

<b>CABINET</b>	<b>DATE</b> 18 September 2024	<b>ITEM NO</b> 6
<b>TITLE</b> Woolwich Estates – Maryon Road & Grove	<b>WARD (S)</b> Woolwich Dockyard	
<b>CHIEF OFFICER</b> Director of Regeneration, Enterprise & Skills	<b>CABINET MEMBER</b> Planning, Estate Renewal & Development	
<b>DECISION CLASSIFICATION</b> Key Decision 28-day notice issued: 15/05/2024 Non-exempt Report Subject to call in.	<b>IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING?</b> Yes	

## I. **Decision required**

This report makes the following recommendations to the decision maker:

- I.1 To agree to continue with the development of the Maryon Road and Maryon Grove site (part of the former Woolwich Estates) pursuant to the Development Agreement in place noting the intent to vary the tenure mix as set out in para 4.17 of this report which shows 50% of the homes will be affordable across the three ‘Woolwich Estates’ schemes.
- I.2 To note that the Paragon Asra Housing Limited's Shared Ownership Units on Morris South, Maryon Road and Maryon Grove will become social rented homes and will be subject to the Council’s nomination agreement.
- I.3 To note, Currie & Brown, on the Council’s behalf, have undertaken a due diligence review of Lovell Partnerships Limited’s viability and underlying assumptions as part of the options assessment. The approach and assumptions were found to be reasonable.
- I.4 To delegate authority to the Director of Regeneration, Enterprise and Skills to enter into a Deed of Variation (and/or such other legal documentation as may be required) to amend the Development Agreement so as to:
  - change the tenure mix as proposed;
  - reinstate an overage<sup>1</sup> provision for this phase;

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<sup>1</sup> Overage is a contractual mechanism that will allow the Council to benefit from any future increase in the value from the sale of units.

- make use of an updated financial model to ascertain viability and land value; and
- undertake a viability assessment to consider the Council purchasing the private sale units, and if viable, authority to acquire these properties.

1.5 To note the varied tenure mix proposed in this report will result in a reduction in the number of units to be received by the Council from that agreed by Cabinet in July 2022, with a corresponding decrease in the price payable of c£10m.

1.6 To note that this will ensure timely delivery of the new Council and Registered Provider homes and facilitates the creation of mixed and balanced communities at Maryon Road and Maryon Grove.

## **2. Links to Our Greenwich missions**

2.1 This report relates to the Council's agreed missions as follows:

- Everyone in Greenwich is safer, and feels safer.
- People in Greenwich have access to a safe and secure home that meets their needs.
- Development delivers positive change to an area for existing and new communities.
- Neighbourhoods are vibrant, safe and attractive with community services that meet the needs of local residents.
- Greenwich plays an active role in tackling the climate crisis and improving environmental sustainability, in line with our commitment of being carbon neutral by 2030.
- We develop networks with communities, key partners and businesses to meet need and address challenges together.
- Our Council is an adaptive organisation, enabling it to navigate the increasing number of challenges it faces while remaining financially sustainable.
- Our Council works in the most efficient and effective ways possible.

## **3. Purpose of Report and Executive Summary**

3.1 The purpose of this report is to seek agreement to vary the tenure mix for the final phase of the Woolwich Estates programme and to delegate to the Director of Regeneration, Enterprise and Skills to vary the Development Agreement accordingly.

## 4. Introduction and Background

- 4.1 The aim of the Woolwich Estates regeneration programme was to deliver the phased demolition and redevelopment of Connaught, Morris Walk, Maryon Road and Maryon Grove, collectively known as 'The Woolwich Estates'. The scheme was to replace the 1064 existing units with over 1600 mixed tenure homes and deliver 35% affordable housing.
- 4.2 In 2013 the Council procured a Developer Partner, Lovell Partnerships Limited ("**Lovell**"), to rebuild these estates and increase the overall number of homes available, with some homes being for private sale<sup>2</sup> to ensure an improved mixture of tenures in and around Woolwich.
- 4.3 Paragon Asra Housing Limited ("**PA Housing**") are also a partner; 35% of all units across the three Woolwich Estates sites were to be transferred to PA Housing who were to invest in the new "affordable homes" and rent these at council rent levels.
- 4.4 Since then, Lovell have successfully completed 684 new homes on Trinity Walk (former Connaught Estate) and have secured planning permission for a further 766 homes on Morris Walk North and South, which are currently under construction and well advanced.
- 4.5 In 2022 the Council agreed to take on some homes, originally allocated for market sale, at Morris North, Maryon Road and Maryon Grove. These homes will be let at Council rents and will be allocated through the Council's Choice Based Lettings. This 'additionality' of social rented homes is positive in itself (i.e. meeting housing need of the most vulnerable) alongside ensuring the acceleration of the development by Lovell. At the time of the decision 90 of the private homes to be received by the Council were planned for the final (Maryon Road/Grove) phase. These homes were identified based on an outline planning consent.
- 4.6 The affordable housing within the Section 106 Planning Agreement will be owned and managed by PA Housing and will be let at London Affordable Rent and Shared Ownership.

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<sup>2</sup> In the Royal Borough of Greenwich and London as a whole the greatest proportion of residents own their own properties (43.3% and 48.3% respectively). This compares with 30.4% in Glyndon, 21.9% in Woolwich Common and 19% in Woolwich Riverside. As part of the wider regeneration of Woolwich the Council has been working to offer a better balance of owner occupied, private rented, Council rented, and RP rented as this gives residents more choice.

- 4.7 The partnership was successful as evidenced by the former Connaught Estate – now known as Trinity Walk. In addition to the 35% affordable homes provided by PA Housing, the Council acquired 13 new homes from Lovell through Right to Buy Receipts and a small amount of Housing Revenue Account (HRA) Capital.
- 4.8 Commercially for the Council the redevelopment of Connaught Estate has been much better than was first anticipated. This is due to a combination of Lovell's management of costs and rising sales values at the point the scheme completed that has enabled the Council to achieve more income for its land in the form of overage from Lovell. The development has also benefited the borough by providing jobs for local people as part of the building process.
- 4.9 The Maryon Road and Maryon Grove site is the sixth and final phase to be developed in accordance with the Development Agreement for the Connaught, Morris Walk, Maryon Road and Maryon Grove Estates, Woolwich between the Council, Lovell and PA Housing dated 9 July 2013 (the "**Development Agreement**") as subsequently varied on four occasions by Deed of Variation.
- 4.10 The latest and Fourth Deed of Variation to the Development Agreement allowed for the Council to receive 265 homes; accelerate the programme; and it also streamlined the Conditions Precedent which left only planning consent to be achieved by Lovell, the longstop date for which is December 2025.
- 4.11 Morris Walk North and South are on site and progressing ahead of schedule and due to complete with a phased handover between late 2024 and early 2025.
- 4.12 In 2015 an outline planning permission was granted for the Maryon Road and Maryon Grove site for c.165 units. Subsequently to this, the Council asked Lovell to demolish the former Maryon Road Estate once vacant possession was secured as a means of managing anti-social behaviour and prepare the site for redevelopment. The demolition is complete, and the site has been hoarded.
- 4.13 As per Condition 2 of the 2015 outline permission the following matters were reserved (as is common practice), and further submissions must be made to and approved by the Local Planning Authority (LPA) before development can proceed:

- *Layout and siting of the building(s);*
- *Design of the building(s) including floor areas, height, massing, and internal planning;*
- *External appearance;*
- *Landscaping, open spaces; and*
- *Car parking.*

- 4.14 The agreed unit mix for the new Council homes at Maryon Grove is based on the consented 2015 outline planning application. This consent expires in April 2025. A per unit price was agreed for these new homes in the 4<sup>th</sup> Deed of Variation to the Development Agreement, as the Council was aware that the agreed unit mix could be amended when the scheme design was developed, and further details submitted to the LPA.
- 4.15 As such a change to the number of homes that were previously designated market sale which the Council will receive is being proposed – a reduction from c.90 to 53.
- 4.16 Since the 2022 agreement was made that the Council would receive c.90 units on the Maryon Road development, PA Housing have changed the tenure of their 79-unit allocation from shared ownership to social rent.
- 4.17 In large-scale estate regeneration programmes, such as Woolwich Estates, a preferential outcome is mixed tenure developments within tenure blind typologies as this creates a greater sense of community integration and cohesion. Since the PA Housing units will now be social rent in tenure it is not considered appropriate that all of the c.90 Council units are also social rent because the overall mix of tenures across the site would be unbalanced. Instead it is proposed that the Council receives 53 previously designated private units and the remainder are still built and sold as private units. Table 1 below details the proposed mix on the former Maryon Road estate.

<b>TABLE I: PROPOSED</b>	<b>AFFORDABLE HOUSING</b>				
<b>Former Estate</b>	<b>Private Sale</b>	<b>Shared Ownership (PA Housing)</b>	<b>Social Rent</b>		<b>Unit total per estate</b>
			<b>PA Housing</b>	<b>RBG</b>	
Connaught	433	69	169	13	684
Morris Walk (North)	0	42	87	175	304
Morris Walk (South)	338	0	124	0	462
Maryon Grove	33	0	79	53	165
Unit Total and percentage by tenure across the three estates	<b>804</b>	<b>111</b>	<b>459</b>	<b>241</b>	<b>1615</b>
	<b>49.78%</b>	<b>6.87%</b>	<b>28.42%</b>	<b>14.92%</b>	
		<b>50.22%</b>			

## 5. Available Options

### **Option 1: Do nothing/continue with the existing Development Agreement in accordance with the Deeds of Variation to date**

- 5.1 With the shift away from shared ownership to social rent and the securing of GLA Grant to PA Housing, the mix of development on the former estate would be all social rent. A mono-tenure development is considerably less favourable from a community cohesion point of view.
- 5.2 Proceeding with this option increases the risk that Lovell will stop all design and development, and the 6<sup>th</sup> and final phase at Maryon Road and Maryon Grove would not be delivered. This is as a result of viability issues given the significant build cost inflation since the Fourth Deed of Variation in 2022.
- 5.3 If this results in the termination of the Development Agreement, the site would remain within RBG's ownership as Lovell are yet to draw down the land. RBG would be liable for the costs of the demolition which it instructed Lovell to undertake (and the Council underwrote).

- 5.4 Whilst RBG would own a cleared development site, the Council does not have the capital resources to develop out the site on its own. Moreover, procuring a new development partner would be costly and time consuming and may result in a less favourable commercial arrangement.
- 5.5 PA Housing would not develop out and let their social rented homes and the grant and cross subsidy they are bringing to the development could be lost.

**Option 2: Agree to a revised mix in housing tenure types at Maryon Road/Grove Estates, resulting in a mixed tenure scheme**

- 5.6 RBG will receive 53 (formerly c.90) designated market sale units.
- 5.7 Lovell will build and market 33 private sale homes.
- 5.8 PA Housing will be supported by a grant offer from the Greater London Authority (of which PA Housing will be the sole recipient) and the number of PA Housing's units for social rent will be increased to 79 (formerly 22 shared ownership and 53 social rent).
- 5.9 In summary this will mean the Maryon Road and Grove Estates development will have 132 social rent homes and 33 market sale homes and a better tenure balance across the site will be achieved.
- 5.10 Subject to approval of the recommendations in this paper an updated Financial Model will be reviewed by the Council – as has been the case in some of the previous Deeds of Variation. This will ensure that both the Council and Lovell are agreed on the viability position for Phase 6 (Maryon Road and Maryon Grove) which will form the basis on which overage can be decided in the future.
- 5.11 The benefits of this option include the following:
- This proposal changes the mix from a 100% affordable housing scheme to a mixed tenure scheme, helping to achieve mixed and balanced communities in Woolwich. This should be promoted across the borough through incremental small-scale as well as larger scale developments.
  - It also facilitates the submission of the Reserved Matters planning application and the commitment to delivery of this phase more quickly.
  - As set out in the 20 July 2022 Cabinet Report, 'Woolwich Estates Development Agreement: Deed of Variation', the Maryon consideration shall be adjusted on the basis of prices per unit type. The unit mix cannot be

changed without RBG's consent as landowner. The price per unit is as follows:

<b>Maryon Grove</b>	
<b>Unit Type</b>	<b>Value per Unit</b>
1 Bed 2P Flat	£289,318
2 Bed 3P Flat	£308,321
2 Bed 4P Flat	£308,321
3 Bed 4P House	£327,563
3 Bed 5P House	£327,563
4 Bed 6P House	£346,566

- As a result of the reduction in the number of affordable homes to be received at Maryon Grove/Road from 90 to 53 units, this is anticipated to reduce the asking price to the Council by c.£10m. This £10m was to be funded by £6m HRA borrowing and £4m RTB receipts, the reduction in borrowing may result in a revenue saving to the HRA against that forecast in the HRA MTFS.
- Lovell have agreed that this variation would include the reinstatement of the overage provision as set out in the Development Agreement. This had been removed in the 4<sup>th</sup> DoV. The split will be 60% to RBG and 40% to Lovell over agreed sales values.
- RBG continue to maintain partnership and control over the scheme with contractors and other parties engaged on the project with defined milestones and longstops by which the works must be complete, design standards and planning obligations on Lovell to perform.
- RBG maintain a good level of risk transfer to the developer, with no loss to reputation and no further additional financial input from the Council.

5.12 The disadvantages to this approach include:

- The Council would compromise on the total number of RBG homes available from the development for social rent purposes, due to viability constraints.
- The Council will incur additional legal costs in agreeing this Fifth Deed of Variation. The Council is seeking to mitigate this through partnership working.

### ***Development Agreement Implications***

5.13 The Development Agreement included a Financial Model to test viability of each phase, this was fixed (except for build costs and sales values) as part of



the 4<sup>th</sup> Deed of Variation. This should be reopened in any further variation to reflect the changes proposed.

- 5.14 The Development Agreement provides that a payment based on open market sales values (of the open market units) would be made to RBG where overage provisions are triggered. RBG's share is 60% of the amount (if any) remaining once the Actual Sale Price per unit has been deducted from the Anticipated Sale Price per unit and after further deducting Lovells profit share of 5%. These will be lost in relation to Maryon Road and Grove if the development does not proceed.
- 5.15 To ensure the Council is a shared beneficiary from any potential uplift in values, this report recommends that the Council agrees as part of the Fifth Deed of Variation that overage provisions at Maryon Grove and Road continue to apply as set out in the Development Agreement.
- 5.16 In the 20 July 2022 Cabinet Report, '*Woolwich Estates Development Agreement: Deed of Variation*', an additional budget of up to £1m was approved (funded with £400,000 Right to Buy receipts and £600,000 HRA borrowing). This budget was to be used to reflect necessary changes in the mix of units, for example, from 2 bed to a 3 bed unit, and may no longer be required, potentially presenting a further saving for the Council's HRA.

### **Housing Implications**

- 5.17 The Council has a nominations agreement in place which means that any PA Housing units for social rent are allocated to RBG residents on the council's waiting list.
- 5.18 Across the Woolwich Estates development, these changes result in the overall number of homes for social rent increasing to 700 units.

## **6. Preferred Option**

- 6.1 Option 2 is the preferred option.

## **7. Reasons for Recommendation**

- 7.1 Option 2 proposes a pragmatic solution to ensure a mixed tenure development of homes are delivered, minimising risk to the Council and incentivising the Council's development partner to continue to deliver new homes.

**8. Next Steps: Communication and Implementation of the Decision**

8.1 If this decision is implemented, the Council will enter into final negotiations with Lovell regarding a further variation to the Development Agreement to ensure **best consideration**, with final proposed terms to be agreed by the Director of Regeneration, Enterprise and Skills. Lovell will continue progressing the design phase and will also prepare a detailed planning application.

**9. Cross-Cutting Issues and Implications**

Issue	Implications	Sign-off
<p><b>Legal</b> including Human Rights Act</p>	<p>The purpose of this report is to request Cabinet to agree, in principle, to a variation of the Development Agreement and delegate authority to the Director of Regeneration, Enterprise and Skills to negotiate and enter into the legal documentation to give effect to it.</p> <p>The Council has the power to enter into variation to the Development Agreement relying on the same powers it used to enter into the Development Agreement and previous deeds of variation, namely:</p> <ul style="list-style-type: none"> <li>• Section 1 of the Localism Act 2011 provides local authorities with the power to do anything an individual may do subject to a number of limitations (this is referred to as the General Power). A local authority may exercise the General Power for its own purpose, for a commercial purpose and/or for the benefit of others. This extends to amending as well as entering into contractual agreements such as amending the Development Agreement through the Deed of Variation.</li> </ul>	<p>Lachlan Atcliffe Assistant Head of Legal Services, Property and Regeneration, 2<sup>nd</sup> September 2024</p>

Issue	Implications	Sign-off
	<ul style="list-style-type: none"> <li data-bbox="469 210 1107 1319"> <p>• The Development Agreement is in effect an option to dispose of land (subject to conditions being satisfied). On that basis if the land is accounted for in the Housing Revenue Account at the date of its disposal it needs to comply with section 32 of the Housing Act 1985 which requires the Secretary of State's consent for land disposal. A number of general consents have been issued. The Secretary of State has published pre-approved consents for the disposal of an interest in land held for the purposes of Part 2 of the Housing Act 1985 (GHC). The land will be vacant land (i.e. no buildings currently on it) and as such consent/paragraph A 3.2 will apply. GHC A.3.2 permits the Council to dispose of the site and as a consequence enter into the Deed of Variation (to the Development Agreement) which governs the disposal of that site without specific consent from the Secretary of State.</p> </li> <li data-bbox="469 1375 1107 1946"> <p>• Section 1 of the Local Government (Contracts) Act 1997 also includes a power for local authorities to enter into contracts for the purpose of discharging functions, of which housing is one. This also includes amending an agreement previously entered into. The purpose outlined of the development agreement as amended by this deed of variation is to develop housing on the Council's land which the Council shall retain and operate as council housing.</p> </li> </ul>	

Issue	Implications	Sign-off
	<p>As the Development Agreement provides for a disposal of land by the Council rather than a contract for the award of services (and this is not affected by the Deed of Variation) then the Public Contracts Regulations 2015 and the Council's Contract Standing Orders relating to procurement do not apply to the proposed variation of the Development Agreement.</p> <p>Under Part 3 of the Council's Constitution (Responsibility for Functions), Cabinet is authorised to agree the recommendations in paragraph 1.</p> <p>Under the Human Rights Act 1998 local authorities have a duty to promote and protect human rights. The making of this Variation does not have legal implications under the Human Rights Act 1998.</p> <p>The report author should consult with the Legal Department regarding the drafting and execution of the legal documentation to effect the variation to the Development Agreement.</p>	
<p><b>Finance</b> and other resources</p>	<p>Cabinet is requested to agree to the varied tenure mix, as set out in the body of this report, which will allow for the continuation of the development at the Maryon Road and Grove Estates.</p> <p>It is also proposed that Cabinet delegate authority to the Director of Regeneration, Enterprise and Skills to enter in to negotiations with Lovell to formalise these proposals into a legal agreement, which must ensure the Council receives, and is able to</p>	<p>Jason Coniam Accountancy Business Change Manager 14 August 2024</p>

Issue	Implications	Sign-off
	<p>demonstrate, best consideration for its land.</p> <p>The Development Agreement provides the framework in which negotiations with Lovell will proceed if approval to this report is granted, detailed financial implications will be considered as part of these negotiations and set out in the delegated report to agree final terms to the Director of Regeneration, Enterprise and Skills.</p>	
<b>Equalities</b>	<p>The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no apparent equality impact on end users.</p> <p>In support of the Council's Equality and Equity Charter and the Council's Equality Objectives 2020-2024 our involvement will ensure that our commitment to residents is always considered in decision making of option to move forward with the completion of the 6<sup>th</sup> and final phase of the Woolwich Estates development at Maryon Grove/Road.</p>	<p>Amelia Bell Programme Lead 13th June 2024</p>
<b>Climate change</b>	<p>The decisions recommended through this paper do not contribute to the Greenwich Carbon Neutral Plan as agreed by Cabinet on 18 November 2020.</p>	<p>Amelia Bell Programme Lead 13th June 2024</p>
<b>Risk Management</b>	<p>Key risks attaching to the proposals in this report, together with applicable mitigating actions have been considered and detailed in the Background section above. The identified risks will continue to be monitored and managed in line with the Council's risk management Toolkit.</p>	<p>Amelia Bell Programme Lead 13th June 2024</p>

## 10. Report Appendices

10.1 None.

## 11. **Background Papers**

11.1 Previous Cabinet Papers/Leader Reports:

- **20th June 2012:** Woolwich Estates - Appointment of a Preferred Development Partner and the use of Ground 10A and Compulsory Purchase Action
- **1<sup>st</sup> June 2022:** Woolwich Estates Development Agreement: Deed of Variation
- **20th July 2022:** Woolwich Estate Development Agreement: Fourth Deed of Variation.

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