

Part A

Report to: Cabinet

Date of meeting: Monday, 3 October 2022

Report author: Associate Director of Property and Asset Management

Title: Approval of Watford Health Campus Partnership LLP (Riverwell) Business Plan 2022/23

1.0 Summary

1.1 This report provides an update to Cabinet on the progress to date regarding the regeneration of Watford Riverwell by the Watford Health Campus Partnership LLP (the LLP) and seeks Cabinet endorsement of the latest LLP Business Plan for 2022/23

1.2 Furthermore, the report provides an update on the progress at key development sites within Riverwell including:

- a) The Multi Storey Car Park (MSCP)
- b) The Avenues (formerly the Family Housing site)
- c) The redevelopment plans for Watford General Hospital Campus
- d) The development proposals for Industrial Zone North and
- e) An update on other development zones including Mayfield, Block E (Bellway site) and Island/Blocks F & D.

1.3 The report asks Cabinet to note the financial commitments and implications to date and going forward.

2.0 Risks

2.1

Nature of risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate or transfer)	Risk Rating (combination of severity and likelihood)
Commercial development risk	Financial implications. The Council will be investing in new development and thereby taking development risk on new homes and other commercial development.	Treat	The development strategy that has been prepared by our JV partner Kier Property and adopted by the LLP is to	9

			undertake site sales as well as direct development, which will reduce overall risk.	
Reduction in house prices and demand	Project can be slowed down to respond to market demands.	Tolerate	Rate of projected population growth will underwrite demand in long term.	8
Cost overrun of delivering the Avenues (Phase 2)	Impact on profitability for the LLP	Treat	Analysis of market, review of construction contract and potential re-phasing	6

3.0 Recommendations

- 3.1 That Cabinet ENDORSES the Watford Health Campus Partnership LLP Business Plan 2022/23 for Riverwell, appended to this report and agrees that WBC representatives on the Partnership and Operations Board of the JV can make decisions in accordance with the business plan.
- 3.2 That Cabinet NOTES the progress made at Watford Riverwell to date in the delivery of key sites.
- 3.3 That Cabinet delegates to the Director of Finance, in consultation with the Chair of PIB, authority to dispose to the successful bidder, the land in relation to Industrial Zone North provided that best consideration is demonstrated.

Further information:

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Report approved by: Tom Dobrashian,

4.0 Detailed proposal

- 4.1 The regeneration of Watford Riverwell is being delivered by a 50/50 Joint Venture between Watford Borough Council (WBC) and Kier Property, known as the Watford Health Campus Partnership LLP.
- 4.2 Located in the Vicarage, Oxhey and Holywell wards of the borough to the south of Watford General Hospital and Watford Football Club (WFC), the LLP's vision is to create a new residential led mixed-use sustainable community using good quality design for Watford. Furthermore, it aims to maximise returns for the LLP and land value for the Council over a 20 year period
- 4.3 The key deliverables of the LLP are to:
- Provide the highest standard of design, sympathetic to the surroundings;
 - Introduce private finance and private sector delivery experience;
 - Ensure a holistic scheme with a balance between quality and affordability
 - Provide a masterplan layout that is adaptable and provides a range of uses;
 - Provide appropriate and equitable returns to Members;
 - Strengthen the ability of WHHT to undertake phased redevelopment of Watford General Hospital;
 - Create a new mixed use local centre to support the community;
 - Improve access to the River Colne and create new attractive open space; and
 - Support the continued development of Watford Football Club
- 4.4 The financial objectives of the LLP are as follows:
- Return at least 15% on equity invested (as an average across all zones);
 - Target the delivery £14.6m of land value to Watford Borough Council over the course of the project;
 - Target the delivery of £34.5m of Partnership Profit from the live zones and within the timeframe identified in this Business Plan;
 - Maintain the partner's peak investment in the project below £20m (per partner); and
 - Target the delivery of planning policy compliant % affordable homes to Watford Borough Council.
- 4.5 The following table provides a summary of the Watford Riverwell development zones, a plan of which can be found at page 2 of the Business Plan, attached as Appendix 1.

Site	No. Homes	Affordable	Planning status	Start on Site*	Completion*
Woodlands	95	29	Consented	January 2018	September 2019
Mayfield (retirement living)	253	n/a	Consented April 2018	Q2 2019	Q3 2022
Waterside	408	118	Consented July 2018	Block E - Q3 2019	Block E - Q3 2022

Multi-storey Car Park (1450 spaces)	n/a	n/a	Consented March 2019	May 2021	March 2022
Family Housing site	142 houses and 50 apartments	62	Consented April 2020	Feb 2021	Phase 1 Q4 2022
Island site	c. 212	TBC	TBC	Q4 2023?	Phase 1 Q4 2025 Phase 2 Q1 2026
School site (2FE primary)	n/a	n/a	TBC	TBC	To be developed by HCC
Central / Hospital Expansion Zone	c. 330	TBC	TBC	TBC	TBC – subject to WHHT negotiations
Hotel Site	121 Hotel Rooms	n/a	TBC	Q3 2027	Q4 2028
Industrial Zone South	n/a	n/a	Consented	Delivered	Completed in 2018
Industrial Zone North	n/a	n/a	Sale subject to contract. Pre-app received	Q2 2023	Q1 2024

4.6 The LLP's Business Plan 2022/23 is appended to this report and provides further detail on the individual development sites and the LLP's objectives for the regeneration of Watford Riverwell going forward.

4.7 The Development Summary (Appendix 2) provides Cabinet with an overview of the proposals within the Business Plan and an update of the current status, as reported to the July meet of the Partnership Board by the Development Manager (Kier Property).

5.0 Multi Storey Car Park (MSCP)

The 1,455 space MSCP completed in March 2022 and West Hertfordshire Hospital Trust (WHHT) took up the ground lease (for 60 years) upon practical completion. WHHT have relocated the majority of their staff and visitor parking to the MSCP whilst the Council have in turn leased back (by payment of a premium) 165 spaces on the ground, fourth and fifth floors for onward use by future occupiers of the Watford Health Campus and other potential users such as Watford Football Club (on terms to be agreed).

5.1 WHHT as the leaseholder of the MSCP have extended their existing car parking operator contract to ensure the MSCP is managed and operated effectively. This is with Group

Nexus. WHHT are undertaking a fresh procurement exercise this Summer/Autumn with a new contract set to be awarded in December 2022 or thereabouts.

- 5.2 Council officers are engaging with WHHT to consider arrangements for the long term operation and revenue sharing mechanisms to ensure there is an optimisation of visitor revenue to offset operating costs whilst recognising the competing demands and wishes of the hospital, football club, the LLP and local residents.

6.0 Avenues

- 6.1 Avenues (formerly known as the Family Housing site) comprises a predominantly residential scheme of 142 houses, 50 apartments and a community centre facility along with landscaped communal gardens, planned to be constructed in two phases.
- 6.2 The consented scheme overall comprises 35% affordable housing by habitable room and these units within the first phase (under construction) have been pre-sold to Watford Community Housing Trust.
- 6.3 The first phase, where Jarvis Construction Group Ltd is the appointed contractor, comprises 85 units in total, of which 62 are private dwellings and 23 are affordable units. Phase two comprises 110 units overall, of which 39 are set to be affordable housing and the balance private dwellings.
- 6.4 Construction of phase 1 has been delayed and a revised programme is now in place which expects completions from December 2022. This delay has been caused by a variety of factors including general supply side challenges following release of Covid restrictions, a factory fire at one of the suppliers and issues with a subcontractor.
- 6.5 Recognising continuing rising construction costs and general market conditions, any decision on a planned start on site for phase 2 will be made upon careful analysis of the market by the LLP, but in the meantime, enabling works are underway to ensure that there is no disruption to occupants of phase 1 once phase 2 construction works are initiated.

7.0 Industrial Zone North

- 7.1 The site is located opposite Trade City on Thomas Sawyer Way at the entrance to Watford Riverwell, and is currently occupied by WHHT under license as a NHS staff Covid testing site.
- 7.2 The site had not previously been developed due to a restriction that had been placed on the land to safeguard it for the Metropolitan Line Extension (MLX) railway sidings and uncertainty over what proportion of land would be required for such. Part of the site is now being safeguarded for any potential replacement of MLX in line with Local Plan policy.
- 7.3 Following an exercise to attract offers from the industrial/warehouse occupier market, the LLP selected an owner occupier as the preferred bidder for a turnkey development of the site. The preferred bidder has been developing a scheme for the site and secured pre-application responses earlier in the year. A planning application is set to be submitted in September.

7.4 Following further viability analysis, full Heads of Terms have now been agreed and solicitors instructed to document an exchange of contracts in September, subject to planning and a final viability test at a post planning point. It is anticipated that there will be a start on site in Spring 2023. In addition to the contract between the LLP and the bidder, there will need to be a simultaneous transfer of land from the Council to the LABV and a same day transfer to the bidder. This report seeks delegated authority to enable this to happen. The delegation is to the Director Finance, in consultation with the Chair of PIB, to avoid conflict of interest.

8.0 Watford General Hospital Redevelopment

8.1 The redevelopment of the Watford General Hospital is intended to be a fully new clinical block to replace nearly all the clinical facilities on the site. It received outline planning permission in July 2021. Most clinical services would be accommodated within these brand new hospital facilities and the majority of inpatient accommodation would be single occupancy rooms. Officers understand that WHHT is now working with the NHS regulators to seek approval of the business cases to enable funding and delivery to move forward.

8.2 Following outline planning consent being secured by WHHT, advisors for the Trust and the LLP are now engaging with a view to agreeing the land value for the potential acquisition of the Central site, which the LLP currently has exclusivity over. The outcome of these discussions will assist WHHT in demonstrating that a scheme to redevelop the Hospital in Watford is 'oven ready' and give confidence that initial funding can be allocated to the project for the necessary land purchase.

9.0 Mayfield and Bellway sites, Island and Blocks D & F Waterside

9.1 The LLP have already sold two sites within the southern masterplan area of Riverwell and these are being developed out by third party developers at present:

- Mayfield – The developers, Audley Group, specialise in retirement living and are delivering a scheme of 253 apartments.
- Bellway are delivering the first of three residential blocks that form part of the Waterside scheme. 'Block E' comprises 144 apartments.

9.2 Bellway and Mayfield are progressing well with both schemes set to open to residents in Autumn 2022. A second block within the Mayfield scheme is set to complete in Spring 2023. Both developers continue to report strong sales and enquiry levels.

9.3 The LLP is continuing to review the viability and potential opportunities for Blocks D and F at Waterside, and the Island site (immediately to the east of the proposed hospital).

10.0 Other matters

10.1 The LLP continue dialogue with Hertfordshire County Council (HCC) officers in regard to the transfer of the School Site and the timetable for any school to be constructed. The obligations on the LLP under the sale and purchase agreement with HCC is to deliver a remediated site to HCC.

- 10.2 Common areas of the Waterside development area, including the Colne Island Park (shown as 'Amenity land' on the Masterplan Overview to the Business Plan) situated to the south of the Bellway scheme, are set to be transferred to the management company (ManCo) of Riverwell.
- 10.3 These areas will thereafter be the responsibility of the ManCo to appoint managing agents to clean, maintain and repair these areas for which there is an Estate Service Charge, and as such these costs will be recovered from individual plot owners. To date, the Park has been closed due to the construction activities surrounding it, and the LLP has maintained these areas.

11. Implications

11.1 Financial

- 11.1.1 The Shared Director of Finance comments that Council will be asked to approve the revised phasing of the budget in line with the updated business case.

11.2 Legal Issues (Monitoring Officer)

- 11.2.1 The Group Head of Democracy and Governance comments that provisions of the LLP Members Agreement requires that its business plan is approved by its members. Cabinet acts as the appropriate member for the council. As stated in the body of the report there is also a Campus Agreement between the LLP, the council and WHHT as it was always envisaged that WHHT would put land into the project. This currently provides a land equalisation formula between the council and WHHT so both parties benefit in accordance with their input. WHHT's land is also required to bear a share of the overall infrastructure costs or they need to make a payment to the LLP to compensate.

- 11.2.2 It may be necessary for the council and WHHT to agree to a land swap to accommodate WHHTs hospital redevelopment in which case amendments may be required to the overarching LLP Agreements.

- 11.2.3 Further, at the time that the initial Thomas Sawyer Way and associated infrastructure was provided, WBC made a contribution of £2m towards WHHT's share. This capital sum is yet to be repaid and is currently a matter of discussion between WBC and WHHT.

12.0 Equalities, Human Rights and Data Protection

- 12.1 There are no Equalities and Human Rights implications arising from this report.

13.0 Staffing

- 13.1 Staff resource is provided to the LLP by the Property Investment & Regeneration Team, and a FTE charge is made as a consequence.

14.0 Sustainability

14.1 The development proposals are in accordance with current Building Regulation requirements and in some instances, go beyond. The LLP has its own Sustainability Implementation Plan which is monitored quarterly and included with all contract tendering to ensure that contractors are committed to the same sustainability standards as the LLP.

Appendices (Part B)

- **Appendix 1 – Riverwell Business Plan 2022/23**
- **Development Summary (July 2022)**

Background papers

No papers were used in the preparation of this report.

