

London Borough of Waltham Forest

Report Title	Avenue Road Regeneration Delivery Route	
Meeting / Date	Cabinet, 2 December 2025	
Cabinet portfolio	Councillor Ahsan Khan, Deputy Leader (Housing & Regeneration)	
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Wards affected	Cann Hall	
Public access	Open	
Appendices	Appendix 1 – Equalities Impact Assessment Appendix 2 – Sustainability Matrix Appendix 3 – Cost Underwrite Schedule EXEMPT	

1. Summary
 - 1.1 Avenue Road Estate is a council owned housing estate of 258 homes, which is programmed for comprehensive regeneration. This is to provide new homes for all existing residents of the estate, as well as additional homes for households in housing need and a new community centre.
 - 1.2 Comprehensive redevelopment of Avenue Road Estate was approved by Cabinet in April 2020 and ratified in February 2021, following a resident ballot that supported the regeneration proposals. The appointed developer partner terminated their involvement at Avenue Road in August 2023, sighting that the scheme was unviable for them.
 - 1.3 Following an extensive review of the options available, this report sets out revised proposals for the delivery of the Avenue Road regeneration, which are deliverable despite the challenging economic conditions the council and the construction industry face.
 - 1.4 It is proposed that the council take forward Phase 1 using an institutional investment model. Cabinet is asked to approve the principles of the proposed approach and to note that a further report will be brought back to Cabinet in late summer 2026 to approve the final terms agreed with the institutional investment partner.
2. Recommendations
 - 2.1 Cabinet is recommended to:

- 2.1.1 Approve that the council progress due diligence with the intention of entering into the proposed model with the institutional investment partner to deliver Phase 1 of Avenue Road regeneration.
- 2.1.2 Delegate entering into Heads of Terms with the institutional investment partner to the Strategic Director, Place and the Strategic Director, Resources.
- 2.1.3 Approve, as part of the Heads of Terms, entering into of the Cost Underwrite Agreement with the institutional funder.
- 2.1.4 Approve a demolition notice is served on Avenue Road estate in July 2026 when the previous demolition notice expires.
- 2.1.5 Note the proposals for a comprehensive resident engagement exercise to inform residents of revisions to the regeneration proposals.
- 2.1.6 Note that the finalised institutional investment and financial models will return to Cabinet in late Summer 2026 for final approval.
- 2.1.7 Note the proposals to deliver Phase 2 of the regeneration.

3. Proposals

3.1 Background

- 3.1.1 Avenue Road Estate is in the south of the borough in Cann Hall Ward. It comprises 258 homes across five blocks of eight storeys. The Snowberry Centre (currently vacant) and the Nexus Centre, which provides a comprehensive programme of youth engagement, are situated on the eastern boundary of the estate. The site totals 1.65 hectares.
- 3.1.2 The estate was originally identified as one of the highest priorities for investment in the borough following a review of the council's stock in 2010. The existing blocks at Avenue Road are constructed using a Large Panel System (LPS), which was the most prevalent method of construction for larger housing blocks in the 1960's and 1970's in the UK. Whilst at the time this allowed for large scale housing to be built at speed, as the structures age significant council investment is required to safely maintain the condition of the homes, which places pressure on the council's Housing Revenue Account (HRA) budget.
- 3.1.3 A 2021 Cabinet report delegated the approval of an Outline Business Case (OBC) to proceed with the scheme. The OBC recommended that 'Comprehensive Regeneration' delivered the most benefits for residents, when compared to the 'Do Minimum' or 'Refurbishment' options. The later two options both incurred significant short-term costs, did not allow for any Affordable Housing Grant (AHG) contribution, and did not deliver any new or additional homes.
- 3.1.4 In February 2021, Cabinet gave approval to proceed with the comprehensive redevelopment of Avenue Road Estate following a successful resident ballot. The ballot turnout was 65.4%, with 91.5% of residents in favour of regeneration.

- 3.1.5 Following a procurement process, Bellway Homes Limited (Bellway) was appointed as the council's preferred investment partner in September 2021. A planning application for the scheme was submitted by Bellway on 17th November 2021 (Planning Reference: 222588) and was granted permission at Planning Committee on 26th January 2023. The Decision Notice was issued on 30th March 2023.
- 3.1.6 In August 2023, due to adverse market conditions, Bellway terminated the Development Agreement, which left the council with no route to deliver the regeneration that residents had voted for. Since this time, the council has continued to look at alternative options to progress the scheme.
- 3.1.7 Grant funding for Avenue Road regeneration was secured from the Greater London Authority (GLA) in 2023. In July 2024, Cabinet agreed in principle the allocation of GLA grant funding for the delivery of affordable homes across a portfolio of five sites of strategic importance, which included additional grant funding for Avenue Road.
- 3.1.8 The July 2024 Cabinet report delegated the approval of an Outline Business Case (OBC) and procurement of a delivery partner for Avenue Road Estate to the Strategic Director of Resources, the Strategic Director of Place and the Deputy Leader and Portfolio Lead Member for Housing & Regeneration.
- 3.1.9 The OBC recommended that comprehensive regeneration through a traditional 'Development Agreement' model remained the most viable route for the delivery of the consented Avenue Road scheme. However, as set out in the July 2024 Cabinet report, the challenging economic climate, including rising build costs, stalled sales values and other inflationary pressures, compounded by the council's financial circumstances, mean it continues to remain no longer viable for the council to deliver the scheme through a traditional approach.
- 3.1.10 Due to these factors, it has been necessary to develop an alternative structure to that originally envisaged for the delivery of Avenue Road and the decision to progress the scheme is therefore being brought back to Cabinet.
- 3.2 Phase 1 Proposals
- 3.2.1 A model has been developed with an institutional investment partner that will allow the council to take the scheme forward within the affordability parameters of the Housing Revenue Account (HRA). This is an alternative to borrowing funds from the Public Works Loan Board. This model represents the most financially viable option available to the council to regenerate Avenue Road, given current economic challenges, and is the only affordable way to deliver new homes for the estate's tenants.
- 3.2.2 In order to unlock the viability of the full regeneration, the scheme has been split into two phases. Phase 1 will consist of Block A2, which provides 116 social rent homes, and will be delivered through the institutional investment model. Phase 2 will deliver the remainder of the consented scheme.

- 3.2.3 Under the model, the institutional investment partner will forward fund and deliver Phase 1 in line with the current planning consent. The council will enter into a long-term lease arrangement with the institutional investment partner and make set annual payments linked to inflation (with a cap and collar). All rental income from the social units will return to the Housing Revenue Account (HRA) and a percentage of this will then be used to make the annual payments to the institutional funder.
- 3.2.4 As the proposals represent a material change to the delivery model for the scheme, as voted for by residents, it is considered prudent to undertake a comprehensive engagement exercise to inform residents at the estate of the amended proposals. The engagement exercise will be undertaken in parallel with due diligence work carried out by the council and the institutional funder, which will minimise the risk of delay to the delivery programme. Further detail is provided at 3.7.
- 3.2.5 Cabinet is asked to approve the basis of the overarching structure and financial model, which have been agreed in principle with the institutional funder. The proposals in the report grant exclusivity to the institutional funder and reflect a commitment by both parties to deliver Phase 1 of the regeneration. Cabinet approval will allow funding to be committed to the scheme by the institutional funder to progress due diligence and reach agreement on final terms.
- 3.2.6 The final terms will be returned to Cabinet for approval, expected to happen in late summer 2026. The OBC will be revised to reflect the amendments to the delivery model and updated commercial and financial cases will be produced ahead of the next Cabinet report.
- 3.3 Phase 1 Legal Structure
 - 3.3.1 The council will grant a lease of the Phase 1 site to the institutional funder to deliver the 116 homes in Block A2.
 - 3.3.2 Once the block is complete, the institutional funder will grant a leaseback to the council. As part of the leaseback, the council will make set annual payments to institutional funder over a period of up to 50 years, less a day.
 - 3.3.3 Once the lease term expires, the institutional funder will transfer their legal interest back to the council with the effect that the council owns the freehold of the block without any legal interest from the institutional funder remaining.
 - 3.3.4 Cabinet is asked to approve the structure, in principle. Heads of Terms (HoTs) are being progressed by both parties and Cabinet is asked to delegate entering into this document to the Strategic Director, Place and the Strategic Director, Resources. The HoTs will set out the required legal documents and route to proceed to a final contractual agreement between both parties.
- 3.4 Benefits of the proposed approach for Phase 1
 - 3.4.1 The delivery of Avenue Road estate regeneration is a priority for the council and the approach set out above represents most viable option to deliver much needed new homes, as voted for by residents. By

progressing the regeneration in the proposed form, the scheme is able to be brought forward without waiting for issues outside of the council's direct control, such as economic and construction market conditions to improve.

- 3.4.2 With the current challenges to local government finances, the council is not presently able to commit the level of up front capital investment required to make the consented Avenue Road scheme viable through a traditional estate regeneration model. The institutional investment model approach allows the scheme to proceed in its consented form with an affordable financial contribution by the council and annual payments built into the overall HRA Business Plan.
- 3.4.3 The termination of the previous Development Agreement and subsequent period of delay has had a significant impact on the residents of Avenue Road, who voted for regeneration and the improved new homes and associated benefits that will be delivered. These proposals ensure the council can deliver the regeneration, as voted for by residents and in line with the approved planning consent.
- 3.4.4 By providing 116 social rented units in Phase 1 of the scheme, the council will be able to decant residents directly into a new home on the estate. Given the experience at the council's other major regeneration scheme, it anticipates that some residents may choose to move to alternative social homes elsewhere in the borough, so there is the potential that all residents who wish to remain at Avenue Road will be able to move directly into a new home in Block A2.
- 3.4.5 A further 501 homes will be delivered as part of Phase 2. Phase 2 will deliver an additional 126 social rented homes, ensuring all 242 existing council homes are replaced. Alongside this, it is expected that there will be a higher proportion of private housing than the consented 617 unit scheme, once the 116 units in Phase 1 have been delivered. This will make the opportunity to deliver Phase 2 through a more traditional estate regeneration model more attractive to the market, providing an additional option that can be appraised alongside the institutional investment approach for Phase 1.
- 3.5 Valuation of Phase 1 Site
 - 3.5.1 The model requires that the council transfers the Phase 1 land under a long lease to progress the regeneration under the new structure. In transferring the land, it is essential that the council demonstrates it has secured best value.
 - 3.5.2 The council has appointed a consultant to undertake a valuation of the Phase 1 site. This is to ensure that there is independent advice to support the value of Phase 1 in the current market.
 - 3.5.3 Prior to conditional exchange, the Corporate Director Regeneration Planning and Strategic Property will determine that the valuation demonstrates best value for the council through a report that will be attached to the next Cabinet report planned for late Summer 2026.

3.6 Greater London Authority Funding

3.6.1 It is essential for the viability of the project that the grant funding already allocated to the Avenue Road scheme by the GLA can be drawn down and incorporated into the financial modelling within the new structure. As proposals have evolved regular dialogue has been maintained with the GLA in respect of the grant funding that has been secured against the scheme.

3.6.2 Officers will continue to meet regularly with the GLA as the project progresses towards final terms being agreed. Approval to the final delivery structure and grant drawdown route will be necessary ahead of the Cabinet report in late summer 2026.

3.7 Resident Engagement on Changes

3.7.1 The original resident ballot in 2021 demonstrated that residents support the proposals to regenerate Avenue Road estate. The ballot turnout was 65.4% of households on the estate, with 91.5% of those voting in favour of regeneration.

3.7.2 As there have been revisions to the delivery structure, a further engagement exercise will be undertaken to ensure transparency. This will be conducted whilst the council undertakes due diligence on the final terms of the agreement with the institutional funder partner.

3.7.3 With the financial model to deliver Phase 1 of the regeneration, a lease of up to 50-years less a day will be required. Statutory legislation under the Housing Act 1985 does not allow the granting of Right to Buy on any leases less than 50 years.

3.7.4 Whilst the Right to Buy cannot be offered for homes in Phase 1. The council will prioritise that the following options will be made available to residents:

- All residents will be given decant status.
- If a resident decides to move off the estate into a social rented home, they will retain their right to buy.
- Residents who wish to remain on the estate will move into the new completed block without the right to buy on a secure social tenancy.

3.7.5 The engagement exercise will allow the council to demonstrate that residents have been fully informed of revisions to the proposals and the implications for them.

3.7.6 The key principles of the offer to residents remain the same as the initial resident's ballot, that all existing households will be given decant status. Any resident wishing to remain on the estate will be decanted once into their new home on a secure council tenancy. Residents wishing to move away from the estate will be prioritised on the Housing Register for a move to an alternative home in the borough that meets the needs of their household.

- 3.7.7 The engagement exercise will commence in January 2026 and will consist of a variety of engagement methods to ensure that all residents can be informed of the revisions to the delivery structure.
- 3.7.8 Council officers will conduct a series of engagement events at the on-site project shop in conjunction with the Independent Tenant and Leaseholder Advisor (ITLA). These events will allow residents to drop in at a convenient time and speak to officers one to one, in order to ensure that they fully understand changes to the offer.
- 3.7.9 In addition, officers will visit the homes of residents who are unable to attend the sessions and conduct door knocking exercises with the intention of engaging with all households, including those whose first language is not English or who are not as able to easily leave their home.
- 3.7.10 The outcome of the exercise will be reported in the next Cabinet report in late Summer 2026, including the number of households directly engaged.

3.8 Phase 2 Structure

- 3.8.1 The proposals for Phase 1 will deliver 100% social rent units to the council to immediately address the needs of existing residents living in homes that are challenging to adequately maintain and do not meet modern standards.
- 3.8.2 By delivering Phase 1 separately the council will be able to take Phase 2 to market as a vacant development site.
- 3.8.3 Through this approach, all 242 social housing homes currently on the estate will be re-provided and will continue to be let by the council on secure tenancies.

3.9 Extant Planning Consent

- 3.9.1 The council has agreed to acquire the consented planning permission from Bellway to ensure that a new planning submission will not be required and to expedite delivery. Block A2 will be delivered by the developer without any material changes to the homes.
- 3.9.2 A non-material amendment (NMA) to the planning consent has been submitted in order to allow the council to implement the planning prior to it expiring in March 2026. The amendment allows for the demolition of the onsite Snowberry Centre to implement the planning consent and will ensure that there is no delay to the project once final terms have been agreed with the institutional funder.
- 3.9.3 The Snowberry Centre is currently vacant, and demolition will be beneficial as it has been the location for anti-social behaviour on site as well as illegal parking by non-residents. The demolition will be undertaken in a manner sensitive to the surrounding community and the site securely hoarded until this area of the estate is redeveloped.

3.10 Programme

- 3.10.1 The indicative programme to progress Avenue Road regeneration is set out below:

- Cabinet Dec 2025
- Enter into Heads of Terms Jan 2026
- Resident Engagement Exercise Jan – May 2026
- Due diligence Feb – August 2026
- Cabinet (Final terms) August 2026
- Design / Building Regulator approval Sept 2026 – Mid 2027
- Start on site Mid 2027
- Practical completion Late 2029
- First occupation Early 2030
- Commence Phase 2 Mid 2030

4. Options & Alternatives Considered

4.1 Do minimum / Refurbishment programme

4.1.1 If comprehensive regeneration was not taken forward, a refurbishment programme would be required, within the financial parameters of the HRA. This approach would ensure all units are lettable in the short to medium term and that the estate meets all statutory standards but would not deliver modern new homes or improved public realm for existing residents or provide the additional housing essential to the borough in the future. The Outline Business Case demonstrates that either a comprehensive refurbishment programme or works to maintain the estate to minimum statutory standards would be more costly to the council than the proposed approach to deliver the regeneration.

4.1.2 A significant level of GLA grant has already been committed to the scheme and drawn down by the council and this would need to be returned in the event that the scheme did not proceed.

4.1.3 To not progress the scheme now would stall the site and indefinitely delay delivery, which would have a significant impact on residents living at Avenue Road estate and the number of new homes delivered in the borough in the coming years.

4.2 Demolition / Mothball scheme

4.2.1 The final option for the estate would be for the council to fully decant existing residents and demolish the current blocks. This option would avoid incurring the ongoing maintenance costs to keep the current estate habitable and mothball the scheme until such a time as economic conditions and the council's financial position allowed a full regeneration to be considered again.

4.2.2 This option is not a viable consideration for the council as it would require rehousing all of the current households on Avenue Road estate and would reduce the council's housing stock at a time when housing supply is in desperate need in the borough. It does not deliver the benefits of regeneration that residents have voted for.

4.3 Alternative Delivery Models

4.4 Development Agreement

4.4.1 The council has previously employed this model when undertaking the regeneration of an existing housing estate, it involves working in partnership with a developer in a way that limits the council's exposure to wider market risk and fixes the council's capital contribution, whilst guaranteeing the delivery of new social homes.

4.4.2 In this model there is generally a capital contribution required from the council to make a scheme viable. Where the capital contribution can be shown to be both financially viable for the council and to provide significant social value in terms of new homes and benefits to the wider community, as well as additional housing, then a scheme will be progressed. However, the current proposals for the full Avenue Road scheme are not financially viable for the council to deliver through this model due to the level of capital contribution required from the council.

4.5 Self-Delivery

4.5.1 The potential for the council to self-deliver Block A2 using GLA grant apportioned to the 116 social units has been investigated. However, it has been determined that this would be unaffordable to the council as it would require a significant capital contribution on top of the grant that has been allocated to the scheme.

4.5.2 The council does not benefit from the same economies of scale and supply chain relationships as major developers and therefore the build cost would be significantly increased were the council to deliver the scheme itself, there would also be added risk for the council from fluctuations in the wider economic market. The proposed approach mitigates this by transferring a significant part of the development and construction risk to a third party.

5. Council Strategic Priorities (and other National or Local Policies or Strategies)

5.1 The delivery of affordable housing is a strategic priority identified by the council's Local Plan, Avenue Road is allocated within the Local Plan Part 2 and critical to the borough's identified 5 year housing supply. This flows from the Waltham Forest Missions, unlocking the delivery of new affordable homes in the borough as set out in this report will help the council meet key outcomes of the Housing Strategy 2024-2029, including:

- Outcome 2a: Increasing the supply of different types of homes so people can stay in Waltham Forest throughout their lives.
- Outcome 2b: New development provides homes for residents who need them most.

5.2 Mission four of the borough's core set of Missions is Tackling the Housing Crisis Head On. This decision directly aligns with mission four

by providing an innovative solution to increasing the supply of homes available for residents in the borough.

6. Consultation

- 6.1 A successful resident ballot has already been achieved at Avenue Road, this demonstrates that residents support the regeneration proposals and is a requirement for the GLA in providing grant support for the scheme.
- 6.2 Since the initial development agreement was terminated by Bellway the council have continued to hold weekly project shop sessions on the estate to allow residents to drop in and ask questions about the evolving regeneration plans.
- 6.3 The services of the Independent Tenant Leaseholder Advisor (ITLA) have been retained throughout this time in order to allow residents access to an alternative and independent source of information regarding the regeneration.

7. Implications

7.1 Finance, Value for Money and Risk

- 7.1.1 The principle of the Phase 1 financial model is that there will be no up-front capital cost to the council and that in year one rental income from the Phase 1 units will cover the cost of lease payments to the institutional funder and management and maintenance costs of the units to the council. This is based on a broad structure of 70% lease payment, 25% operating expenditure and a small buffer of 5%, held by the council.
- 7.1.2 For the scheme to be viable within this structure, the Phase 1 units will be let at target rent +5%, as allowable with the Rent Standard, which will require a small change in rent policy, to be considered as part of the HRA budget setting process in February 2026.
- 7.1.3 Our current comparable operating costs for schemes with the HRA is higher than the 25% proposed in this structure (c.30%) but this reflects the current stock types and profiles that we manage across all of our HRA stock, so an efficiency reduction is reasonable to reflect the new build nature / specification of the block, but costs will need to be carefully managed.
- 7.1.4 The final commercial structure will be dependent on final economic and project terms, including grant levels, construction costs, funder yield rate, inflationary terms and the consideration of a break clause.
- 7.1.5 The starting lease payment will be subject to annual inflation, currently set at a fixed rate, although as part of detailed discussions on heads of terms and final commercial elements, a cap and collar approach could be taken. This would ensure the Council benefits from any improvement in inflation but gives less certainty over the long lease term. This will be considered alongside scenario testing and broader assessment of risk and included in the final terms reported to Cabinet in 2026.

- 7.1.6 The project is subject to normal development risks around cost of construction, management of operating costs and long-term Rent Policy. The principle of this model (and standard development appraisals) is that income from rents should increase at a higher rate than expenditure, however as seen in recent times, rent caps or reductions will have an overall impact on the HRA business plan. Rent commitments for the next ten years, and a clear understanding by government of long-term impact on HRAs of rent policy change is well understood, so this is unlikely but is a normal risk with development that must be noted.
- 7.1.7 As covered elsewhere in this report, alternative options considered such as refurbishment or direct delivery do not represent value for money. The costs of refurbishment (including associated borrowing costs) are likely to cost between £50m and £70m with limited extension of useful life and no use of grant funding to mitigate the council's investment cost. Direct delivery would require full borrowing by the council at an estimated annual cost of £1.3m (based on current borrowing rates, which exceed 6%).
- 7.1.8 The Cabinet approval to enter into the Cost Underwrite Agreement will allow the institutional funder to progress due diligence towards final legal and commercial agreements prior to the second Cabinet report.
- 7.1.9 The Cost Underwrite Agreement is capped at £875,250. The costs covered by the underwrite agreement are set out in full in Appendix 3.
- 7.1.10 There is a risk that if the council or investor withdraw from the scheme in the next stage (as part of final commercial terms and broader heads of terms), costs will fall to the council and may be abortive costs, should the scheme not proceed in any form (which is unlikely given do nothing is not an option). In the event that either the council or the institutional funder withdraw before conditional exchange the benefits of works carried out under the Cost Underwrite Agreement will fall to the council.
- 7.1.11 There is budget remaining from the initial approval to progress the scheme to the next Cabinet report where a full budget requirement for the next stage will be set out. The impact of the existing Avenue Road scheme, including the latest voids position, is assessed as part of the annual review of the HRA business plan.

7.2 Legal

- 7.2.1 This report seeks approval in principle to progress the scheme based on the proposed legal structure.
- 7.2.2 The Heads of Terms to be entered into are not legally binding but will provide a framework to work up documentation which will be subject to further Cabinet approval.
- 7.2.3 The only legally binding document to be entered into at this stage is the Cost Underwrite Agreement. The agreement allows the institutional investment partner to progress required workstreams to take the scheme forward including design, structural reviews and relevant surveys. In the event of this scheme not progressing the council will be

liable for the cost of works undertaken to that point and will be assigned all planning, design, surveys and investigations carried out.

7.2.4 External lawyers will be appointed to advise on the legal structure and documentation with a full report to the next Cabinet.

7.2.5 The council has taken independent legal advice on the proposed land transaction structure to ensure that it is a compliant with procurement legislation.

7.3 Equalities and Diversity

7.3.1 The regeneration of the estate will have impacts for the whole community. However, specific equality impacts are likely to be concentrated through the protected characteristics of disability, age, health, socio-economic inequality and language.

7.3.2 A full equalities impact assessment of all households at Avenue Road Estate was carried out over the summer of 2021 by the project team as part of the preparation for the implementation of the initial regeneration (attached at Appendix 1). A full refresh of this document will be carried out as part of the revised proposals and brought back to Cabinet as part of the following report in late Summer 2026. The council must have a clear understanding of where particular individuals and groups with protected characteristics will be impacted and to develop appropriate mitigation strategies.

7.4 Sustainability (including climate change, health, crime and disorder)

7.4.1 A matrix to assess climate emergency and sustainability impacts has already been completed in respect of the consented Avenue Road scheme and is attached at Appendix 2. Further implications will be the subject of the next Cabinet report in late Summer 2026 which will contain detail of any proposed amendments to the planning consent.

7.4.2 The scheme will be required to meet or exceed all current and future regulatory requirements that apply during the life of the project and to incorporate energy efficiency and sustainability technology to minimise environmental impact locally.

7.4.3 The provision of modern and fit for purpose homes at Avenue Road estate will have a positive impact on the health and wellbeing of existing residents as well as providing new homes for households on the housing register who are currently living in temporary accommodation.

7.4.4 Crime prevention and resident safety have been considered as part of the consented planning submission for the Avenue Road in order to design out anti-social behaviour and create safe and inviting spaces within and throughout the estate, as well as ensuring blocks and homes meet the standards and principles of secure by design.

7.5 Council Infrastructure

7.5.1 No implications for council infrastructure.

Background Information (as defined by Local Government (Access to Information) Act 1985)

N/A