

Report for:
ACTION

Item Number:

Contains Confidential or Exempt Information	YES (part) Appendices 1, 3a and 3b, 4, 5, 6, 7, 8, 9, and 10 are exempt by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972
Title	Housing Development Update
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Portfolio(s)	Councillor Shital Manro, Good growth and new housing
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Purpose of Report:

This report provides an update on all activity relating to the delivery of new build council homes in the borough and the progress being made toward the Council Plan commitment to start building 4,000 new genuinely affordable homes by April 2026.

It updates on **A. committed projects** – projects on site and in contract – and describes the fallout, risks, and issues relating to contractor insolvency, including establishing a strategy for resolution with recommendations to be brought to cabinet early 2024.

B. allocated projects describes the current viability of allocated projects in the GLA Affordable Homes Programme (AHP) 2021-26, including a) those which are now unviable; b) changes to existing schemes to make them viable; and c) new projects to be included in the programme (subject to GLA negotiation). The report seeks approval on matters relating to viable projects to progress development to the next delivery stage.

Finally, **C. pipeline projects** explains the work underway to identify more projects to ensure that unallocated AHP grant is used up and to create a pipeline of projects for future funding rounds.

1. Recommendations

It is recommended that Cabinet:

- 1.1. Notes the status of the council's Housing Development Programme and progress toward its 4,000 Genuinely Affordable Homes (GAHs) objective.

A. Committed projects

- 1.2. Notes the increased level of risk on **Southall Market car park** (section 2.18) and **High Lane** (section 2.30) and that a fuller update and mitigations for approval will be presented to cabinet in early 2024.
- 1.3. Notes the current position of **Dean Gardens car park, Chesterton and Evesham Close, Shackleton Road, Norwood Road, Woodend Library** (the "**Package 1 Sites**") (section 2.19), following the administration of Henry Construction Projects Ltd and that a fuller update and recommendation on how to progress these sites will be presented to Cabinet for approval in early 2024.

B. Allocated projects

- 1.4. Notes that four projects within the GLA Affordable Homes Programme (AHP) 2021-26 and with grant allocations:
 - **Stanhope School**
 - **Neville Close**
 - **Shillaker Court**
 - **Golf Links phase 4**(the "**Unviable Projects**") are currently unviable and that further feasibility and appraisal work is required to demonstrate if they can meet required financial hurdles prior to approval of further progress.
- 1.5. Notes proposals for delivery of the following projects within the Housing Delivery Programme and with existing AHP 2021-26 grant allocations:
 - **George Street car park** (section 2.45)
 - **Mandeville Parkway** (section 2.46)(the "**Existing Projects**").
- 1.6. Approves a new general fund capital budget for **George Street car park** of £1.050m and **Mandeville Parkway** of £0.200m to be funded from general fund borrowing until the full scheme costs and financing are known and approved.
- 1.7. Authorises the Strategic Director of Economy and Sustainability to procure and appoint consultants to undertake RIBA stages 1-3 and to prepare and submit a planning application in relation to **George Street car park** (at an estimated total cost of £1.050m should the scheme proceed through all pre-construction approval gateways and to planning decision).
- 1.8. Authorises further design work (RIBA stage 3) and changes to the planning permission on **Mandeville Parkway** (up to a total value of £0.200m) to meet

new Building Safety Act regulations and to ensure a viable scheme, and to submit a revised application.

- 1.9. Notes proposals for the delivery, and inclusion in the AHP 2021-26, of:
 - **Perceval House car park** (section 2.47)
 - **57 Greenford Road** (section 2.48)(the “**New Projects**”).
- 1.10. Approves a new general fund capital budget for **Perceval House car park** of £1.713m to be funded from the general fund borrowing until the delivery model is confirmed and/or full scheme costs and financing are known and approved.
- 1.11. Authorises the Strategic Director of Economy and Sustainability to procure and appoint consultants to undertake RIBA stages 1-3 and to prepare and submit a planning application for **Perceval House car park** (at an estimated total value of £1.713m should the scheme proceed through all pre-construction approval gateways and to planning decision).
- 1.12. Approves a total scheme expenditure budget of up to £33.219m for **57 Greenford Road** to be funded from GLA grant, right to buy receipts and temporary borrowing until the scheme is completed and funded by capital receipts on transfer to its ultimate owner(s).
- 1.13. Authorises the Strategic Director of Economy and Sustainability, following consultation with the Strategic Director of Resources and the Director of Legal and Democratic Services, to purchase the freehold of **57 Greenford Road** and enter into a development agreement (DA) with UB6 Holdings Ltd based on the Heads of Terms attached at appendix 7, subject to further due diligence being satisfactorily completed and authorises the Strategic Director of Economy and Sustainability to issue a al Ex-Ante Transparency (VEAT) notice and enter into any ancillary legal documents required to facilitate the project or protect the council’s interests.
- 1.14. Notes the potential risk of the GLA withdrawing grant allocations for the **Unviable Projects** (2.33) and authorises the Strategic Director of Economy and Sustainability, following consultation with the Director of Legal and Democratic Services, to negotiate with the GLA to vary the terms of the existing grant agreement and to substitute the **New Projects** and other projects which meet the agreed hurdle rates for the **Unviable Projects** within the AHP 2021-26 (including the Council Homes Acquisition Programme).
- 1.15. Notes that the working assumption (for financial modelling purposes) is for the homes created by the **New Projects** and the **Existing Projects** to sit in Broadway Living RP (BLRP) subject to agreement from the BLRP Board and approval of a viable BLRP Growth Business Plan and authorises the Strategic Director of Economy and Sustainability, following consultation with the Strategic Director of Resources and the Director of Legal and

Democratic Services, to determine and implement the most suitable delivery or disposal route.

- 1.16. Authorises the Strategic Director for Economy and Sustainability, following consultation with the Strategic Director of Resources and the Strategic Director of Housing and Environment, to decide whether projects should proceed to the next gateway stage having considered gateway reports, RIBA stage reports, and the latest financial viability information and within approved budgets.

2. Reason for Decision and Options Considered

Housing Development Programme context

A continuing housing crisis

- 2.1. Housing is perhaps the most significant economic and social challenge in Ealing, exacerbating issues of low pay, deprivation, and inequality. Poor housing affordability emerges as the primary factor contributing to deprivation throughout the borough (Shaping Ealing survey 2022).
- 2.2. According to Shelter (2023), Ealing has the 10th highest rate of people who are homeless (living in temporary accommodation or sleeping on the streets) in the UK. The number of families living in temporary accommodation is now circa 2,500, putting Ealing in the top five highest in London.
- 2.3. The waiting list for social housing stands at circa 7,500 applications. Three- and four-bedroom homes have waiting times of 10 and 13 years, respectively. A two-bedroom flat has an average waiting time of six years.
- 2.4. Moreover, earnings have failed to match the rapid growth in house prices, resulting in a significant affordability gap. The current level of unaffordability is unprecedented, with the median house price to median gross annual (residence-based) earnings ratio at 16:1. This makes it difficult for most residents to secure suitable and affordable accommodation.
- 2.5. These statistics highlight the severity of the continuing housing crisis and provide a very strong case, which has not diminished despite tough macro-economic conditions, for the council to continue to support new housing development and regeneration in all forms which will continue to improve the overall number, quality and mix of homes in the borough.

Building 4,000 Genuinely Affordable Homes

- 2.6. In response to the housing crisis, the council committed to “continue a long-term homebuilding programme” in the *Council Plan 2022-2026* and set a four-year target to “deliver [start building] 4,000 new genuinely affordable homes across the borough” by April 2026.

- 2.7. GLA Affordable Housing statistics show Ealing was a top performer – second among London boroughs – in 2022-23 (up from third in 2021-22), seeing more than 2,000 affordable homes started by either the council or housing associations. 679 were council led.
- 2.8. Ealing ranked third among London boroughs with 841 completions for Social Rent and London Affordable Rent tenures between 2016 and 2022 and seventh overall for all types and tenures of new builds with 5,329 homes complete.

Housing development during a market downturn

- 2.9. The previous corporate target of starting 2,500 genuinely affordable homes (GAHs) between 2018 and 2022 was successfully achieved during a time of economic certainty and record-low interest rates.
- 2.10. Despite the council's impressive recent track record in housing development, there are formidable new challenges presented by the prevailing economic conditions and political uncertainty: high interest rates, build cost inflation, construction skills shortages, contractor insolvencies, an uncertain sales market and a decline in private rented sector lettings, and a lack of clarity around new building safety regulations to name some. Each threaten the viability of committed and new projects.
- 2.11. As a result, over the last 18 months, the construction industry in the UK has experienced a major downturn, with the housebuilding sector particularly badly affected. Housebuilding programmes across the country have either been scaled back or stopped. A recent Chartered Institute of Housing (CIH, 2023) survey suggests 44% of all local authorities with build programmes, are reducing their housing capital programmes, and 25% are halting them altogether.

A. Committed projects

- 2.12. This section provides a status update on all committed projects – those on site and under contract/development agreement – within the Housing Development Programme. A number of these projects are now challenging to deliver within the original timeframes and budgets due to the housing market conditions described above.
- 2.13. A Housing Development Programme Overview table, with key information on all current projects, is provided as confidential appendix 1.

Schemes on site (directly delivered) (AHP 16-23)

- 2.14. The delivery of homes funded through AHP 16-23 began in September 2021 following decisions to undertake direct delivery of these developments. All proposed developments were tendered through existing construction procurement frameworks. The last project in the programme to start on site did so in October 2023.

- 2.15. Southall Market car park and Package 1 started on site prior to April 2022 and were counted toward the earlier 2,500 GAHs target.
- 2.16. In October 2022, following the fallout from the mini-budget, a successful negotiation with the GLA secured circa £9m additional grant to safeguard delivery of the final four AHP 18-23 projects.
- 2.17. Section 1 of appendix 2 provides a short status update on all projects currently on site (directly delivered) within the AHP 2016-23:
- **Southall Market car park**
 - **Package 1 (Dean Gardens car park, Chesterton and Evesham Close, Shackleton Road, Norwood Road, and Woodend Library)**
 - **Lexden Road**
 - **Northolt Grange**
 - **Sussex Crescent**
 - **Golf Links phase 3**

Southall Market car park

- 2.18. In June 2023, developer Mackenzie Homes made the council aware of cost escalations impacting the JCT contract sum and the ability of them and their contractor to meet the net maximum commitment agreed in the Forward funding Agreement. Mackenzie has requested additional capital above the agreed contract sum to complete the development. Council officers are currently conducting due diligence regarding the request; the findings of this process will be included in a forthcoming Cabinet report, anticipated for March 2024. In the meantime, work on site has stopped until a decision is reached.

Package 1 delivery (former Henry Construction Projects Ltd sites)

- 2.19. The original build contract for the development of the sites forming Package 1A (Chesterton and Evesham Close, Shackleton Road, Norwood Road and Woodend Library all leased to BLRP) and Package 1B (Dean Gardens car park on land owned by the council) was approved by Cabinet in December 2021. Following a competitive tendering process, Henry Construction Projects Ltd (HCPL) was awarded a JCT 2016 Design and Build Contract for all five sites.
- 2.20. Work started on each site in January 2022 and continued through to April 2023. Issues regarding the HCPL programme were raised as early as September 2022, with progress continuing behind schedule into 2023. Consequently, practical completion dates were missed at Norwood Road and Chesterton and Evesham Close and Liquidated and Ascertained Damages (LADs) were imposed in accordance with the contract.
- 2.21. Pay Less Notices were issued for all sites in May 2023 due to the poor quality of workmanship on site and instructions requiring these to be rectified were also issued. Consequently, no payments were made to HCPL in that month.

- 2.22. HCPL went into administration on 9 June 2023, which gave grounds for BLRP and the council to terminate each of the build contracts with HCPL, following receipt of external legal advice and without any financial penalties to either BLRP or the council.
- 2.23. On termination of the build contracts, BLRP and the council took control of the sites and contracted with a trusted supplier to initially make the sites secure and subsequently to make them safe. In addition, a specialist was procured to assess the situation and review the delivery options for both BLRP and the council.
- 2.24. A detailed update on **Package 1**, including proposals for investigation, remediation, and enabling works and a full assessment of potential next steps will be included in a forthcoming Cabinet report, anticipated for early 2024.

Estate Regeneration

- 2.25. The housing estate regeneration programme has been in operation since 2008, after the results of the Estate Review were published.
- 2.26. Most of the schemes (Dean Gardens, Green Man Lane, South Acton, and Havelock) were procured as partnership arrangements direct with registered providers (RPs) or with RPs and a developer-contractor. This was in response to the restrictions on HRA finance and prior to the Localism Act 2011. It placed responsibility for finance onto the RP who in turn retained ownership of the new housing stock but provided the council with nomination rights to the new homes at affordable rents. All these estates provide homes for shared ownership, private sale, and in some cases discount market rent.
- 2.27. Later schemes (Copley, Golf Links, and High Lane) are structured so that the affordable housing stock remains with the council. These estates also provide homes for sale, shared ownership through the council, and discount market rent. Some have private sales through Broadway Living.
- 2.28. All existing affordable housing on the estates is replaced with an up-to-date and appropriate housing mix, and rents are set at levels low enough to encourage existing tenants to stay and take up such opportunities.
- 2.29. Section 2 of appendix 2 provides a short status update on all estate regeneration projects underway:
- **Copley Close**
 - **Dean Gardens (Sherwood Close)**
 - **High Lane**
 - **Green Man Lane**
 - **South Acton**
 - **Havelock Estate**

High Lane

2.30. The council's JV partner's contractor for this project, REAL Contracting, went into receivership in October 2023. The Council is in discussion with Rydon, REAL's parent company, regarding progressing the scheme. Recent reappraisal of scheme finances has demonstrated that it is still viable. **High Lane** will be included alongside **Southall Market car park** and **Package 1** in a forthcoming Cabinet report, anticipated for early 2024, which will recommend next steps to take the project forward.

B. Allocated projects (Affordable Homes Programme 2021-26)

2.31. Since the Mayor of London announced funding allocations for the AHP 2021-26 in August 2021, worsening macroeconomic conditions have had a significant impact on the housing sector, the council's and BLRP's ability to deliver the projects receiving funding.

2.32. Considering these challenges, and in agreement with the government, the GLA invited investment partners, in February 2023, to make limited changes to their AHP 2021-26 programmes. The most recent approval of AHP 2021-26 allocations was in July 2023.

Unviable projects

2.33. With a continuing downturn in the housing market, Beacon Partnership were commissioned by the council to reappraise all AHP 2021-26 projects during Q3 2023 using revised financial assumptions (including recently benchmarked cost estimates by Beacon and a borough-wide assessment of property values by Savills) and hurdles.

2.34. The exercise resulted in several projects being deemed currently unviable. **Stanhope School, Neville Close, Shillaker Court, and Golf Links phase 4** fail to meet the required financial hurdles. Measures taken to improve viability and an assessment of the potential for partnerships and alternative delivery routes failed in creating proposals which met financial expectations.

2.35. Additionally, **Stanhope School** has received DfE funding toward the rebuild of the school, and the Secretary of State for Education is considered unlikely to approve the release of education land for housing.

2.36. In June 2023, the Housing Development team met with residents of **Neville Close** and **Shillaker Court** to discuss the potential redevelopment and in both cases most residents were happy with the condition of the blocks and wished to remain. Furthermore, a resident ballot is required at **Neville Close** due to there being general needs housing on the estate and the timescale required for this would prohibit a start on site by March 2026, even if a positive outcome were considered likely.

2.37. On **Golf Links phase 4**, a more accurate estimate of the cost of buy backs and securing vacant possession has been produced and this prevents phase 4 being considered viable on its own.

2.38. Considering the issues, it's recommended that replacement projects are sought for the **Unviable Projects** in the AHP 2021-26 programme and that alternative viable options are explored for **Neville Close**, **Shillaker Court**, and **Golf Links estate** prior to their inception into the gateway process.

Existing projects

2.39. **George Street car park** and **Mandeville Parkway** are named projects with approved grant allocations within the GLA's AHP 2021-26. **George Street car park** requires a new budget to be established and consultants procured to undertake RIBA stages 1-3. **Mandeville Parkway** was originally part of the AHP 16-23 and was moved to AHP 18-26 as part of the reforecasting process at the beginning of 2023. **Mandeville Parkway** is designed to RIBA Stage 3 and a planning application was submitted in November 2022. It is expected to go to Planning Committee in early 2024. £1.150m has been spent from the general fund to date. A redesign is now required to accommodate a second staircase in block A and to change tenures to ensure the proposal meets the new financial hurdles.

2.40. Sections 2.45 and 2.46 provide greater detail on each of the **Existing Projects** and described the specific approvals required.

New Projects

2.41. **New projects** must be proposed to the GLA through their continuous market engagement (CME) process and will be subject to negotiation. The GLA expects indicative grant allocations to be used first, before additional grant is requested (including unused/returned grant), and the intention is some of the existing grant is allocated to **Perceval House car park**. More detail and scheme specific decisions are described in section 2.47.

2.42. **57 Greenford Road** is a part-built scheme with permission for 90 homes also proposed as a **New Project** for substitution into the AHP 2021-26. The site is now stalled due to contractor insolvency and the council has agreed Head of Terms (HoTs) with the owner for purchase of the site and a development agreement. More detail and scheme specific decisions are described in section 2.48.

Interim revised AHP 2021-26

2.43. For now, a smaller but currently viable affordable homes programme is recommended including **Existing Projects** and **New Projects**. Financial details of the proposed programme are included in confidential appendix 3a and 3b: Ealing Council Development Programme Independent Financial Viability Review [and addendum].

Interim AHP 2021-26 programme:

Scheme	Mix						Total GLA Grant (assumed) (m)	Right to Buy receipts (m)
	Soc. Rent	LLR	IR/MR	SO	Sale	Total		
Perceval House car park	53	22	0	0	75	150	£12.80	£0.00
George Street car park	0	6	0	6	0	12	£0.87	£0.00

Mandeville Parkway	23	18	65	0	0	106	£5.01	£9.52
57 Greenford Road	27	30	33	0	0	90	£7.95	£4.62
Total	103	76	98	6	75	358	£26.63	£14.14

2.44. Adopting the draft programme has the following implications:

- The council will seek to renegotiate current grant allocations for **Existing Projects** to reflect changes in tenure and economic challenges and to ensure proposals meet the required financial hurdles
- Assumed grant rates have been used in the remodelling exercise; actual grant rates need to be negotiated with the GLA and are subject to change
- The council will seek to reallocate unused grant and profile out the indicative allocation for **New Projects** under the GLA's Continuous Market Engagement (CME) process
- Under the interim AHP 2021-26, the amount of currently unused grant that is not allocated to substitute projects is at risk of the GLA redistribution
- However, to achieve the 4,000 GAH target and not relinquish any grant, the council intends to supplement the projects in the above table, principally through the **bulk purchase programme** (2.59)
- The reduced programme delivers 358 homes in total, down from 1,003 (645 homes or 64% fewer)
- The reduced programme delivers 283 affordable homes (of which 179 are GAH), down from 1,003 (557 GAH) (a reduction in affordable homes of 720 or 72%; reduction in GAH of 378 or 68%).

2.45. George Street car park

Background and current position

- George Street car park is a council owned surface-level car park off Uxbridge Road, which forms part of the A4020 and is a short distance from Hanwell town centre and Hanwell Station (Elizabeth Line).
- The site is 0.215 hectares and comprises circa 80 parking spaces and several mature trees. It is adjacent to Clock Tower Conservation Area. It is allocated in the new Local Plan (HA05) for residential-led development. The car park is in an established residential area with terraced Victorian cottages on one side and modern split-level flats on the other; the two 'ends' are open to Uxbridge Road and Wilmot Place. Surrounding buildings range between two and four storeys.
- A feasibility study was commissioned from architects HOK in October 2020 on the assumption the nearby Hanwell Children's Centre would also be developed for housing and the children's centre would be relocated to the car park site, with the addition of 12 new flats above. The original AHP 2021-26 to the GLA was made on this basis.

- Subsequently a decision was made by the service to retain the children’s centre (with that project formally removed from the AHP 2021-26 programme in July 2023), meaning the car park site may be developed for housing only.

Options considered and current recommendation

- The expectation is to bring a proposal forward for at least 12 family-sized, two storey houses, reflecting the 16 small Victorian terraces along the western edge of the car park. Viability modelling has been carried out on this basis.
- It is a relatively high value area and providing intermediate tenures such as shared ownership or discount market rent supports the delivery of the more affordable London Living Rent for the remainder.
- Internal capacity studies indicate the potential for more homes and the potential to go up to three, or even four, storeys on parts of the site. The budget requested as this stage is reflective of this expectation.
- A land value has not been factored into the modelling at this stage. This will be explored further with Strategic Property and parking services at RIBA stage 1 when a more accurate picture of the number of homes achievable is known.
- It is currently assumed the project will be directly delivered by the council with homes ultimately being held by BLRP, although this will continue to be reviewed throughout the gateway process.
- Due to the small size of the site, partnerships will not be particularly attractive. However, this small site offers the potential to generate a capital return for the council. Given the restricted access making construction challenging, it may be more prudent to dispose of the site or engage an experienced SME private developer to focus on delivering homes for open-market sale. Additionally, the site’s manageable scale and the focus on family-sized housing make it a good candidate for a Community Land Trust (CLT) approach. These options will be further considered at gateways 1 and 2, again once a more accurate picture of the number of homes achievable is known.

Financial requirement

- £1.050m is required to cover the cost of specialist consultants, planning fees, legal costs, and specialist surveys to prepare and submit a planning application for the site. As previously noted, this is on the expectation of achieving more than 12 homes on the site.
- The table below provides an indicative profile of spend to cover design work to planning and fees through the planning process.

Project	Source	Gateway 1 RIBA 0	Gateway 2 RIBA 1-2	Gateway 3 RIBA 3
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		(Revenue)	(Capital)	(Capital)
		Jan 24 – Mar 24	Apr 24 – Oct 24	Nov 24 – Apr 25
George Street car park	General Fund	50,000	350,000	650,000
		<u>£1,050,000</u> (including £50k revenue funding initially for RIBA 0)		

- It is expected that if the project complies with Affordable Homes Programme 2021-26 funding requirements, it will attract grant of circa £65k and £80k for Shared Ownership and London Living Rent homes respectively.

Schedule of accommodation

- As there is not yet a defined scheme proposal, the schedule of accommodation is currently high-level as set out in the table below. The number of homes, tenure and precise unit mix will be refined during RIBA stages 0 and 1.

Number of Homes		
LLR	SO	Total
6	6	12

Financial performance

- The financial performance details are set out in confidential appendix 4, demonstrating that at this stage the project meets the council's hurdle rates related to Net Present Value, Cost to Value and Interest Cover.

Indicative Programme

- The indicative programme below has been created assuming council-led direct delivery and achieving start on site by carrying out enabling works through a pre-construction services agreement (PCSA).

Indicative Programme	
Gateway 1 (Brief Setting)	April 2024
Gateway 2 (Design)	October 2024
Planning Submission	April 2025
Gateway 3 (Contractor Procurement)	May 2025
Start on Site	November 2025
Gateway 4 (Practical Completion)	August 2027

- Confidential appendix 4 includes a project dashboard and detailed financial information.

2.46. Mandeville Parkway

- This section of the report seeks to update members on progress of the proposed development at Mandeville Parkway.
- Additionally, this report seeks approval for an increase in the pre-construction budget - to be resourced from the general fund – to undertake a redesign for RIBA Stage 3 which will ensure the design

complies with new Building Regulations and the Building Safety Act – neither of which were in place when the project was originally approved to proceed to planning application stage.

Background and current position

Previous Cabinet reports	Scheme details	Approved Recommendation
May 2020	Newmarket Avenue infills Ph 1 and 2	Inclusion in the GLA grant funding programme 2016 - 23
July 2020	Newmarket Avenue infills Ph 1 and 2 (non HRA funded)	Authority delegated to Exec Director of Place to determine delivery route
September 2020	Newmarket Avenue infills Ph 1 and 2	Authority to consult with residents
November 2020	Newmarket Avenue infills Ph 1 and 2	Approval of a total £36.675m pre-construction budget for the overall programme from the General Fund
April 2022	Land at Mandeville Road (Newmarket Estate)	Commission BLRP to take forward Tranche 2 housing development sites using an allocation of £9.5m from the General Fund pre-construction budget (i.e. to appoint the Design Team)
July 2022	Land at Mandeville Road (Newmarket Estate)	Approval to proceed, in principle, with the redevelopment of this site; Agree that a planning application for the redevelopment of this site is submitted; and a) Authorise the Executive Director of Place to “invite and evaluate tenders ... for the Design and Build Contract and/or award a PCSA subject to: a review of the viability of the schemes once bids have been returned” b) planning consent; and c) following consultation with the Chief Finance Officer.

- Progressing the Mandeville Parkway scheme to the point of procuring a build contract will require funding by the Council. Spend to date on this site has been covered by the general fund Genuinely Affordable Homes Capital Programme Budget. The capital budget of £36.675m was approved by Cabinet in November 2020 for funding ‘pre-transfer costs’ in relation to schemes included in the approved BLRP business plan. As these costs enhance the value of a scheme, they can be recovered as consideration for the land on disposal to BLRP or another partner if they are not to be developed within the HRA.
- The table below shows spend to date on the project compared with the approved budget and additional spend required to amend the planning permission. The original budget was for the combined projects of Mandeville Parkway, Broomcroft Avenue and Canberra Drive.

	Spend
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Costs incurred to date (Mandeville Parkway, Broomcroft Avenue and Canberra Drive)	£1.721m
Estimated additional costs for Building Safety redesign and tenure changes	£0.200m
Total	£1.921m
Previously approved budget for Mandeville Parkway, Broomcroft Avenue and Canberra Drive	£1.823m
Variance	£0.098m

- The latest scheme costs are based on the current estimates and are being kept under review as costs may potentially increase. Therefore, this forecast will be revised ahead of entering main works contracts. All pre-transfer expenditure incurred is potentially abortive if a scheme does not proceed and if this risk was to crystallise it could result in an unbudgeted charge to the council's general fund.

Schedule of accommodation (proposed):

Unit type	Total number	Social Rent	London Living Rent (LLR)	Intermediate Rent/ Discounted Market Rent
1b/2p flat	39	6	2	31
2b/3p flat	9	0	1	8
2b/4p flat	44	8	14	22
3b/5p flat	9	4	1	4
3b/5p house	5	5		
Total	106	23	18	65
		21.7%	17%	61.3%

- This scheme involves redeveloping off road car parking areas, dilapidated garages, and some open space to provide 106 new homes across four blocks – including a block of large family houses. The resulting works and landscaping will mean that there is no net loss of amenity space on the Parkway and an increase in the number of trees.
- The design development for the scheme has included two major community consultation events and a series of pre-application planning meetings. The development is designed to be car-free and meet sustainability standards. Car parking will be re-provided for existing residents, who already have a permit system in place.

Current recommendation

- Following the introduction of the Building Safety Act (October 2023) and updated Building Regulations (June 2022), it has become apparent that Block A will need to be redesigned. It has been decided that this will be undertaken should the existing planning application be approved when it is considered by Planning Committee, as the principle regarding

development on the site will be known before committing to any further expenditure.

- Additionally, tenure changes and efficiencies have been identified as being required during the AHP 2021-26 viability review. The revised tenure mix includes discount market rent/intermediate rent homes to provide cross subsidy to achieve the financial hurdles. The scheme was originally designed under the AHP 2016-23 and included London Affordable Rent (LAR) and Shared Ownership. Under the new AHP, LAR is not fundable so a switch to Social Rent is required, negatively affecting viability. Shared Ownership in the borough is not genuinely affordable and LLR is preferred.
- Should the planning application be successful, it is estimated that a further £200k will need to be drawn down from the General Fund to cover the costs of revisiting RIBA Stage 3 and the submission of a section 73 planning application to meet the latest building safety regulations and amend the tenure to reflect the Beacon modelling exercise.

Estimated additional costs for Building Safety redesign and tenure changes:

Project	Source	Gateway 1 RIBA 0 (Revenue)	Gateway 2/return to planning RIBA 1-2 (Capital)	Gateway 3 RIBA 3 (Capital)
		NA	Mar 24 – Apr 24	Jun 24 – Nov 24
Mandeville Parkway	General Fund	NA	200,000	TBC
<u>£200,000</u>				

- An application has been made to SSEN for a power supply of under 1mVA for the development. SSEN have responded stating that currently there is not enough capacity to accommodate the development without an upgrade to the grid. Negotiations are ongoing regarding the level of contribution required.

Financial performance

- The revised viability model based on section 73 proposals result in a scheme which meets the new financial viability hurdles. Greater detail is provided in confidential appendix 5.

Indicative Programme

- The proposed programme will depend on the initial Planning Committee date; however, it is expected that any redesign will take a maximum of six months before a section 73 application can be submitted. The programme below assumes a Planning Committee date of January 2024.

Mandeville Parkway		
	Start	End
Design – RIBA stages 1-3	April 2022	November 2022

Planning Application submitted	November 2022	
Planning Committee	February 2024	
Redesign (second staircase)	March 2024	April 2024
Financial review	March 2024	March 2024
Planning Determination	May 2024	July 2024
Invitation to tender	September 2024	December 2024
Build contract Approval	February 2025	March 2025
PCSA Award	April 2025	
RIBA Stage 4 design	April 2025	October 2025
Building Safety Act Gateway 2	November 2025	February 2026
Start on site		March 2026
Practical Completion		September 2028
Building Safety Act Gateway 3	September 2028	November 2028
End of Defects		September 2029

- Confidential appendix 5 includes a project dashboard and detailed financial information.

2.47. Perceval House car park

Background

- In April 2023, the council announced that it would not progress plans to redevelop the full Perceval House site. The council's intention to retain and retrofit Perceval House was also announced at the time. This will be the subject of a future Cabinet report. In April 2023, it was also acknowledged that there may be plans for residential development on the site, which would comply with Ealing's new Local Planning Policy Guidance on tall buildings.
- The car park (0.37ha) to the rear of Perceval House and the adjacent substation (0.12ha) provide a substantial development area of between 0.37ha and 0.49ha, with capacity for circa 150 homes. The site, identified in Ealing's Development sites document for residential use, could make a substantial contribution to the council's delivery programme. The ground floor of the development also provides an opportunity to increase the supply of non-residential space, complementing the proposed community and business use within Perceval House and contributing to the council's aim to create good jobs.

Options considered and current recommendation

- The council is currently undertaking a feasibility study to determine a high-level quantum of development on the car park site. In particular, the study considers the development opportunities available if the substation remains in situ or is relocated on-site or off-site. The feasibility study will include viability testing and risk assessment of these development options and assess a range of delivery routes.
- The council aims to deliver a policy compliant tenure mix of affordable housing on the site. However, tenure mix can be further refined at the viability testing stage.

Financial requirement

- The financial request for the Perceval House car park project that is the subject of this cabinet report is £1.713m. This request is to cover the cost of consultant fees, planning fees and surveys to prepare and submit a planning application for the site.
- Scheme viability is currently based on the assumption that the substation is not relocated as there is no commitment from SSE to do so. If relocation is a likely option, viability will be tested on that basis factoring in both costs and potential GLA Land Fund grant. A separate financial request will be made to cover associated costs including legal fees, professional fees, and SSE fees in a future decision report.
- The table below provides an indicative profile of spend to cover design work to planning and fees through the planning process.

Project	Source	Gateway 1	Gateway 2	Gateway 3
		RIBA 0 (Revenue)	RIBA 1-2 (Capital)	RIBA 3 (Capital)
		Nov 23 – Dec 23	Jan 24 – Aug 24	Sep 24 – May 25
Perceval House car park	General Fund	33,000	450,000	1,230,000
		£1,713,000 (Includes £50k revenue funding initially for RIBA 0)		

- It is expected that if the project complies with Affordable Homes Programme 2021-26 funding requirements, it will attract grant of circa £180k per Social Rent home and £80k London Living Rent homes.
- The project has an indicative allocation from the GLA’s Land Fund of £17m toward the relocation of the SSE substation. However, this allocation is dependent on the scheme contributing £6.8m and was based on the previous proposal with a much greater number of homes. Any revised scheme proposal will need to be discussed with the GLA. The latest viability modelling assumes a worst case of no Land Fund Grant and the substation remaining.

Schedule of accommodation

- As there is not yet a defined scheme proposal, the schedule of accommodation is currently high-level as set out in the table below. The number of homes, tenure and precise unit mix will be refined during RIBA stages 0 and 1.

Number of Homes			
SR	LLR	PS	Total
53	22	75	150

Financial performance

- The financial performance details are set out below in confidential appendix 6, demonstrating that at this stage the project meets the

council’s hurdle rates related to Net Present Value, Cost to Value and Interest cover.

- Perceval House car park is in a high value area, therefore the provision of 50% private sale homes makes a significant contribution to scheme viability. Whilst there is the potential to include Land Fund grant, this has not yet been included as the final costs of substation location and grant are not yet known, and it may be preferable for the substation to remain in situ. Land value has also not yet been included as the ultimate owner of the development has not yet been determined.

Indicative Programme

- The indicative programme below has been created assuming council-led direct delivery and achieving start on site by carrying out enabling works through a pre-construction services agreement (PCSA).

Indicative Programme	
Gateway 1 (Brief Setting) – end RIBA 0	December 23
Gateway 2 (Design) – end RIBA 2	August 24
Planning Submission	December 24
Gateway 3 (Contractor Procurement) – end RIBA 3	May 25
Start on Site (enabling)	January 26
Practical Completion (affordable only)	February 29
Gateway 4 (Practical Completion)	February 30

- Confidential appendix 6 includes a project dashboard and detailed financial information.

2.48.57 Greenford Road

Background

- 57 Greenford Road has the benefit of a dual frontage onto both Greenford Road and Windmill Lane. This site was occupied previously by a BP Garage and is located circa 600m from Greenford town centre. Both Brent Valley Golf Course and River Brent Park MOLs lie to the southeast of the site. These are earmarked to form part of the proposed new regional park. The site is well served by transport links, with a bus stop directly opposite the site serving local bus routes.
- The site is well located for schools and local amenities. The Stanhope Primary school and Cardinal Wiseman schools are both within easy walking distance. The Greenford High Street is approx. 0.4 miles away and the nearest Elizabeth Line station is Hanwell, and it is 1.2 miles away. Greenford underground Station is approx. 1.6m to the north of the site. Both Greenford station and West Ealing stations can be reached by bus routes in approx. 20 mins.
- This site is located approx. 440m from Golf links Estate. Golf Links estate is current undergoing phase 3 of the ongoing regeneration project. Dependant on the programme for redevelopment at Golf Links this

scheme could offer a beneficial decanting opportunity for the residents on the estate.

- The scheme has the benefit of having been granted planning permission. The 90-home permission (216854VAR) identified 27 affordable homes as either Shared Ownership (SO), London Affordable Rent (LAR) or London Living Rent (LLR). The planning approved scheme was designed as an open market sale led scheme.
- It is proposed that the Council purchases the site, and that the vendor builds a mixed tenure scheme of Social Rent (SR), Intermediate Rent (IR) and London Living Rent (LLR) homes. The IR and LLR homes are required to cross subsidise the SR homes.
- The extant permission is for two connected blocks: Block A houses 63 LLR and IR homes. Block B houses 27 SR homes and the design allows for an interconnecting basement car and bicycle parking level to both blocks.
- The site has already been cleared and demolition of the existing structures has taken place. Underground petrol tanks have been removed. The foundations and sub ground floor has been constructed.
- This scheme has been put forward to the council as an acquisition opportunity where the freehold interest in the land is acquired by the Council. The Council will also enter into a Development Agreement (DA) with the vendor, UB6 Holdings Limited (UHL). The DA requires UHL to construct the scheme.
- This site was previously owned by Keach Holdings Ltd, who had contracted with Henry Construction. Unfortunately, Henry have gone into receivership and Keach Holdings subsequently sold the site to UHL. UHL are not willing to sell the land in its current state and will only dispose of the site if it is appointed to be the developer under the DA.
- The Council's legal team has obtained specialist procurement advice to ensure compliance with procurement legislation. The advice is summarised in the legal implications section below.
- The Heads of Terms (HoTs) are included at confidential appendix 7. The land acquisition price will be paid at the start of the project, at the point the land is transferred. The DA will provide for payments to be paid to the developer upon successful achievement of key milestones.
- UHL has inspected the works carried out to date and obtained warranties from ICW Insurance Services Limited to cover all existing construction and the scheme. The foundations and sub ground floor drainage have been inspected to ensure their adequacy.

- The owners have re-engaged the original approved building inspector – Meridian Consulting Ltd and ICW Warranties to ensure continuity of cover for the construction. The ICW warranties will be transferred to the council at practical completion.
- The independent RICS valuation report, included as confidential appendix 8, supports the proposed land cost. The build cost has been validated independently by an independent cost consultant as value for money.

Recommendation

- The recommendation is to approve a general fund capital programme budget for the scheme with total scheme expenditure of up to £33.219m, this will be funded from a combination of GLA grant and right to buy receipts, with the remaining balance met from temporary borrowing until the site is transferred to its ultimate owner.
- A valuation for the transfer will need to be agreed and any capital expenditure to that point will be funded from the resulting capital receipt unless a decision is taken for the homes to remain with the council in the HRA and general fund.
- Authorise the Strategic Director for Economy and Sustainability, following consultation with the Strategic Director of Resources to acquire the freehold interest and enter into a development agreement with UHL to build out the consented scheme, subject to the appropriate due diligence.
- Purchase and redevelopment of the land at 57 Greenford Road by the Council is subject to the following due diligence being carried out:
 - Tax advice relating to acquisition being sought and an updated financial assessment undertaken for the council
 - The development agreement being considered as value for money by the council's Employers Agent
 - The scheme has the benefit of an existing planning consent. However, to overcome weaknesses in the design, the vendor will submit a section 73 application
 - Given current build market volatility, the vendor is proposing to procure the build through a construction management (CM) route. They have engaged a CM company to procure independent works packages to ensure costs are within agreed budget
 - Further consideration of where the completed units might sit if BLRP is not the appropriate vehicle for them. In particular, officers are considering whether Intermediate Rent can be held in the HRA or the GF
 - Review of independent RICS valuation advice will be progressed in early January 2024 and will take place prior to signing the HoTs

Financial requirement

- The table below highlights the key financial funding requirements for this project:

Source of funding	
GLA Affordable Housing Grant	£7,950,000
Right to Buy receipts	£4,620,000
Borrowing before sales	£20,649,065
Total	£33,219,065

Schedule of accommodation

- The current planning approved 90-unit scheme mix and tenure breakdown is:

Type	Total Homes	Social Rent	IR	LLR
1b2p	29	3	13	13
2b3p	3	1	2	0
2b4p	47	14	16	17
3b5p	11	9	2	0
Total	90	27	33	30
		30%	36%	33%

The proposed scheme will offer:

Type	Total Homes	Social Rent	IR	LLR
1b2p	34	1	19	14
2b3p	5	3	2	0
2b4p	40	14	10	16
3b5p	11	9	2	0
Total	90	27	33	30
		30%	36%	33%

- The council was not engaged in the original design of the scheme and will be acquiring a scheme with the benefit of an existing planning consent. Officers have reviewed the design and assessed it against the Broadway Living Development Guide. Whilst it does not meet all the requirements of the guide, officers consider the shortfalls are acceptable. The vendor is prepared to accommodate minor design changes wherever practically possible, and the development agreement will require the scheme to meet all GLA grant funding requirements.

Financial performance

- The financial performance details are set out below in confidential appendix 9, demonstrating that at this stage the project meets the council's hurdle rates related to Net Present Value, Cost to Value and Interest cover.

Indicative Programme

	Date
Agree draft Heads of Terms	Oct 2023
Valuation advice received	Oct 2023
Cabinet approval to enter development agreement	Jan 2023
Exchange of Contracts (land)	Mar 2024
Legal Completion (land)	Mar 2024
Enter build contract	Mar 2024
Start on Site	April 2024
Commence super-structure works	Jun 2024
First Handover	Jun 2026
Practical Completion (Last Handover)	Jun 2026
End of Defects Period	Jun 2027

C. Pipeline projects

2.49. Meeting the ambitious target of starting 4,000 GAH requires new perspectives. Current projections suggest that without action the council will fall short of the 4,000 GAH target by at least 1,500 homes.

Draft Affordable Homes Delivery Plan

2.50. A significant step in identifying new initiatives and approaches and areas for improvement in the Housing Development Programme is the draft *Affordable Homes Delivery Plan*: a roadmap to achieve the council's ambitious housing goals. The plan is in draft and expected to be considered and adopted early in 2024.

2.51. The plan incorporates recommendations and advice from six separate audits and reviews. It makes over 50 recommendations which will be taken forward through a new Housing Development Transformation Programme. It is intended to support and inform the new *Housing Strategy* (being considered for approval by Cabinet in January 2024) and Housing Development Programme.

2.52. Approval for any resulting key decisions required will be sought through appropriate cabinet reports.

Revised financial assumptions and hurdles

2.53. Ensuring the financial viability of all projects within the Housing Development Programme has become increasingly challenging in the last 18 months and we have reviewed prudent assumptions and financial hurdles taking account of the current financial constraints and in the current economic context.

2.54. Beacon Partnership was commissioned by the council to provide benchmark assumptions and to advise on setting appropriate development assumptions and appraisal hurdle criteria.

2.55. It is these assumptions and hurdles by which the **Unviable Projects**, **Existing Projects**, and **New Projects** are measured in this report with a view to ensuring that projects are affordable under the council's various delivery options and to private developers or registered providers.

New governance and gateways

2.56. There is also a strategic review underway of the governance and gateway process for projects. This will enhance the existing gateway process which is no longer fit for purpose and does not reflect the heightened scrutiny and elevated risk profile of development projects under current conditions.

2.57. There is a critical requirement to monitor and manage the council's financial exposure to risk. By instigating a system of procedural due diligence that encourages collaborative and iterative oversight, the gateways will limit spend of approved overall project budgets until financial risk is considered mitigated or acceptable at each stage.

2.58. The final proposal is currently being tested with officers in workshops throughout December and January and will be adopted early 2024, with the final form being approved by the Strategic Director of Economy and Sustainability, following consultation with the Strategic Director of Resources.

New delivery models and initiatives

2.59. To-date, the council has broadly used three models to deliver new affordable homes: direct delivery, through registered provider partnerships, and through s106 agreements. With the economic pressures described, it is increasingly necessary for the council to work in partnership and take innovative approaches to creating new homes and sharing risk. The following workstreams are underway to diversify the council's options for housing delivery with a view to delivering more homes.

- **Bulk purchase programme** – Additional resource and skills have been brought into the New Business team to seek market opportunities for home acquisitions, including distressed 'fire-sale' sites. Some housebuilders have responded to falling market demand by selling new homes to affordable housing providers.

This acquisitions programme will likely necessitate speed in decision making to respond to and be competitive in the market and therefore may require the use of urgency procedures at Cabinet.

- **Small Sites Small Builders** – The council has been successful in bidding for £70k revenue grant from the GLA to support two workstreams relating to housing development on small sites: 1. £20k toward commissioning legal due diligence and surveys to de-risk **Ravenor Park Farm** before marketing the site on the GLA's Small Sites Small Builders portal; 2. £50k toward developing a progressive approach to small sites housing delivery and a modest divestment programme to small builders/developers in the borough.

- **Increased partnership working and diversifying to new sources of income** – The council has a good track record of securing favourable rates of grant funding from the GLA to support new affordable housing, but this is now not sufficient to prop up the costs of development and the ambition for prioritising genuinely affordable homes.

Housing teams are creating a programme of proactive engagement with existing and potential new developer and funding partners, which began with a forum in November 2023 at Pitzhanger Manor. The aim being to promote Ealing Council as a positive and proactive partner of choice in these challenging times and to explore the greater use of equity-based models of construction such as Joint Ventures (JVs). This ensures sharing of risk and the continued delivery of housing to uphold our commitments. Discussions are underway with a range of potential partners.

Selecting the most effective delivery model(s) for each project requires a comprehensive assessment methodology and business case for each site, with careful analysis of all options throughout, that is being written into the new gateway process.

Pipeline projects

- 2.60. In addition to new delivery models and initiatives, there are also known speculative **Pipeline Projects** which warrant further work on feasibility, viability, due diligence, and consideration of delivery options. The council has an existing housing development feasibility annual revenue budget of £500k, which has been identified to support this work. There is a high degree of risk that work may be abortive if viability hurdles cannot be met, or significant constraints are identified, and only limited revenue costs are committed from this budget for initial feasibility work.
- 2.61. The **Pipeline Projects**, particularly those identified under the **Bulk Purchase Programme**, are the most likely options to utilise unused GLA grant funding.
- 2.62. Section 3 of appendix 2 provides a short status update on pipeline projects currently being explored.

Finding new sites

- 2.63. Work is also underway on a brief, to be tendered in the new year, to undertake an asset review, to identify new sites, and carry out capacity studies on a shortlist with a view to increasing the supply of genuinely affordable housing and temporary accommodation in the borough. This exercise will help identify a pipeline of sites suitable for inclusion in the next Affordable Homes Programme post-2026.

3. Key Implications

A. Committed projects

- 3.1. Due to main contractor insolvencies and increased risk on several committed projects investigative work and an options appraisal is required to understand the best course of action to bring these sites forward. A fuller update and recommendation for approval on how to progress **Package 1**, **Southall Market car park**, and **High Lane** will be presented to cabinet in March 2024.

B. Allocated projects (AHP 2021-26)

- 3.2. Because of the housing market downturn, several AHP 2021-26 projects are currently unviable. There are few viable projects in the Housing Development Programme pipeline capable of starting on site within the GLA's timeframe, by April 2026, to be used as substitutes. The result is a scaled back programme of four projects (compared to seven in the bid).
- 3.3. Interim adoption of a scaled back programme results in unallocated grant which the GLA may redistribute to other investment partners if substitute projects cannot be found.
- 3.4. The reduced programme delivers 358 homes in total, down from 1,003 (645 or 64% fewer).
- 3.5. The reduced programme delivers 283 affordable homes (of which 179 are GAH), down from 1,003 (557 GAH) (a reduction in affordable homes of 720 or 72%; reduction in GAH of 378 or 68%).
- 3.6. Neither the HRA nor BLRP is currently able to confirm whether they can hold the homes being proposed. A review of the HRA is underway to establish a financial plan for the coming years and is currently having to identify savings to achieve a balanced position in 2024/25. The BLRP Board approved its latest business plan in December 2023 and must create a viable Growth Business Plan to demonstrate what new projects it can hold. The Growth Business Plan will not be viable without a renegotiation of the current loan agreement and covenants, and a drop in interest rates. The working assumption for now is for the homes created by the **New Projects** and the **Existing Projects** to sit in BLRP subject to agreement from the BLRP Board and approval of a viable BLRP Growth Business Plan. An alternative will be identified if that approval is not reached prior to gateway 3. Delivery options will be kept under constant review and reappraised at each gateway stage.
- 3.7. Projects that are to begin at RIBA stage 0/1 (**Perceval House car park** and **George Street car park**) are forecast to start on site in Q3 or Q4 of 2025/26, at the very end of the AHP 2021-26 and close to the deadline for the 4,000 GAH target. Any delay in decision making or the design and planning process, or identification of unanticipated constraints risks these missing the deadline for grant and counting toward the 4,000 GAH target.

C. Pipeline projects

- 3.8. To achieve the 4,000 GAH target and not relinquish grant, the council must support the progression of viable projects and develop at pace a contingency plan to utilise unused grant, principally through the **bulk purchase programme**.
- 3.9. Supporting pipeline growth, including the **bulk purchase programme**, requires revenue support with the risk of abortive costs.
- 3.10. All projects not currently on site are to go through the proposed new governance and gateway process to ensure there is consistent and regular oversight.

4. Financial

- 4.1. The council's General Fund capital programme included a historic budget allocation of £36.7m to ensure the delivery of BLRP schemes. This is funded initially from Prudential Borrowing, and the capital costs incurred by the Council recovered from capital receipts received upon the transfer of the sites to BLRP. To ensure appropriate approval, oversight and monitoring of scheme budgets it is recommended that new scheme budgets are established for schemes in AHP 2021-26: **Perceval House car park, George Street car park, Mandeville Parkway, and 57 Greenford Road**.
- 4.2. The total capital budget being requested for AHP 2021-26 projects is £36.082m. This is to take **Perceval House car park, George Street car park, and Mandeville Parkway** to gateway 3 and submit planning applications and to purchase **57 Greenford Road**.
- 4.3. As can be seen in the capital spend forecast by Gateway table, spend to reach gateway 1 (RIBA stag 0 work) is assumed to be nil and to come from a revenue budget available for feasibility work. If a project passes gateway 1 and proceeds to RIBA stage 1 and 2 design work, then this will be funded through capital. The initial ask for capital funding to reach gateway 2 (end of RIBA stage 2 and prior to the preparation of a planning application) is £0.983m.

Capital spend forecast by financial year

Project	Funding	2023/24	2024/25	2025/26	2026/27
		Capital	Capital	Capital	Capital
		£000	£000	£000	£000
George Street car park	General Fund temporary borrowing	0	1,000	0	0
(cumulative by project)		0	1,000	1,000	1,000
Mandeville Parkway	General Fund temporary borrowing	200	0	0	0
(cumulative by project)		200	200	200	200
Perceval House car park	General Fund temporary borrowing	0	1,563	100	0

(cumulative by project)		0	1,563	1,663	1,663
57 Greenford Road	General Fund temporary borrowing, right to buy receipts and GLA grant	4,500	17,500	6,000	5,219
(cumulative by project)		4,500	22,000	28,000	33,219
Annual total		<u>4,700</u>	<u>20,063</u>	<u>6,100</u>	<u>5,219</u>

Capital spend forecast by Gateway

Project	Source	Gateway 1*	Gateway 2	Gateway 3
		RIBA 0	RIBA 1-2	RIBA 3
		£000	£000	£000
George Street car park	General Fund temporary borrowing	0	350	650
(cumulative by project)		0	350	1,000
Mandeville Parkway	General Fund temporary borrowing	0	200	0
(cumulative by project)		0	200	200
Perceval House car park	General Fund temporary borrowing	0	433	1,230
(cumulative by project)		0	433	1,663
Total by stage		<u>0</u>	<u>983</u>	<u>1,880</u>

* costs to gateway 1 (at the end of RIBA stage 0) are shown as revenue and included in a separate table

57 Greenford Road	General Fund capital	33,219**	0	0
(cumulative by project)		33,219	33,219	33,219
Funded by:				
	Right to buy receipts	4,620		
	GLA grant	7,950		
	Temporary borrowing	20,649		
Total funding		<u>33,219</u>		

** design and build package deal total borrowing cost indicatively shown against gateway 1, total shown before grant

4.4. Estimated total scheme costs for **Perceval House car park**, **George Street car park**, and **Mandeville Parkway** at this stage is £113.860m. Further approvals for this budget will be requested once delivery routes are confirmed and more accurate scheme costs known. The total scheme cost for Greenford Road is £33.219m. The combined cost of all four projects is £147.080m.

4.5. Total income from the four projects (grant + sales + capitalised rent) is estimated at £188.970m, with an overall Net Present Value of £40.88m. The open market value of the projects is estimated at £180.816m.

4.6. To develop speculative and pipeline projects prior to gateway 1 the existing new homes feasibility annual revenue budget of £500k will be used.

Anticipated revenue spend

Project	Source	2023/24	2024/25	2025/26
		Revenue	Revenue	Revenue
		£000	£000	£000
George Street car park	General Fund	50	0	0
(cumulative by project)		50	50	50
Perceval House car park	General Fund	33	17	0
(cumulative by project)		33	50	50
New Homes revenue budget	General Fund	0	483	500
(cumulative)		0	483	1,067
Annual total		83	500	500

4.7. The total cost of the Housing Development Programme (schemes on site; before grant and sales income) is currently circa £320.884m (excluding projected additional costs on **Package 1** projects).

4.8. This is compared to a total estimated income of £285.636m.

4.9. With the inclusion of the four AHP 2021-26 projects, the total cost of the programme will be circa £467.963m. The total income is estimated at £472.538m.

4.10. See appendix 1: Housing Development Programme Overview table for more detail.

Key financial risks and mitigations arising from the recommendations

4.11. Recommendations 1.6 and 1.10 include requests for new general fund capital budgets for **George Street car park** (£1.050m), **Mandeville Parkway** (£0.200m) and **Perceval House car park** (£1.713m) to undertake work and appoint consultants to complete work to RIBA stage 3. Further budget approvals will be required once this work is complete.

4.12. These total £2.963m and will be funded from temporary general fund borrowing with the expectation that the schemes will transfer to ultimate owners such as the HRA, BLRP, RPs or other development partners and the council's costs will be recouped from the capital receipts (or in the case of the HRA through appropriation).

4.13. In undertaking work pre-planning, the key risk is that of abortive work and costs. Where costs are capitalised and the scheme does not go ahead, these costs may be abortive and therefore need to be written off the revenue budgets in year or financed from revenue reserves. These will be mitigated by seeking to reduce abortive costs/write-offs to a minimum through: funding initial feasibility work of up to £50k (in the case of **George Street car park** and **Perceval House car park**) through the housing development feasibility budget, a robust gateway process which assesses viability throughout the gateway process as additional costs are incurred and the expectation that design work will add value to the council's land should the schemes not proceed through direct delivery and costs recovered through disposal. The maximum risk if the schemes do not

proceed and can't be recovered through disposal of the above decision is therefore £2.863m (after £100k revenue feasibility financing), costs to gateway one are £0.983m.

- 4.14. There is a further risk that the capital receipts of disposal are not sufficient to meet the council's costs incurred, for example that they don't add value to the council's land to the same extent of the council's costs which will be monitored via the council gateway process.
- 4.15. Recommendation 1.12 seeks approval of a general fund capital expenditure budget of up to £33.219m for the purchase of land and to enter into a development agreement at **57 Greenford Road**. This will be funded from GLA grant, right to buy receipts and temporary borrowing until the scheme is completed and funded by capital receipts on transfer to its ultimate owner(s). At this point there is no agreement for another party to take on the completed homes and the key financial risk is that the capital receipt on transfer may not be sufficient to recover the council's costs. Other financial risks may be in relation to incurring additional costs under the development agreement and the development agreement will need to be clear how additional costs are managed.

5. Legal

- 5.1. The council's in-house legal team works closely with the teams tasked with delivering the projects described in this report to identify legal issues, mitigate risks, and achieve the best outcomes available to the council. Where appropriate the council's legal team instructs external solicitors to deliver supplementary legal services.
- 5.2. The HoTs relating to 57 Greenford Road are attached and have been agreed. They will form the basis of the development agreement which will need to be negotiated by the parties. There will be various other legal agreements relating to the land acquisition and the works which will need to be completed.
- 5.3. The council will need to ensure that the land price and the costs of all development are justified and do not constitute a subsidy as defined in the Subsidy Control Act 2022.
- 5.4. The council has obtained external legal advice relating to the public procurement regime as it applies to 57 Greenford Road. The Council is able to enter into the development agreement without running a procurement process by relying on an "exclusive rights" argument under Regulation 32 of the Public Contracts Regulations 2015. This argument is used when awarding development agreements to owners of land, on the basis that they have an "exclusive" property right that they are entitled to protect. The recommendations above seek delegated authority to issue a VEAT notice. This will give notice that the council is entering into the development

agreement and set out the reasons that it believes it is permitted to directly award the contract.

- 5.5. In all other projects where the council is entering into works or services contracts, it will need to comply with the Council's Contract Procurement Rules and applicable public procurement legislation.

6. Value for Money

- 6.1. Increasing the delivery of affordable homes will result in better outcomes for Ealing residents by providing more options to access housing and the associated benefits of having a good quality secure home. This also helps to reduce the costs of other services which are dependent on the supply of good quality housing to make an impact on the services provided to their clients. Council services such as: temporary housing and homelessness will all benefit from the substantial increase in affordable housing delivery.
- 6.2. Value for money is monitored through the new gateways process. A scheme can be considered value for money if it meets the new financial hurdles. Projects also report against a range of other benchmarked performance outputs to provide a fuller picture, these include loan repayment year; works cost/sqm; open market value/sqm; total cost per homes; internal rate of return; interest cover year; breakeven year; peak debt; peak debt year; loan to cost. Metrics will be reviewed annually and if a significant event justifies them being changed.

7. Sustainability Impact Appraisal

- 7.1. The objective of this work programme is to increase the supply of new, good quality genuinely affordable homes, which are designed in compliance with current environmental and sustainability standards. The Council's and BL's Development Guide and employers' requirements are living documents which will help to ensure that high quality, sustainable homes and places are built and the journey towards zero carbon amongst other standards will be considered in each development.

8. Risk Management

- 8.1. Risk is inherent to the process of regeneration and the building of new homes. Every care is taken in terms of managing scheme risks and working within appropriate financial parameters.
- 8.2. Risks for each project are separately assessed, managed, and regularly reviewed. This ensures risks and issues that may affect the delivery of a scheme can be understood and properly monitored enabling appropriate action to be taken. Project dashboards (Appendix 4, 5, 6, and 9) include an assessment of scheme specific risks.

- 8.3. In addition, the whole programme is risk assessed to ensure that all the internal and external factors affecting delivery are identified, assessed and mitigating factors applied. Housing Development Programme risks are included within the risk register at appendix 10.
- 8.4. The risk management process adheres to the council's Risk Management Policy (updated by Audit Committee February 2022). Utilising the risk matrix, risks are identified and categorised in adherence to this policy. Regular accountability and oversight of these risks at the Housing Delivery Board (with escalation to the Housing Delivery Oversight Board) and BL and BLRP Boards will support informed decision making and ensure scrutiny and accountability. Overall, the identified risks will enable the council to optimise resources to deliver the work programme.
- 8.5. Risks to highlight, specifically relating to this report, include:
- HDR6 - 4,000 genuinely affordable new homes not achieved
With a reduced programme and RPs and developers cutting back or pausing their own programmes the risk of not achieving the corporate target is high. This is being mitigated through an increased focus on partnership working and adopting new initiatives and delivery models.
 - HDR7 - GLA AHP 2021-26 - grant criteria not met - grant returned
To claim GLA grant projects must start on site by April 2026. For new projects starting at gateway 1 this is incredibly tight, particularly considering unknown timeframes around new building safety regulator sign off. The GLA may also seek to reallocate unused grant associated with unviable projects to other investment partners. To mitigate this, substitute projects must be identified urgently and a convincing plan of action for bringing these forward agreed with the GLA.
 - HDR8 - Overall Programme Viability
The viability of the programme remains fragile considering the council's financial position and an uncertain market. The mitigations are ongoing reviews of the HRA and General Fund, the gateway review process and the more prudent hurdle rates that are being developed.
 - HDR10 - Emerging fire regulations and Building Safety Act
Emerging changes to fire regulations post Grenfell are leading to increased costs and delays due to enhanced signoff (planning and building regulations gateways) by the building safety regulator and the availability of compliant materials. This is leading to a high risk of non-delivery of schemes and increased reputational risk. Officers, with the Head of Fire Safety, will review designs in consideration of the developing regulations and ensure that all new schemes are

developed in line with emerging regulations. Risk of design changes on individual projects before contract is to be monitored.

- **HDR12 - Contractor/delivery partner insolvency**
There is a continued risk of further contractors or partners going into administration. Mitigations include, reviewing current schemes and not contracting with a single supplier; undertake stricter due diligence on the selection of contractors/developers for the duration of the programme; and increase non-routine reviews for projects in progress and quarterly review of financial resilience of key contractors.
- **HDR16 - New debt/capacity to borrow**
The council acknowledges a lack of financial headroom which is now being considered as part of the reviews of the General Fund and the HRA. The BLRP Board approved its latest business plan in December 2023 and must create a viable Growth Business Plan to demonstrate what new projects it can hold. The Growth Business Plan will not be viable without a renegotiation of the current loan agreement and covenants, and a drop in interest rates. Consequently, neither the HRA nor BLRP is currently able to confirm whether they can hold the homes being proposed. Additionally, alternative sources of funding are to be explored such as use of equity-based models of construction such as Joint Ventures (JVs).
- **HDR19 - West London electricity capacity constraints**
Many projects in the borough are affected by electricity capacity restrictions in West London which are leading to scheme delays due to long connection times or high costs for connection/new infrastructure. This is affecting scheme viability on several projects and increasing the risk of not starting on site by April 2026. Officers are working closely with the GLA, National Grid, and SSEN to better understand the extent of the constraints faced on current and pipeline projects and to set out potential solutions in the short-, medium-, and long-terms.

9. Community Safety

9.1. Projects are designed to Secured by Design standards.

10. Links to the 3 Key Priorities for the Borough

10.1. Fighting inequality - Improving the housing outcomes of residents in Ealing also contributes to a range of other important outcomes, such as increasing household incomes, improving educational attainment, and reducing homelessness.

- 10.2. Tackling the climate crisis - Improved levels of energy efficiency and reduction of CO2 emissions in newly built homes. Promote low carbon living and minimise future energy costs for residents.
- 10.3. Creating good jobs - The provision of genuinely affordable homes below market levels supports living incomes, provide a platform for local enterprise, and boost the local economy, and create employment, training, and skills opportunities through construction.

11. Equalities, Human Rights and Community Cohesion

- 11.1. The overall Housing Development Programme is expected to have a positive impact on the borough by providing additional homes, especially those that are genuinely affordable. An Equality Analysis Assessment (EAA) has previously been prepared for Mandeville Road and it is not considered that there are any changes arising because of the decisions to be made arising from this report. EAAs will be completed at Gateway 1 for the other schemes discussed in this report, once it's more evident what can be delivered in each case.

12. Staffing/Workforce and Accommodation implications

- 12.1. Interim and consultant staff have been brought into the New Business (Housing Development) team to support the Bulk Purchase Programme. It is intended to establish fixed term posts for these roles for the life of the AHP 2021-26 programme. One of these posts is funded through maternity cover for an existing post and the other is funded using GLA revenue grant.
- 12.2. A review of additional resource requirements in the Housing Development team to deliver on the 4,000 GAH commitment is underway.
- 12.3. The Housing Development team will be supported by specialist finance, legal, design, and land and property consultants to deliver projects.

13. Property and Assets

- 13.1. The purchase of land is required as part of the 57 Greenford Road project. An independent valuation has been received and this will be agreed with Strategic Property prior to signing Heads of Terms.
- 13.2. The other projects are being delivered on existing Council assets and property. The delivery of the programme by BLRP as suggested will require the transfer of land to BLRP, HRA or other partners. Each transfer will be subject to approval by the Cabinet on a scheme-by-scheme basis and will require agreement of valuations confirming best consideration.

14. Consultation

14.1. Individual projects will have their own specific consultation strategies, requirements, and stakeholders. Proposals will be required to be tested with the local community during the planning process.

15. Timetable for Implementation

15.1. Individual timetables are provided for projects within the corresponding sections.

16. Appendices

- APPENDIX 1[CONFIDENTIAL]: Housing Development Programme overview table
- APPENDIX 2: Housing Development Programme projects update
- APPENDIX 3a [CONFIDENTIAL]: Ealing Council Development Programme Independent Financial Viability Review, Beacon Partnership
- APPENDIX 3b [CONFIDENTIAL]: Independent Financial Viability Review addendum update, Beacon Partnership
- APPENDIX 4 [CONFIDENTIAL]: George Street car park combined financial information and project dashboard
- APPENDIX 5 [CONFIDENTIAL]: Mandeville Parkway combined financial information and project dashboard
- APPENDIX 6 [CONFIDENTIAL]: Perceval House car park combined financial information and project dashboard
- APPENDIX 7 [CONFIDENTIAL]: 57 Greenford Road draft Heads of Terms
- APPENDIX 8 [CONFIDENTIAL]: 57 Greenford Road draft valuation
- APPENDIX 9 [CONFIDENTIAL]: 57 Greenford Road combined financial information and project dashboard
- APPENDIX 10 [CONFIDENTIAL]: Housing Development Programme risk register

17. Background Information

- Cabinet Report: Delivery Strategy for 2,500 Genuinely Affordable Homes, 16 October 2018
- Cabinet Report: Housing Delivery Update 18 June 2019
- Cabinet Report: Setting up a Registered Provider of Social Housing to Support the Delivery of Genuine Affordable Housing 16 July 2019
- Cabinet Report: Housing Delivery Update 10 December 2019
- Cabinet Report: Housing Delivery Update 14 July 2020
- Cabinet Report: BLRP Business Plan 10 November 2020
- Cabinet Report: BLRP Tranche 2 Final Plan 6 April 2022
- HDCC Report: Housing Delivery Update of BLRP Tranche 2 Business Plan Sites 15 June 2022

- HDCC Report: Housing Delivery Update of BLRP Tranche 2 Business Plan Sites 13 July 2022
- Cabinet Report: GLA Grant Agreement 2021-26 Affordable Housing Programme 12 October 2022
- Cabinet Report: Housing Delivery Update 7 December 2022
- Cabinet Report: Housing Delivery Update 22 February 2023

Consultation

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
Cllr. Manro	Portfolio Holder for Good Growth and New Housing	18.12.23	20.12.23 04.01.24	Throughout
Peter George	Strategic Director for Economy and Sustainability	11.12.23	20.12.23 04.01.24	Throughout
Emily Hill	Strategic Director Resources	11.12.23	14.12.23 04.01.24	Throughout
Nicky Fiedler	Strategic Director of Housing and Environment	11.12.23		
Helen Harris	Director of Legal and Democratic Services	19.12.23	04.01.24	Throughout
Clare Tostevin	Interim Assistant Director of Housing Regeneration	13.12.23	14.12.23	Throughout
Jamie Burns	Assistant Director Housing Commissioner and Strategy	11.12.23		
Philip Browne	Director of Housing Development	11.12.23		
Ozay Ali	Interim Housing Development Transformation Director	11.12.23		
Jessica Tamayao	Assistant Director of Strategic Property and Investment	11.12.23	04.01.24	Throughout
Alice Rowland	Head of Legal (Commercial)	11.12.23	11.12.23	Throughout
Kevin Kilburn	Interim Assistant Director Strategic Finance	11.12.23		
Russell Dyer	Head of Accountancy	11.12.23		

Report History

Decision type:	Urgency item?
Key decision	No
Report no.:	Report author and contact for queries:

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