

WANDSWORTH BOROUGH COUNCILHOUSING AND REGENERATION OVERVIEW AND SCRUTINY COMMITTEE –
11TH FEBRUARY 2021EXECUTIVE – 22ND FEBRUARY 2021

Update report by the Director of Housing and Regeneration on the Winstanley and York Road Regeneration scheme (Latchmere).

SUMMARY

This report provides details of the latest position on the Winstanley and York Road regeneration scheme.

The Mayor of London confirmed on 23rd November 2020 that he was content for the Local Planning Authority (LPA) to determine hybrid planning application for the regeneration and planning permission was issued by the LPA on 29th January 2021

The overarching Joint Venture Business Plan and the phase Business Plan for Block 5 considered for approval. Details of this and arrangements concerning funding are contained in Paper no 21-46A , which contains commercially sensitive information.

The report also asks for approvals on a number of matters required in order to select a contractor and commence construction on the next phase of the WYR regeneration scheme.

The Director of Resources comments are contained in paras 91 – 98 of this report.

GLOSSARY

CEMP	-	Construction & Environment Management Plan
CHP	-	Combined Heat and Power
CLP	-	Construction Logistics Plan
CPO	-	Compulsory Purchase Order
ESCo	-	Energy Service Company
EINA	-	Equality Impact Needs Analysis
GAB	-	Get Active Battersea
GLA	-	Greater London Authority
HRA	-	Housing Revenue Account
IDN	-	Initial Demolition Notices
JV	-	Winstanley Road-York Road Regeneration LLP
LCC	-	Leisure and Community Centre
LPA	-	Local Planning Authority
LTV	-	Loan to Value ratio
MHCLG	-	Ministry of Housing, Communities and Local Government

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MUGA	-	Multi-Use Games Area
PAC	-	Planning Applications Committee
TfL	-	Transport for London
WYR	-	Winstanley-York Road estates

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 proposed terms agreed for the Winstanley Road-York Road Regeneration LLP (JV) to construct Block 5a (set out in Paper No. 21-46A) and note the proposed change in tenure from shared ownership to social rent and shared equity;
 - (b) Approve the Business Plan for the development of the first phase to allow the development of Block 5 attached at Appendix A of Paper No. 21-46A ;
 - (c) Agree to grant a five year building lease to the JV of the land required to construct Block 5 (as shown edged black on Appendix E);
 - (d) Agree to enter into an agreement for lease with the JV for the retail unit that will be on the ground floor of Block 5a that will allow a 250 year head lease to be granted to the JV on completion of the unit;
 - (e) Agree to enter into a construction contract for Block 5a and delegate any final amendments to the standard form of contract to the Director of Housing and Regeneration;
 - (f) Approve the overarching Winstanley-York Road JV LLP Business Plan attached at Appendix B of Paper No. 21-46A;
 - (g) Agree to the Council entering into a Deed of Guarantee jointly with Taylor Wimpey UK to enable the JV to enter into a Warranty Agreement with the National House Building Council (NHBC) for both Block 5 and all future residential blocks within the scheme and delegate agreement of the final details of the guarantee to the Director of Housing and Regeneration;
 - (h) Agree that the Council enters into a Deed of Variation to the Members' Agreement for the JV and the Compulsory Purchase Order (CPO) Indemnity Agreement entered into between the Council and the JV, to allow the changes to increase equity contributions and the treatment of past and future acquisition costs as detailed in paras 35 – 42 of this report and Paper No. 21-46A;
 - (i) Agree to serve an Initial Demolition Notice on Holcroft House; and
 - (j) Agree that, if necessary, the Council serves notice on the JV to exercise its right of pre-emption to acquire 35 shared ownership within Block 10;

Update report – Winstanley - York Road regeneration**INTRODUCTION**

3. This report provides an update on the Winstanley and York Road regeneration scheme.
4. In September 2017 the Council entered into a contractual joint venture with Taylor Wimpey to deliver the regeneration of the Winstanley-York Road estates. The JV is arms-length from the Council but the Council and Taylor Wimpey 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; Head of Regeneration (Winstanley-York Road) and the Council's Regeneration Adviser.
5. The JV's objectives are attached at Appendix A – they are predominantly focussed on the Council's regeneration objectives but with a financial objective as the scheme needs to be viable to ensure its deliverability. As JV Board members, the Council representatives must act in the best interests of the JV and the role is distinct from their role as officers.
6. The JV is required to approve business plans for both individual phases and the scheme-wide business plan. There are two business plans being considered in this report – the phase business plan for Block 5 and the scheme wide business plan. Both plans were considered and approved by the JV at its board meeting on 21st December 2020. Final approval of the business plans is subject to the approval of the partners, namely the Council and Taylor Wimpey. The last phase business plan agreed was for phase 0 (land north of Grant Road) in November 2018 (Paper No. 18-414), there has been no finalised updated business plan agreed on a scheme wide basis since 2017 (Paper No. 17-174)
7. Paper No. 20-07 referred to the need for a review of the programme and phasing once full planning permission was secured for the masterplan. This was secured in January 2021 and the results of that review on programme and phasing are included in this report. A copy of the masterplan is attached at Appendix B.

UPDATING THE BUSINESS PLAN - FUNDING AND PHASING REVIEW

8. A key component of updating the overarching business plan has been looking at how the scheme can be funded and the consequential impact on phasing. The key constraints on phasing are the site itself, with the need to demolish certain blocks before new flats can be built, and the Council's "one move" policy for tenants and resident owners. The latter is a major constraint but is also a "red line" on any discussions within the JV.
9. These constraints shaped both the phasing proposed by Taylor Wimpey at bid stage and subsequent design, which further developed to the current phasing forming part of the approved planning permission. A plan showing the existing and proposed block layouts is at Appendix C.
10. A Council requirement at bid stage was the early provision of a new multi-use community facility. The facility will include a new leisure centre, library, children's centre and nursery. For ease of reference in this report it will be referred to as the

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leisure and community centre (LCC). It was always intended that the LCC would be funded from the scheme, i.e. as a scheme cost borne by the JV rather than any direct funding from the Council.

11. The phasing plan insofar as it relates to early re-provision of Council housing for existing Council tenants and resident owners is non-negotiable and is driven in large part by the Council's commitment to its one move policy. This requirement has impacts on deliverability and funding of the wider scheme.
12. The phasing plans impact on the Council's funding (as funder of the replacement Council blocks) and the JV in paying development management costs and ultimately in the timing that blocks are sold to generate receipts. It should be noted that the delivery of the LCC and the private housing in Block 1 has limited physical constraints as it is on park land (and this influenced the decision on the location of the LCC), although issues over rights of light and other potential rights will need to be dealt with via the appropriation process.
13. The overall regeneration scheme is funded from a mixture of equity (Currently capped in the agreement between the Council and Taylor Wimpey at £38million each), sales revenue, which includes the Council's contributions towards its replacement homes, and third-party funding. Either JV partner also has the option to fund the scheme as an external funder by matching the market terms the banks might offer. The Council took up this funding option for the private block in Phase 0 (Duval House) where the Council provided the JV with debt funding. This funding was secured against the development and has recently been repaid.
14. The original bid envisaged the JV's maximum debt exposure as being obtainable on the private market. It also assumed that the partners' equity would be used to fund part of the original Phase 1 which included the LCC.
15. The delay in gaining Stage 2 approval from the GLA (received November 2020) and subsequent grant of planning permission (issued 29th January 2021), the rephasing which occurred in building out Phase 0 as an early enabling phase, particularly the cost of the school relocation, has resulted in the partners' equity including the recycled profit from phase 0 being expended on current forecasts during 2021.
16. The limit on partners' equity being reached in 2021 date coincides with when Phase 1 is planned to commence on site. In the absence of any additional partner equity, virtually all the costs of the current Block 1 (which is two private towers and the LCC) will require initial funding from external sources. The remainder of this phase is Block 5 which comprises Block 5a – currently shared ownership but due to be acquired by the Council as a possible decant block for Penge House - and blocks 5b & c which are replacement Council homes. These blocks are in effect funded by the Council's contributions. Both Block 1 and the wider phase including Block 5 do not generate an adequate return for the JV and on a practical point is proving difficult to fund.
17. The JV approached Taylor Wimpey's preferred funder in Spring 2020 to see, in broad terms, what level of funding might be available to fund Phase 1 and in particular, Block 1. This indicated that there was a significant shortfall of funds available compared to funding required. The JV also approached public sector funders see if they would be prepared to lend to cover the funding gap, but in both cases the lack of security for the debt was raised as a major issue. More recent discussions with the JV's preferred lender, attended by the Director of Resources,

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have indicated that the loan to value ratio (LTV)¹ being offered by the bank is standard in the current market.

18. The reasons as to how the funding gap has arisen when compared to the original bid are varied and each one of itself would not have presented an issue, but in no particular order they are as follows:
 - a. Delays in achieving planning permission which has resulted in increased costs, both through cost inflation and the need to keep the development management team and consultants on board for longer.
 - b. Original rephasing to build Phase 0, including the acquisition costs of the School and Church which were brought forward and set against the Council's equity the wider future implication of this was not possible to predict when Phase 0 was agreed.
 - c. The Council has continued to acquire residential properties by negotiation (as it is obliged to do) which has taken up further equity than was estimated at this stage of the programme at bid stage.
 - d. The design concept of an ascending row of towers along York Road agreed with planning has meant that additional height could be secured in the masterplan for Block 1. This has increased the cost of the residential element of Block 1.
 - e. Tighter loan to value ratios from the banks
19. The impact of a – d above has seen a significant draw on the equity that was originally anticipated to part fund Phase 1. This, and the inability to fund the gap by borrowing, has meant the JV has therefore had to explore options on bridging this gap which, by necessity, means the programme and phasing needs to be reviewed.
20. There are theoretically other ways of raising the whole of the funding requirement without reviewing the programme. The first would be to request both partners to increase the level of equity in the partnership to bridge the gap. For Block 1, the sum is significant and a large element of it would be unsecured. Due to the scale of this sum and limited security this is not considered a viable option by either partner.
21. The second option would be to seek to raise unsecured funding from the markets. Unsecured funding is inevitably expensive as it is riskier. This rate would increase the costs of borrowing for Phase 1 with the costs of this being effectively borne in equal measure by the partners.
22. Taking the unsecured funding option would reduce returns and potentially conflict with the JV's objective to make a reasonable return.
23. A third funding option was explored of the Council funding part or all of the leisure centre direct. This could fundamentally change the balance of funding within the JV unless it was reimbursed at a later date in advance of any profit share. Any loan would effectively be unsecured given the LCC has limited value in the open market. The Director of Resources has indicated that issuing a substantial unsecured loan may be problematic, and even if one was issued, the rate at which that would be made would reflect the lack of security and probably mirror market rates making it

¹ The loan to value ratio is the amount of lending a bank will provide as a proportion of the completed value of a development. This will exclude the value of re-provided Council housing

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equally unattractive to the JV.

24. Having exhausted all funding options to maintain the current programme it became necessary to explore the scope of rephasing the scheme to reduce the immediate financial challenge. It should be noted that although the funding for block 1 is currently challenging the overall scheme is still viable and profitable as set out in the overall business plan attached as Appendix B to Paper No. 21-46A.

ALTERNATIVE PHASING PROPOSALS TO ADDRESS FUNDING CHALLENGES

25. In light of the funding challenges, the JV Board asked the JV's development management function to review options. The timing and delivery of replacement Council homes was a non-negotiable which, rightly, narrowed the options.
26. At present, the detailed planning permission covers Blocks 1, 5 and 6 (the remainder being in outline). If the scheme phasing is amended in any of the ways suggested, then detailed planning permission would be required for Blocks 4, 7, 10 and 11. In addition, conditions in the current Section 106 agreement, including the ones relating to the LCC, would need to be amended.
27. Following a comprehensive review, the preferred phasing option is, essentially, to defer the development of Block 1 (including the LCC) for four years and bring forward the development of Block 4 by around seven years. Appendix D shows the headline impact of the preferred option. All blocks with Council homes remain largely unchanged (the slight delay to blocks 5 & 6 are unrelated to funding).
28. One advantage of this rephasing is it allows for a period of reflection in terms of the function of the LCC. The leisure sector has been massively impacted during the COVID-19 pandemic and the long term impact on people's leisure habits is unknown. The delay will allow time for any design impact to be reflected and, also, a fuller assessment of the long-term financial implication of running a large, new facility.
29. Originally Blocks 3 & 4 were physically linked and there will be a design and planning challenge in bringing forward Block 4 in isolation. Design work has however commenced to find a solution which ensures that for Block 4 can be built and allowance made for Block 3 to be constructed in the future.
30. In terms of the JV's governance arrangements, any decision on whether to rephase the scheme rests, in the first instance, with the JV board who, in this case, approved the overarching and Block 5 business plans at a Board meeting on 21st December 2020. However, each JV member has to separately approve the phase business plans (in the Council's case via an OSC and Executive decision). At present the JV business plan reflects the revised programme summarised above.
31. In conclusion, with regard to the rephasing, the JV board has examined a wide range of options as to how the scheme can proceed using recognised funding structures. Although not ideal, the option outlined above is the one that best meets the current funding structures within the JV agreement and is therefore recommended for approval.
32. Existing local service provision in terms of the children's centre, library and Hope Street sports centre will be maintained until new facilities are provided.

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33. There is no ideal scenario, and in the absence of additional third-party unsecured funding (by either the banks or JV members) or additional equity, the scheme cannot proceed as originally programmed. The “least worst” option - which on current modelling shows the lowest call for additional equity funding and lower total debt is the option summarised above. The delay in Block 1 means that using market loan to value ratios, that Block 4 is fundable. Blocks 6 and 7 are mixed tenure blocks and the replacement council housing within them cannot be brought forward independently from the private sale units within the blocks. However, the blocks have significant CPO related costs relating to the sites which are not covered by the Council contribution for the replacement housing, requiring a short term equity increase from both partners, the size of which will depend upon the third party loan arrangements for those two blocks.
34. On current projections, the proceeds from Block 11, which is the build to rent block, would provide the liquidity to fund a deferred Block 1 including the LCC. It should be noted that the timescales assume no significant delay in the movement of a high voltage cable required for Block 5 to commence.

POSSIBLE CHANGES TO COUNCIL EQUITY FUNDING

35. The level of additional equity funding potentially required will vary depending upon how Blocks 6 and 7 are funded and other changes that relate to when expenditure is incurred. At this stage agreement in principle only is required within the limits set out in this report and the associated confidential paper . If required, and based on current modelling, equity would be drawn down from April 2022 and repaid with full interest on the current programme in April 2025.
36. The current equity provided by the Council to date is the cost of acquiring interests (predominantly residential units) in advance of the making of a Compulsory Purchase Order (CPO). These costs are met from the HRA capital programme and interest is also accrued within the HRA. Equity when repaid is credited to the HRA as a receipt.
37. Once the Council’s equity cap for acquisitions is reached, the JV has to directly cover the costs of acquiring properties for the current phase (at present this is the extent of the first CPO), this extends beyond the current building phase and includes the land required to build blocks 6, 7, 9, 10 and 11. Without an equity injection these costs would need to be met by unsecured finance.
38. The JV agreement only requires the JV to offset properties required for a current CPO phase against the Council’s equity cap, however, the JV has also been accepting properties acquired for later phases against the Council’s equity. The arrangement for out of phase properties to be charged to the Council’s equity has recently ceased due to the wider funding challenges identified in this report (and the JV are within their rights to do this). The JV must agree to the Council purchasing property in later phases, but these properties remain with the Council and, like the purchases funded from equity, accrue interest.
39. It is also proposed that units that are due to be funded by the JV as part of CPO 1 prior to land draw down, be acquired by the Council and then transferred to the JV at

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land draw down, these units would be a charge to the HRA capital programme which would be met by the receipt on land draw down. Again the JV would pay interest between interest and draw down. Both of the above two proposals will limit the amount of time that additional equity is required.

40. The HRA capital programme has budgeted for £37.7m for acquisitions in the next three years. If the proposal to capture the proposed return then the Council could explore a capped amount to be covered by the arrangement and/or a fixed time period to the arrangement to apply.
41. The proposal to amend the JV's requirements to reimburse acquisition costs once the Council's equity cap is reached has two broad benefits. Firstly it helps the JV's wider funding challenges and secondly it provides the HRA with a return on highly secure assets (i.e. they remain in the Council's ownership). Agreement is sought to further explore these options and should agreement be reached with the JV on an arrangement that is mutually beneficial to the Council and the JV agreement be delegated to enter into this arrangement to the Director of Housing and Regeneration in conjunction with the Director of Resources.
42. Agreement to these proposals are subject to proposed terms being agreed for the Council to acquire units in Block 10 (considered in further detail below).

BLOCK 5 CONSTRUCTION AND BUSINESS PLAN

43. Block 5 comprises three cores (a, b & c) and is the first block to be constructed as part of the main scheme Block 5b & c comprise 71 replacement Council homes to re-house the secure tenants and resident leaseholders from Scholey House, Kiloh Court and Jackson House who are not being re-housed in Mitchell House in the enabling phase 0 of the scheme.
44. As designed, Block 5a comprises 65 shared ownership flats in a 14-storey tower which was originally proposed to be sold to a Registered Provider. There are arrangements within the agreement with the JV to give the Council the ability to "acquire" 100 shared ownership units and 100 affordable rent units. In this context, "acquire" means the ability to require the JV to construct the units as Council properties at the Council's expense. Paper No. 20-244 gave approval for officers to serve appropriate notices on the JV.
45. Following service of the notice, agreement has now been reached with the JV for the acquisition of Block 5a. The costs will be on a similar basis to other replacement Council blocks but with a small margin being paid to the JV.
46. Design work has now commenced to ensure the design is to the Council's bespoke specification for social rent units. The design changes will be submitted to the potential contractors as a tender addendum in March.
47. Based on current estimates, the cost for the Council for acquiring this block is within the current budget although the risk of cost overruns not covered by the fixed price elements of the contract will sit with the Council.
48. Block 5a could now provide social rent and leasehold units to re-house residents of Penge House. Once constructed Blocks 5b & c would enable the vacation of Scholey House, Kiloh Court and Jackson House ready for demolition and redevelopment.

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See the plan at [Appendix C](#) for the location of the various blocks under discussion.

49. The residential accommodation for Blocks 5 b & c has been designed specifically to match the housing needs of the residents due to relocate there. This has produced a number of larger sized flats and overall a complex mix of flat sizes and configurations. The Council's specialist Housing Occupational Therapist has been advising on the design throughout to ensure that the accommodation is accessible and adaptable and meets the specific needs of residents where identified. The accommodation schedule is set out below which demonstrates the degree to which the block design reflects individual households' needs.

Unit Type	Number of Homes
1 Bedroom, 2 Person	8
1 Bedroom, 2 Person (Wheelchair Unit)	3
2 Bedrooms, 4 Person	27
3 Bedrooms, 4 Person (Wheelchair Unit)	3
3 Bedrooms, 5 Person	15
3 Bedrooms, 5 Person (Wheelchair Unit)	2
4 Bedrooms, 6 Person	9
4 Bedrooms, 6 Person (Wheelchair Unit)	1
5 Bedrooms, 7 Person	1
5 Bedrooms, 8 Person	1
6 Bedrooms, 10 Person (Wheelchair Unit)	1
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50. Bespoke flats for larger households have been designed, where possible, to allow for future conversion into smaller flats if family needs change. In any case, the Council General Needs Housing list can always be expected to require larger flats in the future should the particular families' circumstances change such that they no longer require this accommodation.
51. The Block also contains 400 sq m of commercial space on the ground floor of Block 5a on the York Road frontage.
52. Block 5 design has been progressed to stage 4, the level of detail usually required in order to tender for a contractor to build and, as is usually the case, during the detailed design some minor changes to the design have taken place. These have mainly been in order to accommodate the flat layouts required to meet tenants' needs. These changes have been discussed with the Local Planning Authority to ensure that they are in line with the planning approval.
53. The formal allocations process for tenants for Blocks 5b & c will take place through the Spring and early summer of this year.
54. Before a lease can be granted to the JV to allow development to commence, development agreement sets out four key pre-conditions which must be satisfied:
- The Title Condition
 - The Business Plan Condition

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- The Funding Condition
 - The Planning Condition
55. To meet the title condition the Council must be able to provide vacant possession and to have appropriated the land for planning purposes to deal with any claims for interference with rights. To meet the Funding Condition funding must be available (in this case all funding is from the Council and can be met). The Planning Condition requires planning permission to be in place and clear of the judicial review period – planning was issued on 29th January 2021 and, assuming no challenge, this condition will be met on mid-March 2021.
56. The final condition is the approval of the phase business plan which is the subject of a recommendation within this report.
57. Once these conditions are met the land can be drawn down by the Joint Venture to allow development to commence. As the residential elements of this building are to be owned by the Council a 5 year building lease will be granted. A 250 year head lease will be granted to the JV for the retail floorspace below Block 5a, initially secured via an agreement for lease. The extent of the land subject to the five year lease is attached at Appendix E.
58. Enabling works are currently ongoing to divert an Extra High Voltage Cable (EHV) which currently runs under where Block 5 is to be constructed, and the Council has advertised the intention to appropriate the land required to construct the blocks. The appropriation was considered by the Finance, Resources and Climate Sustainability OSC on 21st January 2021 and approved by the Executive on 25th January 2021 (Paper No. 21-15). Further enabling works will be required to relocate other less strategic electricity infrastructure to serve the building, to prepare the site and to build the new construction access into the site direct from York Road.
59. The current programme assumes that construction of the building itself will commence in May 2021 with an estimated completion date of March 2023. It may be that the safest and least disruptive way of undertaking the enabling works will be to construct the site hoarding to enclose the site earlier than that and if so the hoarding may be erected earlier.
60. Block 5 will be constructed using a main contractor. Previous reports to this committee have considered alternative methods for construction involving Taylor Wimpey UK, (the Council's JV Partner) undertaking the construction. However, the JV has decided on this occasion not to proceed on this basis as it considers that at this time best value will be achieved through proceeding with a main contractor. This method of procurement is already allowed for within the JV legal agreements.
61. The tender process was commenced in November 2020. The final form of contract may require minor amendment as negotiations with the selected contractor are finally settled. This report requests that these details are delegated to the Director of Housing and Regeneration to agree.
62. Under the development agreement the Council has the ability to employ a clerk of works, at the JV's expense, to check on site the quality of works and compliance with the Council's specification and arrangement will be put in place for this before works start on site.

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63. The current programme for this block (and as set out in the phase business plan) is as follows

All Conditions Precedent to be satisfied.	May 2021
Main Contractor identified & Contract Sum agreed	May 2021
EHV diversion works completed by UKPN	May 2021
Site Hoarding and site set up commences	June 2021
Piling commences	August 2021
Practical Completion and Handover of Block 5	March 2023

64. There will be a strong focus on managing and minimising the impact on existing residents. The Construction and Logistics Strategy for Block 5 is based on using access and egress from York Road and this has been agreed in principle with Transport for London. This will avoid the need for all construction vehicles to move through the Winstanley Estate and use Ingrave Street. This strategy is illustrated in the plan attached at [Appendix F](#).
65. The JV will develop the construction and logistics methods for the Block during the first quarter of 2021 in order to agree the final approach with the chosen main contractor. This will be framed by some key documentation and agreements to include the;
- Construction & Environment Management Plan (CEMP) that will be submitted to and agreed with the LPA prior to start on site to satisfy planning condition no. 23.
 - Construction Logistics Plan (CLP) is an integral part of the CEMP where the specific measures that the main contractor will use to organize in a safe and timely manner all deliveries of materials and plant into the site and removal of all waste from the site.
 - Membership of the Considerate Contractor's Scheme.
 - Just in time deliveries will be used to minimize the need for vehicles to wait on York Road.
 - Safe management of pedestrians and cyclists at the site entrance on York Road in a plan that will have been approved and agreed with TfL.
 - Inter-relationship of construction access and logistics with the construction of future blocks that may overlap with the construction period for Block 5.
 - All construction activities by the main contractor will require regular liaison and detailed communication with the;
 - (a) residents of Penge House and the rest of the two estates.
 - (b) contractor chosen by the Council to carry out the window replacement in Penge House.
 - (c) Council's Parks Department.
 - (d) residents in Fairchild Close
 - (e) Ward members
 - Hoarding and pavement licences.

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- Tower cranes to be used to ensure that there is no oversailing of Fairchild Close.
66. The National House Building Council (NHBC) will be providing warranties for the completed works for Block 5. The Joint Venture is jointly owned by the Council and Taylor Wimpey UK who have responsibility for its liabilities. Some third parties will ask for parent company guarantees in order to contract with the JV and the NHBC have requested this. As explained in the JV Block 5 Business Plan, this guarantee does not extend the Council's existing obligations in practice but assert them in a way that could be relied upon by third parties. For this to happen Wandsworth and TWUK will need to guarantee the JV's liabilities under the agreements on a joint and several basis, and this in turn will require a deed of indemnity between the Council and TWUK to be entered in to.
67. The Block 5 Business Plan is attached at Appendix A to Paper No. 21-46A. This plan has been agreed by the Joint Venture Board, is in line with the overall Business Plan and is subject to the further agreement of both parties to the Joint Venture, the Council and Taylor Wimpey UK.

BLOCK 10

68. Under the JV Agreement the Council has the ability to “acquire” 100 shared ownership units and 100 affordable rent units. In this context, “acquire” means the ability to require the JV to construct the units as Council properties at the Council's expense. The first shared ownership units are within Block 5a (which the Council has opted to acquire) which covers 65 of the 100 shared ownership units.
69. This leaves the Council with the ability to acquire an additional 35 shared ownership properties across the remainder of the scheme. This presents an opportunity to acquire 35 of the shared ownership properties in Block 10. Terms for acquiring these 35 units has been provisionally agreed with the JV on the same basis at Block 5a. Discussions have also been held to secure a position on an additional 15 units within Block 10 (which is one core of the Block 10 and likely to more than meet the Council's decant needs from Inkster House).
70. The additional 15 units has required negotiations with the JV as it is beyond the Council's contractual right to units (having already exercised its pre-emption on 100 units). Terms have been provisionally agreed that the Council can acquire these 15 units at shared ownership values which is considered to represent a fair balance between the Council and JV's interests. The proposed terms in relation to Block 10 are contained in Paper No. 21-46A.
71. This agreement enables these 50 units to be designed specifically to meet the Council's needs and particularly the potential to rehouse residents from Inkster House although this would be subject to an assessment of housing need and consultation with Inkster House residents. .
72. Block 10 is scheduled to start on site in October 2023 and complete in April 2026. The current decant proposal for Inkster House is into Block 13 which completes in April 2029. So this would represent an acceleration of three years in re-provision. Block 10 will be located adjacent to Inkster House and this would meet the desire expressed by a number of residents in the Inkster and Penge consultation in January 2020 to remain in their existing locality on this side of the estate.

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73. Whilst 50 units is not a direct match for the current identified needs of Inkster House, Officers are comfortable that, over the time involved with a combination of continuing early moves, buy backs and natural turn over, the expressed needs of secure tenants and resident leaseholders in both Penge and Inkster Houses can be met across the units in Block 10 and those in Block 5A. This decision would allow for a full consultation with residents of both properties to take place at the same time.
74. Existing funding is available to fund design. Capital funding is secured on Block 5A. A decision on capital funding for Block 10 would need to be made at a later date.

SUMMARY ON CHANGES TO SCHEME

75. For the reasons set out in the report, it has proved necessary to review phasing and funding to ensure the wider scheme can be delivered. Whilst in normal circumstances the deferral of the LCC would be unwelcome it provides a period of reflection to understand the operational and financial consequences of operating a large, new leisure and community facility in a (hopefully) post-COVID-19 world.
76. The proposals for Block 5a create an opportunity to provide new homes to secure tenants and resident leaseholders in Penge House which is welcomed given the challenges of major improvements to the block.
77. As explained above the changes mean that the scheme still delivers the new replacement housing to programme.
78. The revised phasing programme will require the JV to re-negotiate elements of the Section 106 agreement with the LPA. The GLA, as strategic planning authority, will need to be consulted on these changes.

INITIAL DEMOLITION NOTICE AND RIGHT TO BUY

79. Paper No. 18-161, agreed that Initial Demolition Notices (IDN) could, when required, be served on certain properties in the regeneration areas as a usual part of the regeneration process. As explained then, when pursuing a regeneration scheme the Council can, when considered appropriate, suspend the Right to Buy for secure tenants by serving notices under section 138A and 138B of the Housing Act 1985. Suspending the Right to Buy enables proper planning of the rehousing options as the time for demolition draws nearer. When using this power, the Council needs to give due consideration to the timing of the scheme and should have a reasonable degree of confidence that the scheme will proceed.
80. It was previously agreed that, when appropriate, IDNs could be served on the following properties:
- Scholey House
 - Pennethorne House
 - Lavender Road
 - Arthur Newton House
 - Baker House
 - Kiloh Court
 - Jackson House
81. The current programme requires Holcroft House to also be served with an IDN

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imminently. It is expected that all the IDNs will be served in the summer of 2021. The Council's Regeneration Commitments explained to tenants that the Right to Buy would need to be suspended as the scheme proceeded. When tenants are granted new tenancies on the new homes then these will be covered by the Right to Buy. Time spent for eligibility requirements for newer tenants would continue to accrue during the suspension period. Any tenant currently progressing the Right to Buy will be able to claim compensation for any expenses incurred. There will be an information note sent to all tenants with the IDN.

UPDATE ON PHASE 0 CONSTRUCTION

82. Mitchell House and Duval House buildings are now complete. The new Battersea Baptist Church and Thames Christian School are scheduled for completion in the second half of this year. This will enable the demolition of their existing properties in Pennethorne Square where the new Blocks 6 and 7 will be constructed.
83. The new Multi-Use Games Area on Grant Road, adjoining Duvall House, will be open in May of this year.
84. The JV worked with WorkMatch and the Regeneration Team to provide a new skills and training centre located within existing buildings on Falcon Road and to provide local training including scaffolding and dry-lining from the empty shop units in Lavender Road.
85. The targets agreed with WorkMatch were challenging but achievable. Four targets were exceeded and two were met. The only target that was not met was work experience and this was impacted by the pandemic and associated social distancing / lockdown restrictions.
86. The job starts were exceeded by 4 however it should also be noted that in total there were 46 local people employed on site in Phase 0, 23 of which did not come through Work Match because they were recruited before the referral process had been set up and contracts finalised.

COMMUNITY AND ENGAGEMENT ACTIVITY

87. As reported at the September HROSC, the Joint Venture has been developing joint projects with the Big Local Alliance with a view to supporting the local community infrastructure through working with local organisations. As reported the launch had been delayed due to COVID-19 and project had diverted its attentions to trying to assist with the impacts of shielding and isolation in the community. However, progress has now been made towards longer term goals. The Alliance Community Volunteer project has been set up with support from the JV and Big Local. A new Volunteer Development Officer was recruited in October 2021 and is based at Katharine Low Settlement. Their role is to:
 - Enable community organisations to expand the number of people volunteering in Battersea over the next three years (ensuring they have a good experience volunteering), which in turn will increase frontline service capacity.
 - Build community organisation's skills, capacity and standards to support more volunteers in Battersea.

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- Recognise and celebrate the importance of volunteers in Battersea.
 - Train local organisations to improve the way they work with volunteers, building their capacity to address issues that cannot be fully tackled by the statutory sector
 - Direct volunteers towards projects and programmes that address Big Local SW11 priorities.
88. The Volunteer Development Worker works closely with the Battersea Youth Voice worker also supported by the JV and based at Caius House. These posts and their activities will assist the JV's objectives in building community infrastructure, identifying priorities for the JV during implementation of the project and ensure that the JV is able to engage with groups which would otherwise be hard to reach.
89. Now that planning permission has been granted the JV together with the Council intends to create a Cultural Steering Group to develop and deliver a Cultural Action Plan for the area. Work is currently being undertaken with the Big Local to begin to develop the Cultural Action Plan which is targeted to commence in May of this year.
90. The JV undertook improvement works last month to the playground at Falconbrook School.

COMMENTS OF THE SOUTH LONDON LEGAL PARTNERSHIP

91. The Council is being advised by Pinsent Mason in respect of this matter. Their comments are reflected in this report 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.
92. Any increase in the equity share to be contributed by the Council will need to be provided for in the HRA Capital Programme which will be agreed by full Council.

COMMENTS OF THE DIRECTOR OF RESOURCES

93. The Director of Resources comments that the proposals in this report in relation to design, phasing and financing are necessary to address the funding challenges faced by the Joint Venture in securing funding for the delivery of the scheme and to avoid the use of expensive, unsecured loan finance. It should be noted that overall the scheme is confirmed as still being viable as set out in Appendix B to Paper No. 21-46A.
94. The proposals initially require a short-term increase in equity funding from both parties to support the cash flow of the next phase of the scheme. This increase in equity will be at the same level for both parties to maintain the 50/50 arrangements. The estimated level of funding required and terms are set out within the exempt report. It is currently estimated that this will be required by April 2022 and repaid in full by April 2025. Approvals to add this relevant level of expenditure to the respective capital programme will be sought at the appropriate time.
95. The Council currently has agreed to equity funding within the scheme, linked to costs incurred acquiring interests in advance of making a CPO, totalling just over £38 million. Acquisition costs are initially met from the HRA capital programme with interest on the equity also accruing to the HRA. The equity, when repaid, will be

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credited to the HRA as a capital receipt. Once this £38 million cap has been reached the JV is required to reimburse the costs of acquiring all properties for the current phase and this is the arrangement assumed in the HRA Business Plan. The proposals within this report are to essentially increase this equity funding so that rather than immediate reimbursement of acquisition costs the JV will only be required to reimburse the Council on the drawdown of the land for the relevant phase. Once properties are acquired, and back in the Council's ownership, the HRA will benefit from any rents received through short-term letting, retain ownership of the property and continue to accrue interest on the 'equity' at the agreed rate. The costs of acquisition would be met from the approved HRA capital programme (See Paper No. 21-42, elsewhere on this agenda) which currently total £59.3 million in the period 2020/21 – 2023/24 for both in and out of phase acquisitions. The timing of the reimbursement will need to be considered to ascertain whether there is likely to be any requirement to increase the HRA borrowing level in the short-term and the impact on the overall peak debt position.

96. It should be noted that the bond funding the Council previously made available to the Joint Venture to support the cash flow of the scheme has recently been fully repaid.
97. Regarding the acquisition of Block 5a, a prudent estimate has been allowed for of £24 million within the HRA capital programme (See Paper No. 21-42, elsewhere on this agenda) which will provide decant accommodation for the residents of Penge House. This development will be considered as being part of the Council's 1,000 homes development programme.
98. Overall the costs of the regeneration scheme are still considered affordable within the HRA Business Plan (as confirmed elsewhere on this agenda) with the cost of replacement affordable housing capped at £150 million. No further provision has been made within the business plan for the option to acquire any of the 'optional' units beyond those included in Block 5a so this will need to be factored in to a future HRA Business Plan update once intentions are finalised.

EQUALITY IMPACT NEEDS ANALYSIS

99. The Equality Act 2010 requires that the Council when exercising its functions must have "due regard" to the need to eliminate discrimination, to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and to foster good relations between persons who share a relevant protected characteristic and persons who do not share it. Equality Impact Needs Analyses have been undertaken previously on this project including on the scheme and on the allocations process and letting plans. Their status continues to be reviewed by Officers. The impact of a re-phasing of elements of the programme will be reviewed as the details of the change and mitigations are agreed through the planning process.

SUPPORTING THE WANDSWORTH ENVIRONMENT AND SUSTAINABILITY STRATEGY (WESS)

100. In Winstanley and York Road, a carbon effective solution is proposed that is compatible with the fact that this is a densely occupied site with significant energy targets. In line with the London Plan at the time of the application the proposal was for a district heating network. The illustrative Masterplan located the Energy Centre

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for Phase 1 and following blocks within the basement of Block 1. However, the deferral to Block 1 will also delay the delivery of this first energy centre.

101. As a result, it is necessary to review the location and strategy of the energy centres and network and provides an opportunity to review the Energy Strategy for the development to ensure compliance with current GLA guidance. This will include considering alternative energy centre heat sources such as air or ground source heat pumps, ambient loop decentralised pumps or gas boilers.

CONCLUSION

102. Subject to the rephrasing proposals outlined in this report the scheme remains viable and the programme for the delivery of replacement Council homes is not changed by deferring Block 1 for four years. The Council will continue to operate the children's centre, library and Hope Street sports centre pending the development of the LCC so service provision will not be affected.
103. The proposals for Block 5a and 10 provide an opportunity to accelerate the rehousing of residents from Penge and Inkster House and will provide an increase of 115 replacement, predominantly social rent, Council homes.

The Town Hall,
Wandsworth,
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BRIAN REILLY
Director of Housing and Regeneration

3rd February 2021

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.