

Report for: Cabinet

Item number: 12

Title: Haringey Development Vehicle

Report authorised by : Lyn Garner – Director of Regeneration, Planning and Development

Lead Officer: Dan Hawthorn – Assistant Director for Regeneration

Ward(s) affected: All

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

1. Describe the issue under consideration

1.1. The purpose of the report is to present to Cabinet the proposal to establish a Development vehicle for Haringey to deliver regeneration and achieve new housing, jobs and social and economic benefits; to present the business case supporting this; and to seek approval to commence a procurement process under the Public Contracts Regulations 2015 using the Competitive Dialogue procedure to procure an investment partner.

2. Cabinet Member introduction

2.1. Haringey is the future of London. Our potential for growth, matched by the energy and resilience of our residents and businesses, exemplifies the very best that London has to offer as it faces the challenges and opportunities of the next century. And the Council is embracing growth: we are clear that new homes and new jobs are central to meeting the serious challenges which many of our residents still face, and to attracting future generations of people and businesses to Haringey. They are also key to the long term financial resilience of the council itself.

2.2. We have no shortage of confidence and ambition, but we also know we cannot achieve our ambitions alone. The Council's own landholdings can and must play a central part in the next chapter of growth, but we have neither the investment nor the skills needed to fulfil the potential of that land. At the same time, the Government is making it harder still for councils to hang on to their existing affordable homes, and to build new ones. It is these challenges that bring us to this key moment in our growth story.

2.3. There are several options for the Council in deciding how to achieve growth on its own land, but I am clear that the option recommended here – for a joint venture development vehicle – is the right one for Haringey. Most importantly, it gives us the best chance of meeting our ambitions for new jobs and homes (including affordable homes) at the scale, pace and quality that we and our residents

expect. It also offers us the right mixture of risk and reward, while maintaining a central role for the Council in all the key decisions.

2.4. The path towards an up-and-running development vehicle is a long one. This decision – to agree the approach, and to start the search for a joint venture partner – is a vital milestone. There is much hard work ahead, for the Council and its prospective partners, and more important decisions to come after this one. I'm pleased to recommend that we take this vital next step, as I believe it is the best way to turn our ambition for growth on our own land from a plan into reality.

3. Recommendations

It is recommended that Cabinet:

- i. Approves the Business Case attached as Appendix A1, and as referred to in the exempt report, for the establishment of the 'Haringey Development Vehicle'.
- ii. Agrees that Option 6 as set out in paragraphs 7.40-7.42 of this report (the Overarching Vehicle) is the most appropriate structure for Haringey.
- iii. Agrees to the commencement of a Competitive Dialogue Procedure under the Public Contracts Regulations 2015, to procure an investment partner, with whom to set up a vehicle as set out in Option 6, subject to this matter being brought back to Cabinet for the selection of the preferred bidder and approval of the final documentation as set out in recommendation v below.
- iv. Gives Delegated Authority to the Director of Regeneration, Planning and Development, after consultation with the Leader of the Council, to agree all documentation required to support the procurement process.
- v. Gives Delegated Authority to the Director of Regeneration, Planning and Development, after consultation with the Leader of the Council, to deselect bidders, in line with the evaluation criteria, throughout the procurement process and to return to Cabinet for approval of the preferred bidder following the conclusion of the procurement process.
- vi. Agrees that the list of properties or sites set out in paragraph 7.54 be included in the procurement as Category 1 Land owned by the Council that it is intended will be transferred into the vehicle', subject to satisfaction of the appropriate conditions precedent and obtaining necessary consents where applicable.
- vii. Agree that the Category 2 properties listed in paragraph 7.54 be included in the procurement process as they may potentially be transferred into the vehicle in future. Cabinet will receive a further report at the appropriate time should it be intended to transfer these into the vehicle.

- viii. Notes that the Council may wish to transfer into the vehicle at a future time additional currently unidentified strategic, vacant or surplus sites or assets, located in the Borough and owned by the Council, that are suitable to deliver the regeneration and socio-economic aspirations of the Council, These are referred to as Category 3 Properties in paragraph 7.54 of this report and Cabinet is requested to agree that these be included in the procurement. These may be Housing Revenue Account or General Fund sites and should these be brought forward Cabinet will receive a further report on the potential disposal of these assets to the vehicle.
- ix. Agree the initial procurement brief as set out at Appendix 7, indicating in outline the priority areas of regeneration, social and economic benefits that the Council is seeking and give Delegated Authority to the Director of Regeneration, Planning and Place, after consultation with the Leader of the Council to make any necessary amendments during the procurement process
- x. Agree additional funding of £547,000 from the Urban Renewal Reserve to carry out the procurement process, as set out in paragraph 8.8.

4. Reasons for decision

- 4.1.** The Council has set out in its Corporate Plan and associated strategies, a set of challenging social, economic and regeneration objectives. It also has challenging economic and housing growth targets from the London plan, as well as a need to maintain its existing housing stock and carry out major estate renewal. It has neither the resources nor the capacity to achieve these alone.
- 4.2.** In the autumn of 2014, Turnberry examined the market on the Council's behalf to see if there was an appetite for partnership with the Council to deliver these social and economic objectives; deliver new housing and economic growth. On confirming that there was interest, the Council commissioned detailed work into the options for delivering the objectives, which is included in the Business Case at Appendix A1 and considered in detail below.
- 4.3.** In summary, the site by site disposal of land will not deliver the required social and economic benefits or the renewal of estates as the level of up front funding required by the private sector, particularly for estate renewal, will prevent them being developed, and where it is possible to move development forward will reduce returns and inhibit the delivery of social and economic benefits.
- 4.4.** For the Council to establish a wholly owned company and carry out the work itself, would mean a commitment to a level of borrowing that is impossible for the Council to sustain, and a level of risk that would not be prudent.
- 4.5.** Accordingly the option recommended is that the Council should seek through open procurement a private sector partner with whom to deliver the objectives in partnership.
- 4.6.** The Council accepts a degree of risk in that it will commit its commercial portfolio to the vehicle, and will, subject to the satisfaction of relevant pre-existing

conditions, also commit land. It has also to bear the costs of the procurement and establishment of the vehicle, and some limited development risk. However, in return, the contribution to its Corporate Plan objectives, including high quality new jobs, new homes including affordable homes and economic and social benefits, will be at a scale and pace that would otherwise be unachievable. The Council also receives a financial return that it can reinvest in the fulfilment of its statutory functions, and particularly in measures to achieve such socio-economic objectives (as more particularly described in paragraph 7 below and Appendix 7) or, as appropriate, such other strategic outcomes under the Corporate Plan.

4.7. The development partner, which continues to bear funding risk and the consequent development risk, enters a long term partnership with a non – commercial partner in a political environment, making it essential for them to maintain relationships. However, they obtain a long term pipeline of development work, in an area of London with rising land values, and with a stable partner.

4.8. It is not feasible for the Council to continue to operate as it has done previously and the approach outlined will help deliver wider social and economic benefits, as well as the housing and jobs outlined in the Council's plans. It should be noted, however, that this report does not recommend a decision to establish a vehicle, but simply to open a procurement process with a view to establishing one; the decision to establish will come back to Cabinet in due course.

5. Alternative options considered

5.1. The potential alternative options are considered in detail in the business case attached as Appendix A1, and referred to in the exempt report, and covered below.

6. Contribution to strategic outcomes

6.1. The proposal contributes to achieving the strategic outcomes set out in the Corporate Plan 'Building a Stronger Haringey together' (in particular Priorities 4 and 5), to the Economic Development and Growth Strategy 'A Plan for jobs, growth and prosperity', and to the draft outcomes of Haringey's Housing Strategy.

7. Background and Summary information

7.1. The Council has a major commitment to growth in housing and employment both through the Council's own Corporate Plan 'Building a Stronger Haringey together', and through its contribution to the London Plan, which says that the borough needs to provide 20,000 new jobs and 19,000 new homes over the next 15 years or so. The nature and scale of these ambitions are further set out in the council's Economic Development and Growth Strategy, and in the draft Housing Strategy. More specifically for Tottenham, the Strategic Regeneration Framework (SRF) - a landmark 20-year vision for the future - sets out the need to deliver at least 10,000 new homes and 5,000 new jobs in Tottenham over the next twenty years.

7.2. As set out in the Corporate Plan, draft Housing Strategy and Economic Development and Growth Strategy, housing and employment growth are key to

the Council's long term strategy for the future of the borough; new homes and jobs are essential in order to meet the needs and expectations of current and future residents, and to help them prosper. Over time, better housing and employment for our residents will not only improve the quality of life for residents, but will also help to reduce demand for council and other public services. The increased council tax and business rate income will also help to put the Council's finances on a more sustainable long-term footing as grant and other revenue decreases, and allow further cross-subsidy and investment into the stated socio-economic objectives and Corporate Plan outcomes.

- 7.3.** The Council's own landholdings must play a key role in driving this economic growth and providing new housing. Without use of surplus Council land such as unneeded offices in Wood Green, disused depots and under-used commercial property, the Council cannot achieve its targets. Similarly, estate renewal on the Council's large and medium sized estates provides a major opportunity not only to increase the number of homes, but also to improve the mix of tenures and sizes, and address the condition of the housing stock. The Council aims to significantly improve the condition, type of housing and economic opportunities at High Road West, Northumberland Park Regeneration Area, Broadwater Farm and on medium sized estates across the Borough. Compared to privately owned sites, development on Council land gives the Council a particularly good opportunity to define the type of housing and jobs the Council want to see, and to start regeneration in priority areas like Wood Green town centre.
- 7.4.** The Council has already attracted infrastructure investment from the GLA into Tottenham through the Tottenham Housing Zone, and is adopting a range of solutions to deliver the necessary projects. It is envisaged that a development partner will be sought for the High Road West project, and a development partnership is being established at Tottenham Hale. Reports on both these schemes will be brought to Cabinet in due course. But as is discussed below, these solutions will not work to deliver regeneration across all those areas of the Council's land holdings in need.
- 7.5.** The Council does not have the financial resources to achieve its stated socio-economic aspirations and its Corporate Plan outcomes. Recent studies have confirmed that the Council's finances are considerably short of being able to meet all the aspirations. This has been made worse by the recent changes announced by Government including the expected forced sale of council homes and particularly the reduction in rents by 1% per year for the next four years. In this environment, there is not enough money to fully maintain the existing stock, still less build new homes.
- 7.6.** In common with many local authorities and public sector bodies, the Council also has a demonstrable shortage of capacity and expertise to deliver the schemes required. On its own it cannot achieve its aims and it needs to bring in people and skills to make the developments happen. These skills would be difficult and expensive to acquire in competition with other boroughs and the private sector.
- 7.7.** The value of seeking a private investment partner is that they will bring both capital resources, and skills and expertise to help achieve the Council's objectives.

Financial returns will accrue on a phased basis giving the Council the option to spend these on further development – including affordable housing – on social and economic benefits or on other corporate plan objectives. During the Future of Housing Review, the member review group felt that in principle, some kind of development vehicle was needed as the Council had little choice of option to achieve its objectives.

- 7.8.** While there are a range of options for unlocking the development potential of the council's land – as set out in this report and the appendices - the joint venture development vehicle model appears to be the best solution to deliver the Council's ambitions.

The 'development vehicle' concept

- 7.9.** In autumn 2014, the Council commissioned Turnberry Real Estate to carry out soft market testing to see if there was interest from potential private sector partners in taking forward development in Haringey. Exploratory discussions with a range of developers, investors and development managers – the potential private sector partners – confirmed that this was indeed the case.

- 7.10.** The model explored by Turnberry, in collaboration with the Council, and endorsed by private sector providers, was a 'development vehicle': a new, separate private entity set up as a joint venture owned 50% by the Council and 50% by one or more private sector partners. This model is already used by a number of local authorities and public agencies in the UK to bring forward major development on their land, where those authorities do not have the investment capacity and skills to achieve the best possible regeneration outcomes without a partnership approach of this kind. A joint venture development vehicle can combine Council land with private investment and expertise while maintaining an appropriate degree of Council control over the pace and quality of development. It can also potentially give the Council a long term income stream as well as capital returns, which may be reinvested in accordance with the Council's statutory functions, on new housing, on social and economic benefits or on other Corporate Plan objectives.

- 7.11.** With the approval of Cabinet in February 2015, the Council then carried out a procurement process to seek commercial and legal advisers to examine in detail the feasibility of a joint venture development vehicle for Haringey. Turnberry, in partnership with Bilfinger GVA, were appointed to the former, and Pinsent Masons the latter. Their brief was to: clarify the Council's objectives; develop a detailed business case for the preferred option; and define and deliver a procurement strategy. The attached business case is the result of their work, as tested and challenged by council officers in consultation with cabinet members.

Why is Haringey considering a development vehicle now?

- 7.12.** Strategically there are a number of factors that demonstrate Haringey's readiness for development on a scale that such a vehicle could deliver: in planning policy terms, with the development of the local plan, site allocations and Area Action Plans for Tottenham and Wood Green; from the Council's work on regeneration with the Strategic Regeneration Framework for Tottenham, and the

emerging Wood Green Investment Framework; and with the Draft Housing Strategy out for consultation and the Housing Investment and Estate Renewal Strategy being updated.

7.13. The recent review of the Future of Housing has demonstrated forcibly that there is insufficient capital funding available to deliver all the Council's aspirations, and because of that the potential options for maintaining homes, delivering new housing and economic growth are extremely limited. A joint venture development vehicle may however be a potential solution.

7.14. Consultation with the market confirms that the market sees Tottenham and Wood Green as areas of high potential, believes in the Council's 'affordable London' message and shares the interest and belief in mixed tenures including private rented housing. The market has a growing confidence with the Council's leadership.

7.15. Following the Cabinet report in March 2015 the following objectives have been developed by officers in consultation with Cabinet members, to underpin the assessment of any potential approach to development of the council's assets:

- i. To deliver growth through new and improved housing; town centre development; and enhanced use of the Council's property portfolio.
- ii. To achieve and retain a long term stake and control in development of the Council's land, maintaining a long term financial return which can be reinvested in accordance with the Council's statutory functions, on new housing, on social and economic benefits or on other Corporate Plan objectives.
- iii. In partnership with the private sector, to catalyse delivery of financially unviable schemes.
- iv. 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.
- v. 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.
- vi. Incorporate land belonging to other stakeholders, both public and private sector, into development.

Wider social and economic benefits

7.16. The business case presented here describes how the proposed development vehicle could be a catalyst to help achieve the outcomes set out right across the council's Corporate Plan. Not only will it directly contribute to achieving the Council's housing and estate renewal ambitions, and support the creation of new space for business and jobs – it will also create and support new training opportunities and apprenticeships, and give the council an opportunity to invest in a still wider range of outcomes.

7.17. Through the procurement process the council will make clear to prospective partners that the vehicle will deliver as part of its operation:

- New homes, in a range of tenures:
 - Private rental
 - Private sale
 - Low cost home ownership and other intermediate housing
 - Social rented
 - Innovative tenures and types of housing
- Commercial retail/ office/manufacturing space
- Employment – both through the activities of the vehicle itself (e.g. construction) and as a result of new commercial and retail developments

7.18. Attached at Appendix 7 for Cabinet’s approval is an outline of the key additional social and economic benefits that the Council will be specifying as part of the procurement. It is important that the Council maximises the social and economic value from this project, by making these considerations central to the evaluation of potential partners, while at the same time retaining the opportunity for private sector partners to demonstrate flexibility and innovation once the vehicle is established.

7.19. In addition, when the vehicle brings forward successful developments, the Council will receive financial returns as modelled and set out in the Business Case, Appendix A1, and the Financial Appraisal attached in the private portion of this report at Appendix 5. The Council will of course have competing priorities for the reinvestment of these resources in accordance with its statutory functions and Corporate Plan objectives, but the intention is to invest such resources in employment and training programmes; to subsidise more affordable housing and/or lower rents; or to support other Corporate Plan objectives such as crime reduction measures, health improvement or community facilities.

The Options

7.20. The business case attached considers in detail the following potential delivery structures 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 and achieve economic growth.

Option1: Base Case

7.21. 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.

7.22. 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.

7.23. This option carries limited risk to the Council, but stands no chance of delivering the Council's aspirations, particularly given that there appears little likelihood of sufficient funding being available to facilitate this option in any realistic timetable.

Option 2: Disposal of Individual Sites

7.24. 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.

7.25. 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.

7.26. 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.

7.27. 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.

7.28. There are serious questions as to whether the Council's aspirations are deliverable through this route:

- a) This option would produce considerably less financial benefit for the Council, reducing the amount to be reinvested or used to cross-subsidise the stated socio-economic objectives and Corporate Plan outcomes.
- b) While there is little development risk to the Council through this approach the private sector will consider these developments more risky without the appeal of a guaranteed pipeline of development, with consequent increased costs and lower returns.

- c) In the bigger schemes such as Northumberland Park Regeneration Area it is doubtful given the level of initial funding required that the market would be interested in the short term, if at all.
- d) Without the opportunity for a development vehicle to mitigate borrowing for Compulsory Purchase Order (CPO) costs, it is likely that the impact on the Council's borrowing requirement will be higher, and given the risk issues discussed above, it will be harder to persuade a developer to fully indemnify the Council for these costs.
- e) Given the support of the Mayor for vehicle-type approaches further Housing Zone funding may be less likely.
- f) The ultimate result of this will be significantly less delivery, for example in the number of housing units delivered.

(See also additional comments in the exempt portion of the report)

Option 3: Outsource Asset Management and Services

7.29. The Council outsources the management of its entire development portfolio, including the commercial portfolio (which is currently managed in-house) and the responsibility for development of the large estate renewal sites, to a third party provider who provides services on behalf of the Council. 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. A key focus would be on maximising returns from the portfolio, usually through 'sweating' the assets i.e. increased asset management of investment generating assets.

7.30. This option is relatively low risk but suffers from the same issues with regard to deliverability as the previous two options. While this would bring financial benefits it is impossible to see them being sufficiently significant to deliver the Council's stated socio-economic objectives and Corporate Plan aspirations.

Option 4: Council Wholly-Owned Vehicle

7.31. 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 will remain on the public sector balance sheet, with private sector involvement limited to works and services paid for by the company. A local example of this approach is Broadway Living, the local authority company wholly owned by the London Borough of Ealing.

7.32. To achieve the Council's aspirations through a wholly-owned company, the Council would need to support all the costs (of compulsory purchase, development, sales and marketing etc) through borrowing. All this money, and all

the development risk would be the Council's responsibility throughout the process, so this is clearly a high risk option. This option is not feasible from the Council's point of view on a financial basis, because of the high levels of borrowing required and consequent costs of servicing the borrowing.

(See also additional comments in the exempt portion of the report)

7.33. In addition, it is highly unlikely that a wholly-owned company could deliver the scale of outputs required. The wholly owned companies set up by other London authorities are generally delivering significantly fewer homes than we anticipate building through this vehicle, without considering the town centre, economic and growth ambitions that the Council has. The range of delivery varies, but is typically less than 500 homes over a five year period, though the sponsoring Councils will aspire to higher in due course.

7.34. It remains unlikely that a wholly-owned vehicle would be able to address the skills and capacity issues, more effectively than the Council itself. Further, housing kept in a wholly-owned company would also create potential exposure to the right to buy, as it is understood that the Government is closely monitoring the situation with these types of vehicles and may bring forward legislation in due course to enforce the right to buy and compulsory disposal.

Option 5: Site Specific or Asset Focused Vehicles

7.35. 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.

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

7.37. 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 proved uneconomical to invest in. The private sector partner would invest the equity. The vehicle would then work 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.

7.38. 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.

7.39. 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, than would be possible with a single vehicle. Managing a stake in several difficult vehicles may also place a greater governance burden on the council than would a single vehicle.

Option 6: Overarching Vehicle

7.40. This option builds on the initial concept set out at Option 4. However, under this option the Council and a strategic partner e.g. a development partner or strategic funding investment partner, create an overarching strategic partnership through an Overarching Vehicle (“OV”). The OV can then take assets forward by way of different delivery mechanisms beneath the overarching level, through for example, 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.

7.41. The OV could also provide an asset management role to enhance returns from 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.

7.42. The OV could also act as a development manager, asset manager and fund manager and provide a strategic funding role in taking schemes forward. The model would also allow the Council involvement in those schemes where it has limited land ownership. This is the approach taken by the LB Hammersmith and Fulham (in partnership with Stanhope), and by Sunderland Council.

The preferred option

7.43. The business case considers the pros and cons of each of these options in detail, and carries out a qualitative analysis, attaching weightings based on the Council’s objectives and scores to each option.

7.44. As a result of the analysis, Option 6 (the overarching vehicle) is the recommended option, because it is the model that best provides a means by which the Council can achieve its objectives. Specifically:

- (a) This option gives the greatest chance of achieving regeneration and development on a scale consistent with the council’s ambitions, in turn encouraging further growth and enabling the wider social and economic benefits to which the Council aspires.
- (b) The option allows the Council to retain influence and control over the pace and quality of development through its 50% stake in the vehicle, including nominations to the board of the joint venture vehicle .

(c) As can be seen from the financial appraisal, this approach is projected to achieve a considerable financial return which can be invested in accordance with the Council's statutory functions, in the further development of the stated socio-economic objectives or spent on the delivery of wider Corporate Plan objectives. This is significantly as a result of the bringing in of private sector resources to enable and make viable development. The other options project a significantly lower return in the event that they can be made to work at all.

(See also additional comments in the exempt portion of the report)

(d) This approach also provides the flexibility to combine the benefits of the other options, by allowing for the use of different mechanisms such as asset management, development management, fund management, joint venture and services provision under the overarching structure.

(e) Value can be extracted from the commercial portfolio and the town centre market led opportunities (at Wood Green) to be used to cross fund other projects, such as more financially challenging estate renewal sites. Money can also be retained within the vehicle and used to cross subsidise or fund other projects.

(f) While the Council will undertake a measure of development risk, it has in return the opportunity for reduced costs, and a share in very likely increased profits which may be reinvested in accordance with the Council's statutory functions, in the promotion of the stated socio-economic objectives. This level of risk, which is limited to the extent of land committed to the vehicle, and the commercial portfolio which is proposed to go in at day one, is significantly less than if the Council bears the whole burden of borrowing and cost to finance development. It is however, not a risk free situation and is the price paid for ongoing influence and control, together with financial returns.

(g) The vehicle would also have the ability to adapt and respond, particularly to changes in market conditions, but also to any changes in requirements that the Council itself seeks.

Structure and governance of the Vehicle

7.45. The Haringey development vehicle would be a 50:50 joint venture between the Council and its private partner or partners. It would be established as a company, or as a Limited Liability Partnership. The Council will likely have two or three nominees to the Board (the same number as the private partner). The vehicle will have an executive team which could be procured in a number of ways, dependent on the nature of the partnership and the successful bidder.

7.46. The Council will have a 50% share of the vehicle in order to secure significant at-risk investment from a potential private partner, while retaining its own power to create deadlock and reserving certain key decisions for the Council. The Council would not wish to exceed this share, as this would not only make the vehicle unattractive to the market, but also most likely make it a council-controlled body.

This would put all its debts and liabilities on the council's balance sheet, and, as noted, potentially expose housing kept in a council-controlled body of this nature to the Right-to-Buy, and/or forced sale under forthcoming legislation.

7.47. The vehicle would be set up on a long term basis for a period likely to be 15-20 years. There may well be a further option to extend if the partners wish.

7.48. As well as land and development sites, the Council will put its commercial portfolio into the vehicle . Paragraph 4.4 of the Business Case deals with this in more detail. These assets will provide income to support the running of the partnership as well as offering the opportunity for enhanced management and improved asset management.

7.49. The options for governance will be the subject of refinement and discussion with potential partners during the procurement process.

7.50. The Council will retain a role in decision making. Certain key decisions will be reserved for the Council and its partner to take as shareholders. These will require unanimous approval of the shareholders, and may include:

- Approval, adoption and variation of business plans
- Third party funding
- Alteration of the nature or scope of the vehicles's business
- Action outside the parameters of the business plans
- Admitting new members to the HDV
- Making a petition to wind up the HDV
- Material acquisitions or disposals

7.51. The Board of Directors of the Haringey Development Vehicle will take decisions relating to matters such as :

- Approval of statutory accounts/appointment of auditors
- Committing expenditure to an agreed threshold
- Approving material contracts
- Appointment of employees
- Monitoring and directing the work of the executive team

7.52. The executive team will manage the day to day running of the development activities as set out in the business plans.

The Council's land in the vehicle

7.53. For the purposes of proving the effectiveness of the concept and the viability of the vehicle, the financial model has been based on the following assets:

- Northumberland Park Regeneration Area
- Wood Green Civic Centre
- Wood Green Library

- Wood Green: River Park House and Station Road Buildings
- Park Grove estate
- Leabank View estate
- Cranwood House
- Commercial Portfolio

7.54. At this point the Council needs to decide which sites it will indicate to the market it is intending to put into the vehicle. At this stage the recommendation is that there should be three categories of sites:

Category 1: Land owned by the Council that it is intended will be transferred into the vehicle, subject to satisfaction of the appropriate conditions precedent and obtaining necessary consents, where applicable.

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| • NT3/4 Northumberland Park Regeneration Area | Plan attached Appendix 8 |
| • SA5 Wood Green Civic Centre | Plan attached Appendix 8 |
| • SA11 Wood Green Library | Plan attached Appendix 8 |
| • SA8 Wood Green: River Park House and Station Road Buildings in Council Ownership | Plan attached Appendix 8 |
| • SA51 Cranwood | Plan attached Appendix 8 |
| • Commercial portfolio | Assets listed Appendix 9 |

At this stage the approval of Cabinet is sought to indicate to the market that it is proposed to transfer these assets to the Development vehicle subject to the fulfilment of pre-conditions that will be established during the Dialogue process, and to the views of potential development partners themselves.

These sites are to be included in category 1 because the Council considers them priority areas for regeneration, because they are potentially attractive to the market, and because they should significantly enable the delivery of the Council's aspirations for homes and jobs, and for socio-economic benefits.

The commercial portfolio is included to obtain the enhanced use of the assets and better returns which will support the operations of the development vehicle and assist in delivering the socio-economic benefits. Some of the sites may be suitable for redevelopment in due course, and the portfolio will offer the vehicle potential assistance in borrowing.

Category 2: Sites and assets that may be transferred to the vehicle, and should be considered to be within the scope of the procurement process.

Housing Revenue Account sites

- | | |
|---|--------------------------|
| • SA63 Broadwater Farm Area N17 ** | Plan attached Appendix 8 |
| • SA66 Leabank and Lemsford Close N15 | Plan attached Appendix 8 |
| • SA56 Park Grove (inc Durnsford Road) N11** | Plan attached Appendix 8 |
| • SA54 Tunnel Gardens (inc Blake Road) N11** | Plan attached Appendix 8 |
| • SS3 Turner Avenue/ Brunel Walk N15** | Plan attached Appendix 8 |

- TG3 Reynardson Court N17 Plan attached Appendix 8
- Demountables – Watts Close N15 /Barbara Hucklesbury N22 Plan attached Appendix 8

** Denotes that this will be subject to capacity studies in conjunction with residents

In all instances the inclusion of a site on this list as a potential site does not indicate any present change in the situation for residents and tenants. Many of the residents of these areas have already been in discussions with the Council, but irrespective of this being the case, full consultation with residents and detailed planning will be entered into before any site (in any category) is transferred to the development vehicle for improvement or renewal.

General Fund Sites

- Fred Morfill Hse, Bounds Green Rd, N11 Plan attached Appendix 8
- Land to the rear of Muswell Hill Library N10 Plan attached Appendix 8
- Land opposite the Crematorium Great Cambridge Road EN1 (In LB Enfield) Plan attached Appendix 8
- SA 24/25/26 Commercial property adjacent to Clarendon Square N15 Plan attached Appendix 8
- TH7 Ashley Rd Depot N19 Plan attached Appendix 8

Category two sites are within the scope of the procurement process and may be transferred into the vehicle if the Council wishes to do so in due course, or if the potential partner identifies these as suitable sites. Again these may be included because the Council considers them priority areas for regeneration, because they are potentially attractive to the market, and/or because they should significantly enable the delivery of the Council's aspirations for socio-economic benefits.

In the case of 'medium-sized housing' sites, there is a view that these may be suitable for mixed use housing development, either because there is the potential for intensification of development, or where the Council may conclude that the cost of Decent Homes work is prohibitive. The Council aspires to replace social housing in any agreed estates renewal scheme.

However, they are category two sites rather than category one either because at present the Council's view of the future of the site is not sufficiently clear, or discussions with residents are not sufficiently advanced, or because there is uncertainty as to the market view of them.

Category 3

There will be sites and assets within the Borough that as yet have not been identified that may be suitable for development and inclusion within the vehicle's work. These may be identified at a later date, or possibly, during the Dialogue part of the procurement process and may include property yet to be acquired by the Council. These may be Housing Revenue Account or General Fund sites suitable to deliver the regeneration and socio-economic aspirations of the Council. Should these be identified, then it will be necessary to bring a further report to Cabinet, considering the suitability of, and risks associated with, the sites and assets and seeking approval for the principle of transfer.

The suitability of these sites will be assessed taking into account their priority for regeneration or development; their attractiveness to the market, and their potential contribution to the delivery of the Council's socio-economic aspirations.

- 7.55.** It remains the case that the final list of sites proposed for transfer would be subject to negotiation through the procurement process, and to the final approval of cabinet at the end of that process. This decision does not in itself authorise any transfer of land. It is also important to note that, with the exception of the non-HRA commercial portfolio, these sites would not transfer into the vehicle on the day it is created; rather, a suitable date would be agreed for each one once a suitable scheme had been developed, planning permission achieved and – in the case of estate renewal scheme – residents rehoused, with a commitment to transfer being conditional on those milestones being met.
- 7.56.** For residents and businesses currently occupying these sites, this is a further development of work that has been in progress, and does not actually change what is proposed for the residents home or business, but only provides the way to achieve what is proposed.
- 7.57.** Where reference numbers are used above these are the site allocation numbers, that indicate that the site is already in the Site Allocations Document of Haringey's Local Plan, as agreed by Cabinet at its meeting of the 20th October 2015. As members are aware, this document has been the subject of extensive consultation in order to reach this stage.

Northumberland Park Regeneration Area

- 7.58.** The regeneration of Northumberland Park has long been a priority for the Council and over the years considerable money and effort has been put into the area. Following the riots of August 2011, regeneration plans were developed through engagement with local communities. These have been enshrined in a number of policy documents.
- 7.59.** In summer 2014 the Council began working closely with local communities to develop more detailed regeneration plans and proposals for the local area, focused in particular on the housing estates within Northumberland Park.
- 7.60.** The Northumberland Park Strategic Framework was developed in partnership with the local community and informed by a two stage consultation process:
- **Stage 1. Summer 2014** – this stage focused on understanding the community's ambitions, appetite for change, concerns and setting out the potential benefits a regeneration programme could deliver for existing residents. **Stage 2. Autumn 2014** – this stage provided feedback on the Stage 1 consultation and sought feedback on the draft Key Principles for Change.
- 7.61.** The consultation process included newsletters, door-knocking, stakeholder meetings and drop-in sessions and there were over 400 attendees at these sessions. There was strong support for wide-ranging regeneration, the creation of safe and high-quality places, making better use of space and creating new streets

and better connections. The community also wanted regeneration to deliver high quality new housing for local people, more affordable homes and for there to be a focus on family housing at the heart of the regeneration area. The Council committed to exploring options for regeneration in partnership with local communities and has facilitated and worked closely with two Residents Associations (RAs) in the regeneration area. The Council has also agreed a specification for an Independent Tenant and Leaseholder Advisor (ITLA) with both RAs – the ITLA will be in place this autumn and will be working with local residents to develop a Residents Regeneration Charter which will clearly set out residents ambitions and expectations for regeneration in their neighbourhood.

7.62. In discussions with residents, officers have always indicated that it was unlikely any detailed master planning work would commence in the short term as the Council was looking at options for procuring a delivery partner for delivering regeneration and positive change in Northumberland Park and it would be the Council and the delivery partner working in partnership with local residents who would be responsible for taking forward more detailed regeneration planning.

7.63. Accordingly, the inclusion of Northumberland Park Regeneration Area in possible sites for a development vehicle will come as no surprise to residents. This potential inclusion, does not change the approach to the area which will still be through detailed consultation and engagement with residents and local ward members; will be the subject of careful masterplanning and the detailed consideration of the Council.

7.64. In terms of individual residents, the position does not change with regard to the situation of their homes. They will be fully consulted on the future developments, and of course the development of this scheme will take time, and firm decisions and change are therefore still some three years away approximately.

Wood Green

7.65. The **Civic Centre** has been identified for closure for a number of years and staff based at the site will reduce to circa 18 in January 2016. The Civic Centre site is included in the draft Site Allocations DPD as a site for residential development, and forms part of the emerging Wood Green Investment Framework and Area Action Plan, which will also identify this site for residential development and propose alternative provision for a Council Chamber and other Civic functions.

7.66. **Wood Green Library** is currently being refurbished in order to accommodate a new range of Customer Services functions. For the longer term, the library site is also identified within the draft Site Allocations DPD as a site for potential redevelopment, particularly given the site's potential importance in opening up routes from the High Street to the currently hard-to-access area to the west, and under the railway to Alexandra Park. If redevelopment is pursued the council will need to relocate the library and customer service centre to an alternative site in Wood Green Town Centre. Again, precise proposals for this reprovision will be incorporated into the emerging Wood Green Investment Framework and Area Action Plan.

7.67. The cluster of council-owned buildings at and around River Park House on **Station Road** are also identified for redevelopment – including housing – in the draft site allocations DPD. The proposed future of these sites – and the corresponding re-provision of council offices – will also be set out in the emerging Wood Green Investment Framework and Area Action Plan

7.68. Public consultation on the draft Wood Green Area Action Plan and the council's regeneration plans for the area is scheduled for early 2016. These plans – and any subsequent development proposals for specific sites – will be subject to the same degree of engagement (for example with users of the Library and Civic Centre and council staff) whether they are taken forward by the Vehicle or through another method.

Cranwood House

7.69. This site includes the former care home and the eight adjacent properties, of which six are Council tenancies and two are owner-occupied. The residents are aware of the Council's proposals for developing the site, particularly for affordable housing.

7.70. Although discussions have been held with the tenants, rehousing is not at present being actively pursued.

Next Steps

7.71. The process to arrive at an implementable partnership is set out at section 10 of the business case. A procurement process under the Public Contracts Regulations 2015 is required.

7.72. Prior to procurement there will need to be:

- Further detailed work on the structure of the proposed Haringey Development Vehicle
- Collation and checking of asset and property information
- Establishment of a data room for the procurement process
- Preparation of procurement documentation and timetable
- Identification of evaluation criteria
- Preparation of marketing documentation.

7.73. This will be followed, subject to members' approval of this report, by the procurement process, of which the principal stages are indicatively timetabled as follows:

- Issue of a Prior Information Notice – 25th November 2015
- The issue of an OJEU notice – 11th January 2016
- Memorandum of Information and Pre Qualification Questionnaire Stage – Complete 22nd February 2016
- Dialogue Phase – Complete 19th September 2016
- Submission of final tender – 19th September 2016
- Evaluation
- Preferred bidder and documentation phase – 14th November

- Contract award – 30th January 2017

A more detailed explanation of these phases is in section 10 of the business case.

7.74. Members should note that at this stage Cabinet’s authority is not being sought to set up the Haringey Development vehicle, but rather to move on to the next stage and embark on a formal procurement process. If Cabinet is minded to do that, it will be asked in due course to make two further decisions; firstly, following evaluation, to agree the preferred bidder, and finally agree the financial close and company set up. In the meantime, Cabinet is asked to delegate to the Director of Regeneration, Planning and Development, after consultation with the Leader of the Council, the tasks of:

- agreeing all documentation required to support the procurement process.
- deselecting bidders, in line with the evaluation criteria, throughout the procurement process.

8 Comments of the Chief Finance Officer and financial implications

8.1. The modelling of the Development Vehicle shows that the recommended option has the ability to achieve the Council's desired outcomes and deliver a significant surplus to the Council. It can also achieve an ongoing revenue return to offset the loss of rental income from the Council's existing property portfolio. The surplus funds may be re-invested in accordance with the Council's statutory functions into the promotion of the stated socio-economic objectives and corporate plan outcomes. Although there can be no guarantee of outcomes prior to procurement, soft market testing has demonstrated that there is a market appetite for such a Vehicle. As the partnership evolves the Council would have the option of reinvesting a proportion of any surplus received into other desired outcomes in accordance with the Council's powers and purposes, for example more affordable housing.

8.2. It is important to note that this just represents a modelled position and the actual outcome will be dependent on the appetite of the market and the outcome of the procurement exercise. Although there is a risk that the actual outcome will not be as beneficial to the Council, equally the final position may improve during the procurement process.

8.3. The modelling assumes that the following sites are included in the Development Vehicle;

- Northumberland Park Regeneration Area
- Wood Green Civic Centre
- Wood Green Library
- Wood Green: River Park House and Station Road Buildings
- Park Grove estate
- Leabank View estate
- Cranwood House
- Commercial Portfolio

8.4. Although these were only included for modelling purposes, the initial inputs are proposed above and the final inputs will need to be agreed by Cabinet at a later date, subject to the Dialogue process, it is important to note that the outcome of the Development Vehicle is dependent on certain key sites being included and without these sites the outcome will not be as beneficial. The timing of when assets are available to the proposed Development Vehicle is also likely to be important.

8.5. Although the Council does have other options including undertaking development itself, disposing of individual sites to generate capital receipts and/or pursuing individual development agreements, in these cases the Council would not benefit from the professional skills the Development Vehicle partner would bring and thus there would be a significant revenue budget requirement to buy-in these skills as there is limited in-house expertise. Additionally the Council is likely to benefit from the availability of external funding to support development, the Council's ability to borrow to progress development is limited by the Housing Revenue Account Borrowing Cap and the need to finance General Fund borrowing from reducing revenue budgets.

8.6. The options review has demonstrated that a Development Vehicle represents the best option for the Council to realise the value from its existing assets

(principally land), and the cross-subsidy inherent within the model mean that sites that are not viable in isolation have the potential to be developed, whilst the Council benefits from both sharing risk and spreading this risk across multiple sites. In bringing about increased levels of development than might otherwise be possible, the Council would expect to benefit from Housing and Business Growth, which is key to the Council longer-term financial well-being as Government Grant continues to reduce and the Council becomes more reliant on Council Tax and Business Rates income to fund its statutory obligations.

- 8.7.** The Council will have the option of contributing equity into the Vehicle itself, if it so wishes, and in doing so this is likely to increase the returns made due to the Council being able to borrow at cheaper rates than likely partners. However, in doing so the Council will need to be mindful of ensuring that it does not breach State Aid regulations and that it retains sufficient funding to enable the capital expenditure required outside of the Development Vehicle, as identified in the Capital Strategy, to still be funded.
- 8.8.** The total cost of the options appraisal already undertaken and the procurement process recommended within this report is estimated to be £1.047m. Funding of £500,000 has already been agreed by Cabinet in February 2015, which was comprised £400,000 from the Urban Renewal Reserve and £100,000 from the Tottenham Regeneration budget. Therefore additional funding of £547,000 is required, which in addition to funding the cost of external commercial and legal advisors will also pay for internal project management and procurement support, together with any tax advice or specialist advice, surveys or masterplanning required during the process. Although the set-up costs are significant they need to be seen in the context of the likely cost of professional advice and support if each of the developments was progressed individually. The sum can be met from the Urban Renewal Reserve.
- 8.9.** In addition to the revenue cost of establishing the recommended vehicle, the Council is likely to need to undertake some capital investment upfront to enable the Vehicle to form, this would take the form of acquiring unencumbered land assets on key sites, for example buying out of leaseholders on existing housing estates or obtaining commercial property interests. These costs would ultimately be paid back by the Vehicle (with interest) but the Council will need to allow for this expenditure within the Capital Strategy that is currently being developed. The modelling assumes that these CPO costs are paid back early to reduce the risk to the Council.
- 8.10.** The Council is in ongoing negotiations with the GLA and Treasury around support for the Tottenham Regeneration programmes and that may lead to up-front funding to acquire such assets being made available, but in this eventuality the Council will need to be aware of the inter-relationship with other ongoing projects, for example the expectation is that High Road West procurement will commence in 2016.
- 8.11.** Finally before Cabinet ultimately approves the creation of the Development Vehicle, which is not likely to be necessary before late 2016, it will need to consider the impact on the Councils ongoing revenue budgets. As an example if the Council commercial property portfolio forms part of the Vehicle then there will be a reduction in income, conversely the Council may benefit from reductions in office running costs. In the context of the significant revenue savings required in future years, the

Council will have the option of asking for any loss in income to be offset by the vehicle, although this will reduce the overall surplus achieved.

(See also additional comments in the exempt portion of the report)

9 Comments of the Assistant Director of Corporate Governance and legal implications

9.1. To undertake the transactions and participate in the proposed Development vehicle and proposed associated structure referred to in this report, the Council will be relying upon the General Power of Competence (“general power”) contained in Section 1 of the Localism Act 2011 in conjunction with the powers set out below.

9.2. Section 1 Localism Act 2011 is a very broad based power which allows local authorities to do anything that an individual may do. There are some limits on the power set out in section 2 of the Act. If exercise of a pre-commencement power (i.e. power in existence before the general power became law) is subject to restrictions then these restrictions also apply to the exercise of the general power so far as it is overlapped by the pre-commencement power. This general power also does not enable the local authority to do anything which the authority is unable to do by virtue of a pre-commencement limitation. It further does not allow the local authority to do anything which the authority is unable to do by virtue of a post-commencement power which is expressed to either apply to this general power, to all the authority’s powers or to all the authority’s powers but with exceptions that do not include the general power.

9.3. Section 4 Localism Act 2011 provides that if an authority is exercising the general power for a commercial purpose then the local authority must do it via a company. In this instance the local authority are proposing this project for the purposes set out in paragraphs 7.16 to 7.19 of the report and in Appendix 7 and the primary purposes of the project are non-commercial, although the Council would be acting on a commercial basis as a partner in a joint venture. In addition the objectives of the project are to comply with the objectives of Corporate Plan referred to in paragraph 6 of the report. These objectives are non-commercial socio-economic objectives. It is currently proposed to structure this project through a Limited Liability Partnership albeit this will be decided as part of the procurement process when further advice will be taken. Pinsent Masons LLP have advised on a number of similar projects and are satisfied in these circumstances that the Council may rely on the general power as legal authority for this project and for the proposed LLP structure. Leading Counsel has also been instructed to advise on this point and has confirmed that in his opinion the Council has the power to become a member of an LLP for the purposes of this project. This issue has never been challenged or litigated on in respect of previous LLP schemes involving local authorities and therefore there is no established case law on the point.

9.4. Sections 8 and 9 of the Housing Act 1985 provides a duty for local authorities to review the housing needs in their district and gives them powers to provide housing accommodation, by building houses, converting buildings into houses or by acquiring houses (including provision through third parties).

9.5. Section 32 of the Housing Act 1985 allows Local Housing Authorities to dispose of housing land but only with the consent of the Secretary of State. The Secretary

of State (CLG) has published a series of general consents since 1985, the latest being The General Housing Consent 2013 published in March 2013. The 2013 General Consent contains in fact four separate consents with the most relevant being "A: The General Consent for the Disposal of Land held for the purposes of Part II of the Housing Act 1985-2013. Consent "A" draws a distinction between vacant land and dwellings. A Local Housing Authority may dispose of a dwelling provided it is at market value subject to certain exceptions including where the dwelling is occupied by a tenant(s) where consent of the Secretary of State is required. The General Consent allows a local authority to dispose of vacant land. This can be at any price (market value or less (subject to compliance with State aid rules)). Vacant land is defined as land on which no dwelling houses have been built or where dwelling houses have been built such dwelling houses have been demolished or are no longer capable of human habitation and are due to be demolished. Any land transferred by the Council will need to fall within the latter definition or will otherwise require a specific consent. There is no qualification or limitation on the disposal of vacant land to entities in which the local authority has an interest. A disposal can be by way of conveyance of the freehold or grant of a lease of any duration.

- 9.6.** Section 24 Local Government Act 1988 enables a local authority to provide financial assistance in relation to private let accommodation. Local authorities will need to obtain the Secretary of State's consent under Section 25 Local Government Act 1988 to exercise the power under section 24 (Financial Assistance). A local authority will also need section 25 consent if it wishes to use any other powers (including the general power of competence) for the purposes set out in section 24. If it does not, the transaction will be void. General consents were issued in December 2010 in relation to section 25.
- 9.7.** Section 233 Town and Country Planning Act 1990 gives local authorities power to dispose of land held for planning purposes in such manner and on such terms as seem expedient in order to secure the best use of the land or the proper planning purposes. Secretary of State consent is needed if the disposal is for a consideration less than the best that can reasonably be obtained. Section 123 Local Government Act 1972 gives local authorities the power to dispose of Non-Housing Land for best consideration.

Best Consideration Generally

- 9.8.** When transferring land into the Development vehicle other than housing land (i.e land accounted for within the HRA), the Council must demonstrate compliance with its best consideration requirements under Section 123 of the Local Government Act 2011 or under s233 Town and Country Planning Act 1990 in relation to land held for planning purposes.
- 9.9.** In relation to housing land, Section 32 of the Housing Act 1985 allows local housing authorities to dispose of housing land with the prior consent of the Secretary of State. However, the Council may rely on General Consent A which allows a local authority to dispose of vacant land. This can be at any price (market value or less (subject to compliance with State aid rules)). Vacant land is defined as land on which no dwelling houses have been built or where dwelling houses have been built, such dwelling houses have been demolished or are no longer capable of human habitation and are due to be demolished.

State Aid Compliance

- 9.10.** Any transfer of land by the Council to a Development vehicle must be transacted in accordance with the Commission Communication on State aid elements in the sale of land and building by public authorities (OJ C209 10.7.1999, p3-5) (the "Sale of Land Guidelines") in order to avoid the transaction being deemed to include the grant of State aid to the acquiring entity. This will be satisfied where the land is transferred at an open market value as determined by an independent valuation (in compliance with the requirements of section 2 of the Sale of Land Guidelines).
- 9.11.** Any investment by the Council (of land or finance) will be in compliance with State aid. It is intended to rely upon the Market Economy Investor Principle as the Council will be investing on same terms as the private sector partner (i.e. on terms that would be acceptable to a prudent private sector investor in the same circumstances). The structure will be kept under review as it develops to ensure that it continues to be State aid compliant.

Procurement process

- 9.12.** Pinsent Masons LLP have advised that the Council has both a strong justification and rationale for choosing competitive dialogue as the procurement procedure to deliver the project given that there are no readily available solutions; the Council is unable to specify an exact specification; and negotiation between the Council and the proposed private sector partner will be necessary in relation to the proposed joint vehicle.

General

- 9.13.** This is a complex project and Pinsent Masons LLP has been engaged to advice on issues and detailed legal advice will need to be given throughout this project up to any final decisions. It is also noted that where Council land is not specifically referred to in the report officers will come back to Cabinet in future for specific consent to transfer any such property into the vehicle.

10 Equalities and Community Cohesion Comments

- 10.1.** An Equalities Impact Assessment for the procurement and creation of the vehicle is attached as Appendix 10. The company documentation will require the vehicle to comply in all respects with legislation and good practice in this area.
- 10.2.** Asset business plans and proposals on a project by project basis will contain appropriate EqIA documentation, and it is open to the Council if it wishes to include this as a condition that must be fulfilled before land can transfer.

11 Head of Procurement Comments

11.1. Procurement supports the proposal to utilise the competitive dialogue procurement process in accordance with the Public Contract Regulations 2015, due to the complexity of the procurement and the Councils uncertainty as to the structure and terms of the development vehicle.

11.2. It is expected that the project team will engage Central Procurement Team and the Head of Procurement as appropriate throughout this process.

12 Local Government (Access to Information) Act 1985

13 Appendices

Appendix – Business Case

APPENDIX A1 - Business Case

APPENDIX 1 - Economic Context

APPENDIX 2 - Property Portfolio

APPENDIX 3 - Qualitative Analysis

APPENDIX 4 - Case Studies

APPENDIX 5 - Financial Appraisal (attached to the exempt report)

APPENDIX 6 - Structure and Operation (attached to the exempt report)

APPENDIX 7 - Initial Procurement Brief - Key Social and Economic Benefits

APPENDIX 8 – PLANS

Ashley Road Depot

Broadwater Farm

Clarendon Road

Cranwood

Demountables – Watts Close /Barbara Hucklesbury

Fred Morfill House, Bounds Green Road

Land Opposite the Crematorium – Great Cambridge Road

Land to the rear of Muswell Hill Library

Leabank and Lemsford Close

Northumberland Park

Park Grove (inc Durnsford Road)

Reynardson Court

Tunnel Gardens (inc Blake Road)

Turner Avenue/ Brunel Walk

Wood Green Civic Centre

Wood Green Library

Wood Green River Park House and Station Road Buildings

APPENDIX 9 - Commercial Assets – List of Assets

APPENDIX 10 - Equalities Impact Assessment