

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cabinet

Date: 05/07/2021

Subject: Investing in White City

Report of: Councillor Andrew Jones, Cabinet Member for the Economy

Report author: Matt Rumble, Strategic Head of Regeneration & Development

Responsible Director: Tony Clements, Strategic Director for the Economy

Summary

This report provides an update to the Building and Homes Communities strategy approved by Cabinet in July 2019 and specifically development and regeneration projects led by the council in the White City area.

The strategy commits the council to utilising its land and property assets to meet key council priorities to deliver affordable housing and community facilities for borough residents. The White City area projects comprise White City Central, Education City (the former ARK Swift Primary school site) and Commonwealth Avenue (the former Nubian site). Collectively these projects will deliver at least 300 affordable homes (450 new homes in total) over the next 7 years as well as new, high-quality replacement of existing community and education facilities. These schemes will enhance the opportunities for local people and the surrounding area with the creation of employment and training opportunities, new homes and education facilities for all ages.

The report seeks approval for a further budget for the White City Central project to work with the community to develop designs and take the scheme to planning and to deliver a community hub in the former health centre. In relation to Education City, the report seeks approval to agree the S77 of the School Standards and Framework Act 1998 (SSFA 1998) terms from department for education (DfE) in relation change of use of land and to approve an investment facility to bring forward the regeneration of the site.

RECOMMENDATIONS

That Cabinet:

1. Notes that appendices 1, 4, 5 and 7 are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in

paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

2. Approves a capital budget of £2,701,500 for the White City Central project, to pursue the comprehensive redevelopment proposals including the full design, surveys and project management fees up to planning submission and procurement of the main contractor and feasibility and refurbishment works to the former NHS Health Centre, expected funding of the scheme as set out in Appendix 1.
3. Approves an investment of up to £39m in the form of development financing to EdCity Office Ltd to fund the cost of development and construction of the office building thereby facilitating the comprehensive development and regeneration of the site to provide 132 new affordable homes, a new school, new nursery, adult education centre and youth facilities.
4. Approves a corresponding capital budget of up to £39 million to be funded by an increase in the council's Capital Financing Requirement.
5. Delegates authority to the Strategic Director for the Economy in consultation with the Director of Finance and Head of Law to take all necessary steps to facilitate the decision in 3, including agreeing the final contractual terms for the investment facility (based on the heads terms in appendix 5) and subject to completing the assessment of the checklist of the six key subsidy principles (appendix 4).
6. Approves the conditions imposed by the Department for Education for the Education City project as set out in appendix 6.
7. Notes the approach to engagement and consultation with residents and stakeholders at White City during the next stage of the design process up to planning submission.
8. Notes the council entering into negotiations with the Department for Education with regards to the Section 77 application in respect of Randolph Beresford Nursery for the White City Central Project.
9. Notes that the council has secured £900,000 from the MHLG land release funds that will reduce the overall contribution to costs of the Education City project from the council and development partner Ark.

Wards Affected: White City and Wormholt

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	The development includes a range of community facilities that will benefit a wide range of local residents, as well as

	provide much needed affordable housing.
Creating a compassionate council	The area is in much need of community facilities for local residents to access. Combined, these schemes will provide modern and fit-for-purpose amenities for residents.
Doing things with local residents, not to them	<p>These schemes involve extensive engagement with the local community.</p> <p>Co-producing a development with White City Estate residents on the White City Central scheme has been built into the process for developing designs as schemes progress from initial feasibility to the development of more detailed designs. The project team has adopted new 'ways of working' with the community which include the following values and commitments:</p> <ul style="list-style-type: none"> • Co-production throughout the project • Clarity & honesty • Checking back with residents
Being ruthlessly financially efficient	<p>The investment in the projects will generate a significant social return for the council and the local community.</p> <p>New homes and community facilities will be designed to carefully to ensure low maintenance once occupied.</p>
Taking pride in H&F	The schemes will deliver quality additions to the borough in terms of housing provision and community facilities. Schemes will be delivered to the highest safety standards reflecting the council's priority to keep its residents safe.
Rising to the challenge of the climate and ecological emergency	Schemes will meet the key environmental challenges and will be designed to a London Plan standard. We will encourage inclusion of carbon neutral design proposals and green initiatives where possible.

White City Central Project Financial Impact

On 3 June 2019, Cabinet approved a £2.88m capital budget to take the White City Estate development up to the end of RIBA stage 3 (planning permission). This report is seeking approval for an additional budget of £2,701,500 resulting in a combined total of £5,581,500 of the anticipated £12,771,569 project on-costs expected for the

entire scheme up to practical completion. This excludes the previous acquisition costs of £5,208,076 for the former health centre for which the budget was previously approved.

To take into account proposed changes to the scheme, including the number of units and changes to community facilities, a revised appraisal along with a sensitivity analysis has been carried out on the proposed scheme and confirms financial viability and a strong financial return from the development. This is detailed in Exempt Appendix 1. The full development cost will be funded from a combination of borrowing, GLA affordable housing grant, Right-To-Buy (RtB) receipts and the proceeds of sales receipts.

Total spend on the scheme's project development budget as at April 2021 is £677,397 with a further £13,600 of spend committed.

The appraisal will be updated with the latest information before the scheme can progress beyond planning permission and ahead of any decision to approve the full scheme for procurement of a contractor. Should the project prove unviable and not proceed, the capitalised expenditure incurred to that point will need to be written off and charged to revenue budgets. Regular review of the scheme's financial viability and monitoring by the Development Board will ensure that should this risk crystallise it will be identified at the earliest opportunity to allow for better management and mitigation of abortive costs.

Education City Project Financial Impact

Capital budgets for the Education City scheme have been approved as part of previous decision reports and included details of the investment appraisal and viability. On 2 November 2020, Cabinet agreed a revised total budget of £77.9m split between the development scheme and the associated grant funding of the youth facility. The table below shows the currently agreed capital budgets and funding for the Education City project.

Table 1: Education City Financial Summary

	Approved budget £000s
Residential	65,723
Adult Learning Centre and Nursery	6,900
Total Council Scheme Costs	72,622
GLA Affordable Housing Grant	2,492
RTB Receipts	6,356
Sales receipts	9,568
Borrowing	54,206
Total Capital Funding	72,622
Onside Grant for Youth Facility	5,250
Funded by	
S106 Receipts	1,750
General Fund Borrowing	3,500

Total Funding of Onside Grant	5,250
--------------------------------------	--------------

This revised budget of £77.9m is reflected in the latest approved capital programme. £2.8m of capital expenditure has been incurred to date plus a further £354,081 of revenue spend for decant costs. The total approved revenue budget is £404,252 is funded from a combination of HRA (£160,747) and GF (£243,505) reserves. In the event that the scheme does not proceed, the capital expenditure to date would be abortive and would need to be written off to revenue reserves. As set out in the Cabinet report in November 2020, affordable housing will generate a rental revenue stream for the Housing Revenue Account to meet the majority of borrowing financing costs. Officers continue to explore additional funding opportunities and identify potential cost savings to reduce the level of borrowing required.

The recommendation in this report requests that Cabinet approve a separate and additional investment of £39m in the form of development finance to EdCity Office Ltd for the development and construction of the office building. This investment provides a 10-12 year loan facility to EdCity Office Ltd to enable the scheme to proceed and is required to further the wider development and regeneration policy objectives in relation to White City.

Capital expenditure and revenue implications

Under local authority capital financing requirements, the investment will be classified as capital expenditure under statute and therefore the recommendation also seeks approval for a corresponding capital budget of £39m. This capital investment will be funded by an increase in the council's Capital Financing Requirement.

The revenue costs of this capital investment will be:

- the Minimum Revenue Provision (MRP) (2% or £780,000 pa)
- the opportunity cost of lost interest receivable (currently less than 0.1%) or the cost of any external borrowing (currently c2% or £780,000 pa).

The draft Heads of Terms (HoT) provide that the interest payable by EdCity Office Ltd to the council will cover the council's cost of borrowing plus a margin to reflect risk which seeks to ensure that the revenue costs above are met from interest receivable. Therefore, the investment is intended to be self-financing with no additional call on the council's general fund resources.

The investment will be classified as a non-specified investment under the council's Annual Investment Strategy included within the Treasury Management Strategy. The drawdowns by EdCity Office Ltd will be made from available cash balances and any borrowing required will be managed as part of the council's treasury management arrangements.

Other costs

Other costs of the arrangement are intended to be met by EdCity Office Ltd as the borrower. The proposed HoT require EdCity Office Ltd to pay the legal costs and other costs and/or professional fees incurred by the council as a lender (£41,000 to date). In addition, the HoT include provision of an annual facility monitoring fee (proposed to be £10,500 plus CPI) to be paid by EdCity Office Ltd to the council cover the costs of risk monitoring activity.

Risks and mitigations

A key risk in relation to any investment is the counterparty risk, the risk that the counterparty might default on its contractual obligations to pay interest and / or to repay the capital / principal sum to the council:

- Interest: interest will be rolled up into the loan during the construction period and then is expected to be paid from office rental receipts post completion. There is risk that EdCity Office Ltd is unable to pay contractual interest if it is unable to let the office building. In the event EdCity Office Ltd is unable to pay interest, the revenue costs of the capital investment will continue to be borne by the council but without matching income. Based on MRP of 2% and external borrowing costs of c2% this could lead to unfunded costs exposure of c£1.56m pa.
- Capital/ principal: the loan is an interest only facility to be repaid at, or before, the end of the term. EdCity Office Ltd intend to refinance before the end of the loan term however there is a risk that EdCity Office Ltd is unable to refinance and therefore repay the capital/ principal. In the event EdCity Office Ltd is unable to repay its capital at the end of the loan term the costs set out above would continue to apply annually for a 50-year term. However, in this scenario, the council would have the security of and recourse to EdCity Office Ltd asset with an expected market value significantly higher than the council's proposed investment (based on current valuation and the loan to value ratio) and, in addition, recourse to a guarantee from Absolute Return for Kids (ARK) to cover losses up to £10m.

The Heads of Terms (HoT) provide a number of mitigations for these risks the most significant being:

- an unconditional guarantee from ARK against any loss incurred as a consequence of default by EdCity Office Ltd, up to a maximum of £10m
- security over the land and the office building
- maximum 65% Loan to Value ratio
- an undertaking from ARK that it will take a lease of two floors of the office for the 10 year life of the loan (sufficient to meet a significant proportion of EdCity Office Ltd's interest payments)
- an interest reserve account of 12 months' interest payments to "buy time" to take action to protect the council's interests and / or enforce security
- an undertaking from ARK (parent of EdCity Office Ltd) to ensure that EdCity Office Ltd will, at all times, be in a position to meet its financial and other obligations
- annual approval of EdCity Office Ltd financial plan / model by the council.

In the event of default, and in event that the value of the building was less than the value of the outstanding loan should the council need to enforce security the £10m guarantee from ARK would cover the first £10m of council losses (presuming ARK is unable to meet its obligations under the guarantee. If losses exceeded the guarantee, the council would need to impair the loan to the value of the loss.

However, once the office building is operational, the council will be making MRP contributions (funded through the interest rate charged on the loan). MRP serves to amortise (spread the cost of the loan or “repay”) the loan over the life of the asset and therefore smooth any write off of costs. Presuming that EdCity Offices has been able to meet its interest obligations during the loan period this will have serviced the first 10 of 50 years’ repayment and the Council will continue to pay MRP over the remaining period rather than having a significant one-off hit to revenue in the event of any losses.

The body of the report and the detailed Appendix 4 describes the proposed heads of terms which have been developed with the input of financial, legal and valuation advice, including advice on the market for office accommodation post Covid-19. Appendix 4 sets out further information on the risk mitigation arrangements included within the proposed Heads of Terms.

There is an additional risk in relation to interest rates as the Heads of Terms propose that the interest payable will be agreed at the time of signing the agreement. There is a risk therefore that, should interest rates rise significantly during the course of the loan, the council’s revenue costs (opportunity cost of investment income or interest payable) will exceed the interest income, and therefore will result in these costs falling on the general fund. This will need to be monitored and managed through the overall treasury and cash management arrangements.

Legal Implications - Education City

Power to provide investment facility and compliance with subsidy control regime

Vires

There is a free-standing power for local authorities to invest contained in s12 of the Local Government Act 2003 for any purpose relevant to its functions, subject to having regard to the statutory guidance under s15, proper accounting practices and relevant CIPFA guidance. The power to invest includes making loans to local charities such as EdCity Office (ECO) provided such investment is part of a wider strategy for economic growth.

Given the purpose of this investment is to enable the regeneration of the whole Education City development through a re-payable loan for the office construction then it is within the permitted use.

Finding the relevant powers to act is only part of the story when it comes to taking lawful decisions. The Council also needs to exercise its powers properly, taking into account all relevant considerations, ignoring irrelevant considerations, following proper procedures, avoiding any unlawful fetter on the Council's discretion and any other relevant public law principles. When considering an investment, the Council also needs to compare the likely returns which would be generated by investing monies in other ways, particularly when weighed against the costs and risks involved.

The guidance also requires the Council to ensure that their investment strategy has quantified the risk that any investment may expose the Council to and that it is satisfied that risk is mitigated and such investments are proportionate. The proposed heads of terms have been negotiated to mitigate the risk of investment by the Council and to provide a market level position on the transfer of risk. The advice to Council provided in Appendix 4 and 5 as well as separate financial advice confirms that the Council has quantified and properly mitigated its risk in this regard to date.

Subsidy Control (to form part of exempt appendix 5)

The Council must consider if this investment will be within the subsidy control regime under the UK/EU Trade and co-operation Agreement (TCA) which has been brought into force in the UK by s29 of the European Union (Future Relationship) Act 2020. Whilst in many ways similar to the former state aid rules including the way in which a subsidy is defined, the new regime does not make subsidies unlawful unless permitted either individually or through exemption schemes, but rather in general provides that they are lawful provided that they are granted consistently with 6 principles set out in the TCA and detailed at para 3.2 in the Exempt Appendix 4.

The proposed investment by the Council is likely to be a subsidy but is consistent with these principles and the draft heads of terms has been drafted accordingly. Therefore, there are grounds to consider that the subsidy element of the proposal is proportionate and an appropriate means of achieving the Council's objectives. It is understood that the office project is crucial to the development from ARK's perspective, but the Council will need to be satisfied of this and that the whole regeneration would not go ahead if the subsidy was not provided for the office. The view of officers as set out in paragraph 69) is that the regeneration would not go ahead if the subsidy was not provided.

The Council needs to satisfy itself that the subsidy control principles are being properly taken into account, and to complete a checklist form capturing compliance with the principles for their future record. The Council are seeking in this report confirmation to proceed subject to satisfactory completion of the checklist, which shall be done prior to entry into the investment facility. The Council will also need to notify the department of Business Energy and Industrial Strategy and provide information for publication on the BEIS subsidy database within six months of the grant of the subsidy.

An interested party may seek further information in order to assess the application of the TCA principles regarding the award of a subsidy. Such information may be sought by potential challengers up to one month after publication and the period for challenge will then be one month from receipt of the information requested. These timeframes are subject to change following the completion of the latest consultation on the implementation of additional rules flowing from the TCA.

Draft Heads of Terms

The draft Heads of Terms (see Exempt Appendix 5) have been prepared with input from the Council's financial advisor to ensure that they are substantially compliant with the market standard for such development finance and in being so meet the subsidy control requirements.

Agreement of the heads of terms will help facilitate the negotiation of the full terms of the loan facility much of which will be based on standard market terms. Agreeing the heads of terms will not oblige the parties to enter into the final agreement nor cover one for its costs should the other decide not to proceed.

The Council will be required to monitor the borrower's performance under this facility throughout its term.

Some more detailed advice on the Council's funding of these costs has been provided by the Council's advisors and is contained in Exempt Appendix 5.

Section 77 School Standards and Framework Act 1998 (SSFA 1998)

This report is seeking approval of the conditions imposed by the Department for Education for the Education City project and listed in Appendix 6 of this report.

Conditions 1,3, 4, 5 and 6 are acceptable as drafted and can be complied with reasonably without the need for additional mitigation to be secured by the Council to ensure compliance with the conditions.

For conditions 2 and 7-9, the Council has taken additional steps to ensure compliance with the condition. This includes the addition of certain provisions within the Office lease which it shall enter into with Ed City and the Youth Zone lease which it will enter into with Ark. The details are set out below.

Office lease

- a. Ed City Office will reimburse the Council for all reasonable and proper sums reasonably and properly incurred by it in respect of compliance with condition 8.
- b. Ed City Office will also comply with the obligations in Conditions 9 and 10 above for as long as they continue to apply.

Youth Zone headlease

- c. Ark School will not vary, surrender or agree to surrender any underlease in respect of the Youth Zone without the consent of the Council which will enable the Council to comply with condition 2.
- d. Ark Schools will comply with the obligations in Condition 2 for as long as they continue to apply.

The Council will need to apply to the Secretary of State for specific consent under Section 77 of the School Standards and Framework Act 1998 to dispose of any playing fields in relation to Randolph Beresford Nursery and follow all necessary legislative steps. A further decision will need to be obtained before any application is made.

White City Central

Section 111 Local Government Act 1972 - which gives powers to local authorities to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions; and

Section 1 Localism Act 2011 - which contains the local authority's general power of competence and states that a local authority has power to do anything that individuals generally may do.

Legal implications provided by Bevan Brittan LLP and Rachel Silverstone, Property Solicitor, Legal services, Tel 020 8753 2210. Rachel.silverstone@lbhf.gov.uk

Contact Officers:

Name: Matt Rumble
Position: Strategic Head of Regeneration and Development
Telephone: 07786 747488
Email: matt.rumble@lbhf.gov.uk

Name: Emily Hill
Position: Director of Finance
Telephone: 07826 531849
Email: emily.hill@lbhf.gov.uk

Name: Rachel Silverstone
Position: Property Solicitor, Legal services
Telephone: 020 8753 2210
Email: Rachel.silverstone@lbhf.gov.uk

Background Papers Used in Preparing This Report

White City Estate – New Council Homes and Community Facilities – Cabinet – 3rd June 2019
Building Homes and Communities Strategy – Cabinet – 1st July 2019
Education City Update – Cabinet Report – 2nd November 2020

DETAILED ANALYSIS

1. In July 2019, Cabinet approved the 'Building Homes and Communities Strategy' which set out the principles of a self-funding programme of investment in homes and community assets.
2. Through the Building Homes and Communities Strategy, the council is committed to using its assets to meet its strategic objective of delivering

genuinely affordable homes. White City Central, Education City and Commonwealth Avenue were identified as potential sites.

3. The council identified opportunities to deliver up to 1,800 homes over a period of up to ten years and generate long-term income to support the council's financial challenges. This strategy sets clear objectives to:
 - Build new, genuinely affordable housing which will help maintain the borough's vibrant social mix;
 - Support the council's Business Plan priority of 'Building Shared Prosperity';
 - Renew key community assets, including schools and leisure centres; and
 - Generate income to reinvest in frontline services.
4. This decision supported the council's wider 2018-2022 Business Plan objectives and enabled the council to make plans to deliver much needed affordable housing.

The development programme

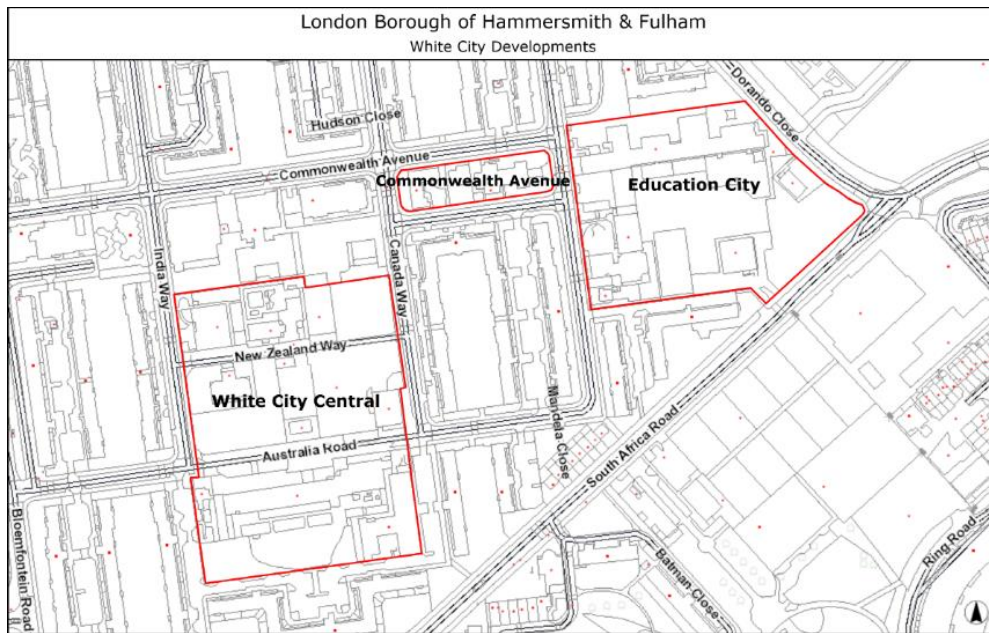
5. The current development programme includes 16 housing led projects which will be delivered directly by the council, and a further 5 schemes which will be delivered in partnership with registered providers or development partners. These projects would collectively deliver 1,520 homes across the borough of which at least 1,028 will be affordable homes prioritised for residents of the borough. These new homes will be delivered over the next 7 years.
6. To support delivery of this programme and to maximise delivery of affordable housing, the council has already secured £19.5m of grant from the GLA's Affordable Homes Programme 2018 – 2023. A further funding proposal for the Affordable Homes Programme 2021 – 2026, was submitted in April this year and aims to secure a further £32.6m from the GLA.
7. Education City is part funded by the current GLA programme and White City Central and Commonwealth sites have been put forward as part of the new bid submission.
8. The GLA will confirm the new grant allocation in the Summer 2021 and this will be reported to Cabinet for approval in the autumn 2021.

Community engagement and co-production in White City

9. The Council has worked with the local community to create the White City Estate Residents' Advisory Panel, which is comprised of local residents and community stakeholders. Their initial focus has been on the White City Centre project, with progress on this project is described later in the report. However, moving forward, all Council-led projects in the White City area will be delivered in partnership with the Residents' Advisory Panel to ensure services delivered by Local Authority developments best meet the needs of the local community through maximising community involvement, informing design and service provision and co-producing key policy document such as local lettings plans.

The objective will be to ensure all projects align, to avoid duplication of services and to offer a range of service determined by the local community.

10. Below is a map of the White City developments covered in this report.



White City Central

The site

11. The White City Central area (the site) is located on the White City Estate, in the Wormholt & White City ward and is owned freehold by the council. Below and Appendix 2 is a map of the site.
12. The overall site is comprised of the following buildings/spaces:
 - White City Adventure Playground
 - Outdoor Gym
 - 1 O'clock Club (3a), Synthetic Sports Pitch (3b) and Children's Playground (3c)
 - Open Space to rear of Randolph Beresford Nursery
 - Randolph Beresford Nursery and Early Years Centre
 - Family Annexe
 - White City Community Centre including Hall and Garden
 - Hammersmith & Fulham Housing Office (managed by the council)
 - White City Adventure Playground Building
 - Disused over 50's Centre and Garden (vacant – occupied by Property Guardians)
 - Disused Health Centre (vacant – occupied by Property Guardians)
 - Electricity Substation
 - School Keeper's House



Background and progress to date

13. Following Cabinet approval in June 2019, the council's Development Team began working with residents to explore new council homes and community facilities in the central area of the estate. An initial feasibility budget was also approved as part of this decision.
14. In January 2020, officers worked alongside residents to set up the White City Estate Residents' Advisory Panel (the Panel) made up of local residents to work on this project. The role of the Panel is to make sure that the consultation process reaches as many people and communities on the estate. Panel members use their valuable local insight to advise on the community engagement process and approach to consultation and local participation.
15. The Panel's proposed 'ways of working with the community and values have been adopted as commitments for the Project and are described in the community brief:
 - Co-production throughout the project
 - Clarity & honesty
 - Checking back with residents
16. In June 2020, members of the Panel and officers jointly appointed Mae Architects and make:good, Community Engagement Consultants, to work on this project with local people. The aim was to bring forward a design which is co-produced with local people.

Engagement with local residents

17. The engagement process began in September 2020 with a series of Covid-safe in-person, consultation activities and events including estate walk-about, pop-ups and drop-in sessions to meet the team.
18. Due to Covid-19 government restrictions in late October, consultation activities moved online, and a series of workshops and meetings were delivered virtually.
19. From October 2020 to March 2021, the following themes were covered: Initial Ideas Workshop on Community Facilities, New Homes for White City Workshop, A New Landscape Workshop and the White City Central Exhibition.
20. Two key priorities emerged from discussions with residents set out below:
 - Genuinely affordable housing prioritised for local people
 - Co-produced Local Lettings Policy with residents
21. The White City Central project began prior to the implementation of Hammersmith & Fulham's Defend Council Homes Policy. However, the approach to consultation and engagement aligns with principles and objectives of the policy. The Project Team will continue to work closely with the Defend Council Homes Policy Sub-Group to ensure the policy is implemented effectively and lessons from white city can cascade to other development schemes.
22. The Council's Co-Production team has been involved from the start to ensure the project adheres to the principles of co-production adopted by the council and supports the project to deliver accessible design that meets the needs of existing and future residents.

Engagement with stakeholders and operators

23. The White City Central area provides a number of well used community facilities as well as some disused plots (para 10). The networks of use/ shared use are quite complex, and the project team will continue to work with these groups to gain their insights about the area, share information within the networks and to inform the design of new spaces.
24. On-site operators: the project team held meetings, in person or on-line with all the key services and stakeholders for the community facilities in-use on the site. Meetings were also held with people who run services there on a regular basis. This has helped the project team understand current services and what they might need in the future.
25. The project team has consulted council services operating in the White City Central area to gain insights about the area and to understand future needs and provision.

Local housing need on the White City estate and co-producing a Local Lettings Policy

26. In November 2020, the Council had 2,818 households on the Council's housing waiting list. A breakdown was provided to understand the local need on the White City Estate. 220 households on the waiting list of which:
- 133 households are secure council tenants
 - 172 households need a 2- or 3-bedroom property
 - 38 households are in the highest priority for housing
 - 72 households qualify for community contribution priority.
27. The council has promoted an open conversation about the Local Lettings Policy and what residents would like to see in terms of priority banding. Residents have requested a co-produced Local Lettings Policy is agreed before any scheme is submitted to planning. A Local Lettings plan requires local consultation and, subject to majority support, are approved by the Chief Housing Officer in consultation with the Cabinet Member for Housing.
28. By engaging residents in a local lettings plan from an early stage in the design development process it is hoped the council will get a better understanding of under and over-occupation on the estate and the scheme will best respond to local housing need.

Development options

29. Three main options for the 'site' have been developed and reviewed in preparing the design community brief for White City Central. Each option has been discussed with residents throughout the consultation process so residents could make an informed decision about what they would like to see included within the Community Brief. Below is a summary of the three options, followed by a more comprehensive explanation of the options.

1 - Three sites:

A minimum of the three council run sites – the former Health Centre (occupied by Property Guardians), the former Over 50's Centre (occupied by Property Guardians) and the North Area Housing Office (currently in use and managed by the council's Housing Service).

2 – The site (para 10) excluding Randolph Beresford Nursery:

The whole site within the red line boundary excluding the Randolph Beresford Nursery, play space and caretaker's home.

3 - The whole site (para 10):

All sites within the red line boundary, comprehensive redevelopment of the White City Central area.

Resident feedback on proposed options

30. The majority of the local community consulted with support the comprehensive re-development of the full site (option 3). This would allow the council to provide up to 271 new homes mirroring the density and height across the estate. This option would have the potential to maximise the amount of affordable homes with 137 units (51%), as well as re-providing all the existing facilities as new, state of the art community facilities. This option allows the council to unlock the possibilities of new facilities and housing, and the place making potential of the White City Central area.
31. The council will to continue engaging with residents over the next six months until a planning application is submitted in early 2022. A skill sharing approach will continue to place residents in the seat of the design team and work through the constraints and opportunities the project must overcome. The pre-application programme with Planners will also begin at this next stage of design.
32. The additional budget requirement of £2,701,500 will allow the development team to work with the community on the comprehensive redevelopment proposals for the site.

Option 1 – Do nothing

33. This option was not supported by the local community. It would mean that the council and the wider community would not benefit from the potential for new affordable housing, the income generated through market rent of homes built, and an opportunity to provide new community facilities in the borough would not be taken.
34. It would also mean that the council has not responded to residents' needs and wants identified during this initial period of consultation activities. Residents would not have the opportunity to be involved in the development of ideas and proposals for the site, and a co-production opportunity would be missed.
35. The council would also have to manage the abortive costs of design and engagement work for the first stage of the project.

Option 2: Develop a minimum of three sites

36. This option was not supported by the local community. The three available sites will provide up to 33 new homes, of which half 17 units (52%) would be genuinely affordable. This option would only provide housing and would not re-provide community facilities or public realm as there would be no financial capacity to deliver this space.
37. This proposal was not supported by the local community as it did not maximise the amount of affordable housing and re-provision of community facilities.

Option 3: Develop the site without Randolph Beresford Nursery

38. A scheme that looks at the site without Randolph Beresford Nursery included would deliver up to 171 new homes, of which 88 homes (51%) would be

genuinely affordable. This scheme only allows a proportion of the community facilities to be re-provided and there is limited scope for shared facilities between different user groups. There would be no funding available to refurbish or improve the existing Randolph Beresford Nursery.

39. This proposal was not supported by Randolph Beresford Nursery and colleagues in Children’s Services. Although local residents were not consulted on the proposals for Randolph Beresford Nursery, they did express the need to include the nursery within the development to ensure that no areas are left undeveloped.

Option 4 (Recommended option): Continue consulting with residents and develop the whole site

40. As described in para 28 to 30 above. Approve the additional budget of £2,701,500 and authorise officers to progress the plans for comprehensive redevelopment of the entire White City Central site, subject to ongoing resident support.

Reasons for Decision

41. Based on the options above, approval of budget will enable Stage 2 of design works to continue and allow the Project Team to continue engagement with the local community. This will allow designs and proposals being brought forward for implementation, and delivery of new affordable housing, private housing, a new nursery and new community facilities in a mixed-use development. It will also allow the council to submit a planning application for the site by early 2022.
42. The majority of the local residents attending the consultation supported this proposal and therefore, officers recommend proceeding with the whole site as the preferred option.

Section 77 – Randolph Beresford Nursery

43. As Randolph Beresford Nursery is likely to form part of the redevelopment, the Department for Education (DfE) seeks to protect play space provision and requires the council to consult on the disposal of school / nursery land. One key element of this process is a measurement and categorisation of existing external areas and of the proposed areas.
44. Officers will enter into negotiations with the DfE at the next stage to ensure the correct Section 77 processes and consultation are carried out and a successful application is made.

Indicative Programme

45. The table below sets out high-level timetable of key milestones:

Milestone	date
Cabinet approval (this report)	July 2021

Gateway Stage 2: Planning	April – December 2021
Planning Submission	January 2022
Planning Consent	August 2022
Procurement strategy (Cabinet approval)	July 2022
Stage 3: Procurement of Main Contractor	August 2022 – April 2023
Stage 4: (On Site)	August 23 – August 27

Former NHS Health Centre site as a meanwhile use for local residents

46. The disused former Health Centre forms part of the wider White City Central development site. The building is in a relatively good state of repair and could be put to meanwhile use while the development proposals progress. The proposal is for the building to be converted to become a temporary community hub and a decant site for the community centre; used by local community groups and the development Project Team, until the second phase of the development begins in four years. This report requests approval to carry out feasibility, surveys health and safety, and refurbishment works to the site to enable this to happen.
47. The former NHS Health Centre site presents an opportunity to develop and test in practice opportunities for meanwhile / community functions to coexist in the same space. The advantages of this coming forward early in the project are as follows:
- real life testing of co-location and co-management of community facilities.
 - a neutral facility that belongs to the residents and the project, fostering a sense of stewardship from residents.
 - a hub for consultation throughout the next stages leading up to a planning submission where the Project Team can run bi-weekly design workshops with resident groups and can stage consultation events and can host workshops on co-management with all future stakeholders.
 - the Panel emphasised that having a physical hub space for community engagement on the project would be an extremely valuable way of reaching more people and building trust in the process.
 - it would also allow the Project Team to begin tangible tests and local changes that residents can co-produce. Opportunities and benefits of testing for the success of phasing, sharing space and future success of community spaces.
48. Initial estimates anticipate the costs for feasibility, surveys and refurbishment works to be £120,000. This budget will be covered from the main White City Central budget requested in this report.
49. The space has capacity with some light refurbishment to facilitate the functions listed above. Initial preliminary work has been scoped, including provision for consulting and working with residents on the fit out. This would begin with structural and condition surveys and preliminary plans for re-use. Followed by consultation and initial designs for costing by contractors.

50. The initial fit-out of the former Health Centre will include a space on the ground floor and garden area. Works will begin in July 2021 and will be ready for the Project Team and other community groups to move into by September 2021. The final refurbishment works will be carried out in early 2023 in preparation for the decant of existing services on site which form part of the first phase of development.

Education City

51. The Education City development in White City, will create a new mixed used education hub on the site of the ARK Swift Primary School at Australia Road, W12. The new project will replace the current single form entry Ark swift primary school, redundant NHS portacabins, an old adult education centre and nursery building, all of which are at the end of their useful life. In replacement Education City will include:
- i. a high-quality two form entry primary school
 - ii. new and expanded nursery for 75 children
 - iii. new adult education facilities with 120+ places for continuous learning
 - iv. 132 new homes, all affordable homes
 - v. a new two storey Youth Zone, with rooftop MUGA (multi use games area)
 - vi. a 9-storey office building, providing affordable office floor space for Ark Schools.
 - vii. public realm works, included the creation of a pedestrianised east-west route through the site in the form of a Boulevard and a public square, providing a connection and improved links between the White City Estate, the school and White City Place.
52. The Council's Cabinet on 29th April 2019 and Full Council on 15th May 2019 approved entering into a master development agreement (MDA) and associated documents with ARK and its subsidiary companies for the delivery of the Education City project. The Cabinet and Council also approved the capital budgets required to deliver the scheme.
53. The project was temporarily put on hold in May 2020 in response to Covid-19 pandemic to allow for a review of the deliverability of the scheme. ARK has since confirmed their commitment to the project and to continued working in partnership with the council, however further council investment in the project is critical for the scheme to progress.
54. On the 2nd November 2020, Cabinet approved a revised budget for the project, specifically to support the delivery of the Youth Zone and agreed, in principle, to investment funding in the form of a debt facility to unlock and enable the project to deliver the comprehensive redevelopment plans. Cabinet also approved (subject to planning consent) conversion of all homes in the scheme to affordable homes, meaning the project will now deliver 132 affordable homes for local people.

Strategic context – schools and education

55. The 2018-2022 Business Plan sets out clear priorities around improving and 'supporting schools in the face of ongoing funding reductions'. This requires creative approaches to bridge the gap. The Industrial Strategy aims to promote a model of inclusive growth which recognises the key role of schools in equipping residents with the skills and capability to benefit from the dynamism of our local economy. Learning spaces that facilitate the borough's children acquiring the skills necessary to compete successfully in the future knowledge economy will be critical.
56. Hammersmith & Fulham has high performing and popular schools, with results at primary stage the fourth best in the country. To maintain and further accelerate standards for education in the borough, improvement in the school estate will be necessary – both at maintained schools and Academy schools like Ark Swift.
57. Much of the current estate, including Ark Swift Primary School, is not fit for purpose, with post-war prefabricated buildings that do not match our ambition for excellence in teaching, learning and pupil wellbeing. As well as reducing future maintenance burdens, improving the physical environment benefits children's education by:
- Providing environments that contribute to improving children's self-esteem and self-worth
 - Improving the flexibility of classroom space to meet new expectations around an agile curriculum, in line with the emerging OFSTED framework
 - More creative use of play space to support healthy school outcomes
 - Aiding teacher recruitment and retention, by providing modern fit for purpose working environments
 - Improving inclusion, by designing sufficient space and facilities for learners requiring extra support.
58. There are a range of factors which go into making a successful school, from strong leadership, to the quality of teaching and learning, but there is strong evidence on the link between capital investment, well-designed school estates, and educational outcomes.

Recent progress and headline programme

59. Since Cabinet were last updated on progress, the Master Development Agreement (MDA) and legal lease documentation have been substantially agreed between the council and ARK and will be completed in June 2021, subject to approval of recommendations in this report.
60. In January 2021 planning committee issued consent to the change in tenure of 61 private homes to affordable homes, meaning the scheme will now deliver 132 (100%) affordable homes.
61. In March 2021, the council and Ark were successful in bidding for and securing £900,000 Land Release funding from the Ministry of Housing, Communities and

Local Government (MHCLG). This funding will reduce the overall costs of the project to both the council and Ark.

62. A separate but related report to Cabinet this July seeks authority to appropriate the land required for the Education City development. Subject to Cabinet approval, the site will be appropriated for planning purposes under section 203 of the Housing and Planning Act 2016. This will allow the council to utilise powers to override third party rights, that may otherwise prevent the implementation of the development.
63. The anticipated start on site remains October 2021 with some demolition and preparatory works starting this summer. The construction project is a 4-year build with completion expected in June 2025 with the first phase of housing expected to complete in September 2023. The table below set out the headlines of the timetable.

Milestone	Revised dates
Cabinet Approval	July 2021
Complete Master Development Agreement	July 2021
Complete Legal Lease Agreements	July 2021
Residents Consultation	July / August 2021
Demolition	August 2021
Construction Start on Site	October/Nov 2021
Overall Practical Completion	June 2025

Proposed investment

64. To progress the development and regeneration strategy of White City, Cabinet approval is sought to invest up to £39m to facilitate the delivery of the Education City regeneration project. The investment will unlock development of the entire site and provide development finance to EdCity Office for the construction of the scheme, including the new office and the wider aspects of the project.
65. The proposed debt facility will be invested substantially on market terms, with interest payable on funds drawn down, over a 10-year duration. The interest rate will change at three points over the life of the facility to reflect the level of financing risk, with the rate differing during development and post completion. The heads of terms also set out the security required in the form of land during development, and the office building once completed, subject to maximum value of the investment facility and Loan to Value (LTV) rate, so the council has protection against its investment.
66. The heads of terms been prepared with input from expert external treasury advice (Aquila Treasury and Finance Solutions) and external legal advice to ensure there are robust controls within the terms to manage risk and protect the council's investment, that they are substantially compliant with the market standard for such development finance and meet the subsidy control requirements.

67. As part of the due diligence, the council has obtained professional valuation advice from Bidwells agreeing the financial performance of the Ed City office. This includes business plan assumptions, value of the office during construction and on completion, feeding into the LTV rates. Bidwells have also given specific consideration to the potential impact of the COVID pandemic on the office market and this is included as an exec summary in appendix 7. They advise that while significant transactions have slowed due to the pandemic, it is not expected that long term trends will be affected, because there is limited good quality stock in areas like White City. White City as an area also has lower rental rates compared to central London. A final valuation report will be produced by Bidwells to enable completion of contract terms for the investment facility.
68. Aquila and Bidwells have also provided technical advice on the robustness of the office financial model and have recommended to the council that the assumptions are market facing, in the current climate. The HoTs have been drafted to protect the council's investment, reflecting the current valuation advice, including risk of COVID on the office market, mitigating risk through the stepped loan to value ratios.
69. Detailed financial advice including the head of terms for the investment facility are set out Exempt Appendix 5. Legal advice on the investment facility is in Exempt Appendix 4.

DfE Section 77

70. This development is a unique and innovative partnership between the Council, Ark multi-academy trust and the Ark charity. In order to deliver the entirety of the Education City project education land needs to be released leased for housing and other non-education uses. The Secretary of State has confirmed that the DfE will not make a direction in relation to this request, meaning the DfE consents to the change of land use subject to conditions. However, Cabinet approval is required to formally accept conditions set out by the DfE in the S77 condition letters. The details of the conditions are set out in the Appendix 6 and the legal summary section describes how the conditions imposed are mitigated through the lease arrangements with Ark.

Options appraisal for Education City

71. If the Council decides not to approve the investment to provide development funding to EdCity Offices, the project is unlikely to proceed as the scheme will no longer be viable for ARK. The opportunity to generate a significant social return for the Council and the local community will be lost. The Council will have to write off to revenue up to £2.8m of capital expenditure already committed to date (approved in previous Cabinet reports). The current planning permission could not be implemented due to the loss of office space (and energy centre in office basement) necessitating a whole scheme re-design. This would cause a further delay to the re-provision of educational services and

new affordable housing and have an additional detrimental impact to the budget. This option is not recommended.

72. It is recommended that the Council proceeds with the investment of up to £39m and to allow officers to enter into the s77 with the DfE. This is a key shovel ready project, that will contribute to economic recovery in the borough, while providing vital affordable homes and educational services, and meeting an administration commitment to deliver a youth facility in White City. In addition to this, local residents have shown support towards the scheme and feel that it will complement the proposed development at White City Central.

Reasons for Decision

73. It is recommended that the Council proceeds with the investment of up to £39m and entering into the s77 with the DfE. This is a key shovel ready project, that will contribute to economic recovery in the borough, while providing vital affordable homes and educational services, and meeting an administration commitment to deliver a youth facility in White City.

50 Commonwealth Avenue

74. This site is located in White City and is adjacent to St. Michael's Church. The council has been approached by the Diocese of London with a proposal to work together to progress the site. By working together, the council and the Church will be able to maximise the amount of housing that can be built, and also provide new community facilities.
75. Initial feasibility has indicated the council could deliver up to 30 new homes on its land if the sites were brought forward together. However, as a stand-alone site the council's land would only deliver 17 homes. Therefore, there is a strong rationale to work collaboratively with the Diocese. Further work, including surveys, is being carried out with the Diocese. This initial budget of £230,000 was approved under the Building Homes and Communities Strategy Cabinet Report in July 2019.
76. 50 Commonwealth Avenue is owned by the council and has been used by community groups in the past. It is no longer fit for purpose. A comprehensive development will allow the council to create more affordable housing and to meet community needs.
77. A joint planning application will be made for the whole scheme. The Diocese will then develop its site through a land sale and development agreement. This will allow the Diocese to develop the Church and community facilities under contract. The council will lead on the development of affordable homes on its land.
78. Draft heads of terms are being prepared by the respective parties and a Cabinet Report will be presented in late 2021 providing an update on the project.

Equality Implications

79. It is not anticipated that there will be any negative impact on groups with protected characteristics, under the terms of the Equality Act 2010.
80. There are no specific equality and diversity implications related to the recommendations of this report, however each project team carefully manages this process of engagement.
81. The White City Central Project Team continuously monitors and updates its performance on consultation and engagement against inclusion, equalities and diversity for the area in order to make sure that the feedback received is representative of the local area. Demographic data collected to date has analysed gender, ethnicity, age, disability, occupation. The Project Team will continue to monitor this throughout the next stages of the project. More details of this analysis can be found in Appendix 3 WCC Consultation Report.
82. An Equality Impact Assessment has been completed on the Education City project and there were no equality and diversity implications, although this will be reviewed regularly and monitored.

Risk Management Implications

83. Risks must be consistently monitored given the significance of the financial investment. This is to ensure that the best possible outcomes are achieved and are done so in accordance with the Council's objectives. A complex programme will inevitably require robust management, oversight and control as situations can change regardless of how many controls are put in place, however good oversight of the risks and opportunities can assist a successful delivery. This is in accordance with the Council's Annual Governance Statement commitment to ensure continuing good governance, oversight and fiscal control of significant change programmes including through a Development Board which has been established with Terms of Reference and a gateway process introduced to control delegated spending and manage risks. Benefits delivered will contribute to the local area and community also to the recovery following the Covid-19 pandemic.

Risk	Mitigation
Approval of Investment Facility	The investment Heads Of Terms set out the security required in the form of land during development and the office building once completed so the council has protection against its investment.
DfE S77 Conditional Consent	Secretary of State in principle approval has been granted.
DfE S77 Condition 7 Consent	Should ECO default, the Council will need to step in and would be obligated to build out the scheme as outlined in the approved planning permission granted at the date of the S77 consent conditions letter being entered into by the Council or to reinstate

	<p>the school in its location. In this event Ark will provide a guarantee to the Council to mitigate the risk.</p> <p>Although the Council does not have the ability to amend the design of the scheme under this condition without breaching the condition. The council could approach and possibly renegotiate with the DfE an amendment to the permission if that was to be the intention.</p>
Loss of School site / places	<p>The site will be formally appropriated for planning purposes and the required notices under section 122 of the Local Government Act 1972. This has been addressed in a separate report to Cabinet.</p> <p>The new school proposed will increase capacity and will provide additional places, the Secretary of State has approved the school site development.</p>

Implications completed by: Michael Sloniowski, Risk Manager

Consultation

White City Central Consultation Overview

84. From September 2020 – March 2021, the project team delivered an extensive programme of engagement in collaboration with Advisory Panel.
85. The focus of engagement during this first stage, has been to raise awareness of the project, gather insight about the area and priorities for change. This process has allowed the council to co-produce a brief with residents and key stakeholders for how the central area of White City Estate could be redesigned.
86. The approach was to deliver a programme of activities that ensured the community was informed about what is happening and have plenty of opportunities to get involved and have influence over future plans for the site.
87. Through this collaborative approach the team successfully dispelled myths about the project and improved relationships and trust with residents, as well as achieving a strong local awareness and participation in the project under challenging circumstances. Residents were given information on key considerations around density, viability and council policy, and we received feedback on all. The majority of residents we spoke to, were in favour of the whole central area of the site being redeveloped to provide new genuinely affordable housing, private housing, re-provision of community space and nursery.
88. Further information on consultation can be found in Appendix 3.

LIST OF APPENDICES

Appendix 1 WCC – Exempt Finance Report

Appendix 2 WCC – Site Map

Appendix 3 WCC – Consultation Report

Appendix 4 EdCity – Exempt Facility – BB Legal Implications

Appendix 5 EdCity – Exempt Heads of Terms and summary

Appendix 6 EdCity – DfE consent

Appendix 7 EdCity – Exempt Valuation Executive Summary