

WANDSWORTH BOROUGH COUNCILHOUSING AND REGENERATION OVERVIEW AND SCRUTINY COMMITTEE –
11TH FEBRUARY 2021EXECUTIVE – 22ND FEBRUARY 2021Update report by the Director of Housing and Regeneration on the Alton Estate
Regeneration (Roehampton and Putney Heath)SUMMARY

This report provides an update on the scheme and provides recommendations on the process and timescales for the procurement of a new development partner.

The Director of Resources comments are in paragraphs 49 and 50 of the report.

GLOSSARY

CD	-	Competitive Dialogue
CPN	-	Competitive Procedure with Negotiation
DA	-	Development Agreement
EINA	-	Equality Impact Needs Analysis
GLA	-	Greater London Authority
FR&CSOSC	-	Finance, Resources and Climate Sustainability Overview & Scrutiny Committee
HRA	-	Housing Revenue Account
JV	-	Joint Venture
LPA	-	Local Planning Authority
MHCLG	-	The Ministry of Housing, Communities and Local Government
MUGA	-	Multi-Use Games Area
PAC	-	Planning Applications Committee
WYR	-	Winstanley-York Road estates regeneration

Recommendations

1. The Housing and Regeneration 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) Agree the strategic objectives for the scheme set out in paragraph 15 remain appropriate;

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- (b) Note the previous decision to procure a development partner via the Competitive Dialogue route and agree that the delivery model for the regeneration be via a corporate joint venture for the reasons set out in paragraphs 18-27;
- (c) Note that procurement will not commence until the Stage 2 approval has been received from the Greater London Authority for the reasons set out in paragraphs 28-32; and
- (d) note the result of the Section 105 consultation undertaken under the 1985 Housing Act and agree the adoption of the Local Lettings Plan for the regeneration of the Alton Estate attached at Appendix C.

INTRODUCTION

3. This report provides an update on the Alton regeneration scheme and makes recommendations about the process and timescales for the selection of a new development partner.
4. At its meeting on 26th November 2020 this Committee recommended a number of approvals to the Executive (Paper No. 20-349) relating to the Alton regeneration. The recommendations relevant to this report are set out below
 - (a) *agree that the proposed procurement route to select a new development partner will be by Competitive Dialogueand note that a decision on the proposed contractual model (being either a development agreement or a joint venture) will be brought to the next meeting of this Committee in January 2021;*
 - (b) *agree that detailed design work commences on Block A, associated enabling works and Alton Activity Centre in advance of the planning permission being issued to maintain momentum;*
 - (c) *note that the estimated costs of Block A, associated enabling works and Alton Activity Centre, an outline programme and any budget and other approvals required will be brought to the next Committee cycle in January/ February to enable a decision to be made as to whether to commence these works in advance of the appointment of a development partner;*

PLANNING UPDATE

5. The Council (as landowner) took an assignment of the planning application (ref 2019/2516) on 14th September 2020, which coincided with the completion of the termination agreement with Redrow Homes Limited.
6. On 22nd October 2020 the Planning Applications Committee (PAC) approved the planning application subject to finalising detailed terms for a s.106 Agreement, completion of a Unilateral Undertaking to bind any future development partner to the s106 Agreement and agreement of conditions. Negotiations with the Local Planning Authority (LPA) over the s.106 agreement and planning conditions are ongoing.
7. The application is referable to the Greater London Authority (GLA) who will decide

whether it will allow the LPA to determine the application itself. The scheme will not be referred to the GLA before these are finalised and the GLA is content with the s.106 agreement and viability issues.

PHASING PLAN

8. A phasing plan is attached at Appendix A. The scheme currently assumes three phases 1a, 1b and 2. Phases 1a & 1b are subject to detailed planning application and phase 2 is outline.
9. Phase 1a comprises the following

Block A	40 replacement Council homes. Replacement library, youth facilities, health facility and new community hall
Block O	35 replacement Council homes. 627 sq m of replacement retail and 704 sq m of office space.
Block M	107 private units
Other	New village square adjoining Block A Improvements and upgrade to Alton Activity Centre Replacement bus stand

10. Phase 1b comprises

Block Q	90 replacement units and 31 shared ownership units
Block N	121 private homes
Block K	230 private homes
Retail	1,075 sq m of replacement retail space
Portswood Place (1)	Replacement Childrens Centre & Nursery
Portswood Place (2)	New community building, clubroom and shop
Other	Improvements to Downshire Fields

11. Phase 2 is part of the outline planning application but provides 454 units (of which 65 are Council homes) and 1,118 sq m retail and 475 sq m of flexible commercial space.

PROCUREMENT OF A NEW DEVELOPMENT PARTNER

12. Officers have been working with the Council's legal and property advisers (Pinsent Masons and Montagu Evans respectively) to review options for the procurement of a new development partner. This has covered both the procurement route and the form of arrangement to be entered into with a new partner.
13. Paper No. 20-349 considered the procurement routes available to the Council and approved use of the Competitive Dialogue route.
14. Post-Brexit, the Competitive Dialogue route remains enshrined in UK law (with the only substantive change being that authorities and bidders now use a UK government online portal to advertise opportunities rather than an EU portal). Whilst early draft legislation is now before Parliament to introduce new procurement procedures, due to parliamentary process and timescales these will not become law for at least a year (and likely two or three years). In procurement law, the applicable law regulating a procurement is that which is in force at the time the procurement

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competition is launched, so it is clear that the existing regime will apply to this procurement process. The Competitive Dialogue process is familiar to the market, so this will give comfort and certainty for both the Council and bidders.

15. The strategic objectives of the current scheme were first developed as the masterplan evolved and formed part of the original procurement in 2016. They are considered to remain relevant (subject to one minor amendment to (b)) and are
 - (a) To create a more mixed and balanced sustainable community with new and improved high-quality housing that will raise the living conditions and widen housing choice, including replacing poor quality buildings.
 - (b) To improve the quality of the retail, service and community facilities, including **potentially** improving existing community buildings and creating new facilities in the Danebury Centre and in Portswood Place.
 - (c) To adopt a place-making approach which protects, strengthens and repairs the special qualities of the estate through bespoke and sensitive intervention.
 - (d) To conserve and enhance existing heritage assets and their settings in order to better reveal the unique qualities of the estate.
 - (e) To improve connections within the site and to the surrounding streets, centres, communities and open spaces, including upgrading existing streets and creating new streets, public spaces and pedestrian links to make them more attractive, convenient and usable.
 - (f) To create a more attractive area with a high quality and active landscape by upgrading existing open spaces and creating new ones.
16. Bidders' approach to these objectives will form part of the evaluation process and will form part of the contractual arrangements to guide the scheme and will be non-negotiable.
17. The advantage of the proposed Competitive Dialogue route is that whilst it is open to the Council to mandate its position on certain matters, it also offers flexibility in testing selected commercial and legal points with bidders so proposals can evolve to ensure they meet both the Council's and potential partners' needs.

Delivery structure options

18. Before an evaluation of delivery options was undertaken, evaluation criteria were considered and refined and a weighting applied to each. The criteria and weighting was informed by advice from the Council's consultants, the soft marketing testing exercise and officers own experience of both the Alton and Winstanley-York Road (WYR) regenerations.

19. The criteria and weighting are summarised below.

Key criteria	Description	% Weighting
Financial Risk	The delivery structure should allow the Council to manage and mitigate commercial and financial risk as proportionate to returns.	35%
Financial Return (Capital or Revenue)	The delivery structure should maximise Council returns (be it up front land value or equivalent Net Present Value thereof).	35%
Level of Council Control / Influence	The delivery structure should enable the Council to exert an appropriate level of control and influence over the development.	20%
Flexibility to respond to changing circumstances	The delivery structure provides flexibility for the partners to respond to changing scheme, market and funding circumstances (e.g. manifesting in viability issues)	10%

20. A comparison of the main delivery options and their perceived advantages and disadvantages is attached at Appendix B – each has a different profile in terms of potential risks and reward and in simple terms the degree of risk increases as the level of control increases.

21. Officers have assessed the options with support and advice from the Council’s consultants and the results are summarised in the table below

Commercial Objectives & Delivery Parameters	Scoring				Total Rating	Rank
	Financial Risk	Financial Return (Capital or Revenue)	Level of Council Control / Influence	Flexibility		
Weighting (informed by objectives)	35%	35%	20%	10%	100%	
Conventional DA	4	2	2	2	2.70	3
Corporate Joint Venture - Development Partner	2	4	4	4	3.30	1
Direct development	0	4	5	5	2.90	2
Conditional Land Sale	4	3	1	0	2.65	4

KEY: Scoring	
Lowest score/ highest risk	0
	1
	2
	3
	4
Highest score/ lowest risk	5

22. Despite scoring in second place, self-delivery of the scheme is not considered a viable option due to the high level of costs and risks involved, a conditional land sale offers insufficient control and therefore these two options have been disregarded.

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23. The most common delivery vehicles for estate regeneration are a development agreement (DA) or joint venture partnership (JV). The Council has experience of both models – the previous arrangement with Redrow at Alton was via a DA whilst WYR is being delivered via a JV.
24. Both models can be made to work and it should be noted that Redrow's departure from the scheme was unrelated to the contractual structure in place. Whilst a DA is considered to present less risk, it also offers less control and flexibility.
25. One of the key reflections from experience of operating both models is that a joint venture offers greater levels of control over both the development and, to a degree, the day to day operations and delivery. There is also a greater degree of transparency over costs and values through the joint venture. Decision making and conflict resolution is broadly similar in both models although under a JV there is, in theory, greater alignment due to shared financial objectives. For all these commercial and operational reasons, a JV is considered to be the best fit option against the Council's objectives for Alton.
26. The soft market testing has demonstrated there is an appetite for a JV, should this be the Council's preferred option.
27. Paper No. 20-349 identified the potential benefits of accelerating the delivery of Block A but made it clear that any decision would be informed by balancing the costs, risks and benefits of such an approach.

Timing of procurement

28. There is clearly uncertainty in the housing market and wider economy caused by the impact of both the COVID-19 pandemic and Brexit. Whilst initial reaction to soft market testing has been generally positive, the Council needs to take a view on the risks associated with the timing of the procurement.
29. The soft market testing undertaken by the Council's property advisers, Montagu Evans, identified that the vast majority of potential bidders have expressed some nervousness regarding the Stage 2 referral process with the Mayor due to the uncertainty this raises. They further advise that if the procurement process were to commence once Stage 2 had been cleared, then clearly this perceived risk would be eliminated. On this basis, and all other things being equal, the impact of a deferment would be to increase interest in the opportunity (i.e. thereby increasing competitive tension), create more programme certainty, and also potentially reduce the pricing of risk by prospective joint venture partners which would then be reflected in their commercial offers.
30. On balance, it is considered prudent to commence procurement after GLA Stage 2 approval is obtained. It is considered this level of planning confidence will significantly de-risk the scheme in what is an uncertain market. The timescales for Stage 2 approval can be difficult to predict but for Winstanley-York Road regeneration it took a total of ten months from the PAC decision to finalise the s.106 agreement and other terms (including viability assessments) with both the LPA and the GLA.
31. Considerable work has been done in preparation for procurement and it is recommended that this preparation work should be completed as far as possible so procurement could be commenced once Stage 2 approval is received.

32. Given this proposed approach it is considered that Block A should be included within the main procurement of a scheme wide development partner.

SECTION 105 CONSULTATION WITH SECURE TENANTS

33. In line with the requirements of Section 105 of the Housing Act (1985) formal consultation with secure Council tenants impacted by the scheme was undertaken at the start of this year. The formal consultation was to confirm the phasing plan and the updated Local Letting Plan (LLP). The combined Alton/WYR LLP was previously approved in January 2020 (Paper No. 20-07). This updated plan reflects any changes as a result of the consultation and crucially is specific to the Alton (an updated LLP for WYR was approved in September 2020 (Paper No. 20-244)). The consultation papers are attached in Appendix C.
34. The consultation commenced on 12th January 2021 and ran until 9th February 2021.
35. At the time this report was dispatched there had been no written or verbal responses received in direct result of the consultation.
36. Any additional responses received since the papers for this meeting were issued will be reported to the Committee at the meeting.

COMMUNITY ENGAGEMENT

37. In November 2020 this Committee approved the adoption of a revised Community Engagement Strategy for the Alton Regeneration, focusing on a more “grass roots” approach to community engagement.
38. To support the work required with the local community to implement the strategy a post within the team has been re-designated to focus on the engagement strategy and the cultural strategy. This post will initially be fixed term until April 2022 and it is expected will be recruited to within the next few months.
39. This role will focus entirely on developing, coordinating and delivering a programme of community engagement activities to ensure the successful delivery of the Engagement Strategy, as well as supporting and developing the delivery of an innovative programme of arts and cultural events and activities as part of the delivery of the Cultural Strategy for the Alton Estate regeneration.
40. A number of meanwhile uses are being delivered from within the shop units and Portswood Place.
41. Work is continuing on converting a vacant retail unit at 5 Portswood Place into a workshop to enable Roehampton Sheds to re-commence woodworking projects in the local community
42. 6 Portswood Place remains available for “meanwhile use” for arts and cultural projects and it is expected that The Ubuntu Museum will provide a series of workshops for children as soon as COVID regulations permit.
43. As part of this wider engagement strategy officers will explore further options for meanwhile uses across the estate.

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44. In November 2020 the Regeneration Team and Economic and Development Office arranged the installation of a Christmas tree on Danebury Avenue. The tree has since been donated to Roehampton Sheds to be recycled in a variety of woodwork projects.
45. During December 2020 the Regeneration Team led a number of virtual craft workshops with local schools and youth groups to make paperchains symbolising unity and connecting with others. The finished paperchains were displayed in local shops and the library for the community to enjoy.
46. The Regeneration Team also supported a project, led by Estate Art, to deliver cube decoration workshops with schools and local families. The finished decorations were also displayed in local shops.
47. In early 2021 the Regeneration Team and Estate Art will be supporting a local graffiti artist to complete the graffiti wall mural at Witley Point MUGA, following design consultation sessions with Chelsea Kicks and other users of the facility.

SOUTH LONDON LEGAL PARTNERSHIP'S COMMENTS

48. The recommendations set out herein have been reviewed and approved by the Council's external legal advisers Pinsent Mason and they will ensure the Council's interests are protected when agreeing the final form of the documentation required to support the recommendations, if agreed.

COMMENTS OF THE DIRECTOR OF RESOURCES

49. The Director of Resources comments that with regards to the delivery route for the overall scheme an analysis of the options suggests that a joint venture is the most appropriate method of delivery as it best balances control, flexibility and financial return alongside risk. Soft market testing undertaken to date has indicated that there is appetite for a scheme delivered as a joint venture.
50. The HRA Business Plan continues to include provision for the delivery of the Alton regeneration scheme based on the existing estimated costs of £105 million. This will need to be reviewed once the procurement exercise establishes a preferred route and delivery partner. This includes a total of £19.5 million to continue with the acquisition of properties within the regeneration area over the HRA framework period and a further £9.3 million for the delivery of the replacement affordable housing units at Bessborough Road and Fontley Way as seen in Paper No 21-42, elsewhere on this agenda.

SUPPORTING THE WANDSWORTH ENVIRONMENT AND SUSTAINABILITY STRATEGY (WESS)

51. An Energy Strategy was submitted with the planning application for the scheme. The Strategy has been formulated following the London Plan energy hierarchy: Be Lean, Be Clean and Be Green, which seeks to balance a number of key elements including CO2 emissions, affordability of heat, climate change adaptation and the provision of high quality buildings. In line with the GLA's Energy Assessment Guidance the strategy has been developed using SAP 10 carbon emissions factors.
52. Energy efficiency measures including air source heat pumps as a primary generation

source, enhanced insulation and energy efficient lighting in all homes will ensure that the residential and non-residential elements of the development both achieve the respective 10 per cent and 15 per cent targets from energy efficiency measures, as set out in policy S12 of the New London Plan.

53. A low carbon heat network will be developed for the site with the majority (60 per cent) of the total heat generation being delivered by air source heat pumps. Individual gas boilers will deliver peak and back up supply (40 per cent). Furthermore, Photovoltaic (PV) panels will be installed on the roofs of all new buildings within the development.
54. Taking all these measures together, the energy strategy ensures that the Alton regeneration scheme will meet the New London Plan and Wandsworth's planning policy requirement of a minimum reduction in regulated CO2 emissions of 35 per cent.
55. The Energy Strategy seeks to maximise the level of reduction in on-site carbon emissions in accordance with planning policy requirements. The updated energy report demonstrates that the zero carbon target cannot be met on site. It also demonstrates that the level of on-site carbon reduction has been maximised and the 35% minimum reduction on site as laid out in the GLA guidance and the Intend to Publish London Plan on preparing energy assessments has been met including the fabric efficiency targets. Both residential and non-residential aspects will also achieve a standard of Zero Carbon throughout offsetting contributions.
56. The Sustainability Statement states, "a minimum of 'BREEAM Excellent' will be achieved for all non-residential element of the development." A commitment to achieving 'BREEAM Outstanding' has been agreed with the applicant.

CONCLUSION

57. There is a balance to be struck between planning certainty and the timing of commencement of procurement. Any benefits of commencing procurement early need to be weighed against the risk of (for example) the application being called in or directed for refusal by the GLA. At the time of writing the GLA's overall position on the application is unknown and will not become clearer until the terms of the s.106 agreement are settled with the LPA and the GLA has reviewed them. Whilst a position on viability has been agreed with the LPA, the GLA's formal position has raised significant new issues of principle and approach that had not been raised in similar discussions in late autumn on WYR.
58. Work will continue on developing and delivering the engagement strategy and on development of meanwhile use proposal to ensure tangible benefits are delivered to the residents of the area in advance of the wider regeneration.

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Background papers

There are no background papers to this report.

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 Manager (Ms Thayyiba Shaah – tel: 020 8871 6039; email thayyiba.shaah@richmondandwandsworth.gov.uk) can supply it if required.