outline Solutions from which a short list of parties will be evaluated and selected to progress to the next stage. A way of reducing bidder costs at this stage would be to reduce the issues open to dialogue and the amount of bidder due diligence necessary e.g. the Council could prepare due diligence information in an acceptable format e.g. certificates of title from lawyers which are novatable; clear limits on the terms within the HDV structure which are open for debate etc.;
- Submission of final tender stage. At this stage bidders will be asked to undertake a greater level of work in respect of the property portfolio and the proposed HDV structure. Under the competitive dialogue process the terms of the deal need to be fully negotiated

and bid at this stage. Evaluation of these final tenders is then undertaken, together with clarification of tenders, in order to select a preferred bidder; and

(See also the exempt portion of the report)

- Once a preferred bidder has been selected there will be a standstill period and period for fine tuning / confirmation of commitments of the documentation prior to signature and contract award notice of the OJEU.

The procurement process will need to be monitored by the Council and its advisers throughout. This can be done in several ways:

- Establishment of a core team from the Council with property, finance, legal, taxation and management sides of the business who will be directly involved with the day to day management and implementation of the project;
- There will be a dedicated Project Director and Project Manager from the project team (the Council and advisers) to co-ordinate documents, enquiries, approvals and action points and act as the first point of contact for all potential bidders;
- Regular project meetings between the Council and its advisers to assess progress;
- A project timetable will be used to adhere to key dates and milestones and form a guide throughout the procurement process;
- Internal Council approvals will be required throughout the project process. These key dates will need to be accounted for within the project timetable; and
- An evaluation matrix and criteria will be used to assess all stages of the process.

10.4 Evaluation Criteria

The bidder which provides the most economically advantageous tender and the tender which most suits the Council's requirements and objectives will become the preferred IP.

In order to select the most appropriate partner and therefore realise their objectives for the HDV, the Council needs to clearly identify the qualities, characteristics and assets it is looking for in the IP from the outset.

The initial stage of the procurement process (responses to the Pre-Qualification Questionnaire) will exclude those potential partners who fail to meet the minimum standards of development capability and financial standing. The list of candidates who remain will enter into the dialogue phase of the process before bidders submit a final tender submission based on detailed structure, legal and property information.

Detailed pre-agreed evaluation criteria will need to be put together which will be used to test bidders throughout the dialogue phase and at final tender. This will shape the selection process and the type of partner selected. The documentation therefore needs to ask the right questions to obtain the key information required to assess the suitability of the bidders for the Council, and their ability to fulfil the objectives of the Corporate Plan. The criteria will need to be open, transparent and identified to bidders at the outset and will include:

- Financial criteria i.e. ability / willingness to input into the HDV; and
- Capability criteria i.e. approach to the structure, ability to provide asset management, development management and fund management services, understanding of objectives and vision for the HDV.

10.5 Resourcing

During the implementation and procurement process it will be important for the Council to have a dedicated project team, and, in so far as possible, for that team to remain consistent during the procurement, mobilisation, establishment and delivery processes. As well as having an overarching project lead within the Council for the project, the following sub-work streams will require resource support from within the Council. These work streams will require specialist support – such as the financial and legal work streams. The intensity of these work streams will differ during the various stages of the procurement process:

- Property and statutory considerations – including the collation of information and due diligence;
- Financial and accounting considerations;
- Legal structure and contract documentation – including compliance relating to issues such as State aid, best consideration and procurement;
- HDV operational issues – including employment / staffing issues, location of business activity etc.;
- The Council internal governance and liaison with members, including securing necessary approvals during the course of the procurement process; and
- Commercial negotiation throughout the procurement process.

10.6 Soft Market Testing

The aim of soft market testing is to establish the level of partner interest based on some limited information provided in respect of the opportunity the Council is offering. Part of this process is also to ascertain potential bidders' current views around the generality of the proposal.

Soft market testing was undertaken towards the end of 2014 which established strong interest in the opportunity.