

WANDSWORTH BOROUGH COUNCIL

HOUSING COMMITTEE – 17TH JULY 2024

EXECUTIVE – 22ND JULY 2024

Report by the Director of Housing and Regeneration on the Winstanley-York Road
Regeneration Joint Venture (Falconbrook)

SUMMARY

This report provides an update on the Winstanley-York Road regeneration scheme and on the current position in relation to the Council's relationship with its Joint Venture partner, Taylor Wimpey. The accompanying restricted paper details possible scenarios and seeks authority for officers to take any action necessary to protect the Council's interests.

GLOSSARY

DMT	-	Taylor Wimpey Development Management Team
HRA	-	Housing Revenue Account
JV	-	Winstanley-York Road Regeneration LLP
LLC	-	Leisure Centre, Library, Children's Centre and Community Centre
TW		Taylor Wimpey UK Limited

RECOMMENDATIONS

1. The Housing Overview and Scrutiny Committee are recommended to support the recommendations in paragraph 2. If they approve any views, comments or recommendations on the report, these will be submitted to the Executive or the appropriate regulatory and other committees for their consideration.
2. The Executive is recommended to: -
 - (a) Note the JV's objectives and agree the Council's complementary objectives/priorities as detailed in paras 11-15.
 - (b) That decisions on replacements for the Council's Board representatives be delegated to the Chief Executive, in consultation with the Executive Director of Finance.
 - (c) Note the content of the accompanying Paper 24-169A when considering this report.

BACKGROUND

3. In September 2017 the Council entered a corporate joint venture - Winstanley-York Road Regeneration LLP with Taylor Wimpey UK Limited (TW) to deliver the regeneration of the Winstanley-York Road estates. The JV is arms-length from the Council but the Council and TW each has three board members on the JV Board. The Council's board members have remained consistent since the JV was established – the Assistant Director, Regeneration and Development; Head of Regeneration (Winstanley-York Road) and the Council's Regeneration Adviser. As JV Board members the Council representatives must act in the interests of the JV and the role is distinct from their role as Officers.
4. The Assistant Director of Regeneration and Development left the Council's employment on 30 June 2024 and stepped down as a Council Representative. It is recommended that any decision on his replacement and any future replacement representatives should be delegated to the Chief Executive in consultation with the Executive Director of Finance.
5. The JV's objectives are detailed in paragraph 11 below – they are predominantly focussed on the Council's regeneration objectives but with an additional financial objective as the scheme needs to be viable to ensure its deliverability.
6. The overall regeneration scheme is funded from a mixture of an equity loans (currently capped in the agreement between the Council and TW at £38 million each), sales revenue, which includes the Council's contributions payable to the JV towards its replacement homes, and third-party funding. The actual equity (shareholding) of each partner is £1. The JV is required to prepare and agree a Business Plan each year which is then subject to separate approvals by both partners. In the Council's case this approval is via the Housing Committee and Executive.
7. In approving the 2022 JV Business Plan, Paper No. 22-10 approved the provision of a cash equity loan to the JV of up to £33m, this had previously been agreed in February 2021 (Paper Nos. 21-46 & 46A). It also approved a CPO loan for further acquisitions costs up to an additional £50 million. These funding decisions were reaffirmed by Paper No. 23-07 when approving the 2023 Business Plans.
8. However, despite these Council decisions, the funding agreements were not legally completed as in June 2023 TW requested a review of the scheme's delivery and financial returns. As a result, whilst the authority exists to fund, there is no contractual obligation for the Council to fund in the absence of a formal funding agreement agreed by both parties.

CONTEXT

Progress since last year's Business Plan

9. The creation of the JV enabled the Council to move ahead with the construction of the first phase of the scheme along Grant Road. This phase delivered Mitchell House (46 council homes), a new block of private housing, a new Thames Christian College and a new Battersea Baptist Church. The JV has secured planning permission for an overall masterplan and has commenced construction of a further block of new Council housing – Block 5 which will deliver 126 Council homes. To support the scheme, a number of early sites were developed to enable resident moves and 95 new council homes have been delivered at Sphere Walk, Gideon Road, and Rowditch Lane. Currently 315 secure tenanted households have been re-housed. On completion of the 126 new build Council units in Block 5, of the 600 estate households who were in the regeneration scheme at the outset only 134 (22%) will remain to be re-housed.
10. Since the approval of the 2023 Business Plan, construction of 126 new Council owned flats at Block 5 has continued to progress. The JV is currently reporting that the block is expected to complete in October of this year with moves into the block commencing at that point. All secure tenants have been moved from Pennethorne House and all but three leaseholders' interests have been acquired. One of those three remaining has agreed terms with the Council and the sale process is currently being undertaken.

JV objectives

11. The JV's objectives were approved as part of the procurement of the JV and are "hard wired" into the legal agreements. JV Business Plans should be designed to support the delivery of these objectives. For completeness, the objectives are repeated below.
 - Tackling the range of issues that are contributing to levels of deprivation & lack of opportunities on the Winstanley and York Road Estates (the Estates) and to affect the regeneration of the Estates;
 - Create a better-quality living environment with a key focus on the Estates, but also recognising the benefits of improvement that could and need to be achieved in the surrounding area (e.g. improving crossing areas across York Road and tackling the Falcon Road under pass);
 - Improving design & layout of the neighbourhood of the Estates;
 - Securing greater permeability through the development site and between the Estates and the wider neighbourhood and in particular better linkages and a clear attractive route through the Estates between the new properties along the riverside and Clapham Junction;

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- Generating economic growth and new employment opportunities particularly for local residents;
 - Improving and diversifying the commercial and retail offer available at the Estates and in particular boost the retail offer generally at the Estates including along Falcon Road;
 - Securing additional housing and promoting a greater housing choice for local residents and workers through the provision of intermediate and market housing as well as low-cost housing;
 - Securing new high quality and high performing housing built to the London Mayor's SPG 2012 Standards as set out in the Design Brief or as otherwise agreed by the JV parties;
 - Addressing local housing needs and requirements with a particular focus on providing suitable housing for older, disabled and over-crowded households;
 - Reducing long term maintenance and running costs for the Council's stock, significantly improving the energy efficiency of the stock and maximising the use of the Council's assets;
 - Creating through the development and regeneration, a strong and coherent sense of place where local residents want to live, now and in the future;
 - To provide the JV parties with returns that are commensurate to their investment to the extent that this is consistent with the other Strategic Objectives;
 - To explore other potential development opportunities to further the above objectives subject to the prior approval of the JV parties in accordance with the Members Agreement.
12. As can be seen, the majority of objectives relate to broad social objectives and one (the penultimate one) to the JV's financial returns. This objective is qualified in that it is subordinate to the social objectives in that it states "to the extent that this is consistent with the other Strategic Objectives".
13. The JV agreements do not specify a minimum level of return which would be considered acceptable in order for the scheme to proceed. However, in summer 2023 TW advised that the anticipated return was no longer sufficient to meet its business's needs which was the reason for its decision in June 2023 (referenced in paragraph 8 above) and requested a scheme review before agreeing to commit additional funding. This formed part of the Strategic Review and negotiations covered in further detail elsewhere in this report.

Council's objectives

14. The Council's objectives are well covered by the above, but it is considered they need some refinement. Previous Committee reports have referenced Council funding being contingent on both pace of delivery and the early delivery of affordable housing. In approving additional funding and agreeing to the JV delaying delivery of the LCC in Paper Nos. 21-46, 22-10 and 23-07 specific reference was made each time to these actions being agreed by the Council to protect the delivery of affordable and replacement housing.
15. In assessing the JV's performance and Business Plan it is considered reasonable for the Council, as a member of the JV, to have regard to the following Council objectives.
 - Momentum of the scheme must be maintained, and the Council will not support the scheme being delayed or the site land banked.
 - The scheme must ensure the earliest possible delivery of new homes for existing and future Council tenants.
 - The JV's commitment to the community and community engagement must be clearly evidenced through a JV-funded programme of activities.
 - The implementation of the development must include due consideration for the needs of the amenity of existing residents living on the estate and in the neighbourhood.
 - The affordability and risks of any funding request associated with approval of the Business Plan.

Commercial and Performance issues

16. As in previous reports to this committee and The Executive on the JV's performance much of the detail, including the detailed business plan where one has been presented, has been on the restricted part of the agenda due to the commercial confidentiality of much of the information. The restricted report linked to this paper details the lengthy discussions which have taken place over the past year with TW with a view to trying to reach a mutually acceptable way forward which would cover both the Council's and JV's objectives set out and above and the concerns expressed by TW set out in the restricted paper. At present there is no certainty that these can be fully reconciled, and the Executive are recommended to take the actions detailed in the restricted paper.

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BRIAN REILLY
Executive Director of Housing and Regeneration

9th July 2024

Background papers

There are no background papers to this report.

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All reports to Overview and Scrutiny Committees, regulatory and other committees, the Executive, and the full Council can be viewed on the Council's website (www.wandsworth.gov.uk/moderngov) unless the report was published before May 2001, in which case the democratic services officer can supply it if required.