

CABINET

23 AUGUST 2011

REPORT OF THE CABINET MEMBER FOR REGENERATION

Title: Estate Renewal Programme - Delivery and Disposal Options for Goresbrook Village and The Leys	For Decision
<p>Summary</p> <p>This report sets out the recommended options for the disposal and delivery of two of the three sites in the current Estate Renewal Programme: Goresbrook Village and the Leys estates. There is some urgency in taking this decision in order to progress the planning and procurement stages and to take advantage of the £18.3m Affordable Homes Funding offered by the Homes and Communities Agency.</p> <p>The Goresbrook Village and Leys (Wellington Drive and Birdbrook Close) estates are being completely decanted and demolished. In this part of the Estate Renewal programme a total of 495 units (280 in Goresbrook Village and 215 in the Leys) will be demolished by the end of the financial year 2013/2014. The decant and buyback programme will deliver cleared and unencumbered sites for development.</p> <p>The delivery recommendation for these two estates is to use two separate Development Partner Panels to select a developer/partner for each estate. As these two estates are to be decanted and cleared completely, a flexible approach can be taken to the delivery and development. The new developments for these areas will include a mix of private for sale and social rent homes with the socially rented units being delivered as Council Housing.</p> <p>Wards Affected: Thames and Village</p>	
<p>Recommendations</p> <p>The Cabinet is recommended to agree:</p> <ul style="list-style-type: none">(i) That the preferred delivery option for the Goresbrook Village Estate will be to procure a development partner through the Homes and Communities Agency Development Partner Panel, with the final terms to be agreed under a delegated authority by the Corporate Director of Finance and Resources, advised by the Corporate Director of Customer Services and the Divisional Director of Legal and Democratic Services, and in consultation with the Lead Members for Housing and Regeneration;(ii) That the preferred delivery option for the Leys Estate will be to procure a development partner through the City West 'Framework' Development Partner Panel, with the final terms to be agreed under a delegated authority by the Corporate Director of Finance and Resources, advised by the Corporate Director of Customer Services and the Divisional Director of Legal and Democratic Services, and in consultation with the Lead Members for Housing and Regeneration; and(iii) The indicative benchmark tenure mix for each site to be used in the development and project briefs as shown in section 2 of the report.	

Reason(s)

To assist the Council in achieving the Community Priority “Prosperous” through increasing the supply and range of family sized affordable and social rented housing by utilising existing Council land and development sites.

Comments of the Chief Financial Officer

This report is for the approval of delivery and procurement routes for options to develop on two Estate Renewal sites in the current capital programme. As such the amount of financial information is minimal.

The Council has a total budget of £45m in respect of demolitions, decants and buy backs to be spent over a period of seven years. This is a mixture of General Fund and HRA funded borrowing and use of surpluses generated under the new HRA business plan. In addition, the Council has been offered £18.3m grant funding by the HCA to build new affordable housing units. However, the grant funding will only assist in delivering approximately 610 new units which is far short of the 1,750+ homes that will be demolished under the Estate Renewal Programme. As there is insufficient funding, there is a need to look at other innovative methods of delivery in order to fill the remaining gap and replenish the original quota. This is the specific purpose of this report, and the options are outlined below.

Negotiations are currently taking place in respect of the redevelopment of the William Street Quarter and Eastern End of Thames View sites, using the BSF LEP model. However this model is still in the process of being finalised but is considered to have reached its delivery capacity until it financially closes and completes the first scheme, and therefore has not been considered as an option for these sites.

At the Goresbrook and Leys sites, it is recommended that we use a Development Partner model in which we dispose of the land on a nominal basis in return for the construction of some affordable housing (which will remain in the ownership and responsibility of the Council). This model does not deliver as great a proportion of affordable housing as the LEP model, but it does reduce the Authority’s exposure to financial risk in terms of guaranteeing levels of rent / occupancy. This model also foregoes any capital receipt from the sale of the land, and potentially any S106 / Community Infrastructure Levy.

These proposals will increase the supply of Council housing at social rent. However, it should be borne in mind that under the HCA Affordable Rent programme these dwellings would qualify for rents to be charged at up to 80% of market rent. This programme is designed to allow registered providers to generate the higher income streams in order to create surpluses which can then be invested in new supply.

There will also be revenue costs associated with procurement and other staff time, which will be met from existing budgets. There will also be revenue costs associated with serving the new development upon completion (street lighting, rubbish collection etc) but these costs will be met from the increased Council Tax base.

Both the reduction of stock numbers and replenishment under the new development schemes should be taken into account in the re-tendering of the Council’s housing repairs and maintenance contract – the subject of a separate Cabinet Report from Housing and Neighbourhood Services.

Comments of the Legal Practice

The proposals envisage that there will be a disposal of property owned by the Council. The Local Government Act 1972 Section 123 obliges local authorities to dispose of property at the best consideration unless there is ministerial consent. Similar provisions apply to land held for Housing Act purposes. There are General Disposal Consents which permit disposal at less than best consideration if specified conditions are met.

If property is to be disposed, there will be a requirement to ensure there is due diligence to the requirement of securing best value. As the Goresbrook Village and the Leys preferred option is to transfer property to a developer at a nominal value, there would need to be a valuation of the whole package in terms of deliverables to ensure that what was being achieved would secure overall value for money for the Council and the Housing Revenue Account. Safeguards would need to be sought ensuring that the Council was able to protect its interests and this may be in the terms of a development agreement supplemented by form of bonds, charges, covenants, options or a form of golden share or by a combination.

Head of Service: Jeremy Grint	Title: Divisional Director of Regeneration	Contact Details: Tel: 020 8227 2443 E-mail: jeremy.grint@lbbd.gov.uk
Cabinet Member: Councillor M McCarthy	Portfolio: Regeneration	Contact Details: Tel: 020 8724 8013 E-mail: mick.mccarthy@lbbd.gov.uk
Councillor P Waker	Housing	Tel: 020 8724 8013 Email: philip.waker@lbbd.gov.uk

Background

- 1.1. The two estates that are the subject of this report are part of the Estate Renewal Programme and are currently being decanted in preparation for demolition. The third estate in the Estate Renewal Programme – Gascoigne, will be the subject of a separate report due for Cabinet decision later in the year. The demolition of these two estates is programmed to be completed by the end of the end of 2013/14. There is, therefore, some urgency for the Council to agree the next stages for the Estate Renewal Programme. This is to ensure delivery of the new homes without delay once demolition has taken place and to ensure that we can access the £18.3m of HCA Affordable Homes Programme Funding made available to us (subject to the terms of a Funding Agreement), by the specified HCA Programme end date of March 2015.
- 1.2. The Council has established a clear set of objectives for the delivery of new housing on sites in its ownership. These are therefore key criteria for assessing the different delivery options contained in this report:-
 1. maximise as a priority social rent homes and affordable homes;
 2. ensure speed and certainty of delivery;
 3. maintain design, sustainability (code level 4) quality and space standards;
 4. ensure local accountability and developing capacity within the community;

5. aim to create long term returns to the Council and community;
- 1.3. Whilst the Council has recently been successful in securing £18.3m of HCA grant to assist with providing at least 610 new affordable units by the end of 2015, this is relatively modest given the level of housing need in the Borough and previous levels of HCA grant and intervention levels. Therefore the Council needs to consider additional ways of increasing the supply of new social rented and other forms of affordable homes in the short to medium term.
- 1.4. The Government /HCA intend that funding for new affordable housing will come via either much higher borrowing to replace grant and/or free land from public authorities and recycled grant. The borrowing is expected to be financed from higher “affordable” rents which are to be set at up to 80% of local market rents, with an expectation that housing associations and other providers will convert a proportion of their re-let (void) properties from social rent to higher ‘affordable’ rents.
- 1.5. At its meeting in May 2011, Cabinet agreed a development strategy for the William Street Quarter, Barking and Eastern End of Thames View sites involving the transfer of the sites on a leasehold basis to the Building Schools for the Future Local Education Partnership (BSF LEP) to provide a range of sub-market rented properties to be managed by the Council. It is suggested that this option is not pursued for these two sites because it is considered that the BSF LEP model needs to get to financial close and complete these two projects (WSQ and EETV). The Council then need to evaluate the finished homes before embarking on any further housing projects on Council owned land.
- 1.6. This report sets out alternative models for housing delivery which will maximise the level of grant that is available, provide for a suitable level of affordable housing, with sufficient levels of social rent and allows for concurrent development. The use of different models shares risk and addresses capacity issues, provides a range of designs and allows us to compare, monitor and evaluate quality, comparative costs and value for money. All models assume some form of partnership arrangement with the Council to ensure that the Council has a strong influence on the design, delivery, future management and levels of participation of local tenants and residents.

2. Estate Renewal Sites:

Below is an outline of the two estates:

2.1 Goresbrook Village:

Goresbrook Village, Dagenham consists of 280 units in three blocks on a 2.81ha site. It is located to the west of Castle Green and to the north of the A13. Built in the 1960s, 274 of these units are in Council ownership with the remainder leaseholders. The site that is available for development is 2.28ha as a strip of land along the eastern boundary is safeguarded in the Council’s Approved Local Development Framework for a future bridge over the A13 to be constructed by TfL. There is no timeline for this road at present, but by safeguarding the land, it will provide for this transport improvement at some point in the future.

In the Local Development Framework, Goresbrook Village has been identified as having a potential capacity for approximately 250 homes. This equates to 110 units per hectare. The indicative benchmark tenure split for new units on this site would be 50% affordable units and 50% for private sale with 75% houses and 25% flats.

The Planning Policy Team is undertaking a 'Planning For Real' public consultation exercise with residents of the estate and the wider area on the options for redevelopment including the extent of the site and its relationship with Castle Green. The results of the exercise will be available before the end of the calendar year to inform final development and design briefs which will be subject to a future report for Cabinet approval.

All Phase 1 decants and buybacks are programmed to be completed by summer 2013.

2.2 Leys Estate:

The flatted areas of the Leys Estate located in Birdbrook Close and Wellington Drive consist of 215 units over a 1.91ha site. The units are made up of 150 Council owned units and 65 leaseholders. The Estate is located in Dagenham, to the south of Rainham Road. The area for decanting and renewal is part of the larger Leys Estate, which is made up of houses that will not be part of this Estate Renewal Programme.

The current density on this estate is 144 units/ha, this is equivalent to many high density Barking Town Centre sites without the benefit of the transport links and other local facilities. To provide a wider range of house types, and to ensure that the mix provides a scheme that is financially viable and is of high quality, this density is recommended to reduce to 78 – 100 units/ha, providing 150 – 200 units in the new development. The proposed indicative tenure split for new development would be 60% affordable units and 40% private for sale. The proposed house type mix would be 70% houses and 30% flats.

3. Delivery Options

Officers have considered seven delivery options for the sites. **Appendix 1** sets out the advantages and disadvantages of the options:

Delivery Option (DO)

DO1 – Market the sites on the open market with a guarantee of 20% social housing (housing association) to be delivered, otherwise an unrestricted disposal;

DO2 – Market the sites on the open market but developer 'gives' a small number of social rent houses to the Council in return for no land receipt;

DO3 – Market the sites on a deferred purchase basis in return for a number of "free" homes for social rent;

DO4 - Transfer sites to a housing association with housing association owning the affordable homes on basis there is a guaranteed number of social rented homes, guaranteed in perpetuity with the Council given the option to manage;

DO5 - Enter into an agreement with a housing association encompassing new build Council, refurbished Council and housing association built properties (affordable rented, intermediate and private sale);

DO6 - Set aside land value to enter into a development agreement with a developer on the basis of a proportion of new homes being delivered to the Council in lieu of land value together with the option of the Council to long lease sub-market (i.e. affordable) rented properties subject to suitable terms;

DO7 - Long lease of sites to BSF LEP development vehicle with a funder. Potentially all tenures would be sub- market rent.

3.1. Recommended Delivery Options for Each Site: Option DO6

The preferred option for the Goresbrook Village and Leys Estates is DO6 whereby the schemes are progressed under a development agreement with a developer procured via an OJEU compliant Developer Framework and setting aside a receipt for the land value in favour of a proportion of new homes in the schemes being transferred at no charge to the Council as social rented units. The precise number of these will be determined by the basic economic development model for each site. The potential for additional Council house rented units and additional affordable units will be determined by the amount of funding through borrowing under the HRA and the amount of HCA grant available together with any option to long lease other sub-market rented properties. The key reasons for selecting this option for these two particular sites are:

- (i) Both redevelopment areas will be entirely decanted and demolished which provides a clean slate for developers to work with.
- (ii) There are no completed masterplans for the estates and working with a developer throughout the design and development stages will provide the Council with a much more proactive and determining role in the process. Although a Planning for Real exercise is planned later in the year for tenants and residents in the Goresbrook Village, the results of the exercise will still require to be translated into a design and development brief that will underpin the future masterplan for the area.

3.2 Recommended Partner Panels for Goresbrook Village and the Leys

There are two existing Developer Frameworks that are considered appropriate for selecting a development partner to take forward the Goresbrook Village and Leys projects. These are the:

- (i) **HCA Development Partner Panel**, and
- (ii) **City West Homes Framework**

The key characteristics of each panel are summarised in **Appendix 2** with a list of panel members provided in **Appendix 3**.

To maximise the number of strong responses and to spread risk, it is not considered to be appropriate in the circumstances to use one panel for both of the sites. The decision to allocate each site to one panel is a marginal one. The members of both Panels are considered to be competent to undertake either of the Goresbrook Village and the Leys development schemes.

The HCA Panel has a larger number of members and LBBB is already a registered user. The Framework Panel would require the payment of a user fee by the Council of up to £25,000. However, given that the development values of each site run into the tens of millions of pounds, this fee element could be regarded as relatively insignificant. The HCA is regionally based (South East) and members of the Panel have been involved in a previous informal soft market testing exercise for various development sites in the Borough including Goresbrook Village which generated a considerable level of interest in the exercise. The Council could therefore be reasonably confident that members of the HCA DPP will be sufficiently interested in this development to submit a range of strong bids.

The Framework Panel members tend to be more (though not exclusively) London based. It could be argued that the size and location of the Leys Estate would benefit from a partner who is able to work with the embedded community to develop a tailored approach to the incremental development of two flatted areas within an existing estate.

As noted, the decision between the two Panels is a marginal one. On balance, it is recommended that the;

(i) Goresbrook Village Scheme should be progressed using the **HCA Development Partner Panel**;

and

(ii) Leys Estate Scheme should be progressed using the **City West Homes Framework Panel**.

4. Conclusion

Securing the regeneration of two of the Borough's estates most in need of investment through the Estates Renewal Programme is a Council priority. Decanting and buying back properties on all these estates is now underway with the objective of having cleared, unencumbered sites available for development to be largely completed by the end of 2013/2014. Ward councillors have been consulted on their views.

For this to be achieved, the Council must agree procurement and development strategies for the two sites. Procurement in this way is expected to enhance rather than diminish the Council's ability to obtain best consideration. The report identifies and recommends a similar approach for the Goresbrook Village and Leys sites. This approach will provide for a mix of social and private units along with a high quality built environment and improved housing for our residents.

5. Other Implications

5.1 Risk Management

A separate risk assessment has been undertaken for the main risks associated with the proposed strategy and this has been used to inform the report and its recommendations.

The mixed approach to the procurement of partners recommended in this report is intended to spread the risk otherwise associated with reliance on a single partner, procurement route and delivery mechanism.

There are still risks, however, associated with the capacity, financial standing and project management resources of each potential partner. To mitigate these risks, all of the procurement processes will be undertaken in a way that ensures tenderers are fully assessed and evaluated against clear, set criteria to ensure that they can fully satisfy the Council's requirements in terms of relevant expertise, financial standing and internal staff resources to deliver the scale of project they would be committing to in Barking & Dagenham.

5.2 Contractual Issues

The carrying out works would need to be compliant with European Tendering Regime and in addition in accordance with the Public Contract Regulations. Because the recommendation is to use established frameworks, these regulations have already been met.

5.3 Staffing Issues

An inter-departmental Project Team is currently operating to manage the delivery of the Estates Renewal programme of decants and buybacks, this involves officers from;

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

Two separate procurement projects will be undertaken to appoint the Development and JV partners via the proposals set out in options above, these procurement projects will be led by the Sustainable Communities Team with support from Property and Legal Practice. No increase in staffing levels is assumed to deliver these projects however the complexity and time required to deliver two projects of this scale and nature simultaneously should not be underestimated and clear prioritisation of activity will be required.

5.4 Customer Impact

An Equalities Impact Assessment was completed for the original £7.1m Estate Renewal Programme, this has been subsequently updated to reflect the current position for delivery of the £22.1m programme and is fully signed-off by the Equalities and Diversities Team.

The key actions from this Assessment are set out below;

Category	Actions
Improving Involvement and Consultation	Addressing barriers to participation Inter departmental working through Integrated Project Team Liaising with community and other groups that could facilitate participation of difficult to reach groups Developing consultation and engagement strategy programme
Improving data collection and evidence	Use equalities monitoring form as part of the consultation process Updating of the Neighbourhood Knowledge Management (<i>nkm</i>) database Training of staff / project officers with front line contact with communities
Improving assessment and analysis of information	Using the existing Neighbourhood Knowledge Management (<i>nkm</i>) database
Developing procurement and partnership arrangements to include equality objectives and targets within all aspects of the process (including monitoring of the contract / commission)	During any procurement and partnership arrangements we will adhere to Guidelines for Building Equalities into Contracts
Monitor, evaluate and review this EIA (including publishing the results)	The EIA will be monitored and reviewed on an ongoing basis every six months throughout the programme lifetime (Jan 2011 – March 2014). Reports will be produced and published on the LBBB website

5.5 Safeguarding Children

Design undertaken as part of any development will take into consideration the needs of local communities with a focus on creating accessible and safe spaces that allow for freedom of movement and will benefit the local community at large including children. In particular, the design and development process will explore opportunities to introduce new or improve existing play facilities in the two areas.

5.6 Health Issues

The development of these two sites will have a positive impact on residents by providing high quality residential accommodation at both social and sub-market rents. In particular, it would have a positive impact on ill health attributed to poor housing conditions and overcrowding due to a lack of housing in the Borough. 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.

5.7 Crime and Disorder Issues

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.

Levels of crime and disorder vary between the sites and will be taken into consideration. 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 sustainable 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 development such as better access to services based in local community centres, as well as better quality housing.

5.8 Education

Children's Services have made the following comments about each Estate:

Goresbrook Village – the increase in homes is likely to have a negligible effect on the overall position regarding the provision of school places, but there will be an impact during the course of demolition and construction.

Leys estate – Leys is much more volatile and the plan is to reduce the housing density so there will be a long term effect in reduced demand for school places which might affect the viability of the school, this will need to be kept under review. The Leys is an area which is at the far reaches of the Borough and the school and children's centre serve a very distinct locality.

Children's Services will continue to be involved in the consultation and delivery of these two estates to ensure that the requirements of school age children is met.

6. Options appraisal

- 6.1** The options are discussed in Section 2 of this report and set out in detail in Appendix 1

7. Background Papers Used in the Preparation of the Report:

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

Boroughwide Estate Renewal Programme Phasing and Decant Options (2 November 2010)

Risk Assessment August 2011 - Deliver new affordable and private sale homes on two Estate Renewal Sites - Goresbrook Village and the Leys

Estate Renewal Programme Equalities Impact Assessment – December 2010

8. List of appendices:

Appendix 1: Delivery Options

Appendix 2: Available Developer Framework Panels

Appendix 3: Lists of Members of the Developer Framework Panels