MINUTES OF THE MEETING OF THE CABINET HELD ON WEDNESDAY, 6 NOVEMBER 2019

COUNCILLORS

PRESENT Nesil Caliskan (Leader of the Council), Ian Barnes (Deputy Leader), Alev Cazimoglu (Cabinet Member for Health and Social Care), Guney Dogan (Cabinet Member for Environment and Sustainability), Nneka Keazor (Cabinet Member for Community Safety and Cohesion), Mary Maguire (Cabinet Member for Finance and Procurement), Gina Needs (Cabinet Member for Social Housing) and George Savva MBE (Cabinet Member for Licensing and Regulatory Services)

Associate Cabinet Members (Non-Executive and Non-Voting): Mustafa Cetinkaya (Enfield South East), Ahmet Hasan (Enfield North)

ABSENT Rick Jewell (Cabinet Member for Children's Services) and Mahtab Uddin (Cabinet Member for Public Health), Claire Stewart (Associate Cabinet Member - Enfield West)

OFFICERS: Sarah Cary (Executive Director Place), Ian Davis (Chief Executive), Joanne Drew (Director of Housing and Regeneration), Fay Hammond (Acting Executive Director Resources), Tony Theodoulou (Acting Executive Director People) and Andrew Golder (Press and New Media Manager), Penelope Williams (Secretary)

Also Attending: Councillor Hass Yusuf and 5 other officers

1
APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Jewell, Stewart and Uddin.

2
DECLARATIONS OF INTEREST

There were no declarations of interest.

3
DEPUTATIONS

There were no deputations.

4
JOYCE AVENUE AND SNELLS PARK ESTATE REDEVELOPMENT

Councillor Nesil Caliskan (Leader of the Council) introduced the report of the Director of Place, Sarah Cary (No: 134) - Joyce Avenue and Snells Park Estate Redevelopment.

NOTED

1. The report was the culmination of several years preparatory work on a project which was now ready to begin. It was crucial to avoid delay at this point, which was the reason for presenting the report that evening.
2. In 2017, Cabinet had given approval to start feasibility work to find out how best renew the two estates, with full details in the report.
3. The Council was committed to provide a home to all existing residents, including those in private leased accommodation. A significant number of people living on the estate were in the private sector
4. Regeneration would provide a benefit to the whole local community.
5. The model, specific to Enfield, would include Council homes for social rent as well as some build to rent properties. The Council would remain the landlord.
6. Homes would also be provided for key workers, including those working at the nearby North Middlesex Hospital. The hospital Chief Executive had written a letter of support.
7. The proposals would seek to address concerns of local residents, who had in the past felt abandoned, including crime, prostitution and antisocial behaviour.
8. In the short term, funding would be unlocked for a hub based in the Boundary Hall on the Snells Park Estate. A team of staff would be based there to carryout community engagement and deal with residents' issues. Work would also be put in hand to improve the physical environment, knocking down derelict garages and bin stores which could be magnets for crime. It was planned that the Boundary Hall could be refurbished by the end of the year.
9. As well as replacing existing Council homes there will be additional affordable homes for people in temporary accommodation. Those with a legal right to a Council home would be prioritised. However, there would also be good quality homes for private rent for those who were not eligible for social housing.
10. The existing open space was not well used and better, more attractive green spaces and play areas would be created. Initial consultation with residents had found that safe places for children's play was a key requirement
11. The Florence Hayes Park could be used to enable the first stage of the development, so that people will only need to be decanted once, but this would be subject to consultation with local residents.
12. There will be other regeneration opportunities in the area including the proposals for the Fore Street.
13. Members praised the innovative approach.

14. Work would be done to bring the two communities on each of the estates together into one community.
15. The aim was to involve all residents in the re-development and design of the new buildings.
16. Flexibility had been built into the scheme as the whole project would take 10-15 years and during this time things were likely to change. It would be a phase by phase approach which would also reduce risk.
17. It was suggested that Tottenham Hotspur Football Club should be invited to support the scheme. In early meetings residents had expressed concern that the flats would be let on an Airbnb basis to people going to matches.
18. On timing the ballot would take place when the residents were happy with the proposals, hopefully in the middle of next year. There will be lots of engagement work with residents and councillors will be needed to support engagement activities. Planning permission would be applied for in 2021 with a view to work on site starting in August to December 2021.
19. Early meetings with residents had been lively and encouraging. Residents were excited about the proposals and had lots of ideas about what they wanted.
20. Good housing was an important determinant for good health.
21. The Finances had been carefully thought out. Different types of homes will be owned and funded by the Housing Revenue Account and the General Fund separately. The finances need to consider the impact on both accounts.
22. In total over 3,000 homes were planned, but further design work was needed to confirm this.
23. Cabinet members agreed that there needed to be regular communication with residents on the two estates and surrounding areas, including a mailing in the two weeks following the public event held on the 26 October 2019, to provide an update on progress since that meeting.
24. The report was recommended to Council for financial approval.

Alternative Options Considered:

1. Initial Capacity Study

1.1 Initial feasibilities were carried out by Karakusevic Carson Architects which demonstrated that significant additional supply could be created across the estate either through the construction of infill buildings or by demolishing some, or all, of the existing blocks and replacing them with a new master-planned estate.

1.2 Following the initial feasibility, HTA were instructed to carry out a more detailed capacity study from which four options were considered, namely:

- Option 1 Infill development and refurbishment of the existing buildings

- Option 2 Partial redevelopment and refurbishment of remaining buildings
- Option 3 Full redevelopment consisting of demolition and replacement of the existing buildings
- Option 4 Do nothing – existing maintenance and major works schedules continue

1.3 A report detailing a comprehensive resident engagement process at Joyce and Snells estates to consider all possible regeneration options and implications for stakeholders was approved by Cabinet in March 2017 and a working budget of £500k was established.

1.4 The engagement and consultation that took place indicated a majority in favour of full redevelopment, giving the opportunity to carefully redesign the estate and create a more cohesive neighbourhood.

1.5 The refurbishment elements on options 1 & 2 would have considerable major works cost implications for the Council and particularly leaseholders. A comprehensive refurbishment would also require leaseholders to decant from their property while the work took place, further adding to costs.

1.6 The 'do nothing' option assumes the Council's planned maintenance and cyclical programmes would continue. This would again mean that significant refurbishment costs to the Council and leaseholders would be incurred in due course.

1.7 In addition, feasibility assessments carried out by JLL highlighted that the infill and partial redevelopment options are not viable and did not meet the objectives of the residents or the Council. In line with the preferences stated, residents were written to last year confirming that the ballot decision will be between the full regeneration option or do nothing.

2. Outline Development Proposal

2.1 The initial mix developed by HTA Architects was based around the prevailing GLA requirements of a 40% affordable housing target that was current at the time. It was also assumed that the scheme would be taken forward via a development agreement with a delivery partner, cross-subsidised from private sales. There were at the time however severe restrictions on the amount of HRA borrowing available under the borrowing cap and work undertaken by JLL indicated that the Council would have to invest around £220m less any grant that was available in addition to the land, which would have represented over 100% of the available borrowing capacity.

2.2 There were additional considerations for the Council in relation to future development and maximising the opportunities available through regeneration. These included:

- Maximising the quantum of affordable housing through regeneration
- Reduce or eliminate the loss of newly created stock through RTB
- Retain long-term ownership and control over land assets
- Planning and delivery strategies that prioritise affordable housing
- High quality place making and public realm
- Reduced reliance on market sale as the principal source of cross-subsidy
- The Council retaining more control over development throughout the life of the regeneration
- Using regeneration to drive improvements to the high street

3 Delivery Options

The chosen approach to any particular scheme should be analysed on a case by case basis and will differ depending on how land and buildings are procured and developed. For example, where land has been purchased, it is important that the cost of this is mitigated quickly through the sale of homes or development plots to minimise holding costs. Where the Council already owns the land at no cost such as an existing estate, different approaches to development and finance can be taken.

4. Development Agreement with Contractor Partner

A development partner takes forward the funding and development of the project through a Development Agreement, with an agreed level of affordable housing returned to the Council. The provision of affordable housing is usually cross-subsidised by the sale of private housing.

The developer takes finance, planning and development risk and the Council does not need its own delivery capacity. The Council's contribution would usually be land and cash in return for an agreed proportion of affordable homes. This model uses the surpluses from private sale housing to repay any land costs and cross-subsidise the affordable homes. It may also yield overage payments where forecast sales income is surpassed or where planning permission is achieved for additional units.

This model does require the transfer of land for private sale housing and the developer controls the pace of development in response to the rate of sales that can be achieved in the area. There may be a requirement to undertake private sales ahead of delivering the affordable homes to generate surpluses. The developer partner will also factor in the transfer of risk within their overall pricing for the project.

At Joyce and Snells the Council already owns the land and buildings and therefore does not have land acquisition costs and other holding costs to mitigate. For this reason, there is no immediate requirement for sales income to offset holding costs. The existing properties provide a revenue stream to the Council while other parts of the estate are developed.

Since it is proposed that the Council will undertake the planning and delivery of the scheme, owns the land and intends to source development finance itself, there is no specific requirement to enter into a Development Agreement. For these reasons, this option is not being progressed.

1.5 Development Agreement with RP Partner

Similar in principle to the Contractor Partner above, an RP would manage and finance the project and return an agreed number of nominations back to the Council. The RP would procure the construction work, and the model again assumes the affordable housing is cross-subsidised by the sale of private housing.

As set out above, this model has the same characteristics as a contractor development agreement and the same rationale therefore applies for not proceeding with this model.

1.6 Council-led Development Funded via Additional HRA Borrowing (Self-Delivery)

This model assumes that the Council leads and partially self-finances the project. This approach is now more feasible due to the HRA borrowing cap being lifted and would allow the Council to keep full control of the regeneration. There would still have to be a private sector element to the scheme to provide cross-subsidy, but overall costs would be lower due to cheaper capital available through the PWLB.

This approach allows the council to retain full control of the planning and delivery of the project, minimise or eliminate loss of land assets and maximise number of affordable homes provided.

The Council also needs to consider that this approach also ties up financial resources for long periods, could require strategic plot sales to generate additional capital and involves the Council taking on planning and development risk. Self-delivery also requires that the Council resources in-house delivery capability; may require strategic plot sales to generate additional capital.

This remains an alternative option, however it would mean tying-up a significant proportion of the forecast headroom in the HRA to deliver the project. Since pension equity is available at similar rates to the PWLB, this approach would not necessarily deliver extra affordable units. At this stage, it has been judged that the HRA headroom could be used more effectively and efficiently across several projects so that other regeneration and stock improvement schemes can be brought forward. For these reasons, it has been decided not to proceed with this option for the time being, however the Council may be able to self-fund later phases of development if deemed advantageous.

It is worth noting at this stage, a wholly affordable rented scheme is not viable since the grant levels and amount of rent available to be capitalised would not be enough to cover all costs. This could change in future if for example additional grant becomes available. The Regeneration Team will look to take any future opportunities that allow the proportion of affordable rented properties to be increased.

1.7 Council-led Development with a Strategic Co-investment Partner/s (Self-delivery with pension equity Investor)

This model of self-delivery assumes that the Council leads and self-finances the project but with a proportion of the finance being provided by a Pension Equity Investor. The Investor/s would provide finance on a phase by phase basis in exchange for a portion of the rent over a specified investment period. Pension equity would be available at similar rates to the PWLB and is a cost-effective way of securing long-term development capital and ensuring that the maximum number of affordable properties are delivered.

One of the major benefits of this approach is that the Council pays back the equity borrowed at an index-linked rate for a fixed period, at the end of which the property reverts to the Council debt free. This protects borough assets in the long term and allows the Council to grow its stock base without losing land to private sales.

The same positive benefits arise as outlined elsewhere and this approach brings in patient capital at low rates of borrowing. The Council retains control over planning and delivery and there is a good alignment of objectives between the investor and Council. It could also be considered a good cultural fit, with UK pension investors looking for high quality ethical investments aligned with their own corporate social responsibility.

The phase by phase approach retains flexibility for the Council to vary the funding applied to each phase. The Council could for example choose to fund a particular phase wholly itself, or to increase the proportion of pension investment on another phase as and when it suits the Council's finances best, but retaining this flexibility is key.

The implications to the Council are that it takes on development risk and requires delivery capability. This is a joint funding approach so will still require considerable investment by Council. The investor/s may require security over property during the investment period and there is an inflation risk to the Council by underwriting indexed returns if rent increases fall below inflation.

For the reasons set out in this report, it is proposed that this model is pursued as the basis of the finance strategy to develop the project. It meets many of the Council's objectives to maximises the delivery of affordable and intermediate housing, with the Council retaining control over who we let the intermediate housing to (NHS, Teachers, Social Workers etc). Other major benefits include retention of land assets, control over the project and flexibility within model that allows the scheme to respond to future changes in the housing and funding markets.

1.8 Do Nothing

The ballot will be a choice between full regeneration or do nothing. The do-nothing option means that the estate continues to be maintained in line with current planned schedules, but the Council will be required to undertake upgrades of any buildings and dwellings that don't meet decent homes standards or current fire regulations.

Pros: No disruption to residents; resources directed to take other projects forward

Cons: Cost of ongoing maintenance and major works costs consuming a significant proportion of the future rental income; major works bills for Leaseholders; difficult to effectively tackle ASB issues; delays regeneration to a point where it may become extremely urgent; reputational costs to the Council if problems on the estate persist

These estates have previously been identified as requiring regeneration. Expenditure over the next 30 years will consume a significant proportion of the rental income, with some of the blocks now being over 60 years old. It will also be difficult to tackle other issues across the estate such as ASB and crime if the existing building and estate layout is retained unaltered.

DECISION the Cabinet agreed:

1. To continue to develop proposals to deliver the vision for the Joyce and Snells estates as set out by residents.
2. To ensure that the interests of residents remain paramount, to approve the concept that the Council undertakes the role of lead developer for the life of the scheme and brings the project forward to a planning application.
3. To recommend to Council to agree a further budget in the sum of £4m for work required to deliver a ballot and planning application as noted in Section 5.4.7 to be added to the Council's HRA Capital Programme.
4. To delegate to the Director of Housing and Regeneration authority to procure and spend against this budget, including a project team to develop the scheme to planning, including all supporting documentation, site investigations and surveys. To note that any expenditure prior to ballot could be abortive in the event of a negative vote.
5. Subject to a positive result from testing of residents' views through an engagement and consultation period, delegate authority to the Director of Housing and Regeneration in consultation with the Executive

Director of Resources and the Leader and to initiate a ballot of residents.

Reasons:

1. Council as lead developer

1.1 For recent regeneration schemes such as The Alma Estate, Ladderswood and New Avenue, the Council selected development partners to take forward and deliver the projects. Constraints on HRA account and a lack of in-house delivery experience were some of the reasons for this approach.

1.2 Using a development partner has advantages for the Council in terms of risk management and certainty of provision of affordable housing. Further fringe benefits can include overage payments back to the Council where the developer makes additional surpluses and non-core private housing delivered.

1.3 The chief drawbacks are the transfer of long-term leasehold interests in land, can still require significant capital from the Council as top-up funding and agreements may not deliver additional affordable units over and above what is already there. This - along with continuing RtB applications - means that the Council's land and property assets are being eroded on an annual basis, affecting its future ability to borrow.

1.4 Developers typically work on a 20% margin for larger projects in return for mitigating development and planning risk for the Council. In addition, developers cannot secure finance on the such advantageous terms as the Council can, and this adds to the overall cost of the development. It should also be noted that commercial developers will tend to prioritise the private sales element to bring forward cross-subsidies at the soonest opportunity.

1.5 In view of the previous comments, it is proposed that the Council takes over the role of lead developer on its major schemes. Changes in local authority borrowing rules and support at GLA and Government level for delivery of council housing mean that now is a good time to establish in-house development expertise.

1.6 By leading through the master planning process, the Council can make the design and delivery of affordable housing its main priority. The Council can borrow against the income generated by affordable housing, and this this along with GLA grants and utilisation of RTB receipts means that the affordable elements can be brought forward at a much earlier stage.

1.7 The Council is also able to use its strength of covenant to secure patient long-term institutional capital that is easily funded through rental streams. This removes the burden of short-term development finance from commercial lenders which can become particularly onerous if there are project delays.

1.8 There are challenges for the Council to lead schemes, with the biggest of these being to establish a team with the right experience and expertise. Other Councils, RPs and the private sector are all competing for the right staff, and the Council will need to put forward an attractive offer in order to build an effective team. The rewards for the Council through successful self-delivery are high and this should justify the effort of developing in-house capability.

2. **A Rental based scheme**

2.1 The Council wishes to retain as much of its land and property assets as possible in the long term. To achieve this requires keeping land disposals to a minimum and focussing instead on developing housing for rent with associated long-term revenue streams.

2.2 As has been set out elsewhere, capital values in this part of the borough are relatively low and this reduces the cross-subsidy effect through private sales with a corresponding impact on the level of affordable housing that can be provided.

2.3 There is considerable amount of housing for sale proposed in the area over the long term. By focusing on a rented offer, this reduces unnecessary competition or creating periods of sales saturation in the future where market absorption cannot meet the supply. This can adversely affect values and sales rates when development phases complete; and can further compound during periods when the sales values are correcting. This puts pressure on business plans and stains viability. The Council does of course retain the ability to change its plans at any time and sell land parcels or develop stock for outright sale in future phases should this be required or desirable. The development model proposed allows this flexibility.

2.4 Developing secure rental streams makes the project attractive to funding partners, particularly pension equity investors, where low cost forms of patient capital can be raised. The co-investment model proposed based on capitalised rental streams, would be over defined investment periods, the end of which all property and land assets revert to the Council. This completes the investment cycle leaving the Council with full control over debt free property at the end of the investment and opens-up options in the future to refinance for stock investment or to flip market tenure properties into affordable housing.

2.5 By developing a professionally led rental scheme, this avoids sale properties falling into the hands of private landlords to become an inconsistent rental offer to market. The existing private rental market in the area is of relatively low quality overall, and by focussing on high quality accommodation, longer tenancies and a consistent professional management offer, our product can be differentiated within the market. This is particularly so with the proposed discount market rent aimed at key workers.

2.6 These proposals are in line with Enfield's Corporate Plan which requires an additional 1,900 units per year brought to market to keep pace with anticipated population growth. Many of these properties will need to be in the rented sector, both private and affordable.

2.7 It should be considered however that some private sale properties could be advantageous to the scheme to generate up-front cash receipts should this be required for viability reasons. This would be achieved by flexing the number of market rent and shared ownership homes and converting these to sale.

3. Proposed financing strategy through HRA borrowing and potentially pension equity

3.1 The lifting of the HRA borrowing cap last year has enabled the Council to access cash for affordable housing development that along with prior land ownership supports the Council's self-delivery model outlined in 5.1 above. Further sources of funding include RtB receipts, GLA grants and soft loans add to the Council's capability to deliver affordable housing.

3.2 Pursuant to 4.3.3 above there is a very significant opportunity to secure long-term patient pension capital at low rates of interest as part of the overall funding for the scheme. UK based pension companies have significant amounts of equity to invest on behalf of pension holders that will give stable growth and income.

3.3 Pension equity investment would be for a fixed investment period, after which the property would revert the Council debt free and unencumbered as a freehold asset. Future debt-free property would provide a transformative opportunity for the Council to refinance and raise substantial amounts of money. Typical investment periods at rates comparable to the PWLB are 35-45 years.

3.4 Initial soft market testing with pension companies demonstrated a strong interest in housing investment, particularly as retail and commercial rents are correcting downwards and uncertainty over the outcome of Brexit. It is proposed that further market testing and dialogue is maintained with investors as details of the scheme proposals are developed.

3.5 It should also be considered that UK pension equity providers on the whole take their corporate social responsibility very seriously and are positioning themselves accordingly. Ethical investment opportunities such as this will be attractive to them and would be well aligned with our aim of developing stable long-term revenues. The great majority of UK pension investors are ordinary men and women whose pension funds require steady returns over long periods.

3.6 Further details are contained at appendix A to the report.

4. Additional budget

4.1 The ballot process brings additional rigour to the project and this forward planning needs to be resourced properly. In particular, the master plan needs to be developed in some detail and endorsed by Planners and residents before the ballot.

4.2 The landlord offer needs to be set out prior to the vote and be deliverable in its full extent after a positive ballot outcome. Any failure to deliver or 'material deviation' from the scheme and landlord offer could lead to a ballot being annulled and a further ballot required. Any GLA funding would be automatically withdrawn in the event of the ballot result being reversed.

4.3 Retaining control of the planning process is an important aspect of the project and means that the Council can dictate the overall design and quality of the project. Moving away from a sales-led scheme means that density can be optimised for best practice design in what will be a quality led scheme.

4.4 The sum proposed is in addition to the £500,000 already approved for the initial capacity study and £250,000 approved for pre-ballot master planning. While this money is at risk prior to a successful ballot outcome, it reflects the fact that a significant amount master planning is required before then.

4.5 The post ballot budget reflects the size and scale of the project proposed and delivers a detailed planning permission for the first two phases, allowing the scheme to proceed quickly after approval.

4.6 It is proposed that a local area office is established in one wing of the Boundary Hall Community Centre. This will provide accommodation for Enfield Staff involved with the estate redevelopment and resident engagement. There is adequate space to create separate staff work area and retain room for resident workshop groups and resident engagement. CMCT have been consulted and suggested an initial budget of £150k.

4.7 Anticipated costs to proceed to ballot and further to a planning application are in the order of £4m including all the necessary specialist designs, ground investigation work and surveys required for a planning application.

5. Delegate authority to undertake a residents' ballot to the Director of Housing and Regeneration in consultation with the Leader

5.1 The GLA's mandatory requirement to ballot residents over the redevelopment of their estate means a significant consultation will be required. This will inform residents of our plans for the estate and allow them to input into our proposals.

5.2 The ballot process requires that a majority of residents vote for our plans before regeneration can proceed. This means our proposals have to be well developed prior to the ballot, and that we have a comprehensive suite of offer documents detailing their future housing options.

5.3 After the ballot, the Council will not be able to substantially change its proposals, otherwise the validity of the ballot can be called into question, and in extreme cases the GLA could withdraw funding. This makes it especially important that the consultation process is as thorough as possible and that the forward planning of the scheme, the business plan and structure for the delivery of the project is detailed and comprehensive.

5.4 The Council will not undertake the ballot until it is reasonably certain that it will win. Residents opinions will be gauged throughout the consultation process to assess whether our plans are meeting their expectations

5.5 It is proposed that the Leader is kept appraised of resident opinion, and that the decision of when to ballot is delegated to the Leader. The

Leader will decide, subject to receipt of a positive test of opinion, the point where they are satisfied that enough consultation has been done to achieve a positive ballot outcome. This delegation will ensure sufficient flexibility over when the decision to ballot is taken.

6. Approval of selection of co-investor (if required)

6.1 Selection an investor partner and the procurement process are still to be determined. This will be done in consultation with Executive Director of Resources and the Directors of Finance, Housing & Regeneration and Head of Procurement. As mentioned earlier in section 4.3.4 of the report, a number of different criteria need to be considered that balance risk and cost, and a benchmarking system developed to asses funding bids. There will also need to be a due-diligence process undertaken against any potential co-investors before funding can be approved.

6.2 It is anticipated that developing a funding package will be an iterative process in response to changes and updates to the project business plan as the scheme proposals progress. The funding plan will need to be tested against governance principles and the HRA business plan, and it is proposed that the Finance and Governance Teams are best placed to do this.

6.3 It is further proposed that external advice will be required in the selection of an investor partner and that the Finance Director will procure this advice in consultation with the Directors of Law, Governance and Housing, and the P&C Hub.

5
MINUTES

AGREED that the minutes of a meeting of the Cabinet held on 16 October 2019 be confirmed and signed as a correct record.