


London Borough of Waltham Forest

Report Title	Deed of Variation to Fellowship Square Development Agreement
Meeting / Date	Cabinet, 2 December 2025
Cabinet portfolio	Councillor Khan, Portfolio Deputy Leader (Housing and Regeneration) 
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Wards affected	Chapel End
Public access	Open except for Appendices 1 & 2 which are exempt in accordance with Section 100(A-H) of the Local Government Act 1972 and Schedule 12A as amended, on the grounds that it involves the likely disclosure of exempt information as defined in Part 1, paragraph 3, as it contains information relating to the financial or business affairs of any particular person (including the authority holding the information) and disclosure would not be in the public interest.
Appendices	Exempt Appendix 1 – Heads of Terms Summary and Financial Implications Exempt Appendix 2 – Heads of Terms Appendix 3 – Equalities Screener
1.	Summary
1.1	In 2020 LBWF and Countryside Homes (Vistry) entered a Development Agreement (DA) for Fellowship Square (FSQ) Phase 2 and Willow House. Under the terms of the DA, Countryside are obligated to build 433 homes (50% affordable by habitable room) spread across five blocks (B, C, D, H, J), deliver the Civic building to LBWFs specification alongside significant public realm improvements at FSQ.
1.2	Additionally, Willow House was to be redeveloped for 130+ new homes (50% affordable by habitable room). In return for a long lease from LBWF to build and sell the homes, Countryside were to pay LBWF a land payment. The land payment structure was split across three separate payments over a 12-month period, with the payment date tied to the completion of the Civic Building and the draw down of the Willow House build lease.

- 1.3 Since the DA was entered, global and national events have impacted the UK construction and housebuilding sector with the ongoing effects of Brexit, Covid-19 and the War in Ukraine impacting construction costs and labour. Building Regulation changes in the wake of Grenfell Tower have resulted in additional design requirements for residential developments which have further increased costs, whilst house values have stagnated. Alongside this, economic conditions have seen increased mortgage interest rates resulting in reduced buyer demand across the country.
- 1.4 Countryside have reported that Building Safety Act regulation changes including the requirement for a second stair core, combined with cost price hyperinflation means that Willow House is no longer a viable development delivering 130+ homes at 50% affordable whilst still delivering the original land value.
- 1.5 With the land payment tied to Willow House and the scheme currently stalled, Council officers have been negotiating Heads of Terms (HoTs) with Countryside to revise the DA.
- 1.6 This report provides an update on the renegotiation, the new terms will guarantee land receipt payment timings, look to protect the level of affordable housing and unlock the development of Willow House and remaining blocks at FSQ.
- 1.7 It also updates Cabinet of progress on one of the five strategic sites that benefited from the £200m GLA funding package for affordable housing delivery, secured in July 2024.
- 1.8 The enhanced grant funding supports affordable homes across a portfolio of priority developments:
 - Avenue Road & Montague Road estates (HRA land)
 - Lea Bridge Station and Willow House sites (General Fund land)
 - Patchworks (former Homebase site on Forest Road, privately owned)
- 1.9 Cabinet is asked to consider and agree the revised terms to enter into a Deed of Variation (DoV) to the DA to support continued housing delivery at Fellowship Square.

2. Recommendations

- 2.1 Cabinet is recommended to:
 - 2.1.1 Agree to the renegotiated Heads of Terms (HoTs) for a Deed of Variation to the Development Agreement as outlined in this report.
 - 2.1.2 Note the splitting of the land payment apportioned to the Fellowship Square (FSQ) site and Willow House and the associated risk of the likely reduction in the Willow House land receipt as detailed in Appendix 1 (Exempt).

- 2.1.3 Note the change in tenure for Willow House to be delivered as a 100% Build To Rent (BTR) scheme with previously assumed affordable housing at Willow House to be swapped to Block H at FSQ utilising already secured GLA grant - resulting in 46% Affordable Housing (AH) across the scheme.
 - 2.1.4 Delegate authority to the Strategic Director of Place in consultation with the Deputy Leader (Housing and Regeneration), the Strategic Director of Resources and the Corporate Director of Governance and Law to enter into the Deed of Variation to the Development Agreement.
3. Proposals
- 3.1 In 2020 LBWF and Countryside Homes (Vistry) entered a Development Agreement (DA) for Fellowship Square (FSQ) Phase 2 and Willow House. Under the terms of the DA, Countryside are obligated to build 433 homes at FSQ and 130+ at Willow House (50% affordable by habitable room), deliver the Civic building to LBWFs specification alongside significant public realm improvements at FSQ. In exchange for a long lease to build and sell the homes, Countryside would pay LBWF a land payment tied to the completion of the Civic and a planning consent for Willow House.
 - 3.2 Countryside achieved planning consent for FSQ in December 2021 with start on site commencing Spring 2022. The first residential block opened in August 2024 delivering 133 new homes, 27 Affordable Rent for residents on the Council's priority housing list and 34 Shared Ownership (SO) homes.
 - 3.3 A Sensory Garden and the Queen Elizabeth II Memorial Garden have been delivered on former car parks behind the Town Hall, completing in early 2024 ahead of the residential completions. Additional public realm improvements have been delivered across the site including new pedestrian and cycle routes, an all-weather footpath around Chestnuts Field and over 150 new trees planted.
 - 3.4 Block C is completing on a phased basis with the first two cores completing in December 2025 and the remaining core by Spring 2026. Once complete the block will deliver 53 Social Rent, 50 Affordable Rent and 37 SO homes. The final Block (D) on the east of site will complete in Spring 2026 delivering 12 SO homes and a nursery on the ground floor which will open in Summer 2026.
 - 3.5 The Civic build is progressing well with the external stone façade nearing completion and overall occupation targeted for Spring 2026. The Civic will enable the rationalisation of the Council's corporate estate, releasing surplus offices for redevelopment, including Temporary Accommodation, and will complete Philip Hepworth's original masterplan vision for Fellowship Square.
 - 3.6 A Deed of Variation (DoV) to the DA was entered in March 2023 with an improved payment schedule, consolidating the three land payments

into one single payment with the timing still linked to the completion of the Civic Building and the draw down of the Willow House build lease.

- 3.7 In June 2025, LBWF acquired 53 social rent homes in Block C from Countryside, utilising Right to Buy (RtB) receipts. The acquisition provided an additional 8 affordable homes at FSQ alongside an improved tenure (London Affordable Rent swapped to Social Rent) which will support increasing the Council's overall social housing stock and temporary accommodation burden. The acquisition was enabled by swapping 45 affordable homes from Block H to Block C which resulted in Block H being 100% private. This brings the total AH % at FSQ to 53% by habitable room, an increase of 3% (excludes Willow House).
- 3.8 The challenges facing the UK construction and housebuilding sector namely increased cost, building regulation changes and reduced buyer demand, have also impacted Countryside at FSQ, with less than expected private home sales rates and the Willow House development no longer viable on the original DA terms.
- 3.9 Despite these challenging conditions, Countryside have continued to build out the remaining blocks on the east of site. This includes block D which contains private homes and the delivery of the Civic to LBWF's full specification at a purely cash-out position.
- 3.10 Although cost and development risk lie with Countryside under the terms of the DA, the construction of Blocks H and J at FSQ have yet to commence with sales income from completed homes required to cover future construction costs. Additionally, no planning application has been submitted for Willow House due to viability challenges.
- 3.11 Despite challenging market conditions, Countryside are committed to working in partnership with LBWF to find a solution to unlocking the remaining delivery phases of Blocks H, J and Willow House. This is demonstrated by their continued delivery of Block D and the Civic.
- 3.12 LBWF officers have negotiated with Countryside to agree new HoTs for a DOV to the DA in order to unlock the remaining phases, provide assurance on land receipt timings and continue delivery momentum across the programme. Expert commercial and technical advice was sought to review Countryside's development appraisal as part of the negotiation.
- 3.13 Full terms are set out in Appendix 1 (Exempt), summary of the key terms to be agreed are:
- Splitting land receipts between FSQ and Willow House.
 - Guaranteed FSQ land payment date.
 - Willow House to progress as a 100% Private Rented Sector (PRS) scheme, with land value based on investor offers or fallback market valuation.
 - Affordable housing reallocation to Block H using secured GLA grant (targeting 46% AH across programme).

- Flexibility for Block H tenure - subject to RP interest and an option for the Council to acquire.

Block H Delivery and Acquisition Options

- 3.13.1 The Heads of Terms (HoTs) establish a baseline offer for Registered Provider (RP) acquisition of 50 homes in Block H, verified by LBWF's independent consultant as market-compliant. Countryside has marketed these homes to RPs since June 2025; two RPs have expressed interest and are currently pricing.
 - 3.13.2 If no RP offer materialises by 31 December 2025 LBWF will have a three-month window to consider acquiring block H at an agreed price. The acquisition price, which is provided in Appendix 1 (Exempt), is considered justified based on available GLA grant levels for the scheme and validated by an external independent assessment.
 - 3.13.3 If no RP offer is viable and LBWF cannot or chooses not to acquire, Countryside will proceed with Block H as 100% private to avoid site stagnation. The HoTs in Appendix 2 (Exempt) include steps to protect LBWF's position.
 - 3.13.4 Countryside remains committed to delivering Block H as 100% affordable if possible, with a bulk sale providing delivery assurances for the overall FSQ programme (start planned Summer 2026).
 - 3.13.5 Cabinet is not asked to approve acquisition as part of this report but to note the risk that if Block H is delivered as private, there is a risk that the overall level of affordable housing across Fellowship Square and Willow House would fall from 53% to 38%.
 - 3.14 The financial implications of agreeing to the HoTs are set out in Appendix 1 (Exempt).
 - 3.15 Subject to Cabinet approval of the revised terms and delegated authority outlined in section 2.1.4, Council officers will conclude the final legal agreements to enter into a DoV to the DA.
4. Options & Alternatives Considered
 - 4.1 LBWF has the right to seek alternative delivery partners for phases that have not commenced. This option would involve significant additional costs of reprocuring, delays to overall delivery by undertaking a lengthy re-procurement process and the risk of not finding an alternative partner due to the challenges involved with taking on a partially developed site. A positive partnership relationship has been developed between LBWF and Countryside and this is considered the best route forward to maintain delivery of the FSQ programme and ensure completion of the remaining phases. Therefore the option of seeking alternative delivery partners has been rejected due to the time required to reprocure, additional costs involved and likely unsuccessful result.

- 4.2 Due to the challenges Countryside have reported of delivering Willow House on the original DA terms, LBWF have the right to test the DA in court to hold Countryside to the original terms. However, with Countryside demonstrating their continued commitment to the overall delivery programme and including delivery at risk, this option has been rejected. Additionally there would be significant, unnecessary, legal fees associated with this process.
- 4.3 LBWF could resist revising the HoTs and continue with the terms in the current DA. This has been rejected as this would mean there would be no guarantees of when any land payment would be received, and the Willow House site could be stalled indefinitely.
- 4.4 Current Countryside market value appraisals for Willow House, detailed in Appendix 1 (Exempt), have been verified by LBWF's development consultant and although is comparable against similar schemes on a unit basis, may not be achievable if the site was tendered to a different developer. Due to constraints of the Willow House site, a mixed tenure development with family sized homes would reduce viability therefore it is agreed a one and two bed development is more suitable in order to maximise the number of homes and deliver the highest market value. Additionally, Countryside are able to leverage economies of scale in their supply chain and are delivering the adjacent Patchworks site which will reduce the preliminaries and site setup costs which other developers would not benefit from.
- 4.5 The revised terms provide improved financial terms for LBWF by guaranteeing a fixed land payment and timing of payment.
- 4.6 Although there is a risk the Willow House land value could decrease, it is acceptable on the basis that Willow House can be redeveloped, delivering much needed housing, whilst simultaneously unlocking the remaining blocks at FSQ which can also deliver affordable housing.
- 4.7 Agreeing to these terms does not obligate LBWF to acquire the 50 homes in Block H.
- 4.8 By not agreeing to these revised terms, uncertainty will remain on the land payment date and delivery of remaining housing at Fellowship Square and Willow House. Therefore, Cabinet is recommended to approve the HoTs to enable a Deed of Variation to the FSQ DA to be executed.
- 5. Council Strategic Priorities (and other National or Local Policies or Strategies)
 - 5.1 Agreeing to the revised terms will protect the overall delivery of the scheme which directly aligns with principles set out in Mission Waltham Forest, in particular the continued delivery of affordable housing will tackle the housing crisis head on and will continue to create new jobs and social value through ongoing construction and the completion of

the project will create safe and green neighbourhoods where everyone can thrive.

6. Consultation

- 6.1 Internal consultation has been held across the Council including with Finance, Legal, Communications, Senior Leadership Team, Fellowship Square Programme Board and Place Board.
- 6.2 Finance and Legal have supported the negotiations, with Legal directly involved in the drafting and amending of the HoTs and Finance having undertaken the modelling for the proposed acquisition of Block H.
- 6.3 The proposed principles have also been discussed at the Council's senior partnership meeting with Countryside.

7. Implications

- 7.1 Finance, Value for Money and Risk
- 7.2 Detailed financial and legal implications are set out in Appendix 1 (Exempt).
- 7.3 Legal
 - 7.3.1 The Council does have the option under the Development Agreement to terminate those parts of the Fellowship Square site and Willow House where a build lease has not been granted. However, for the reasons set out above enforcing the Development Agreement in this way is not legally advantageous to the Council.
 - 7.3.2 The parties to the Development Agreement may legally agree to amend the terms. The changes proposed to the Development Agreement to allow for the split of the land payment guaranteeing a substantial payment at a guaranteed date for Fellowship Square (in exchange for the grant of the remaining build leases), updating the Milestone Dates, and the various mechanisms for assessment of the Willow House land payment, etc must all be recorded in a formal deed of variation. The Heads of Terms in Appendix 2 (Exempt) form the basis for the deed of variation, but the deed itself must be agreed between the parties.
 - 7.3.3 Even though this is the recommended approach to enable the development to proceed and a substantial land payment be made there is nothing to prevent either party seeking to negotiate further changes at any point in the future but such changes will require agreement of all parties.
- 7.4 Equalities and Diversity
 - 7.4.1 An initial screening exercise of the equality impact of this decision was undertaken and determined there was minimal impact on the Council's

equality duty (see Appendix 3) due to this Cabinet Paper focusing on the change in terms of a legal agreement for a residential development.

- 7.4.2 The forthcoming redevelopment of Willow House will include provisions within the planning process to ensure protected characteristics are met such as wheelchair adaptable homes and disabled parking provision.
- 7.5 Sustainability (including climate change, health, crime and disorder)
 - 7.5.1 This Cabinet Paper focuses on the change in terms of a legal agreement for a residential development therefore there are no direct Sustainability implications as a result of this decision.
 - 7.5.2 Willow House has not yet been submitted for planning consent however planning policy will guide sustainability principles throughout the design development stage such as the provision of additional green spaces to increase biodiversity, suitable waste and recycling measures and sustainable transport measures as the development will be car free except for disabled parking.
 - 7.5.3 Crime and disorder implications of the residential development will be managed through designing out crime principles of residential design and the development will need to obtain Secure By Design (SBD) approval.
 - 7.5.4 The decision to agree to the new legal terms will help maintain programme delivery and ensure construction continues which will deliver significant jobs and social value by connecting local residents to employment opportunities. Continued construction will also maintain confidence in our future and the local economy by avoiding a situation where developments remain stalled and unfinished.
 - 7.5.5 The employment and training opportunities protected by agreeing to this decision will also result in positive Health and Wellbeing implications.
- 7.6 Council Infrastructure
 - 7.6.1 Agreeing the revised terms and entering the DoV to the DA will be undertaken by LBWF legal officers alongside the Capital Delivery project team who will continue to manage the Development Partnership with Countryside.

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

None.