

## CABINET

2 NOVEMBER 2010

### JOINT REPORT OF THE CABINET MEMBER FOR REGENERATION AND CABINET MEMBER FOR HOUSING

<b>Title:</b> Borough-wide Estate Renewal Programme - Phasing and Decant Options	<b>For Decision</b>
<p><b>Summary:</b></p> <p>Cabinet considered a report on 6 July 2010 (Minute 21 refers) regarding proposals for the implementation of a programme of estate renewal across the Gascoigne (East), Goresbrook Village and Leys Estates as part of the Council's Housing Asset Management Strategy. It was agreed that initially £7.1m would be set aside for progressing the programme.</p> <p>This report outlines proposals for the application of the £7.1m involving decanting, buying back leasehold properties and master planning on these three estates. In addition it identifies the areas for the serving of Initial and Final Demolition notices on secure tenants.</p> <p>This initial tranche of funding could meet the costs of decanting the three high-rise blocks at Goresbrook Village, one high-rise and one low-rise block at Gascoigne and an initial phase at Birdbrook Close. This work will take over two years to complete due to the time needed to decant and re-house the 383 households who are Council tenants and to secure the acquisition of the 18 leasehold properties.</p> <p>The overall programme of estate renewal for the three estates involves the 13 high-rise and associated low-rise blocks on the Gascoigne Estate (East), the three high-rise blocks at Goresbrook Village and the low-rise flatted developments at Birdbrook Close and Wellington Drive (the Leys). This is estimated to cost £45.4m. However, this level of funding is unlikely to be available over the next four years and, in addition, would mean decanting over 1,537 households in a very short time frame</p> <p>This report suggests that the Council aims to deliver a programme over the next four years to a value of approximately £23 million. Subject to funding approvals, this would allow all three blocks at Goresbrook Village to be cleared and demolished, four high-rises and three low-rises at Gascoigne as well as all the flatted accommodation at Birdbrook Close and Wellington Drive (The Leys). It would involve decanting and re-housing some 765 households and buying back 96 leasehold properties. Subject to securing the full £23m funding requirement, this is considered to be achievable within the timeframe and would make significant inroads into the £45.4m estate renewal programme.</p> <p>Additional funding to deliver the full £23m four year programme would need to be approved at a future date. There are a number of potential sources for this gap funding including:</p> <ul style="list-style-type: none"><li>• External grant funds, as they become available</li><li>• Surpluses that may arise from any "free" council properties achieved through the planning process</li><li>• Value generated from any land / property deals associated with the development</li></ul>	

of the estate renewal sites or other housing sites

- Right-to-Buy sales
- HRA reform proposals
- Council borrowing serviced by adjustments within the HRA

A follow-up report based on the Treasury Five Case Model covering strategic, economic, commercial, financial and management issues for the whole estate renewal programme for Gascoigne, Goresbrook Village and the Leys will be undertaken.

The Treasury Five Case Model is the Office of Government Commerce's (OGC) recommended standard for the preparation of business cases and is used extensively within Central Government departments and their agencies. This appraisal will look at the strategic model for delivery in relation to the market and include a range of options together with options for the packaging of sites in order to maximise value, developer interest, mix and tenure of housing and design parameters, draft planning and development briefs, and be subject to an independent review. It will be presented to the Cabinet later this year following consideration by the Member Estate Renewal Group.

This report also seeks authority for the exercise by the Council of its Compulsory Purchase Order (CPO) making powers to secure outstanding interests in the land to allow the redevelopment of Gascoigne estate, Goresbrook Village and the Leys to proceed in a timely manner and to facilitate their future redevelopment.

Effective community engagement will be a critical success factor for the initiative. The report seeks authority to undertake a programme of community consultation and engagement with residents of the affected areas of the Gascoigne, the Leys and Goresbrook Village estates and to commence decanting and the acquisition of leasehold interests, ideally by negotiation but using CPO powers if necessary. A range of leaseholder options will be presented to the Cabinet later this year prior to any buybacks commencing. In particular the report will look at five main options that could be offered to leaseholders:

- Lease swaps (Comparative Value Transaction)
- Equity transfer/shared ownership
- Offers of discounted sale
- Gap funding
- Provision of tenancies

**Wards Affected:** Gascoigne, Thames, Village

## Recommendations

The Cabinet is recommended to agree:

- (i) That the £7.1 m will be apportioned as set out in **Table 4** in the report. This will enable decant and buyback works to progress on the three blocks at Goresbrook Village, one high-rise and one low-rise at Gascoigne and a first phase of flatted accommodation at Birdbrook Close on the Leys Estate
- (ii) That a comprehensive Options Appraisal based on the Treasury Five Case Model is undertaken for the whole renewal programme covering the Gascoigne, Goresbrook

Village and the Leys that takes into account potential delivery models, developer interest, value for money considerations, tenure mix and type, and design parameters, the results of which will be reported to the Cabinet alongside the results of an Independent Review of the Options Appraisal following consideration by the Member Estate Renewal Steering Group.

- (iii) Authority to undertake a programme of community consultation and engagement with residents of the affected areas of the Gascoigne, Goresbrook Village and the Leys estates and commence decant and the purchase of leasehold interests.
- (iv) The serving of Initial Demolition Notices on all secure tenants, within the wider £23 million programme (**Table D Appendix 1**), in order to suspend the requirement for the Council to complete Right-to-Buy applications for as long as the Notices remain in force.
- (v) Authorise the use by the Council of its Compulsory Purchase Order (CPO) making powers pursuant to Section 17 of the Housing Act 1985 for the acquisition of the outstanding leasehold interests in the properties outlined in the report, for the purposes of securing land needed to allow the redevelopment of the Gascoigne, Goresbrook Village and Leys estates.
- (vi) Authorise the Corporate Director of Finance and Resources, in consultation with Legal Partners, to take all necessary steps to secure the making, confirmation and implementation of a CPO including the publication and service of all Notices and the presentation of the Council's case at any Public Inquiry following the making of the CPO for the properties outlined in the report.

#### **Reason(s)**

To assist the Council in achieving the Community Priorities "Safe", "Clean", "Fair and Respectful" and "Healthy" and the improvement priorities for housing set out in the Council's Local Area Agreement.

#### **Comments of the Chief Finance Officer**

##### **HRA Impact**

The net cost to the HRA through loss of income and subsidy for the £7.1m programme is approximately £1.076m per year. However, due to the uncertainty of timings around the order and progress of works there will be part-year impacts in 2011/12 and 2012/13.

Assuming that the project progresses on a constant straight line basis, it is estimated that there will be a part-year effect of around £70k in 2010/11, £913k for 2011/12, and £1.59m for 2012/13. The impact should be approximately £1.076m full-year effect thereafter.

By way of comparison, the original proposal submitted for the £7.1m had a different demolition profile (one high rise and one low rise at Gascoigne, one high rise at Goresbrook, and 50% of Leys – total 267 dwellings). The impact on the HRA of this proposal would have been as follows: £30k in 2010/11; £622k in 2011/12; £1,080k in 2012/13 and £722k per annum thereafter.

The mechanics of the current subsidy system mean that there is a time delay between the Authority losing the rental income streams from the decanted properties but paying a corresponding reduced negative subsidy to the Department for Communities and Local

Government (DCLG). This is because the number of dwellings used in the subsidy determination is based on the size of the stock at 1 April of the previous financial year (unless the reduction in stock is greater than 10%).

The above estimates are based on an assumption that properties are lost periodically from January 2011 up to December 2011 and also assume that the level of new supply of properties and void levels (currently around 1.3%) will be sufficient to contain the number of people being moved out of the decanted dwellings. As such it has been confirmed that this proposal will not result in any additional cost to the General Fund in using temporary accommodation.

The use of the existing void properties in this proposal means that existing temporary accommodation tenants may have to wait longer for a secure tenancy. However, providing that the conversion of the Private Sector Leasing contracts to new lower cost contracts is achieved according to the scheduled programme, then this proposal should not result in additional costs to the General Fund. However, if the conversion target is not achieved then there will be an ongoing subsidy gap to be funded.

It is unlikely the HRA will be able to withstand the additional budget pressures without making efficiency savings or reducing some services. Whilst this may be achievable in the long term it is likely that there will be a call on HRA balances to offset some of this pressure in the short term. Customer Services management team need to ensure that they have a detailed cash flow forecast in place which supports the achievement of these savings.

Overall target savings will have to be dealt with when subsidy determination figures are confirmed as part of the budget setting process. The potential subsidy reform which may come into effect by 2012/13 will further determine what resources are available.

### **HRA reform**

If the proposed reform of the HRA goes ahead in line with recent consultation the Council will be in the position of inheriting a substantial level of debt. The debt calculation is based on income streams on current stock levels. If we lose a substantial amount of stock under the Estate Renewals programme we would need to ensure that this stock is removed from the initial debt calculations (agreed with DCLG) otherwise we would inherit debts without the appropriate revenue to support.

### **Assets**

This proposal to demolish 382 properties represents approximately 2% of the Council's dwelling stock of 19,200. The notional value of those properties is just under £12m, compared to the notional total stock value of £1bn.

This proposal does not address the plans for the disposal of the land following demolition and therefore any nominations for local authority dwellings resulting from any development are unknown. Therefore, the financial implications of these cannot be considered.

### **Comments of the Legal Partner**

The recommendations in this report raise both housing and procurement issues

### **Housing**

The decanting of tenants and leaseholders should be done through negotiation rather than

by the use of relevant powers. The principal legislation is contained in the Housing Act 1985 as amended by the Housing Act 2004 and the Housing and Regeneration Act 2008. Compulsory purchase should only be used as a last resort.

Residents and future potential owner occupiers will be served with demolition notices.

## Procurement

Under the Public Contracts Regulations 2006, the procurement of the contractor(s) under the construction work related to this project would need to be advertised in the Official Journal of European Union as the value of the contract would be over the EU threshold unless the contracts can be let under one of the Council's Framework Agreements which have already been procured in accordance with EU procurement rules. Letting of the contract should also observe the relevant provisions of the Council's Contract Rules

<b>Head of Service:</b> Jeremy Grint	<b>Title:</b> Divisional Director of Regeneration and Economic Development	<b>Contact Details:</b> Tel: 020 8227 2443 E-mail: Jeremy.Grint@lbbd.gov.uk
<b>Cabinet Member(s)</b> Councillor Mick McCarthy  Councillor Philip Waker	<b>Portfolio:</b> Regeneration  Housing	<b>Contact Details:</b> Tel: 020 8724 8013 Email: mick.mccarthy@lbbd.gov.uk  Tel: 020 8227 2116 E-mail: philip.waker@lbbd.gov.uk

## 1. Background

1.1 Comprehensive estate renewal has been prioritised by Cabinet (Cabinet 6 July 2010) initially for three estates across the Borough: Gascoigne East, Goresbrook Village and Birdbrook Close and Wellington Drive at the Leys. The selection of these estates above others has been based upon the housing investment required to bring these flatted estates to the Decent Homes standard alongside the concentration of social and economic deprivation.

1.2 In detail the estates are:

- Eastern side of the Gascoigne Estate - 13 high rise blocks and some adjacent low rise blocks between Gascoigne Road and King Edward's Road
- Goresbrook Village - 3 high-rise blocks
- The Leys Estate - flatted developments in Wellington Drive and Birdbrook Close

## 2. Four Year Programme and Application of Initial £7.1m Budget

2.1 Comprehensive estate renewal projects require considerable funding in order to meet the up-front costs of buying back of leaseholds, decanting and re-housing residents, demolition and master planning. All these tasks are pre-requisites to providing unencumbered sites for new development to take place.

- 2.2 Cabinet on 6 July 2010 agreed £7.1m of funding to commence the Estate Renewal programme. This would be realised by establishing an Estate Renewal Account to fund planning, decant and site preparation costs of each site on a rolling programme basis with the costs being repaid to the account as project costs from each redevelopment
- 2.3 An estimate for the funding required to complete all estate renewal across the three identified and prioritised estates (Gascoigne, Goresbrook and the Leys) is set out in **Table 1**. This approach to estate renewal will take over 10 years to complete, the largest project being the eastern side of the Gascoigne estate.

<b>Table 1 Funding required to complete Estate Renewal Boroughwide</b>				
Project All phases	Gascoigne 13 blocks *	Goresbrook Village 3 blocks	The Leys 19 blocks	Total
<b>Total</b>	<b>£30,400,000</b>	<b>£5,349,000</b>	<b>£9,621,000</b>	<b>£45,370,000</b>
* assumes some adjacent low rise demolition to create developable sites and is at current costs				

- 2.4 It is highly unlikely that the Council will be able to put together a funding package to meet all these costs over the next 4 years. Furthermore, it would mean decanting some 1,537 households in a very short space of time and would place significant burdens on the amount of vacant homes/general needs lettings available.
- 2.5 It is therefore suggested that the Council aims to identify £23m which would allow all 3 blocks at Goresbrook Village to be cleared and demolished, 4 high rises and 3 low rises at Gascoigne and the whole of Birdbrook and Wellington Drive. Subject to funding, a programme of this order is considered to be achievable within a four year timescale and, given forecasts of new affordable units from various development sites across the Borough, would not place an undue or distorting burden on general lettings. A programme of this size would also represent a significant step towards securing the full Estate Renewal Programme (est. £45.4m) for all phases of all three estates.
- 2.6 **Appendix 1** contains details regarding individual estates, numbers of tenanted and leasehold properties together with the rationale for identifying specific areas and properties within the estates for inclusion in the £23m Programme. Selection for these first areas of activity is based on a number of factors including;
- cost of achieving Decent Homes Standard
  - issues with the general estate layout and environment that cannot be addressed by Decent Homes alone
  - ability to create sites of sufficient size for development
  - site access issues during construction

- number of leaseholders in each block
- inconvenience to residents living in adjacent areas
- regeneration impact
- maximising the value from these cleared estate renewal sites by packaging them with other development sites across the borough in order to make them marketable and development viable.
- Member and resident concerns about housing conditions

2.8. **Table D in Appendix 1** sets out in full the broad costs of the £23m Programme. For ease, key information is summarised in **Table 2** below:

<b>Table 2 Estate Renewal Programme (£23m - subject to full funding)</b>				
<b>Project</b>	<b>GASCOIGNE ESTATE</b>	<b>LEYS ESTATE</b>	<b>GORESBROOK ESTATE</b>	<b>TOTAL</b>
<b>All phases</b>	Grange House, Cobham House Lexham House Basing House + Nos 4-15, 17-22, 23-26 St Margarets	Birdbrook Close Wellington Drive	Bassett House, Dunmow House Ingrave House	
Dwellings	364	215	282	<b>861</b>
Tenants	340	150	275	<b>765</b>
Leaseholders	24	65	7	<b>96</b>
Decant Costs	£1,598,000	£705,000	£1,292,500	<b>£3,595,500</b>
L/H Buy backs and Disturbance Allowance	£3,418,800	£8,121,000	£1,307,500	<b>£12,847,300</b>
Planning, Procurement and Staff Costs	£455,000	£370,000	£520,000	<b>£1,345,000</b>
Demolition & Estate management	£3,140,000	£425,000	£2,400,000	<b>£5,965,000</b>
<b>Total</b>	<b>£8,611,800</b>	<b>£9,621,000</b>	<b>£5,350,000</b>	<b>£23,582,800</b>

### **Proposed Initial Phases**

2.9. It must be stressed that, at this stage, the £23m programme outlined above and detailed in **Appendix 1** is recommended as a broad ambition for the Council over the next four years. However, the Council does not currently have the resources to fully fund the programme and even if it did an investment of this size would be the subject of a thorough economic appraisal.

- 2.10. The Council has, however, identified £7.1m to make a cautious start on initial phases. At just under a third of the total full Programme total, the key issue is how best to apply this first tranche of funding.
- 2.11. A number of key considerations should guide this decision:
- **Value for Money:** the level of investment needed to decant and buy back properties compared with the alternative cost of bringing properties up to Decent Homes Standards;
  - **Value of Sites:** the relationship between the amount of investment needed to decant and undertake buy backs to sites and the end value of the site on the open market. The higher the development value – the greater the likelihood a viable redevelopment scheme can be delivered that meets the Council’s requirements in terms of density and quality of design and affordable housing content;
  - **Development Potential:** This is more than just value. It is equally the location and size of the potential development sites that would increase the likelihood of an early redevelopment scheme that would meet the Council’s requirements – including the re-provision of new affordable units;
  - **Regeneration Impact:** How best can the initial tranche of funding be applied to demonstrate the Council’s commitment to delivering the larger, more ambitious Programme and maximising the potential for securing essential external public funding and developer interest to accelerate the delivery of the wider programme? In addition what are the potential economic and market benefits from tackling each site?
- 2.12. **Value for Money.** The Leys Estate would cost £9.2m to decant, buy back leaseholds and demolish properties prior to redevelopment. This compares with an estimated £7.1m to bring them up to Decent Homes Standards. The site preparation cost is therefore 135% of the cost of bringing them up to Decent Homes standards. The reason for this differential is due to the very high proportion of leasehold properties (65 out of 215) on the estate. 84% of the initial investment (£9.6m) would need to be spent on buying back leasehold properties. This is not the case on Gascoigne where there are fewer leaseholders (24) and the initial site facilitation costs (£8.6m) are just under half of the estimated cost to bring them up to Decent Homes Standard (£17.4m). The differential is even more favourable at Goresbrook Village where there are only 7 leaseholders in all three high-rise blocks and facilitation costs are around a third (£5.3m) of what it would take to bring the properties up to Decent Homes Standards (£14.4m).
- 2.13. **Value of Sites:** Goresbrook Village, with its proximity to Castle Green and to both existing and planned community facilities, probably has the highest land value closely followed by Gascoigne given its access to Barking Town Centre and Barking Station and the Leys.
- 2.14. **Development Potential:** Goresbrook Village (2.82 ha) provides the largest and most coherent potential development site. This would increase its attractiveness to the market for early redevelopment. The Gascoigne site would also provide an optimal size site (1.9 ha) to attract development interest and deliver a meaningful



initial development phase. Although the combined potential redevelopment area at the Leys amounts to 2.30 ha – this is divided into two distinct sites: the Wellington Drive neighbourhood area (1.39 ha) and the Birdbrook Close neighbourhood (0.91 ha). The separated nature of the two development sites would be slightly less attractive as development propositions than a combined site.

- 2.15 **Regeneration Impact.** Given their prominence from a wide area, securing the early redevelopment of the three high-rise blocks at Goresbrook Village would provide the biggest impact and send out the most powerful signal of the Council’s ambitions to tackle head-on the challenge of delivering its full Estate Renewal programme. In addition, because any new development would be of mixed tenure, it would potentially help to boost the surrounding area. The impact of the initial Gascoigne phase would be much lower given the existence of what would be the nine remaining high-rise blocks that would need to be redeveloped as part of the much larger, ten year (or more) programme. The wider renewal of the Gascoigne would have significant economic benefits for Barking Town Centre. A smaller development would naturally have less impact. Although the redevelopment of the properties in Wellington Drive and Birdbrook Close would undoubtedly be welcomed by residents and immediate neighbours, its overall regeneration impact would be relatively low .

- 2.16 The above assessment is summarised in the table below:

	<b>Value For Money</b>	<b>Value</b>	<b>Development Potential</b>	<b>Regeneration Impact</b>
<b>Gascoigne</b>	High/Med	Med	Med	Low
<b>Wellington Drive &amp; Birdbrook Close</b>	Low	Med	Med	Low
<b>Goresbrook Village</b>	High	High	High	High

### **Proposed Initial Areas for Estate Renewal Activity.**

- 2.17. A key decision needs to be made on the best apportionment of the existing £7.1m of approved funding. This is a difficult decision and would not be so challenging if the full £23m needed was available to the Council. It is important also to note that the apportionment is not related to the individual concerns of residents on each of the three estates. The Council recognises that residents, tenants and leaseholders alike, are equally unhappy on all three estates about the condition of their properties and the state of their neighbourhoods.
- 2.18. Based on the assessment above and the stated desire of Members to ensure that some activity takes place on all three estates, it is recommended that decanting and buy backs takes place in an initial programme of £7.1m on the following areas:

- **Gascoigne Estate** - Grange House + Nos 17-22 St. Margaret's
- **Goresbrook Estate** – Three Blocks (Bassett, Ingrave and Dunmow)
- **Leys Estate** - Birdbrook Close Nos 5-13, 1-4 & 21-27, 14-20 & 28-34, 42-50

2.19 The estimated costs of the initial programme are set out in **Table 4**, below:

<b>Table 4 Projected Costs for the Initial Phase of Estate Renewal (£7.1m Approved Funding)</b>				
<b>Estate</b>	<b>GASCOIGNE ESTATE</b>	<b>LEYS ESTATE</b>	<b>GOESBROOK ESTATE</b>	
	<b>Grange House + Nos 17-22 St Margarets</b>	<b>Area 1 (Birdbrook Close*)</b>	<b>Three Blocks</b>	
Dwellings	70+6	43	283	<b>401</b>
Tenants	67+5	36	275	<b>383</b>
Leaseholders (L/H)	3+1	7	7	<b>18</b>
Decant Costs	£338,400	£169,200	£1,292,500	<b>£1,800,100</b>
L/H Buy backs	£546,000	£710,000	£1,015,000	<b>£2,271,000</b>
L/H Disturbance (+10% Market Value)	£66,600	£92,000	£122,500	<b>£281,100</b>
Masterplan & Consultation	£150,000	£80,000	£135,000	<b>£365,000</b>
Staff resources	£105,000	£50,000	£275,000	<b>£430,000</b>
Partner procurement	£65,000	£40,000	£110,000	<b>£215,000</b>
<b>Subtotal</b>	<b>£1,271,000</b>	<b>£1,141,200</b>	<b>£2,950,000</b>	<b>£5,362,200</b>
Estate Management & Demolition Contingency				<b>£1,737,800</b>
<b>Initial Phase Budget Total</b>				<b>£7,100,000</b>
* Area 1 Birdbrook Close Nos 5-13, 1-4 & 21-27, 14-20 & 28-34, 42-50				

2.20 It should be noted that demolition of the vacated properties is not included in the budget at this stage. £1.73m is, however, included to cover estate management costs and selected demolitions as identified and prioritised at a future date. Experience on other estate renewal projects has shown that, as properties are vacated, security costs rise prior to demolition taking place.

### **Next Steps - Full Programme Options Appraisal**

2.21. The initial £7.1m programme would still be short of some £16m in order for the Council to deliver the full £23m programme. Various options to meet the funding gap will need to be fully assessed and agreed at a future date. Such options include:

- External funding grants, as they become available
- Surpluses that may arise from any “free” council properties achieved through the planning process
- Value generated from any land / property deals associated with the development of the estate renewal sites or other housing sites
- Right-to-Buy sales
- HRA reform proposals
- Council borrowing serviced by adjustments within the HRA

2.22. As will be noted, some of these funding options will arise from the precise structure and content of development agreements with future development partners. These, in turn, will largely be determined by the broad terms that the Council will be prepared to seek development partners and the inherent value in the sites. The development strategy for the sites will be the subject of a future report to Cabinet. This report will necessarily need to appraise all options for the full programme of sites (i.e. the £23m package) together with an assessment of options for affordable housing content of the new developments, mix and tenure type, broad design parameters and gross and net values to the Council in, effectively, transferring its assets. It is recommended that the Options Appraisal is independently reviewed by a third party organisation to form the basis of a draft report to both the Member Steering Group and the final report to Cabinet for approval.

2.23 This appraisal will include draft Planning and development briefs for the sites .

### **Decant Risks for All Estate Renewal Projects**

2.24. The main risk with undertaking the initial phases of the three estate renewal projects simultaneously is that due to the different numbers of leaseholders on each estate, programmes may move ahead at different speeds leading to bottlenecks that could have a detrimental impact on the lifetime project costs. The risk of the programme being slowed is the greatest on the Leys Estate due to the largest number of leaseholders.

2.25. Experience gained from the previous estate renewal projects such as the Lintons, has shown that a certain percentage of tenants/leaseholders invariably agree to move straight away but there would be a number who are harder to move. This could be for a number of reasons from being unable to secure adequate size property for a larger family or some residents simply not being willing to move. There are also certain groups of tenants likely to need extra support and

reassurance including older residents, single parents, BME households and tenants with mental health problems who may take longer to move.

- 2.26. This risk could be mitigated by ensuring that in the case of a project developing a decant bottleneck, there is flexibility to redirect money to a project moving at a faster rate as this would maximize the spend and enable moving the borough-wide estate renewal programme forward. Any decision regarding reprofiling would be subject to the agreement of the Estates Renewal Members' Group and Cabinet.
- 2.27. The report to Cabinet on 6 July covered the issue of supply to mitigate impact on the housing waiting list/register. However, the issue of local lettings policies and the use of both more Choice-In Lettings and Direct Lets will be presented to the Cabinet in February 2011 as part of the overall review of allocations policy

### **Community Consultation**

- 2.28. The Council previously indicated its intention to commence a programme of consultation with the residents of the three identified estates in June 2010. This consultation programme was rightly delayed until the Council was clear about and had confirmed the funding and delivery programme for the Estate Renewal priorities contained in this report. If the recommendations of this report are approved, residents will be contacted this month to start the consultation on the identified areas and proposed timetables for decanting etc.
- 2.29. Consultation and engagement strategies that will continue throughout the lifetime of the projects will be developed following the initial contact with residents. The consultation will be divided into three stages, with different levels of engagement reflecting different stages of the development process as outlined below. A close working relationship with existing Tenants' and Residents' Groups will be developed and maintained throughout the decant and demolition process.
- 2.30. Stage 1 – Community Consultation on the initial programme and identified areas within the estates – informing both tenants and leaseholders of the Council's plans for the redevelopment with a particular focus on the timetable for decanting arrangements and key activities prior to the masterplanning process commencing.
- 2.31. Stage 2 – Community consultation and residents involvement in the Masterplanning process - focused on residents directly involved in each phase of redevelopment. The appointed Masterplanning team will work closely with residents and engage with key stakeholders active on the estates and surrounding area. The Council will also work closely with leaseholders to ensure that their needs and requirements are met as well as setting up specific stakeholder groups to work alongside Officers in delivering the Estate Renewal programme.
- 2.32. Stage 3 – Capacity Building and working towards greater community integration and cohesion. Alongside the Stages 1 and 2, project officers will scope the need to provide extra community development / capacity building resource in order to facilitate resident engagement in the estate renewal programme areas throughout the project's lifespan. This would include a range of projects with different user groups (i.e. young people and older people) to be facilitated by external and internal resources as necessary.

- 2.33. A Member Working Group chaired by the Lead Member for Housing has also been established. The Member Steering Group will meet regularly throughout the life of the Estate Renewal Programme to steer and guide its delivery.

### **Demolition Notices and Suspension of the Right-to-Buy**

- 2.34 Under the provisions of the Housing Act 2004 the Council is empowered to serve demolition notices where areas have been identified for regeneration and redevelopment. These notices are in two stages: firstly the Initial Demolition Notice which is valid for up to five years which can be extended to a maximum of seven years, followed by the Final demolition Notice which is valid for up to two years (with possible extension subject to Government permission). Declaration of an Initial Demolition Notice will prevent named properties from being acquired from the Council through Right-to-Buy.
- 2.35. The Notice will include all Council-owned properties identified as being included in the Estate Renewal programme as these areas are to be affected within the first five years of the programme.

### **Use of Compulsory Purchase Powers**

- 2.36. The Council has an agreed range of options for leaseholders who are affected by redevelopment; these include options for anyone who finds they are not able to find suitable accommodation for their needs within the compensation offered. These options have now been in place for some years and will be subject to review and presentation to the Cabinet for re-approval prior to the programme of acquisitions commencing. In particular the report will look at five main options that could be offered to leaseholders:
- Lease swaps (Comparative Value Transaction)
  - Equity transfer/shared ownership
  - Offers of discounted sale
  - Gap funding
  - Provision of tenancies
- 2.36. The acquisition of leasehold owned properties (in the first phase) will be required to bring forward the recommended Estate Renewal programme. The acquisition programme would run concurrently with the re-housing of tenants. The Council always seeks to acquire by negotiation and offers a fair package of compensation based on the current Compulsory Purchase legislation, including a 10% premium on top of the agreed market value for leaseholders in occupation.
- 2.37. In order to expedite matters should we not be able to acquire by negotiation the necessary leasehold interests, this report seeks authority for the use of the Council's Compulsory Purchase Order making powers pursuant to Section 17 of the Housing Act 1985 for the acquisition of any outstanding leasehold interests in the *properties outlined in the report (specify)*, for the purposes of securing land needed to allow the redevelopment of Gascoigne, The Leys and Goresbrook Village Estates.

### 3. Financial Issues

#### Impact of the Initial Renewal Programme on the Housing Revenue Account

- 3.1 **Table 5** below shows the impact of the full programme of works across the three estates (as set out in para 2.5) on the HRA including the net loss of income and the necessary pro rata savings for the repairs and management budgets that will have to be met to mitigate this net loss. The necessary savings may require a further review of structures and available resources to deliver housing management services.

<b>Table 5 Impact on HRA – Initial Estate Renewal Programme (£7.1m)</b>				
	<b>Goresbrook all blocks</b>	<b>Leys Estate Area 1 Birdbrook Close</b>	<b>Grange House + Nos 17-22 St Margarets</b>	<b>Total</b>
Tenanted	275	36	72	383
Leasehold	7	7	4	18
Annual Rent Loss	868,893	122,693	226,171	1,217,757
Annual SC Loss	428,185	32,181	68,821	529,187
Leasehold Charge loss	4,938	4,983	2,136	12,012
<b>Subtotal</b>	<b>1,302,061</b>	<b>159,857</b>	<b>297,129</b>	<b>1,759,047</b>
<b>Subsidy</b>				
Guideline Rent	(1,057,752)	(139,484)	(282,842)	(1,480,078)
M & M Allowance	569,361	44,500	152,247	766,108
	<b>(488,392)</b>	<b>(64,403)</b>	<b>(130,596)</b>	<b>(683,391)</b>
<b>Net Loss of Income</b>	<b>813,669</b>	<b>95,454</b>	<b>166,533</b>	<b>1,397,361</b>
<b>Required Operational cost reductions</b>				
Repairs Budget	23,831,000	23,831,000	23,831,000	
Pro rata for the properties affected	<b>337,459</b>	<b>44,500</b>	<b>90,236</b>	<b>472,195</b>
S & M Budget	29,435,000	29,435,000	29,435,000	
Pro rata for the properties affected	<b>476,211</b>	<b>50,954</b>	<b>76,297</b>	<b>603,462</b>
<b>Total</b>	<b>813,669</b>	<b>95,454</b>	<b>166,533</b>	<b>1,075,656</b>

## **Funding the up front costs**

- 3.2. Cabinet on the 6<sup>th</sup> July agreed that funding to commence the Estate Renewal programme would be realised by establishing an Estate Renewal Account to fund planning, decant and site preparation costs of each site on a rolling programme basis with the costs being repaid to the account as project costs from each redevelopment. Historical sources of funding for upfront estate renewals costs are no longer available and, with the current public funding position, are unlikely to be for many years to come. However, opportunities for external funding, including the Mayor's Double Devolution proposals linked to the Council's Borough Investment Plan are being and will continue to be explored. In addition, higher value sites owned by the Council could be used to generate value to be re-invested into the programme to fund further phases.
- 3.3. The Council could increase the pace of the estate renewal programme if headroom can be created in the HRA, after funding the core decent homes investment programme, to finance borrowing to augment any value generated from both the estate renewal sites and other sites. This would, however, be subject to a favourable HRA Review outcome in relation to HRA borrowing capacity to support new council house building (subject to CSR, PSBR and grant issues being resolved). Negotiations are ongoing with Department for Communities and Local Government This headroom could only be found if no further support to the General Fund is sought from the HRA and would only be possible post 2012/13.

## **4. Legal Issues**

### **Demolition Notices**

- 4.1 **Demolition Notices** - this report seeks Members' approval of the service of Demolition Notices on the Right to Buy leaseholders and applicants on the Estate. Under the Housing Act 2004, Local Authorities are empowered to serve Demolition Notices where an area has been identified for regeneration or redevelopment. This is a two stage process. Service of the Initial Demolition Notice (IDN) will suspend completion of RTB applications during the period of the Notice. Service of the Final Demolition Notice (FDN) renders ineffective any RTB application and prevents the submission of new applications.
- 4.2 Demolition Notices are two stage, firstly, the Initial Notice which has the effect of removing the obligation on the Council to grant a transfer or lease under the right-to-buy legislation. However any right to buy claims submitted whilst the Notice is in force can still be processed, though not completed. If the demolition does not go ahead the application can be completed. The Notices must clearly identify the properties affected by it, explain the reasons why those properties have been earmarked for demolition and give a broad indication of when the properties will be demolished. The period of effectiveness is seven years.
- 4.3 In that period the intention must be confirmed by a Final Demolition Notice. If the demolition does not take place in that period, then consent will be required from the Secretary of State to either issue a new Initial Demolition Notice or extend the Final Demolition notice. As a result it is vital that demolition notices are not issued without a clear intention to meet the timescales. If the Secretary of State's consent is not forthcoming a period of five years must elapse before a fresh notice can be issued.

- 4.4 Approval is sought for the services of Notices on RTB applicants within the initially identified phases.
- 4.5 Service of any Notice should follow the publicity provisions in the 2004 Act which includes advertisement of the Notices in the local press and Council website. Appendix 1 of the report sets out more details on the Notices, their operation and effect.
- 4.6 **Site Assembly** - site assembly will consist of buy backs and decants. If the council is unable to negotiate buy backs with residents, it may have to use its compulsory purchase powers to acquire these properties. The CPO process can sometimes be lengthy. The redevelopment timetable should include an allowance for this.
- 4.7 **Decant Plan** - it is important that there is a robust decanting plan in place. The service of Demolition Notices does not give the council the right of automatic possession. If the tenant is unwilling to give up possession, the council would have to apply to the court and justify possession on one of the grounds in the Housing Act 1985 which includes demolition for the purposes of regeneration and redevelopment. The court will only grant possession if it is satisfied that suitable alternative accommodation is available.
- 4.8 The decant policy for each Phase of the redevelopment should be presented to Members for approval before commencement of consultation with residents.

## 5. Other Implications

### 5.1 Risk Management

- 5.2 The risks related to this project are primarily around finance, programming and property acquisition and serving of the initial demolition notices.
- 5.3 There is the risk that the council will not get the £23 million within the 7-year life of the initial demolition notices. If this is the case the Council would need to seek approval to serve new notices from the Secretary of State.
- 5.4 There is the risk that the Council will not be able to acquire, by agreement, all the interests in the area that are required for the implementation of the estate renewal. In this circumstance the Council would need to exercise its Compulsory Purchase Powers. If this were to happen, the main risk to the Council would be that, due to a valid objection or other reason, the CPO is not confirmed. It is likely that any objections will be on compensation grounds which do not normally give rise to an inquiry. If any valid objections are received, they will be examined at a Public Inquiry. To minimise this risk a CPO would not be sought until extensive negotiations have taken place with all parties and a relevant masterplan and robust delivery strategy has been agreed. Legal advice will have been sought to ensure the strongest possible case for a CPO is developed. The proposed decant/acquisitions/CPO process will incorporate lessons learnt from the Lintons and eastern end Thames View.



## **5.5 Contractual Issues**

5.6 Procurement relating to this project will be undertaken in accordance with the provisions of the Council's contract rules and procurement rules including EU procurement rules where applicable. The Legal Partner would be consulted in entering into terms and conditions with suppliers in relation to such procurement.

## **5.7 Staffing Issues**

5.8 There will be a significant impact on staffing arising from this report. This level of simultaneous estate renewal has not been undertaken in the past and will require an identification of sufficient staff resources to ensure that the programme for delivery is met. In addition to this, a dedicated cross-departmental project team will need to be established to ensure an integrated approach.

## **5.8 Equalities Impact Assessment**

5.9 In order to gain a better understanding of the socio-economic profile and potential impact on the equalities groups across the borough, in September 2008 the Regeneration and Economic Development Division commissioned a Neighborhood Knowledge Management database that enables socio-economic profiling at a household level. An initial study of the three estates when taken in the round shows them to be representative of the Ward/Borough population. As we move forward into the implementation stage of the programme, the completed EIA and action plan will inform the delivery to ensure any impacts are mitigated and the Estate Renewal programme enhances community cohesion.

5.10 A full Equalities Impact Assessment for this programme is ongoing.

## **6. Customer Impact**

6.1 A cross-departmental project team will need to be established, involving;

- Housing allocations/lettings
- Housing management
- Community and neighbourhood services
- Legal services
- Property services
- Finance
- Regeneration and economic development.
- Corporate Programme and Strategic Asset Management

6.2 This will enable an integrated approach to the delivery of the programme ensuring that the needs of the residents and wider stakeholders are fully met and all legal finance and property issues are considered through the lifespan of the programme

## **6.3 Safeguarding Children**

6.4 Masterplanning undertaken as part of the estate renewal will take into consideration needs of local communities with a focus on creation of accessible spaces that allow for freedom of movement and will benefit local community at large including

children. In particular, the masterplanning process will explore opportunities to introduce new or improve existing play facilities on the estates.

## **6.5 Health Issues**

6.6 The estate renewal proposals are expected to have beneficial impact on health of local residents at Goresbrook Village, Gascoigne and the Leys estates by providing a high quality residential accommodation. In particular, it would have a positive impact on ill health attributed to poor housing conditions. The redevelopment of the sites will provide a safer and more secure environment where opportunities for crime are reduced and a host of public realm improvements make the area safer and more legible. General health and well being will be improved as a result of improved visual appearance of the site thereby increasing civic pride. Overall, the proposal would be expected to result in a benefit upon local well being and an improvement of quality of life.

## **6.7 Crime and Disorder Issues**

6.8 Section 17 of the Crime and Disorder Act 1998 places a responsibility on local authorities to consider the crime and disorder implications of any proposals.

6.9 Levels of crime and disorder vary between the sites and will be taken into consideration. Figures published by the Department for Communities and Local Government show some areas have crime levels amongst the worst 10% in the country. Violent crime is particularly high. This can be partly addressed in the design of the built environment and a change in the fabric will be a catalyst to a better, more balanced community. Improved facilities for young people will also provide new opportunities for education, recreation and employment directing them away from crime. Specific types of violence such as domestic violence can be helped by social aspects of the regeneration programme such as better access to services based in local community centres, as well as better quality housing.

## **6.10 Property / Asset Issues**

6.11 As part of the estate renewal, there would be a need to undertake negotiations of buying back leases from Council leaseholders of flats purchased under the Right To Buy to ensure that the Compulsory Purchase Order procedures are used as a last resort. Four main options currently offered to Leaseholders include lease swaps, equity transfer/shared ownership, offers of discounted sale or gap funding.

6.12 The options will be reviewed prior the commencement of any buy backs and the range of options available for Leaseholders will be presented to the Cabinet for approval. Any assistance package available to leaseholders would only be for those who use the property as their only or principal home and who are not financially able to purchase a property of similar size in the local area with the compensation package offered

## **7. Options Appraisal**

7.1 Options for the application of the initial £7.1m are considered in Sections 2.11-2.16 in the main body of the report.

7.2 Members should note that a comprehensive economic appraisal (Green Book / OGC Five Stage Business Case compatible) of the full programme is recommended as a pre-requisite to any expenditure above the current £7.1m approved budget.

**8. Background Papers Used in the Preparation of the Report:**

Cabinet Report – Boroughwide Estate Renewal programme 2010 – 14 (6 July 2010, Minute 21)

**9. List of appendices:**

Appendix 1 - Estate Profiles and Phase 1 Identification (£23m Programme)

.