

Report for: **Cabinet**

Date of Meeting:	17 th November 2022
Subject:	Harrow Strategic Development Partnership – Review and Progress
Key Decision:	Yes - the matter is key by virtue of <ul style="list-style-type: none">i. Financial/ Budget considerations because it will involve capital expenditure in excess of £1mii. It will be significant in terms of its effects on all wards of the Borough
Responsible Officer:	Dipti Patel - Corporate Director - Place
Portfolio Holder:	Councillor Marilyn Ashton - Deputy Leader and Portfolio Holder for Planning and Regeneration Councillor David Ashton - Portfolio Holder for Finance and Human Resources Councillor Mina Parmar - Portfolio Holder for Housing
Exempt:	Part Exempt - Appendix 1 is confidential under paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) because it contains information relating to the financial and business affairs of the Council and Wates.
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Exempt Appendix 1 – Grange Farm Business Plan Appendix 2 – Public Grange Farm Business Plan

Section 1 – Summary and Recommendations

This report updates Cabinet on the review of the sites in the Harrow Strategic Development Partnership (HSDP) and sets out the direction of travel and next steps. It also seeks the approval of the initial Business Plan for Grange Farm and its incorporation into the HSDP

Recommendations:

Cabinet is requested to:

- i. Note the outcome of the review of the HSDP sites.
- ii. Authorise and agree to receive further reports on the phase Business Plans for each scheme.
- iii. Approve Greenhill Way as the preferred location for the Town Hall.
- iv. Approve the initial Business Plan for Grange Farm (Phase 2).
- v. Agree to incorporate the Grange Farm scheme into the HSDP and the development of a planning application for Phases 2 and 3.
- vi. Confirm the decision to revise the HSDP schemes and authorise officers to commission appropriate professional services and to carry out preparatory and enabling works as appropriate

Reason: (for recommendations) For Cabinet to understand the outcomes of the review of the HSDP sites, authorise preparation of business plans for the revised schemes, to allow further works required to provide a new Town Hall to be carried out and to agree the business plan and way forward for Grange Farm in order that high quality new housing can be developed for the Council's tenants and residents.

Section 2 – Report

2. Introductory paragraph

The HSDP was established in August 2021 following a procurement process under the Public Contracts Regulations 2015 from which Wates Residential emerged as the Council's partner.

Following the set-up of the partnership, progress was made on the development of the schemes and the production of detailed Business Plans. A report to Cabinet in March 2022 advised of progress and set out the challenges that the partnership was currently facing, particularly in terms of viability as a result of the ongoing impact of build cost inflation.

A report on the options for the delivery of phases 2 and 3 of the Grange Farm estate regeneration scheme was considered by Cabinet in November 2021.

As a result of that report, the HSDP was requested to produce a Business Plan to incorporate the Grange Farm scheme into the HSDP.

2.1 Options considered

For the HSDP sites as a whole the review has considered a wide range of options including do nothing. This last option would not meet the Council's objectives of providing much needed housing including affordable housing for its residents and would leave the sites undeveloped and of limited value.

The options selected will, subject to further business planning, be the most deliverable, viable and acceptable solutions.

For Grange Farm there were three key options at this stage:

Do nothing – This would not be acceptable given the need to replace the existing housing and the advanced consultation with residents

Build out the originally consented scheme – for reasons set out in the report this is no longer the optimum scheme and would not be viable.

Seek planning permission and look to develop a scheme for phase 2 based on the parameters set out in the report.

2.2 Background

The table below sets out the position about each of the sites in April 2022.

HSDP Sites (Apr-22)		Summary		 			
Site	Units Nos	AH %	Non-Resi	Heights/ Massing	Planning Status	Key Challenges	Delivery
Milton Road	39	100%	Retail/Community	7/4/3 storeys	Permission granted	Ensuring value for money	CWA
Byron Quarter	352	50%	NA	3 -10 storeys	Allocated Site/ Application Targeted Mar 22 (delayed)	Viability	DA
Peel Road	191	40%	Civic Centre (circa 3000m2)	4 -17 storeys	Full planning application Targeted Sep 22	Viability	DA & CWA
Poet's Corner	1,034	40%	Retail/ commercial	3 -15 storeys (reduced from 17)	Hybrid App with Detailed Ph1	Viability	DA
*Grange Farm	485	38%	Community Building	4-7 storey	Outline 2019	Viability Design	DA & CWA

CREATING TOMORROW TOGETHER

At that time the challenges of building cost inflation were already becoming apparent, particularly about Byron Quarter and Peel Road, although at the time more optimism prevailed with regard to the other sites, in part because of the early stage of design.

2.3 The review of the schemes

Following the election in May 2022 the HSDP was asked to review all its schemes.

The areas for consideration included:

- Height and density
- Design
- Tenure and typology – particularly seeking more houses and family housing where possible
- Location of the Town Hall, which was not to be located at Peel Road, together with consideration of appropriate sizing for the building.

No changes were proposed to Grange Farm as part of the review, but the development of the Business Plan was to continue.

2.4 The outcome of the review

a) Byron Quarter

The principal outcomes of the review are the reduction of the height of the buildings on the eastern Belmont Trail boundary of the site, which is closer to residents, and the addition of some units of terraced housing on the south-eastern corner.

The challenges of build costs remain, and the partners are working through this including in discussion with the GLA. Pre application discussions following the changes have resumed both with the local planning teams and the GLA. Partnership colleagues and advisers continue to explore the most appropriate ways of tackling the viability issue. It is aimed to bring back the detailed Phase Business Plan in January 2023.

b) Peel Road

The Civic Centre has been removed, and two and three block residential options are being considered. Given the fact that this is within the Opportunity Area for Harrow, a level of height is being retained, although this will not exceed the height of existing consented buildings. Here, as elsewhere, the Council and the partnership will also be concentrating on achieving exemplar design.

Currently feasibility discussions are ongoing with the planning officers and financial due diligence is being undertaken, particularly around the most appropriate tenures. Discussions are also underway with regard to attracting GLA grant for this scheme. The challenges of financial viability will apply here too, but at this much earlier stage, there is considerable opportunity to resolve these.

c) Greenhill Way

As the Town Hall will no longer be sited at Peel Road, the partnership was asked to review the existing Civic Centre site at Poets Corner and Greenhill

Way car park as to the most suitable location for a new Town Hall. Council officers and advisers also examined the optimum size for the Town Hall, given that the Council's prime focus for collaborative and in-office working is now the Harrow Council Hub at Forward Drive (HCH).

The sizing process concluded that a building of approximately 1,500 m² will meet the Council's requirements comprising of:

- Council Chamber
- Space for gallery
- Mayors Parlour
- Two committee rooms
- Entrance and waiting area
- Toilets and changing room
- Storage and kitchen
- Cycle Storage
- Server room
- Car Parking – 60 spaces
- **Total Area 1,500 sqm**

The HSDP review concluded that Greenhill Way was the better of the two sites, as easier to develop, and presented opportunity for a good potential mixed use development site with a strong town centre presence. In addition, this would enable a better land value at Poets Corner, where the scheme was already facing challenges of viability and it was important not to make this more difficult.

The HSDP review concluded that Greenhill Way was the better of the two sites, as it was more easily developable; would form a good potential mixed use development site and in addition would enable a better land value at Poets Corner, where the scheme was already facing challenges of viability and it was important not to make this more difficult.

The HSDP has carried out initial feasibility and has produced a scheme indicating that the Town Hall can be accommodated within the footprint of the car park and additional residential development can be delivered at the same time.

The opportunity exists for mixed use including leisure and residential with further discussions required.

Currently the HSDP is conducting more detailed feasibility studies and ascertaining a realistic cost estimate to enable a formal decision in the near future.

d) Poets Corner

Following the review, a new scheme is under production which incorporates better use of space, preservation of the existing trees, improved public realm and an effective route through the site to the station. The maximum height is

now 10 storeys rather than 17. This scheme is in development, and it is expected that the Business Plan for this will come forward in the early 2023.

e) Milton Road

Milton Road was incorporated into the HSDP in November 2021 and planning consent was granted for a seven -storey building comprising 29 flats and 10 associated town houses.

The review considered the height of the building and as a result has removed one story with a reduction of three units. Consideration of the tenure mix found that a switch from shared ownership to private sale brought no benefits in viability terms and would have resulted in a loss of grant.

The scheme now comprises 36 units of which 10 are houses for rent, 2 are wheelchair flats and 24 are shared ownership flats. Civic 9 has been demolished and the site is largely development ready. A new application varying the existing planning consent will be submitted shortly.

The changes to Milton Road were approved by Cabinet on the 13th October 2022.

Agreeing the final cost plan with Wates Construction Ltd has proved extremely challenging, particularly as a result of the current build cost inflation. The final cost plan is due imminently and it is anticipated that this should be reported at the next Cabinet meeting.

2.5 Next steps

Cabinet will be asked to consider the Business Plan reports for Byron Quarter and Peel Road in January 2023 and Poets Corner shortly thereafter. It is expected that a report on the approach to the Town Hall and Greenhill Way site will also be available in early 2023 but it may be possible to bring this forward. Final cost plan details on Milton Road should be available for the December Cabinet.

2.6 Grange Farm

The regeneration of the Grange Farm estate enables the replacement of the existing poor quality social housing with a high -quality mixed tenure development that provides a better mix of social housing to meet the needs of existing and future households as well as shared ownership and market housing for sale.

The Grange Farm estate covers 3.6 hectares in South Harrow within the Harrow on the Hill ward. It received a hybrid planning consent for 574 new homes – 274 affordable and 300 private sale – to be delivered in 3 phases. The overall level of affordable housing provided in that consent is 48%.

Phase 1 consisting of 89 new homes – 69 for rent and 20 for shared ownership has been developed by the council and is due for completion in Spring 2023. In November 2021 the Council considered its options for phases 2 and 3 and approved the principle of appointing the HSDP to take

forward the redevelopment of Phase 2 and 3 of Grange Farm and invited the partnership to develop an initial Business Plan.

The HSDP has produced an initial Business Plan, and this is attached as Exempt Appendix 1. A publicly available version is attached at Appendix 2.

The HSDP Business Plan proposes that the remaining phases deliver 532 new homes. Phase 2 will be taken forward first and would include 256 homes, 83 of which will be affordable, constituting 39% by habitable room. The 83 affordable homes will enable the remaining existing secure tenants on the estate to be rehoused in new homes. There will be a greater proportion of family sized homes than the extant outline consent.

Phase 3 will deliver the remaining 276 new homes, of which 93 would be affordable, as well as a new Community Centre which will be larger and offer better facilities than the current one.

Although there is an existing outline planning permission for phase 2 and 3, the HSDP recommends a new planning application is taken forward for Phases 2 and 3 as there has been significant change since 2019 with regard to carbon reduction requirements and to capture the improvements and optimisation identified during the review and business plan process.

These include the provision of additional housing, a greater proportion of family sized homes, improved layout with more efficient design, energy performance and place making. In the latter case, this particularly includes the green space and streetscape. The Grange Farm Steering group, estate residents and the wider community will be involved in developing revised plans, taking into account their vision already incorporated in Phase 1.

Currently the heights of the buildings remain as per the existing planning permission at a maximum of seven storeys.

Within the Business Plan there is a draft social value plan, but it is important that the detail of this is worked up in partnership with local residents and the voluntary sector partners that provide support and services to residents, and this will develop over time.

At present phase 2 of the scheme has a positive land value, meaning that the scheme is viable and that for the Council's land, a sum of £1.03m would be received. This will potentially improve when the funding sources are confirmed and result in a higher land value when this is crystallised at land draw down. Following development each partner receives a projected profit of £6.23m.

The scheme is estimated to cost £85.55m to build, receiving an estimated £83.12m in revenue from private sale and the Council housing costs £37.23m. The partnership has modelled a number of inflation scenarios and the Business plan adopts that which both the partnership and the Council's commercial advisers deem the most likely. The Council's commercial advisers Avison Young advise that the Business Plan is based on acceptable commercial and market parameters, and build costs are comparable with assessments already provided by Arcadis, the joint venture supervisor. This is covered in more detail in the financial implications.

Phase 3 at the moment is not viable currently having a negative land value. However, work on development of phase 3 would not be scheduled to start until November 2026, and this means that the figures as currently assumed are subject to considerable change, particularly in terms of sales values and build cost inflation both of which remain uncertain over the time period. Viability by the time of funding commitment is therefore anticipated. Existing residents will be rehoused in the new Phase 2, therefore no permanent residents living on the estate would be left waiting for a new home if Phase 3 was delayed. Ongoing review of the phase viability will take place and no commitment is required prior to Quarter 3 of 2025. Planning and design costs will be incurred, however, to enable the submission of the planning application and capture the improvements to the design and layout that have been made during the course of the Business Plan period and to ensure a cohesive approach to the site.

There are key milestones within the project which are effectively natural 'Gateways' or 'Hold Points' in the project timeline, where an up- to- date assessment on viability, cost expenditure to date and future costs budget can be made prior to further commitment. The project is treated as two phases to allow risk to be managed accordingly.

Within the Business Plan the financial section sets out Forecast Costs for the following 'Hold Points':

- Prior to submission of Planning application
- Prior to the instruction of the Pre-Contract Services Agreement for Phase 2 which effectively brings the Building Contractor into play for final design and contract establishment.
- Prior to 'unconditional' land draw- down and construction contract for phase 2

These will be replicated for phase 3, but there will need to be approval of a viable phase 3 Business Plan and a 'go' decision for phase 3 design and development before that applies.

a) The process for the addition of the Grange Farm estate to the HSDP

This process is governed by Schedule 8 of the HSDP Members Agreement. At Cabinet in November 2021 Cabinet acknowledged that the HSDP had brought forward a development proposal and requested it to prepare a Business Plan. Approval of this plan will incorporate the site into the HSDP and trigger the start of the development process.

The recommendation of the HSDP board and the recommendation to Cabinet is to proceed at this point to incorporate the schemes into the HSDP and proceed with the development of phase 2. This will be consistent with the approach previously adopted when Phase 1 was commenced independently to allow time for the Council to consider the options for achieving viability for Phases 2 and 3.

Approval of Business Plans is subject to the approval of both member parties within the partnership. The appropriate Boards within Wates have approved the business plans for Phase 2 and sanctioned expenditure to the point of the scheme becoming unconditional and ready for development.

b) The legal documents and development routes

For the market sale housing, the core approach of the HSDP will apply. There will be a development agreement specifying the nature of the development and the HSDP's obligations under that agreement. The costs of development which are shared on a 50/ 50 basis are met through the Council's land and any additional cash required being matched by Wates resources up to circa 35% of the development cost. The rest is met by borrowing on behalf of the HSDP. The returns are split on a 50/50 basis.

For the affordable housing, a Community Works Agreement (CWA) will be in place. This is the form of agreement used when the Council directly commissions work from the HSDP. The housing is purchased at cost, in this case funded from the Housing Revenue Account. It has always been the case that the Council would own the replacement housing at Grange Farm because of the tenants who are moving into new homes on the estate and wish to remain secure tenants. That being the case the Community Works Agreement is the appropriate legal mechanism. This is also true of the Community Facilities planned for Phase 3

2.7 Way forward

For phase 2 it is proposed that subject to Cabinet approval the scheme is developed and planning permission sought in September 2023. Demolition of the existing homes in Phase 2 are planned for September 2023 as these homes will be vacant following the rehousing of tenants in the new Phase 1 homes. Other enabling works follow with development of housing to start in October 2024. It may be that these timescales can be improved upon.

Continued review of the Business Plan will take place and financial decision making reviewed in accordance with the 'hold points' listed above.

Both the legal documents described above will be negotiated and finalised during the development period.

When the design and development process is progressed, taking into account the gateway, or holding points described above, Cabinet will receive an update Business Plan for approval prior to commencing development.

a) S123 Best Consideration

The Council's commercial advisers Avison Young have confirmed that at this stage the inclusion of Grange Farm takes place within the structure set out in the Members agreement. At this stage no report on s123 Best Consideration is required. This confirmation is attached as Appendix 3. A further report on s123 Best Consideration will be made at drawdown when the conditions precedent are satisfied, land value is crystallised, and development is ready to commence.

b) Subsidy Control

Since the previous advice taken by the Council, the Subsidy Control Act 2022 has received the Royal Assent on 28 April this year. The Government has recently announced that the Act will enter fully into force on 4 January 2023. Until then, UK subsidy control law will continue to exist in the interim form described in the Legal Annex to the Cabinet Report dated 15th July 2021.

Accordingly, advice received from external solicitors remains that, provided that the financial arrangements between the Council and HSDP are on commercial terms (i.e., satisfy what is now to be known as the “Commercial Market Operator Principle”) then there should be no subsidy to either HSDP or Wates. This will require that the Council’s land is transferred to HSDP at a market value (as supported by a suitable valuation) and that the financial rewards to the Council are commensurate to its contribution to HSDP.

c) Ward Councillors’ comments

At this stage the report on the HSDP schemes relates to the direction of the travel of the HSDP, and thus to the whole Borough. No specific ward Councillor consultation has been carried out. At the detailed phase Business Plan stage this will be required.

For Grange Farm the relevant ward members have been consulted and no comments received to date.

2.8 Environmental Implications

All new homes must meet high standards of energy efficiency to reduce CO2 emissions as well as reduce fuel poverty. Phases 2 and 3 of Grange Farm will need to meet the Future Homes Standard and aspire to be net zero carbon in operation.

In recent times planning and Building Regulation requirements have moved to require ground or air sourced heat pumps, provision of green roofs, solar thermal hot water systems and photovoltaics, improved biodiversity resulting in increased tree planting and landscaped communal open spaces, provision of Sustainable Urban Drainage systems and green travel plans to encourage active travel with use of public transport and walking.

The HSDP is developing an energy and heating strategy, together with an overall sustainability approach to meet those needs. The estimated costs for the business plan at this stage reflect this.

2.9 Risk Management Implications

Risk included on Directorate risk register? Yes
Separate risk register in place? Yes (for the whole project)

The relevant risks contained in the register are attached/summarised below.
Yes

The following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
Business Plan for Grange Farm (Phase 2) does not meet the Council's requirements/ is unachievable/ unaffordable	<ul style="list-style-type: none"> • Assessment by the Council's financial and commercial advisers • Business plan review and update • Continued viability review and gateway/ hold points • Achievable mitigation 	<ul style="list-style-type: none"> • Amber
Lack of financial viability for Phase 2 <ul style="list-style-type: none"> • Continued inflation • Cost risk • Market risk to revenue • Land Value • Changing requirements of building regulations including sustainability and fire safety 	<ul style="list-style-type: none"> • Continued monitoring and viability review • Sensitivity testing and value at risk carried out • Option to consider changes to design – massing and density • Discussions with Ministry of Defence • Value Engineering • Programme phasing or delay • Cost management pre and post construction using all available mitigations • Financial model indicates Phase 2 viability at present 	<ul style="list-style-type: none"> • Amber
Failure to achieve financial profile leading to burden on Council finances	<ul style="list-style-type: none"> • Partner finance teams meeting continue • Client-side monitoring and reporting • Financial model indicates achievable at present 	<ul style="list-style-type: none"> • Amber
Lack of Satisfaction with procurement process and assessment of best value	<ul style="list-style-type: none"> • Independent legal advice has been received with regard to the procurement of the HSDP and the 	<ul style="list-style-type: none"> • Green

	<p>ability for the Council to use the HSDP for the development of sites other than the Core Sites</p> <ul style="list-style-type: none"> • The procurement policy for the HSDP requires open book evaluation monitored by the HSDP supervisor to ensure best value. All direct works packages are treated the same. All sub- contract packages are market tendered. • Council will appoint appropriate advisers on CWA works. • Council's commercial adviser provides direct advice to Council on viability 	
<p>Grange Farm Phase 3 continues to remain unviable</p>	<ul style="list-style-type: none"> • Monitoring at hold /gateway points and Business Plan review • Go/ no go date in 2025 • Retain units for temporary accommodation • Minimisation of expenditure on phase 3 	<ul style="list-style-type: none"> • Amber
<p>Failure to obtain successful planning permission for Phases 2 and 3 of Grange Farm</p>	<ul style="list-style-type: none"> • Pre application discussions with planning and with GLA • Monitoring of legislative proposals • Political group briefings to continue • Risk allowance for climate change and energy strategy changes 	<ul style="list-style-type: none"> • Amber

<p>Inadequate skills on the Client side to monitor HSDP performance and control risks</p>	<ul style="list-style-type: none"> • Council to appoint permanent 'client side' structure to ensure the necessary skills and abilities are available 	<ul style="list-style-type: none"> • Amber
<p>Inadequate governance and assurance over HSDP</p>	<ul style="list-style-type: none"> • All formal decisions made by the Council are subject to the Council's normal decision- making process • Decision making is supported by the Council's corporate strategy board • Delegations' policy • Partnership Structure • Cabinet and Overview and Scrutiny oversight • GARMS involvement as appropriate 	<ul style="list-style-type: none"> • Green
<p>The Council does not receive best consideration for its assets in accordance with s123LG Act 1972</p>	<ul style="list-style-type: none"> • The letter from the Council's commercial advisers Avison Young, included at Appendix 3 confirms that the approach remains within the parameters of best consideration set out in its assessment of the report in July 2021. A further assessment will be carried out at the time of proposed land draw down. 	<ul style="list-style-type: none"> • Green
<p>Greenhill way is not the best site for the Town Hall</p>	<ul style="list-style-type: none"> • The HSDP review concluded of the two sites to develop this on, it is: more easily developable; would form a good potential mixed use development site 	<ul style="list-style-type: none"> • Green

	<p>and in addition would enable a better land value at Poets Corner, the Town Hall can be accommodated within the footprint of the car park and additional residential development can be delivered at the same time.</p>	
--	---	--

2.10 Procurement Implications

The procurement implications with regard to Grange Farm came to Cabinet in November 2021 when the HSDP were requested to submit a business plan. There are no further implications at this time.

The procurement implications associated with recommendation 3 of this report (Greenhill Way) will be considered in detail in a further report that will come to Cabinet in due course.

2.11 Legal Implications

The Council has power under section 123 of the Local Government Act 1972 (“Section 123 LGA 1972”) to dispose of land in any manner it wishes, provided the disposal is at the best consideration reasonably obtainable. Any disposal at less than best consideration requires Secretary of State consent.

When considering the duty under section 123 LGA 1972, what is reasonable in any particular case depends on the facts of the transaction. Any independent valuation obtained to demonstrate compliance with the s.123 duty should be up to date and that there should not have been any material and significant changes in circumstances since it was obtained. The Council’s plan to obtain a further valuation report at drawdown of the Grange Farm land when the land value is crystallised, is therefore appropriate. In addition, obtaining proper professional advice throughout the process on how to maximise receipts is a material consideration and the Council should limit itself to taking account of those elements of a transaction which are of commercial or monetary value when assessing whether it is obtaining the best consideration reasonably obtainable.

Section 12 of the Local Government Act 2003 gives the Council power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs. The Council, however, has a general fiduciary duty to its rate payers to get best value for money and needs to have regard to this duty when making decisions relating to spending, including when reviewing the HSDP schemes.

Legal advice has been sought on incorporating the Grange Farm Phase 2 and 3 works into the HSDP.

Legal advice will be sought in relation to the legal agreements and all related legal matters.

2.12 Financial Implications

The recommendations to approve the initial Business Plan for Grange Farm (Phase 2) and agree to incorporate the Grange Farm into the HSDP, have financial implications for both the Councils Housing Revenue Account (HRA) and General Fund.

Phase 2 of the Grange Farm Scheme will deliver 256 homes, of which 83 will be affordable and the remaining 173 will be for private sale. The affordable housing will be built under a Community Works Agreement within the HSDP. The costs will be fully funded by HRA resources and Council borrowing, with no external grant contributions, and the capital financing costs will be fully funded by the HRA.

a) Affordable Homes – Grange Farm Phase 2

The total cost of the 83 affordable homes is £37.234m with the spend being profiled over the five-year period 2022/23 to 2027/28. The Council's current Capital Programme (2022/23 to 2024/25) includes a sum of £25.046m therefore a further £12.188m of council borrowing will have to be added into the programme during the annual refresh process. The existing provision in the programme requires re-profiling and this will again be done during the annual refresh process to both the draft Capital Programme (December Cabinet) and the HRA Business Plan (January Cabinet (estimate)). The table below summarises the capital requirements for the 83 affordable units:

Current HRA Capital Prog	22/23	23/24	24/25	25/26	26/27	27/28	TOTAL
Grange Farm Phase 2-	£2,268,549	£10,021,813	£12,755,523	£9,297,217	£496,222	£0	£34,839,324
reprofile	-£1,829,304	-£8,297,713	£739,957	£9,051,188	£335,873	£0	£0
Addition	£0	£0	£0	£0	£2,215,474	£179,959	£2,395,433
REVISED TOTAL NET	£439,245	£1,724,100	£13,495,480	£18,348,405	£3,047,569	£179,959	£37,234,757

The total scheme cost of £37.234m:

- Includes a developer contingency of £1.08m (39% of the total developer's contingency of £2.7m for Grange Farm Phase 2)
- Assumes build cost inflation of 11.41% between today and the incurrence of the costs.
- Is affordable within the HRA business plan. Any variation in cost, which is not contained within the contingency sum of £1.08m, will have to be contained, and be affordable, within the HRA business plan. An earmarked reserve has been set up for unforeseen financial risks to mitigate against the financial risk associated with the new build programme within the HRA. The level of this reserve will be reviewed as part of the annual refresh of the HRA business plan.

In terms of governance arrangements for the CWA, the HSDP will manage the scheme on behalf of the Council's Housing function. The Council's Housing function will be responsible for liaising with the HSDP to ensure the scheme is delivered to the specification, price and timetable agreed.

b) Homes for Private Sale

The Financial Viability Model encompasses the financial implications of the Harrow Strategic Development Partnership allocated over the various sites. The original model covered Peel Road, Bryon Quarter and Poets Corner) and the new Harrow Civic Centre (HNC) including basement parking. Following the 'pause' in the Regeneration Programme, as thinking now moves forward on sites, the model is being refreshed on a site by site based on the planned activity within the site Business Plan. The first Business Plan and financial model is for Grange Farm Phase 2 and the 173 homes for private sale which will be managed as part of the '50/50' arrangement within the HSDP. The Business Plan will be subject to review which could lead to changes in the model and this will be managed and reported through the governance arrangements supporting the development partnership.

The model covers a 7 -year period from 2022 to 2028. The values quoted for the Council's capital requirements and investment returns are in line with the model at the point of agreeing the Business Plan. The summary model for the 173 homes is detailed below:

HSDP, Grange Farm Private Sales - Capital Investment						
Year	Year	Gross Capital Investment	Funded by Capital Receipts:			
		HSDP-GF Private	Total Capital Investment	Investments	Land	Council Borrowing Requirement
1	2022		£0			£0
2	2023		£0			£0
3	2024	£9,905,509	£9,905,509			£9,905,509
4	2025		£0			£0
5	2026		£0	£-9,844,453	£-1,025,862	£-10,870,315
6	2027		£0	£-61,055		£-61,055
7	2028		£0			£0
	TOTAL	£9,905,509	£9,905,509	£-9,905,509	£-1,025,862	£-1,025,862
Harrow Strategy Development Partnership - REVENUE						
Year	Year	CLN A1 - Land Value	CLN A2 - Capital	JV Dividend		
		Interest	Interest	Payment		
1	2022	0	0	0		
2	2023	£0	£0	£0		
3	2024	£0	£0	£0		
4	2025	£0	£0	£0		
5	2026	£147,421	£1,430,102	£0		
6	2027	£0	£4,687	£6,234,032		
7	2028			£0		
	TOTAL	£147,421	£1,434,788	£6,234,032		

The Councils total capital investment into the HSDP over the 7-year period will be £9.905m. This cost includes a developer's contingency of £1.695m. The financial model assumes 2% inflation per annum on sales and build costs are inflated by 11.41% between today and the incurrence of the costs. The total capital investment figure of £9.905m is the investment required by the Council and therefore excludes the Council owned land which is required to be transferred into the partnership. The land on which the private market sale homes are to be built on is owed by the Council's HRA. The land has a residual value of £1.025m based on the assumptions within the Business Plan. This will change at the point of drawdown.

The capital investment requirement will be funded by a total of £10.931m capital receipts received from the partnership as properties are completed and sold, as detailed:

- £9.905m – capital receipts in repayment for the £9.905m capital investment in the HSDP
- £1.025m – capital receipts in repayment for the £1.025m land value

Upon repayment of the £1.025m capital receipt for land value, there will be an adjustment between the debt financing arrangements between the General Fund and the HRA to reflect HRA ownership of the land.

The model profile shows that there is a 2-year gap between the capital investment into the HSDP and the capital receipt being returned to the Council. Rather than borrowing the capital investment on a short-term basis, which would incur additional capital financing costs, it is proposed to use capital budget already included in the Councils Capital Programme. The current Capital Programme includes a budget of £10.198m in 2022/23 and £1.915m in 2023/24 for the scheme 'Regeneration – Investment in 3 Core Sites.' There are no commitments against this £12.113m budget and it will be sufficient to fund the £9,905m capital investment profiled for 2024 and the cost of taking Grange Farm – Phase 3 (private sale homes) to planning and design stage, as detailed later in the financial implications section.

It is accepted that Grange Farm was not one of the three core sites as part of the original HSDP arrangement but using capital budget already in the Capital Programme is thought more prudent:

- To prevent additional capital financing costs becoming a pressure to the Medium -Term Financial Strategy (MTFS)
- To provide the Council more flexibility when receiving the capital receipt and revenue returns from the HSDP

In terms of revenue implications, the model calculates interest payments due to the Council at £1.582m:

£147k interest on the land value of £1.025m
£1.435m interest on the £9.905m investment in the HSDP.

As these revenue returns are due to be received beyond the time frame of the updated MTFS (2023/24 to 2025/26) coming to December Cabinet, they will be built into the MTFS refresh process for Cabinet in December 2023.

In addition, the model calculates that JV dividends of £6.234m will be received over the 7-year period. Again, these are profiled to be received beyond the updated MTFS and will be built into future iterations.

The homes for private sale element of Grange Farm will be managed within the existing governance arrangements for the HSDP.

c) Grange Farm – Phase 3

This Cabinet report recommends Phase 3 being taken to the design and planning stage for both affordable homes and those for private market sale. The estimated cost of this stage for the affordable homes is £466k. Within the current 3-year Capital Programme there is a budget of £1.052m in respect of Grange Farm – Phase 3 and this budget can be used to fund the £466k required. This capital financing costs of this budget is funded within the HRA. No further funding for this scheme will be included in the refresh of the Capital Programme until a viable Business Plan has been agreed. The table below summarises the capital requirements:

Current HRA Capital Prog	22/23	23/24	24/25	25/26	26/27	27/28	TOTAL
Grange Farm Phase 3-	£311,846	£311,846	£428,422	£6,008,017	£16,588,596	£0	£23,648,727
Reduction	-£57,148	-£99,597	-£428,422	-£6,008,017	-£16,588,596	0	-£23,181,780
REVISED TOTAL NET	£254,698	£212,249	£0	£0	£0	£0	£466,947

In respect of planning and design fees for those homes for private market sale, the fees are estimated at £830k. This will be funded from the budget already in the Capital Programme – Regeneration – ‘Investment in 3 core sites.’

If Phase 3 should not progress the £1.296m of design and planning fees will be at risk of being classed as abortive. This could be dealt with by a reduction on the Council’s return on other schemes or in the final analysis could be subject to write back to revenue (HRA and General Fund) if Phase 3 does not progress.

2.13 Equalities implications / Public Sector Equality Duty

An Equalities Impact assessment was undertaken at the start of the Grange Farm regeneration project in 2016, based on a housing needs assessment carried out in 2014. The assessment concluded that while there was a risk that the regeneration of the estate could potentially have a disproportionate adverse impact on those existing residents who share the protected characteristics of age and disability due to the disruption of having to move, the evidence showed that the greater likelihood was that the impact on these protected characteristics would be positive because the regeneration project will result in a better mix of affordable rented dwellings than currently exist including one, two, three and four bedroom homes, 10% of which would be wheelchair accessible. Additional assistance would be provided to vulnerable

residents including older people and people with disabilities to help them with the moving process.

A new and updated Equalities Impact assessment has been carried out at this time and is attached as Appendix '4'. This reaches the same conclusion. Negative impacts are related to the moving process and are mitigated through the additional assistance, including financial compensation, provided by the council. The provision of new, energy efficient affordable housing has a positive impact for a number of protected characteristics both for existing residents and for future residents. The scheme also meets the Public Sector Equality duty. Modern housing and amenities will support equality of opportunity and better outcomes for residents of the estate and the local area. The resident engagement and involvement on this project foster good relations between residents from different groups. The council is working with voluntary sector partners to support them providing community activities particularly aimed at supporting children of all ages as well as providing services to assist with food poverty and engaging teenagers. The resident community is very diverse and cohesive and their vision for the new community is to continue being open and inclusive to all.

For the rest of the HSDP schemes a further detailed and updated Equalities Impact Assessment will be completed and will accompany each phase Business Plan as they return to Cabinet.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 31/10/2022

Statutory Officer: Stephen Dorrian

Signed on behalf of the Monitoring Officer

Date: 31/10/2022

Statutory Officer: Nimesh Mehta

Signed by the Head of Procurement

Date: 31/10/2022

Statutory Officer: Dipti Patel

Signed by the Corporate Director

Date: 31/10/2022

Statutory Officer: Susan Dixon

Signed by the Head of Internal Audit

Date: 31/10/2022

Mandatory Checks

Ward Councillors notified: YES – for Grange Farm

EqlA carried out: YES

An EqlA has been carried out for the Grange Farm estate regeneration and its' proposed inclusion in the sites of the HSDP. It is attached as Appendix '4'

EqlAs for the other sites will be carried out when these are brought back to consider the detailed Phase Business Plans.

EqlA cleared by: Dipti Patel

Section 4 - Contact Details and Background Papers

Contact: Julian Wain Interim Director of Commercial Development – julian.wain@harrow.gov.uk

Background Papers:

- [Harrow Strategic Development Partnership – Contract Close and Establishment](#) - Cabinet 15th July 2021
- [Milton Road Development – Transfer to HSDP](#) - Cabinet 18th November 2021
- [Grange Farm Regeneration Phases 2 and 3](#) - Cabinet 18th November 2021
- [Harrow Strategic Development Partnership- Progress Update](#) - Cabinet 10th March 2022
- [Milton Road Development – Review and Progress](#) - Cabinet 13th October 2022

Call-in waived by the Chair of Overview and Scrutiny Committee - NO