

Report for: Cabinet 11 December 2018
Report Title: Acquisition of the Welbourne site to maximise the delivery of genuinely affordable homes in Tottenham Hale

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Ward(s) affected: Tottenham Hale

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

Describe the issue under consideration

- 1.1. The purpose of this report is to seek a Cabinet resolution to acquire 131 homes and a commercial unit, to be constructed on the Welbourne Site as part of its redevelopment being carried out by Argent Related under the Development Agreement dated 21st March 2017, between the council and TH Ferry Island Limited. This transaction would provide council homes on council land, within the context of the existing Strategic Development Partnership (SDP) Development Agreement.
- 1.2. By securing control over new homes on the Welbourne Centre site, the Council seeks to maximise the delivery of council-rented homes at Tottenham Hale that meets the needs of local people, as part of the council's commitment to secure the delivery of 1,000 such homes in the lifetime of the current administration.
- 1.3. The council has a time-limited window to acquire the 131 homes to be constructed on the Welbourne site under the terms of the Development Agreement. If this option is not exercised, Argent Related will dispose of these homes to a Registered Provider of Affordable Housing and these will revert to private and Shared Ownership dwellings as originally planned.

2. Cabinet Member Introduction

Securing homes for Haringey's residents is central to what this administration has set out to achieve. We have been clear that our target is to deliver at least 1,000 additional council homes over the next four years. Achieving this ambitious target requires all of the available delivery tools including building ourselves, working with others to build council homes, and acquiring council homes through the planning system.

The Strategic Development Partnership (SDP) is a strategic collaboration between the council and Argent Related intended to deliver the new Tottenham Hale District Centre. The council entered into a formal Development Agreement with Argent Related to dispose of council lands at Tottenham Hale (including the Welbourne Site) in March 2017. The new town centre at Tottenham Hale is important. A new state-of-the-art health centre, the public realm and the investment in our green

spaces will reshape the heart of Tottenham Hale to serve existing residents, those using the transport interchange, along with new businesses and residents. We have already received funding from this partnership which has allowed us to facilitate the delivery of much-needed affordable homes and infrastructure.

The original expectation at that time the SDP was signed, was that there would be predominantly shared ownership housing built upon the Welbourne site.

The new administration has had different priorities, and different expectations of what sort of affordable housing ought to be built in Haringey. Consequently, I have been clear with our development partner (Argent Related) throughout negotiations on this site post May 2018, that there needed to be more traditional council homes provided in this development. We have had to think resourcefully about how we could secure the delivery of the maximum number of council homes at a relatively late stage in the planning process. To be fair, Argent Related have been receptive to this conversation.

Initially, the council had identified a way to secure 51 council homes, along with 80 intermediate 'key worker' homes on the Welbourne Centre site. However, following further negotiations with our partner and the lifting of the cap on borrowing within the Housing Revenue Account (HRA), we are now able to secure the delivery of 131 council homes on the Welbourne Site. This represents 13% of our overall council homes target and, subject to planning, this will be delivered in the lifetime of this administration.

Whilst we accept that the process has not been ideal, and that if we were to begin the process again we would not do things in the same way, we have to acknowledge that acquiring these homes for provision at social rents to Haringey residents is a positive achievement.

3. Recommendations

- 3.1. Cabinet agrees (subject to the council's budget setting meeting in February 2019) to the in-principle acquisition by the council for housing purposes of 131 homes and a ground floor non-residential space to be constructed at the Welbourne site for a maximum total sum as set out in the exempt part of the report and based on the draft Heads of Terms attached in the exempt part of the report.
- 3.2. Cabinet agrees to note that a further Key Decision will be taken at a later date to agree the final purchase price and the final contract for the acquisition.
- 3.3. Cabinet agrees that (subject to the council's budget setting meeting in February 2019) the unallocated General Fund capital receipts, as set out in the exempt part of the report, are retained corporately.

4. Reasons for decision

- 4.1. The acquisition of the residential premises on the Welbourne Site will allow the council to secure the rapid delivery of council owned homes utilising the existing Strategic Development Partnership with Argent Related as the delivery agent.

- 4.2. Critically, it also supports the delivery of the district health centre, which offers a once in a generation opportunity to enhance the way in which local primary health care services are delivered.
- 4.3. This responds to local aspirations to see an increase in the amount of new affordable homes delivered. In so doing it meets a key commitment of the new Administration; to deliver council homes at council rents. It delivers an improved mix of affordable housing in Tottenham Hale, which better meets the needs of local people.
- 4.4. The emerging Borough Plan prioritises the delivery of safe, stable and affordable homes for everyone, whatever their circumstances. This deal represents 13% of the council's objective to deliver 1,000 council homes at council rents over the lifetime of the current administration.

5. **Alternative options considered**

- 5.1. A series of options were considered which would materially improve the affordability of homes to be delivered at the Welbourne Site. These were:
- 5.2. **Option A:** The council acquires the Welbourne site in its entirety. This is the preferred option as it allows the council to control the tenure for all homes, set the rent levels, negotiate an appropriate specification for affordable homes and service charges. This option achieves the most affordable outcome for the homes to be delivered. This option also results in a surplus land receipts of £12.25m being returned to the General Fund.
- 5.3. **Option B:** The council could provide grant funding to a Housing Association in order to deliver more genuinely affordable homes on-site. This option would involve the council providing grant funding to secure the delivery of lower cost affordable housing. This option was discounted on the basis that the council is moving towards a position of prioritising the delivery of council owned homes on its own land, in order to maximise the delivery of safe, stable and affordable homes.
- 5.4. **Option C:** The council could decide not to proceed with either acquiring the Welbourne site in whole or in part, or funding a third party at this or other locations in Tottenham Hale to increase the amount of affordable housing delivered. This would result in the Argent Related scheme proceeding with 25% Shared Ownership homes on the basis of its SDP affordable housing contribution.

6. **Background information**

Cabinet Report on the Tottenham Hale District Centre Framework (DCF)

- 6.1. To prepare for the development of a new District Centre at Tottenham Hale, the council commissioned a series of studies under the banner of the Tottenham Hale District Centre Framework. This set out the key physical and social infrastructure required and also explored how the new District Centre could be delivered.
 - 6.2. A key early challenge was viability. Were development expected to meet the costs of the upfront infrastructure it would struggle to be viable at all and/or would deliver extremely low levels of affordable housing.
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- 6.3. It was in this context that the council developed a delivery approach which relied on: (i) securing external funding (through the GLA's Housing Zone programme); (ii) coordinating the delivery of infrastructure and affordable housing (through planning and the "portfolio approach"); and (iii) making the most use of the council's modest land holdings (through the Strategic Development Partnership with Argent Related).
- 6.4. The "Portfolio Approach", set out in the Tottenham Area Action Plan, seeks to coordinate the delivery of: residential and non-residential uses; affordable housing tenure types; and infrastructure delivery. This approach maximised the efficiency of investment in affordable housing and social/community infrastructure (delivering a health centre and investment in community facilities, parks, public realm and infrastructure). It did this by recognising early on the different characteristics of each site and tailoring the public benefit extracted (as opposed to seeking to apply one-size-fits all policies in a complicated delivery setting).
- 6.5. In total, the Portfolio Approach has secured over £67m in external investment (made up of Housing Zone funding and developer S106 contributions) into Tottenham Hale, and increased the proportion of affordable housing across all sites from 7% to approximately 37-40%.

The Strategic Development Partnership with Argent Related

- 6.6. The Strategic Development Partnership (SDP) seeks to secure the delivery of the heart of the District Centre through the disposal of the council's modest land interests at Tottenham Hale to Argent Related.
- 6.7. As part of the Portfolio Approach, the council sought to maximise the land receipts payable to the council in order to secure the delivery of more affordable homes overall, along with infrastructure in the District Centre.
- 6.8. The SDP also secures the delivery of complex works at the heart of Tottenham Hale, including very substantial infrastructure and highways works, the delivery of a new health centre at the Welbourne site along with 1,030 homes, retail space and commercial space. The resulting environment will be of high quality and will see improvements for residents, visitors and passengers alike. It is important to note this approach resulted in the transfer of substantial delivery risk to Argent Related.
- 6.9. As per the Cabinet decision of 12th July 2016 to enter into the SDP, receipts were to be reinvested elsewhere in the local area, where affordable homes could be achieved with better value for money and ensuring that affordable homes were maximised on suitable sites (those in proximity to green and community spaces, schools, and largely away from major arterial roads). The council has allocated SDP receipts to secure the delivery of 113 additional affordable homes (60 London Living Rent and 53 Shared Ownership) at Ashley Road South, along with 54 affordable rent units associated with the delivery of infrastructure at Fairbanks Road.

- 6.10. As per this same Cabinet decision, land receipts have also been allocated to infrastructural projects (Station Square – Bus Station Realignment) and to repay site acquisition costs.
- 6.11. After all existing allocations and following assumed levels of overage, the total anticipated unallocated SDP Land Receipts are currently estimated at £12.25m. The changes to the HRA borrowing cap will enable the HRA to achieve more council rented homes. The capital receipts from the disposal of General Fund assets can now be retained corporately given this new spending power in the HRA.

The Welbourne Health Centre

- 6.12. Argent Related will under the Development Agreement also deliver a new 1,500sqm health centre at the Welbourne Site to shell & core, to be leased back to the council. This will then be disposed of in turn to the Clinical Commissioning Group's partner to fit out the premises as a GP practice.
- 6.13. The NHS business case for the Welbourne Health Centre sets out a clear need for change to address the challenges in the delivery of primary health care in Haringey. The new facility serves a critical need in providing a wide range of services closer to home. These services will be delivered within modern, fit for purposes facilities, offering extended access to GP appointments, working within multidisciplinary teams whilst improving the patient experience. This facility will have the capacity to serve 30,000 patients and will create a Health and Wellbeing hub, working with the emerging Care Closer to Home Integrated Network (CHINS), and providing a range of wrap-around community services and care closer to home, whilst ensuring that primary care is at the centre of service delivery from this site.
- 6.14. In order to do this, a greater proportion of patients' care needs to be provided in the primary and community setting along with a shift to a greater focus on preventing ill health and deterioration at every level of need. A different type of building will be needed to facilitate this way of working, with greater flexibility and more space for a wider range of services. The proposed new Centre will deliver this.

The Welbourne site – the focus for a revised approach

- 6.15. The Welbourne site is the only standalone site historically in council ownership. The other sites were either acquired to put into the SDP, or have been merged with lands Argent Related control to create development parcels. The council will grant a long lease of the Welbourne site to an Argent Related entity once planning permission is granted and some minor conditions are satisfied. It is also the furthest SDP site from the core of the District Centre and situated immediately adjacent to the Chesnut Estate. Residents of the Chesnut Estate identified the site as one which should have a large proportion of affordable homes, including council homes. It has therefore been identified as the most suitable location within the SDP area to prioritise the delivery of affordable homes that meet the needs of local people.
- 6.16. The scheme for this site is made up of three blocks and cores. Block A contains 15x three-bedroom maisonettes at ground and first floor levels, 6x 2-bedroom flats

and 10x 1-bedroom flats (total 31 homes). Block C contains 20x two-bedroom units above the new primary health care centre (delivered as part of the SDP deal).

- 6.17. Block B is a 15-storey tower at the eastern edge of the scheme with a discrete core, containing 1x 3-bedroom home, 53x 2-bedroom homes and 26x 1-bedroom homes (total 80 homes).
- 6.18. The original breakdown of bedroom numbers per home across the scheme was based on a mixed-tenure scheme, and on a self-contained basis would not align with the council's Housing Strategy mix. However, it should be noted that the wider development across Tottenham Hale includes a much more favourable provision of affordable family homes on other sites, such as Monument Way, which allows for high density, smaller homes on sites such as this one while maintaining an appropriate mix across the neighbourhood; the proposal is therefore consistent with the Housing Strategy overall. Officers have nevertheless worked hard to improve the mix as much as possible: negotiations with Argent Related have amended 12x 1-bedroom homes into 6x 2-bedroom homes to improve the overall mix, but it was not possible to agree further variations as these would have constituted major amendments to the planning application which would have incurred considerable cost. No further amendments to the design can be made at this stage. Mitigating measures are being discussed as part of negotiations over Heads of Terms.
- 6.19. The council has recently been successfully awarded an allocation of Building council Homes for Londoners funding from the GLA. It is intended that grant funding from this allocation is utilised towards the cost of the acquisition. The GLA have now agreed to the allocation of £5.1m of funding to the Welbourne Site to support this acquisition, by amending Housing Zone outputs to avoid any double-counting of affordable homes to be delivered.

Acquiring the residential units

- 6.20. The council intends to acquire all of the 131 homes in order to deliver all as council-rented homes. It makes sense acquiring the whole development in management and maintenance terms. This acquisition includes the commercial unit at ground floor level. Acquiring back the leasehold interest of the whole site (while retaining the freehold as under the Development Agreement) means the council will own and manage the completed building and avoid complex service charge deals with third parties.
- 6.21. The intention is to acquire the whole site into the council's Housing Revenue Account. This approach was not considered previously due to the HRA borrowing cap that has been in place since the introduction of the HRA self financing regime in 2012. The Government's recent lifting of the borrowing cap has allowed for a different strategy for the delivery of social rented homes. The recommendation to acquire the units is subject to the council's budget setting process which will include a revised HRA financial framework and capital programme, considered elsewhere on the agenda.

Value for Money

- 6.22. The council has also sought to confirm value for money in delivering social-rented homes at the Welbourne Site, as compared to a scenario where the council delivered these homes directly on its own land.
- 6.23. The GLA uses an industry standard benchmark for the delivery of social rented homes, in order to assess the value for money of schemes it is delivering. Analysis has concluded that the cost per unit for the acquisition is 7.7% higher than the benchmark rate. It should be noted that this variation is against a programme average which is subject to fluctuation according to scheme particulars, including relatively higher costs for higher density schemes. It should also be noted that the per unit figure for the acquisition has increased as the council has negotiated the amendment of 12x 1 bedroom homes into 2x 2 bedroom homes.
- 6.24. It should also be noted that a critical element in assessing value for money is that the council is effectively transferring a considerable level of risk to a third party. This transfer has a significant benefit to the council.

[paragraphs 6.25 to 6.27 are in the exempt part of the report]

- 6.28. Cabinet are asked to note that a further Key Decision will be taken at a later date after the Council budget setting meeting in February 2019, before the acquisition is confirmed, to agree the final purchase price and the final contract for the acquisition. This subsequent decision will include further analysis by GVA, which will be appended to that report as formal advice and which will confirm the final Best Value position for the acquisition.

Heads of Terms

- 6.29. Heads of terms are currently being negotiated with Argent Related, but the attached draft at exempt Appendix A represents the current agreed position.

Homes for Haringey Operation and Management

- 6.30. The council's housing operation and management arm, Homes for Haringey, will take on the management and maintenance at practical completion, and repairs at the end of the Defects Liability Period. The Heads of Terms specification are being negotiated with Argent Related on this basis.
- 6.31. Further work is ongoing with Argent Related to review the specification as part of the Heads of Terms, given that the original intention for the building design was to provide market homes and shared ownership accommodation to be managed by a Housing Association. The council's Housing team have supplied their Employers Requirements and Specification criteria to Argent Related. The council are clear that Argent Related need to agree to these standards to ensure that the council can maintain the new housing post defect liability period.
- 6.32. The council is working with Argent Related to review some key areas to ensure that the development is better suited to: Homes for Haringey's property and housing management operations; the council's insurance requirements; and aligns with manageable life-cycle costings.

- 6.33. It should be noted that some of Argent Related's planning submission designs and strategies cannot be altered at this stage. As a result, there is some potential vulnerability to a number of estate management and maintenance issues, including some ASB concerns. The maintenance and management costs will be higher than the council's new build proposals, but Argent Related will work with the council's Housing team on detailed design. Homes for Haringey will need to ensure their contractors can effectively maintain the homes and they have the relevant contracts in place for the end of the Defect Liability Period.
- 6.34. To address some of the above concerns, Housing officers are working with Argent Related to identify amendments which could be taken forward through a subsequent variation to planning.

Key Risks

- 6.35. Planning – there is a risk that the Welbourne site, as part of a single combined planning application, is refused planning permission at December committee. Should this occur, Argent Related would have the option to appeal under reasonable circumstances under the Development Agreement, but the opportunity to deliver 131 homes as council-rented may be lost.
- 6.36. Negotiation of final Heads of Terms and Specification for the homes are proceeding and likely to transact in the new year; delay on either item could cause a failed acquisition, in which case the homes to revert to Shared Ownership under the Development Agreement.
- 6.37. The development of the buildings will be undertaken at Argent Related's risk in case of cost overruns, and significant changes in the housing market could cause the overall scheme not to proceed, or could cause delivery to be delayed past the Borough Plan period. The block acquisition of this scheme helps to mitigate against this outcome.

7. Contribution to Strategic Outcomes

A new administration – a new focus

- 7.1. Since May 2018, the council has taken a very different view on its objectives in relation to the delivery of key regeneration areas, and in particular has focussed on how the council can facilitate the delivery of homes for Haringey's residents first and foremost and contribute to the delivery of 1,000 new council homes over the next 4 years at council rent – a manifesto commitment included in the emerging Borough Plan.
- 7.2. This includes a very significant focus on the delivery of council homes on council land as a first priority. In the context of the SDP, this has meant looking afresh at the scheme and what can be done at this very late stage to secure the delivery of council homes, especially on the only significant piece of council land going into the scheme (the Welbourne Site). The approach outlined in this report would deliver 131 council-rented council-owned homes against the 4-year target of 1,000.
- 7.3. The Development Agreement was entered into on 21 March 2017 and the scheme was designed and submitted for planning in May 2018. It is implausible that the
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council would be able to successfully renegotiate the commercial deal at this point in the development process and Argent Related need only secure planning in order to draw down the land. The council's role as Planning Authority is distinct and independent to this process and any decision on Planning is for the Planning Authority to make.

- 7.4. Once the acquisition model is agreed on and advice has been given an appraisal will need to be undertaken to establish if this transaction provides best value to the council. GVA have been commissioned to provide a valuation report once the structure is agreed which will comment on the basis of the price proposed and difference in value should the tenure mix be different. Further details will also be provided of the wider property transaction costs, including SDLT, legal and property costs.

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

[Finance comments are set out in the exempt part of the report]

Procurement

- 8.6. Strategic Procurement notes the contents of this report; however, comments are not applicable for property and land transactions as they sit outside of the Procurement Contract Regulations.

Legal

- 8.7. This report seeks authority to acquire affordable housing units that are yet to be built as well as a ground-floor commercial unit. The council has authority pursuant to Section 120 of the Local Government Act 1972 to acquire for the purposes of any of its functions under the 1972 Act or any other enactment, by agreement any land, whether situated inside or outside its area. The properties will be acquired for housing purposes held within the Housing Revenue Account.
- 8.8. The properties are yet to be built, and heads of terms for the purchase have not as yet been finally agreed, therefore further legal advice must be obtained to support the subsequent Key Decision.

Equality

- 8.9. 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 between people who share those protected characteristics and those people who do not
 - Foster good relations between people who share those characteristics and people who do not

- 8.10. The three parts of the duty applies to the following protected characteristics: age disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 8.11. It is not expected that this decisions will have any negative impacts on individuals or groups who share the nine protected characteristics. The council will ensure that new housing stock acquired by this decision will be subject to the Housing Allocations Policy, which has been subject to an [Equalities Impact Assessment](#) as part of the homelessness strategy.
- 8.12. This decision will increase the supply of homes which are genuinely affordable to local residents by delivering new build council-rented homes. This is likely to have a positive impact on individuals in temporary accommodation as well as those who are vulnerable to homelessness. Data held by the council suggests that women, young people, and BAME communities are over-represented among those living in temporary accommodation. Furthermore, individuals with these protected characteristics, as well as those who identify as LGBT+ and individuals with disabilities are known to be vulnerable to homelessness, as detailed in the [Equalities Impact Assessment of the council's Draft Homelessness Strategy](#). As such, it is reasonable to anticipate a positive impact on residents with these protected characteristics.

9. Use of Appendices

Appendix A – Draft Heads of Terms for the Welbourne Site acquisition [exempt from publishing]

Appendix B - Best Value report from GVA [exempt from publishing]

10. Local Government (Access to Information) Act 1985

Appendices are NOT FOR PUBLICATION by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Part of this report is not for publication as it contains information classified as exempt under Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).