


## London Borough of Waltham Forest

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Report Title	<b>Affordable Housing Strategic Sites Delivery Programme</b>
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Meeting / Date	Cabinet, 9 July 2024
Cabinet portfolio	Councillor Ahsan Khan, Deputy Leader (Housing & Regeneration) 
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Wards affected	Cann Hall / Chapel End / Lea Bridge
Public access	<b>OPEN except Appendix 1</b> which is EXEMPT in accordance with Section 100(A-H) of the Local Government Act 1972 and Schedule 12A as amended, on the grounds that it involves the likely disclosure of exempt information as defined in Part 1, paragraph 3, as it contains information relating to the financial or business affairs of any particular person (including the authority holding the information) and disclosure would not be in the public interest.
Appendices	Appendix 1 – GLA Grant Summary (EXEMPT) Appendix 2 – Value for Money Checklist Appendix 3 – Equalities Screening

1. Summary
  - 1.1 This report sets out proposals to take forward work to advance five strategic sites across the borough. This follows negotiations with the Greater London Authority (GLA) to secure, in principle, up to £200m of grant. It should be noted that the overall London development market is challenging and there a range of delivery issues impacting these sites. This means that significant work is required to secure match funding and the delivery of all of the sites can, therefore, not be guaranteed.
  - 1.2 The grant funding has been secured at an enhanced rate to support the delivery of affordable homes across a portfolio of priority housing developments; Avenue Road & Montague Road estates, which are on Housing Revenue Account (HRA) land, Lea Bridge Station and Willow House sites, which are on General Fund land, and Patchworks (ex-Homebase site on Forest Road), which is privately owned.

- 1.3 The approach to these developments is being reset considering available levels of HRA reserves, high borrowing costs, high construction costs, static property values and the imminent dormancy of Sixty Bricks.
- 1.4 The report also sets out a proposed role for existing and future S106 contributions ringfenced for affordable housing delivery, to maximise receipts of GLA grant funding across the portfolio. This use of S106 has a dual focus of aiding the delivery of the council's priority strategic sites for affordable homes, whilst protecting the HRA and minimising wider risks associated with borrowing costs.

## 2. Recommendations

### 2.1 Cabinet is recommended to:

- 2.1.1 Agree in principle the allocation by the GLA of grant funding for the delivery of affordable homes across a portfolio of five sites of strategic importance; Avenue Road & Montague Road (the Housing Estates) and Lea Bridge Station, Willow House & Patchworks (the Development Sites). The sites are set out in Appendix 1.
- 2.1.2 Approve the allocation of existing and anticipated S106 monies, of up to £10m, as a council contribution, alongside GLA grant, to enable delivery of the Development Sites, as set out at 2.1.1.
- 2.1.3 Delegate approval of an Outline Business Case and procurement of a delivery partner for Avenue Road Estate to the Strategic Director of Resources, the Strategic Director of Place and the Portfolio Lead Member for Housing & Regeneration.
- 2.1.4 Subject to 2.1.3, approve that a procurement process is undertaken to secure a delivery partner for Avenue Road Estate.
- 2.1.5 Note that on completion of the procurement process for Avenue Road, Cabinet approval will be sought to finalise the appointment, of the delivery partner.
- 2.1.6 Delegate approval of an Outline Business Case and the principles of the Landlord Offer for Montague Road Estate to the Strategic Director of Resources, the Strategic Director of Place & the Portfolio Lead Member for Housing & Regeneration.
- 2.1.7 Subject to 2.1.6, approve a Resident Ballot at Montague Road in line with the Mayor's estate regeneration best practice guidelines.
- 2.1.8 Note that a further report will be brought to Cabinet on the outcome of the Resident Ballot and the proposed next steps for Montague Road Estate.

## 3. **Proposals**

- 3.1 The five sites have the potential to deliver over 2,000 homes, of which 54% have been modelled to be affordable (see Table 1 below). The

Housing Estates are the council's priority estate regeneration schemes, both of which face significant viability challenges and, following business case approvals, would require the procurement of a delivery partner.

3.2 Two of the Development Sites, Lea Bridge Station Sites and Willow House, have existing development agreements in place where development partners are responsible for the delivery of affordable homes. The fifth site, Patchworks, is a privately owned site where development has stalled. The council has been asked to intervene because Patchworks represents a key site in the borough for the GLA, where over 500 new homes will be delivered.

3.3 Table 1: Housing Mix

Project	Total No Homes	Private	Shared Ownership	Social Rent / Low-Cost Rent
Avenue Road	617	344	31	242
Montague Road	415	126	66	223
Lea Bridge Station	387	156	18	213
Willow House	139	0	86	53
Patchworks	583	355	72	156
<b>Total</b>	<b>2,141</b>	<b>981</b>	<b>273</b>	<b>887</b>
Tenure Split		46%	13%	41%

3.4 Levels of GLA grant have been secured in principle across the portfolio of strategic sites to deliver a 2,141 homes programme. The grant allocation is summarised in Appendix 1.

3.5 In total, over £190m of grant is being sought from the GLA, on the condition that the council also brings forward match funding to support the overall programme. It is therefore proposed to include available S106 financial contributions for affordable housing in the borough, alongside additional Right to Buy Receipts. Given constraints on council's finances, particularly the HRA, additional external funding will need to be secured to make the Housing Estate sites viable.

3.6 The proposal presents value for money for the council in terms of its own contribution, whilst helping to unlock sites with a high degree of strategic importance for housing delivery in the borough. Further, it is clear that each of the five sites is unlikely to be delivered without either the additional grant funding or significant reductions in levels of affordable housing.

3.7 Part E of Policy 13, Delivering Genuinely Affordable Housing, in the new Waltham Forest Local Plan (Part 1) seeks the delivery of affordable housing on site, but also recognises that in exceptional circumstances, off-site delivery or a payment-in-lieu could secure better outcomes in meeting the borough's housing need.

3.8 Current forecasts show that £14.7m of Section 106 affordable housing financial contributions is expected to be available up until 2027/28. This includes approximately £6m collected between 2022 and 2023 and

already transferred to the council's Housing Delivery team. A further £600k has since been received and is ready to allocate. Demand notices for a further £1.2m have been issued with payments expected in 2024/25. Forecast for the following years indicates an additional £6m (approximately) in S106 receipts is expected, with the majority (£4.2m) coming from 17 and Central (The Mall redevelopment). All Section 106 liabilities agreed but yet to be demanded will increase subject to indexation.

3.9 The GLA has provided the council with an in-principle agreement for the grant funding commitment against the five-site programme. However, it is recognised by both the GLA and the council that elements of the grant funding will still be subject to individual site due diligence, appraisals, site delivery plans and business cases.

3.9.1 The council has already entered into two overarching grant agreements with the GLA in respect of any grant funding secured, meaning no further agreement is required at this point.

### 3.10 **Mechanism for grant drawdown**

3.10.1 **The Housing Estates.** Following Cabinet's approval of the proposals, the council will submit a bid on the GLA OPS system to enable the monies to be ring fenced for the projects by the GLA. Once a viable business case is signed off, and a delivery partner appointed, the funding will be drawn down at the milestone of a start on site, and the council will be obligated to deliver the units in line with the overarching funding agreement.

3.10.2 **The Development Sites.** The respective delivery organisations for each of the development sites will submit a bid on the OPS system for the relevant scheme. At start on site the grant will be drawn down and the organisation will be obligated to deliver the respective units in line with their funding agreement.

3.10.3 Detail on the commercially sensitive elements of the proposed delivery strategy with the GLA are contained as a footnote in the Exempt Appendix 1.

3.11 Further details on each scheme are set out below.

### 3.12 **Avenue Road**

#### ***Background***

3.12.1 In February 2021, Cabinet gave approval to proceed with the comprehensive redevelopment of Avenue Road Estate following a successful resident ballot with a turnout of 65.4%, with 91.5% of residents in favour of regeneration.

3.12.2 Following a procurement process, Bellway Homes Limited was appointed as the council's preferred investment partner in September 2021. A planning application for the scheme was submitted by Bellway Homes on 17<sup>th</sup> November 2021 (Planning Reference: 222588) and was granted permission at Planning Committee on 26th January 2023. The Decision Notice was issued on 30th March 2023.

3.12.3 An initial grant figure of £24,2m was secured from the GLA in 2023 in respect of Avenue Road. This amount was drawn down at the initial start on site. Unfortunately, due to adverse market conditions, Bellway Homes Limited terminated the development agreement with the council in August 2023. Since that time the council has continued to look at alternative routes to deliver the scheme. This left the council with no agreed route to work with residents to regenerate Avenue Road Estate.

### ***Proposal***

3.12.4 The GLA funding allocation for Avenue Road Estate, as set out in the Exempt Appendix 1, will be considered as part of a revised Outline Business Case, currently being prepared by consultants Carter Jonas, with input from relevant council officers.

3.12.5 The Outline Business Case will be refreshed from that considered by Cabinet in April 2020, reflecting current market conditions and other changes to the options, to ensure that the conclusion still reflects the best outcome for both the council and residents of Avenue Road estate.

3.12.6 The Outline Business Case will also set out how, with the additional grant secured from the GLA, the scheme is deliverable for the council, in line with the outcome of the original resident ballot and subject to the selection and procurement of an appropriate delivery partner and funding model.

3.12.7 Officers in the Housing Regeneration team are currently evaluating several delivery models for the scheme and, following approval of the OBC, the preferred procurement approach will be presented for approval.

3.12.8 A further report will be brought to Cabinet at a future date to approve the appointment of a delivery partner, once the procurement process has been completed.

3.12.9 It is also proposed that the council acquire the consented planning permission from Bellway Homes Ltd in order to progress the scheme in line with grant requirements. This will ensure that an alternative delivery route can be taken forward and secure a start on site prior to March 2026 as required by the GLA.

## **3.13 Montague Road**

### ***Background***

3.13.1 John Walsh and Fred Wigg Towers (The Towers) are located in the south east of the borough in Cann Hall ward. They comprise 234 homes across two blocks of fifteen storeys, of which 11 homes have been purchased under the Right to Buy scheme. The Towers suffer from long term maintenance challenges as well as other issues for residents arising from design and poor connectivity with the surrounding area.

3.13.2 In November 2014, Cabinet approved transformational refurbishment as the preferred investment approach for The Towers. Unfortunately, the

scheme was unable progress as no compliant bids were received for the project.

- 3.13.3 The council subsequently undertook a programme of improvement works at The Towers as part of the Block by Block Building Safety Programme. At this time, it was considered prudent to explore alternative investment options for The Towers whilst specification and pricing for the refurbishment works were finalised. The council, therefore, undertook initial feasibility on a potential regeneration scheme that would involve demolition of both towers and new homes being built.

### ***Proposal***

- 3.13.4 An Outline Business Case is being prepared in respect of Montague Road Estate, which considers three options; Improvement, Refurbishment & Regeneration.
- 3.13.5 It is anticipated that based on the grant that has been secured against the scheme, and subject to the inclusion of Right to Buy receipts as additional funding, financial modelling could confirm the viability of a comprehensive regeneration scheme at The Towers.
- 3.13.6 The recommendation in this report will allow a Resident Ballot to be undertaken on a regeneration option, in line with the London Mayor's Estate Regeneration Guidance, at an appropriate time later in 2024 or early 2025. This would be subject to a viable regeneration scheme being identified and the final Business Case being approved.
- 3.13.7 A comprehensive Landlord Offer would then be produced that sets out the council's commitments to both social rented tenants and leaseholders and will be released to residents in advance of the ballot.
- 3.13.8 If there were to be a resident ballot and the outcome supports regeneration, Cabinet would then be asked to ratify this, in line with the majority vote of eligible residents, and approve the business case for the preferred option.
- 3.13.9 If the outcome of the ballot is that a majority of residents do not support the regeneration option, then an alternative investment approach will be taken forward.
- 3.13.10 Any alternative investment option, subject to affordability, will, at a minimum, include new kitchens and bathrooms for all existing residents, as well as replacement of the external wall insulation to both blocks. The full specification will be evolved in line with available reserves in the HRA.

## **3.14 Lea Bridge Station Sites**

### ***Background***

- 3.14.1 The Lea Bridge Station Sites comprise of three Council owned sites located along Lea Bridge Road which are mainly open, grass and shrubbed areas covering a total of 1.13 hectares. The land is located at a prominent location on Lea Bridge Road at the junction with Orient Way and Argall Way. Lea Bridge Railway Station is also located adjacent to one of the sites. Individually the Land comprises:

- **Site 1 (Station Site, Argall Way)** is an open grassed area broadly triangular in shape. It abuts the bridge over the railway line along its southern boundary and the current entrance to Lea Bridge Station to the north which is at platform level. It is bound by Argall Way to the east and the existing railway to the west.
- **Site 2 (Lea Bridge Road)** is currently used as an informal open space with footpaths and trees. The site is not designated as a park or protected open space.
- **Site 3 (Orient Way)** is an open grassed area adjacent to the railway with a significant slope from north to south and east to west of the site. It features a service access to the railway and a sloped cycle path which connects Orient Way to Site 1 underneath the road overbridge.

3.14.2 On the 15<sup>th</sup> May 2020, Cabinet agreed to appoint London Square following a competitive procurement process to be its delivery partner for the redevelopment of the Lea Bridge Station Sites under the terms of a Development Agreement signed on 17<sup>th</sup> March 2021. Planning permission for the development was obtained on 10<sup>th</sup> February 2023 to deliver 345 new homes, including 50% affordable by habitable space, a new and improved station entrance and 2,430sqm of new cultural and commercial facilities.

3.14.3 External economic factors, including build cost inflation, has impacted the viability of the development. London Square modelled various scenarios that seek additional GLA grant, whilst still delivering a high level of affordable housing. Following confirmation of the GLA grant, the revised tenure mix along with other changes to the development is due to be determined under a S73 application due to be submitted later this year.

#### ***Proposal***

3.14.4 Seeks to retain existing GLA grant, but increase overall affordable housing to 60% with additional grant. This would enable a start on site by July 2025. The scheme is being led by the council's development partner, London Square.

### **3.15 Willow House**

#### ***Background***

3.15.1 In December 2019, Cabinet approved the appointment of Countryside Properties UK Ltd as development partner for Phase II of Fellowship Square and Willow House and in July 2020 the council agreed final terms and entered into the Development Agreement with Countryside Properties UK Ltd.

3.15.2 The council-owned Willow House site comprises a three-storey building providing office accommodation for council staff who will eventually decant to the New Civic building at Fellowship Square and a c.50 space car park. The site is located on the junction of Forest Road and

Fulbourne Road, adjacent to the Patchworks development and in the Forest Road growth corridor. Countryside's successful bid in 2020 proposed a scheme of 138 new homes (50% affordable by habitable room).

***Proposal***

3.15.3 Countryside has been impacted by viability challenges driven by statutory policy changes and cost price inflation. Countryside's Registered Housing Provider has also withdrawn from the acquisition of the affordable homes at Willow House, Countryside is in the process of securing a new Registered Provider. GLA grant funding could enable Countryside to increase the quantum of affordable housing at Willow House beyond the original 50% agreed position and facilitate a start on site by March 2026 subject to mitigations at two other sites in the borough which would again positively increase the total number of affordable homes being delivered.

**3.16 Patchworks**

***Background***

3.16.1 This privately owned site has stalled mid-construction after original developer/building contractor Inland Homes went into administration. Sigma and Newlon Homes own the partly constructed blocks and have now appointed a replacement building contractor. Newlon have identified a significant funding gap and, given the strategic importance of the development, the council and GLA wish to consider it as part of the portfolio approach to grant funding. Inland Southern, a subsidiary of Inland Homes, still own the wider land on the site that will be landscaped as part of the existing consent. The landscaping is integral to the planning permission, and it is crucial that this is delivered and maintained in line with the consent.

***Proposal***

3.16.2 As owners of the partly constructed blocks, Newlon will deliver the affordable homes within the scheme as a Registered Provider led project. Without the benefit of the original developers' subsidy, Newlon requires additional grant subsidy to fill the funding gap and see the scheme through to completion.

3.16.3 The affordable housing proposal is for 156 London Affordable Rent homes and 78 for shared ownership. The scheme has progressed on site, Block C's frame (156 units) is up with some curtain walling and windows in place, blocks B&D (72 units) has completed up to golden brick. Should the funding be secured, Newlon anticipate practical completion in December 2027.



### 3.17 Key Programme Risks

3.17.1 There are key dependencies and risks to delivering the overall grant funding programme, which are further set out below:

- **Impact on the MTFs.** The reset programme will only be deliverable if it can be demonstrated to be workable within available HRA reserves, profiled over the delivery phasing of Avenue Road and Montague Road. Further external investment will, therefore, need to be sought where appropriate.
- **Securing developer partners on Avenue Road and Montague Road.** Both estate regeneration schemes will be dependent on the appointment of development partners in 2025, and a viable business case.
- **New planning applications / S73 applications.** Although Avenue Road has an existing planning consent, there is a need to review phasing, and take into consideration requirements of a new development partner. Montague Road does not have planning consent, and Lea Bridge Station sites will also be subject to a further S73 application.
- **Achieving a start on site by March 2026.** A key condition of GLA funding in the 2026 programme is a requirement to start on site by March 2026. All five sites could potentially achieve this, although there will be challenges and risks.
- **Resident Engagement and Residents Ballot** where not already achieved – any delays or programme changes would risk the loss of funding from the GLA's 2026 programme.

3.18 Programme milestones from 2024/25: there are several key milestones that need to be achieved in the next 24 months to keep the programme and expenditure on track, as summarised in Table 2 below, which will form the basis for site delivery plans.

Table 2: Affordable Housing Indicative Programme Key Milestones

Project	Developer Appointment	Planning Consent	Potential Start on Site Subject to Viability	Practical Completion
<b>Avenue Road</b>	Late 2025	Secured	Jan 2026	Late 2034
<b>Montague Road</b>	Late 2025	Late 2025	Jan 2026	Late 2032
<b>Lea Bridge Station</b>	Appointed 2021	Secured	July 2025	Aug 2028
<b>Willow House</b>	Appointed 2020	Mid 2025	By March 2026	TBC
<b>Patchworks</b>	May 2024	Secured	Commenced	Dec 2027

4. Options & Alternatives Considered
  - 4.1 The alternative to proceeding with the secured GLA grant is to take no action at this time. In that scenario none of the five sites would be deliverable in the short to medium term.
  - 4.2 In the case of the Housing Estates this would have a significant impact on residents who have been impacted by the delays in progressing Avenue Road and Montague Road and the provision of much needed new homes for them. There would continue to be pressures on the HRA due to the need to undertake maintenance and cyclical works to keep the estates in a habitable condition whilst new development options are explored.
  - 4.3 In the case of Avenue Road, a significant amount of GLA grant has already been committed to the scheme and drawn down by the council and this would need to be returned.
  - 4.4 In respect of the Development Sites all three would be stalled and indefinitely delayed which would have a significant impact on the number of new homes delivered in the borough in the coming years.
  - 4.5 There is no guarantee that an opportunity to secure the level of grant funding currently available for the five sites would be available again at a future time. In light of the council's stated priorities the strategic importance of progressing these sites and the holistic benefits associated with the decision, it is considered prudent to progress with the secured grant for the five site portfolio.
  
5. Council Strategic Priorities (and other National or Local Policies or Strategies)
  - 5.1 The delivery of affordable housing is a strategic priority identified by the council's Local Plan, with all 5 strategic sites allocated within Local Plan Part 2, and critical to the borough's identified 5 year housing supply. This flows from the emerging Waltham Forest Missions. The unlocking the delivery of new affordable homes in the borough as set out in this report will help the council meet key outcomes of the Housing Strategy 2024-2029, including:
    - Outcome 2a: Increasing the supply of different types of homes so people can stay in Waltham Forest throughout their lives.
    - Outcome 2b: New development provides homes for residents who need them most.
  
6. Consultation
  - 6.1 Individual development sites are subject to their own consultation and engagement plans, including pre-planning engagement as well as statutory consultations through the formal planning process. For estate regeneration schemes this includes a requirement for a resident ballot,

which has already been achieved for Avenue Road, alongside comprehensive resident engagement over a number of years.

## 7. Implications

### 7.1 Finance, Value for Money and Risk

- 7.1.1 This report sets out in principle the allocation by the GLA of grant funding for the delivery of affordable homes across a portfolio of five sites of strategic importance; Avenue Road & Montague Road (the Housing Estates) and Lea Bridge Station, Willow House & Patchworks (the Development Sites). Avenue Road and Montague Road, are HRA estates to be developed by the Council with a delivery partner. Lea Bridge Station Sites and Willow House are General Fund sites and Patchworks is a privately owned site in partnership with a Housing Association.
- 7.1.2 The construction and housing markets have been through a difficult period and residential development schemes are increasingly unviable, as a result of excessive construction inflation and stagnant housing prices. For many schemes this results in less affordable housing being provided or the scheme not progressing. Therefore the GLA funding being requested is essential to continue the delivery of affordable housing in the borough.
- 7.1.3 The funding contribution for the 3 developer/HA site will increase the amount of affordable housing being delivered on these sites. The only council contribution to these schemes is £10m of s106 for Patchworks.
- 7.1.4 The Avenue Road contract with Bellway was aborted due to viability. Since then, the council has attracted additional GLA funding and reviewed the phasing of the scheme to improve the viability. The scheme as appraised today is still unviable. However, the delivery and funding of the first block as affordable housing should generate market interest and then with the private blocks being delivered in 3-5 years, which should give the market condition time to improve and have the potential to be viable. If there remains a viability gap, additional funding will be identified.
- 7.1.5 Montague Road is similar to Avenue Road in that it is showing to be unviable in the current market. Similarly this scheme needs to deliver the affordable housing in the first phase which would be largely funded by grant and so at low risk and cost to the developer. The 2nd phase of private housing would be delivered in 3-5 years when the market has time to improve and give potential for the scheme to also be viable, with additional funding identified to bridge any remaining viability gap.
- 7.1.6 With HRA reserves at a low level and the MTFS investment in previous affordable housing schemes, there is not the capacity to fund development interest or subsidise the affordable housing on these schemes. Therefore it is essential the schemes are viable such that the amount require to be paid to the developers can be funded from Grant and future rental income without impacting on the finances of the HRA.

- 7.1.7 A Value for Money Checklist is provided in Appendix 2.
- 7.2 Legal
  - 7.2.1 The council as local housing authority has the power under section 9 Housing Act 1985 to provide housing accommodation.
  - 7.2.2 The council has already entered into grant agreements with the GLA for the rounds of grant funding that it is seeking the proposed allocations from. The process to draw down that funding is as set out in paragraph 3.9 and liability in respect of grant funding for the Housing Estate schemes will be triggered by the drawdown.
  - 7.2.3 The council has an agreement with the Secretary of State under section 11(6) of the Local Government Act 2003 to enable the Council to retain Right To Buy receipts and use the retained receipts for replacement social housing.
  - 7.2.4 The procurement of delivery partners for the Housing Estate schemes will need to comply with the Public Contracts Regulations 2015 or, depending on timing, the new rules under the Procurement Act 2023.
  - 7.2.5 Guidelines from the Mayor of London mean that any local authority seeking GLA funding for estate regeneration projects, which involve the demolition of any affordable homes and construction of 150 or more new homes, must show that residents support the proposals through a resident ballot. It is also the recommended best practice under the government's Estate Regeneration National Strategy Good Practice Guide.
- 7.3 Equalities and Diversity
  - 7.3.1 A screening equalities impact assessment has been carried out and is included at Appendix 3.
  - 7.3.2 It is not anticipated that there will be any negative impacts on protected characteristics as a result of this decision. Detailed impact assessments in respect of each site will be undertaken as each project progresses.
- 7.4 Sustainability (including climate change, health, crime and disorder)
  - 7.4.1 The recommendations in this report concern the drawdown of GLA grant and allocation of s106 and Right to Buy monies. Each individual scheme will be the subject of future reports which will include consideration of detailed sustainability implications for that specific project.
- 7.5 Council Infrastructure
  - 7.5.1 No implications for council infrastructure.

Background Information (as defined by Local Government (Access to Information) Act 1985)

N/A