

PART 2 – CONFIDENTIAL FACTS AND ADVICE

DD2621

Title: Joyce Avenue and Snell's Park estate

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

This information is not suitable for publication until the stated date because:

It contains commercially sensitive information, the disclosure of which might prejudice the commercial and business interests of the GLA and the London Borough of Enfield. It also contains legally privileged information. In these circumstances, it is considered that the public interest lies in maintaining the exemption and withholding the information.

Date at which Part 2 will cease to be sensitive or when this information should be reviewed with a view to publication: **31 March 2030**

Legal adviser recommendation on the grounds for not publishing information at this time:

Under section 43(3) of the Freedom of Information Act, information is exempt if its disclosure would, or would be likely to, prejudice the commercial interests of any person (including the GLA). Under section 42 of that Act, information is exempt if its disclosure would, or would be likely to, involve the disclosure of advice that is legally privileged.

These are both qualified exemptions, meaning that information captured under sections 42 and 43 can only be withheld if the public interest in withholding it outweighs the public interest in releasing it. The information below contains information relating to the proposed grant-funding terms and assessment of project viability. This is commercially sensitive information, the disclosure of which would, or would be likely to, prejudice the commercial interests of the GLA and the London Borough of Enfield. While there is a public interest in understanding the circumstances in which public money is provided to other bodies, it is considered that in these circumstances the public interest lies in maintaining the exemption.

If this information is considered for release pursuant to the provisions of the Environmental Information Regulations 2004, this information should be considered exempt information under regulation 12(5)(e) – where disclosure would adversely affect the confidentiality of commercial or industrial information where such confidentiality is provided by law to protect a legitimate economic interest.

The information below also contains legally privileged advice relating to the project, particularly in relation to subsidy control. It is also considered that, in the circumstances, the public interest lies in maintaining the exemption and withholding the information.

Legal Adviser – I make the above recommendations that this information is not suitable for publication at this time.

Name: TfL Legal

Date: 3 February 2023

Once this form is fully authorised, it should be circulated with Part 1.

Decision and/or advice:

1. Confidential information

1.1 Key commercial terms:

Total commitment	£50m
Grant recipient	The London Borough of Enfield
Purpose	To assist in the London Borough of Enfield's costs to address the viability gap affecting the proposed development of, and in purchasing leaseholder buybacks on, the Joyce Avenue and Snell's Park estates.
Site	The Joyce Avenue and Snell's Park estates
Direct outputs (phases zero to three; blocks A, D, N, K and T)	<p>These are expected to be:</p> <ul style="list-style-type: none"> • 530 dwellings, provided as follows: <ul style="list-style-type: none"> ○ 387 social rented dwellings ○ 75 shared equity dwellings ○ 13 shared ownership dwellings ○ 55 private housing dwellings • 524 square metres (sqm) of commercial floorspace • 81 sqm of community floorspace • centralised substation to serve the wider development • new open space and public realm. <p>Unless otherwise agreed by the GLA, at its sole discretion, a maximum decrease of 10 per cent in the number of dwellings in the direct outputs will be allowed. This is to enable outputs to be refined following the outcome of current considerations around the second-staircase requirement. This decrease will be allowed provided that:</p> <ul style="list-style-type: none"> • the minimum amount of affordable housing by habitable room, provided within the direct and indirect outputs following such amendment, is no less than 50 per cent • at least 80 per cent of the revised number of dwellings in the direct outputs are affordable housing • the council can demonstrate, to the GLA's satisfaction, that the provision and use of the grant would remain compliant with subsidy control rules following such amendment.
Indirect outputs (phases four to ten (NB starts and completions delivered outside of Land Fund milestone deadlines))	<p>These consist of:</p> <ul style="list-style-type: none"> • up to 129,663 sqm (gross internal area (GIA)) of residential floorspace (maintaining the council's aspiration to deliver 50 per cent of all homes in the proposed development as affordable) • up to 2,432 sqm (GIA) of flexible commercial floorspace (Use Class E) • up to 2,619 sqm (GIA) of civic/community floorspace (Use Classes F1 and F2) • up to 250 sqm (GIA) of nursery/early years education space (Use Class E) • up to 853 sqm (GIA) of workspace (Use Class E) • a new walkway to the existing rail bridge, which will connect to Bridport Road.
Milestone and milestone dates (direct outputs only)	<p>Start on site of direct dwellings no later than 31 March 2024.</p> <p>Phased practical completion (PC) of dwellings as follows:</p>

	Phase	Block	Social rent	Shared equity	Shared ownership	Private	Total	PC	PC end
	0	A	21	11	0	0	32	April 2025	31 March 2026
	1	D	139	36	0	0	175	December 2027	31 March 2028
	2	N	122	14	0	0	136	June 2030	31 March 2031
	3	K	95	9	9	55	168	May 2031	31 March 2032
	3	T	10	5	4	0	19	July 2030	31 March 2031
Early repayment	<p>The GLA shall have a right to recover any funding claimed if the following milestones have not been achieved:</p> <ul style="list-style-type: none"> • a Pre-Construction Services Agreement (PCSA), or equivalent delivery contract (to be agreed by GLA), entered into by 29 February 2024 for the enabling and design works, which will facilitate a start on site of the direct dwellings no later than 31 March 2024. • a copy of the signed decision notice and s106 for planning application 22/03346/OUT by 30 June 2024. 								
Clawback	<p>The GLA shall have the right to recover 100 per cent of the funding in the following circumstances:</p> <ul style="list-style-type: none"> • the proportion of affordable housing direct outputs in the scheme is below 80 per cent, based on dwellings, by the scheme completion. • a milestone failure occurs or is, in the reasonable opinion of the GLA, likely to occur; and is not covered by a milestone extension agreement. • an event of default occurs that is not dealt with by the notification and resolution process, or is not capable of being remedied. 								
Overage	<p>There will be a GLA profit-share with the council, reviewed on a phase-by-phase basis for the entire estate (10 phases currently), above an internal rate of return (IRR) of 10 per cent.</p> <p>An IRR above 10 per cent will be shared on a 60-40 per cent basis between the council and GLA.</p> <p>The IRR threshold will be agreed in line with the financial viability appraisal (FVA) submitted to GLA planners. The current draft stage two report threshold is 10 per cent.</p>								
Grant drawdown	<p>The land fund grant will be paid following a satisfactory grant claim form being submitted to the GLA in line with the agreed leaseholder buyback acquisition plan. No more than one grant claim will be submitted each quarter, and the claim will be paid in arrears.</p> <p>For a claim to be valid, the quarterly update report (see Reporting and monitoring, below) must be (and continue to be) deemed satisfactory to the GLA; and all conditions to each claim for funding must be satisfied.</p> <p>The drawdown profile is to be appended to the grant-funding agreement at signing, and updated as a condition precedent to claim funding. There is an ongoing obligation to keep this updated as amounts and timing for payments become known. Any changes are subject to GLA approval (acting reasonably).</p> <p>For the avoidance of doubt:</p> <ul style="list-style-type: none"> • historic leaseholder buyback costs are permitted, subject to satisfactory evidence of cost incurred by the council 								

	<ul style="list-style-type: none"> the leaseholder purchase amount is within the range provided for in the valuation report, including compensation and/or disturbance allowance; and has been incurred and/or is contractually owed by the Council.
Diversity and inclusion	The grant-funding agreement will include the GLA's standard diversity and inclusion provisions.
Building safety standards	The grant-funding agreement will include the GLA's standard building safety standards provisions.
Conditions precedent	<p>Key conditions (initial and claim for funding):</p> <ul style="list-style-type: none"> There must be evidence (in the form of a legal opinion from the GLA's solicitors, provided at the expense of the grant recipient) that the project is compliant with subsidy control rules. There must be an economic appraisal of the project that contains a satisfactory benefit/cost ratio of at least 1:5 (positive). There must be a certificate of title, in a form acceptable to the GLA, in respect of the grant recipient's secure legal interest in the site, issued to the GLA by solicitors appointed by the grant recipient. This must certify, among other things: <ul style="list-style-type: none"> the site is free from any conditions, restrictions, covenants or third-party interests that affect, or might affect, the right to carry out delivery of the scheme the grant recipient has sufficient rights appurtenant to its estate, or its interest in the site, to enable delivery of the scheme to be fully carried out and fully serviced without the need to acquire further land or obtain any rights from any other party. There must be a certificate from the grant recipient's section 151 officer stating that all expenditure to which funding will be applied is classified as capital expenditure. There must be evidence that the grant recipient has (and continues to have) sufficient funds (in addition to GLA funding), whether from its own resource or otherwise, to deliver or to procure the delivery of the direct dwellings. There must be evidence that appropriate progress has been made in the delivery of the project; and that the milestones remain achievable by the relevant dates. The grant recipient must (at its own expense) provide the GLA with: any external consultancy advice and/or reports the GLA may request; and an associated letter of reliance in relation to due diligence undertaken that is associated with the delivery and procurement of the estate-regeneration proposal (specifically in relation to advice obtained or requested in relation to financial and commercial advice). Any updates to the leaseholder buyback acquisition plan (agreed to the GLA's reasonable satisfaction) must be provided. The grant recipient's solicitor must provide confirmation that costs arising from the leaseholder buyback purchase, and the compensation and/or disturbance allowance, have been incurred, and/or are contractually owed by the grant recipient and within the range provided for in the valuation report. There must be evidence, satisfactory to the GLA, as to the availability, extent and enforceability of the valuer's duty of care to the GLA (including the covenant strength of the valuer) and the means by which such duty of care will be created. The grant recipient must (at its expense) provide the GLA with either a valuation report or a valuation; and an associated letter of reliance in relation to the leaseholder buyback purchase the claim relates to.
Reporting and monitoring	<p>The grant recipient will provide a quarterly update report to the GLA confirming:</p> <ul style="list-style-type: none"> progress report against milestones

(quarterly update report)	<ul style="list-style-type: none"> • monitoring of project costs • risk reporting. <p>The GLA would also require minutes of monthly site meetings (or another frequency, as agreed) to be emailed by the employer’s agent or equivalent.</p>
Professional advice	<p>The GLA will have reliance on relevant professional advice or reports provided to the grant recipient regarding the scheme, as deemed appropriate by the GLA. This includes, but is not limited to: valuation reports; certificates of title; the building contract; the employer’s agent and other professional team appointments; and any additional technical reports (e.g. cost estimates) related to the site.</p>
Subsidy control	<p>The grant recipient shall ensure that it complies with the Subsidy Control Act 2022, and supplementary guidance and regulations, when it uses the funding provided by the GLA.</p> <p>The grant must be used to contribute towards the proportion of the grant recipient’s leaseholder buyback costs that may be properly attributed (according to proper accounting practices) to the council-owned affordable housing dwellings on the site (and potentially other non-economic uses on the site, in fulfilment of the grant recipient’s statutory functions).</p>

2. Other commercial considerations

Subsidy control

- 2.1. The council, as a local housing authority, has statutory functions, including under the Housing Act 1985, to provide housing and related public open spaces to its residents. Based on the current outputs for the site, it is expected that the entire land fund grant may be properly apportioned to the leaseholder buyback costs that may be attributed to the council-owned affordable housing dwellings and public open spaces on the site, with none of the grant being used to cross-subsidise market tenures or other commercial uses.
- 2.2. It is arguable, and consistent with the UK government’s approach to date in relation to subsidy (and previously state aid), that the GLA funding the proportion of the leaseholder buybacks that is attributable to council-owned social housing and public open spaces does not give rise to subsidy, on the basis that the council is acting as a public body in the discharge of its public functions, and therefore under section 7(2) of the Subsidy Control Act 2022 would not be acting for an economic purpose.
- 2.3. The grant investment will be subject to further detailed confirmation of compliance with subsidy control rules prior to entry into the grant agreement, and as a condition precedent prior to drawdown of funding. Housing and Land (H&L) officers will ensure that all necessary and appropriate steps are taken, and a suitable funding agreement is entered into with the council, to formalise the provision of the grant before committing to the same.

Due diligence

- 2.4. H&L officers have carried out due diligence on the information provided by the London Borough of Enfield in support of the £50m grant. This covered key areas such as ownership and land assembly; development appraisals; project dependencies; project milestones; planning; key risks and issues; and governance. The funding proposition has been presented to the land fund initiation meeting; the land fund steering group; and the H&L Directorate Management team, where senior H&L colleagues have provided challenge and scrutiny. The outcome of the due diligence is summarised below.

Benefit cost ratio (BCR)

- 2.5. A Benefit Cost Ratio (BCR) analysis has been undertaken for the scheme by Avison Young which supports a BCR result of 1.82 which represents value for money based on the BCR modelling methodology of the HM Treasury Green Book.

The case for GLA land fund investment

- 2.6. If land fund investment is not forthcoming, the council will have to increase its own borrowing to bring forward the scheme. The council is already close to its £2bn debt cap up to 2031 (the cap is based on the overall income the council can receive to service debt). Any additional borrowing increases the council's gearing and cost of debt to be serviced; and would require more revenue (for example rents and/or receipts) to be realised. In addition, savings would need to be found elsewhere across the development, and from the council's other activities, to free up headroom and divert capacity to the Joyce Avenue and Snell's Park estates. The council's treasury team has already revised its interest rate forecast for the 20-year Public Works Loan Board rates. This has meant the council is borrowing more and at a higher cost. On a scheme such as the Joyce Avenue and Snell's Park estates, the debt becomes more difficult to service where the majority of affordable housing is delivered in the earlier phases. Ordinarily, the government's Land Assembly, Small Sites and Accelerated Construction Funds timescales for housing completions is 2030. H&L officers have discussed with the Department of Levelling Up, Housing and Communities (DLUHC) those phased practical completion dates within the directly delivered dwellings which fall outside of this timeframe and had assurance that this is acceptable. This agreement is expected to be formally minuted at the next London Land Fund Board, a joint board between GLA and the DLUHC.
- 2.7. The high percentage of affordable housing in the earlier phases means there is little income to service debt. Without land fund investment, this would mean the council carrying a larger deficit forward into the early years of the development programme.
- 2.8. The impact of not securing land fund investment, increased borrowing and a larger deficit means the council would need to review its commitment to deliver 50 per cent affordable housing across the masterplan to assist viability. The scheme viability information submitted to GLA planners currently shows a deficit in the planning viability for the scheme.
- 2.9. Moreover, if land fund investment is not forthcoming, the council would need to look at slowing down the project and revisiting the design, while looking to change the tenure mix in the early phases to facilitate more for-sale homes. This change would impact the delivery of the affordable housing being delivered under the AHP 2021-26. If land fund investment is not secured, a change in tenure mix may be required to improve the overall viability of the scheme and offset frontloaded capital costs – resulting in the council being unable to deliver against the Mayor's expectations, as set out within 'Better Homes for Local People: the Mayor's Good Practice Guide to Estate Regeneration'.
- 2.10. Direct delivery in phases zero to three ensures the council can steward and control how quickly homes are built out. In addition, there is a reputational risk if the council moves away from a direct-delivery approach, or slows down the project as residents on the estate are keen to see construction start.
- 2.11. The ability to deliver a fully inclusive regeneration offer to residents, outside of simply delivering new homes, would be compromised as receipt-generating activities would need to be prioritised. This would impact the council's ability to deliver much-needed social infrastructure, which the estate is currently lacking.
- 2.12. Failure to commit land fund investment from the DLUHC by the end of the financial year 2022-23 would result in the GLA needing to hand back the grant to government. The remaining unspent the DLUHC land fund grant must be committed by the end of the financial year to meet the current programme timeframes. A Memorandum of Understanding (MoU) exists between the GLA and the DLUHC for the land fund grant which carries a delivery target of 8,000 housing completions in London by 2030. The GLA is currently forecasting to deliver housing completions above this target without the inclusion of the Joyce Avenue and Snell's Park estates project which means there is a minimal financial risk to the GLA should the project fail to deliver as proposed. The MoU is silent

regarding any conditions in relation to repayment should a project fail to deliver. Payment of land fund grant instead is only referenced within the MoU in relation to considering overall delivery performance of the programme. Committing funding to Joyce Avenue and Snell’s Park estates enables the GLA to drawdown £50m of the final £60.4m capital grant in line with the funding profile within the MoU.

Leaseholder buybacks: steps towards gaining vacant possession and demolition

2.13. The land fund grant will be used by the council to help fund leaseholder buybacks. One aim of the council’s rehousing offer is to rehouse all residents and buy back all land interests voluntarily, without the need to resort to any of the council’s legal powers for securing vacant possession. If this does become necessary, there are two main mechanisms the council may need to use:

- secure tenants: section 84 of the Housing Act 1985; and Ground 10 of Schedule 2 of the Housing Act 1985
- Leaseholders: council compulsory purchase powers.

2.14. The council considers compulsory purchase a last resort to protect its position to deliver the scheme. This and will only be implemented following concerted efforts to buy back leaseholders by negotiation. A complete list of fixed land and statutory costs is provided at Appendix 1.

2.15. The £50m of land fund grant is expected to be used by the council in targeting the negotiation of properties in phases zero to three. However, there will be flexibility for the council to use the funding to purchase the properties of any early willing seller on the estate.

Phase	Plot/s	Start date	EUV Blocks	Demolition Date	EUV	Compensation Cost
Phase 0	A	0	N/A	N/A		
Phase 1	D	May-25	Wadham House	May-25	£5,250,000	£1,376,800
Phase 2	N	Dec-27	Isis House	Dec-27	£4,425,000	£1,219,730
			Regan House	Dec-27	£5,015,000	£1,329,795
			1-7 Snell's Park	Dec-27	£925,000	£321,525
			9-29a Snell's Park	Jan-28	above	above
			1-32 Trinity Court	Jan-28	£3,515,000	£949,620
Phase 3	K	Aug-28	172-198 Langhedge Ln	Aug-28	£15,220,500	£3,696,060
			201-215 Langhedge Ln	Aug-28	above	above
			202-228 Langhedge Ln	Aug-28	above	above
			217-227 Langhedge Ln	Aug-28	above	above
			229-239 Langhedge Ln	Aug-28	above	above
			230-256 Langhedge Ln	Aug-28	above	above

Council compulsory purchase powers/compulsory purchase order (CPO)

2.16. The council has already sought counsel’s opinion, and received written advice, regarding its proposals for the compulsory acquisition of land to enable the residential-led regeneration of the Joyce Avenue and Snell’s Park estates. This advice has helped shape the council’s CPO approach. The council secured approval, at its September 2021 cabinet meeting, to carry out the s.105 consultation; and authority for the capital expenditure for leaseholder buybacks. At the same meeting the landlord offer booklet was approved, which documented the council’s commitment to pay displaced leaseholders compensation for their properties on the same basis as the compensation code. In addition, at this meeting, the council’s intention to rely on a CPO, if attempts to acquire all properties by agreement fail, was clearly stated and approved.

CPO strategy and timetable

2.17. The first four phases of the scheme (phases zero to three) are proposed to be delivered between 2023 and 2031. As a consequence of the timeframe over which phases zero to three are intended to be delivered (approximately eight years), it is unlikely the council can rely on a single CPO in order to acquire the necessary land interests. As such, the use of multiple CPOs to assemble all the land required is expected, in the event that leasehold interests cannot be acquired voluntarily.

Overall phasing and programme

- 2.18. The Joyce Avenue and Snell's Park estates phasing-and-decant strategy aims to ensure a single move can be offered to residents in almost all cases – as noted in the landlord offer to residents, which formed the basis of the ballot. The financial model has been designed to enable a block decant and demolition cash flow over 40 years. The first phase (phase zero: block A) is located on a part of the estate without any buildings. This will enable residents to move directly into new accommodation prior to the first block (Wadham House) being demolished. Block D would then be constructed to enable the affected residents to be rehoused first, prior to demolition; and so on. Overall, 90 per cent of the housing proposed in the detailed element of the scheme (phases zero to three) comprises affordable housing and/or shared equity for existing leaseholders.
- 2.19. Phases zero to three – direct delivery: For phases zero to three the council will commit funding for the design and build by acting as master developer; securing planning; and procuring a contractor to build the homes to required standards.
- 2.20. Phases four and beyond: From phase four onwards, the council will explore other options in line with the approved financial base case, which includes direct delivery; joint ventures with registered providers; and land release via the Affordable Housing Developer's Framework. The Framework is a separate procurement established by the council in 2022, to attract private-sector investment to the borough.

Programme to start on site

- 2.21. The following section covers key next steps to enabling the start on site.

Planning and the preferred policy option regarding height threshold for second staircases

- 2.22. The council submitted a hybrid planning application (22/03346/OUT) at the end of September 2022. Enfield Council's Regeneration team has been working with the local planning authority to agree principles on density, height, viability, tenure and affordable provision. Given the volume of information in the planning application, the council had secured a January 2023 planning committee meeting for the application to be considered. In light of the current government consultation – which mandates two staircases in residential buildings over 30 metres tall – the council subsequently withdrew the planning application. It is awaiting clarification on the preferred policy option in regard to the height threshold for developers to install second staircases in tall residential buildings, before it commences the scheme redesigns.
- 2.23. The council now anticipates a December 2023 planning committee meeting, subject to confirmation on the preferred policy option. Whilst an earlier date is being targeted, given the importance of the scheme, there is a lot to consider and get right during the determination period. Subject to a positive outcome at the planning committee, the council is looking to shorten the post-resolution period by progressing the s106 in advance and agreeing dates for the Mayoral meeting. A signed s106 and planning decision is therefore expected in June 2024.
- 2.24. The council can commence early enabling works and has been developing its strategy to secure this in line with a two-stage tender process to accelerate start on site of the affordable housing by March 2024.
- 2.25. To accelerate the pace of delivery by assisting the council in securing vacant possession of the site as early as possible, it is recommended that the investment decision is made now to support the costs of purchasing leaseholder buybacks. This is as opposed to waiting until the outcomes of planning, and the consultation on height thresholds for second staircases, have been determined. This will empower leaseholders wanting to sell. Facilitating the early acquisition of leasehold interests on site will enable the council to start on site sooner. Maintaining the pace of delivery is crucial given the complex nature of delivering estate regeneration projects.

Procurement

- 2.26. Based on the soft market testing and market assessment, the council commenced a two-stage procurement in July 2022. The council has engaged with potential contractors with a view to delivering the wider Joyce and Snell’s estate-regeneration programme. The soft marketing responses from Vistry, Hills, Wates, Willmott Dixon and United Living have helped to frame the council’s enabling works package. Ardmore, located in the borough, has strong local trades facilities and supply chains, representing a potential opportunity to create a partnership solution connected to the council’s wider social-value objectives. The council is also observing contractors’ behaviour in the current environment, including in relation to their own schemes. The procurement strategy is being developed in response to the feedback, which requested a longer tender period for the main works contract and a two-stage procurement, with a PCSA route for enabling and design services.
- 2.27. The council had intended to enter into a PCSA contract in January 2023 for an enabling works package that unlocks the delivery of residential blocks A, D, K, T and N (phases zero to three, 530 homes). The works will be sequenced over the PCSA period and include developing the design in readiness for the contractor starting the residential blocks in 2024-25. Works will cover preparation of the site for redevelopment, including demolition of redundant garages in phases zero to three; pipework for the heat network; drainage infrastructure; and sub-station relocation. The council has now concluded the procurement process to select its preferred contractor to enter into a PCSA contract. With scheme redesigns currently paused, pending clarification of the preferred policy option regarding the height threshold for second staircases, the council does not intend to enter into the PCSA contract until this is resolved.
- 2.28. The residential blocks can only commence when detailed design is completed, which requires early contractor involvement under a PCSA mechanism. The design services will be undertaken by the contractor’s team. Given the work to date by the council’s professional services team, the council intends to retain the architect; this can be secured through the PCSA contract.
- 2.29. The PCSA contract also allows the council to monitor market fluctuations in construction pricing and find savings through design development. The council has previously encountered difficulties finding contractors willing to sign up to a fixed-price main contract in the current market. The phasing adopted by the council has enabled works contracts to be offered to the construction market on a more deliverable basis (size and duration). As a result, this approach is expected to offer better price certainty.
- 2.30. The construction programme (subject to change in light of the preferred policy option regarding the height threshold for second staircases) is as follows:

Phase	Plot/s	Demolition			Construction		
		Start date	End date	Duration (months)	Start date	End date	Duration (months)
Phase 0	A	0	0	0	Aug-23	Apr-25	20
Phase 1	D	May-25	Aug-25	3	Jul-25	Dec-27	29
Phase 2	N	Dec-27	Mar-28	3	Mar-28	Jun-30	27
Phase 3	K	Aug-28	Dec-28	4	Dec-28	May-31	29
Phase 4	T	Sep-29	Mar-30	6	Jun-29	Jul-30	13
	I				Sep-30	Jan-33	28
Phase 5	U	Feb-31	Jul-31	5	Feb-31	Mar-32	13
	H				Aug-31	Jan-34	29
	V				Aug-31	Jan-34	29
Phase 6	F	May-32	Nov-32	6	Aug-31	Jan-34	29
	B				Jan-33	Apr-36	39
Phase 7	G	Jan-34	Jun-34	5	Jan-33	Apr-36	39
	C				Oct-34	Jul-37	33
Phase 8	E	Sep-36	Jan-37	4	Oct-34	Jul-37	33
	M				May-37	Aug-39	27
Phase 9	L	Jun-38	Nov-38	5	Mar-39	Apr-41	25
Phase 10	O	Oct-41	Jan-42	3	Aug-42	Aug-44	24
	W				Aug-42	Aug-44	24
Total				200			252

- 2.31. The masterplan summary (subject to change in light of the preferred policy option regarding the height threshold for second staircases) is as follows:

Areas	Homes	Sqft (NIA)	Habitable rooms
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Total residential	1,986	1,468,113	5,845
Private	1,007	701,935	2,772
Shared ownership	217	153,278	584
Shared equity – direct decant	124	104,501	415
Social rent – direct decant	350	280,084	1,149
Social rent – uplift	288	228,315	925
Total commercial space		66,716	

2.32. The residential phase/block breakdown (subject to change in light of the preferred policy option regarding the height threshold for second staircases) is as follows:

Residential Phase / Block Breakdown		Residential Units						
Phase	Block	Social Rent	Social Rent Uplift	Shared Equity	Shared Ownership	Total Affordable	Private	Total
Phase 0	A	18	4	10	0	32	0	32
Phase 1	D	100	36	39	0	175	0	175
Phase 2	N	41	101	7	0	149	0	149
Phase 3	K	37	46	18	13	114	55	169
	T	4	11	4	0	19	0	19
Phase 4	U	6	2	12	0	20	0	20
	I/J	105	12	14	0	131	32	163
Phase 5	F	0	0	0	0	0	109	109
	H	35	25	14	0	74	59	133
	V	4	9	6	0	19	22	41
Phase 6	B	0	0	0	0	0	218	218
	G	0	0	0	26	26	13	39
Phase 7	E	0	0	0	80	80	27	107
	C	0	0	0	65	65	79	144
Phase 8	M	0	0	0	33	33	84	117
Phase 9	L	0	42	0	0	42	117	159
Phase 10	O	0	0	0	0	0	102	102
	W	0	0	0	0	0	90	90
Total		350	288	124	217	979	1,007	1,986

2.33. The commercial phase/block breakdown (subject to change in light of the preferred policy option regarding the height threshold for second staircases):

Commercial Phase / Block Breakdown					
Phase	Block	Block	Retail	Civic	Employment
Phase 0	A	A			
Phase 1	D	D	861		
Phase 2	N	N	5,813		
Phase 3	K	K			
	T	T			
Phase 4	U	U			
	I/J	I			
Phase 5	F	F			
	H	H			
	V	V			
Phase 6	B	B			
	G	G	2,174	20,301	
Phase 7	E	E	7,061		5,124
	C	C	7,632		6,308
Phase 8	M	M	2,992		
Phase 9	L	L			
Phase 10	O	O	7,072		
	W	W	1,378		

Financial implications (the council)

2.34. The scheme comprises ten phases and spans 2021-22 to 2037-38. Unit mixes have been configured in both the General Fund and the Housing Revenue Account (HRA) to reduce reliance on borrowing and, where possible, to increase capital receipts and external grant support from the GLA. The headline budget consideration provided by the council for financing the entire estate is detailed below:

Overall budget consideration summary	
	Total
Gross expenditure total CAPEX	£869m
Total capital income (excl. borrowing)	-£509m

Borrowing	£360m
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2.35. The council's base case model has been conducted within the framework of the HRA Business Plan. This reviews the overall resources of the HRA, and estimates their levels over 40 years with due regard to affordability, asset values, debt repayment and key performance metrics.

2.36. The impact of changing key assumptions through scenario testing has been set out and considered by the council and its members to assess financial risk associated with the scheme, and to deploy appropriate mitigations. A total of 168 scenarios were generated (including the base case); 48 were presented to the council's mayor and cabinet, and considered, before agreement was made to endorse the redevelopment of the Joyce Avenue and Snell's Park estates. The main sensitivities analysed and reviewed by H&L officers as part of the due diligence carried out and deemed satisfactory are detailed at sections 2.37 to 2.39, below.

2.37. Construction costs:

- There is an overall 5 per cent increase in costs, from 2.12 per cent to 7.12 per cent.
- This renders the HRA element of the scheme unviable under all scenarios.
- With regard to the General Fund, a similar increase would worsen the IRR to a minimum of 4.44 per cent, above the council's borrowing rate but below the 8 per cent target. The net present value per unit would be eroded to a minimum of £788k, but would remain positive under all scenarios.

2.38. Interest on borrowing:

- There is a 1 per cent increase in the cost of borrowing over 3.5 per cent.
- In isolation, a 1 per cent increase in the cost of borrowing over 3.5 per cent does not significantly impact the results for HRA or General Fund elements.
- When combined with increased construction costs of 5 per cent, the HRA position is made unviable, even with all tenants paying the highest rents (rebased to January 1999 values).

2.39. Grants:

- There is a reduction in GLA affordable housing grant – from £200k to £150k per unit, and £50k to £30k per unit, for affordable rented and shared ownership tenures respectively.
- The reduction in GLA grant brings the HRA IRR indicator below the hurdle criteria, which means the scheme would be unable to service interest costs.
- If combined with a 5 per cent increase in construction costs, all HRA indicators fail the council's hurdle criteria. This situation continues even where all tenants are paying the highest rents (rebased to January 1999 levels).
- HRA IRR fails only marginally, with all other indicators meeting hurdle criteria, where grants are reduced as above but construction and interest costs are unchanged, and tenants pay the maximum rents.

2.40. Assuming the financial resourcing requirements of all other schemes remain constant, the estimated borrowing under the base case is within the approved operational boundary of the council and does not result in a breach of the council's overall £2bn debt cap. Ongoing monitoring of the council's capital programme and borrowing requirement will be scrutinised throughout the duration of the estate regeneration programme.

2.41. Phases zero to three are exclusively HRA, and estimated at £258m. Capital expenditure (including land assembly, infrastructure and construction costs) for these phases will be funded with £54.4m from the GLA AHP grant, and £108m capital receipt (mainly from private sales), with the remaining £95.4m funded from borrowing.

2.42. The council has consistently modelled phase four onwards as direct delivery. When challenged on this by the GLA, and questioned as to whether alternative delivery models would be more suitable for the

scale of development, the council has always maintained that its decision making is influenced by both political motivation and an assessment of poor performance of previous partnerships. However, considering the overall borrowing requirement, rising construction costs and higher sums being requested to cover the risk, the council has instructed consultants Inner Circle to review delivery options for phase four onwards.

Key risks and issues: Homes for Londoners: Affordable Homes Programme 2021-26

- 2.43. The council has secured an allocation of £54.4m to deliver 338 homes through the AHP 2021-26. This allocation comprises £50m to deliver 250 social rent homes (£200,000 per home) and £4.4m to deliver 88 shared ownership homes (£50,000 per home). The allocation relates to phases zero to three of the development.
- 2.44. The council bid for the grant in October 2021. At that stage, it anticipated securing detailed planning permission for phases zero to three by 30 September 2022; achieving start on site by 31 March 2023; and completing by 30 March 2027. As noted in paragraph 2.22, above, the council submitted its hybrid planning application in September 2022; but has since withdrawn the planning application. The GLA's North East Area team has flagged to GLA Planning that this is a high-priority project for the Mayor's grant programme.
- 2.45. The start-on-site milestone for this project is associated with an AHP 2021-26 grant payment of £27.2m (50 per cent of the total grant for this project). The DLUHC had previously set out that AHP 2021-26 spend slippage between years would not be possible without delivery partners re-bidding for funding. As such, the North East Area team had agreed with the council to explore options for the borough to draw down some or all of the initial £27.2m tranche payment in this financial year (2022-23). A procurement strategy was agreed to maximise the enabling works contract, which in turn would minimise the risk of a fallow period between the enabling works and the main build contract.
- 2.46. There is some uncertainty around the height threshold for second staircases, and the impact of this on delivery milestones and milestone dates for the Joyce Avenue and Snell's Park estates. As a result, H&L officers have internally agreed to allow the affordable housing starts to slip out of the current financial year. These starts are anticipated to be reforecast into quarter four of 2023-24, subject to confirmation on the height threshold. A formal revised programme position will be sought from the DLUHC to this end, but rejection thereof is not anticipated.

Appendices

Appendix 1 – Fixed land and statutory costs