

**Report for:** CABINET

**Item number:** 10

**Title:** High Road West Regeneration Scheme – appointment of a preferred bidder and next steps

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

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**Ward(s) affected:** Northumberland Park Ward

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

**1. Describe the issue under consideration**

- 1.1 The purpose of this report is to advise Cabinet of the outcome of the Competitive Dialogue procedure under the Public Contract Regulations 2015 authorised by Cabinet on 15<sup>th</sup> December 2015, to procure a Development Partner to deliver the High Road West Regeneration Scheme (the “Scheme”).
- 1.2 The recommendations within this report follow the previous Cabinet decisions in December 2014 and December 2015, which agreed the High Road West masterplan, the commencement of the rehousing process for Love Lane residents, the demolition of the Love Lane Estate and noted the business case for the preferred delivery structure for the Scheme. The substantive recommendations within this report will finalise the strategy and planning stage and will ensure that the Scheme can now move into construction and delivery.
- 1.3 Cabinet is asked to approve the selection of the preferred and reserve bidders, to approve the next stage of work to refine and clarify the preferred bidder’s proposal and to agree the disposal of the Council’s land within the High Road West Regeneration Area (shown edged blue on the Site Plan at Appendix 1).
- 1.4 Cabinet’s attention is in particular drawn to some of the most significant elements of the preferred bidder’s proposed arrangements:
  - Over 2,500 high-quality, sustainable homes.
  - At least 750 affordable homes (a net increase of 539), which will meet the Council’s housing strategy on affordability, ensuring that the homes will be affordable for local people.

- 191 high quality, safe, replacement homes for council tenants and resident leaseholders which meet resident aspirations as set out in the Resident Charter and will be built to new fire and safety standards.
- Over £10m of funding for social and economic support for both businesses and residents, including a contribution of c.£8m for supporting the Tottenham People Priority overall commitments.
- A cutting edge new Library and Learning Centre and a refurbished Grange Community Hub which will provide improved community facilities early in the scheme.
- 143,500sqft of green spaces for the community including a large new linear community park with an outdoor gym, children's play area and Grange Gardens; a safe, central green space for local people.
- A welcoming new civic square which will be an important focus of local events and activities, bringing the community together, promoting cultural activities and enhancing activity and safety at night.
- Over 130,000sqft of commercial, retail and leisure space throughout the scheme providing a wide range of leisure, employment space, shops, cafes and restaurants around a new civic square.
- £500k of investment in the town centre and also a £500k fund for events and activities, as well as meanwhile uses which will revitalise the local centre during construction and afterwards.
- Over 3,300 construction jobs and more than 500 end-user jobs once the development is complete.
- High quality new industrial and maker/artisan space to support businesses from the existing Peacock Industrial Estate.

## 2. Cabinet Member Introduction

- 2.1 From the outset, I promised to put residents at the heart of the High Road West Regeneration Scheme. This is why we completed a three-year consultation on the masterplan proposals and worked to create a shared vision for the area. This is why residents have been trained and have developed key design documents to shape the regeneration proposals and this is why residents have been instrumental to the procurement process to select a development partner for High Road West. This is also why I am recommending that the Council own the replacement homes build as part of the Scheme.
- 2.2 This involvement has been crucial in ensuring that the Regeneration Scheme delivers the right outcome for existing residents and the local community in addition to supporting the Council's strategic priorities in terms of housing growth, jobs and employment and high quality social infrastructure.

### Delivering the shared vision

- 2.3 Previous consultation, including the masterplan options consultation which took place in 2013 and the masterplan consultation which took place in autumn 2014, has shown that residents want comprehensive change across the High Road West Regeneration area. It has shown that residents want new high quality homes, a better mix of shops and restaurants, they want world

class community facilities including a new Library and Learning Centre, they want safe and welcoming open and play space for their children and they want more training and employment opportunities.

- 2.4 In December 2015, Cabinet noted the business case which recommended that the best delivery option for securing this comprehensive change, was to undertake a procurement exercise to find a development partner and enter into a contractual development agreement. The development agreement would ensure that the shared vision for High Road West, the new homes, the new Library and Learning Centre, the high quality public realm and new community park would all be delivered but would minimise the Council's exposure to financial and delivery risk.
- 2.5 The process to select a development partner began in May 2016. Throughout the procurement process, the Officers leading the procurement and the Resident Procurement Panel- a group of tenants and leaseholders selected by the Resident Design Panel to represent resident interests throughout the procurement process- have met and worked with bidders to shape their proposals, maximise the community, social and economic benefits and ensure that resident aspirations are met.
- 2.6 This has included the Resident Procurement Panel visiting the bidders' existing estate regeneration schemes to understand the quality of their developments, working with the bidders to ensure their proposals provide not only high quality housing, but housing which meets the bespoke needs of Love Lane residents and encouraging bidders to enhance their affordable housing offer to Love Lane resident leaseholders. It has also included pushing bidders to think creatively about how they could support businesses affected by the regeneration scheme. This for example, has resulted in creative design and significant industrial, maker and artisan space being provided within the Scheme to relocate some existing businesses, including businesses within the Peacock Industrial Estate. It has also resulted in a significant funding and resource package to support affected businesses and reinvigorate the High Road.
- 2.7 In addition, it has ensured that the estate management regime put in place to manage the whole High Road West site, including the new community parks and public spaces will be managed by a Board comprising representatives from each residential tenure, retail and commercial representatives ensuring that the community can run the estate themselves, fostering long term civic pride and community ownership.
- 2.8 The outcome of the competitive procurement process is that we have a solid preferred bidder, who has sought to respond to the residents' various documents, listened to their aspirations and has responded to the Council's requirements. As such, the preferred bidder has put forward an exciting and deliverable proposal for the High Road West area which meets our shared vision, delivers our shared outcomes, delivers the key social infrastructure

early in the development programme and continues to put residents at the heart of the regeneration scheme.

### Ownership of the replacement homes

- 2.9 From the outset, Love Lane residents have been clear that their preference was for the Council to own the replacement homes. In 2014, when we agreed the 101 commitments set out in the Love Lane Resident Charter, I was clear that we would seek to test whether this was possible through the procurement process. Officers have now tested options for the final ownership of the replacement homes and have concluded that this is the best way forward.
- 2.10 The recommendations within this report set out the key decisions which will support the delivery of this world class regeneration scheme. By agreeing the recommendations, the Cabinet will be ensuring that we are one step closer to delivering the scheme and securing significant benefits for the local community.

## **3. Recommendations**

### **3.1 It is recommended that Cabinet:**

- i. Notes the outcome of the Competitive Dialogue Procedure under the Public Contracts Regulations 2015 as outlined in this report.
- ii. Agrees the selection of Lendlease Europe Holdings Limited ("Lendlease") as the preferred bidder with whom the Council will enter into a Development Agreement to deliver the Scheme.
- iii. Agrees to the selection of a reserve bidder as set out in the exempt part of this report.
- iv. Agrees to proceed to the Preferred Bidder Stage ("PB Stage") so the preferred bidder's proposal can be refined and optimised, in particular to finalise the Development Agreement (Appendix 2, within the exempt part of this report), Compulsory Purchase Indemnity Agreement, (Appendix 3, within the exempt part of this report) the lease (Appendix 4 within the exempt part of this report) and any associated legal documentation following the preferred bidder stage.
- v. Agrees to the disposal of:
  - a. (Subject to the approval of full Council to make the application to the Secretary of State and the consent of the Secretary of State) the properties belonging to the Council and situated within the High Road West Area held within the Housing Revenue Account and listed in Section 1 of Appendix 5 of this report; and
  - b. The properties belonging to the Council situated within the High Road West Area held for planning and general fund purposes and



listed in Section 2 of Appendix 5 and any other properties belonging to the Council within the High Road West Area and shown coloured pink on the site plan attached at Appendix 1.

And that these properties be included within the Development Agreement.

- vi. Gives Delegated Authority to the s151 Officer and the Director of Regeneration, after consultation with the Cabinet Member for Housing, Regeneration and Planning, to approve the final Development Agreement, Compulsory Purchase Indemnity Agreement, the lease and any associated legal documentation following the preferred bidder stage.
- vii. Notes that if the Development Agreement and ancillary documents required to be agreed at the preferred bidder stage cannot be agreed with the preferred bidder, a further report will be brought back to Cabinet to seek permission to enter into the preferred bidder stage with the reserved bidder.
- viii. Notes and considers the results of the High Road West ownership and management of replacement homes feedback report, which can be found at Appendix 6. This includes the statutory consultation under Section 105 ("s105") of the Housing Act undertaken with secure council tenants living on the Love Lane Estate.
- ix. Agrees that the 145 replacement social rented units and 46 shared equity which will be delivered by Lendlease will be acquired by the Council for housing purposes and be held in the Housing Revenue Account and gives delegated authority to the s151 Officer and the Director of Regeneration, after consultation with the Cabinet Member for Housing, Regeneration and Planning, to approve the final terms of the option in the Development Agreement .
- x. Arrives at its decisions above having considered and had regard to the Equalities Impact Assessment (Appendix 7).

#### **4. Reasons for decision**

- 4.1 All of the recommendations detailed above will support the delivery of the High Road West Scheme. The Scheme will support the Council in delivering all of its Corporate Priorities, will address issues of deprivation which have long characterised the Northumberland Park Ward and will set a benchmark for future regeneration across the borough.

## Supporting the Corporate Priorities and tackling deprivation

- 4.2 The selection of a preferred bidder is the next step in delivering the Council and local communities' vision to transform High Road West into a vibrant, attractive and sustainable new residential neighbourhood with a blend of housing and support the creation of a premier leisure destination for London, alongside the Tottenham Hotspur Football Club development.
- 4.3 Delivering this vision offers a unique opportunity to tackle the entrenched deprivation that has characterised the Northumberland Park Ward and meet the Council's Corporate Priorities:
- **Priority 1: Enable every child and young person to have the best start in life, with high quality education-** The Scheme will help ensure that children and young people have the best start in life, by providing a high quality living environment and world class community facilities, such as the new Library and Learning Centre. This will go some way in tackling the 4% (national average of 3.1%.) of 16 and 17 year olds living in the Northumberland Park Ward who are not in employment, education or training (NEET).
  - **Priority 2: Enable all adults to live healthy, long and fulfilling lives -**The Scheme will help all residents to live healthy, long and fulfilling lives by providing, and giving easy access to a range of services by delivering a healthy neighbourhood with ample public space, such as a large new community park with play and gym equipment and food growing as well as, a new public square for public events and encouraging community cohesion. All of which will seek to address the issue of life expectancy, which 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. It will also address the obesity amongst children and the mental health challenges which are significant, and stubborn.
  - **Priority 3: A clean, well maintained and safe borough where people are proud to live and work-** The Scheme will deliver a clean, well maintained and safe welcoming environment for residents, businesses and visitors alike where people are proud to live and work. This will be delivered through high quality inclusive design, placemaking and responding to the needs of the area and community. It will be maintained by one inclusive, transparent estate management regime, that will be responsible for the management and maintenance of the high quality, affordable environment. The management regime will seek to train and support residents and businesses and community partners to once ready will be able to run the management and maintenance of the area, fostering long-term civic pride and community ownership.
  - **Priority 4: Drive growth and employment from which everyone can benefit-** Critically, the Scheme will deliver economic growth which is not only essential to residents and businesses of the borough and the wider region but also the Council. The new employment and commercial space will provide significant opportunities for training, jobs and employment and

will go some way to address unemployment (at 26%) in Northumberland Park, which is almost double the rate across the whole borough and three times the national average. The improved environment and the creation of a new leisure destination in London will bring thousands of visitors who will contribute to the local economy and support local businesses.

- **Priority 5: Create homes and communities where people choose to live and are able to thrive**—The Scheme will deliver over 2500 new high quality homes, which residents will be involved in designing, in a mix of tenures ensuring that residents' housing choice is maximised. 2500 new homes are a significant contribution to meeting the boroughs housing demand. Meeting the housing demand will lead to more and more families being able to afford a home in the borough, either to rent or buy, alleviating the current difficulties faced by local people. It will also help to drive down levels of homelessness, so fewer households find themselves in crisis, and the relieve some of the significant pressure on the council budget through increased temporary accommodation costs. The Scheme will build on the strengths of the existing local residents and businesses to create an even stronger sustainable community where people don't only live, they thrive.

#### Development Delivery Methodology

- 4.4 In bringing forward significant development opportunities across Tottenham and Wood Green assessments have been made in each case to ensure that appropriate delivery mechanisms are used.
- 4.5 In December 2015 a business case setting out the preferred delivery approach for the High Road West Scheme was presented to Cabinet. The business case recommended that the Scheme should be delivered through a contractual development agreement as this delivery option best met the Council's objectives and reduced exposure to risk. The Cabinet noted the business case and agreed to commence a Competitive Dialogue Procedure under the Public Contracts Regulations to procure a commercial partner to deliver the Scheme.
- 4.6 In May 2016 the procurement process was launched. Following a compliant procurement process, which has been validated by an independent auditor (Appendix 8), the preferred bidder is recommended in this report. Through the procurement process the development agreement and supporting legal documentation (explained in detail at paragraphs 6.32-6.55 below) have been developed and refined over the course of the competitive dialogue process.
- 4.7 By approving the recommendations to enter into the final stage of work with a single preferred bidder and paving the way for refining the Development Agreement, Cabinet will be taking the next vital step in unlocking the considerable growth potential of the Council's own land and meeting a number of core Council ambitions.

### Ownership of the replacement homes

- 4.8 The Cabinet is being asked to make a decision on the ownership and management of the replacement homes within this report so that the Development Agreement can be finalised and thus delivery of the Scheme can progress following the conclusion of the preferred bidder stage of the procurement process. Making a decision now, will also help residents on the Love Lane Estate in making their rehousing choices.
- 4.9 The rationale for recommending that the Council acquire the replacement homes is set out in paragraphs 6.107-6.124 below.

## **5. Alternative options considered**

### Delivery approach and procurement process

- 5.1 In December 2015 Cabinet noted the business case setting out the preferred delivery approach for High Road West. That business case identified and robustly assessed three alternative options for achieving the Council's bespoke objectives for the Scheme. The options are detailed in paragraphs 6.12- 6.16 below.

### Ownership and management of the replacement homes

- 5.7 The Council has carefully considered two options relating to the ownership and management of the 191 replacement homes. The two options are:
- Option 1: The preferred bidders RP partner acquires the replacement homes
  - Option 2: The Council acquires the replacement homes.

## **6.0 Background and summary information**

### **Background**

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

### The High Road West Masterplan- Cabinet decision 2014

- 6.2 The agreement of the High Road West Masterplan, in December 2014, was a major first step in realising the Council's regeneration and growth ambitions

and meeting the targets set out in the SRF.

6.3 The Masterplan was agreed only after an extensive community engagement and consultation programme over a three-year period, please see Appendix 9 which gives further detail of the engagement which has taken place to date. Through this programme, three masterplan options were developed and consulted on and a preferred option selected. The preferred option was then developed further through engagement with the local community. Once refined, the preferred option was subject to a 6 week public consultation held in September- October 2014, which included an initial statutory s105 consultation for secure Council tenants living on the Love Lane Estate (the results of which were considered by Cabinet in December 2014). This extensive consultation and engagement has ensured that a shared vision for High Road West has been developed.

6.4 The agreed Masterplan sought to deliver:

- A minimum of 1200 new homes of different size and tenure to meet the needs of the community, in a new safe and attractive neighbourhood set around a new community park;
- A stronger business economy delivering hundreds of new jobs and training opportunities through the provision of modern, flexible workspaces in addition to new leisure, sports and culture related business and employment opportunities;
- A safe and welcoming gateway to north Tottenham through the provision of a high quality public square, which will provide an important new link between a realigned and improved White Hart Lane station entrance and the High Road. This spacious, high quality outdoor space will be the focus of community, cultural and leisure activities – bringing together existing and new residents, visitors and businesses;
- Improved quality of life and life chances of existing and future residents through provision of high quality community and leisure facilities to match the best facilities across London;
- An increase in the amount and the quality of both public and private open spaces ensuring that all residents have access to both public and private space; and
- Provides for an improved High Road with a wider range of shops and an improved environment.

6.5 The principles set out in the agreed Masterplan have been embedded into the Tottenham Area Action Plan – a statutory planning document which will guide future development in Tottenham. The AAP along with accompanying Local Plan documents were adopted in July 2017. The adoption of the AAP marks an important step forward in securing the delivery of the masterplan principles, as it has put in place the planning policy and guidance required to bring forward the Scheme.

6.6 At the same time as agreeing the Masterplan, the Cabinet agreed the resident guides, which set out the Council's rehousing commitments to the Love Lane residents. These guides formed part of the s105 Housing Act 1985

consultation on the masterplan proposals in September-October 2014. The commitments outlined in the guides, predate the existing and draft for consultation Estate Renewal Rehousing and Payments Policy ("ERRP") documents. The commitments within the guides, however, meet and in some areas exceed the commitments within the ERRP. The commitments within the tenant guides included the following:

- All secure Council Tenants will:
  - Be offered a new home in the redevelopment area, with the aim of one move only;
  - Continue to pay a social rent;
  - Be offered a new home to meet their housing need- to tackle overcrowding and under-occupancy;
  - Be able to move to a council tenancy elsewhere in the Borough if they wish;
  - Be given Home Loss compensation and have the costs of the move paid
  - Be able to under-occupy by one bedroom if they are currently under occupying their property
- All resident leaseholders will:
  - Be offered market value for their home;
  - Be offered 10% of the market value as home loss compensation;
  - Be offered the opportunity to purchase a shared equity or shared ownership home in the new redevelopment;
  - Be compensated for legal, valuation and reasonable costs.
- All private Tenants will:
  - Be offered timely re-housing advice so that they are aware of all of their options.

6.7 Significant progress has been made with the rehousing of Love Lane residents, since the rehousing process commenced in December 2014. The Council has established a successful and effective Rehousing Team that offers residents much more than rehousing advice. The team offer support to residents, identify needs and vulnerabilities and sign post or refer residents to ensure they receive the support and services they require.

6.8 The Council has assured secure Council tenants that they will have a new home in the regeneration area if they wish. Despite this assurance, some residents have chosen to exercise their right to move early. 29 residents from the Love Lane Estate choose to move to Ambrose and Mallory Court within the Newlon Housing Association development, which is located in the north of the masterplan boundary. 118 tenants have exercised their choice to be rehoused elsewhere in the borough. The majority (70%) have chosen to remain in the N17 area.

6.9 The Rehousing Team do not only support tenants, they have also been working hard to engage leaseholders on the Love Lane Estate and understand their

individual financial and housing needs. To date, the Council has acquired 9 of the 85 leasehold properties and have agreed terms to acquire a further 4.

- 6.10 Following the selection of the preferred bidder the Council will be working with leaseholders to provide more detail on the leaseholder offer. This will include determining the minimum equity share percentage which resident leaseholders will need to contribute towards the acquisition of a new property in the development area. The Council will undertake a 6-week consultation with leaseholders on the offer the results of which will be considered at Cabinet later in the year.

#### High Road West Business Case- Cabinet Decision 2015

- 6.11 Following the agreement of the Masterplan, officers sought to determine how to deliver the Scheme. The Scheme's objectives raised a number of bespoke challenges, including substantial land assembly and large infrastructure costs which resulted in significant viability challenges for the Scheme.
- 6.12 In February 2015, Bilfinger GVA (GVA) were appointed as the Council's commercial advisors and were commissioned to work with the Council and its external legal advisors to develop a preferred delivery structure for Scheme given the bespoke challenges referred to above. This resulted in a business case being developed and presented to Cabinet in December 2015. The business case identified and robustly assessed three alternative options for achieving the Council's objectives for the Scheme. The options explored are detailed below:
- Option 1- A contractual development agreement  
This structure passes development and financial risks onto the development partner and as a consequence somewhat limits the control and rewards the Council will receive. However, the contractual arrangements will protect the Council's interests and will set out how the Council can take a share in any value or profits made by the scheme.
  - Option 2- A partnership development agreement  
This structure enables the lead developer to deal with site preparation, planning and infrastructure to enable the development and create the 'development platform' that works alongside the Council and agrees to enable other specialist developers to participate in downstream development.
  - Option 3- A joint venture entity  
This structure presumes that the Council and the partner contribute land and funding and by which the JV becomes the developer with a (e.g.) 50/50 decision making and development management arrangement with the partner.
- 6.13 The business case included a financial review and a strategic review of the three options referred to above. As part of the strategic review, the options were given

scores against how well they met the Council's objectives for High Road West. The Council's objectives included ensuring the council maintained influence and control, above and beyond planning powers, to deliver the maximum possible public value. Given the viability issues of the Scheme, a key objective was to ensure that the Council did not take any direct delivery risk and ensuring the structure leveraged external forms of public funding to support viability.

6.14 The business case concluded that Option 1, a contractual development agreement was the best option for achieving the Council's objectives for High Road West. This is because this option would:

- Allow the Council to work with a single well-financed lead partner with the capacity, resources and necessary funding to drive the complex development in an expedient manner – thus minimising Council resources and cost.
- Minimise financial and delivery risk exposure to the Council, whilst also ensuring that the Council still had controls over key issues such as meeting assurances to affected residents/businesses, masterplanning and design quality, the specifications of the community facilities-replacement homes and Library and Learning Centre and some controls over the timing and delivery of the scheme.
- Present a delivery structure which was well understood and well known to the market and would attract the most amount of bidder interest
- Would expedite the masterplanning process, as bidders would need to crystallise a scheme through the procurement process.

6.15 All of which were vitally important given the scale of the Scheme, the viability challenges presented by the Scheme and the need to expedite the delivery of the Scheme following three years of consultation with the local community.

6.16 It should be noted that consideration was given as to whether Scheme should be included as part of the Haringey Delivery Vehicle (HDV). However, it was concluded that the Scheme should be delivered independently, because the Scheme was far more advanced than the other regeneration sites identified for inclusion within the HDV. After three years of consultation with the community the Scheme had a masterplan, set objectives and a clear mandate, as such, the Council was keen to accelerate delivery. Including the Scheme in the HDV may have affected the pace of delivery (the anticipated date for the bidder to be on site is 2018/19). It was also the case that Scheme had viability challenges and at the time when the Council was considering the sites to include in the HDV, Housing Zone funding to support the Scheme viability had not yet been secured. Including a site which had a significant funding gap within the HDV may have affected the overall delivery of the HDV.

#### Housing Zone Funding- Cabinet decision 2016

6.17 As set out in the December 2015 Cabinet, the financial model developed by GVA had shown that the Scheme had a significant funding gap due to the substantial upfront costs associated with land assembly and infrastructure. To



address the funding gap officers had engaged HM Treasury and the Greater London Authority (“GLA”) to seek public sector funding to support the Scheme.

6.18 In early 2016, following a successful bid to the GLA, the Council secured over £60m of Housing Zone funding to support the delivery of the Scheme. This was the largest allocation of Housing Zone funding across London. The Housing Zone Funding package included:

- Affordable Housing Grant which will ultimately be paid to the developer to ensure Affordable Housing is delivered on the site.
- Housing Zone Grant to support the Council’s acquisition and related borrowing costs
- Mayoral Regeneration Funding which is existing monies for the delivery of Energy and Transport infrastructure.

6.19 In September 2016, the Council’s Cabinet agreed to enter into an Overarching Borough Agreement with the GLA to secure the funding.

#### North Tottenham District Energy Network (DEN) – Cabinet Decision 2017

6.20 Cabinet agreed in January 2017 to a District Energy Network (DEN) for the North Tottenham area to support regeneration and carbon reduction, and to establish a Council owned Special Purpose Vehicle (SPV) and commence a procurement process to procure a DEN contractor. The DEN at North Tottenham shall include a central low-carbon energy centre which will be located within the High Road West Scheme and will deliver hot water (heat) to High Road West, Tottenham Hotspur Football Club and Northumberland Park regeneration for the space heating and hot water needs. Alongside carbon reduction and local energy generation, a DEN can also deliver wider social and economic benefits to the community.

#### Resident involvement

6.21 Since agreeing the Masterplan, the Council has kept its assurance to put residents and their aspirations at the heart of the High Road West Regeneration Scheme.

6.22 Throughout 2015 and 2016, the Council worked with residents and the Independent Tenant and Leaseholder Advisor (“ITLA”) for the Love Lane Estate, to create a Resident Design Panel, as was agreed in the Resident Charter. The purpose of the Design Panel was to involve residents in all design aspects of the High Road West Regeneration Scheme.

6.23 After an extensive programme of community consultation and research undertaken by the Resident Design Panel facilitated by the ITLA and Council officers, which included; visits to other estate regeneration schemes, specialist training in design from the Design Council/CABE and dedicated workshops in key areas, such as housing and community facilities, the Resident Design

Panel produced the High Road West Resident Design Guide (“Resident Design Guide”).

- 6.24 The purpose of the Resident Design Guide is to inform the design and development of the regeneration proposals for the High Road West area and the detailed designs for the new properties, public spaces and facilities. It builds upon the initial design principles established in the Residents Charter and articulates the design priorities for residents, drawing upon what they like and dislike about their present homes and the Love Lane Estate. It presents their design aspirations for the regeneration scheme. The document condenses the above into three broad topic headings:
- Neighbourhood Character
  - Public Realm
  - Design of Homes
- 6.25 To ensure that residents’ aspirations for the area were clear to Bidders from the outset, the Design Guide was sent to Bidders early in the procurement process- allowing Bidders to use the Design Guide to shape their proposals. As the residents have written within the document, the Resident Design Guide “exemplifies good practice in engaging a community over a sustained period on the key design issues facing any housing regeneration scheme.”
- 6.26 Members of the Resident Design Panel were elected (by other members of the Panel) to form the Love Lane Resident Procurement Panel. These members have been involved throughout the duration of the procurement process. They have met with the bidders at each stage and have provided critical feedback on their proposals.
- 6.27 They have also had the opportunity to have a tour of a current estate regeneration scheme being developed by each of the three short listed bidders. Following the conclusion of the recent s105 consultation and resident leaseholder’s consultation on the ownership and management of the replacement homes (detailed in paragraphs 6.98-6.106 below), the Procurement Panel had a dialogue session with each bidder and their Registered Provider partner and gave their feedback from the s105 and leaseholder consultation. Residents also had the opportunity to challenge and question the bidders on their approach to providing genuine affordable housing with affordable rents and service charge and on their offer to resident leaseholders.

#### Businesses

- 6.28 The Council engaged with businesses throughout the development of the High Road West Masterplan. As a result of this work and alongside the approval of the Masterplan, the Council committed to a Business Charter, which set out the following commitments in accordance with feedback from the businesses:

- ensure businesses are able to participate in the regeneration proposals and are fully supported throughout the process,
  - enable businesses to remain as viable as possible during the planning period and the subsequent regeneration, to enable individual traders to exercise real choice regarding their current and future options,
  - a fair and equitable valuation and compensation process,
  - endeavouring to keep the businesses and jobs within the area, or within the borough.
- 6.29 The Council has continued to engage with businesses on both an informal and formal basis throughout the procurement, with specific engagement events and activities focussed on projects such as the Tottenham Heritage Initiative, which is investing £2.25m to provide new frontages and business support for businesses in the North Tottenham Conservation Area and White Hart Lane station and public realm work engagement. Businesses have been provided with regular updates through newsletters, had access to training opportunities through the Council and in co-ordination with its partners and have had access to professional advice through the Business Property Manager.
- 6.30 The Council has recently employed the services of Retail Revival who have a successful reputation in supporting and developing businesses. They will be helping to ensure that the Council has the capacity to meet the commitments in the Residents' Charter while also helping to reinforce the economic sustainability of individual businesses and the local centre as a whole. Working with the Tottenham Traders Partnership, they will be providing training, business development advice, including access to a small grants pot, addressing vacant premises through, for instance, use of meanwhile activities from the local area and beyond and advising on initiatives which will address specific issues such as the temporary departure of Tottenham Hotspur Football Club and employment requirements in the local area.
- 6.31 Retail Revival will also be providing an essential intelligence gathering and monitoring role, which will provide the information necessary for the Council to best support the business community around High Road West. It is expected that there will be a smooth transition between this service and any service provided by the preferred bidder, by ensuring that activities are focussed on business need based on dialogue between businesses and the Council, aimed at developing a good level of trust and continuity for the business community in north Tottenham.

### The procurement process

- 6.32 As previously stated, Cabinet gave approval in December 2015 to commence a Competitive Dialogue Procedure under the Public Contracts Regulations 2015. Cabinet also gave delegated authority to the Strategic Director of Regeneration, Planning and Development, after consultation with the Cabinet Member for Housing and Regeneration to agree all documentation required to support the procurement process, to also deselect bidders, in line with the evaluation criteria, throughout the procurement process and to return to

Cabinet for approval of the preferred bidder following the conclusion of the procurement process.

#### Launch of the procurement process and Pre-Qualification Questionnaire stage

- 6.33 The procurement process was launched by the publication of the OJEU Notice on 31<sup>st</sup> May 2016. This publication followed the Strategic Director of Regeneration, Planning and Development, after consultation with the Cabinet Member for Housing and Regeneration, approving the procurement documents (OJEU Notice, Pre-Qualification Questionnaire with Guidance Notes and scoring matrix and Memorandum of Information) in line with the delegation granted at Cabinet.
- 6.34 To introduce bidders to the Council and the Council's aspirations and provide the details of the procurement process, a well-attended 'Bidder Day' was held on 13th June 2017 at Tottenham Town Hall.
- 6.35 The Pre-Qualification Questionnaires were returned on 11<sup>th</sup> July 2016 and evaluated in accordance with pre-determined criteria. The evaluation panel was formed of the Council's lead officers from Finance, Legal, Regeneration Housing and Library Services, together with internal and external advisers (Bilfinger GVA and Pinsent Masons) (the 'Evaluation Panel'). The evaluation process was moderated by the Council's Construction Procurement Manager. 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.

#### ITPD/ISOS Stage

- 6.36 Those bidders proceeding to the ISOS stage were announced and notified on 4<sup>th</sup> August 2016 and the relevant documents were issued on 26<sup>th</sup> August 2016, following approval by the Strategic Director of Regeneration, Planning and Development in consultation with the Cabinet Member for Housing and Regeneration, in accordance with the delegation.
- 6.37 During the ISOS stage, five sessions of dialogue were held with each bidder, this included a dialogue session with the Resident Procurement Panel, which focused on masterplanning and design and a dialogue session with Tottenham Hotspur Football Club ("THFC"), which focused on crowd safety issues. Queries and clarifications were dealt with through the Council's procurement portal. Bidders then submitted their outline solutions to the Council on 25<sup>th</sup> November 2017.
- 6.38 Submissions were evaluated by the Evaluation Panel in accordance with the guidance issued at the ISOS stage. On 13<sup>th</sup> January 2017, the Strategic Director of Regeneration, Planning and Development, following consultation with the Cabinet Member for Housing and Regeneration, approved three successful bidders to proceed to the Invitation to Continue Dialogue (ITCD)

stage. On 20<sup>th</sup> January 2017, it was announced that the following three bidders had been invited to proceed to the ITCD stage:

- BDW Trading Limited (Barratt London)
- Lendlease Europe Holdings Limited
- BY Development “Linkcity” (Bouygues)

#### ITCD stage

- 6.39 Documentation for this stage was approved and issued on 20<sup>th</sup> February 2017, including updated draft legal documents again with the necessary approvals in accordance with the delegation.
- 6.40 The selected bidders then engaged in producing detailed solutions and draft Invitation to Submit Final Tender (‘ISFT’) questions were sent to Bidders on the 5<sup>th</sup> April 2017 to facilitate the development of the detailed solutions.
- 6.41 To ensure that the bidders were developing the best possible proposals ten dialogue sessions were held with each bidder during the ITCD stage. This included two dialogue sessions with the Resident Procurement Panel and one dialogue session with THFC which focused on crowd safety. Additional financial and sustainability dialogues were also held with the three bidders. The Resident Procurement Panel also attended a tour of a development scheme being delivered by each of the bidders. Queries and clarifications during the ITCD stage were dealt with through the procurement portal.

#### Final Tender Stage

- 6.42 The Invitation to Submit Final Tender (‘ISFT’) was issued on the 9<sup>th</sup> June 2017. The issue of this document brought dialogue to a close, meaning that negotiations and discussions on detailed solutions were at an end.
- 6.43 Final tenders of the detailed solutions were received from the three bidders on 30<sup>th</sup> June 2017. These were evaluated by the Evaluation Panel between the 19<sup>th</sup> July 2017 and 8<sup>th</sup> August 2017 in accordance with the evaluation methodology and criteria as set out below.
- 6.44 The Council’s Construction Procurement Manager, again performed a moderating role, and both internal and external legal advisers were in attendance when required.

#### Requirements of bidders

- 6.45 The detailed requirements of the final tender documents, including the evaluation methodology and criteria, are set out in the Appendix 10 in the exempt part of this report.
- 6.46 To make the final tenders as meaningful as possible, to enable effective

evaluation, and to facilitate the preferred bidder and the expedient delivery of the High Road West Regeneration Scheme, the bidders were asked to submit:

- A masterplan for the High Road West area and their approach to a design code
- A detailed socio-economic strategy- a response to the Tottenham People Priority
- A detailed proposal and cost plan for the Library and Learning Centre
- An affordable housing strategy
- A replacement homes proposal
- A phasing approach and programme
- A land assembly strategy
- An overarching estate management strategy
- A commercial strategy
- A sustainability and energy strategy

6.47 In addition each bidder was required to:

- Submit a final mark-up of all the draft legal contractual documents that had been initially prepared by the Council and its legal advisers, reflecting each bidder's positions reached during dialogue; and
- A financial offer, which included completing a financial template which had been developed by GVA

#### Evaluation Methodology and Criteria

6.48 The evaluation criteria is set out in Appendix 10 which is part of the exempt report. In summary the available marks for assessment are split between quality (70%) and cost (30%). The available marks for quality are split between:

- Masterplan and design (18%)
- Community, social and economic benefits (15%)
- Deliverability (17%)
- Legal structure and risk (20%)

6.49 All bids were required to achieve a minimum (or 'floor score') of 40% for each individual score under the headings above.

#### The preferred bidder

6.50 The recommended preferred bidder is Lendlease on the basis that this bidder received the highest overall score across all the criteria from the Evaluation Panel, and satisfied the minimum (or 'floor score') requirement across all five criteria set out above.

6.51 The key elements of the preferred bidder's proposal are:

- A depth of experience, strong team and track record of delivering similar schemes – including housing estate renewal in a London context.
- A legal and commercial structure which allows the Council to have necessary control but minimises financial and delivery risk exposure. Including a 100% indemnity for the Council's land acquisition costs.
- A high quality masterplan proposal which will deliver 2,500 new homes and 200,000 sqft of commercial space, significant green spaces for the community including a large new linear community park, a welcoming new civic square which will be an important focus of local events and activities, bringing the community together, promoting cultural activities and enhancing activity and safety at night.
- A considered and efficient phasing and delivery programme, which will see 1,300 homes in delivery by 2021 and over 2,500 homes delivered by 2027, enabling those Love Lane residents who want to remain to have one move only into a new home within the Scheme and that delivers new homes and the Library and Learning Centre all in phase 1.
- A robust site assembly strategy and significant experience in both strategic land assembly and the CPO process should this be required. Human and financial resources to work closely with the Council and all key stakeholders to develop and deliver a strategy that meets the needs of the affected residents and businesses, maximises on site relocation and unlocks the High Road West scheme.
- An inclusive, transparent single estate management regime, responsible for the management and maintenance of the high quality, affordable environment. The management regime will seek to train and support residents and businesses and community partners so that once ready, they will be able to run the management and maintenance of the area, fostering long-term civic pride and community ownership.
- Over £10m of funding for social and economic support for both businesses and residents, including a contribution of c.£8m for supporting the Tottenham People Priority overall commitments.
- A new Library and Learning Centre, which will provide a striking design centrepiece for High Road West. Delivered early for maximum community benefit, the library will deliver a significant social return on investment, supported by a sustainable business case for generations to come.
- A balanced housing strategy which delivers a mix of tenures and a robust replacement homes proposal which meets the needs of Love Lane residents.

6.52 The key commercial elements of the preferred bidder's proposal are set out in paragraph 6.93 below and in further detail in the exempt part of this report. The reasons for this information being in the exempt part of the report are set out in section 10 below.

#### The reserve bidder

6.53 A reserve bidder is also recommended. This bidder came second in the overall scoring. Hence, this bid is held in reserve and could be reactivated in the event

that it is not possible to reach final agreement with the preferred bidder. The reserve bidder is named in the exempt part of this report. The reasons for this information being in the exempt part of the report are set out in section 10 below.

#### Scoring of bids

- 6.54 All bids were scored out of 100 according to the evaluation criteria set out above. The preferred bidder scored 72.02% overall.
- 6.55 Appendix 11 in the exempt part of this report sets out the detailed scoring of bids, and therefore provides the reasons for choosing the preferred bidder over the other bidders, and for choosing the reserve bidder. The reasons for this information being in the exempt part of the report are set out in section 10 below.

#### Structure of the deal

- 6.56 The Council and the selected Development Partner will enter into a Development Agreement (“DA”) and a Compulsory Purchase Order Indemnity Agreement (“CPOIA”) which will set out the obligations of both parties in delivering the High Road West Regeneration Scheme and associated timescales.

#### Governance and Steering Group

- 6.57 To oversee the operation of the DA and CPOIA and the successful delivery of the Scheme, a Steering Group will be established following completion and signing of the DA. The Steering Group will have equal representation from both the Council and Development Partner comprising 3 members from each organisation with each organisation having one collective vote.
- 6.58 The role of the Steering Group is to make key decisions, review the progress and agree strategies pertaining to the DA and CPOIA. These strategies include the Business Plan, the Stakeholder and Resident Engagement Strategy and the Socio Economic and Skills Strategy, Marketing and Letting Strategy, the Vacant Possession Strategy and the Design Code for the Scheme. The Steering Group will also receive information and monitor the progress and financial performance of the development. This information will be provided by the Development Partner on an open book basis to ensure cost transparency and value for money.

#### Council control

- 6.59 As well as having a 50% say in the Steering Group decisions, a number of matters will be reserved exclusively to the Council as landowner. These include approval of the Land Premium, the Resident Rehousing Strategy, the detailed masterplan for delivery of development, the form of the planning applications for each phase prior to submission to the Council’s Planning Authority and any changes to the specification for the Energy Centre Shell, the



Library and Learning Centre and the Replacement Homes from the specification that will be annexed to the DA.

### **Development Agreement & Commercial Arrangements**

6.60 The DA is the overarching legal document which sets out how the Scheme will be delivered and the obligations on the parties. The objectives of the Scheme are enshrined in the DA. These are the overriding project objectives which the parties intend the Scheme to achieve. Progress towards achieving the objectives will be monitored by the Steering Group. The objectives are:

- Deliver comprehensive regeneration of the Site that creates a vibrant, attractive and sustainable neighbourhood and supports the delivery of a new sports and leisure destination for London;
- Regenerate the Love Lane Estate, ensuring that all current secure tenants are re housed within the area in high quality and high performing homes built to the London Mayor's Design Guide Standards;
- Deliver a broad mix of tenures including innovative new affordable housing products and (potentially) private rented sector in a tenure blind development;
- Create a new attractive, vibrant and economically successful local centre within the south of the Site, which supports both the future community and the creation of a leisure destination alongside planned development at THFC, whilst also measurably increasing employment opportunities;
- Deliver new community infrastructure that meets the needs of an increased population, including a new library and learning centre and if necessary health and educational facilities;
- Secure wider social and economic benefits for the local community, including employment, education, health and community safety benefits as set out in the Tottenham People Programme;
- Deliver high quality design which will create a healthy, safe and economically active neighbourhood and high quality architecture that responds to the existing character and heritage of the area;
- Significantly increase the amount and quality of public space in the area, including delivering a new high quality public square, which is activated with community and other uses, to link White Hart Lane station to the High Road;
- Ensure that environmental sustainability is designed into the scheme addressing urban challenges such as climate change adaption, noise pollution and air quality; and
- Ensure that the Council is able to recover its costs in relation to the Scheme.

6.61 In addition to the objectives, the DA also sets out the Council's minimum 'Core Requirements' to be delivered in the Scheme, which are:

- 1,400 new high quality homes;

- 30% (by unit number) affordable housing including a total of 145 new high quality social rent homes and 46 shared equity homes;
- A minimum of:
  - 4,800 sq. m GIA of A1, A3 and A4 retail space;
  - 3,000 sq. m GIA of D2 leisure space;
  - 1,000 sq. m GIA of B1 business space;
- a new 1,400 sq. m library (GIA) and learning centre (including fit out);
- improvements to the landscape and public realm including a major new link between an enhanced White Hart Lane Station and THFC; and
- shell and core for a new energy centre sized to accommodate all necessary combined heat and power and energy plant and equipment to supply heat to the High Road West development and the wider north Tottenham area in accordance with the DEN Specification;
- Suitable infrastructure to be installed within all Units within the Site to ensure compatibility with the DEN Specification in accordance with the Secondary Network Specification

#### The Council's obligations and role

- 6.62 In addition to the roles outlined above, the Council will play a key role in securing the land required for delivery of the Scheme. The land within the High Road West area falls into two categories; land owned by the Council and land owned by third parties.
- 6.63 The Council's land within the High Road West Area is shown coloured pink on the Site Plan attached at Appendix 1. The properties listed in Section 1 of Appendix 5 and are held within the Housing Revenue Account. These properties are occupied by both secure tenants, as temporary accommodation and the rest of these properties are owed by leaseholders. The list in Section 1 of Appendix 5 contains information of their occupation. The properties listed Section 2 of Appendix 5 are held for planning purposes and general fund. It will be the responsibility of the Council to obtain vacant possession of these properties prior to the leases being granted in accordance with the phasing agreed in the Development Agreement. The secure tenants will be moved in accordance with the commitments set out in paragraph 6.6 of this report.
- 6.64 As mentioned in the site wide conditions below, the Council will need to seek and obtain the necessary statutory consents to dispose of land. This will include securing Secretary of State's Consent to dispose of housing land (i.e, the Love Lane Estate).
- 6.65 The Council will also have responsibility for acquiring all land currently owned by third parties and securing vacant possession of land ahead of leases being granted to the Development Partner. The Council's role in acquiring land and securing vacant possession is set out in detail in the CPOIA and is summarised in para 6.85 below. Where there are businesses these will be dealt with in accordance with the commitments set out in paragraphs 6.28 of this report.

- 6.66 For each phase the Council will prepare and provide the Development Partner with a form of lease tailored to the phase, based on the template form of lease attached to the DA.

#### The Development Partner's Role

- 6.67 The DA places obligations on the Development Partner in relation to the implementation and delivery of the Scheme. Its obligations include securing the necessary planning consents, constructing the development, marketing and letting the new residential and commercial properties and putting in place an estate management regime for the regeneration area. The Development Partner's role also includes delivering the replacement affordable homes for Love Lane residents, the new Library and Learning Centre and elements of the DEN. The Development Partner's obligations are guaranteed by a third party guarantor who is also a party to the DA.

#### Site wide and phase conditions

- 6.68 The DA contains three site wide conditions which must be satisfied before the DA becomes unconditional. These are:
- The Steering Group agreeing and adopting all of the required strategies to guide the Scheme;
  - The Council obtaining the necessary Statutory Consents to dispose of the land; and
  - The Development Partner securing an outline planning permission for the whole site.
- 6.69 The DA also contains a number of phase specific conditions which must be met before the land in a phase can be drawn down by the Development Partner and developed. The phase specific conditions include:
- The Pre and Post Planning Viability Conditions (for phases after phase 1 and only if the phase contains Private Sale Homes) - These conditions are satisfied when the Steering Group approves a viability assessment for the phase either pre or post planning;
  - The Planning Condition - This condition will be satisfied when the Development Partner has secured planning permission for the phase free of defined unacceptable planning conditions;
  - The Vacant Possession Condition - This condition will be satisfied when the Council has secured vacant possession of the land within the phase;
  - the Socio Economic Output Condition - This condition will be satisfied when the Council agree that certain social and economic benefits have been delivered or are in delivery; and
  - The Delivery Methodology Condition - This condition will be satisfied when the Council is satisfied that the phase can be delivered in a way which minimises disruption to the local community.

- 6.70 Once all of these conditions have been met and once the Council has agreed the Land Premium – the money it will receive for the land - the Council will grant the Development Partner a lease of the land within the relevant phase. The lease will be for a term of 250 years and will include the land within the phase that is to be developed.

#### Agreeing the Land Premium

- 6.71 The Land Premium will be paid to the Council by the Development Partner on the grant of each lease. A financial model will be attached to the DA and will form the basis for the calculation of each Land Premium.
- 6.72 The Land Premium for each phase (save Phase 1 which is explained in paras 6.74 and 6.745 below) will be calculated once the phase has planning permission. The financial model will be used to generate a residual land value for the phase, which if agreed by the Council will be paid as the Land Premium.
- 6.73 As the DA is structured on an open book basis, the Council will have full visibility of all of the costs and assumptions within the financial model and will be able to test and challenge their robustness.

#### Phase 1 Land Premium

- 6.74 Through the procurement process the Council has sought a fixed minimum Land Premium from the Development Partner for Phase 1 of the Scheme. By requesting a fixed minimum Land Premium for the first phase the Council has been able to drive value through the competitive procurement process and will have certainty as to the minimum level of the first land payment received from the Development Partner.
- 6.75 The DA will set out the minimum figure and the mechanism by which it can increase. Following planning permission having been granted for Phase 1, the financial model will be updated. If the updated financial model shows that the Residual Land Value for phase 1 is higher than the figure used to calculate the minimum Land Premium, then the Council will receive a sum based on the higher updated Residual Land Value. If the updated figure is lower than the Council will still receive the fixed minimum Land Premium. The minimum Phase 1 Land Premium on offer from the preferred bidder is contained in the exempt part of the report.

#### Dispute Resolution

- 6.76 The DA sets out a mechanism for the resolution of matters that cannot be agreed between the Council and the Development Partner at the Steering Group or elsewhere. The parties' first tier officers must use reasonable endeavours to resolve the matter, referring to the parties' second tier officers to do so if agreement cannot be reached.
- 6.77 If the second tier officers are also unable to agree, and the parties agree to do so, the matter is referred to an independent expert for determination. The

identity of the expert will vary depending on the nature of the matter for consideration. The expert will notify the parties of its decision.

#### Termination

- 6.78 The DA sets out the circumstances in which the DA can be terminated either entirely or in relation to the phase(s) on which the circumstances giving rise to the ability to terminate have arisen. These include insolvency of the Development Partner or its guarantor and material breach of the Development Partner's obligations which have not been remedied within a reasonable period of time. Before it can terminate, the Council must give notice to the Partner's approved funder who may either step in to the Development Partner's role or nominate a suitable party to do so.
- 6.79 If the DA is terminated, the Development Partner can be required to surrender leases of phases where development works have not reached a specified point, and no further phases can be drawn down.

#### Ensuring Value for Money

- 6.80 Ensuring that value for money is achieved by the Development Partner is important as the costs that they anticipate incurring in delivery of the Scheme will affect the Land Premium that is paid to the Council.
- 6.81 The DA requires that works related to the Scheme will be procured in line with a procurement strategy agreed at the Steering Group. This will help to ensure that value for money and social value is being driven through the supply chain and all construction/building contracts. In addition, an independent verification consultant will also be employed by the Council, at the Development Partner's expense, which will assist the Council to challenge and verify costs.
- 6.82 It is also the case that value for money will be achieved through the £10m of investment in socio-economic programmes that Lendlease will deliver over the lifetime of the Scheme, which will be captured and monitored through the DA. This key investment is likely to have a positive impact across many Council budgets due to the rise in increase economic activity, the jobs, employment and training opportunities, the funded community facilities and the health and wellbeing initiatives.

#### Ensuring Design Quality

- 6.83 The quality of the design through the lifetime of the Scheme has been a key priority for the Council. As such the DA includes specific mechanisms to ensure design quality. This includes the development of a Design Code, following signing of the DA. The Design Code will be agreed by the Steering Group and it will encapsulate the key principles of the Scheme to ensure that it retains quality throughout any future challenges which might arise over the duration of the scheme development. As mentioned in Para 6.59 above, the DA also ensures that the Council acting in its capacity as a landowner will be

involved in the development of each planning application and will approve the application before it is submitted to the Planning Authority.

- 6.84 The DA ensures that the Development Partner must retain their original bidder design team, until at least to the end of Phase 1, with any changes thereafter, requiring the approval of the Council.

#### CPOIA structure

- 6.85 Whilst it is called a CPO Indemnity Agreement, the Council will only seek to utilise its CPO powers as a last resort. The CPOIA sets out the roles and responsibilities of both parties in securing all of the land within the High Road West regeneration area for development. It also sets out who will cover land assembly costs, and how and when the Council will be repaid these costs. In addition, the document ensures that the assurances given to Love Lane residents regarding re-housing, and assurances given to businesses within the High Road West Business Charter, are adhered to.

#### Responsibilities for and costs of land assembly

- 6.86 Under the CPOIA the Council will acquire all the land required within the regeneration area. However, the Council will only be responsible for negotiating to acquire the land interests within the Love Lane Estate. The Development Partner will be responsible for negotiating to acquire all interests outside of the Love Lane Estate. All parties will be required to utilise the property cost estimate as a basis for making offers on property/land interests. The property cost estimate will set out the market value and compensation in line with the CPO code.
- 6.87 Whilst the Council will initially pay for all of the land interests acquired and the costs of the land assembly process (using the Housing Zone funding mentioned in Para 6.18 above), it will be reimbursed for 100% of these costs, on a phased basis over the duration of the High Road West Regeneration Scheme.
- 6.88 The indemnity for the land assembly costs will usually kick in prior to the Council incurring the costs. Repayments to the Council are though, as noted above, generally phased in accordance with the development phasing, with payments on grant of the Phase lease and afterwards. The Council will manage the cash flow implications of this by concentrating on acquisitions relating to forthcoming Phases where possible, seeking to acquire interests by way of options and through the use of a property cost estimate agreed with the Development Partner.
- 6.89 The CPOIA provides for a Land Assembly Working Group which is a forum for discussing the assembly of the land required for the Scheme between the Council and the Development Partner. It is not a decision-making body.
- 6.90 The Development Partner's obligations in the CPOIA are guaranteed by a parent company.

### Use of statutory powers including CPO

- 6.91 In the event that it is not possible to acquire all interests in the relevant Phase by agreement, the Development Partner has the ability (subject to progress on certain Phase conditions under the DA) to ask the Council to consider using its powers of compulsory acquisition. The Council will consider whether to do so at the appropriate time, taking into account all the relevant statutory and policy tests including ensuring that the CPO is the last resort. If a CPO is confirmed, the CPOIA sets out the circumstances in which it may or must be implemented so as to achieve vacant possession.

### Termination

- 6.92 The CPOIA can be terminated in the event that the DA is terminated, if the Development Partner becomes insolvent, or if there is a material breach of the CPOIA. In the event of termination, the obligations of the CPOIA fall away. However, where the Council has acquired land, thus paid the market value and compensation for the land, and not yet transferred land to the developer, the Council will retain the land (and will be able to sell it in the future to recover the market value element of the cost) and will be reimbursed the disturbance compensation and transaction costs elements from the Development Partner.

### Overall commercial structure

- 6.93 There are several elements that come together to form the main pillar of the commercial deal with Lendlease. The principal elements include:
- A guaranteed minimum fixed payment for phase 1 (subject to abnormals)
  - A residual land value payment for each subsequent phase of development, calculated prior to each phase transfer
  - 100% indemnity to cover the Council's land assembly costs
  - Fixed developer profit rates throughout the course of development
  - 100% of finance risk carried by Lendlease
  - 50% share for the Council in any in-phase revenue overage (private sale and private rent disposals), subject to upward only in-phase build cost indices review
  - Delivery of new council facilities (incl. library learning centre and Decentralised Energy Network energy centre shell and core) at zero capital cost to the Council
- 6.94 Further details on the commercial deal are set out in the exempt part of this report.

### Best consideration

- 6.95 Section 123 of the Local Government Act 1972 and Section 233 Town and Country Planning Act 1990 provides that local authorities may dispose of land as they see fit and that they must seek the best consideration reasonably obtainable ("best consideration").

6.96 The letter from the Council's commercial advisors GVA, included as part of Appendix 12 in the exempt part of this report, 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 and Section 233.

6.97 The central conclusions within the letter are:

- The decision to appoint Lendlease was made following a thorough and detailed marketing process via Competitive Dialogue, which enabled the Council to drive the strongest possible commercial deal for itself.
- That the commercial terms agreed with Lendlease for the formation of a development partnership to deliver the regeneration of the High Road West area represent the best consideration reasonably obtainable as per s123 Local Government Act 1972 and s233 Town and Country Planning Act 1990.
- That the market value of the Council's interest if offered on the open market unfettered would be less than what Lendlease are offering (assuming a Day 1 Land Payment). It should be noted that given the presence of third party interests such a sale might be difficult to secure.

### **Ownership and Management of the replacement homes**

6.98 As set out in the December 2014 Cabinet report, it has been the Council's ambition to own the replacement social housing and shared equity housing delivered as part of the High Road West Scheme. As also set out in the Cabinet report the Council could not make a firm commitment to this until more detail on the funding of the Scheme was known and until options on ownership and management had been further explored.

6.99 During the procurement process the Council has robustly explored with bidders the following options:

- the Council owning and managing the replacement homes; and
- a Registered Provider owning and managing the replacement homes.

6.100 The Council has also undertaken another statutory consultation pursuant to section 105 of the Housing Act 1985 with secure council tenants living on the Love Lane Estate to seek their views on the ownership and management of the replacement homes and at the same time undertook a consultation with resident leaseholders on the principles of the shared equity offer and their views on the ownership and management. Further detail on the consultation and the procurement process is detailed below.

6.101 The purpose of the consultation was to use the feedback to inform the ongoing dialogue with the three bidders involved in the procurement process to select a development partner and to help the Council's Cabinet make a decision on



the ownership of the 191 replacement homes. A detailed feedback report can be found at Appendix 6.

6.102 The consultation took place between 27<sup>th</sup> March 2017 ended on the 5<sup>th</sup> May 2017. The Council received the following responses:

- From secure council tenants there was a 51% response rate. 44 forms were received in total (2 online) from a total of 86 secure council tenants.
- From resident leaseholders there was a 36% response rate. 9 feedback forms (2 online) and one email response from a total of 28 resident leaseholders.

#### Feedback Summary

6.103 The feedback from secure council tenants demonstrated which statutory rights, tenancy terms and services are most important to them. As detailed in the table above this has included protecting rent levels, having secure parking and having CCTV.

6.104 The feedback from resident leaseholders has shown that they agree and or strongly agree with the principles the Council has developed for the shared equity homes and has shown that efficient and quality cleaning and refuse is the most important service to them.

6.105 The feedback was fed to the three bidders by the Resident Procurement Panel. The feedback will also be utilised to further develop the preferred bidder's proposals and the planned future engagement on services and future consultation on the detailed leasehold offer.

6.106 There is clear feedback from both secure council tenants and resident leaseholders that they would prefer the council to own the replacement housing built as part of the High Road West Regeneration Scheme.

#### Making a decision on ownership

6.107 Notwithstanding the results of the consultation which clearly favour council retaining ownership of the replacement homes, in making a decision the council needs to consider the bespoke nature of this particular estate renewal scheme as well as several other factors:

- The financial impact on the viability of the Scheme
- The financial impact on the Council's Housing Revenue Account and General Fund and availability of funding
- Alignment with the Council's housing strategy/objectives
- Meeting assurances given in regard to tenancy terms and statutory rights
- Resident statutory and non-statutory consultation

### The financial impact on the viability of the Scheme

6.108 To help officers consider the financial impact of the two housing and management options on the viability of the Scheme, Bidders submitted two versions of a completed ISFT Financial Template. One of the templates assumed that the replacement housing is acquired by the bidders' RP partner (Option 1) and the other assumed that the Council buy back the replacement housing (Option 2). In the latter version of the Financial Template Bidders were told to assume the following values (paid 100% on practical completion of the units in question):

- £64,200 for social (target) rented properties; and
- £190,400 for shared equity properties.

6.109 The returned financial templates have shown that Option 1 provides a higher revenue contribution to the Scheme than Option 2. However, Option 2 still produces a viable and deliverable scheme and a healthy residual land value to the Council.

### The financial impact on the Council's Housing Revenue Account

6.110 To help the Council to understand the implications of Option 1 and Option 2 on the Council's HRA, a specialist HRA consultant was engaged. The consultant noted that in both Option 1 and 2 there would be an impact on the HRA as there would be a net loss of rental income (due to the demolition of the existing properties) but that there will be savings in management, maintenance and depreciation costs as well as a reduction in repairs liabilities.

6.111 Apart from the above, Option 1 has no significant financial impact on the Council's HRA as there is no capital or borrowing required to acquire the new homes.

6.112 Option 2 however, has considerably more impact. The consultant reviewed and considered the capital and revenue implications of the Council acquiring the replacement homes and concluded:

- In principle, the borrowing costs can be met from the additional revenue but it will be important to develop a clear process for incorporating new stock into the current HfH fee and associated budgets.
- There will also be an initial capital cost associated with the acquisition of the shared equity stock of around £8.8m but it is assumed, that this will be met in due course from the subsequent sale to current / former leaseholders. Any additional value over and above the current valuations will be of potential benefit to the Council.

6.113 It also the case that the preferred bidder's financial proposal generates a healthy residual land value for the Council. As the HRA holds c. 30% of the land within the High Road West Scheme, it is anticipated that it will receive

30% of the residual land value generated. This can be utilised to pay down/off any initial borrowing incurred when acquiring the properties.

#### Alignment with the Council's housing strategy/objectives

- 6.114 The Council's housing strategy seeks to drive up the quality of housing for all residents. This includes both improving the quality and management of homes owned by the Council and by Housing Associations.
- 6.115 Under Options 1 and 2 the Council would agree the specification of the new homes and would therefore be seeking to drive up the physical quality and performance of the homes.
- 6.116 The Council would not have as much control over the management and maintenance of the homes in Option 1 as it would do in Option 2. However, a management and maintenance agreement could be agreed between the Council and the preferred bidder's RP partner, which would control both the level of performance of the management and maintenance of the properties, as well as the ongoing costs to residents.

#### Approach to tenancy terms and statutory rights and resident leaseholders

- 6.117 To facilitate the consideration of Options 1 and 2 on the approach to tenancy terms and statutory rights, during the procurement process bidders' RP partners were asked to confirm their approach to the Council's tenancy terms and to tenant's statutory rights. Further, as part of the Final Tender submission bidders were requested to set out their proposals to tenants and leaseholders in both options.
- 6.118 This has demonstrated that in Option 1, the existing tenancy terms and statutory rights would be protected and that the leaseholder offer would go further than the offer currently set out within the draft ERRP (including the addition of an equity share offer for properties off the new estate).
- 6.119 Option 2 would require no change in the tenancy terms and statutory rights of existing secure council tenants. The detailed leaseholder offer under this option, is still to be developed and will only be agreed following further consultation with resident leaseholders on the Love Lane Estate and following Cabinet approval of the ERRP, which will set out a minimum offer.
- 6.120 It is worth noting that in both options, as secure tenants would retain their Right to Buy, there is a risk that social housing will be lost.

#### Resident statutory and non-statutory consultation

- 6.121 Officers have considered the feedback of the s105 consultation undertaken with secure council tenants living on the Love Lane Estate and the feedback received from the consultation with resident leaseholders living on the Love Lane Estate on the ownership and management of the replacement homes,

which is summarised in paragraphs 6.103- 6.106 above and is detailed in Appendix 6.

6.122 The feedback from both secure council tenants and resident leaseholders is a clear preference for the Council to own the replacement housing.

### Conclusion

6.123 After giving due consideration to all of the issues detailed above and having tested financial options through the procurement process, officers have found that:

- A financially viable scheme can still be delivered were the Council to exercise its option to acquire;
- Financial capacity exists within the HRA to acquire the 191 properties based on independent modelling of the HRA;
- The option to acquire fits with the Council's strategy to maximise affordable rented housing under the control of the local authority;
- Acquisition assists with meeting the guarantees made to existing tenants and there is a clear preference from the tenants themselves to retain the same landlord (the Council).

6.124 As a result, this report recommends that the council does go ahead and acquire the 191 replacement homes.

### Risk

6.125 As set out in the business case considered by Cabinet in December 2015, including an assessment of the balance between control and risk (particularly the financial risk posed by this particular scheme) it was agreed that the Scheme was best delivered through a contractual Development Agreement. This method gave the Council the required level of control and responsibility. This includes control of key aspects of the development and the opportunity to share in any future additional value created through uplift in the land value from obtaining planning permission and overage arrangements but exposed the Council to the least amount of development and financial risk and the lowest ongoing revenue costs. It is accepted that in order to deliver the Scheme and its benefits the Council remains exposed to some risks. These risks are set out in Appendix 13 and can be considered in three categories:

- Procurement/JR challenge risk- There are risks associated with challenges to the Council and procurement processes.
- Delivery risks- There are some delivery risks such as the Council not securing SOS consent to dispose of housing land, the Council not securing vacant possession of land within a phase and the Council not procuring an operator for the DEN within the required timescales.

- Financial risks - There are some financial risks associated with the Scheme. For example, the Council is cash flowing the site assembly and acquisitions of third party interests utilising the Housing Zone funding and there is a risk that the Council may not recover all its costs within a phase, if the phase does not progress and in a termination scenario. There is a risk that changes to market conditions such as increased construction costs, could affect the anticipated land premiums for phases that follow phase 1.

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

- The Council maintain a Council High Road West risk register, owned by the Tottenham Regeneration Programme. This is a tool which allows the Tottenham Regeneration Programme gain assurance on, and where necessary, actively manage risks.
- The Steering Group will also maintain a High Road West risk register which will monitor all risks associated with the delivery of the project.

### Next Steps

#### Finalise Preferred Bidder Stage

6.126 The next stage of the procurement process is the Preferred Bidder stage to finalise the legal documentation with the preferred bidder in preparation for financial close. The principal activities within this stage will include the finalisation of the contract documents, the completion of the due diligence activities, such as deducing title for all of the land. A key activity within this stage will also be agreeing the transaction for the acquisition of the replacement homes. The key areas for refinement are set out in the exempt part of this report.

6.127 This report seeks Delegated Authority to the S151 Officer and the Director of Regeneration, after consultation with the Cabinet Member for Housing, Regeneration and Planning, to approve the legal documentation following the Preferred Bidder Stage.

6.128 If the Officers mentioned above cannot not agree the Development Agreement and all ancillary documents required to be agreed at the preferred bidder Stage with the preferred bidder, a further report will be brought back to Cabinet to seek permission to enter into the Preferred Bidder Stage with the reserved bidder.

#### Finalise strategies

6.129 Once the DA has been entered into the Council and Lendlease will work to finalise the strategies referred to in paragraph 6.58 above. These strategies will be fundamental to the delivery of the Scheme, providing direction and a tool to which the delivery can be monitored.

#### Design Code, planning applications and ensuring design quality

- 6.130 An early task following entering into the DA will be to develop the Design Code for the Scheme. The Design Code will be agreed by the Steering Group and will be an important tool for securing consistent high quality design throughout the Scheme.
- 6.131 The Council will also, in line with the DA, work with the preferred bidder to influence and then subsequently approve the hybrid planning application for the whole site and the detailed planning application for Phase 1.

#### Consultation and engagement with the community

- 6.132 The Council and Lendlease will implement the community engagement strategy which will build on, and further develop, the successful engagement that has happened to date. This will include refurbishing the Grange and transforming it into an Interactive Digital Tech Hub (IDT Hub), whilst retaining the existing services offered from the building. The IDT Hub will enable local people to engage with the regeneration project by offering them the opportunity to gain education and skills in the design and planning processes through a series of courses and qualifications delivered in partnership with a suitable learning provider.
- 6.133 Virtual reality, design software and game consoles, will offer the community the opportunity to interact with the scheme in a digital capacity, as well as access to the computerised BIM system we use to design our 'virtual' developments. This will motivate, inspire and support people by empowering them to help co-design HRW and raise their interest in digital working.

#### Consultation and engagement with Love Lane residents

- 6.134 Following the selection of a preferred bidder, the Council will continue to lead all consultation and engagement with Love Lane residents. The next step in engagement will be to issue a newsletter to Love Lane residents updating them on the procurement process and selection of a preferred bidder and inviting them to drop-in events where they can talk to residents about the Scheme's next steps.
- 6.135 The next 6 -9 months will see engagement focused on the phasing plan and the finer details of the replacement homes, such as the level of service and service charge for the properties and the kitchen, bathroom and colour choices which will be available to residents. The Council will also be undertaking a consultation with resident leaseholders on the Love Lane Estate on the detailed leaseholder offer.
- 6.136 Residents will be extensively engaged in the development of the planning application for the site, so they continue to have a sense of ownership in the Scheme.

### Supporting local businesses

- 6.137 Lendlease have set out a robust proposal for supporting existing businesses. This includes providing 130,000ft<sup>2</sup> of commercial, retail and leisure space and providing significant opportunities to retain and relocate existing businesses within the Scheme, such as a new Maker's Yard concept which will support businesses from the existing industrial estates and foster a creative energy and entrepreneurial spirit. As a next step the Council and Lendlease will engage affected businesses to gain an understanding of their relocation requirements and engage them in the design proposals for the Scheme.
- 6.138 Lendlease will also initiate their High Road Revitalisation Programme, which will ensure businesses on the High Road benefit from specialist advice to improve their operations. This includes:
- Help with business support and grants to improve shop fronts, layouts and merchandising
  - A high street design guide to set out the principles of retail regeneration
  - Helping to improve the online presence of businesses so that they begin to have wider visibility, a less local source of sales, and draw in visitors from outside the area
  - Helping businesses to understand the essential marketing tools of social media, e.g. peer reviews and getting the attention of online influencers

### Securing resources

- 6.139 To implement the DA and CPOIA the Council will need to ensure that it has the necessary resources and specialist advisors in place. This will include the following:
- Design support
  - Specialist valuation and property support
  - Specialist legal advice to support land assembly
  - Commercial support to interrogate the financial model
  - Cost consultant support to benchmark construction costs
- 6.140 Some of the resources will be paid for either directly by Lendlease or through the CPOIA, others such as design support will need to be paid for by the Council.
- 6.141 On signing the DA the Council will receive a £250k deposit from Lendlease. It is recommended that the deposit is used to secure and cash flow the required resources to deliver the Scheme.

## **7. Contribution to strategic outcomes**

- 7.1 As set out in section 4 above, the delivery of the High Road West Scheme will support the Council in delivering all of its Corporate Priorities, as well as

supporting the progression of objectives in the London Plan to support regional growth in north London.

7.2 The regeneration at High Road West will help to enhance the area in relation to each of the Council's five priorities: -

- (i) Enable every child and young person to have the best start in life, with high quality education
- (ii) Enable all adults to live healthy, long and fulfilling lives
- (iii) A clean, well maintained and safe borough where people are proud to live and work
- (iv) Drive growth and employment from which everyone can benefit
- (v) Create homes and communities where people choose to live and are able to thrive

7.3 This is developed further through the themes and specific actions highlighted in the Tottenham Strategic Regeneration Framework, which describes as one of its actions, to "Deliver the High Road West regeneration scheme – creating a new residential neighbourhood, major leisure destination and hundreds of new jobs". The adopted Tottenham Area Action Plan DPD, identifies High Road West as "Masterplanned, comprehensive development creating a new residential neighbourhood and a new leisure destination for London. The residential led mixed-use development will include a new high quality public square and an expanded local shopping centre, as well as an uplift in the amount and quality of open space and improved community infrastructure", providing indicative quantum of development which has informed the bidders' proposals.

7.4 With the delivery of over 2,500 new homes the Scheme will in particular, be instrumental in taking forward the first objective of Priority 5, but the effect of an integrated masterplan and proposals ensure that the positive impact of this extends far beyond this into the other Corporate Priorities. The Council's requirements for bidders has focussed on ensuring that proposals provided an integrated response to the masterplan, which ensured that the design of the site provided inherent improvements to issues such as health, education and personal safety. Working in partnership with colleagues from the Council's Public Health Team, Economic and Employment Team and Highways / Sustainable Transport Teams the Council has ensured that proposals have complied with the principles of standards such as the Town and Country Planning document "Planning Healthy Weight Environments", promoted inclusive design and healthy streets principles, recognised the opportunities provided through the masterplan in promoting active travel and community activities which promote community cohesion, education and training and health benefits.

7.5 As well as this, the Council has recognised the need to support economic growth through its Economic Development and Growth Strategy. The major new leisure and commercial quarter located around Moselle Square and the new work spaces being created as part of the Scheme, will deliver an increase



in employment in the area and attract significant visitor spend ensuring that the Council meets the objectives of Priority 4.

- 7.6 The Scheme will provide 'high street' and business employment spaces for new and existing businesses, aimed at both reinforcing the north Tottenham Local Centre as well as providing vital local employment. The High Road West scheme will manage delivery of space within the site to optimise the potential for growth related to the scheme, while supporting local people to access education, training and employment opportunities through funded and dedicated schemes, matching local requirements.
- 7.7 This growth in the local economy will harness the opportunities provided by the new stadium, while recognising the needs of the Conservation Area and needs of the centre as a Local Centre for convenience goods and as a place for local community congregation. Based on the infrastructure of a strong masterplan and governance structure, investment into socio-economic benefits and town centre / business development will make sustainable and significant enhancements to the area.
- 7.8 The Scheme will build for sustainability, helping achieve the Council's 40:20 goal and will be the home to the Council's first District Energy Centre which will provide affordable energy to residents across north Tottenham.
- 7.9 In addition to the thousands of new homes and commercial space mentioned above the Scheme will see much needed investment in community infrastructure for local residents including a new Library and Learning Centre, a new public park and civic square and a new community theatre. 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.
- 7.10 The Scheme will work towards an agreed set of socio-economic outcomes, grouped under the four impact themes below:
- (i) **Create better prospects** -This theme focuses on the connectivity between education and employment. It explores how to capture opportunities from the physical development and businesses to:
- Motivate, inspire and support people with their learning and development
  - Provide opportunities to progress to higher education and into employment
  - Address key barriers to finding and sustaining employment
- (ii) **Enable healthy and safe lives** - This theme looks at improving community safety and creating opportunities and supporting people to make choices that

improve their health and wellbeing. It explores how to capture opportunities from the physical development and how to enhance services to:

- Embed health and community safety within regeneration plans and service delivery
- Empower people to improve their own health and wellbeing, enabling people and families to participate in sport, leisure and physical activities
- Develop community-led solutions that address obesity, mental health and community safety issues and manage demand on services by focusing on prevention

(iii) **Build community capacity-** This theme underpins strands 1 and 2 by looking at ways to enable people to engage with and support the regeneration programme and to shape and access services that will improve their education, health, employment and community safety. It explores how to capture opportunities from the physical development and how to enhance services to:

- Develop local ownership and civic pride by enabling people to shape the planning, design and operations of spaces and community facilities
- Enable local people to identify the needs of their community and to work with them to co-design and co-produce services
- Connect people and organisations to a range of opportunities that support individual or organisational development and growth

7.11 The Scheme will significantly contribute to these outcomes through the delivery of its Tottenham People Priority Strategy which puts these outcomes at the heart of delivery of all aspects of the Scheme. This includes the design and construction of new homes, neighbourhood and public spaces and new community facilities. The types of uses and commercial and creative operators who will be allowed to occupy space in the Scheme and through targeted funding and interventions which will, for example, provide local residents (including young people and those furthest from the employment market) with additional support, in order to be able to take advantage of the new opportunities on offer.

7.12 The delivery of these outcomes will ensure that the Council Priorities 1-3 are supported through the delivery of the Scheme.

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

### Finance

8.1 This report asks Cabinet to approve the selection of the preferred and reserve bidders, to approve the next stage of work to refine and clarify the preferred bidder's proposal and to agree the disposal of the Council's land within the High Road West Regeneration Area.

### Housing Zone Funding

- 8.2 The Housing Zone funding was secured in the form of an Overarching Borough Agreement, which was agreed by Cabinet in September 2017. The Housing Zone funding has been critical in supporting the viability of the Scheme and allows the Council to cash flow the significant costs associated with land assembly. The Housing Zone Funding package of £62m is made up of the following:
- Affordable Housing Grant which will ultimately be paid to the developer to ensure Affordable Housing is delivered on the site.
  - Housing Zone Grant to support the Council's acquisition and related borrowing costs
  - Mayoral Regeneration Funding which is existing monies for the delivery of Energy and Transport infrastructure.
- 8.3 The Council has also been offered the opportunity to join the Group Investment Syndicate. This would allow the Council to borrow monies at a beneficial rate of interest to support cash flow at a low rate of interest.

### Evaluating the Final Tenders

- 8.4 As part of the procurement process, the three bidders were asked to provide:
- A fixed land offer for Phase 1
  - A land offer for the rest of the development site
  - Fixed required returns
  - Justification and evidence to support the cost and revenue assumptions, and;
  - proposed percentage of Gross Development Revenue (GDR) overage committed to sharing with the Council.

### Land Offers

- 8.5 In undertaking evaluation of the bids it is important to note that the fixed land offer for phase 1 is subject to abnormals and that the land offer for the rest of the development site is based on forecasts and projections. The projections represent the best estimate at a point in time of what could be received and are not a fixed figure. The actual Land Premium the Council will receive will be determined on a phase basis and will be determined after the post planning viability assessment has been calculated.

### Variables to be considered

- 8.6 The Land Premiums received on the transfer of land at each phase will be dependent on variables such as construction costs and house prices in the future which cannot be known at this point, along with other factors such as the final level of external grant received for areas like affordable housing, where bidders were asked to model on the basis of assumptions given to them by the Council, £16.2m (this figure is a minimum grant figure agreed within the Housing Zone bid), to ensure comparability of bids. In practice the actual level

of grant available over the lifetime of the Scheme will vary as Government policy and funding changes, indeed the level of affordable housing grant available per property is now higher than when the Housing Zone funding was agreed, so more funding could be made available.

8.7 It is also important to note, that the existing financial projections are based on the scheme designs and masterplans that bidders have submitted. These plans will inevitably undergo change as design, planning and the phases move through the development.

8.8 Examples of such variables would include:

- The profit level that the partner would expect from each discreet type of asset i.e. market sale, private rented sale and the affordable homes across the development or phase of development. This profit would help determine the residual land value to the Council and would influence the viability of individual phases and hence the pace of development.
- Each Phase will be independently valued at points using a residual value approach. Firstly, at the point at which initial planning is submitted for the phase i.e. a pre-planning viability test and second post planning viability test at the point of lease drawdown on the phase once all conditions precedent has been met. Between these times the value of the phase may have changed due to the activity of the Development Project, contracts being let and movements in market value.
- Funding offer and related interest rate risk as the project will last for the best part of 10 years, so any changes in funding cost i.e. LIBOR can affect the land offer from the developer.

8.9 By assessing these and other similar variables, the Council and its advisors were able to make a judgement of which bids were the most robust.

#### Fixed financial elements

8.10 In addition to reviewing the projected returns from the bidders the financial analysis also focused on the fixed elements of the bids from the prospective development partners, as these would be prime determinants of what final land offer would actually be received. This includes the required returns they are seeking to take from the development.

#### Funding strategy

8.11 The bidders were also requested to submit a funding strategy, so that there was transparency relating to the costs of financing which would inevitably be required on a scheme of this size. As set out in the exempt report, the preferred bidders funding strategy risk significantly de-risks the project from a Council position and makes the delivery of the phases and overall development more robust and at the same time removes a significant cost risk to the Council.

### Land assembly costs

- 8.12 In order to enable the Scheme to be delivered the Council will need to provide vacant possession of the land in each phase before it is transferred to the preferred bidder.
- 8.13 The costs of assembling the land and securing vacant possession of the site are considerable. This cost is part of the reason the Scheme had viability challenges and why Housing Zone funding was secured to overcome these challenges and why in June 2016, a maximum budget of £98m for the necessary acquisitions was recommended by Cabinet for Council approval.
- 8.14 In addition to costs associated with purchasing all property interests and undertaking any future CPO processes, the Council will need to cash flow the other costs associated with securing vacant possession, this includes the costs of holding, securing, managing and marketing and letting (temporarily) land interests. The Council will be able to draw on its agreement with the GLA to cashflow these costs. These costs will be fully indemnified and paid by the preferred bidder.
- 8.15 As part of the procurement process bidders were asked to use figures provided by the Council to estimate the likely costs of providing vacant possession based on their specific masterplans and the amount of land they were including within their Scheme, along with predicted timescales of when the Scheme expected to draw the land down. The procurement process also sought to determine the level of reimbursement the bidders would provide the Council for these costs and the timescales for reimbursement.
- 8.16 The preferred bidder has agreed to reimburse the Council 100% of the costs of securing vacant possession. This means that whilst the Council will cash flow the vacant possession costs, 100% of the costs (even if the cost exceed the estimated costs) will be reimbursed to the Council by the preferred bidder.
- 8.17 It is expected that these estimates will be further refined at preferred bidder stage and thus the Capital Strategy should be updated at the point the HRW is established.

### Accounting Treatment

- 8.18 The Council's land holdings that transfer to the preferred bidder are held in both the Housing Revenue Account i.e. Love Lane Estate and the General Fund i.e., all third party land interests acquired for planning purposes to support the delivery of the Scheme. In allocating income received from the Scheme between the General Fund and Housing Revenue Account, the Council will need to ensure it follows the appropriate Accounting regulations which will ensure both the General Fund and Housing Revenue Account are appropriately compensated for the loss of these assets.

### Socio- economic financial contributions

- 8.19 The Council is also likely to benefit financially due to the socio-economic activities of the Scheme. The interventions proposed by the preferred bidder are dealt with elsewhere in this report, but can be expected to have a beneficial impact across many Council budgets and Corporate Plan objectives due to increases in economic activity, improvements in Education and Health services and wider economic growth benefits.

### Tax

- 8.20 Grant Thornton, acting as our tax advisors, have reviewed the HRW documentation. 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 phase with decisions about treatment at each stage.
- 8.21 This will be especially so with the land acquisition costs and the link to making a CPO. The need and timing of the CPO claim for relief is key to minimising any SDLT for the Council on initial acquisition. Whilst noting that the Council is fully indemnified by the Developer for these costs, but what will be focused on is to ensure that there is no double cost of SDLT i.e. once when the Council acquires and once when the Developer is transferred the land/asset from the Council. As any inefficiency in this process basically reduced any land value to the Council. Hence the need to focus on the CPO relief claim and treatment at each stage.
- 8.22 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 HRW transactions are captured and fed into the work on the PE threshold.
- 8.23 For the Library and Learning Centre the Council shall retain the land interest over the new centre, such that the Developer would only obtain a short building lease over this part of the site. As such this should not represent an acquisition by the Council and no SDLT would be charged. It is also felt that the Developer would prefer this to allow them to claim SDLT relief for the value of the construction works.
- 8.24 For the DEN project there are a number of tax matters that will again require more detailed review as the DEN project progresses, especially as a Company owned by the Council. The key issues being granting of a lease in order to lease the Energy Centre Shell back from the Developer who will have a long lease over the site, excluding the Library and Learning Centre, and this would be expected to be at no premium and for a peppercorn rent.

- 8.25 A further piece of tax review work will be procured from GT for the financial close process to set out and clarify for both Council and the HRW Developer's proposals the latest position on the issues above.

The HRA- Love Lane Estate and ownership and management of the replacement homes

- 8.26 There are financial implications for the HRA arising from the disposal of vacant dwellings to the Development Partner and the potential impact of buying the replacement dwellings. The calculations below are based on a number of assumptions as at the time of this Cabinet report, but shall require a fuller accounting review and final calculation based on actual data at the time of transfer.
- 8.27 The financial impact of disposal of 212 vacant dwellings is a net cost of £291k per annum as summarised in the table below:

	£000
Loss of rent	948
Less: saving in HFH management fee	(102)
Less: saving in Revenue Repairs Budget	(306)
Less: saving in Depreciation	(249)
Net impact cost	291

- 8.28 The net cost of £291k can be further mitigated by a reduction in capital financing costs, revenue contributions to capital and additional savings.
- 8.29 The financial impact of buying back 145 social rented dwellings is a net annual income of £372k, please see below.
- 8.30 The capital cost of acquiring these units is estimated at £9.3m.

	£000
Rental income	648
Less: saving in HFH management fee	(70)
Less: saving in Revenue Repairs Budget	(36)
Less: saving in Depreciation	(170)
Net impact income	372

The financial impact of buying 46 Shared Equity Properties

- 8.31 In addition to the social rented stock the Council is also considering the acquisition of 46 shared equity dwellings. The development bids considered a provision of £190,400 per dwelling. It is therefore expected to be a maximum of £6.4m assuming the properties are bought with a minimum of 25% shared equity and a minimum of £2.1m if 75% equity share is applied.

- 8.32 For simplicity, capital financing costs have been excluded from the above three calculations as the Scheme will be funded from a mixture of reserves and borrowing.

#### Land receipt to the HRA

- 8.33 The HRA will receive a capital receipt for the Love Lane Estate, which is c. 30% of the land within the High Road West Scheme. It is anticipated that the HRA will receive 30% of the total residual land value generated for the Scheme. Noting that the guaranteed land value for Phase 1 primarily relates to HRA assets. The preferred bidders anticipated land value to the Council is set out in the exempt part of this report. Whilst the total residual land value may change over time, any receipt can be offset against the balance sheet value of the HRA assets and/or utilised to pay down/off any initial borrowing incurred when acquiring the properties.
- 8.34 In summary, the HRA will be able to fund these acquisitions using a combination of HRA reserves and borrowing where necessary. The HRA will receive a land receipt. Noting that the cost of acquiring a further 145 units is estimated at £9.3m. The cost of acquiring 45 shared equity properties based on a very conservative value for each property of £190,400 could be in the between £2.1m- £6.4m, but more detailed and accurate calculations will be required at the time of transfer. A value of c.£250,000, which could be nearer the market value with 75% equity would fully repay the cost of acquiring these properties.

#### Ongoing revenue costs

- 8.35 To ensure the successful implementation of the Scheme, it will need to have the necessary financial and staff resource in place.

#### Procurement

- 8.36 Strategic Procurement (SP) were fully engaged by the Project Lead throughout the procurement process which culminated in the submission of the final tender responses from the 3 bidders that remained in the competition.
- 8.37 SP did not participate at any stage in the dialogue on the proposed final solutions with the 3 bidders but was kept informed of progress by the Project Lead.
- 8.38 SP acted as moderator for the assessment of the final tender responses and is satisfied that the advertised award criteria was applied to select the tender that is the most economically advantageous.

#### Legal

- 8.39 The Assistant Director of Corporate Governance has been consulted in the preparation of this report and comments are detailed below.



- 8.40 On 15 December 2015 Cabinet agreed to the commencement of a Competitive Dialogue Procedure in accordance with the Public Contracts Regulations 2015 and the Assistant Director of Corporate Governance has been consulted throughout the procurement process and during dialogue and the lead legal officer was also on the Evaluation Panel.
- 8.41 The report seeks authority from members to select the preferred bidder and proceed to the PB stage as outlined in section 6 of this report under 'Next steps'. Members should note the matters referred to in that part of the report, and that the legal documentation (i.e. the DA and the CPOIA) will be finalised at the PB Stage provided that this does not materially modify the essential aspects of the tender or the procurement and does not risk distorting competition or causing discrimination.
- 8.42 The Council will be entering into a DA which is a conditional sale agreement with development obligations. The Council will therefore be contracting to dispose of its properties within the High Road West Regeneration area once the conditions precedents mentioned in this report have been complied with. The properties set out in Section 1 of Appendix 5 of the report are held by the Council in the Housing Revenue Account. 65 of these properties are occupied by secure tenants. The Council must rehouse these tenants and the Development Agreement ensures that they will be rehoused within a phase.
- 8.43 The Council has the authority under Section 32 of the Housing Act 1985 to dispose of the properties held in the Housing Revenue Account in any manner it wishes but must first obtain the consent of the secretary of state. However an application to the Secretary of State in respect of a disposal under Section 32 (and or Section 43 of the Housing Act 1985) must be referred to full Council for approval first. In addition, prior to making any decision to dispose the Council needed to carry out a statutory consultation in accordance with Section 105 of the Housing Act 1985. Under that section the Council must consult with the secure tenants affected on matters concerning the management, maintenance, improvement or demolition of dwelling-houses let by the authority under secure tenancies, or the provision of services or amenities in connection with such dwelling-houses. The Council has conducted the necessary statutory consultation and must now conscientiously take the results of the consultation into account in taking its decision regarding ownership and management of the replacement homes.
- 8.44 The Council also has authority to dispose of land held for planning purposes under section 233 of the Town and Country Planning Act 1990. The Council must obtain best consideration and may dispose of the land to such person, in such manner and subject to such conditions as appear to be expedient in order: (a) to secure the best use of that or other land and any buildings or works which have been, or are to be, erected, constructed or carried out on it (whether by the Council or by any other person), or (b) to secure the erection, construction or carrying out on it of any buildings or works appearing to them to be needed for the proper planning of the area of the authority. The Council

will be entering into a Development Agreement that would secure the redevelopment of the whole High Road West Area.

- 8.45 The Council also has the power under section 123 of the Local Government Act 1972 to dispose of land held under General Funds. The Council may dispose of land held by it in any manner it wishes but must obtain best consideration otherwise the consent of the secretary of state is required .
- 8.46 The report seeks authority to also acquire the replacement homes to be constructed on the High Road West Regeneration Area, the Council has authority under section 120 of the Local Government Act 1972 to acquire land by agreement for the purposes of any of its functions under the 1972 Act or any other enactment. The Council will be acquiring the replacement homes for housing purposes.

### Equality

- 8.47 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.
- 8.48 The protected characteristics are: age, disability, gender reassignment pregnancy/maternity, race, religion/fait, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 8.49 EqlAs were undertaken for the Cabinet decisions related to the High Road West Regeneration Scheme made at the Cabinet meetings held on 16 December 2014 and 15 December 2015 The EqlA for this decision (Appendix 7) has built on these to inform Cabinet of the likely equality implications. It has highlighted a range of implications including the following:
- Housing (such as, rehousing residents and providing a significant increase in new homes to the area)
  - Employment and Businesses (such as relocation of some existing businesses and new jobs and employment opportunities)
  - Healthy and safer communities (such as creating new public spaces, parks, community buildings)
- 8.50 These will impact on all protected groups in some way, but in particular older people, younger people, women, BAME communities, disabled people and people of different faiths or religions.
- 8.51 Mitigating actions have been identified in the EqlA to minimise the negative impacts of this decision, where this has been possible. This will help achieve

wider socio-economic benefits for the local community, as well as meet the housing needs in Haringey, as identified in the Housing Strategy EqIA.

- 8.52 The selected preferred partner will work with residents to develop a Design Code to ensure that properties are designed to the highest possible standard.
- 8.53 In the selection of a preferred partner, the Council have undergone standard equality and diversity requirements in order to prevent any harassment, victimisation or discrimination based upon the protected characteristics. This includes the business support service.
- 8.54 The selection of the partner will include a new Library and Learning Centre which will have particular benefits for the local community in regards to education and job opportunities. Consideration will be needed to ensure it is fully accessible.

## **9. Use of Appendices**

- 9.1 The table below details the appendices relevant to this report:

<b>Appendix</b>	<b>Document</b>
Appendix 1	High Road West Site Plan
Appendix 2	Draft Development Agreement- EXEMPT
Appendix 3	Draft CPOIA - EXEMPT
Appendix 4	Draft Lease- EXEMPT
Appendix 5	List of properties to be disposed
Appendix 6	High Road West ownership and management of replacement homes consultation feedback report
Appendix 7	Equalities Impact Assessment
Appendix 8	Grant Thornton independent procurement review letter
Appendix 9	High Road West Engagement Log
Appendix 10	Final Tender – EXEMPT
Appendix 11	Bidders' scores- EXEMPT
Appendix 12	GVA Best Consideration Letter - EXEMPT
Appendix 13	Risk Assessment

## **10. Local Government (Access to Information) Act 1985**

### **10.1 Background Papers:**

- 13<sup>th</sup> September 2016 Cabinet Report- Tottenham Housing Zone Phase 2- North Tottenham
- 15<sup>th</sup> December 2015 Cabinet Report- High Road West Regeneration Scheme Update and Next Steps
- 16<sup>th</sup> December 2014 Cabinet Report- High Road West Regeneration Scheme- Masterplan and Next Steps
- 15<sup>th</sup> July 2014 Cabinet Report- High Road West Regeneration Scheme Consultation.

- 28<sup>th</sup> November 2013- High Road West Regeneration Project - Master Plan Option Consultation Feedback and Next Steps.