Corporate & Resources Committee

27 July 2022

Cambridge Road Estate - Business Plans

Relevant Director: Matthew Essex - Executive Director Place

Relevant Portfolio Holder(s): Councillor Andreas Kirsch - Leader of the Council and Portfolio Holder for Finance; Councillor Emily Davey - Portfolio Holder for Housing

Purpose of Report

To approve the updated Cambridge Road Estate (all phases) Joint Venture Business Plan and Phase 1 post planning viability Business Plan, the mitigation plan, and an increase in the Loan Note C funding for phase 1. The report also seeks approval for delegated authority to enter into a Deed of Variation to the Development Agreement to include a partial profit recovery mechanism.

Recommendation(s)

The Committee is asked to RESOLVE that:

1. The updated Cambridge Road Estate Joint Venture (CRE (RBK) LLP) Business Plan (all phases) and the Phase 1 post-planning Business Plan attached in **Confidential Annexe 1** be agreed.
2. The proposed Mitigation Plan at **Confidential Annexe 2** be agreed.
3. Authority be delegated to the Executive Director, Place, to finalise and enter into a Deed of Variation to the Development Agreement to include a partial profit recovery mechanism (as described in paragraphs 29-31) in consultation with the Portfolio Holder for Finance and the Portfolio Holder for Housing.
4. An increase to the initial Loan Note C funding for Phase 1, as set out in **Confidential Annexe 3** be agreed.

Benefits to the Community:

The regeneration of the Cambridge Road Estate provides a once in a generation opportunity to deliver new modern homes, green spaces, play areas and safer streets and neighbourhoods. The regeneration will provide:

- 2,170 new homes of which 767 will be council rent, 174 will be for rent/sale at below market prices and 1,229 will be homes for private sale.
- Modern, energy efficient homes that are safe, secure and accessible across all tenures
- A new community centre, co-designed with stakeholders
- Safer pedestrian prioritised streets, green spaces and play areas
- Improved parking arrangements
- More trees and planted areas
- A carbon-neutral energy centre to provide heating for the new development

Key Points

A. This paper provides a financial update to the Committee Report approved at Corporate & Resources Committee on 24 March 2022 and details the revised assumptions to the financial appraisals in the LLP Business Plan (all phases) and the Phase 1 post planning Business Plan **(see Confidential Annexe 1).** The outcomes, objectives and principles of the LLP Business Plan (all phases) and the Phase 1 post planning Business Plan are unchanged from those published in September 2020 and reported at the Corporate & Resources Committee on 24 March 2022.

B. The Business Plan Condition (one of four conditions precedent in the Development Agreement) requires that both Members of the LLP approve the Business Plans. Whilst the LLP Business Plan (all phases) and the Phase 1 post planning Business Plan were approved by the Corporate & Resources Committee on 24 March 2022, the Business Plans were not approved by Countryside. Countryside raised concerns that significant inflationary trends indicated that the Business Plans presented by the LLP would not deliver the expected return and it was not prepared to proceed on this basis. Countryside's stance means that the Business Plan Condition has not yet been met and so the Business Plans have not been adopted by the LLP with the result that the scheme is currently unable to proceed.

C. The Business plans that were considered by the LLP Board and by the Corporate & Resources Committee in March 2022 were based on construction pricing as at Q3 2021. The LLP Board met on 22 June 2022 to consider the impact of the inflationary trends on the Business Plans. At this Board meeting, Countryside reported a 12% increase to construction costs since Q3 2021 (see paragraphs 18-20 for further commentary on inflation). The LLP Board noted that, with these assumptions, although the overall business plan still had a positive (albeit reduced) land value, the Phase 1 post planning Business Plan had a negative residual land value. The Development Agreement requires the members to consider a mitigation plan to address an otherwise negative Residual Land Value for the phase.

D. The LLP Board met on 5 July 2022 to consider:

a) the updated LLP Business Plan (all phases)

b) the updated Phase 1 post-planning business plan with a mitigation plan (including a partial profit recovery mechanism) which results in a positive residual land value. The mitigation plan is set out in paragraphs 27-28 and detailed in **Confidential Annexe 2**.

E. If both the Council and Countryside approve and adopt the LLP Business Plan (all phases) and the Phase 1 post planning Business Plan, subject to approval of the mitigation plan and entering into the proposed Deed of Variation, then the Business Plan Condition in the LLP Agreement is satisfied.

F. Once the Business Plans have been adopted and all Conditions Precedent are satisfied, the LLP comes under an obligation to enter into the Phase Lease Agreement (this will transfer the land from the Council to the LLP on a 260 year lease) and the Phase Works Agreement (which contains obligations for carrying out the works). Legal documents for the land drawdown will be engrossed to enable the regeneration of Cambridge Road Estate to commence.

G. If either the Council or Countryside does not approve and adopt the LLP Business Plan (all phases) and the Phase 1 post planning Business Plan then the Business Plan condition is not satisfied and the project cannot proceed.

H. The financial implications to the Council of the changes made to the updated Business Plans are set out in **Confidential Annexe 3.** This demonstrates that the expected costs and return can be contained within appropriate limits within the HRA and the Council will be able to meet its obligations to purchase 767 rented homes and the shared equity/ownership homes. This is not without risk for the Council and significant variances in costs or income within the business plan will place financial strain on the HRA.

Context/ Programme and Project Progress

1. The Corporate Plan sets out the Council's priorities for 2019–2023 - Outcome 1 contains a priority activity to:

   - Work with local residents to bring forward the redevelopment of the Cambridge Road Estate in Norbiton, increasing the number of social rented homes and providing new replacement homes, open spaces and new community facilities for existing residents

2. The CRE regeneration is being delivered through a Limited Liability Company between the Council and Countryside (UK) Ltd where both risk and reward are shared equally.
3. In March 2020, the CRE Resident Ballot was held. A comprehensive Landlord Offer was issued to eligible residents which contained the Council's offer and the CRE masterplan. Of all residents who were eligible to vote, 86% voted. Of those that voted, 73% voted yes to the regeneration.
4. Full Council on 24 April 2019 delegated to the Director of Growth, in consultation with the Director of Corporate & Commercial, Leaders, relevant Administration Portfolio Holders, and Opposition Spokespeople authority to enter into the LLP Agreement, Development Agreement and other project documents with Countryside - these documents govern the CRE regeneration Joint Venture over its lifetime.
5. The Agreements were entered into in September 2020 - the LLP Members Agreement sets out the governance structure for the project which includes; the LLP Board, the Executive Board and the Community Board. A schedule of delegations within the LLP Members Agreement describes the decision-making authority at each level of governance within the project.
6. Under the Delegation Policy, the full approval of the Business Plans is a reserved matter for the Council (delegated to Place/Corporate & Resources Committee) and Countryside's Board at the appropriate time and throughout the lifetime of the development. The CRE Business Plan will be adopted by the LLP Board when approved by both the Council and Countryside's Board.
7. The Development Agreement dated 30 September 2020 contains four Conditions Precedent before the LLP is required to drawdown the Phase Lease and commence works:
   a) Planning Condition (Decision Notice and signed s106 agreement)

b) Funding Condition (Approved by R&R Committee November 2020, and updated in this report)
c) Site Assembly Condition (C&R committee have approved a Deed of Variation to permit drawdown of sub-phases as vacant possession is achieved)
d) Business Plan Condition (a phase business plan with a positive residual land value and commercially viable assumptions).

8. If both the Council and Countryside approve and adopt the LLP Business Plan (all phases) and the Phase 1 post planning Business Plan then the Business Plan Condition in the LLP Agreement is satisfied.

9. Once all the Conditions Precedent are satisfied, the LLP comes under an obligation to enter into the Phase Lease Agreement and the Phase Works Agreement (which contains obligations for carrying out the works).

10. If either the Council or Countryside does not approve and adopt the LLP Business Plan (all phases) and the Phase 1 post planning Business Plan then the Business Plan Condition is not satisfied and the regeneration of Cambridge Road Estate cannot commence.

11. The Planning Committee held on 21 December 2021 resolved to grant approval to a hybrid planning application (detailed application for phase 1 and outline application for phases 2-5), the draft Decision Notice has now been issued.

12. At its meeting on 24 March 2022, Corporate and Resources Committee approved the LLP Business Plan (all phases) and the Phase 1 post planning Business Plan, a mitigation strategy to ensure a positive land value for phase 1 and a Deed of Variation to permit the Phase 1 land to be drawn down in sub-phases.

LLP Business Plan (all phases) and Phase 1 post planning Business Plan - Update

13. As detailed in the LLP Agreement, there are key milestone tests for each phase which are subject to approval before a phase proceeds:
a) pre-planning viability test - this was presented to Response & Recovery Committee on 24 September 2020 with a positive Residual Land Value and a planning application was submitted on this basis.
b) post-planning viability test - this is the Phase Business Plan.

14. The Development Agreement requires that following the satisfaction of the Planning Condition, the Site Assembly Condition and the Funding Condition the LLP will update the relevant Phase Business Plan and Financial Appraisal to determine the Residual Land Value for that phase.

15. At its meeting on 24 March 2022, the Corporate & Resources Committee approved the LLP Business Plan (all phases) and the Phase 1 post planning Business Plan including a mitigation plan to return a positive residual land value for phase 1. The specific measures approved in the mitigation plan for Phase 1 were:

a) 15 units swapped from shared equity to private sale. The overall tenure mix to be rebalanced in future phases
b) the extra-over profit that would otherwise be generated from the change of tenure noted above to be foregone
c) a modest regeneration uplift applied to private sales values in Block C

d) deferment of a proportion of site wide infrastructure costs in connection with the energy centre and community centre to later phases.

16. The mitigation plan was required to address an otherwise negative residual land value for phase one, caused by the front loading of costs and the tenure requirements of the first phase which provides 36% affordable housing.

17. In a climate of increasing financial and market uncertainty, the assumptions underpinning the Phase 1 Business Plan have come under significant pressure; particularly those related to build costs. Countryside's Board did not approve the LLP Business Plan (all phases) and the Phase 1 post planning Business Plans as they were concerned that the project would not achieve the required financial returns. They required a thorough review of the financial assumptions before proceeding.

18. The Business Plans presented in March 2022 included build costs based upon Q3 2021. Arcadis is the JV supervisor, their latest Tender Price Index for London suggests that construction costs have increased from Q3 2021 to Q2 2022 by circa 8%-10% with some trade packages such as groundworks and frame increasing by as much as 20-30%. They advise that the outlook for construction changed dramatically during early 2022 as markets for energy and materials were severely disrupted by the ongoing conflict in Ukraine and the wider cost of living crisis threatening the return of stagflation (low growth and high inflation - last seen in the 1970s). However, there is growing evidence of slowdown in the market and Acadis do not believe that high levels of inflation will be sustained into next year, and have reduced their forecast for the building sector to 2-3%, increasing to 4-5% in 2024.

19. At the LLP Board on 22 June 2022, Countryside reported build cost inflation of 12% against the Q3 2021 build cost estimate.

20. Arcadis have reviewed and benchmarked the construction cost estimates for the revised Business Plans against projects of a similar nature and size (see **Confidential Annexe 4)**. They conclude:
a) the phase 1 business plan is 0.72% higher than the Arcadis benchmarking assessment.
b) the LLP Business Plan (all phases) is 2.45% lower than the Arcadis benchmarking assessment.
The respective differences in magnitude are within the range that Arcadis would expect given the variability between projects.

21. The financial review identified that although the LLP Business Plan (all phases) had a positive (albeit reduced) residual land value, the impact of build cost inflation alongside the pre-existing front loading of infrastructure costs and the tenure requirements of the first phase, meant that the first phase of the masterplan returned a negative residual land value.

22. Under the Development Agreement, where a Phase Business Plan shows a negative residual land value (or otherwise shows the Development to be commercially unviable) then the parties are required to seek to agree a Mitigation Plan. The LLP/Development Agreement outlines several mitigation options to consider in this event:

a) reducing the level of the LLP's Margin
b) reconfiguring a Phase
c) adapting the Phasing Plan and/or the Development and Phasing Programme
d) reviewing the use and/or tenure mix on the Phase
e) value engineering the construction costs for delivering the works
f) deferment of site wide infrastructure costs
g) reviewing the value of the Affordable Dwellings and any other funding available
h) reinvestment of profit by the Members to offset against a negative Residual Land Value.

23. The LLP and Council officers have reviewed the mitigation options available to address an otherwise negative land value for Phase 1.

24. Given the stage that the project has reached, any material changes to the phase (such as tenure, mix, phasing) which have the potential to cause significant delay to delivery have been ruled out.

25. Options for changes were instead considered around:
a) reduction of the Construction Management Fee payable to Countryside
b) a reduced profit margin - with a positive residual land value, the profit margin is not commercially viable and does not represent the risk profile of the project
c) a review of the assumptions relating to the intermediate homes in later phases
d) review of the Building Council Homes for Londoners funding tranche payments
e) review of the value of the affordable housing to be acquired by the Council - whilst increasing the value of the affordable homes would be a positive contribution to the Business Plan, the impact is that the Council would be paying a higher price for the affordable homes that is funded by the HRA
f) review of sales receipts - Savills have supported the sales revenues proposed in the Business Plans, but receipts (as modelled) are insufficient to cover the increased build cost resulting in the lower level of margin currently proposed.

26. The conclusion of these deliberations is a revised LLP Business Plan (all phases) and Phase 1 post planning business plan together with a mitigation plan for Phase 1 which was considered by the LLP on 5 July 2022.

27. The LLP Business Plan (all phases) has a positive residual land value and the Phase 1 post planning Business Plan has a positive residual land value as a result of the Mitigation Plan. The Mitigation Plan contains the following:

a) All measures contained in the previously approved mitigation plan - with the exception of the foregoing of profit arising from the switch of tenure on 15 units
b) Countryside fixing its Construction Management fee (which is based on a percentage of build cost) to the Q3 2021 position therefore foregoing uplift arising from the revised build cost
c) The LLP proceeds with a further reduced profit margin for phase 1
d) The additional intermediate homes (74) beyond those anticipated as being required by the Council (100) are revalued at shared ownership values
e) The Council passes on the benefit of the revised tranche payment structure from the Building Council Homes for Londoners grant received by the Council from the GLA to the LLP such that more of the money is payable on commencement of each building within the phase.

28. Even with these mitigation measures, the scheme cannot be considered commercially viable. The projected returns from phase 1 alone are below those that would otherwise be acceptable in commercial terms requiring the LLP to accept risk in a very difficult economic climate. Countryside will only accept this risk providing a profit recovery mechanism is in place to recover some of the profit foregone from phase 1 in later phases.

29. Due to the nature of the residual land value approach, increased build costs would have led to a significant reduction in the land value payable to the Council's HRA account. The LLP proposal to recoup foregone profit will impact on the land value for phases 2 and 3. Council Officers have negotiated the partial, rather than full, recovery of profit - this seeks to protect against erosion of the land value. The principle of the proposed Deed of Variation is that the LLP will proceed with a reduced margin to facilitate delivery of phase 1.

30. The LLP would then recover 50% of the Phase 1 foregone profit from phases 2 and 3, subject to a positive Residual Land Value. Profit recovery will be considered in the financial viability assessment of phases 2 & 3. Financial details are set out in **Confidential Annexe 2.**

31. The partial profit recovery mechanism is a change to the project documents and as such will require a Deed of Variation to the Development Agreement. The proposed Deed of Variation would need to be approved by both the Council and Countryside.

32. Savills is appointed as the Council's independent commercial advisor. They have scrutinised the financial cash flows and assumptions for the LLP and the Phase 1 post planning Business Plan and have provided assurance concerning the commercial and financial elements and the profit recovery mechanism. A copy of the Savills report is attached at **Confidential Annexe 4**.

33. The financial appraisal has been stress tested against parameters advised by Savills and the Joint Venture Supervisor, Arcadis. This analysis is detailed in **Confidential Annexe 3**.

34. The LLP Business Plan (all phases) and the Phase 1 post planning Business Plan are financially viable and meet the requirements of the Business Plan Condition.

35. The key financial information in respect of the LLP Business Plan (all phases) is at **Confidential Annexe 3**. In summary the modelling has confirmed that the CRE project, specifically the acquisition by the Council of 767 rented homes and the shared equity/ownership homes remains affordable to the Council within the reasonable limits of the HRA.

The Council's Funding Strategy

36. Initial advice has been obtained from Link Group who are the Council's retained treasury advisors. Link has had access to the LLP development cash flows and commercial information to provide advice to the Council on its approach to funding the LLP.

37. The principles of the Council's funding strategy for phase 1 of the CRE regeneration are set out below:

- The Council will provide loan financing from the General Fund to the LLP at a rate which is compliant with State Aid regulation. The loan financing will fund Loan Note C and will be calculated as follows:
  - 50% of the total cost of developing phase 1 above the value of the Council's land (Loan note A) and Countryside's match funding (Loan note B). Countryside will fund the other 50% of phase 1.
- The Council funding (other than that of senior debt) will be on the terms of loan note instruments issued by the LLP.
- The Council will work with the LLP and its advisors to finalise phase 1 funding requirements.
- The Council will work with its advisors to establish the most appropriate financial model based on the funding requirements for phase 1.
- The difference between the interest rate at which the Council accesses funds and the interest rate at which the financing is on-lent to the company will provide a margin for risk.

38. Estimated peak debt funding requirements, which are based on the CRE Business Plan and Phase 1 post planning Business Plan financial cash flows, are included in **Confidential Annexe 3**.

The Housing Revenue Account

39. In addition to the implications for the General Fund, there are a number of financial implications to be considered for the Housing Revenue Account (HRA). Assumptions from the revised LLP business plan have been run through the HRA 30 year business plan which was also reviewed in June 2022 to reflect impact of recent spike in inflation on repairs, goods and services as well as on rent and service charges.

40. The Council will transfer land with vacant possession into the LLP at each phase of development.

41. The HRA will receive a capital receipt for the land at the completion of each development phase as described in **Confidential Annexe 3**.

42. The HRA will receive 50% (the Council's share) of the profit generated upon the completion of each development phase.

43. Sunk costs already incurred by the HRA, prior to development commencing, will be repaid in five equal instalments at the completion of each phase.

44. GLA affordable housing grant has been awarded to the Council to support the delivery of the project. The funding will be used to support the purchase of the new homes. The new homes will be rented at council rent levels.

45. The HRA will purchase the 767 council rented homes and the shared equity/ownership homes built at each phase of development.

46. Savills has advised the Council on the purchase price of the council homes and shared equity homes. The purchase price of the homes in phase 1 has been

agreed with Countryside and is reflected in the financial cash flows within the Business Plan.

47. The financial inputs and outputs over the lifetime of the project have been modelled through the HRA 30 year business plan. As reported in paragraph 35, the modelling confirms that the CRE project, specifically the acquisition by the Council of 767 rented homes and the shared equity/ownership homes, is affordable for the HRA. A set of graphs representing the HRA 30 year business plan position once the CRE financials are applied are attached to this report at **Confidential Annexe 3.**

Consultation

48. The CRE Business Plan has been developed by Countryside and reviewed by the LLP Executive Board in conjunction with commissioned independent advice from Shoosmiths — legal advice, Savills - independent commercial advice, Arcadis - construction cost advice, Link Group — funding and treasury advice and Ernst Young — Taxation Advice.
49. The Leader of the Council and Portfolio Holders have been consulted through specific briefings.

Timescale

50. Following approval of the recommendations in this report, the LLP will adopt the LLP Business Plan (all phases) and the Phase 1 Post Planning Business Plan and, subject to all other Conditions Precedent being satisfied, and completion of the Deed of Variation, the Phase Lease for Phase 1 will be drawn down in sub-phases (subject to vacant possession), and the Phase Works Agreement will be entered into. This will then enable the regeneration of Cambridge Road Estate to begin.

Resource Implications

51. The financial models which update the business plan are at **Confidential Annexe 1** and a summary of the financial implications is included at **Confidential Annexe 3.**
52. Costs relating to the delivery of the project including the LLP Board, Executive Board and Community Board governance and administration are included in the costs of development.
53. Costs incurred by the Council in obtaining vacant possession of land are indemnified under the Compulsory Purchase Indemnity Agreement (CPOIA), are funded by the project and are included within the costs of development.

Legal Implications

54. Approval of the Business Plan is required as one of the conditions that must be satisfied before any land can be drawn down for the purpose of the development. As the drawdown is now proposed for Phase 1 on a sub phase basis to enable a start to be made on those parts of the site where vacant possession has been

obtained already, there is a need to ensure that the framework of documents that govern the carrying out of the development are amended to reflect this. This will ensure that the governance and legal framework for the carrying out of the development remains robust and applicable to each of the sub phases.

55. The partial recovery of profit foregone is a change to the Project Documents and will require a Deed of Variation.

56. The Council has properly considered its duties under the Local Government Act 1972 and taken advice from its appointed professional advisors as appropriate in agreeing the land valuation and disposal mechanisms under the Development Agreement. The Council has also instructed Savills to scrutinise the business plans and residual land valuation prepared by the LLP for Phase 1 following the grant of planning.

57. The Council has obtained Secretary of State consent to appropriate the land for planning purposes - it is therefore no longer held in the HRA.

Risk Assessment

58. The Council has a fiduciary duty to act as a trustee of tax and public sector income on behalf of taxpayers.

59. The CRE Business Plan contains a full risk register which reflects the risks to the project.

60. In addition, the Council maintains its own separate risk register. These risks are more strategic in nature, rather than operational issues that directly affect the LLP as a commercial business.

61. The table below sets out the key risks and mitigations for the Council:

Risk	**Mitigation**
Governance	
Ineffective governance structure with an inability to function successfully, leading to a lack of control and involvement in the running of the Limited Liability Partnership (LLP).	Governance structure in place with appropriate decisions made through Project Board and Project Team Governance, short and long-term, has been reviewed and built into the LLP CRE Business Plan and LLP Members Agreement. Approval of and changes to the main CRE Business Plan and phase business plans are reserved matters requiring approval by the Council (as a member of the LLP) through appropriate Committee. Community Board has been established as part of the project. Council's Shareholder Committee to provide additional oversight. Appointment of experienced non-executive directors as Council representatives

Financial - General Fund	
The Council does not have a comprehensive future view/projection of its total capital funding requirements (including CRE) over the medium to longer-term, leading to inability to make good financial decisions about priority projects ‘in the round’	The Council will regularly monitor and review the capital programme and associated funding requirements to form a holistic view
The Council does not have the requisite finance/treasury skills and resources to effectively manage the loan funding model.	The Council will seek to appoint/recruit appropriately skilled resources to manage the treasury requirements and seek external professional advice where needed.
The Council is unable to recoup its loan from the LLP or interest payments due are not received in line with agreements.	The Council will manage its peak debt/equity position. Through the LLP Business Plan (all phases) approval, reduce its exposure by delaying or redesigning phases to reduce debt/equity requirements. Loan Note Instruments setting out terms on which funds are lent by the Council will be put in place between the Council and the LLP.
The Council’s debt/equity model isn’t affordable to the Council and the LLP	The LLP Business Plan (all phases) will demonstrate viability for the phase prior to the request for additional equity investment. As such, the Council, where possible will be able to understand risks across each phase and minimise the level of risk. The return of equity ‘top-ups’ to both the Council and Countryside are prioritised behind the repayment of senior debt.
The Council’s balance of risk is increased above 50% where top-up equity (Loan note E) is funded by the Council.	A coupon is applied to the equity lending to mitigate against risk. Loan note E is a priority payment in the schedule of payments at the completion of a development phase.
Council’s equity investment into the LLP is made at risk	The LLP Business Plan (all phases) will demonstrate viability for the phase prior to the request for additional equity investment. As such, the Council, where possible will be able to understand risks across each phase and minimise the level of risk. The return of equity ‘top-ups’ to both the Council and Countryside are prioritised behind the repayment of senior debt.

Financial - HRA	
Council unable to afford the purchase of affordable housing from the LLP	HRA modelling against current HRA Business Plan. The baseline cost for buying social housing numbers projects that purchase is affordable, based on current assumptions. On-going review as part of the Business Planning process.
HRA Land value and profits do not materialise in line with current assumptions	Viability of each phase to be reviewed, land value and returns confirmed phase by phase. Full review of the HRA Business Plan at each viability stage.
Change to Government Policy (eg rent reduction) - HRA	Council committed to purchasing 767 social rent homes. Review of HRA Business Plan if changes to Government Policy.
Review of current HRA services may increase the investment required in current HRA homes/services	Ensure sufficient reserve balances to mitigate against unknowns.
ECONOMIC	
An increase in borrowing rates leading to increased interest costs for the Council	Borrowing will be drawn down when required therefore limiting exposure. The loan agreements will include the ability for review of interest rates. The funding strategy requires the LLP to pay interest at a mark up on prevailing PWLB rates ensuring the cost paid is covered by income received
Changes in market conditions leading to depressed property prices and land value	The LLP Business Plan (all phases) assumptions have been tested against market predictions. LLP legal documentation includes options for improving viability in adverse market conditions that may include construction cost, revenue and phasing assumptions to be reviewed regularly and reported to Project Board and the LLP Board. HRA business plan reviewed regularly to ensure robustness to deliver scheme outcomes.
LEGAL	
Judicial Challenge to decisions made by the Council	Council has appointed expert legal advice to ensure decision making is lawful
Litigation against the Council leading to delay and additional scheme costs	Council has appointed expert legal advice to ensure it minimises the risk and impact of litigation against the Council

Litigation against the development partner leading to reputational damage to the Council	Legal documents protect the Council's interest and have the ability vary the conditions of the agreement
LAND & PLANNING	
Vacant Possession not achieved for each Phase in line with projected timelines.	Land Acquisition & Rehousing Strategy form part of the LLP Business Plan (all phases). Early negotiations underway for acquisition by private treaty. Council has made a CPO as a method of last resort to acquire all necessary interests.
Planning consent/reserved matters applications not secured	A programme of comprehensive and extensive community engagement through the master planning, pre-application and planning process over a period of time to inform the preparation of planning application. Commission highly reputable scheme architects to help design the new estate with an excellent track record in building sustainable communities To ensure a planning policy compliant scheme, work in close partnership with the Mayor of London and officers at the GLA, LPA and Design Review Panel
CPO not secured	Clear Statement of Reasons developed. Specialist legal and property consultancy services have been procured. Early engagement with all owners of land and interests underway and the Resident Offer agreed and approved.

Equalities Analysis

62. Equality considerations have been taken into account throughout the project to date and will continue to be embedded in the project to comply with public sector equality duty. A number of Equality Impact Assessments (EQIA) have been completed and will continue to be undertaken as appropriate.

63. Equalities Relevance Test Form A has been completed for this report and is set out in **Annexe 5**.

Health Implications

64. As reported to Corporate & Resources Committee on 24 March 2022, the regeneration of the Cambridge Road Estate provides a once in a generation opportunity to improve some of the wider determinants of health, including the built environment, green spaces, play areas and safer streets and neighbourhood

in the most disadvantaged part of the borough where residents experience some of the poorest health outcomes.

Sustainable Transport Implications

65. As reported to the Corporate & Resources Committee on 24 March 2022, the CRE regeneration reconnects the estate with the surrounding community for all forms of transport.

Sustainability Implications

66. An Environmental Statement (ES) accompanied the planning application that was considered at the Planning Committee on 21 December 2021. This included a description of the site and proposed development, analysis of design evolution, construction methodology and phasing, cumulative effects and a summary of any residual effects identified and set out mitigation measures to prevent, reduce and offset any significant adverse effects of the development.

Background papers: None other than those referred to in this report

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