1 Executive Summary

The purpose of this report is:

1.1 To progress the remaining nine designated regeneration sites in the Canning Town and Custom House (CTCH) programme (areas 1b/Aviary)
Close, 11/Tant Ave, 2a/Lawrence St South, 2b/Edwin St, 6/Freemasons East, 19/Normandy Tce, 4/Hands and Burrard, 5/Coolfin North, 18/Coolfin & 6 north/Hartington Rd – see map at appendix 1) by means of the Council adopting the role of Strategic Master Developer (SMD).

1.2 This means, instead of placing delivery control with an external partner, LBN would lead on community wealth building, design, masterplanning, de-risking and delivery to ensure the portfolio of sites cross-subsidise one another, overcome development constraints and maximise the benefits to communities and wider Borough. The programme for these 9 sites can be split into short-term (current to 2027) and long term (2025 to 2032). Of the short-term sites (1b, 11, 2a, 2b 6 & 19) two are underway (6 &19) by means of the Custom House Local Centre co-design. It is now proposed that Canning Town East (sites 1b, 11, 2a and 2b collectively known as Strategic Area 15) are also progressed via the SMD approach.

1.3 To seek Cabinet support to progress the regeneration of the Council’s freehold as SMD in Canning Town East known as Strategic Area 15 (previously known as Canning Town areas 1b, 2a, 2b and 11 (map Appendix 1)).

1.4 This will include working with residents to procure Independent Tenant and Resident Advisors (ITRAs), architects, planners and other professionals to progress the scheme to a stage where a building contract could be let.

1.5 To seek funding of £4.5 million is required to progress the scheme, which can be drawn from previously allocated programme funds.

2 Recommendations

For the reasons set out in this paper and its Appendices, Cabinet is recommended to:

2.1 Agree that the Council will lead as Strategic Master Developer for the remaining regeneration sites at Canning Town and Custom House by de-risking these sites for regeneration, gaining planning consent whilst ensuring full and meaningful resident engagement for the reasons set out in section 5.

2.2 Note that the discussions relating to the land swap and joint venture with River Christian Centre cease forthwith for the reasons set out in section 4.

2.3 To use £4.5m of the funding agreed by Council as part of the Medium Term Financial Strategy in February 2019 to enable the Council to act as Strategic Master Developer to lead development proposals and outline planning permission application for Canning Town East, referred to as regeneration areas 1a, 2a, 2b and 11. Including a detailed planning
application for the previously cleared area within site 2a and the previously undeveloped area within site 11 as set out in section 8.

3 Background

3.1 The Council first established a programme of redevelopment and regeneration of CTCH areas in December 2000. This was in response to the areas being seriously disadvantaged, largely being in the lowest decile of the index of Multiple Deprivation. Over the last 10 years, the incremental regeneration of various sites across Canning Town continues to shape the area’s ongoing transformation and prospects for future development schemes. There remain a number of designated areas where regeneration is outstanding and are the subject of this report.

3.2 Since 2010, a number of sites in the area have been designated for redevelopment in the Local Development Framework, Custom House and Canning Town SPD (see Appendix 2), Core Strategy and now the Local Plan.

3.3 In preparation for regeneration, these sites have been part of an active decant policy for rehousing of existing Council tenants and opportunistic purchases of leasehold units.

3.4 Prior to the implementation of the programme, within the Council-owned sites designated for redevelopment in CTCH there were 1,729 homes, of which 1,418 were of social rent tenure. Over the period, some units have converted to leasehold through Right to Buy and as at the commencement of redevelopment there were a total of 1,252 social rent units in the area. As a result of active decant, there are now only 455 households in the designated sites besides non-secure, guardian and void properties.

3.5 To date, delivery of new development has been primarily directed towards Canning Town, with a number of Council-owned sites brought forward under development agreements with third-party developers. In total, c. 3,700 homes have been delivered or are currently underway, c. 2,400 of these homes are on Council-owned land. Broadly, these schemes such as Hallsville Quarter/Canning Town Centre (Area 7), have delivered social housing in line with local planning policy when taken as a whole are for 35% total affordable provision, split equally between rented and intermediate tenures. However, only c. 35% of all affordable units delivered have been for social rent.

3.6 Under the new administration, the Council has changed priorities to secure the delivery of a greater proportion of social rented housing, ensuring an increase in stock above previous levels. To achieve this, the Council is considering new and innovative ways to deliver regeneration whilst overcoming the financial viability challenges associated with greater affordable housing provision.
3.7 The Council’s approach was towards an area-wide single public/private joint venture to deliver the portfolio of sites. However, this report recommends a shift away from this model by the Council to achieve the above mentioned greater provision of affordable housing. As well as improved development viability, this approach gives more control over Council assets and the nature of development it promotes. All of which is to be achieved whilst ensuring residents are at the heart of everything the Council does.

3.8 In light of the above, housing is now a key priority for the Council. Newham’s recent Housing Delivery Statement, agreed by Cabinet Newham in November 2018, commits to build, acquire and secure new homes to meet its residents’ needs and sets out a new approach to housing delivery and ambition. This includes securing £107m across the borough of Greater London Authority (GLA) Building Council Homes for Londoners funding (BCHfL), launched by the Mayor of London in May 2018. Through this programme, the GLA is increasing the affordable housing grant available to councils to £100,000 per home for social rented homes at London Affordable Rent levels. This is significantly higher than the grant rates available, which were until recently only a third of this level. The key objectives of the BCHfL programme includes to help start building at least 116,000 new council affordable homes by March 2022 across the capital. In total, three sites in the CTCH programme have secured BCHfL funding delivering 145 affordable homes. Two sites are in Custom House Local Centre (Area 6 & 19) and one in Canning Town East (Area 11).

3.9 BCHfL is restricted and conditional on the following:

a) That construction commences no later than March 2022.

b) Possible constraints relating to the long-term ownership and management of the social rented units, which must be predominantly council controlled.

c) Rents are up to London Affordable Rent levels.

d) In Regeneration schemes, an official ballot of residents has taken place.

3.10 In light of the above, this paper proposes leading development by means of adopting the role of SMD. This would enable the Council’s housing delivery programme to deliver on regeneration commitments, increase supply of genuinely affordable homes and secure BCHfL funding. This will involve undertaking extensive resident engagement and community wealth building, de-risking the regeneration sites to attract delivery partners who are then able to take less of a profit share, thus improving development viability.

3.11 In performing the role of SMD, it is proposed that Canning Town East (comprising of three linked regeneration areas 2b, 2a and 11 collectively referred to as Strategic Area 15) is now progressed as one masterplan with phased delivery, in order to secure BCHfL funding with a start on site
4 New River Place

4.1 New River Place (NRP) is a proposed regeneration scheme within Canning Town East (strategic site 15, also referred to as areas 11 and part of 2a). It was initiated by the Council's 2008 Canning Town and Custom House Supplementary Planning Document. Of the development site, the Council owns c.75% of the land holding, with the remaining held by the River Christian Centre (RCC).

4.2 The RCC has been leading the regeneration of the site to re-provide church and community facilities, affordable and private housing.

4.3 The project has had a complex 10 year history and various iterations of the scheme have been discussed internally, with one version endorsed at November 2013 Cabinet.

4.4 On the 21st November 2013, Cabinet approved the principle of disposing the Council’s freehold within Area 11 and part Area 2 to the RCC at a market price less the decant costs and subject to various conditions.

4.5 In anticipation of deal progression with the RCC, residents within Area 2 Canning Town have been actively decanted from existing Council housing blocks (Kennedy Cox and 1-39 Lawrence Street) since July 2017.

4.6 Since 2013, the Council has endeavoured to work in partnership with RCC and its advisors. However, negotiations became protracted, difficult and have not been able to come to fruition or demonstrate value for money (see deal evolution summary Appendix 4).

4.7 It is anticipated that future negotiations with RCC will be complex and protracted. This will delay delivery of urgently needed social rented affordable homes, and risk current BCHfL funding opportunities.

4.8 On balance, consideration of the urgent requirement for social housing and the deviations from the original terms approved by Cabinet has led the Council to decide to cease future efforts with RCC. To deliver a joint scheme and alternatively progress delivery of the regeneration programme as outlined in this paper.

4.9 The Council will seek to support the RCC on a non-financial or land swap basis through a strategic design approach to the entire area, ensuring RCC’s development of the RCC site is complementary to the wider masterplan.
4.10 The RCC has since advised the Council of its intention to bring forward a standalone planning application relating to their land. This will be subject to a separate planning application.

5 Strategic Master Developer

5.1 Across the CTCH programme there are approximately nine regeneration sites (areas 1b, 11, 2a, 2b, 6, 19, 4, 5, 18 & 6 north) that have the capacity to deliver c. 3,500 new homes, as indicated by the 2016 Pollard Thomas Edwards architects (PTEa) capacity study. GVA, who were the Council’s appointed consultants, undertook a development appraisal for each individual site. The appraisal demonstrated that subject to securing BCHfL funding for all of the affordable homes, the overall programme was marginally viable with a surplus on some sites, whilst others had significant financial development constraints.

5.2 The appraisal illustrated the requirement for a portfolio approach to all of the sites, meaning a Strategic Master Developer role, where the SMD team oversees overall delivery of a number of sites in combination. Organising how the sites inter-relate in terms of use and phasing, and potentially determining different delivery approaches on different sites. The principle aim being to ensure overall delivery across the programme and avoid cherry picking the more viable deliverable sites, whilst not prioritising or cross-subsidising the more difficult.

5.3 It is envisaged this role will be that of a coordinator and strategic decision-maker, directing the form and timing of development across CTCH. In particular, the master developer will undertake the following activities:

- Determining the best approach to delivery as per the options above for individual sites or groups of sites.
- Undertaking due diligence including commissioning surveys, investigating title etc.
- Obtaining vacant possession through negotiation with current owners and occupiers, decant and confirming/exercising compulsory purchase powers.
- Depending on the approach, potentially obtaining planning consent and/or preparing planning and development briefs.
- Deciding on optimal phasing of sites through release to market and/or contracting directly, including making commercial judgements as to market conditions and depth of market.
- General development management including monitoring of agreements and the progress of partners, and delivery on site where directly contracting.

5.4 To some extent, this is a continuation of some of the activities the Council is already undertaking and has been carrying out for a number of years - it
is similar to that currently underway at the resident/Council co-design of Custom House Local Centre. It represents an expansion of this role to a more commercial footing and proactive driving of development. Phasing, delivery and monitoring of the programme will require a step up in resource requirement over current commitments.

5.5 There are ways in which viability can be improved through cross-subsidising, providing this is endorsed by the communities to take a portfolio approach. These can be assessed as a scheme emerges within the financial climate at the appropriate time.

5.6 More detail on viability and the role of the SMD are contained in Appendix 9.

6 Key Considerations, Proposals and Scheme Principles

6.1 As SMD, it is proposed that Canning Town East (Strategic area 15 comprising area 1b, 2a, 2b and 11) is now progressed. A large area of the site has been cleared since 2014, and the area adjacent to the RCC’s ownership has secured BCHfL funding with a start on site by March 2022.

6.2 In terms of engagement, the Council has historically published CTCH programme information, and in the last CTCH residents' newsletter (December 2018) confirmed that Canning Town areas 2a and 11 would be the first phases to be delivered, followed by site 2b then finally site 1b ensuring development viability across the portfolio.

6.3 Adopting the role of SMD in order to provide new homes as expediently as possible, it is proposed that a detailed planning application is prepared early for a first phase development on part of the vacant site 2a and developed alongside an indicative masterplan for sites 2a, 2b and 11. It will be made explicit through the indicative masterplan within the Phase 1 planning application and reference to existing policy that the scheme is complementary to the overall area’s regeneration, supporting the RCC owned site where possible. It is recommended that a hybrid planning application be prepared comprising a detailed masterplan, with an outline application for all these sites and a full application for the following phase. The detailed applications would include the provision of new dwellings to rehouse residents of existing 2a homes.

6.4 Residents will be at the heart of the regeneration proposals. Early engagement to give residents true and meaningful participation is seen as being essential to the success of this proposal. Early resident meetings will be held to identify block representatives or area representatives, leading to capacity building workshops and formation of a new fully representative Resident Steering Group. Residents will be included when selecting the Independent Tenant and Resident Advisors (ITRAs), architects, planning consultants, building contractors and other professionals.
6.5 The Council would seek to maximise the number of genuinely affordable homes whilst delivering sustainable communities, reflecting Mayoral priorities and aspirations.

6.6 The affordable rented units within the programme will reflect the housing needs within the borough, with social rented homes provided for eligible existing secure tenants. The programme could also include a proportion of low cost home ownership properties offered as replacement housing to the eligible existing resident home-owners.

6.7 Subject to a positive residents’ ballot, later phases would enable the provision of further replacement homes before existing housing blocks are demolished. Phasing would be developed through the masterplanning process and informed by rehousing requirements, design proposals, construction logistics and infrastructure arrangements - the other amenities and facilities required to support the creation of the new homes, such as access routes, the sustainable energy strategy and open space and recreational facilities.

6.8 One design team will be procured for this work i.e. both the phase 1 detailed planning application and the hybrid planning application to ensure design quality, consistency and responsibility and to ensure time and cost efficiencies. There is significant existing design and planning guidance to inform this work through the previous CTCH masterplanning work, the SPD for CTCH and the Local Plan and adopted policy.

6.9 Approval is sought to allocate funds to progress site assembly and investigate various delivery model options, including Council-led delivery via a development agreement, joint venture partnership or Design and Build forms of delivery in order to meet the March 2022 deadline to secure BCHfL. A further report in late 2019 will detail the specifics, identifying the advantages and disadvantages of each delivery option to allow Cabinet to give full consideration and determine a way forward for the regeneration of Canning Town East. Cabinet’s approval will be sought for the model and business case prior to commencing the formal procurement process, including details of any land transactions required.

<table>
<thead>
<tr>
<th>7</th>
<th>Canning Town East</th>
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<tbody>
<tr>
<td>7.1</td>
<td>Draft timeline for commencing key activities (subject to approvals, community engagement and commissioning resources):</td>
</tr>
</tbody>
</table>
8 Capital funding considerations

8.1 On 15 June 2017, Cabinet approved the Business Case and noted the principles of the Development and Land Assembly Programme that covers all the remaining Council-led sites within the CTCH regeneration programme. The Cabinet approved a total investment of up to £111m funding (see Appendix 3), to be agreed as part of the Medium Term Financial Strategy. This was programmed over five years to deliver cleared areas for up to 2,500 new homes, allow for buybacks from home owners in other areas who wish to sell early, as well as deliver other regeneration initiatives.

8.2 Cabinet is now requested to agree that from the £111m of approved capital funding £4.5m of capital funding is allocated to progress a masterplan and planning consent for Canning Town East (see Appendices 3 and 8). This capital is for internal and external fees and project management costs (estimated costs are set out at Appendix 7). These costs will facilitate the Council-led development of proposals and an outline planning application for Canning Town East sites 1b, 2a, 2b and 11.

8.3 Consultants and professional advisors (ITRAs, architects, planners etc.) will be appointed using the Council’s existing procurement procedures utilising framework arrangements to progress the appointments as soon as possible and obtain value for money. Appropriate contract management, including project milestones and output-based measures, will be included in the tender documents. Residents will be included in the selection process at the earliest stages to build confidence, capacity and encourage full engagement with the Council.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
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<tbody>
<tr>
<td>Commence programme</td>
<td>May 2019</td>
</tr>
<tr>
<td>Resident, wider community and stakeholder engagement</td>
<td>May 2019</td>
</tr>
<tr>
<td>Community engagement support</td>
<td>August 2019</td>
</tr>
<tr>
<td>Procure Masterplanners and design team</td>
<td>January 2020</td>
</tr>
<tr>
<td>Procure Planning Advice</td>
<td>January 2020</td>
</tr>
<tr>
<td>Completion of Phase 1 design and indicative masterplan (Subject to GLA Ballot clarification)</td>
<td>August 2020</td>
</tr>
<tr>
<td>Phase 1 start on site</td>
<td>August 2021</td>
</tr>
<tr>
<td>Completion of masterplan</td>
<td>October 2021</td>
</tr>
</tbody>
</table>
9 Policy Implications & Corporate Priorities

9.1 Successful regeneration of Canning Town and Custom House will directly contribute to the Council’s resilience aspirations, specifically:

- Aspiration 6: A well maintained public realm with accessible facilities and quality public space that encourages people to get active and stay in the borough through choice.
- Aspiration 9: Good quality housing across all sectors, which contributes to people choosing to stay in the borough.
- Aspiration 10: The housing offer meets legitimate need and encourages aspiration, employment and contribution to the community.
- Aspiration 15: People have the skills and competencies that make them highly employable, including softer skills.
- Aspiration 22: A diverse and thriving local economy providing a variety of employment opportunities for local people.
- Aspiration 23: People are economically active and achieve independence through employment.

10 Alternatives considered

Master Joint Venture Approach

10.1 The previous administration favoured the creation of a Joint Venture (JV) partnership with a private developer, to deliver the entire CTCH programme as well as other strategic projects.

10.2 The purpose being to accelerate the delivery of strategic sites as a single development opportunity. A borough wide JV can have positive market outcomes, as specifically larger development partners respond well if large sites are being brought forward as a single tendering opportunity due to economy of scale and the potential for an improved commercial deal.

10.3 However, the process of procuring a single (master) private sector developer to regenerate places have proven to be slow, risky, contentious and to produce poor social and financial outcomes for communities and local authorities. The large-scale nature of the proposal ensures that the opportunity is only available to a select number of developers, much reducing the market for smaller competitors. Such a route to market can be difficult to produce true and meaningful resident engagement, particularly in terms of co-design, which is now underway at Custom House Local Centre.

10.4 The developer partner can have a disproportionate level of control over Council assets and regeneration. The ensuing private sector demands can
be much harder to refuse if they influence the delivery at such a strategic level.

10.5 It is for all of the above reasons that a single joint venture methodology to CTCH is being discounted in favour of a Council led Strategic Master Developer approach, which can improve development viability, create truly balanced communities and community wealth building.

11 Consultation
Name of Lead Member consulted:
Position:
Date:

12 Implications

Financial Implications

12.1 Council in February 2019 agreed the Medium Term Financial Strategy, including the Capital programme. Included within the capital programme were the allocations set out within the table below.

<table>
<thead>
<tr>
<th></th>
<th>2018/19 Budget £’000</th>
<th>2019/20 Budget £’000</th>
<th>2020/21 Budget £’000</th>
<th>2021/22 Budget £’000</th>
<th>Future Years £’000</th>
<th>Total £’000</th>
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<tbody>
<tr>
<td>Canning Town – Area 7 development agreement</td>
<td>206</td>
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<td>1,000</td>
<td>1,460</td>
<td>0</td>
<td>3,666</td>
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<td>Custom House Regeneration</td>
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<td>0</td>
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<td>28,688</td>
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<tr>
<td>Canning Town and Custom House Redevelopment</td>
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<td>10,000</td>
<td>10,000</td>
<td>54,129</td>
<td>74,129</td>
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<tr>
<td>Total</td>
<td>15,206</td>
<td>14,688</td>
<td>11,000</td>
<td>11,460</td>
<td>54,129</td>
<td>106,483</td>
</tr>
</tbody>
</table>

12.2 There is sufficient capital budget to meet the £4.5 million as identified within the Report as being required to progress the development.

12.3 This allocation is for capital expenditure and should only be used to fund expenditure that meets the accounting definition of capital – broadly, expenditure that is related to a Capital asset, not general administration etc.

12.4 Expenditure that is revenue will need to be met from a revenue budget. As some of the site remains within the Housing Revenue Account, not all
costs will be financed via the General Fund, and a revenue budget should be identified before any costs are incurred.

**Legal Implications**

12.5 Early external advice will be required over a number of specialisms including legal advice and input, which together, will contribute towards the development of the project. Appointment of external support is likely to engage internal procurement rules and potentially the EU procurement regime depending on the value. The power for entering into these arrangements is section 1 of the Localism Act 2011, which enables the Council to undertake any activity a normal person could undertake, subject to any statutory constraints on the Council’s powers.

12.6 In undertaking any procurement exercise the Council must have regard to the Public Contracts (Social Value) Act 2012 and identify any benefits that might accrue in terms of social well-being, environment and the local economy.

12.7 Officers have been advised that any decision related to future procurement will be subject to appropriate governance.

**Equalities Implications**

12.8 The Council has a public duty under the Equality Act 2010 to consider the impact of its decisions in terms of promoting and ensuring equality and cohesion across the different types of equality strands: age, sex, ethnicity, race, disability, sexual orientation, religion/belief, transgender and relating to pregnant and breastfeeding women.

12.9 A full EqIA has been completed to ensure that any equality and cohesion issues arising from the redevelopment proposals can be identified and mitigated accordingly - the EqIA is provided at Appendix 5.

12.10 The human rights of residents and businesses directly affected by the project will be considered throughout the development and delivery of scheme proposals. Provisions of the Residents’ and Shopkeepers’ Charters will apply and all necessary consultation will be undertaken to limit any negative impact on individuals’ human rights.

**Economic Impact**

12.11 The report recommends a development in line with the principles of the Core Strategy (2012), Detailed Sites and Policies DPD and Canning Town and Custom House SPD (2008). It is envisaged that the redevelopment of Canning Town and Custom House will have a direct impact on the economic vitality and prosperity of the area by creating a residential area that is better connected to surrounding neighbourhoods, enhanced town centres and public transport modes.
12.12 Ultimately, the project will have positive social and economic impacts specifically relating to jobs and both affordable and private market housing, community facilities, public open space and support services for local shops and businesses.

12.13 Any development partner(s) would be required to work in close partnership with the Economic Regeneration Team and Workplace to ensure that job and training opportunities are maximised for Newham residents. This will be further complemented by delivery of a socio-economic programme developed by the Council and in partnership with any investment or development partner(s), which includes specific skills, training and employment initiatives to benefit residents of Canning Town and Custom House.

13 Key Identified Risks

13.1 At this early stage of the development process, it is not possible to identify all of the Key Risks. However, Appendix 6 shows some risks identified to date, but these are likely to change during the project and will be subject to ongoing review and mitigation measures.

14 Background Information used in the preparation of this report

a) Statutory requirement to list

b) When related to procurement – Checkpoint Panel Response to [procurement title]