

## **Cabinet – 10 March 2022**

### **Reference from the Overview and Scrutiny Committee – 8 March 2022**

#### **3. Harrow Strategic Development Partnership – Progress Update**

Members received a report which provided an update on the progress of the work of the Harrow Strategic Development Partnership (HSDP) and set out the next steps and work in for the coming months.

The Interim Commercial Director highlighted the following key points:

- Originally the HSDP had been comprised of three sites, but since November had included an additional site, Milton Road and that the HSDP had been invited to produce a business plan for the Grange Farm development.
- There were two approaches to how the HSDP worked, either through a development agreement or a Community Works Agreement (CWA).
- Due to significant build cost inflation and enhanced planning requirements the Byron Quarter development, based on the current designs, was not viable at this time.
- Over the next 2 to 3 months the long-term position of the HSDP would be clarified as well as how the schemes could be dealt with. As per the business plan, the development designs, the programme delivery, alternative tenure options, value engineering and alternative funding needed to be assessed. In addition, the costs needed to be examined in detail and consideration of the returns made.
- The number of homes at the Poets Corner development may be increased from 1,000 to 1,104. Build cost inflation and enhanced planning requirements had presented financial challenges and a detailed financial appraisal was currently underway. There was optimism however, due to the increased number of dwellings, the length of the scheme and the potential sales values.
- The Grange Farm Development also faced financial challenges due to build cost inflation and enhanced planning requirements, however there were proposed solutions which included an increase in net internal area, more houses, better building plan efficiencies, design changes with an opportunity to increase sales revenue, and again a review was to be completed.
- A detailed analysis was to be undertaken of the Peel Road development.

- Planning permission had been granted for the Milton Road development with legal documents and the financial cost plan agreed and the delegated authority being exercised.
- The next steps were that each scheme be assessed as well as the overall HSDP business plan. The cost and income assumptions needed to be scrutinised and a discussion on grants and affordable housing levels was needed with the Greater London Authority (GLA). Due diligence needed to be undertaken on the Housing Revenue Account (HRA) to understand borrowing capacity and affordability.

The Chair thanked the Interim Commercial Director for the overview. In the session which followed, questions around the HSDP update were asked as set out below:

- A Member sought clarification over the financial and planning issues the HSDP had recently faced, they noted that the new London Plan was published a year ago and that build cost inflation had also been a known issue over the past year, and challenged why these issues were being presented now, noting the change in confidence since the meeting in July 2021.

The Interim Commercial Director highlighted the recent, unprecedented events and the resulting unexpected increase in inflation and reassured the Committee that at the time of the previous meeting, the facts and figures had been accurate.

A representative from Wates added that the inflation volatility had been unprecedented and explained that Wates used an industry wide standard for forecasting inflation.

- A Member challenged the Grange Farm development in that it had only been added to the HSDP in November 2021 and therefore sought further clarification as to why this development was no longer viable following such a short space of time.

The Chief Executive clarified that the scheme had been deemed broadly affordable in November 2021 and Cabinet had approved Wates producing a detailed Business Plan for the scheme. The results of the review had determined that the Grange Farm development may be viable but that it was facing the same challenges as other schemes. The Interim Commercial Director added that due to the unprecedented levels of inflation the current position for the HSDP had not been expected and that the Grange Farm scheme had been included in the HSDP due to timing, saving procurement time and costs, and that it was always intended that the HADP would review the scheme for efficiencies.

The Chief Executive highlighted that these challenges were nationwide and that challenges in a project should be expected and that plans would need to be re-examined throughout the process. In addition, the Council's objective of reaching 50% affordable housing had impacted

the viability of the developments and, if a lower level of affordable units was accepted, the developments were likely to be viable.

- A Member expressed concern that the current economic climate would get worse and asked if any future modelling had been done for the HSDP.

The Interim Commercial Director acknowledged that modelling needed to be undertaken and that would be a continual process. If such circumstances arose there could be a possibility of developments being paused, but a number of solutions were possible, hence the need for review.

- The Chair of the Committee asked when the developments might be paused, how this decision would be made and who would make it.

The Interim Commercial Director advised that meetings during the spring and summer would consider an assessment of the developments would be based on affordability. The Chief Executive added that it would ultimately be a political decision for the next administration and that officers would present the information and options available to the Council.

The Leader of the Council stated that there were many factors driving inflation and it was the quantity of affordable housing that determined the viability of the developments and it would be a political choice.

- The Chair highlighted that a number of options had been presented to the Committee, including increased density, value engineering and changing the number of affordable houses. The Chair questioned whether there were options the Administration was not willing to use.

The Leader of the Council responded that the administration wanted to keep the affordable housing above 40% in order to qualify for GLA grants and that it was those grants that would boost the percentage of affordable housing to 50%.

- A Member sought clarification over the viability of the Byron Quarter development and understood that 50% affordable housing was no longer viable. The Member asked if the CWA would be a 60/40 split.

The Interim Commercial Director explained that the CWA would keep affordable housing at 50% at the current costings and should the costings alter, a reassessment would be required.

- A Member requested an explanation as to the role of HSDP Board in the decision-making process.

The Interim Commercial Director explained that the HSDP Board operated the HSDP on a day-to-day basis, assessed the right course of action for the partnership and to take the schemes forward. The HSDP

would recommend to the Partners what should be included within the business plans but that the decision-making powers were with the Council and with Wates.

- A Member sought clarification over the membership of the HSDP Board and its diversity.

The Interim Commercial Director explained the Board composed of three representatives from each Partner. A Wates representative reassured the Committee that there was a good representation on the Wates Residential Board, with approximately 50% women.

- The Chair questioned the viability of the CWA option and how it might impact other decisions.

The Director of Finance explained that the costs and impacts of the CWA would be factored into the scheme and that there was a current profile of costs for the Council which would need to be compared against the results of the financial review. The CWA would need to be reviewed to understand if it was still viable.

- A Member indicated that he understood that a CWA would make the schemes viable for the HSDP however, argued that those costs would be pushed onto the Council.

The Interim Commercial Director explained that that it would bring forward the Council's decision and would commit the Council to borrowing sooner than originally planned. Further due diligence needed to be done in order for the costs to be understood. A representative from Avison Young added that a CWA could see costs saved elsewhere, for example within the HSDP there would be a profit cost element. In addition, the Council would have a long-term income generating asset on their books which could provide a long-term benefit.

- A Member challenged that should the costs of affordable homes fall on the Council the assessment of cost neutrality would be called in to question, especially if affordable housing costs were taken out of scope by a CWA.

The Interim Commercial Director explained that the definition of cost neutrality applied to the civic centre and not to affordable housing and that there was a need to determine if the costs of the civic centre would be paid for through the returns and income from the HSDP, an assessment of this would need to be made.

An Avison Young representative explained that by moving the development to a CWA the overall returns would be potentially higher and make cost neutrality more likely.

- A Member indicated that they wanted a better understanding of the extra potential debt that would be put on the Council if a CWA was used and the impact it could have on the Council's debt plan, especially if this could lead to higher borrowing costs.

The Director of Finance explained that the immediate impact of the CWA would be on the current budgets within the capital programme and HRA and that there may not be an impact on debt as cost may reduce in other areas. It may be that the current cash profiling needed to be slightly pushed back which may incur additional interest, but all factors needed to be considered so that a judgment could be made.

- A Member challenged that the buildings proposed were already quite tall and dense and wanted to know how much more this could be increased by.

The Interim Commercial Director explained that increasing the height and density of the developments required consideration and that it was an option. Various policy consideration needed to be considered before a decision was made.

- The Chair sought to understand what work had been done in relation to where developments could be made taller and denser to support viability.

An officer advised that those options had not yet been explored formally. There were limits due to surrounding areas, however there were possible options that would arise from future design meetings.

- The Chair questioned what instructions had been given to officers by the administration, to which the Leader of the Council advised that there was a need for the development to be appropriate for the area in conjunction with meeting the Council's affordable housing objectives and that time was needed for an appropriate approach to be determined.
- A Member raised the importance of parking at the new civic centre and asked if there was an update on this.

The Interim Commercial Director responded that parking was being assessed and an update would be provided in due course.

- A Member raised the importance of the heritage displays and wanted to know the progress on how these items would be displayed in the new development.

The Interim Commercial Director reassured the Member that on-going working group discussions had taken place and that the findings would be presented to Members.

- A Member highlighted the importance of safeguarding and personal safety surrounding the future developments and asked that these concerns be addressed and wanted the public to be aware that work would be undertaken towards this.

The Chief Executive reassured the Committee that these topics would be included for discussion at the appropriate meeting.

The Leader of the Council added that a lot of work had been done on public safety and that further work would continue to be undertaken.

**RESOLVED:** That the Committee's comments in relation to the HSDP update be forwarded to Cabinet for consideration.

## **For Consideration**

### **Background Documents:**

[Agenda of Overview and Scrutiny Committee – 8 March 2022:](#)

[Supplemental Agenda of Overview and Scrutiny Committee – 8 March 2022](#)

Minutes of Overview & Scrutiny Committee – 8 March 2022

Reports on:

- Harrow Strategic Development Partnership – Progress Update

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