



London Borough of Enfield

Title of Report:	<i>Operational KD report to enter into a Grant Agreement with the GLA for Land Fund Grant to support leaseholder and freehold property buybacks on the Joyce Avenue and Snell's Park Estate regeneration scheme.</i>
Report to:	<i>Joanne Drew</i>
Date of Report briefing:	<i>November 2023</i>
Cabinet Member:	<i>Leader of the Council</i>
Directors:	<i>Joanne Drew</i>
Report Author:	<i>Amena Matin</i>
Ward(s) affected:	<i>Angel Edmonton</i>
Key Decision Number	<i>KD5614</i>
Implementation date, if not called in:	<i>20 February 2024</i>
Classification:	<i>Part I Public</i>
Reason for exemption	<i>N/A</i>

Purpose of Report

1. This report seeks approval to enter into a Grant Agreement with the Greater London Authority (GLA) for their Land Fund for the purposes of buying back existing leasehold and freehold properties across the estate for the purposes of gaining vacant possession of blocks required for the regeneration of the Joyce and Snell's estate.

Recommendations

- I. To approve that the Council enter into a Land Fund Grant Agreement with the GLA and accept the allocation sum of £50m to acquire resident, non-resident leaseholder and freeholder interests across the two estates, for the purposes of enabling the Joyce and Snell's regeneration programme.
- II. To extend the buyback offer from Phase 0-3 to all phases, not exceeding the approved budget of £55m and optimising the use of the GLA Land Fund
- III. To approve capital expenditure up to £3.5m for enabling and design works related to Phases 0-3 from 2024/2025 to 2025/2026 as follows:
 - a. Enabling works and contract for commencing a start on site as required by the GLA to secure drawdown of the affordable housing grant and satisfaction of the Land Fund milestones. (£900k)
 - b. Pre-Construction Design services award to the contractor to further the design from planning to construction stage and firming up a works price for Block A and D in Phases 0 & 1 (£1.92m)
 - c. Contingency (£680k)
- IV. To note the award of the main contract of works will request approval by Cabinet in 2025/2026.

Background and Options

2. In September 2021, Cabinet approved the decision (KD5453) to publish a Landlord Offer and ballot residents on the Joyce Avenue and Snell's Park estates on the proposals for regeneration. The decision also approved £10m for professional services and £55m for expenditure on the buyback programme and securing funding from the GLA Land Fund to enable the Council to start acquiring property in advance of demolition of each phase. This report seeks authority to enter into contracts and expenditure within that Cabinet authority.
3. Subsequently, the ballot took place in December 2021 and received a strong mandate from residents in favour of the scheme as follows:
 - Turnout 85.5%
 - 'Yes' vote 78.5%
4. Since KD5453 was approved, the planning application for c2000 homes has been submitted which if approved, will see the replacement of 795 homes with new and better homes and transforming a poorly designed estate into a place residents can be proud of.
5. The progress made to date has created confidence with the GLA and the strong track record of delivery for Enfield Council has secured additional funding to support development of our proposals. In March 2023, the Mayor

of London approved the decision to approve a £50m grant to the London Borough of Enfield to address the viability gap affecting the proposed development, and help fund leaseholder buybacks, at the Joyce Avenue and Snell's Park estates. The funding is expected to help deliver up to 530 homes across phases zero to three on the estates; and unlock delivery of circa 2,000 homes in total, of which at least 50 per cent will be affordable. The funding will also deliver a new civic hub, consisting of a nursery, a library, a community centre and flexible community space; and two large parks, establishing a green spine through the estates.

6. The Grant Agreement documents have been reviewed by the Council's legal advisors and Pinsent Masons LLP.
7. The terms of the Grant Agreement are being finalised with the key principles that the funding will be paid in arrears, will cover the full costs of purchasing a property (including statutory payments triggered by the intention to regenerate the estate) which help to secure vacant possession in a timely manner to derisk the programme. The funding also enables the Council to enter into negotiations with leaseholders and freeholders earlier rather than on a phase-by-phase basis, thus reducing the burden of having to use Compulsory Purchase Powers (CPO) on residents.
8. The Land Fund will also enable the council to offset some of the upfront capital costs associated with a regeneration scheme. By funding the buybacks for those residents who want to move off the estate and reimbursing the council, this reduces pressures on the council to require additional borrowing in the early years. Currently the first 10 years of delivery are within the approved budget allocation in the Housing Revenue Business Plan (KD...) – the affordability of which will be confirmed as part of the HRA Business Plan development and presented to Cabinet in February.
9. Joyce & Snell's, like all major developments, are very challenging to make financially viable in the current economic climate. This additional funding will help to reduce the viability gap. Officers are working on redesigning elements of the scheme to bridge the remaining viability gap.
10. Costs associated with the purchase for removals, legal fees other reasonable out of pocket expenses for residents can be paid from the Land Fund grant.
11. The Land Fund will also cover Stamp Duty Land Tax (SDLT) where applicable in line with Inland Revenue rules as follows:
 - SDLT payable on the sale of the property back to the Council
 - SDLT on the onward purchase of the replacement property up to an equivalent value of the sold property
12. The Agreement, once signed, allows all historical buyback costs to be reclaimed which are currently c.£2.5m. Going forward, buyback costs will be recoverable quarterly, thus limiting to a considerable extent the initial forward funding requirement of the HRA as buybacks are completed. The HRA will need to retain a revolving facility to fund purchases on a quarterly basis between grant claims but the grant funding will mean this is cost neutral to the

Council. The GLA have also agreed to consider buybacks undertaken earlier in a previous acquisition programme which would add a further c.£4.8m to the initial claim if approved.

13. The grant will fund the purchase of around 160 dwellings at today's average prices, making a significant positive contribution to the overall site assembly.
14. Once purchased, the properties will be used for temporary accommodation which will help relieve the pressure on emergency accommodation across the borough. The Council will retain the properties which will generate a revenue stream to the HRA for several years until such time that the properties are demolished. Temporary Accommodation residents will not be entitled to stay on the estate after the regeneration.
15. In addition to the Land Fund grant, the GLA has also awarded the council an increased affordable housing allocation in light of changes to funding for replacement homes and increased build costs since the bid was originally submitted. The original allocation of £54.5m secured through the GLA Affordable Housing Programme has been uplifted to £64.46m. These grants ensure a significant capital funding stream to support the early phases of development and assist with the overall viability of the scheme.
16. The proposed general terms of the Land Fund Agreement are similar to those previously agreed in the Council's AHP Contract. Outputs and commitments in the Land Fund Agreement need to mirror those committed to in the AHP Contract, and the Agreement has been negotiated on this basis.
17. The GLA require an Overage provision to be included in the Agreement. The intention of this is to enable the GLA to share in any actualised surpluses generated by the scheme enabled in part by the receipt of Land Fund grant. (details to be finalised)
18. The GLA reserve the right to adjust the grant amount in the following circumstances:
 - a) Changes to the number of dwellings delivered
 - b) Changes to the number of properties to be acquired
 - c) Increases in capital income or other sources of financial assistance becoming available to the Council in relation to the delivery of the Project or Development
19. More detailed comments on the above points are contained in the Legal implications.
20. The Agreement requires the Council to commit to an acquisition plan that will deliver vacant possession of the existing blocks as and when required for demolition, and for the acquisition of properties from other owners who wish or need to move before their block is required for demolition. This plan can be reasonably varied with the GLA's consent (not to be unreasonably withheld) in response to changes to the scheme delivery plan.
21. Alongside the acquisition plan, the Council will also need to demonstrate that planning has been granted and that works have commenced to facilitate the

regeneration of the estate. This Key decision report proposes expenditure of up to £3.5m for the award of contracts for design, enabling works and technical design to ensure the scheme does not lose momentum once the GLA Land Fund agreement is signed.

22. The planning application is currently being amended following the announcement by Government for a second staircase. This will generate an additional fee up to £530k for the architects, HTA, to progress the design and planning determination through to contractor appointment. A planning decision is targeted for July 2024.
23. Procurement of the contractor is targeted to commence in early 2024 to carry out initial enabling works related to the demolition of garages and site preparation for the main works to commence. The contractor will also be required to prepare the next stage of technical design for Phases 0 and 1 (Pre-contract services agreement) and procure the sub-contractor supply and materials to determine a price for the construction of the new homes. This price is targeted for Cabinet approval in 2025/2026 prior to main works commencing.

Preferred Option and Reasons for Preferred Option

24. The preferred option is to accept the Land Fund Grant from the GLA as a means of funding the buybacks of leasehold and freehold property across the estate.
25. The initial phases of the scheme feature a considerable number of decants to enable the later phases to come forward, and this places an increased commercial pressure on the scheme during the earlier years of development where the scope for market sale homes to cross-subsidise the scheme is reduced.
26. Bringing the Land Fund grant into the scheme will offset a significant amount of Council expenditure in the critical early years of the scheme.
27. The ability to accelerate buybacks for residents across the estate (with compensation) is in line with CPO best practice and will reflect in the Council's favour at future CPO Inquiries and in the decision to grant the CPO.
28. Statutory compensation for residents will be in line with CPO legislation is as follows for leaseholders and freeholders alike:
 - Resident leaseholders and freeholders – 10% of the open market value (OMV) of their property
 - Non-resident leaseholders and freeholders – 7.5% of the OMV of their property
29. Homes are valued by qualified RICS property surveyors on behalf of the Council. Sellers are entitled to obtain their own valuation from an RICS registered surveyor, and should there be a difference between valuations, there is a review process as set out in RICS protocol where the surveyors agree jointly on the OMV of the property.

Volume of Buybacks

30. There are currently 406 leaseholders across the two estates, including seven housing associations who own in total 44 units on the estate. Several leaseholders have expressed an interest in selling their properties and relocating off the estate. Given current pressures on budgets, the Council has not been able to acquire at the pace intended in September 2021 and therefore the uptake has been slow and of the £55m budget only £2.5m has been committed. The Land Fund will allow the Council to make offers to all interested parties and support resident and non-resident leaseholders to plan for their future and make informed decisions about where they want to relocate to.

Relevance to Council Plans and Strategies

31. The regeneration of the Joyce and Snell's Estate is a key component of the HRA business plan. Regenerating the estate will not only replace aging and expensive to maintain stock, but tackle overcrowding and increase supply of Council owned affordable property.
32. There a number of related benefits that flow from the delivery of the scheme which will be further enabled by the acquisition of Land Fund grant funding as set out below:

Good Homes in well-connected neighbourhoods

- o Regeneration of Joyce and Snell's will bring about a fundamental change in both in terms of better, energy efficient dwellings and changes to the immediate environment within the new master plan, highly enhanced green areas and upgrades to the high street.
- o The scheme will provide additional affordable housing as well as new private for sale homes to help achieve mixed and balanced communities.
- o The regeneration scheme forms part of an exciting and cohesive Ward, when considered alongside other planned regeneration projects in the area including Upton & Raynham, Meridian Water and North Middlesex University Hospital.

Safe, healthy and confident communities

- o The green areas around the estate are designed to provide leisure facilities to people of all ages and much better biodiversity.
- o The master plan is designed to minimise unseen spaces and maximise natural surveillance to deter crime and antisocial behaviour.

- o Improved links between the estate, the high street and the community to the west including North Middlesex University Hospital and environs.

An economy that works for everyone

- o New shops on the high street and 'Makers Lane' to provide premises for new businesses and diversify the retail offer.
 - o Better access to public transport including a new pedestrian crossing to Silver Street Station.
 - o New employment opportunities during the construction period including links to the new Upper Edmonton Skills Academy.
33. **Healthy Streets** - the new master plan puts sustainable transport at the centre of the design, with streets designed to prioritise walking and cycling, reduced on-street carparking and green spaces integrated into the layout. This reduces local pollution and promotes cleaner air around spaces where people live. The estate is also a key hub point for the east-west cycle route that links the North Middlesex Hospital with Meridian Water.
34. **Energetik** - It is proposed that the Energetik district heating network will be connected to all new homes, providing clean, competitively priced heating and hot water and obviating the need for gas supplies on the estate.

Financial Implications

Summary

35. This report is requesting approval to:
- a. enter into a Land Fund Grant Agreement with the GLA and accept the allocation sum of £50m to acquire resident, non-resident leaseholder and freeholder interests
 - b. To extend the buyback offer from Phase 0-3 to all phases, not exceeding the approved budget of £55m and optimising the use of the GLA Land Fund
 - c. approve capital expenditure up to £3.5m for enabling and design works related to Phases 0-3 funded by HRA borrowing.

Land fund agreement

36. This report is proposing to enter into a land fund agreement with the GLA to accept funding of £50m to support the leaseholder buybacks.
37. The grant conditions included within the agreement are similar to those previously agreed in the Council's AHP Contract and output milestones have been negotiated on this basis.

38. The grant funding will support the leaseholder buyback costs including associated fees and will be paid once the units have been purchased. The agreement will allow Enfield Council to reclaim historical buyback costs of £2.3m as of November 2023.
39. There is an overage clause as part of the agreement, enabling the GLA to share in any actualised surpluses generated by the scheme enabled in part by the receipt of Land Fund grant. Any overage on the project will be claimed by the GLA once all phases are completed. Discussions are in progress to finalise the details of the overage agreement.
40. The conditions of the agreement are to deliver phases 0 to 3. This includes a total of 530 new homes with a mix of tenures, creating new commercial and community space, and new public realm. There are other conditions included which include meeting milestone events, however there are mechanisms included that allow for milestone events to be extended or revised under certain circumstances. The agreement is worded in such a way that the repayment of grant would be the action of last resort once all other remedies are exhausted.

Leaseholder buybacks

41. In September 2021, KD5343 approved the capital expenditure budget for leaseholder buybacks for phases 0-3 with a cost of up to £55m.
42. The J&S model and HRA BP assumed that these buybacks would be funded from borrowing. The report noted that grant could be secured, but this wasn't built into the model at the time. As Enfield has secured £50m through the GLA land fund this will assist in funding the buybacks and reduce the HRA's borrowing commitment.
43. To date approval for the leaseholder buybacks in phases 0-3 has been agreed, this report is recommending that the buybacks are extended for future phases (4 and onwards) but will remain within the existing approved budget of £55m and will be funded from the land fund.
44. It's anticipated that 160 properties will be bought back in the next 5 years (32 per annum) and will be fully funded from the land fund.
45. Statutory compensation for residents will be in line with CPO legislation:
 - a. Resident leaseholders and freeholders – 10% of the open market value (OMV) of their property
 - b. Non-resident leaseholders and freeholders – 7.5% of the OMV of their property
46. Stamp Duty Land Tax (SDLT) – is payable at higher rate where more than one property acquired. However, as the buybacks will be funded from the GLA land fund grant exemptions will apply.
47. Once the units have been bought back, they will be used for temporary accommodation (until required for development) to ensure maximisation of

rental income and assist in reducing the temporary accommodation pressures. The properties will be let at LHA rates.

Enabling and design works budget – phase 0-3

48. As part of the approved capital programme agreed at Council in February 2023 a budget envelope of £936m was included for the J&S project.

49. This report is proposing to approve the capital expenditure of £3.5m, to cover the below costs in 24-25 and 25-26:

- a. Enabling works £0.90m
- b. Pre-construction design from planning to construction stage £1.92m
- c. Contingency £0.68m

50. These costs are included within the approved capital programme and will be funded from borrowing within the agreed limits in the approved Business Plan. The borrowing will be substituted by GLA grant (AHP programme) if milestones are met, and grant is received.

51. The J&S model is currently under review, the financial position has changed since the original approval in September 2021 due to economic climate, including increased borrowing rates and changes in regulatory requirements.

52. The metrics from the latest version of the model, that includes the £50m Land Fund grant from the GLA, are in the table below:

Number of Residential Units	1,800
NPV	£3.8m
IRR	6.71%
NPV per unit	£2,137
Scheme cost per unit	£555k

Risks

53. In order to meet GLA grant agreement milestones, the proposed expenditure within this report is critical to ensuring the milestones are met and secured grant can be drawn down.

54. Failure to meet GLA grant requirements as part of the agreement could result in the repayment of grant received.

Legal Implications

55. Cabinet Report KD5343 already authorised the expenditure sought by the Council under this KD Report.

56. The main recommendation under this report is to approve funding of £50 million from the GLA towards the Buy Back programme for Joyce and Snells.

57. The Council can enter into the grant funding agreement using its general powers of competence under section 1 of the Localism Act 2011 subject to sections 2 - 4, in that, it is permitted to do anything that individuals generally may do. Such powers are conferred to be exercised in any way whatsoever, which include the power to do it for, or otherwise than for, the benefit of the authority, its area, or persons resident or present in its area.
58. The Council has a Best Value Duty under the Local Government Act 1999 section 3 to ensure that it pays no more than market value for the acquisition of these properties and operates the scheme efficiently.
59. Under section 120 Local Government Act 1972 the Council has a general power to acquire property by agreement. A local authority may also purchase properties for housing the homeless under section 17 Housing Act 1985. Application for and acceptance of the grant from the GLA as recommended complies with the Council's powers under s1(1) of the Localism Act 2011 and applying the grant in the manner recommended satisfies the Council's Best Value Duty in respect of its housing obligations.
60. The GLA grant agreement is required to be sealed by the Council and Legal Services can organise such sealing once this KD Report is approved.
61. The following legal implications are provided by Senol Mustafa on 23.11.23:

The council are required to comply with the grant conditions set out in the grant funding agreement that is the subject of this report. This includes compliance with any milestones and any requirements as to how contracts are to be procured for the implementation of the development. As regards the procurement of contracts for design / technical design and enabling works the council must comply with the council's constitution, and in particular the council's contract procedure rules (CPRs), and where applicable the Public Contracts Regulations 2015. Specifically, as mentioned in this report at paragraph 21 the additional fee to architects HTA must be awarded in a compliant way in accordance with the relevant procurement rules, and / or the terms of any existing contract with HTA. Legal advice should be sought where required. There must be adequate budgetary provision to enter into the contracts referred to here, and the council must attain value for money from the contracts. From a procurement perspective there is a presumption that value for money is best attained by way of competitive tendering or quote processes.

62. In receiving this funding, the council are required to comply with the Subsidy Control Act 2022. Under the grant agreement one of the initial condition precedents is that evidence in the form of a legal opinion from the Borough's Solicitors with expertise in Subsidy is required to show that the Borough's use of the grant funding shall comply with the Subsidy Control Act 2022 and any other related legislation and guidance. The council instructed Pinsent Masons to prepare this opinion and having received the opinion on Subsidy Control from Pinsent Masons the council has submitted this to the GLA for approval.
63. It should be noted that the Procurement Act 2023 ('PA 2023') recently received royal assent and is due to replace the Public Contracts Regulations

2015 as the UK based system of public procurement law. The PA 2023 is planned to come into force in October 2024, but this may change depending on the legislator's timetable. Council officers need to be mindful of this future significant change in procurement law and continue to seek legal advice regularly to attain the most up to date position and ensure continued compliance in this area.

Equalities Implications

64. We are proposing to undertake the buybacks in a fair and transparent way through acquiring property from those residents who wish to sell now and move off the estate. The Council will acquire properties at market value via an RICS Red Book valuation, and will pay compensation, Stamp Duty and reasonable out of pocket expenses in line with CPO best practice.
65. This will enable any households who require to move for work, family or other circumstances to be able sell their home to the Council before their block is required for demolition. This will enable a degree of social mobility to take place for those residents who need or want to move.
66. An equalities screening test was undertaken. This did not highlight any differential impacts to residents with protected characteristics through the open market purchase of their property. All purchases by the Council at this stage of the scheme are on a voluntary basis by a willing seller.
67. A separate CPO process will be entered into at a later date to ensure vacant possession of blocks prior to demolition in line with the construction programme. The decision to undertake a CPO will be subject to a Cabinet decision in late 2024, within which a full EqIA will be undertaken.

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Appendices

None

Background Papers

None

#Departmental reference number, if relevant: