

Report for: Cabinet, 3 July 2017

Item number: 10

Title: Haringey Development Vehicle – Financial Close and Establishment

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

Lead Officer: Dan Hawthorn, Director of Housing & Growth

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 advise Cabinet of the outcome of the Preferred Bidder stage of the Competitive Dialogue procurement process under the Public Contracts Regulations 2015 authorised by Cabinet on 10 November 2015, to procure an investment and development partner with which to establish the Haringey Development Vehicle ('HDV').
- 1.2 Cabinet is asked to approve the conclusion of the process, and in particular to approve for execution the suite of legal agreements which will facilitate the establishment of the HDV and to approve the business plans that will form the basis of its initial work programme.
- 1.3 Cabinet's attention is in particular drawn to some of the most significant elements of the proposed arrangements:
 - An estimated 6,400 new homes, of high quality and meeting Council policy in terms of affordable housing, and potential for more than 20,000 jobs overall
 - Estimated development returns to the Council of £275m, plus a share of enhanced rental returns from the commercial portfolio, plus estimated section 106 and Community Infrastructure Levy investment of £37.7m, plus council tax and business rate uplift rising to an estimated £13m per year.
 - £8m HDV investment into its social & economic programme, plus a £20m investment from Lendlease in a Social Impact Vehicle to drive long-term social outcomes.
 - Firm guarantees for existing tenants in estates proposed for development by the HDV that they will have a right to return to the estate, and to be rehoused on similar terms and rents, plus a dedicated support package for resident leaseholders.
 - Overall, an agreement that drives – through a co-ordinated programme across the whole borough – long-term improvements in the prosperity and wellbeing of the borough and its residents, at a scale and pace that the Council could never achieve alone.

1.4 The critical elements of the proposed HDV – in terms of governance, the commercial deal and the proposed work programme – are all set out in this report, providing the information felt necessary for Cabinet members to make the necessary decisions. The detailed legal and business plan documentation is published alongside this report in the interests of transparency.

2. Cabinet Member Introduction (Cllr Strickland, Cabinet member for Housing, Regeneration & Planning)

Bringing the homes, jobs and facilities our residents have asked for

2.1 Our residents have made very clear that they want more affordable homes, more jobs, better town centres and more community facilities. And they have been clear that in bringing these important changes, regeneration must benefit existing residents and their children, improving life chances across the borough.

2.2 Politically, we know that huge amounts of investment and specialist skills are needed to make this change happen, complex change that will take 20 years or more. We know that the Council simply cannot deliver this ambitious change alone.

2.3 However, we're equally clear that to get the very best outcomes for our residents, we want to remain in control of this change; and to get the best deal for our residents we want to make sure that development pays a social dividend to support community facilities and public services, not just a financial dividend to shareholders.

2.4 To make these new homes, jobs and community facilities really work for residents and be sustainable for the future, we believe that a piecemeal, site by site approach simply won't be good enough. We need to holistic, co-ordinated, borough wide action that delivers our vision that housing and regeneration is fundamentally about people and communities, not just bricks and mortar. We want to build stronger communities, not just more homes and that means integrated regeneration which brings the new health centres, schools and parks that our residents need.

Setting up a new partnership

2.5 We have worked very hard to think about the best ways to bring these homes, jobs and community facilities in a co-ordinated, borough-wide way that gives us the benefit of external funding and skills, while allowing the Council to retain significant control.

2.6 The Council's cross party Future of Housing Review saw a group of councillors travel around the country, meeting councils, housing associations, housing co-operatives and joint ventures to actively explore the different options open to us. That review concluded that a partnership – a 'joint venture' between the Council and a partner was likely to be the best option for bringing the type of regeneration we want to see.

- 2.7 A business case presented to Cabinet in 2015 by external procurement experts also concluded that a borough-wide joint venture was the structure most likely to deliver integrated, borough-wide improvements in a way that maintain significant Council control.
- 2.8 This report therefore recommends setting up a new joint company with Lendlease on a 50/50 basis to combine public sector priorities for communities, ambitious plans for our borough and some public land, with significant external investment and world class expertise.

Maintaining significant democratic control

- 2.9 In setting up a 50/50 company, we're creating an organisation which can only move forward on the basis of consensus. Nothing can happen without the agreement of the Council's board members and the company can only act within the priorities and plans set out in the company's Business Plan. This Business Plan must be agreed by the Council's Cabinet, and can only be changed if agreed by the Council's Cabinet.
- 2.10 Unlike many London regeneration schemes, where Council's hand over land and lose control, the 50/50 company means that over the next 20 years, Haringey's elected councillors retain real control over key decisions. Even when the company is established, only councillors decide which pieces of council land are passed to the company for development, when this happens, what is built on them and how the Council's share of the subsequent profit is split.
- 2.11 Working in partnership is always challenging and no-one is pretending that this approach is without risk. But it is far easier to manage risk when you're sitting at the board room table and exercising significant control over what is happening.

Bringing major benefits to Haringey residents now and in the future

- 2.12 This approach, a partnership on homes and jobs will deliver really important benefits for our residents and represents a major contribution to tackling the housing crisis, Haringey's persistent unemployment challenges and the need for major investment in new community facilities:

Thousands of new homes, with at least 40% affordable

- 6,400 new homes across Wood Green, North Tottenham and Muswell Hill
- At least 40% affordable with the Council at the table making the decisions
- A guaranteed Right to Return written into legal agreements and Cabinet policy, so that all Council tenants on estates being re-built get a brand new home on that estate on equivalent terms
- Extensive further consultation with tenants and leaseholders, supported by Independent Tenant and Leaseholder Advisors

New jobs with programmes to help Haringey residents and local businesses make the most of the new opportunities

- £8million investment in schemes such as skills and training for local residents and community programmes that include mental health support

- A £20million long-term social investment programme focused on improving local resident's prospects, health, environment and sense of community involvement
- On Union recognition, Lendlease have agreed to sign a Framework Agreement, like the one signed at the Olympic Park, which will guarantee:
 - Union access
 - Local labour and training requirements
 - Cracking down on bogus self-employment by sub-contracting firms
 - Work throughout the supply chain and running local suppliers days
 - Paying London Living Wage and enforcing this throughout the supply chain
- Total of £20m of jobs and skills investment in phase 1 to fund:
 - Apprenticeships
 - Programmes with local schools
 - Community outreach scheme to support local applications for roles
 - Building a sustainable supply chain
 - A programme to oversee prioritising spend in the local economy

New community facilities

- New buildings for schools at Northumberland Park
- New parks and green spaces throughout the schemes, with biodiversity corridors and other green features
- New community spaces

A major boosting to our local town centres and local economy

- Major improvement to Wood Green town centre including new shops, office space homes and public space
- New shops and enterprise space in Northumberland Park
- Better management of the Council owned industrial estates to make them fit for the modern economy and make sure that public land is delivering as many jobs as it can.

3. Recommendations

It is recommended that Cabinet:

- 3.1 a) Notes the outcome of the Preferred Bidder Stage of the Competitive Dialogue Procedure under the Public Contracts Regulations 2015 as outlined in this report;
- b) Confirms Lendlease Europe Holdings Limited (“Lendlease”) as successful bidder to be the Council’s HDV partner; and
- c) Approves the setting up of the HDV with Lendlease or a subsidiary vehicle set up by Lendlease on the basis that the Council will hold 50% and Lendlease 50% of the vehicle and based on the proposed structure as set out in this report.

- 3.2 Approves the legal documents at Appendices 1b through 1j of this report and summarised in paragraphs 6.35 to 6.90 of this report so as to give effect to recommendation 3.1, subject to recommendation 3.4 below.
- 3.3 Approves the following Business Plans at Appendices 2a through 7a, and summarised in paragraphs 6.91 to 6.121 of this report, subject to recommendation 3.4(d) below:
- a) Strategic Business Plan
 - b) Northumberland Park Business Plan
 - c) Wood Green Business Plan
 - d) Cranwood Business Plan
 - e) Commercial Portfolio Business Plan
 - f) Social and Economic Business Plan
- 3.4 Gives delegated authority to the section 151 officer, after consultation with the monitoring officer:
- a) To approve the final terms of the two Property Management Agreements, referred to in paragraphs 6.70 to 6.72 of this report, to a maximum total value as set out in the exempt part of this report, such agreements to be agreed before the Members Agreement is entered into;
 - b) To approve any of the financial agreements and instruments listed in paragraph 2.1.1 of the Members' Agreement (at Appendix 1b);
 - c) To approve any further deeds and documents which are ancillary to the legal documents approved here, as described in paragraph 2.1.1 of the Members' Agreement (at Appendix 1b); and
 - d) To approve any amendments to the legal documents and business plans approved here as may be necessary, for reasons including but not limited to ensuring consistency between them and finalising any outstanding areas.
- 3.5 Agrees:
- a) to declare that the Commercial Properties listed in Appendix 6c are no longer required for housing purposes, and to appropriate these properties for general fund purposes (subject to obtaining any necessary Secretary of State consent);
 - b) to dispose of the Council's commercial portfolio (as listed in Appendices 6c and 6d) to the HDV's Investment LP subsidiary in phases (as set out in the Agreement for Sale of the Investment Portfolio at Appendix 1c) for the total sum of £45m, and that the disposal shall be on the basis of a long leasehold interest for a term of 250 years and based on the lease referred to in the Agreement for Sale of the Investment Portfolio;
 - c) that the sum of £45m referred to above will be the Council's initial investment in the HDV; and
 - d) to give delegated authority to the section 151 officer to agree the timing for the disposal of these properties to the HDV's Investment LP subsidiary and to approve individual final leases to facilitate such disposals.
- 3.6 Agrees to give the HDV an option for a 250-year lease on land identified in the Development Framework Agreement as being Category 1A land in Wood

Green and within the Council's freehold ownership, subject to the valuation methodology set out in the Development Framework Agreement.

3.7 Notes that:

- a) in agreeing to the suite of legal agreements and to the Business Plans, it is not being asked to decide whether any part of Northumberland Park or Cranwood is to be disposed of to the HDV or any of its subsidiaries, and that nothing within any of them commits the Council to make any such disposal;
- b) any such decisions will only be made following community consultation, including statutory consultation under section 105 Housing Act 1985, and further equality impact assessments, all of which will be reported back to Cabinet in future report(s) for decision;
- c) if Cabinet in its discretion does make future decisions to dispose of any part of Northumberland Park or Cranwood to the HDV or any of its subsidiaries, there will also be need for Full Council authorisation for making an application for consent to dispose to the Secretary of State under sections 32 and 43 Housing Act 1985.

3.8 Notes that as a result of the disposal of the commercial portfolio and the transfer of some of the management services there may be a small number of employees that will be TUPE transferred (to the HDV or its supply chain) and the Council and Lendlease have agreed that – if this occurs – these employees should remain within the Haringey Pension Fund.

4. Reasons for decision

The case for growth

4.1 The Council's corporate plan makes a strong commitment to growth. Specifically, it identifies the need for new homes to meet significant housing demand which is making decent housing unaffordable for increasing numbers of Haringey residents, and causing more and more families to be homeless. It also identifies the need for more and better jobs, to revitalise Haringey's town centres, increase household income for Haringey residents and give all residents the opportunity to take advantage of London's economic success. This commitment to growth is further reflected and developed in the Council's Housing Strategy and Economic Development & Growth Strategy.

4.2 The need among Haringey's population is stark:

- In Northumberland Park ward, unemployment (at 26%) is almost double the rate across the whole borough and three times the national average. More than a quarter of residents (26%) in the ward have no formal qualifications, against 13% for all of Haringey.
- There is also a growing incidence of "in- work poverty": 32% of Haringey residents earn below the London Living Wage compared to 24% in 2010. Median income of employees living in Tottenham is £11.40 an hour, compared to £16.90 in the rest of Haringey and £16.60 in London.
- Too many young Haringey residents are not in employment, education or training (NEET). Northumberland Park, St Ann's and Noel Park wards have

a 16 and 17 year old NEET rate over 4%, compared to the Haringey average of 3.6% and the national average of 3.1%.

- Life expectancy is demonstrably worse in the east of the borough compared to the west of the borough: on average the difference between parts of the east and parts of the west is 7 years. Obesity amongst children in Tottenham and mental health challenges in the whole borough are significant, and stubborn.
- Market rents in Haringey have increased from a median rent of £900 per month in 2011 to £1,400 per month in 2016. In order to afford the median rent for a two-bedroom private rented flat in the borough, a household would need to earn an annual income of around £63,000, based on the principle that a household shouldn't have to spend more than 40% of their net income on housing costs. On this principle, a household on the median income in the borough could afford to pay rent of £878 per month, compared to the actual median rent (£1,400 per month as above). This means that a lot of households are in fact spending 50%+ of their net income on housing costs.
- Meanwhile, for prospective purchasers, the average house price in Haringey is now around £430,000, up from £225,000 ten years ago, which in turn leads to higher demand for private rented housing, pushing rents up still further. House prices in the borough are now 13.7 times the median income – in 2002 it was 7 times.
- This means that for both renters and buyers, market-price housing is less and less accessible – making the need for new affordable housing more important than ever, and showing how demand in all parts of the market is failing to keep up with supply. And in the next ten years, Haringey's population is estimated to grow by 10.9%, adding another 30,000 residents by 2025 and a total of 52,000 additional residents by 2035.
- At the end of March 2017 there were 9,098 households on Haringey Council's Housing Register. The number of social housing lets in Haringey in 2017/18 is expected to be just under 500; in 2011/12 it was just over 1,100. Across London, supply of new homes has been below the London Plan target every year, and even further adrift of the London Strategic Housing Market Assessment target.
- There are over 50,000 London households who are homeless and in temporary accommodation, with over 3,000 of those Haringey households. Homeless acceptances in Haringey have increased from 355 in 2010 to 683 last year. Increasingly these are households who were evicted from the private rented sector because they could not afford the rent.
- Overall, based on data from the combined Indices of Multiple Deprivation (2015), Northumberland Park ward falls among the 10% most deprived areas in England and many parts of the ward are in the 5% most deprived.

4.3 Growth is also essential to the future sustainability of the Council itself. With Government grant dwindling, local authorities are increasingly dependent on income from council tax and – in light of recent reforms – business rates. Without growing the council tax and business rate base, the Council will increasingly struggle to fund the services on which its residents depend. Improvement in the living conditions, incomes, opportunities and wellbeing of Haringey residents will directly contribute to the full range of aims in the Council's Corporate Plan.

- 4.4 Particular groups - including women, disabled people and BAME groups – are more likely to experience these inequalities in prosperity and wellbeing, and therefore most likely to benefit from the positive outcomes from growth.
- 4.5 By securing growth in homes and jobs – and maximising the quantity, quality and/or pace of such growth – is core to achieving the Council’s aims, including:
- meeting housing demand will lead to more and more families are able to afford a home in the borough, either to rent or buy, alleviating the stark housing crisis.
 - meeting housing demand also drives down levels of homelessness, so fewer households find themselves in crisis, and the significant pressure on the council budget through increased temporary accommodation costs is relieved.
 - increasing the number of jobs in the borough will lead to more opportunities for Haringey residents to boost their incomes and job prospects, more vibrant and successful town centres with more activity and spending during the working day, with reduced risk of ‘dormitory borough’ status as working residents leave the borough to work elsewhere.
 - increasing levels of development in turn increase the Council’s receipts in s106 funding and Community Infrastructure Levy, in turn increasing the Council’s ability to invest in improved facilities and infrastructure (like schools, health centres, open spaces and transport) and in wider social and economic programmes such as those aimed at improving skills and employability.
 - growing the council tax and business rate base will reduce the risk of financial instability for the Council and of further, deeper cuts in council budgets and hence to council services as Government grants dwindle to zero over the coming years.

Options for driving growth on Council land

- 4.6 The Council cannot achieve its growth targets without realising the potential of unused and under-used council-owned land. Accordingly, in autumn 2014 the Council commissioned work from Turnberry Real Estate into the options for delivering these growth objectives. Turnberry also examined the market appetite for partnership with the Council to deliver new housing and economic growth.
- 4.7 In February 2015 Cabinet, on the basis of this work, agreed to commission a more detailed business case to explore options for delivery. At the same time, the member-led Future of Housing Review concluded (as set out in its report to Cabinet in September 2015) that a development vehicle was ‘likely to be the most appropriate option’ for driving estate renewal and other development on Council land.
- 4.8 The business case developed following Cabinet’s February 2015 decision compared a number of options for achieving the Council’s objectives, and ultimately recommended that the Council should seek through open procurement a private sector partner with whom to deliver its objectives in an overarching joint venture development vehicle. This business case, and the

commencement of a procurement process, was agreed by Cabinet on 10 November 2015.

The joint venture development vehicle model

- 4.9 The joint venture model approved by Cabinet on 10 November 2015 is based on bringing together the Council's land with investment and skills from a private partner, and on the sharing of risk and reward between the Council and partner. The Council accepts a degree of risk in that it will transfer its commercial portfolio to the vehicle (as part of its initial investment), and will (subject to the satisfaction of relevant pre-conditions) also commit other property, as its equity stake in the vehicle. It has also to bear the costs of the procurement and establishment of the vehicle, and a share of 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, would be at a scale and pace that would otherwise be unachievable. The Council will also receive a financial return, principally through a share of profits that it can reinvest in the fulfilment of its wider strategic aims as set out in the Corporate Plan.
- 4.10 Under this model, the development partner matches the Council's equity stake, taking a 50% share of the vehicle and hence a 50% share of funding and development risk. In return, and by maintaining strong relationships and delivery momentum, they obtain a long term pipeline of development work in an area of London with rising land values, and with a stable partner.

The procurement process

- 4.11 As well as approving the business case for establishing the HDV, at its meeting on 10 November 2015 Cabinet also resolved to commence a Competitive Dialogue Procedure under the Public Contracts Regulations 2015 to procure an investment and development partner with which to establish the HDV. Following a compliant procurement process, Lendlease was approved as preferred bidder by Cabinet at its meeting on 7 March 2017. Cabinet also approved a reserve bidder in the event that it was not possible to finalise the agreement with Lendlease.
- 4.12 Following that decision, further work was undertaken by the Council and Lendlease teams to confirm the terms of the Lendlease bid, in order to arrive at an agreed set of legal agreements (to establish the HDV) and business plans (to set out its first phase of work). By approving the legal agreements and business plans put forward here, and therefore authorising establishment of the HDV and agreeing its initial work programme, Cabinet will be taking a major step in unlocking the considerable growth potential of the Council's own land and meeting a number of core Council ambitions.
- 4.13 The establishment of the HDV (through the execution of the legal agreements) and the agreement of its initial work programme (through the approval of the business plans) represent a significant step in delivering the Council's objectives for improving the prosperity and wellbeing of Haringey's residents. However, it is also important to recognise the flexibility in the arrangement to

respond to changing circumstances and changing priorities – and the Council's capacity to control that change. For example:

- It is likely that plans for major development schemes will change following extensive consultation with residents and other stakeholders;
- If market conditions change, the HDV can decide to amend its proposals – for example, switching homes for sale to homes for rent – or to rephase its programme;
- Arrangements for the ownership and management of homes are flexible, and can respond over time including in response to changing Council priorities and changes in the local and national funding regime.

All material changes would be subject to the Council and Lendlease agreeing any necessary elements of – or amendments to – the scheme business plans. Further, any additional Council property proposed for development by the HDV would be subject to a new business plan which would have to be approved by the Council (and Lendlease) before work could commence.

- 4.14 In addition to these controls over the work programme of the HDV through its status as a 50% partner, the Council will retain its statutory functions in respect of the HDV work programme, including as local planning authority, giving it further influence and assurance over the implementation of the HDV's programme of work.

5. Alternative options considered

- 5.1 In November 2015, Cabinet considered and approved a business case for establishing an overarching joint venture vehicle to drive housing and job growth on council land. That business case identified and assessed a number of alternative options for achieving the Council's objectives, and found that the overarching joint venture vehicle would be the most effective mechanism for achieving those goals.
- 5.2 Throughout the process of procuring a partner with which to establish the HDV, the Council has reserved its position to not appoint any of the bidders in the event of the bids not being satisfactory, or otherwise not wishing to proceed. This report outlines the benefits and projected outcomes that will arise from the establishment of the HDV, in the context of the Council's objectives and aspirations as set out in the November 2015 report to Cabinet. If the Cabinet chooses not to proceed with establishing the HDV, it will risk not obtaining these likely benefits, or not obtaining them at the scale, pace and/or quality which would otherwise be possible.
- 5.3 The Council has within its procurement documentation made clear that bidders' participation in the Competitive Dialogue process is at their own expense, that the Council will not be responsible for bid costs and that it is not obliged to accept any tender.

6. Background information

The importance of growth

- 6.1 As set out in section 4 above, growth in housing and jobs is key to the Council's long term strategy for the future of the Borough. Growth is needed to meet the needs and expectations of current and future residents, and to improve their prosperity and wellbeing. Housing and employment will improve the quality of life for residents. Further, the resulting growth in Council tax and business rate income will help to put the Council's finances – and therefore Council services – on a more sustainable long term footing as grant funding and other revenues decrease.
- 6.2 The Council has made a major commitment to growth in housing and employment through the Council's own Corporate Plan 'Building a Stronger Haringey Together', and through its own 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. The nature and scale of these ambitions are further set out in the Council's Economic Development and Growth Strategy and Housing Strategy. For Tottenham, the Strategic Regeneration Framework sets out the need to deliver at least 10,000 new homes and 5,000 new jobs in Tottenham over the next twenty years. In Wood Green, a draft Area Action Plan – based on a high growth vision for the town centre – was approved by Cabinet in January 2017.

Delivering growth on Council land

- 6.3 To deliver economic growth and provide new housing on the scale required, the Council has to use its own landholdings. Estate renewal on the Council's large and medium sized estates also provides a major opportunity to increase the number and quality of homes, to improve the mix of tenures, to provide a range of all types and sizes and to address the condition of the housing stock.
- 6.4 Strategically there are a number of factors that demonstrate Haringey's readiness for development of new homes and jobs 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 Housing Strategy and the Housing Investment and Estate Renewal Strategy.
- 6.5 The Council does not have the financial resources to achieve its Corporate Plan objectives on its own land alone. In common with many local authorities and public sector bodies, the Council has a demonstrable shortage of investment capacity and expertise to deliver the schemes required.
- 6.6 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 wider 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 has little choice of option to achieve its objectives.

- 6.7 In autumn 2014, the Council commissioned Turnberry Real Estate to carry out a high level feasibility study of the options for driving development, as well as 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. 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 in the Council's leadership.
- 6.8 Following the approval of Cabinet on 10 February 2015 to explore options for delivery, the Council appointed commercial advisers (Bilfinger GVA with Turnberry Real Estate) and legal advisers (Pinsent Masons LLP) to examine in detail the feasibility of a joint venture development vehicle for Haringey, alongside other options for driving development, and to work with officers and advise the Council on the procurement of the investment and development partner and the establishment of the HDV.

The Future of Housing Review Group

- 6.9 At the same time as this work was underway, the Council's separate review of the Future of Housing 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. It also concluded that a joint venture development vehicle may be a potential solution.
- 6.10 The report of the independent advisor supporting the review noted that:
- a range of development vehicles has been established country wide. These are predicated on carrying out regeneration and development through use of local authority assets. They can be local authority owned companies which operate outside the Housing Revenue Account, borrowing and ultimately holding assets in the General Fund. Alternatively, they can involve the private sector in a number of forms usually in some form of partnership or joint venture, generally on a 50:50 shared basis. In this case, the Council puts its land or buildings into the vehicle, and the private sector partner brings finance, skills and business acumen.
 - where a development company is established, it is most likely to be developing new housing, frequently through demolition and redevelopment of existing properties. It is unlikely to be established principally as a refurbishment vehicle. The premise of the company is likely to be based on enhancing land values, predominantly by intensification of development. They will not only deliver housing but often employment and retail uses as well. The purpose of this model is to increase the available stock of socially rented and affordable housing, and there is not likely to be a net loss of social housing, at least on a room by room basis, when considered across the area as a whole.

- as far as the housing produced by such a vehicle is concerned, the review noted that tenure will vary from social housing, through ranges of affordable to open market housing. The ultimate ownership of such social and affordable housing can also differ. It may be returned to the Council, or passed to a housing association or indeed held in the company. At present local authority controlled companies can hold property exempt from the right to buy, but the Government has signalled its intention to remove this exemption. This will leave joint venture vehicles, part owned by the private sector, as the only mechanism whereby properties can be protected for social use. The relationship with tenants, where a development vehicle is proposed will be one of rehousing and return, rather than of transfer. Leaseholders will effectively negotiate on an open market sale basis; with of course the ultimate possibility of compulsory purchase.
 - the governance and financial structures will vary from case to case. Subject to the viability of their schemes such vehicles have a significant part to play in increasing new build homes, and of bringing about regeneration. The down side is that Councils taking part in such vehicles do take on some development risk. When such vehicles are successful, they can provide Councils with a long term revenue return, and the opportunity to enhance social and community provision in an area.
 - the overall viability of the proposals will depend significantly on the location of the estate and existing / potential density of the estate. It will also depend on the scope to produce some market sales and market rented properties in order to cross subsidise the replacement social (or affordable) rented dwellings.
- 6.11 The member review group that drove the Future of Housing project concluded that *'To deliver improvements to homes on major estates, the Review Group recommends that a development company is likely to be the most appropriate option. A proposal should be brought forward for a development vehicle, either Council owned or a joint venture. Given the importance of improving major estates, we recommend that a proposal is brought forward swiftly for consideration.'*

- 6.12 At its meeting in September 2015 Cabinet endorsed the recommendation that:
- 'a development vehicle is potentially the best solution to progress major estate renewal, maximise the potential for investment in the Council's housing stock, and the delivery of new social and affordable housing. That the Council should aim to replace the same number of affordable habitable rooms and that the deal for tenants is broadly comparable under the Vehicle. A separate report will be brought to Cabinet on this.'*

The development vehicle concept

- 6.13 At its meeting on 10 November 2015, Cabinet considered a detailed report which outlined the various options for progressing its ambitions, based on the business case it had commissioned in February 2015. It noted that following soft market testing by Turnberry Real Estate Ltd, there was market interest in a

development vehicle, and that the Council's member-led Future of Housing Review group felt that some kind of development vehicle was an option to help the Council achieve its objectives, given the financial constraints and the limited choice of options available.

6.14 Cabinet also approved the objectives that had been developed by officers and Cabinet members, against which the options for driving development were tested in the business case, and which were subsequently incorporated into the procurement documentation. These were:

- 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 the 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.
- In partnership with the private sector, to catalyse the delivery of financially unviable 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.
- To incorporate land belonging to other stakeholders, both public and private sector, into development.

6.15 The report was clear that as well as the housing and employment outcomes, and the financial returns, the wider social and economic benefits of the vehicle were critical to its success and that these would be central to the evaluation of potential partners.

6.16 The business case considered by Cabinet assessed the pros and cons of six potential options for driving growth on Council land. These were:

Option1: 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.

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

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.

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

- 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.
- 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.
- 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.
- 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.

- Given the support of the Mayor for vehicle-type approaches, it appeared at the time of the analysis that further Housing Zone funding may be less likely.
- The ultimate result of this will be significantly less delivery, for example in the number of housing units delivered.

Option 3: Outsource Asset Management and Services

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.

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

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 arm's 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.

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.

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 are anticipated 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.

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 Government is closely monitoring the situation with these types of vehicles and may bring forward legislation to enforce the right to buy and compulsory disposal.

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.

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 proved 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 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

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.

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.

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 for the council 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.

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, and by Sunderland Council.

An OV approach of this nature would not prevent the Council deciding to take one or more sites forward outside of the OV if the specific circumstances of those sites suggested a different approach were more pragmatic.

The preferred option

- 6.17 On 10 November 2015, Cabinet considered the business case and the strengths and weaknesses of each of these options in detail, and examined the qualitative analysis attaching weightings based on the Council's objectives and scores to each option.
- 6.18 As a result of the analysis, Cabinet accepted the recommendation to proceed with Option 6 (the overarching vehicle), because it is the model that best provides a means by which the Council can achieve its objectives. Specifically:
- 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.
 - 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.
 - 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.

- 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.
- 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.
- 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.
- 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 requires. The report recommended and Cabinet agreed that Option 6, the overarching joint venture Development Vehicle, was the best solution because it is the model that best provides a means by which the Council can achieve its objectives.

6.19 In particular respect of the Council's aspirations to deliver the greatest possible amount of high quality affordable housing, this approach has two key strengths. First, it enables the Council – via its stake in the vehicle – to ensure that the vehicle's development proposals secure not only the greatest possible amount of affordable housing from development on Council land, but that this housing meets the particular housing demand in Haringey as set out in the Council's Housing Strategy. This can always start with the presumption that sites delivered through the vehicle would meet council policy – for example to yield 40% affordable housing overall – with a strong governance position from which to secure those outcomes. Second, the Council will always have the option, on a case by case basis, to reinvest its financial returns from the vehicle in affordable housing, allowing future developments promoted by the vehicle to achieve better outcomes – whether larger overall amounts of affordable homes, a different tenure mix, or lower rents – than would be possible based on those developments' basic viability.

6.20 Similarly, the Council's governance stake in a vehicle of this nature puts it in a stronger position than might be possible through some other delivery methods to deliver other key policies. For example, via a vehicle of this nature the Council would seek to secure and deliver its aims of protecting the rights of

existing tenants to return to a new home in an estate renewal scheme, and to do so on similar rents and tenancy terms.

The procurement process

6.21 On 10 November 2015, Cabinet approved the Business Case for the establishment of the HDV and agreed to the commencement of a Competitive Dialogue Procedure under the Public Contracts Regulations 2015 and gave delegated authority to the Director of Regeneration, Planning and Development after consultation with the Leader of the Council to agree procurement documentation and deselect bidders in accordance with evaluation criteria throughout the procurement process, and to return to Cabinet for approval of the preferred bidder.

6.22 Cabinet also agreed that the procurement process would be conducted on the basis of a first phase of sites – referred to as the ‘Category 1’ sites – proposed for development by the vehicle. These were:

- The Northumberland Park Regeneration Area
- The Civic Centre, Station Rd office buildings and Library in Wood Green
- The former Cranwood Care Home

Cabinet also agreed that the Council’s commercial property portfolio would transfer to the vehicle, to improve the performance of the portfolio and to give the vehicle working capital from the start.

6.23 A second list of sites – referred to as Category 2 – was agreed as having potential for subsequent development by the vehicle, subject to Cabinet approval at the time of their being taken forward for development. It was also agreed that any other site in the Council’s current or future ownership (‘Category 3’) could be brought forward for development by the vehicle, again subject to Cabinet approval at the time.

6.24 A Prior Indicative Notice was published on 30 November 2015, advising the market of the forthcoming procurement. On 7 January 2016 the Director of Regeneration, Planning and Development, after consultation with the Leader, approved the OJEU Notice, Pre-Qualification Questionnaire with Guidance Notes and scoring matrix, Memorandum of Information and Draft Invitation to Participate in Dialogue. The OJEU Notice was published on 11 January 2016. To introduce bidders to the Council and the process, a well attended Bidder Day was held on 1 February 2016.

6.25 The pre-qualification questionnaires were returned on 22 February 2016 and evaluated in accordance with pre-determined criteria. The evaluation panel was formed of the Council’s lead officers, together with internal and external advisers (Bilfinger GVA, Turnberry Real Estate and Pinsent Masons LLP) (the ‘Evaluation Panel’). The evaluation process was moderated by the Council’s Head of Procurement. The top six bidders received an Invitation to Participate in Dialogue (‘ITPD’) and an Invitation to Submit Outline Solutions (‘ISOS’), in accordance with the delegation.

- 6.26 Those bidders proceeding to the ISOS stage were announced and notified on 16 March 2016 and the relevant documents were issued on 21 March 2016, following approval, in accordance with the Delegation, by the Director of Regeneration, Planning and Development, after consultation with the Leader.
- 6.27 Three sessions of dialogue were held with each bidder, and queries and clarifications dealt with through the Council's procurement portal. Bidders then submitted their outline solutions to the Council on 8 June 2016.
- 6.28 Submissions were evaluated by the Evaluation Panel in accordance with the guidance issued at ITPD/ISOS stage. On 4 July 2016, the Director of Regeneration, Planning and Development, following consultation with the Leader, approved three successful bidders to proceed to the Invitation to Submit Detailed Solutions ('ISDS') stage. Documentation for this stage was approved and issued on 28 July 2016, including updated draft legal documents and a draft Invitation to Submit Final Tenders document, again with the necessary approvals in accordance with the delegation.
- 6.30 The selected bidders then engaged in producing detailed solutions. An introductory dialogue session and four full dialogue sessions were held, together with additional financial and legal dialogues with the three bidders. Queries and clarifications during the ISDS stage were dealt with through the procurement portal.
- 6.31 The Invitation to Submit Final Tender ('ISFT') was updated and finalised to reflect the dialogue sessions and clarifications, and issued on 9 December 2016. The issue of this document brought dialogue to a close, meaning that negotiations and discussions on detailed solutions were at an end.
- 6.32 Final submissions of the detailed solutions were received from the three bidders on 16 December 2016. These were evaluated by the Evaluation Panel in January 2017, in accordance with the evaluation methodology and criteria as set out below. The Council's Head of Procurement again performed a moderating role, and both internal and external legal advisers were in attendance when required. The detailed requirements of bidders and evaluation criteria were set out in the report approved by Cabinet on 7 March 2017.

The preferred bidder stage

- 6.33 On 14 February 2017, Cabinet approved Lendlease as preferred bidder, and a reserve bidder whose bid could potentially be reactivated in the event of it not being possible to reach final agreement with the preferred bidder. Following a call-in process, and a report from Overview & Scrutiny Committee to Cabinet, this decision was reconfirmed by Cabinet on 7 March 2017.
- 6.34 Following the selection of Lendlease as preferred bidder, there followed a preferred bidder stage during which teams from Lendlease and the Council (and their respective advisers) worked to confirm the terms of the bid submitted by Lendlease at the ISFT stage. As a result, a suite of key documents has now been agreed.

The legal documentation

6.35 The full suite of key legal documents to be entered into is set out in Appendix 1 of this report. Appendix 1a – a report from Pinsent Masons LLP (‘the Pinsent Masons Report’), the Council’s external legal advisors – refers to all the legal agreements to which the Council is to be a party, or which will have a direct impact on the Council as a member of the HDV and therefore require Council approval, with a short description of each one’s purpose and some of the main terms. The legal documents proposed for approval by Cabinet are:

- Members’ Agreement
- Agreement for Sale of the Investment Portfolio
- Development Framework Agreement
- Private Sector Partner Guarantees
- Development Management Agreement
- Strategic Asset Management Agreement
- Land Assembly Agreement
- Contractor Framework Agreement
- Limited Partnership Agreement

There are also additional legal documents and financial instruments and agreements which are ancillary to the key legal documents, some of which are described in the Pinsent Masons Report and which are listed in full in paragraph 2.1.1 of the Members Agreement.

6.36 The remainder of Appendix 1 comprises the individual legal agreements themselves.

6.37 This part of the report draws out some of the particularly key elements of the suite of key legal documents which define the governance and operation of the HDV. The overarching legal agreement is the Members’ Agreement – which sets out the constitutional arrangements for the partnership and describes the principal governance and financial rights and obligations for the two partners or ‘Members’.

Members Agreement

6.38 The overarching legal agreement is the Members’ Agreement – which sets out the constitutional arrangements for the limited liability partnership and describes the principal governance and financial rights and obligations for the two partners or ‘Members’. Clause 2.1.1 of this document sets out legal documents that would need to be entered into as a result of The Members Agreement. The purpose and some of the main terms of the Members Agreement are set out in the Pinsent Masons Report.

Objectives of the HDV

6.39 The Objectives of the HDV are enshrined in the Members’ Agreement, and are the objectives to which the HDV Board must give consideration in setting and implementing the strategy and programme of the HDV. They are:

1. to deliver growth through new and improved housing; town centre development; and enhanced use of the Council's property portfolio;
2. to achieve and retain for the Council a long term stake and control in development of the Council's land, maintaining a long term financial return for the Council which can be reinvested, in accordance with the Council's statutory functions, on new housing, on social and economic benefits or on other Council Corporate Plan objectives;
3. in partnership with the private sector to catalyse delivery of financially challenging schemes;
4. to 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;
5. to secure wider social and economic benefits in areas affected, including community facilities, skills and training, health improvement and crime reduction for the benefit of existing residents;
6. to incorporate land belonging to other stakeholders, both public and private sector, into development; and
7. to achieve a commercially acceptable return.

The legal structure

- 6.40 A structure chart is contained on page 3 of the Pinsent Masons Report. The main HDV entity is proposed as a 50-50 partnership between its two members: the Council and Lendlease. Its work will be conducted initially through two principal subsidiary entities: a development subsidiary (for managing development projects) and an investment subsidiary (for managing the long-term investment assets, starting with the commercial portfolio but over time possibly including other housing and commercial assets). The two principal subsidiaries will likely, over time, have subsidiaries of their own in order to ensure projects remain self-contained, or the HDV can set up other development subsidiaries.
- 6.41 The main HDV and its development subsidiaries are proposed as limited liability partnerships (LLPs). This is proposed because LLPs are 'tax transparent' which means that their members are taxed on the proceeds of the LLP's business on the basis of their own tax status. As the Council is not liable for corporation tax, it will not be taxed on its share of profits from the LLPs.
- 6.42 The investment subsidiary of the HDV is proposed as a Limited Partnership (LP). This is a different kind of entity which is a more attractive investment proposition for third party investors from which the HDV partners may, from time to time, seek additional investment in HDV assets. The LP Agreement is the constitutional document required to establish 'InvLP' as an LP. It contains the governance arrangements and terms on which InvLP will operate which shall (as far as is applicable) mirror the Members' Agreement. Some of the main terms of this agreement are set out in the Pinsent Masons Report.
- 6.43 As set out in the Pinsent Masons Report, the subsidiary LLPs and the subsidiary LP all need one or more so-called 'nominee companies' (or 'nominee cos') in order to be set up in accordance with the law. Both LPs and LLPs require at least two members, hence Nominee Co 1 is part of the structure to hold a nominal interest in InvLP (the investment subsidiary) and Nominee Co 3

holds a nominal interest in DevLLP (the development subsidiary). Different nominees act as the relevant second members so that the ownership of DevLLP and InvLP are ring fenced as far as possible. An LP requires a general partner to carry out its day to day business as it does not have a legal personality and so Nominee Co 1 will also perform this role. Nominee Co 2 Ltd's role is to act as second trustee of the legal title to the commercial portfolio, as an LP cannot hold property itself and future funders and purchasers will require two entities to act as trustees in order to give a proper receipt of sale proceeds on any future sale.

- 6.44 As set out in the Members Agreement, each member of the HDV LLP will nominate three nominees to the HDV. Collectively, these nominees form the 'board' of the LLP (though the term 'board' does not have legally defined meaning for an LLP in the way it does for a limited company). The Council's nominees to the HDV will be made in accordance with the Council Constitution in advance of the first formal meeting of nominees which is expected in September 2017. The HDV subsidiary vehicles will be governed through Boards comprising the same six nominees as the top-level HDV.
- 6.45 Schedule 3 of the Members' Agreement – the Delegation Policy – sets out the levels at which different decisions are made. The most important decisions (including changing HDV objectives; agreeing and materially amending business plans; major asset disposals; admitting new members; approving accounts; amending HDV delegation or procurement policies) can only be made by the two members of the HDV, based on a recommendation from the HDV Board. Where the Council is making decisions under this provision, those decisions will be subject to the Council Constitution as with any other Council decision.
- 6.46 Other decisions can be made by the HDV Board, and others still by Lendlease in its capacity as provider of Development Management or Asset Management services to the HDV (see below). However, it is important to stress that where a decision (financial or otherwise) is taken by the HDV Board or by the Development/Asset Manager, this can only occur if it is consistent with a business plan, or within the limit of a financial approval, given at the appropriate more senior level in the cascade of delegations. All decisions made under this Delegation Policy, therefore, are ultimately constrained by decisions made by the Council and Lendlease as members of the HDV. Further, all those decisions must be made in accordance with the HDV objectives set out at paragraph 6.39 above.
- 6.47 Where decisions are to be taken by the Board, and where votes are cast in the taking of a Board decision, nominees from each Member will vote as a bloc. The chair of the Board will rotate between Board members, but there will be no casting vote. Agreement between nominees of the two Members is therefore required for decisions to be approved by the Board.
- 6.48 Given the clear framework provided for the HDV's work by the business plans, deadlock at the board is likely to be very rare. However, the potential for deadlock built into the composition of the HDV Board, and the Members' Agreement also sets out an agreed process for resolving any deadlock at HDV Board level. This comprises:

- First, escalation to senior officers and (if unsuccessful) the chief executives of the two Member organisations.
- Failing that, and if the two Member organisations agree, the matter can be referred to a relevant expert for determination.
- Failing that, or if it not agreed as appropriate, then the matter is referred for mediation.
- If none of these is successful, the next stage is to consider winding up either the HDV subsidiary to which the deadlock applies or – if it is such a fundamental matter that the whole partnership is affected – winding up the HDV itself.

6.49 In the event of an unresolved deadlock, or in any other scenario where the two Members of the HDV agree to wind up the partnership (including a default by one of the partners on the terms of the agreement, a mutual agreement to terminate early, or simply the end of the HDV's 20-year agreed life), the Members' Agreement defines the process for winding up the HDV. This includes provisions for the Council to buy out some or all of the interest of Lendlease; this takes place at a discount if Lendlease has caused the winding-up through a default on the agreement, or at a premium if the default is by the Council. If the winding-up occurs while one or more development projects (or phases) are underway but incomplete, the Agreement states that such projects (or phases) shall be completed before winding up is completed if that is possible. Any Council property which is the subject of an agreed business plan but which has not transferred to the HDV at the time of winding up simply remains in Council ownership.

The financial structure

6.50 Equally important is the financial structure of the HDV. The most important principle is that the two partners' 'equity' investment in the HDV must be equal at all times. (While this investment is not 'equity' in a technical sense it is referred to as equity throughout this report as in all important respects it is treated like equity, and is most easily understood in that way).

6.51 Where Council has put in more than Lendlease, because the value of its property that has transferred is more than the cash HDV needs to draw down from Lendlease at that time, only the matching element is treated as equity; the Council earns interest on the remainder as a loan. Lendlease is obliged to match the remainder, at which point Council's loan is converted to equity. This is best illustrated by considering the position on 'day one' of the HDV's life. If Council invests (say) £20m worth of its commercial portfolio but HDV only draws down £4m of upfront working capital from Lendlease, the Council and Lendlease get £4m equity each, and the Council's remaining £16m is treated as a loan. Lendlease is legally obliged to pay its remaining £16m over time, with the Council's loan element decreasing, and converting to equity, as it does so.

6.52 This arrangement is expressed in the legal agreements in terms of 'loan notes':

- When either partner makes an equity investment, this is documented by an 'A Loan Note' issued by the HDV to the partner(s).

- When the Council investment of commercial portfolio property exceeds that required for initial equity purposes, the balance is documented as a 'B Loan Note'.
 - When the Council investment of a development site exceeds that required for initial equity purposes, the balance is documented as a 'C Loan Note'.
- 6.53 'D Loan Notes' are a separate category. In some instances, and in particular in estate regeneration projects, it is not possible to raise finance, to fund third party land acquisitions, through the commercial funding markets which can stall development. The Council has the opportunity to improve the viability of schemes by providing separate, secured funding to the HDV at an advantageous rate of interest. This has the potential to improve the financial viability of the scheme and make it financially deliverable. To reflect this additional investment from the Council in such a scenario, the Council D Loan is repaid ahead of all other Member finance or profit share, and if a scheme supported by such an investment from the Council then exceeds profit expectations, the Council gets a greater than 50% share of the 'superprofits'.
- 6.54 Alternatively, the Council may acquire third party interests in advance of development taking place (as part of a land assembly strategy agreed with HDV at that time). In this instance, the Council and HDV may agree that HDV shall assist the Council with its borrowing costs (net of any income actually received by the Council) from the date of acquisition by the Council until the date of land drawdown by the HDV. After drawdown, the invoice will accrue interest at the agreed rate until paid.
- 6.55 Formal agreement to the operation of loan notes will be achieved through a set of detailed financial instruments, to be agreed between the parties. Delegated authority is sought for the section 151 officer, after consultation with the monitoring officer, to approve these financial instruments on behalf of the Council.
- 6.56 Once proceeds of development are available, net of development costs, they are distributed according to a strict priority order:
- Council land acquisition costs are paid first
 - Then debt funding used to fund development, from a bank or other source (which could include the Council and/or Lendlease)
 - Then any 'D Loan' is repaid to the Council
 - Then any 'mezzanine' funding is repaid (this is funding used where there is not sufficient equity in a scheme to raise the necessary debt, and extra funding is needed)
 - Then any outstanding 'C Loan' is repaid to the Council
 - Then equity investment is repaid to the two partners
 - Then remaining profits are shared between the two partners

Development Framework Agreement: the development project process

- 6.57 The Development Framework Agreement deals with the Category 1 properties and is a conditional option agreement which allows the HDV to draw down from the Council a 250 year lease of the various sites once the conditions have been satisfied. The Agreement distinguishes between those properties in respect of

which the Council has made a decision to dispose (Category 1A Properties) and those in respect of which no such decision has been taken (Category 1B Properties).

- 6.58 Currently, the only Category 1A Property included in the Development Framework Agreement is Wood Green. The process to bring forward a Category 1A site for development is as follows:
- a) Once the business plan presented with this report is approved by the Council, this constitutes the Council's commitment to transfer the property to the HDV for development (and Lendlease's commitment to make a corresponding equity investment) subject to certain 'conditions precedent' being met. These include: appropriate planning consent being obtained; vacant possession being achieved; a viable funding scheme being in place; and, where appropriate, the consent of the Secretary of State being obtained to dispose of the land, an application for which must be approved by full Council.
 - b) Once the conditions are met, the land may be drawn down by HDV and the construction phase of development can begin. Once the development is complete, and the proceeds realised, these proceeds are shared in accordance with the priority set out above.
- 6.59 Northumberland Park and Cranwood are included in the Development Framework Agreement as Category 1B Properties. No decision may yet be taken by the Council to bring forward these sites for development by the HDV, and this report does not recommend any such decision. However, the Development Framework Agreement includes a mechanism whereby either site may be elevated to a Category 1A site at a future date, at which stage the process described above will similarly apply.
- 6.60 In particular, a Category 1B site will only be re-categorised as a Category 1A site if and when Cabinet takes a decision, in its discretion, to dispose of the site to the HDV or any of its subsidiaries, following community consultation, including statutory consultation under section 105 Housing Act 1985 (which will also then require Full Council to authorise the making of an application for Secretary of State's consent).
- 6.61 It should particularly be noted that nothing in the Development Framework Agreement imposes any obligations on the Council to make a decision to dispose of any Category 1B site, or to obtain any necessary Secretary of State consent. If the Council decides not to dispose of a Category 1B site or does not obtain consent to dispose from the Secretary of State, it will not incur any legal liability in relation to the HDV. Rather, where these pre-conditions are not satisfied within a stipulated time frame, the Category 1B Property will be removed from the scope of the Agreement.
- 6.62 Therefore any decision regarding the redevelopment of Northumberland Park and Cranwood by the HDV remains firmly within the Council's discretion.
- 6.63 These two different processes - depending on whether a site require section 105 consultation and Secretary of State consent or not - will apply to all future sites (so-called 'Category 2' and 'Category 3' sites as set out in the November

2015 Cabinet report). This may include an outright sale of the property to HDV or its inclusion as a Category 1A Property under the DFA (or similar document with appropriate option conditions). More information on Category 2 and 3 sites is set out below, in the Strategic Business Plan section.

- 6.64 It should be noted that while the processes described above make reference to development of a site in its entirety, in some cases the process will relate only to a single phase of a larger development project. The Development Framework Agreement sets out the arrangements regarding investment by the HDV in site wide infrastructure which is made at the start of an early phase but which is also for the benefit of one or more future phases of the same project. In this case, the HDV is exposed to the risk that the business plans for those future phases will not be agreed, or the conditions precedent for land drawdown not met. In such a scenario, the Council stands to potentially benefit from that infrastructure investment if it decided to pursue later phases via non-HDV means. The Development Framework Agreement describes the obligation for the Council to reimburse the HDV for its investment in those circumstances – but only if and when the Council does indeed develop out those later phases and achieve development proceeds from them.

Agreement for sale of the investment portfolio

- 6.65 The Agreement for Sale (Investment Portfolio) governs the transfer (by way of the grant of a lease for a term of up to 250 years of each property) of the Council's Commercial Portfolio (listed in Appendices 6c and 6d of this report). A standard form of lease has been agreed and is attached to this document, and delegated authority will be required to agree these as and when the transfers happen. The commercial properties are to be transferred in phases as and when the criteria for transfer have been satisfied. The purpose and some of the main terms and conditions are set out in the Pinsent Masons Report.
- 6.66 The commercial properties listed in Appendix 6c are held for housing purposes within the Housing Revenue Account, but subject to business tenancies. The Council considers that these properties are no longer needed in the public interest for housing purposes and the more needed, for accounting purposes, to be within the General Fund portfolio. The reversions will then be transferred to the HDV as part of the Council's initial investment into the HDV they. Accordingly, the recommendation is to appropriate these properties for General Fund purposes. Where there are self contained flats included within any individual business tenancies the consent of the Secretary of State would be required in respect of the appropriation.
- 6.67 The agreed total price for the transfer is £45m if all the properties are transferred. The price paid constitutes the Council's initial equity investment in the HDV once the portfolio has fully transferred to the HDV. This figure was part of the bid made by Lendlease during the ISFT stage of the procurement process, and has been confirmed by Lendlease following further due diligence during the preferred bidder stage. The list of properties proposed for sale under this agreement are included at Appendix 6c and 6d, with a property-by-property breakdown of prices to be paid included as a schedule in the Agreement for Sale (exempt part). As certified in the letter from the Council's commercial

advisers GVA (Appendix 8), this deal on the commercial portfolio properties represents best consideration for the Council.

- 6.68 It has been agreed that the commercial property portfolio will transfer in phases. The timing and contents of the first phase and all subsequent phases will be driven by two principal considerations: the need to ensure that all property meets statutory compliance requirements before transfer. The first phase of transfers is expected to take place on the first quarter day after the HDV is established; all future transfers are also expected to take place on quarter days. This is to minimise disruption for tenants, the Council and the HDV in making an orderly transfer of leases and management. The Agreement states that all property will be drawn down within 24 months of the HDV's establishment.

Strategic Asset Management Agreement and Property Management Agreements

- 6.69 Where properties have been transferred to the HDV, strategic asset management of those properties will be carried out by Lendlease acting as Asset Manager for HDV under the Strategic Asset Management Agreement presented for approval here. The Strategic Asset Management Agreement is a services contract under which the Asset Manager will provide services in respect of the Commercial Portfolio, and also potentially any assets that are developed by DevLLP subsidiaries and retained by InvLP as an investment asset. The purpose and some of the main terms of this agreement is set out in the Pinsent Masons Report.
- 6.70 Day-to-day management of the properties will be carried out by a third party provider under a Property Management Agreement between that provider and the HDV.
- 6.71 Where properties are within the list of properties agreed for transfer, but have not transferred yet and remain in Council ownership for the time being, they will still be managed by the same third party provider – under a separate but similar Property Management Agreement, this time between that provider and the Council – to ensure that the benefits of improved management can be achieved from the start while maintaining co-ordinated management across the portfolio. This arrangement will also apply to a number of other Council properties which are currently part of Category 1A development sites.
- 6.72 Delegated authority is sought for the two Property Management Agreements – including the key performance indicators associated with them – to be agreed by the section 151 officer after consultation with the monitoring officer. The maximum total value for this delegation is set out in the exempt part of this report.

TUPE

- 6.73 Consideration of the application of the Transfer of Undertakings Protection of Employment (TUPE) Regulations suggests that a small number of employees, likely to be a maximum of four, may be in scope to transfer to the new provider of property management services. Consultation with those employees is in progress and Trade Union representatives will be consulted as necessary.

6.74 It has been agreed that any employees subject to TUPE will remain within the Haringey Pension Fund. This will need to be agreed by the Pension Sub Committee, which will require the Property Manager to enter into an Admission Agreement. The Admission Agreement will impose full pension liabilities for all deficits on the Property Manager. It has been agreed with Lendlease that the HDV's investment subsidiary (InvLP) will bear all of the pension liabilities. This will include all employer contributions above the current rate of 32.4% and all cessation deficits (including strain cost).

Development Management Agreement

6.75 The Development Management Agreement is a contract through which Lendlease will act as Development Manager, providing various development services to the HDV Group. The Agreement will be entered into between the Development Manager and DevLLP, however it is intended that the Development Manager will also provide services to other members of the HDV Group (for example DevLLP subsidiaries in relation to services relating to a specific Development Site or Phase). The purpose and some of the main terms of this agreement are set out in the Pinsent Masons Report.

Strategic Asset Management and Development Management Agreements: services and fees

6.76 As described above, Lendlease will provide strategic asset management services to the HDV under the terms of the Strategic Asset Management Agreement. The fee charged for this service will be limited to Lendlease's costs incurred in providing the service, plus a 20% management overhead. This rate was accepted as part of Lendlease's bid at the ISFT stage of procurement.

6.77 Lendlease will also provide development management services to the HDV under the terms of the Development Management Agreement. The fee charged for this service will be limited to Lendlease's costs incurred in providing the service, plus a 20% management overhead, until the land is drawn down by the HDV from the Council; after this point, the rate is 1% of development costs. This rate was accepted as part of Lendlease's bid at the ISFT stage of procurement.

6.78 These fees are considered competitive compared to the market, and a good deal for the HDV (and therefore for the Council) in the context of the wider commercial deal, as set out in the letter from GVA at Appendix 8. More on the overall commercial deal – including the analysis of value by the Council's commercial advisers GVA – is set out below.

Contractor Framework Agreement

6.79 The Lendlease bid was based on securing access to a share of construction contracts for the company's construction arm. The impact of this is that Lendlease Construction would be given the opportunity to seek the award of up to a maximum of 60% of 'vertical build' plus the site infrastructure works for any phase of work where Lendlease Construction is awarded a 'vertical build' contract on that phase. 'Vertical build' is a term used to describe buildings (including foundations and sub-structure). The Contractor Framework

Agreement is a contract pursuant to which Lendlease Construction is given the opportunity to seek the award of this share of construction works procured by the HDV Parties. The purpose and some of the main terms of this agreement is set out in the Pinsent Masons Report.

6.80 There are benefits to the HDV – and to the Council – in this arrangement:

- The supply chain security provided by having access to the services of a major, proven construction firm without the cost, time and uncertainty of procurement will at times be positive, especially when the construction market is buoyant.
- Lendlease Construction is a Tier 1 contractor. This means that – even for the 60% of vertical build contracts and any site infrastructure contracts awarded to Lendlease Construction – a large proportion of the value of those contracts is sub-contracted to smaller firms. The relationship with Lendlease and the stated HDV social and economic objectives gives the HDV – and in particular the Council – a greater deal of confidence and certainty about the sub-letting of these contracts to local firms than would be the case through other procurement routes.
- For the same reason, the arrangement better enables HDV/the Council to secure other wider benefits from construction including commitments to the London Living Wage throughout the supply chain and local employment and training.

6.81 This arrangement however can only succeed if value for money – normally driven through a competitive procurement process, absent for these contracts – can be assured through other means. The Contractor Framework Agreement sets out the arrangements for providing that assurance:

- The assurance process is co-ordinated by an 'Independent Verification Team' (IVT) appointed by the HDV. This decision of the DevLLP Board – to appoint the members of the IVT – is taken by the Council's nominees alone, as the Lendlease nominees are conflicted out of the decision.
- The IVT is a professional advisory team, comprising a cost consultant, lawyer and programme auditor, plus any other professional advisor appointed by the HDV in the same way.
- The IVT provides reports and recommendations to the HDV on the procurement and awarding of contracts to Lendlease Construction and via them to a range of sub-contractors (e.g. verifying value for money and monitoring performance against agreed protocols and key performance indicators).
- Where the HDV – on the advice of the IVT – determines that Lendlease Construction's offer for a specific contract under the protocols, amongst other things, is not 'market' or providing 'value for money' and/or that Lendlease Construction is performing poorly against the key performance indicators set out in the Contractor Framework Agreement, then the DevLLP Board can decide not to award the contract to Lendlease Construction (even if this ultimately means that the agreed maximum of 60% of contracts to Lendlease Construction will not be reached) and other procurement means can be pursued.

6.82 The remaining 40% (minimum) of ‘vertical build’ contracts not awarded to Lendlease Construction (plus any additional contracts not awarded to Lendlease Construction because of its failure to meet the performance requirements of the Contractor Framework Agreement or because of refusal by the DevLLP Board to award the contract) will be let under a competitive procurement process set out in the HDV procurement policy, which is contained within the Members Agreement.

Land Assembly Agreement

6.83 The Land Assembly Agreement sets out the basis on which the HDV will work with the Council to agree the procedures and steps for acquiring any land interests that are not currently owned by the Council (including costs associated with compulsory purchase orders), and the strategy for rehousing residents. The purpose and some of the main terms of this agreement are set out in the Pinsent Masons Report. Most significantly this relates to the acquisition of leasehold interests in properties which have been purchased from the Council by residents under the ‘Right to Buy’ scheme, though it also relates to any other land interest acquired by the Council.

6.84 The Agreement sets out the arrangement whereby the Council may make the upfront capital investment in acquiring these land interests, and retains the benefit of them until the Council’s land transfers under the terms of the Development Framework Agreement as set out above, during which period it can, for example in the case of bought-back leasehold properties, rent them out for temporary accommodation. The HDV’s liability for payment of the land costs occurs upon the HDV’s drawing down of the land concerned. The Council receives interest from the HDV on its investment from land drawdown until such time as the proceeds from development are available from the relevant site, net of development costs, at which point the Council is repaid its capital investment before any other payments are made from those proceeds. The Council is not obliged to lend to the HDV in this way, but to elect not to do so could significantly threaten the viability of the scheme, and therefore the achievement of the outcomes which the Council wants.

6.85 The Land Assembly Agreement also sets out the obligations of the HDV to existing Council tenants and leaseholders who are resident on a site proposed for development, including a right to return to a new home on the estate and on equivalent terms. This includes an agreed approach to consultation and engagement, and a commitment by the HDV to honour the terms of the Council’s draft Estate Renewal Rehousing and Payments policy, which was approved by Cabinet on 20 June 2017 for public consultation, except where any departure from the ERRPP has been expressly agreed (including by the Council) either in the relevant scheme business plan or the Land Assembly Agreement itself and subject to certain specific clarifying qualifications.

6.86 In addition, the Agreement commits the HDV – for any housing stock it owns itself – to observe the Council’s allocations and tenancy policies, and to mirror Council tenancies as far as possible, apart from the right to buy.

Key performance indicators

6.87 There are four sets of key performance indicators that relate to the work of the HDV:

- **Asset Management.** Under the Strategic Asset Management Agreement, it is proposed that key performance indicators will not be used to measure the performance of Lendlease, the strategic asset manager, for an initial period of 12 months after the transfer of any given asset. This is to allow for the management regime to settle down following the transfer. During that 12-month period, the HDV Board will agree a set of KPIs that will apply to the management of that asset. These will be based on a set of 'market norm' KPIs set out in the Strategic Asset Management Agreement, with any amendments to those KPIs to be determined by the HDV Board.
- **Property Management.** The third party property manager will be bound by KPIs set out in the two Property Management Agreements described above. These KPIs will be agreed as part of those agreements, delegation for approval of which is sought for the section 151 officer after consultation with the monitoring officer.
- **Development Management.** For each development project, the HDV Board will agree a set of KPIs that will apply to the development management service provided by Lendlease for that project. These will be based on a set of 'market norm' KPIs set out in the Development Management Agreement, with any amendments to those KPIs to be determined by the HDV Board.
- **Contractor Framework Agreement.** The Contractor Framework Agreement will set out a set of construction KPIs, again based on market norms, which will – as well as determining the deductions/incentives paid under construction contracts – determine whether Lendlease Construction retains its right to 60% of vertical build contracts (and related infrastructure) as stipulated in the Agreement. The detail of these KPIs is yet to be agreed and is one of the issues that will be agreed by the section 151 officer after consultation with the monitoring officer under the delegation in this report.

6.88 In all cases, it is expected that the HDV Board will set terms for these service providers that deduct fees in the event that KPIs are not met, and may also provide incentives for when KPIs are exceeded.

Transparency and accountability

6.89 It has been agreed – and set out in the Members Agreement – that the HDV's Strategic Business Plan will be updated, for consideration by the HDV's two members, on an annual basis; there is an obligation on the Council to use all reasonable endeavours to agree this. Cabinet's consideration of this annual plan will be subject to the agreed Council scrutiny process, as will all other actions and decisions reserved to the Council as a member of the HDV as described above. There is no obligation on the Council to approve individual Development Business Plans (in which case Sites would not transfer into the HDV).

6.90 Further, the members of the HDV have made a strong commitment to best practice in terms of transparency in the workings of the HDV itself. While the detailed implementation of this approach will be a matter for the HDV Board to

set out in due course, this will include a strong commitment to public sharing of information, and to regular direct access to the HDV team and work programme for key local stakeholders including local councillors in wards affected by HDV projects.

Strategic Business Plan

6.91 The Strategic Business Plan comprises three sections:

- **Placemaking.** This section sets out the current Haringey context in terms of demographics and economics, before describing the proposed overall approach of the HDV to: design (including public realm); mix of housing types and tenures, including market analysis for private housing; employment space; infrastructure including transport and social infrastructure; housing ownership and management; meanwhile uses; and sustainability. These overall approaches are the basis of the site-specific proposals for the category 1 development sites, and other elements of the HDV work programme.
- **Delivery.** This section sets out the proposed approach of the HDV to: management and governance, including indicative staffing structures and resourcing plans; land assembly, including the role of the Council; development and ongoing management of housing, commercial space and other facilities; planning, design and construction delivery; communications and marketing; and other issues including health and safety and risk management.
- **Finance & Commercial.** This section sets out: the financial modelling work done to underpin the initial proposed work programme of the HDV; the strategy for funding the HDV's work; the legal structure that underpins the commercial arrangements; the approach to viability testing; and the arrangements for provision of development and asset management services by Lendlease.

The most significant elements of the Strategic Business Plan are set out here.

The overall commercial deal

6.92 Several elements come together to form the main pillars of the commercial deal between the Council and Lendlease that underpins the HDV arrangement. The principal elements comprise some which have already been described in this report:

- The agreed position on equal equity.
- The £45m price paid for the Council's commercial property portfolio.
- The Lendlease fees proposed for strategic asset management and development management services.
- The fact – and terms – of the Council's role in forward-funding land assembly.
- The risks and guarantees in relation to site-wide infrastructure (in the exempt report).

Other elements have not been described:

- The quantum and timing of returns to the Council and Lendlease, through profit returns and other means. This is set out in more detail immediately below.
- Council share of uplift on land value. In order to determine the value of the Council's land for a proposed development site – and therefore the size of its equity stake, and the corresponding cash equity required from Lendlease – the land is valued twice. The first valuation for Category 1 sites was set as part of Lendlease's bid during the procurement process; for subsequent Category 2 and 3 sites, it takes place when the business plan is first approved. Land is valued again at the point the land transfers to the HDV, once all the conditions precedent have been met. Because a planning consent and vacant possession will usually add value to the land, the uplift will be shared between the Council (the landowner) and the HDV (which has done the work to achieve the uplift). The agreed share is set out in the exempt part of this report.
- In order for the Council to have continuity in its income over the first 5 years of the HDV, given it will have transferred the commercial portfolio from which it currently receives income, it has been agreed that (a) the Council will retain 100% of income on commercial portfolio assets until they transfer to the HDV; (b) the Council will receive 50% of net income from commercial portfolio assets that have transferred to the HDV; (c) the Council will receive interest on any 'B' Loan currently in place; and (d) the Council will receive an additional income top-up up to get the total income to £15m over the first 5 years of HDV's life.

6.93 In order to understand the balance of the commercial deal, it is possible to compare the benefits that each side is expected to secure:

- First, the two partners share equally in the proceeds of development and management of the investment assets. Based on the assumptions in the current financial model, this includes an estimated £275m each for the Category 1 development sites. This is based on an estimated gross development value ('GDV', or the total value of the completed assets after development) of around £4bn, compared to the £2bn estimated GDV shown in the indicative financial modelling that accompanied the business case considered by Cabinet in November 2015. The two partners are correspondingly equally exposed to development risk. The partners also share in the rental returns from the commercial property portfolio, and any other property held by the investment subsidiary after development by the HDV. This figure cannot easily be estimated, especially given the uncertainty over costs associated with the management of the commercial portfolio.
- However, there are some benefits which the Council alone can expect to see:
 - The share of land value uplift (the land value for Category 1 sites is set at £18m before any uplift)
 - Council tax and business rate uplift (modelled at an estimated £13m per year by 2031 for Category 1 sites)
 - Section 106 & Community Infrastructure Levy (modelled at an estimated £37.7m for Category 1 sites)

- £8m HDV investment (from the Category 1 programme) in the HDV’s social/economic programme plus £20m Lendlease investment in the social investment vehicle plus further employment, training and local business outcomes from construction and other initiatives.
 - Outcome benefits of more and better homes and jobs, plus social and economic outcomes, all of which are of strategic value to the Council.
- The principal benefit which Lendlease alone can expect to see is the contracts for Lendlease Construction under the Contractor Framework Agreement (with a margin modelled in the range of £50-80m for Category 1 sites, based on c. £2bn of HDV construction contracts overall).

6.94 Reinvestment of Council profits from the HDV will always be a matter for the Council to decide. The Financial and Commercial section of the Strategic Business Plan proposes that early profits (both the Council’s and Lendlease’s share) are reinvested in the HDV programme in order to improve the cashflow and speed up development, with the first cash profits coming to the Council around year 6 depending on performance. By approving the Strategic Business Plan, the Council is approving this early reinvestment. Once cash returns come to the Council, their use is simply subject to the Council’s normal budget-setting process as set out in the Council Constitution.

6.95 The impact of the proposed approach to the HDV on the Council’s Housing Revenue Account (HRA) is set out in the financial comments in section 8 below. It should in particular be noted that this impact is driven both by the proposed transfer of the commercial portfolio sites (a proportion of which are currently held in the Council’s HRA) and by the proposed transfer of development sites (of which the same is true).

Best Consideration and State Aid

6.96 Section 123 of the Local Government Act 1972 provides that local authorities may dispose of land as they see fit and, subject to certain exceptions, that they must seek the best consideration reasonably obtainable (‘best consideration’).

6.97 The letter from the Council’s commercial advisors GVA, included as part of Appendix 8, sets out GVA’s assessment of the Council’s commercial position in the commercial deal. This is partly to confirm that the Council is receiving Best Consideration for its assets under section 123.

6.98 The full letter is included as an appendix in the exempt part of this report, but the central conclusions are:

- The decision to appoint Lendlease was made following a thorough and robust 18 month OJEU procurement exercise which enabled the Council to drive the strongest possible commercial deal for itself.
- The HDV offer represents best consideration for the Council’s asset and land interests and will allow the Council to satisfy its statutory obligations under S123 of the Local Government Act 1972.

- A hypothetical private sector investor in comparable circumstances to the Council would take the same investment decision to that currently being considered by the Council.

6.99 The letter from Pinsent Masons LLP, the Council's legal advisors, also included as part of Appendix 8, advises that the overall deal is compliant with State Aid regulations, informed partly by the letter from GVA described immediately above. The full letter is included as an appendix in the exempt part of this report.

Housing ownership and management

6.100 The Strategic Business Plan is clear that the HDV will keep open a number of options for the ownership and management of affordable and other rented housing, for the purposes of scheme design, business planning and for consultation with tenants at the appropriate time. A range of factors – including housing and rents policy and available external funding, as well as the viability of individual schemes – will affect what the HDV Board proposes as the most advantageous approach for the HDV, its members and its tenants and customers for any given scheme. In all cases, the proposed approach will be set out in the relevant scheme business plan for approval by the Council and Lendlease.

6.101 For ease of understanding and avoiding complexity based on as yet unknown options, the HDV's financial model as set out in the Strategic Business Plan is based on the forward sale of rented housing to a Registered Provider, or an institutional investor. Other options may include for the affordable housing to be held in the HDV or its subsidiaries.

6.102 Decisions on housing management for any given block cannot be taken until there is certainty about its ownership. However, the Council has a strong housing management function in Homes for Haringey, and under some ownership models at least Homes for Haringey would be a clear candidate for taking on management responsibilities, especially given the fact that – on major multi-phase estate renewal schemes – Homes for Haringey will already be managing existing Council homes on estates where new HDV stock comes into use.

Category 1B sites

6.103 As explained above, no decision is sought to dispose of either Northumberland Park or Cranwood to the HDV. Any decision to bring forward these sites for development by the HDV will be taken at future Cabinet meetings, following full consultation with residents and other interested parties, including updated EqlAs. If Cabinet decides to dispose of either site, Full Council authorisation will be required to make an application to the Secretary of State for consent to such disposal. Therefore, notwithstanding the business plans for Northumberland Park and Cranwood (discussed below), the Council retains full and sole discretion as to the future plans for their development.

Category 2 & 3 sites

6.104 The Strategic Business Plan sets out an indicative programme for the next phase of development sites – those sites described as ‘Category 2’ sites in the November 2015 Cabinet report. The Council and Lendlease are also considering whether the HDV could play a role in delivering the Council’s new library, civic space and office accommodation in Wood Green, and will continue to keep under review other potential development opportunities. However, approval of the Strategic Business Plan does not constitute a binding commitment on the part of the Council to transfer any of these sites to the HDV, now or in the future. Each site will be the subject of its own business plan, in accordance with the process defined in the Development Framework Agreement.

Sustainability

6.105 The Council has made a commitment to reduce the Borough’s carbon emissions by 40% by 2020 (the baseline being 2005) and stated an ambition to be a zero carbon borough by 2050. The Council is therefore committed to reducing the impact of existing development and activity as well as to managing the impact of future growth. Improving local air quality, fuel poverty, sustainable transport, and addressing the challenges of a future climate are also at the forefront of the Council’s sustainability and well-being agenda. The HDV as a long term partnership vehicle will play a key role in enabling and accelerating the necessary change across the borough, and will need to deliver continuous improvement in energy and sustainability performance aligned with the Council’s ambitions.

6.106 The Placemaking section of the HDV Strategic Business Plan sets out the overarching approach and outlines how the HDV will actively deliver the Council’s ambition to improve the local environment and performance of new developments and existing building stock for which it will be responsible. The Sustainability Framework and Goals proposed for the HDV will give a clear direction and strategy for the lifetime of the HDV and support continuous improvement and innovation. The proposed HDV Sustainability Goals encompass energy and zero carbon, resilience and adaptation, water, waste, materials and supply chain, nature, and responsible investment. A commitment to post-occupancy evaluation of residential and commercial spaces along with measurement and monitoring of carbon, water and waste performance will help to facilitate continuous improvement across the HDV’s portfolio.

6.107 Each individual project Business Plan sets out the proposed site specific solutions to deliver against Haringey’s Local Plan and the Council’s sustainability strategies including connecting to the planned Decentralised Energy Networks at North Tottenham and Wood Green, and proposals to nominate the Northumberland Park regeneration scheme for the C40 Cities Climate Positive Development Programme. Each individual project Business Plan also provides further detail demonstrating how the HDV will deliver against the HDV’s strategic sustainability goals. Finally, as required of all new development, a sustainability and energy assessment will also be undertaken and submitted with each planning application, with the aspiration to go beyond the policy requirement.

6.108 The HDV will be resourced by a dedicated Sustainability Manager responsible for the delivery of the HDV goals and the sustainability strategy across each of the individual projects. Construction, Environmental Management and Compliance will be overseen by a Construction Sustainability Manager. The HDV's Sustainability Strategy will be regularly reviewed and presented to the HDV Board, and HDV Sustainability reporting will be on a timeline to align with the Council's Annual Carbon Report publication.

Northumberland Park Business Plan

6.109 The Northumberland Park Business Plan sets out:

- How the HDV will work with the local community to develop regeneration plans that put people at the heart of change.
- The opportunity for approximately 5,000 new homes, including the delivery of high quality new affordable homes and mixed tenure homes to buy and rent for all income levels.
- How existing residents will benefit from new homes in Northumberland Park and a guaranteed right to return
- Ambitions for a new skills and employment centre and thousands of new jobs and training opportunities, directly benefiting local residents, as regeneration is delivered.
- How social and economic opportunities will be delivered, including how residents will benefit from better prospects, healthier lives, a strong sense of community pride and a clean and safe environment, as well as the delivery of new schools and a health centre.
- Plans for the creation of exciting, distinctive and safe public spaces, parks and streets that connect the community and provide opportunities for interaction, inclusion and leisure.
- That its contents neither suggest nor impose any obligation on the Council in respect of any proposed redevelopment of Northumberland Park, with the legal position being governed by the Development Framework Agreement.

Wood Green Business Plan

6.110 The Wood Green Business Plan sets out:

- Proposals for the redevelopment of three sites, the Civic Centre site, the Station Road Offices site and the Wood Green Library site as catalysts for the wider regeneration of Wood Green.
- The opportunity for approximately 1300 new homes including the delivery of high quality new affordable homes and mixed tenure homes to buy and rent for all income levels.

- A commitment to deliver a new mixed use thriving town centre with pedestrian and cycle-friendly streets with green spaces that complement a lively and vibrant public realm day and night.
- An approach to how the sites could deliver a range of new flexible office space that can meet the needs of existing businesses and attract new businesses to the area.
- A commitment to work with communities to strengthen the town centre as a whole, projects include a Business Engagement Officer, support for the Wood Green Business Forum and a series of social investment initiatives.
- A commitment to work with existing communities and adjoining landowners and ensure that all stakeholders are involved in the brief, design and delivery strategy including a design competition for the Civic Centre site.
- The option for the HDV to be the delivery partner for a new consolidated Haringey Council office headquarters and Civic Centre, which will have a key place-making role in the regeneration of Wood Green.

Cranwood Business Plan

6.111 The Cranwood Business Plan sets out:

- How Cranwood could be the HDV's first development and an opportunity to deliver on the Council's ambitions to create sustainable, balanced communities.
- A development design masterplan indicating 92 high-quality mixed-tenure dwellings. These homes will be Secure by Design compliant, designed to be tenure-blind, and will re-vitalise the streetscape and enhance local connectivity.
- An indicative dwelling mix comprising 33% 1 beds; 41% 2 beds; 23% 3 beds; and 3% 4 beds , providing a balanced housing provision, including places for families
- A design masterplan including an enhanced level of affordable housing compared to emerging policy (50% by habitable room) of which at least 60% will be for low cost affordable rent. Among other things, this offers a rehousing opportunity at social rent levels to help facilitate delivery of the regeneration scheme at Northumberland Park, and will increase low cost rented provision in the west of the borough in line with the Council's Housing Strategy.
- How Cranwood will aspire to be one of the first zero carbon projects of its size and scale in London, setting an exemplar benchmark for the HDV.

- That its contents neither suggest nor impose any obligation on the Council in respect of any proposed redevelopment of Cranwood, with the legal position being governed by the Development Framework Agreement.

Commercial Portfolio Business Plan

6.112 The Commercial Portfolio Business Plan sets out:

- The opportunity to increase the annual income and overall value of the portfolio, while also delivering social and economic improvements that deliver positive outcomes for the borough.
- A strategy for enhancing value and the returns from the commercial portfolio that is based upon a combination of short, medium and long term objectives:
 - Short term: reposition the portfolio through the acquisition and disposal of assets, creating clusters around hubs in key target areas, such as near the HDV's other development sites to maximise impact
 - Medium term: attract inward investment through the commercial portfolio to enable further regeneration
 - Long term: redevelop the estates within the portfolio to implement change in other parts of the borough
- How the properties in the portfolio are categorised into the following six groups in order to achieve these objectives:
 - Cluster for Regeneration
 - Long term redevelopment
 - Hold for Income Stream
 - Dispose of Properties
 - Short Term Redevelopment
 - Group for Employment
- How delivery of the strategy will be guided by an Asset Management Strategy and Property Management Plan, the latter of which will be implemented by the property manager under contract to the HDV.
- A clear social outcome focus and strategy.

6.113 The Commercial Portfolio Business Plan also reflects the agreed process – described above, in the section on the Agreement for Sale – whereby the portfolio will transfer from the Council to the HDV in phases.

Social & Economic Business Plan

6.114 The Social & Economic Business Plan supports the ambition set out in the Council's Corporate Plan and Tottenham Strategic Regeneration Framework (SRF) that *'by the age of twenty a child born in Tottenham today (2014) will have a quality of life and access to the same level of opportunity that is at least as equal to the best in London'*. The Council's aim is to ensure that the benefits of regeneration and economic growth flow through to all of our residents, with better access to jobs, skills training, new homes, education and health facilities

improved transport links, safe and healthy environments, vibrant streets and active open spaces.

6.115 The Social and Economic Business Plan sets out:

- The planned infrastructure activity and programme activity across the HDV that contribute towards improving socio economic outcomes for Haringey Residents.
- A high level socio-economic outcome framework which will inform and shape all delivery under the Social and Economic Business Plan. This framework aligns with the Council's Corporate Plan and SRF and includes four impact themes: Better Prospects, Healthy Lives, Community Pride and Clean and Safe. A more detailed outcome and performance framework will be agreed which will set out the programme and project level outcomes, key performance indicators and targets. This more detailed framework will be used to measure the impact of the activity under the business plan.

6.116 The Business Plan describes proposals for an £8m HDV-funded social and economic programme allocated over the life of the 'Category 1' projects (Northumberland Park, Wood Green and Cranwood). The programme is proposed to commence in year one with an initial focus on three areas:

- A Skills and Employment Hub in Northumberland Park delivering skills and employment training. The Hub will offer skilling and employment programmes initially focused on construction. There will be an emphasis on those furthest from employment.
- Improving young people's engagement and attainment in STEM to support the implementation of Haringey's STEM commission. The programme will work with stakeholders, partners and supply chain to provide opportunities for young people their families and teachers to engage in STEM activities
- Improving mental health and wellbeing. The HDV will work with the Council and partners to develop a community-based mental health programme aimed at raising awareness, reducing stigma and increasing support for those experiencing mental ill-health.

These three programmes will be further developed during the first 100 days of HDV operation. All programmes will be designed to complement existing provision in the area. Further programmes will be developed through stakeholder engagement and the HDV business planning and governance processes.

6.117 The Business Plan sets out proposals for a Social Impact Vehicle (SIV), through which Lendlease (rather than the HDV) will provide up to £20m in investment loans and will use this to leverage substantial additional funding. The intention is for this investment to generate a return to be re-invested in the SIV, with the £20m remaining as a legacy for the vehicle. The SIV will follow a social investment model, with investments made based on their contribution to social outcomes, as well as their financial viability. The SIV offers a rare opportunity

to bring together a broad range of partners and funding bodies to design and deliver innovative approaches that tackle major long-term social challenges in the borough. Focusing on those with complex and multiple need or at risk of long-term negative outcomes with little access to support, the SIV's activities will complement existing statutory provision and support a wider shift in local service provision towards prevention and early help interventions.

- 6.118 The SIV will be established as a ring-fenced subsidiary of the HDV with a SIV Board. The SIV will work closely with the HDV and the Council to support delivery of the HDV's social and economic aims which are aligned with the Council's corporate objectives and SRF.
- 6.119 There will be an initial investment from Lendlease into the SIV (the precise sum of which is noted in the exempt part of this report) with the remainder of the £20m being invested over the life of the HDV which is linked to the development of the various sites. The initial investment will be paid on set up of the vehicle and the rest of the monies paid on practical completion for each phase of developments.
- 6.120 The SIV will take a portfolio of investment approaches, each emphasising the social, not just financial, return. The portfolio might include:
- Social Impact Bonds
 - Collective Impact Bonds
 - Investment in housing and / or community infrastructure
 - Business and VCS loans

The overall portfolio will balance lower and higher risk initiatives, delivering maximum sustained social impact while preserving the SIV's capital base over the lifetime of the SIV for continued reinvestment. The SIV aims to become a national centre of excellence for social investment.

- 6.121 To deliver this ambition the SIV will have four distinct roles:
- Designing and agreeing social investment contracts. Securing funding from additional public, private and charitable sources
 - Developing and managing long term partnerships with investors, outcomes payers and delivery partners
 - Managing performance and delivery of contracts, including managing outcomes payment/ loan repayments and reporting on progress towards the overarching outcomes.

Future business plans and changes to existing business plans

- 6.122 Any new business plan for a site not covered by an existing business plan must be agreed by the Council and Lendlease as partners in the HDV, based on a recommendation from the HDV Board.
- 6.123 Any amendment to a business plan that has already been agreed by the partners will have to be agreed by the HDV. If that amendment is considered a 'Material Variation', the Members' Agreement requires that the partners will

have to agree that amendment. The Members' Agreement defines a 'Material Variation' as:

- Any item specifically identified within a Business Plan itself as being material;
- Any item specifically identified as requiring Member approval within the Delegations Policy or the Members Agreement (which will include a schedule listing areas which have been agreed will always constitute a Material Variation); or
- Any matter which the HDV Board determines as sufficiently material to require a referral to Members.

6.124 It must be noted that there remains further extensive work still to be done in particular in respect of the business plans for Northumberland Park, Wood Green and Cranwood proposed for approval here. Not least these will need to reflect the outcome of consultation, including statutory consultation with tenants at Northumberland Park and Cranwood, which will be undertaken before the Council decides whether all or part of these sites is in fact to be disposed of to the HDV, under the terms of the Development Framework Agreement. The results of this consultation will inform further work on phasing and design. Once this work has been done, revised business plans for Northumberland Park, Cranwood and Wood Green are expected to come back to the Council (and Lendlease) for approval, as the changes will almost certainly meet the definition of a 'Material Variation'.

6.125 It is envisaged that the revised plans for Northumberland Park and Cranwood will be placed before Cabinet as and when it is asked to consider the potential disposal of these sites.

Decision-making, assurance and risk in the Council

Governance and assurance within the Council

6.126 All formal decisions made by the Council in respect of the HDV are subject to the Council's normal decision making process as set out in the Council Constitution. This decision-making is currently supported within the Council by a governance structure which has been put in place to facilitate the conclusion of the procurement process but which will – for the short-term at least – be kept in place during the early part of the HDV's mobilisation. This comprises: a Strategic Board, chaired by the Chief Executive and with other Directors and Assistant Directors whose work is core to the HDV programme; a wider Steering Group of Directors and Assistant Directors from a range of disciplines who advise the Strategic Board; and a group of project sponsors, each one of which is responsible for leading the Council's work to support the HDV in the development and delivery of a specific business plan.

6.127 These structures are supported by a small dedicated relationship management function in the Council, under the supervision of the Director of Housing & Growth. Its role is to facilitate and monitor the work of the HDV, to support internal governance and to work with officers across the Council, including project sponsors – and with wider partners across the borough – to ensure the

necessary collaboration with the HDV in order to achieve the HDV's, and the Council's, objectives.

6.128 These arrangements – for governance, and for officer support – will be kept under close review, especially during the early months of the HDV's mobilisation, to ensure they are fit for purpose and give the Council the capacity and assurance it needs to appropriately manage risk and drive the best possible outcomes from the HDV.

Risk

6.129 As set out above, the joint venture development vehicle model was favoured by the Council partly because it offers a balanced profile of risk and reward compared to the other options for bringing forward development on Council land. It is accepted that – in order to secure the benefits of this model and the outcomes it is expected to achieve – the Council remains exposed to a number of risks.

6.130 Broadly, these risks can be considered in two categories:

- Those risks arising from the work of the HDV itself, to which the Council is exposed because of its equity stake in the HDV, but the monitoring, management and mitigation of which is principally the responsibility of the HDV Board. Notwithstanding the primary role of the HDV Board, given the Council's exposure to these risks it needs considerable assurance relating to the HDV Board's management of these risks as part of its overall assurance of the HDV's work.
- Other risks which relate either to work done in the Council, or which are external to both the Council and the HDV, and/or where the Council's interests are not necessarily aligned with those of HDV and/or Lendlease, and where the Council therefore takes a direct role in monitoring and (where possible) management and mitigation.

6.131 The approach to risk management can be summarised as follows:

- The Council maintains an HDV risk register, owned by the Strategic Board in line with the governance arrangements set out above. This is the tool which allows the Strategic Board to gain assurance on, and where necessary actively manage, those risks which 'belong' in the Council.
- While the Council register has a risk associated with HDV performance, risks wholly contained with the HDV programme will be the responsibility of the HDV Board and subject to a separate risk management system owned by that board. Given the Council's exposure to these risks, the Council's Strategic Board will need mechanisms in place to gain assurance about that HDV risk management system as part of its wider assurance of the HDV Board's performance. This task will be the responsibility of the Council's relationship management function.

- Just as risk ownership follows programme ownership, audit arrangements etc will be split between Council and HDV according to who takes responsibility for different elements of work. However, as part of the transparency and accountability commitments of the Council and Lendlease, it is to be expected that Cabinet and the Council's scrutiny function would take an interest in both.

6.132 Section 10 of this report sets out where further information on the Council's approach to risk in respect of HDV can be found on the Council's website.

Next steps

Execution of the legal documentation

6.133 Once approved by Cabinet, the relevant delegated matters (including finalisation of the legal documentation) must be resolved and the legal documentation must be formally executed, through the signature of properly authorised representatives of the Council (in accordance with the Council's Constitution) and Lendlease.

Reserve bidder

6.134 It will also be necessary formally to notify the reserve bidder, agreed as such by Cabinet in March 2017, that this status is terminated.

Commencement of HDV operations

6.135 Once the HDV is incorporated, the next task will be to hold a formal Board meeting of the HDV. This first meeting will, among other things: agree a staffing plan and make any necessary appointments; adopt a number of policies and procedures; agree an initial programme and budget; and agree any delegations beyond those set out in the existing legal documentation (and described above) considered necessary for the HDV to function.

Consultation and engagement

6.136 The Council will continue the process of engaging with and consulting residents and other interested parties in relation to the proposed developments of Northumberland Park and Cranwood. This will necessarily be undertaken in conjunction with the HDV.

7. Contribution to strategic outcomes

7.1 The ambition and longevity of the Haringey Development Vehicle (HDV) means it has the potential to play a pivotal role in the transformation of Haringey that goes well beyond physical change.

7.2 The Haringey Development Vehicle – a 50/50 partnership between the council and developers Lendlease – is an innovative approach to regeneration that will deliver change local people can benefit from. It will see council land and developer funding and expertise brought together to deliver billions of pounds of

investment to Haringey – with 6,400 new homes up to 14,000 new jobs. But the new homes and improved housing estates – which it's important to be clear will come with a right to return on equal terms for all existing council tenants – do not paint the full picture of how the HDV could transform Haringey.

- 7.3 In addition to thousands of new homes, the HDV will see investment in community infrastructure for local residents including new facilities for the local schools; new health centre; new town centres with retail, office and community space; and a new library. Alongside this, funding will be made available to invest in skills support and training for local residents and there will be a construction framework that will deliver a range of benefits including a contractual obligation to pay the London Living Wage; jobs for local people; training and apprenticeships; and investment both in terms of money and time to engage with our local communities.
- 7.4 The HDV is committed to working alongside our other statutory partners such as health and the police, as well as Homes for Haringey and the dynamic voluntary and community sector we have here in the borough which all also have a critical role to play in improving outcomes for local residents. As a partnership, it is equipped to work effectively and innovatively with a range of partners to address the many challenges ahead and to enable tangible improvement in residents' lives .
- 7.5 In the Council's 2015-2018 Corporate Plan and in our other strategies such as the Strategic Regeneration Framework for Tottenham and our Growth Strategy we make specific commitments, particularly regarding increasing the number of homes and jobs in the borough that the HDV will contribute to delivering to both now and in the future. In 2015 we committed to ensuring:
- Every child and young person is able to attend a good or outstanding school or early years setting
 - To deliver £1 billion of inward investment into the borough
 - Increase average household earnings in Haringey to align with the London average by 2030 and to have made clear progress towards that goal by 2018
 - Ensure that people are able to have as much social contact as they like, reducing the number of people who feel isolated to less than 12% which is the current national average
 - Increase the number of people satisfied with the area as a place to live to more than 80% compared with the current national average of 75%
- 7.6 The HDV will contribute to achieving these and ambitions and, in particular the outcomes set out in Corporate Plan Priorities 4 and 5. The HDV is instrumental in taking forward Priority 4's objective to focus growth by prioritising new homes and jobs in Wood Green and particularly in Tottenham, where need and opportunity are greatest, and by bringing some of the borough's key community assets into more active use. It will build for sustainability, helping to achieve Haringey's 40:20 goal and will improve key infrastructure, including building a new secondary school and health facilities. It will bring about a step change in the number of new homes being built, taking forward the first objective of Priority 5.

7.7 Haringey Council's Strategic Regeneration Framework for Tottenham (2014) sets the ambition that:

'By the age of 20, a child born in Tottenham will have a quality of life and access to the same level of opportunity that is at least equal to the best in London.'

HDV will contribute to achieving this ambitious vision and to the specific aims of the Strategic Regeneration Framework for Tottenham, particularly within Northumberland Park, whilst recognising the scale of the challenge this involves. For this reason, opportunity pathways created by HDV in education, jobs and health will be prioritised within the East of the Borough, with a focus on changing outcomes for young people and where the concentration of disadvantage is most acute.

7.8 HDV will work towards an agreed set of socio-economic outcomes, grouped under the four impact themes below. This outcomes framework aligns with and complements the priorities set out in the Council's Corporate Plan (2015-2018) and its successor (the Borough Plan, to be agreed in Summer 2018). The success of HDV will be judged by the improvements its contributions make to these long term socio-economic outcomes, as well as by the physical transformation within the Borough.

Better Prospects: Enabling education, training and employment

- Children and young people excel at school, making the most of their potential, with fewer young people not in employment, education or training (NEET)
- Residents have the training, skills and support necessary to find and keep good quality employment
- Local business can thrive and grow

Healthy Lives: Empowering people to improve their own health

- Haringey is a healthy place to live where health and wellbeing is designed in
- More people have good mental health
- Residents will be healthy for as long as possible
- Residents live healthy and fulfilling lives

Community Pride: Creating homes and neighbourhoods where people can thrive

- Residents are confident participating and connecting in their community
- Residents can participate in design and delivery of their neighbourhood
- Social capital is built through places and programmes
- More people can access affordable housing, secure tenancies and properties in a good condition.

Clean and safe: Creating a safer environment where people are proud to live, work and visit.

- Streets, parks and estates are clean, well-maintained and safe
- Crime and the fear of crime is reduced through application of best practice design, working with stakeholders and local communities

- Incidents of serious crime, including youth crime, gang activity and VAWG are reduced by actively working with partners
- 7.9 HDV will contribute to these outcomes through its core business of planning, design and construction of new homes, neighbourhoods and public spaces and through building high quality new community infrastructure, including and in addition to CIL and S106 funding. It will catalyse new and higher quality jobs, particularly within the technology and creative sectors, through better management of the commercial portfolio and the creation of new workspaces. HDV will engage the community in co-designing places and programmes, to make sure that they reflect the needs and preferences of the different groups living and working in the Borough.
- 7.10 Some of Haringey's residents (including young people and those furthest from the employment market) will require additional support, in order to be able to take advantage of the new opportunities on offer. HDV is therefore designing and funding a range of targeted socio-economic programmes (£8m), to support more vulnerable residents to develop their skills, improve their mental health and reduce barriers to success. Through the Social Impact Vehicle, it will bring in new sources of social investment, innovation and expertise to tackle complex issues through new partnerships and delivery models, with a Lendlease investment of up to £20m.
- 7.11 HDV is making a 20 year commitment to improving the Borough and the lives of its people. This is a unique opportunity to form a long term strategic partnership between the Council and Lendlease, to form a new organisation which builds on the different strengths and expertise of each partner to maximise impact. The work programme brings together place-shaping, community engagement, targeted programmes, social investment and wider contributions into a coherent strategy for long term change. This ability to create a shared, long term strategy and vision of success is a key benefit of the HDV model. In addition, Lendlease, separate to the HDV, has signed up to the Tottenham Regeneration Charter, meaning that Haringey will see wider benefits from this corporate partnership including increased work experience, apprenticeships and volunteering (eg through Code Clubs and school governor roles).

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

Finance

Summary of Financial Returns and Related Benefits

- 8.1 The financial model for the HDV states a number of high level financial benefits which can be described as:
- LBH's share of development profits is forecast at an estimated £275m.
 - LBH will receive a Land Value transfer return of an estimated £18m.
 - LBH will also expect to receive returns from the Investment Management portfolio (the transfer to the HDV of the Commercial Portfolio) and guaranteed income from the portfolio. This figure cannot easily be

estimated, especially given the uncertainty over costs associated with the management of the commercial portfolio.

Decisions on how these profits will be spent is a matter for the Council to decide through its normal budget setting processes when the profits become attributable.

8.2 Further benefits will accrue to the Council as a result of the direct impact of the activities of the HDV.

- Increase in Council Tax estimated at circa £8m per annum by 2032
- Increase in Business Rates estimated at circa £5m per annum by 2032
- Increase in CIL (Community Infrastructure Levy) payments estimated at circa £18.8M in total over the programme of delivery
- Increase in S106 receipts estimated at circa £18.9M in total over the programme of delivery.

8.3 In summary, whilst the financial mechanisms contained in the commercial arrangements for the HDV are complex, there are no items that fall outside of the budgetary framework for 2017/18. The financial implications arising from future business plans for each phase of the HDV, will form part of the Medium Term Financial Strategy (MTFS) planning in future years, and will be approved as part of the Council's normal budget setting processes.

8.4 In terms of the overall financial model that is proposed in the documentation contained in the appendices of this report, a significant amount of due diligence has been completed by our HDV financial advisors, GVA, our HDV Tax advisors, Grant Thornton, our HDV Legal advisors, Pinsent Masons LLP and our own finance team. There has also been a significant amount of referencing of the commercial and legal documentation with our nominated QC. As a result of this due diligence, we are comfortable that the figures in the model reflect the legal representation of the HDV deal contained within the detail of this report. We also accept the figures are modelled on the high level/initial plans contained in the legal documentation and will be updated as more detailed business plans are further developed and approved by the Council. These financial comments are therefore being considered based on the model as it is contained in the documentation at the date of this Cabinet report. We are satisfied however, in overall terms, that the setting up of the HDV is affordable with appropriate controls, checks and balances in place for the Council to prevent any scheme going ahead that may put the Council's overall financial position in jeopardy.

8.5 The financial arrangements contained in the HDV commercial documents can be split into seven different themes which will help structure the complexity of the deal and therefore the financial implications of the deal and there are separate financial implications detailed for each theme. The themes are:

- a) The financial mechanisms used to ensure the integrity of the 50/50 equity nature of the Company structure.
- b) The financial implications of transferring the Council's Commercial Portfolio from the Council to the HDV.
- c) The financial implications of transferring the Council's land into the HDV

- d) Tax issues
- e) The payment of costs owed to the Council incurred on behalf of the HDV
- f) The overall implications to the Council's General Fund and the Housing Revenue Account of the business plans contained within the legal documents
- g) Pension Related Implications

Ensuring 50/50 Equity

- 8.6 The key principle of the JV is underpinned by a 50:50 equity relationship and is a model that is legally constructed to ensure that the integrity of the 50:50 equity split is maintained throughout the life of the HDV. However, this may mean at times that in order to ensure that any cash surplus accruing to either party in this model is used equitably and efficiently (i.e. that interest is not lost to either side in cash transactions), that a series of standard financial mechanisms (loan notes) are used to keep track of the cash flows and allows each party to be rewarded for the period where their equity is in surplus.
- 8.7 The use of loan notes in a JV of this nature is a standard financial mechanism and, having completed our due diligence, we are comfortable that these mechanisms offer the best way for the HDV and the Council to manage the cash flows between the Council and the HDV. The detail of the use of the Loan notes are contained within the Strategic Finance and Commercial Business Plan as an appendix to the exempt part of this report.
- 8.8 The financial model for the HDV includes a high level programme of the cash flows required over the life of the HDV, which allows the Council to model the cash flow requirements. However, this is merely an indication and it is not until each individual detailed business plan is approved through Cabinet that the detailed cash flow requirements will be fully set out. At which point, the implications will be planned and modelled through the Council's normal annual capital and revenue budget setting process.

Transfer of the Council's Commercial Portfolio (CP) to the HDV

- 8.9 The total value agreed to be paid by the HDV for the Council's Commercial Property (CP) Portfolio is £45m. Officers have carried out due diligence on this figure and are comfortable that this is a reasonable estimate of the value of this asset. This £45m becomes the Council's initial equity to the HDV and passes into the sub company within the HDV structure known as the Investment LP. Each CP asset will transfer at an agreed value, and the Investment LP will issue "B" loan notes to the Council for the corresponding amount. These "B" loan notes will be converted to "A" loan notes as Lendlease match these with cash.
- 8.10 Interest from "B" loan notes will be paid to the Council annually before any distribution of profits from the Investment LP. No interest income has been included within the Council's 2017/18 budget or current MTFS and will need to be reflected in future years MTFS.
- 8.11 Under the terms of the agreement for the transfer of the Council's Commercial Portfolio, the Council shall also continue to receive a guaranteed £3m of income from the commercial portfolio for the first 5 years of the agreement. This will ensure no loss of income to the Council for the next five years.

Transfer of the Council's land to the HDV

- 8.12 A second subsidiary "Development LLP" is being separately established within the HDV to carry out the development of each phase of the proposed regeneration area.
- 8.13 For Council freehold assets transferred, a pre-determined value based on a market norm Residual Land Valuation-RLV process, into the HDV, "C" Loan notes will be issued to the Council based on the pre-determined value, until converted to "A" Loan notes once match funded with cash by Lendlease.
- 8.14 The Council's share of uplift in residual land value will be available to be distributed to the Council as a deferred capital receipt, but only if the sitewide infrastructure costs allocation to the phases completed to that date have been recovered by the HDV. The remainder will be converted to "A" loan notes i.e. not distributed. Any capital receipts will be treated in the normal way and used to fund the Council's overall capital programme and to reduce the borrowing need in the financial year of receipt. These profit considerations will need to be built into future years Capital Strategy arrangements approved as part of the Council's MTFS.

Tax Issues

- 8.15 Grant Thornton, acting as our tax advisors, have reviewed the HDV documentation and have confirmed to us that the structures within the HDV are sound. Their advice goes on to suggest that there may be areas of complexity around the payment of Stamp Duty Land Tax (SDLT) on future transactions which will need to be identified for each of the detailed business plans with decisions about treatment at each stage.
- 8.16 It is important to note that in each scheme the Council is indemnified by the HDV for any SDLT costs so as to ensure that there are no cost implications for the Council. In terms of VAT, implications for the Council relate to the land transactions and the potential impact on the Council's VAT partial exemption (PE) threshold. It will be very important in future to ensure that the VAT implications on HDV transactions are captured and fed into the work on the PE threshold.
- 8.17 There is an implication for leaseholders in the Commercial Portfolio as they transfer to the HDV which is that as the properties within the Commercial Portfolio transfer to the HDV, leaseholders will be charged VAT on top of their lease rental charge. This will clearly have an impact on leaseholders who will be required to pay 20% in addition to what they have been used to. Whilst this will not be so much of an issue for larger leaseholders as they will have a bigger turnover with which to offset the VAT, it may impact the smaller leaseholders. This issue has been raised in the EQIA document attached to the Commercial Portfolio Business Plan and a mitigation plan has been developed and is articulated in the Commercial Portfolio Business Plan.

Payment of costs owed to the Council incurred on behalf of the HDV

- 8.18 Estimated costs that the Council may incur on behalf of the HDV for total acquisitions across the lifetime of the vehicle are set out in the exempt part of this report. The Council may agree to fund these upfront costs using the most appropriate form of funding at the time of the request.
- 8.19 For Council freehold land on a long leasehold that the Council purchases for transfer to HDV, at the point of land draw down the Council will invoice the HDV for the costs of obtaining the leasehold interest. The Council and HDV may agree that HDV shall assist the Council with its borrowing costs (net of any income actually received by the Council) from the date of acquisition by the Council until the date of land drawdown by the HDV. After drawdown, the invoice will accrue interest at the agreed rate described in the exempt part of this report until paid by HDV 3 months post completion.
- 8.20 The invoice treatment protects the Council's interest because creditors (and this would constitute a definition of creditor) would rank higher in terms of debt repayment. In addition, the Council will have security (ranking behind any security granted to a third party funder). The accounting treatment arising from these transactions will be subject to External Audit review through the audit of financial statements process.
- 8.21 LBH can agree to provide funding to the HDV for freehold properties owned by a third party which are purchased by HDV. In this case LBH funding will receive 'D' Loan Notes from the HDV (these are interest bearing with interest payable to LBH at a rate described in the exempt part of this report). Where LBH acquires such interests direct, this will follow the same treatment as in paragraph 8.20 above.
- 8.22 It should be noted that under the Council's revised Minimum Revenue Provision (MRP) Policy, there will be no requirement to set aside any MRP in respect of this funding.
- 8.23 Finally, there are also what are termed as relevant expenses, such as lawyers, mediation and surveyor valuation fees, that the Council will incur in connection with procuring the above asset types. These costs are invoiced to the HDV by the Council on a quarterly basis and paid within 10 working days, so LBH's cash-flow for these expenses is recovered on a reasonable basis.

Overall implications to the General Fund and the Housing Revenue Account

- 8.24 The commercial portfolio contains both HRA and General Fund assets. The original calculations to support the £3m guaranteed net revenue income position for 5 years have been revisited and the actual annual net income of those properties transferring is £3.6m and this is split as £1.7m for the HRA and £1.9m for the General Fund. Impacts of the loss of this £3m guaranteed after year 5 should be modelled through any revised MTFs, but the aim will be that by then any potentially detrimental effects will have been managed out.
- 8.25 An independent HRA advisor was commissioned to review the treatment of the transfer of the HRA commercial property assets and has advised that these assets should be appropriated to the General Fund prior to disposal. The HRA would then be compensated for the market value of the assets transferring,

which is set out in the exempt part of this report. The HRA capital financing requirement (CFR) would be reduced by the same amount, which would in turn increase the borrowing headroom within the HRA by that amount.

- 8.26 The net effects of the revenue adjustments to the HRA and the General Fund from movements in rental income and interest charges cancel each other out. The increased borrowing headroom does allow for the Council to invest in new assets to generate additional income to replace the net loss of income within the HRA.
- 8.27 The possible transfer of the HRA assets for Northumberland Park and any others on Cranwood or Wood Green has also been reviewed at a high level by the independent advisor. The initial proposal would be to appropriate to the General Fund, as these are residential assets. If decisions to transfer are made, the impact on the HRA would need to be calculated more fully at the times of transfer of each parcel, but from the initial review of the impacts on the HRA would, as with the transfer of the CP, be to compensate the HRA in full for any value on a back to back arrangement as each parcel of land is transferred and to allocate an element of the future profits of the HDV to the HRA.

Pensions Related Implications

- 8.28 In the course of business of the HDV, it may be deemed appropriate or necessary on the basis of a business case that Haringey staff should transfer under TUPE regulations from the Council to the HDV, or a subsidiary or contractor thereof. Should this case arise, any staff transferring will be able maintain their Local Government Pension Scheme (LGPS) arrangements, as the relevant body whom they are TUPE transferring to, would gain admitted body status as a new employer within Haringey Pension Fund, as is standard practice in these situations.
- 8.29 A calculation of the new employer's bespoke contribution rate will be undertaken by Haringey's Fund Actuary in line with the LGPS membership demographics of the cohort of staff transferring. As is the case with any new employer to the pension fund, they would be liable for various pension related costs, including deficit amounts which may arise over the course of their being an admitted body. Any new employer would also be responsible for providing adequate indemnification to the fund, for example by provision of a bond: this essentially insures the pension fund, (and all other employers participating in the fund), against the insolvency of a new employer, and the potential for any amounts due to the fund to go unpaid.
- 8.30 Please see the Pinsent Masons Report, appendix 1a attached to this report, as well as the Legal Section of the report for further information on Loan Notes and related issues.

Procurement

- 8.31 The procurement team has been closely involved throughout the procurement process described in this report, engaging with the project team throughout the procurement.

- 8.32 The Head of Procurement has been consulted throughout the process and moderated at each selection stage of the procurement process, including the final evaluation of tender returns.
- 8.33 The Head of Procurement is satisfied that a fair, transparent and compliant process has been followed and therefore supports the recommendations of this report.

Legal

- 8.34 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 other powers referred to in the Cabinet Report of 10 November 2015 in order to set up and participate in the HDV.
- 8.35 The general power is a very broad based power which allows local authorities to do anything that an individual generally may do. There are some limits on the exercise of the power, set out in section 2. First, if the exercise of a “pre-commencement power” (i.e. power in existence before the general power became law) is subject to restrictions, these restrictions also apply to the exercise of the general power so far as it is overlapped by the pre-commencement power. Second, the general power does not enable an authority to do anything which it is unable to do by virtue of a “pre-commencement limitation” (i.e. a prohibition, restriction or other limitation expressly imposed by another statutory provision). Third, it does not enable an authority to do anything which it is unable to do by virtue of a “post-commencement limitation” which is expressed to either apply to this general power, to all an authority’s powers, or to all an authority’s powers but with exceptions that do not include the general power.
- 8.36 Section 4 of the Localism Act 2011 provides that where, in the exercise of the general power, if an authority does things for a commercial purpose then it must do them via a company. In this instance the Council is proposing creating the HDV for the purposes set out in the Cabinet report of 10 November 2016 and now contained in the Members Agreement to be entered into. The primary purposes of these are non-commercial. In addition the objectives of the HDV are non-commercial socio-economic objectives. The HDV would be a Limited Liability Partnership (“LLP”). Pinsent Masons LLP have advised that the Council may rely on the general power as legal authority for the Council in participating in the HDV as an LLP (such advice contemplating an HDV group structure). The HDV will be the main holding vehicle and various subsidiaries will be set up. The commercial portfolio will be held in a Limited Partnership vehicle.
- 8.37 On 10 November 2015 Cabinet agreed to the commencement of a Competitive Dialogue Procedure in accordance with the Public Contracts Regulations 2015 and on 7 March 2017 (after a call in), Cabinet agreed to select Lendlease as Preferred Bidder (with Pinnacle with Starwood Capital and Catalyst Capital as the reserved bidder) for the purpose of seeking a partner that would hold 50% share of the HDV.

8.38 During the preferred bidder period of the procurement, the Council has been in discussions with Lendlease as Preferred Bidder to confirm financial commitments or other terms contained in the tender thereby finalising the terms of the contractual documentation.

8.39 It is prescribed in regulation 72 of the Public Contracts Regulations 2015 that non-material changes may be made to a contract provided such changes do not:

(a) have the effect of materially modifying essential aspects of the tender or of the public procurement process, such that it may alter the economic balance of the contract in favour of the Preferred Bidder or that it would have otherwise resulted in a different bidder being appointed as Preferred Bidder had the changes been made to the bid prior to bid evaluation; or

(b) risk distorting competition or causing discrimination.

Pinsent Masons LLP have confirmed that there is nothing they are aware of within the legal documentation which would breach regulation 72 of the Public Contracts Regulations 2015.

The procurement process is at a stage where the Council can make a decision whether or not to proceed with Lendlease.

8.40 The report seeks authority from members to select Lendlease as the successful bidder and proceed to the setting up of the HDV through the execution of the various key documents. Members should refer to the Pinsent Masons Report which sets out the purpose and some of the main terms of the various legal documents. Members should note that there will be some further refinement to the documents but that this does not materially modify the essential aspects of the tender or the procurement and does not risk distorting competition or causing discrimination. Pinsent Masons LLP have confirmed that the structure of the legal suite is appropriate for a transaction of this nature and that the documentation reflects the outcome of the various meetings and discussions that have taken place in which the Council and lead advisors have participated during the procurement process.

8.41 Members are being asked to authorise the disposal of the commercial property portfolio to the HDV subsidiary Invest LP. The Council has authority under section 123 of the Local Government Act 1972 to dispose of those commercial properties as are held within the General Fund but must obtain best consideration. Otherwise, the consent of the Secretary of State is required, which may be given generally or specifically. Where the land consists or forms part of an open space, the Council cannot dispose unless, before disposing of the land, it causes notice of its intention to do so, specifying the land in question, to be advertised in two consecutive weeks in a newspaper circulating in the area in which the land is situated, and consider any objections to the proposed disposal which may be made to it.

8.42 Some of the properties within the commercial property portfolio are held for the purposes of Part II Housing Act 1985, and are accounted for within the Housing Revenue Account. The Council has authority under section 122 of the Local

Government Act 1972 to appropriate these commercial properties for any purpose for which the Council is authorised (by the 1972 Act or any other enactment) to acquire land by agreement. This includes for General Fund purposes. This power may be exercised if the Council considers the properties in question are no longer required for the purpose for which they are held immediately before the appropriation. Where there is self-contained residential accommodation within these commercial properties e.g. self-contained flat let along with shop premises), the consent of the Secretary of State is required for the appropriation away from housing purposes. This is by virtue of section 19(2) of the Housing Act 1985.

- 8.43 The commercial property portfolio will be transferred in phases as and when the criteria (set out in the Sale and Purchase Agreement) are satisfied. The price to be paid for the Investment Portfolio will be the Council's initial investment in the HDV and will be converted into "B" Loan Notes which will then be converted into "A" Loan Notes as the amounts are matched by Lendlease. Cabinet should note that as a result of the phased transfer the £3m income will be apportioned pro rata based on the properties transferred, with the HDV only liable for the income in respect of the properties that have been drawn down.
- 8.44 By entering into the Development Framework Agreement, the Council will be granting an option to the HDV to acquire a long leasehold interest of its Category 1A Properties (Wood Green). These properties are held for General Fund purposes and Council has the authority under section 123 of the Local Government Act 1972 to dispose of them, subject to the requirement to obtain best consideration, or the consent of the Secretary of State (as set out above). Prior to any disposal the Council would be required to vacate these premises. .
- 8.45 As Cabinet is not being asked to consider whether to dispose of any Category 1B properties (ie any properties forming parts of Northumberland Park or Cranwood), and will not be asked to do so until there has been full consultation, including statutory consultation, the legal considerations that would be material to such decisions are not further set out in this report.
- 8.46 The report mentions that some employees may be affected by the transfer of the commercial property portfolio. The Legal effect of this is governed by the "Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended) ("TUPE") ". Where TUPE rules apply, they protect employees' rights when the organisation or service they work for transfers to a new employer. When TUPE applies, the employees of the outgoing employer automatically become employees of the incoming employer at the point of transfer. They carry with them their continuous service from the outgoing employer, and should continue to enjoy the same terms and conditions of employment with the incoming employer. The Council must inform/consult with the employees affected through "appropriate" elected representatives who could be trade union representatives or, in the absence of a recognised trade union, formally elected employee representatives. Where there are no recognised trade unions or employee representatives in place, employers must arrange elections amongst the affected employees to elect representatives to consult about the transfer.
- 8.47 The information must be given in writing and includes:

- a) the fact that the transfer is going to take place, approximately when and why.
- b) any social, legal or economic implications for the affected employees for example a change in location or risk of redundancies.
- c) any measures that the outgoing and incoming employers expect to take in respect of their own employees (even if this is nothing).
- d) the number of agency workers employed, the departments they are working in and the type of work they are doing if agency workers are used.
- e) information about any measures which the incoming employer is considering taking in respect of affected employees.

8.48 Lendlease has agreed that employees affected would remain within the Haringey Pension Fund (this will require approval of the Pension Sub Committee and an admission agreement to be entered into). The Haringey Pension Fund would require full pension liability to be borne by the employer. The employer liability in respect of pension liabilities have been capped (as set out in paragraph 6.74 of the report) and will be borne by the HDV subsidiary holding the Commercial Properties (InvLP), however, if TUPE applies, this liability or part of it may be passed on directly to the Council where the Commercial Properties are being transferred in phases and are retained within Council ownership. These properties will be the subject of a property management agreement to be agreed.

Equality

8.49 The Council has a public sector equality duty under the Equality Act 2010 to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity for those with 'protected characteristics' and those without them
- Foster good relations between those with 'protected characteristics' and those without them.

The protected characteristics are: age, disability, gender reassignment pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

8.50 The duty is owed by the decision-maker, i.e. the Council acting through the Cabinet. Cabinet members will therefore need to consider carefully and evaluate the points made in this section and in the Equality Impact Assessments (EqIAs) annexed, when considering this report and the recommendations made.

8.51 As set out in the Strategic Business Plan, the establishment of the HDV will allow the Council to tackle a range of inequalities which impact on the protected groups, including:

- Better prospects in education, employment and training

- Healthy lives
- Community pride and housing
- Clean and safe environments

It would not be possible to address these inequalities to the same extent if Council adopted an alternative option, as outlined in sections 4, 5 and 6 of this report.

8.52 Each project business plan that is submitted to Cabinet for the HDV will be accompanied by an EqlA. With this decision there are EqlAs for the following Business Plans:

- Commercial Portfolio
- Cranwood
- Northumberland Park
- Social and Economic
- Wood Green

Within these, the Council has identified positive and negative impacts of individual Business Plans, and how negative impacts may be mitigated. To the extent that it is not possible for negative impacts on the protected groups to be mitigated, members must weigh the negative impacts against the positive ones, and must weigh in the overall balance those impacts which are negative against the positive, countervailing factors, sought to be obtained from proceeding with the HDV. Subject to the decision being rational and lawful overall, it is for Cabinet members to decide what weight should be given to the countervailing factors.

8.53 Cabinet should note that every time the Council submits a Business Plan for the HDV, an EqlA will be undertaken, which will be used as a working document for any subsequent decision resulting from the Business Plan, or, when relevant, a further EqlA will be undertaken by the Council. The governance of the HDV will ensure that actions identified will be monitored and that due regard is paid to the Public Sector Equality Duty.

8.54 In addition, as expressly noted in the EqlAs for both Northumberland Park and Cranwood, the decisions that Cabinet is being asked to take do not include decisions to dispose of either site. As, when and if Cabinet is asked to consider such decisions, further detailed EqlAs will necessarily be prepared for Cabinet to take into account in making any such decisions.

8.55 Engagement processes for each business plan will make sure that all sections of the local community impacted by the business plan will be proactively engaged with through the consultation process. In addition, engagement processes will ensure that barriers to consultation for different protected groups are removed, including offering reasonable adjustments for disabled people and translation and interpretation services when appropriate.

8.56 In the operation of the HDV, consideration will be needed to take steps to prevent discrimination, harassment or victimisation based upon relative protected characteristics occurring through adopting appropriate equalities

policies. In addition, any organisation commissioned by the HDV to deliver a service will be required to prevent discrimination, harassment and victimisation based upon the protected characteristics towards employees, service users or residents through appropriate mechanisms.

- 8.57 The creation of the HDV may have TUPE implications for employees regarding the Commercial Portfolio.

9. Use of Appendices

1. Legal Agreements

| | | |
|--------------------|---|---------------------------------------|
| Appendix 1a | Summary of legal documentation for approval (the 'Pinsent Masons Report') | <i>Public (no exempt information)</i> |
| Appendix 1b | Members' Agreement | <i>Redacted</i> |
| Appendix 1c | Agreement for Sale of the Investment Portfolio | <i>Redacted</i> |
| Appendix 1d | Development Framework Agreement | <i>Redacted</i> |
| Appendix 1e | Private Sector Partner Guarantees | <i>Public (no exempt information)</i> |
| Appendix 1f | Development Management Agreement | <i>Redacted</i> |
| Appendix 1g | Strategic Asset Management Agreement | <i>Redacted</i> |
| Appendix 1h | Land Assembly Agreement | <i>Redacted</i> |
| Appendix 1i | Contractor Framework Agreement | <i>Redacted</i> |
| Appendix 1j | Limited Partnership Agreement | <i>Public (no exempt information)</i> |

2. Strategic Business Plan

| | | |
|-------------------------|---|---------------------------------------|
| Appendix 2a | Strategic Business Plan (Place) | <i>Redacted</i> |
| Appendix 2b | Strategic Business Plan (Delivery) | <i>Redacted</i> |
| Appendix 2b(i) | HDV risk register (appendix to the Strategic Business Plan) | <i>Public (no exempt information)</i> |
| Appendix 2b(ii) | CPO report | <i>In exempt report only</i> |
| Appendix 2b(iii) | Category 2 property overview | <i>Public (no exempt information)</i> |
| Appendix 2b(iv) | Indicative Category 2 and 3 property programme | <i>Public (no exempt information)</i> |
| Appendix 2c | Strategic Business Plan (Commercial & Finance) | <i>In exempt report only</i> |
| Appendix 2c(i) | Finance & Commercial – Northumberland Park | <i>In exempt report only</i> |
| Appendix 2c(ii) | Finance & Commercial – Wood Green | <i>In exempt report only</i> |
| Appendix 2c(iii) | Finance & Commercial – Cranwood | <i>In exempt report only</i> |
| Appendix 2c(iv): | Finance & Commercial – Commercial portfolio | <i>In exempt report only</i> |

3. Northumberland Park Business Plan

| | | |
|---------------------------|--|---------------------------------------|
| Appendix 3a | Northumberland Park Business Plan (Executive Summary) | <i>Redacted</i> |
| | Northumberland Park Business Plan (Place) | <i>Public (no exempt information)</i> |
| | Northumberland Park Business Plan (Delivery) | <i>Redacted</i> |
| Appendix 3a(i) | Initial indicative programme | <i>In exempt report only</i> |
| Appendix 3a(ii) | Procurement | <i>In exempt report only</i> |
| Appendix 3a(iii) | Risk management | <i>Public (no exempt information)</i> |
| Appendix 3a(iv) | Technical risk and opportunity schedule | <i>Public (no exempt information)</i> |
| Appendix 3a(v) | Local land ownerships | <i>Public (no exempt information)</i> |
| Appendix 3a(vi) | Market context | <i>Public (no exempt information)</i> |
| Appendix 3a(vii) | Social and economic context | <i>Public (no exempt information)</i> |
| Appendix 3a(viii) | Community and stakeholder engagement plan | <i>Public (no exempt information)</i> |
| Appendix 3a(ix) | Construction | <i>In exempt report only</i> |
| Appendix 3a(x) | Land assembly | <i>Public (no exempt information)</i> |
| Appendix 3a(xii) | Mayor of London – summary/checklist of key requirements | <i>Public (no exempt information)</i> |
| Appendix 3a(xiii) | Indicative masterplan drawing | <i>Public (no exempt information)</i> |
| Appendix 3a(xiv) | Indicative masterplan for regeneration | <i>Public (no exempt information)</i> |
| Appendix 3a(xv) | Options for early delivery of new school | <i>Redacted</i> |
| Appendix 3a(xvi) | CPO schedule | <i>In exempt report only</i> |
| Appendix 3a(xvii) | Service charge commentary | <i>Redacted</i> |
| Appendix 3a(xviii) | Service charge summary | <i>In exempt report only</i> |
| Appendix 3a(xix) | Pricing strategy | <i>In exempt report only</i> |
| Appendix 3b | Northumberland Park Business Plan – Equality Impact Assessment | <i>Public (no exempt information)</i> |

4. Wood Green Business Plan

| | | |
|--------------------------|---|---------------------------------------|
| Appendix 4a | Wood Green Business Plan (Executive Summary) | <i>Redacted</i> |
| | Wood Green Business Plan (Place) | <i>Public (no exempt information)</i> |
| | Wood Green Business Plan (Delivery) | <i>Redacted</i> |
| Appendix 4a(i) | Programme | <i>In exempt report only</i> |
| Appendix 4a(ii) | Programme options analysis | <i>Redacted</i> |
| Appendix 4a(iii) | Procurement | <i>Redacted</i> |
| Appendix 4a(iv) | Risk management | <i>Public (no exempt information)</i> |
| Appendix 4a(v) | Technical risk and opportunity schedule | <i>Public (no exempt information)</i> |
| Appendix 4a(vi) | Market context | <i>Public (no exempt information)</i> |
| Appendix 4a(vii) | Social and economic context | <i>Public (no exempt information)</i> |
| Appendix 4a(viii) | Community and stakeholder engagement plan | <i>Public (no exempt information)</i> |
| Appendix 4a(x) | Indicative masterplan | <i>Public (no exempt information)</i> |
| Appendix 4a(xi) | Estate housing and asset management strategy | <i>Public (no exempt information)</i> |
| Appendix 4a(xii) | Service charge summary | <i>In exempt report only</i> |
| Appendix 4a(xiii) | Pricing Strategy | <i>In exempt report only</i> |
| Appendix 4a(xiv) | Land assembly | <i>In exempt report only</i> |
| Appendix 4a(xv) | Wood Green Library boundary analysis | <i>In exempt report only</i> |
| Appendix 4a(xvi) | New Council facilities – options papers | <i>In exempt report only</i> |
| Appendix 4b | Wood Green Business Plan - Equality Impact Assessment | <i>Public (no exempt information)</i> |

5. Cranwood Business Plan

| | | |
|-------------------------|--|---------------------------------------|
| Appendix 5a | Cranwood Business Plan (Executive Summary) | <i>Public (no exempt information)</i> |
| | Cranwood Business Plan (Place) | <i>Public (no exempt information)</i> |
| | Cranwood Business Plan (Delivery) | <i>Redacted</i> |
| Appendix 5a(i) | Programme | <i>In exempt report only</i> |
| Appendix 5a(ii) | Procurement | <i>In exempt report only</i> |
| Appendix 5a(iii) | Key risks | <i>Public (no exempt information)</i> |

| | | |
|--------------------------|---|---------------------------------------|
| Appendix 5a(iv) | Technical risk and opportunity schedule | <i>Public (no exempt information)</i> |
| Appendix 5a(v) | Service charge summary | <i>Redacted</i> |
| Appendix 5a(vii) | Market context | <i>Public (no exempt information)</i> |
| Appendix 5a(viii) | Community and stakeholder engagement plan | <i>Public (no exempt information)</i> |
| Appendix 5a(x) | Indicative masterplan | <i>Public (no exempt information)</i> |
| Appendix 5a(xi) | Pricing Strategy | <i>In exempt report only</i> |
| Appendix 5a(xii) | Proposed new homes | <i>Public (no exempt information)</i> |
| Appendix 5b | Cranwood Business Plan - Equality Impact Assessment | <i>Public (no exempt information)</i> |

6. Commercial Portfolio Business Plan

| | | |
|--------------------|---|---------------------------------------|
| Appendix 6a | Commercial Portfolio Business Plan | <i>Redacted</i> |
| Appendix 6b | Commercial Portfolio Business Plan - Equality Impact Assessment | <i>Public (no exempt information)</i> |
| Appendix 6c | List of Commercial Portfolio properties for disposal to HDV (Housing Revenue Account) | <i>Public (no exempt information)</i> |
| Appendix 6d | List of Commercial Portfolio properties for disposal to HDV (General Fund) | <i>Public (no exempt information)</i> |

7. Social and Economic Business Plan

| | | |
|--------------------|--|---------------------------------------|
| Appendix 7a | Social & Economic Business Plan | <i>Redacted</i> |
| Appendix 7b | Social & Economic Business Plan - Equality Impact Assessment | <i>Public (no exempt information)</i> |

8. State aid and commercial opinion

| | | |
|-------------------|--|------------------------------|
| Appendix 8 | State aid advice from Pinsent Masons LLP (Appendix 8i) supported by commercial opinion from GVA (Appendix 8ii) | <i>In exempt report only</i> |
|-------------------|--|------------------------------|

10. Local Government (Access to Information) Act 1985

Relevant documents

10.1 The following Cabinet decisions are referred to in this report, and are central to its recommendations:

- February 2015: Development vehicle feasibility study and business case (item 822)

<http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=6977&Ver=4>

- September 2015: Report of the Steering Group on the Future Housing Review (item 68)
<http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=7299&Ver=4>
- November 2015: Haringey Development Vehicle (item 112)
<http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=7301&Ver=4>
- October 2016: Office Accommodation Strategy (item 98)
<http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=7846&Ver=4>
- March 2017: Matters referred to Cabinet by the Overview and Scrutiny Committee – Decision of the Overview and Scrutiny Committee on the 2nd of March 2017 regarding Minute 184 Approval of Preferred Bidder for the Haringey Development Vehicle
<http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=8170&Ver=4>
- June 2017: Leaseholder policy on Estate Renewal Schemes (Revised Re-housing and Payments Policy)
<http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=8287&Ver=4>

10.2 A large amount of information about the Haringey Development Vehicle proposals – including answers to a number of frequently asked questions – is available on a dedicated page of the Council website at www.haringey.gov.uk/hdv.

10.3 The information available on this site includes a regularly updated version of the Council's risk register relating to the HDV, along with a description of the overall approach to risk.

Reasons for exemption

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

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