

CABINET

6 July 2010

REPORT OF THE CORPORATE DIRECTOR OF CUSTOMER SERVICES AND CORPORATE DIRECTOR OF FINANCE AND COMMERCIAL SERVICES

Title: Borough-wide Estate Renewal Priorities 2010-14	For Decision
<p>Summary:</p> <p>This report outlines options for delivery of a phased programme for estate renewal across the Borough in line with the Council's housing strategy objectives and Housing Asset Management Strategy.</p> <p>The strategic objectives of the Housing Asset Management Strategy are to:</p> <ol style="list-style-type: none">1. Support the establishment of a long-term viable Housing Revenue Account (HRA)2. Establish a funded and deliverable Decent Homes Programme3. Establish a funded and deliverable estate renewals programme in support of the Council's core Decent Homes Programme <p>The Cabinet is asked to agree in principle to the implementation of a programme of initial estate renewal across three Estates; Gascoigne Estate (East), Goresbrook Village and the Leys. This report sets out proposals for how the Council would fund the up front costs to decant, buyback leaseholders, demolish, master plan, and appoint delivery partners.</p> <p>Detailed business cases and option appraisals will be completed for each of the estates to identify first phases for activity and recommendations will be presented August Cabinet for decision. A Member and Officer steering group will be established to develop the detailed proposals and guide future estate renewal activity.</p> <p>The funding to complete the chosen 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 with any capital receipts realised from site disposal re-invested into the programme to fund further phases. The Estate Renewal Account will be funded from a range of sources including:</p> <ul style="list-style-type: none">• External grant funds, as they become available• The re-allocation of £7.1m corporate borrowing support, previously identified to support the Council's new build programme (now funded fully within the HRA)• Capital receipts from targeted land disposals including the disposal of remaining land at King William Street Quarter, Barking.• Right-to-Buy sales. <p>Funding of the Estate Renewal Account and use of funds held by the account will be subject to annual approval by Cabinet as part of an HRA business plan and Housing Asset Management Strategy refresh.</p> <p>The Estate Renewal programme will necessitate a large number of tenant decants, these decants could have an adverse impact on the housing and transfer register waiting times.</p>	

In order to mitigate this impact, an exercise to map the likely levels of decants in relation to various scenarios against new supply of socially rented homes available between now and 2013/14 has been undertaken. In order to mitigate the impact described above it will be necessary to limit the amount of decanting in this period. Beyond this time it is harder to predict new supply and a review of the impact from this point will be required when we have more certainty about supply in future years. The Estate Renewal programme would require a number of leaseholds being bought back in order to expedite the clearance of the selected schemes.

Wards Affected: Gascoigne, Thames, Village

Recommendations

The Cabinet is recommended to agree:

- (i) The development of a programme of estate renewal initially across three estates: Gascoigne Estate (East), Goresbrook Village and the Leys with detailed business cases and option appraisals being developed to identify first phases for activity that will be presented to Cabinet for decision at a future meeting.
- (ii) The establishment of an Estate Renewal Account within the Housing Revenue Account (HRA) to help fund the redevelopment of identified estates to be funded from,
 - The re-allocation of £7.1m corporate borrowing support, previously identified to support the Council's new build programme (now funded fully within the HRA)
 - land sales capital receipts
 - Right-to-Buy receipts
 - external regeneration monies
 - Units in-kind from any arrangements with individual developers which enable the Council to utilise part of the rents to support further borrowing
- (iii) The Estate Renewal Account to be administered and held within the HRA and used as directed by the Corporate Director for Finance and Commercial Services, Divisional Director of Regeneration and Divisional Director of Housing.
- (iv) Note that a fundamental review of housing revenue and capital procurement is being undertaken ensure the most cost effective delivery of the Housing Asset Management Strategy
- (v) The establishment of a Member working group to be convened by the Cabinet Member for Housing to explore and formulate with officers the detailed business case and option appraisals for the estate renewal programme. This will be preceded by meetings with the affected Ward Members.

Reason(s)

The proposals for the Estate Renewal programme addresses the following Corporate Priorities:

- **Safe** - a safer borough where the problems of antisocial behaviour have been tackled and all young people have a positive role to play in the community
- **Clean** - a clean, green and sustainable borough, with less pollution, waste, fly-tipping and graffiti., and with much greater use of our parks, green spaces and river frontage
- **Fair and respectful** - a stronger and more cohesive borough, where all people get along and help and look out for each other, and of which residents feel proud.
- **Healthy** - a healthy borough, where health inequalities are reduced with greater knowledge of lifestyle impacts on health.

It is also linked to the Council's Local Area Agreement (LAA) adopted on 25 June 2008, which describes the following improvement priorities for 'Housing':

- Provide more homes, especially affordable homes,
- Create better places to live.

The following improvement priorities for 'Feel safe, be safe':

- Ensure people feel safer in their neighbourhoods,
- Divert people from a life of crime and reduce re-offending,
- Reduce anti-social behaviour,
- Reduce Domestic Violence.

And the following improvement priorities for a 'Strong community':

- Listen to people so they feel better able to influence decisions and services,
- Ensure fair access to services,
- Provide opportunities for people to get on well together.

Regeneration Strategy 2008- 2013

The project addressed the following three strategy objectives:

- Place - Creating an attractive and sustainable place that promotes pride and a sense of belonging.
- Prosperity - Increasing the prosperity of our residents and business community
- People - Improving the quality of life for all people in our community.

Implications

Financial

Comprehensive estate renewal projects require considerable funding in order to meet the up front costs of buying back of leaseholds, decanting, demolition works and masterplanning (with resident engagement). 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 HCA Single Conversation process are and will continue to be explored. There may be some limited funding from April 2011 as a result of the Borough Investment Plan. In addition higher value sites could be disposed of with capital receipts from the disposals being re-invested into the programme to fund further phases.

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 the capital receipts from land disposals. This would, however, be subject to a favourable HRA Review outcome in relation to borrowing caps, and 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.

To fund the up front costs, as part of the Council's Housing Asset Management Strategy it is proposed that an Estate Renewal Account be set up within the Housing Revenue Account.

It should be noted that the Council previously resolved to reallocate £7.1m from the capital programme to support HRA new build programme. However, as set out in the accompanying HRA new build report, this support is no longer required and the £7.1m can be reallocated to support the Estate Renewal Programme

Legal

The completion of the Estate Renewal Programme has many legal implications which will be covered in detail in the subsequent report to ensure that they are reported in the context of the areas selected for the commencement of the programme. The key issues area likely to be:

1. **Demolition Notices** - Under the Housing Act 2004, Councils are empowered to serve Demolition Notices where an area has been identified for regeneration or redevelopment. The principal legislation is contained in the Housing Act 2004 and the Housing and Regeneration Act 2008. These Notices are designed to stop the RTB process and enable possession to demolish the property. 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.
2. **Site Assembly /Compulsory Purchase Orders (CPO)**- 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 CPO powers to acquire these properties

Demolition Notices do not give an automatic right to possession; a court order is still required. An important consideration will be the need to plan the projects action steps to ensure that there is sufficient time to account for consultation and notice periods set out in the legislation. As an example Demolition Notices have a maximum specified life-span before they expire but if they should expire cannot be renewed without the agreement of the Secretary of State. It is therefore crucial that the correct timing of service of the Notices is identified within the programme to allow for legal proceedings if required but not so prematurely as to carry the risk of expiring.

Contractual

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 should be consulted in entering into terms and conditions with suppliers in relation to such procurement.

Risk Management

The risks related to the implementation of the estate renewal programme will be fully identified in the business case work and reported in the next report. These risks will relate to finance, programming and property acquisition.

Staffing

There is a significant impact on staffing arising from the Estate Renewal programmes. This level of simultaneous estate renewal has not been undertaken in the past and will require an increase in 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.

Customer Impact

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

- Housing allocations/lettings
- Housing management
- Adult and Community services
- Legal Practice
- Property services
- Finance
- Regeneration and economic development.
- Capital Delivery

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

Safeguarding Children

Any 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 to local community at large including children. In particular, masterplanning process will explore opportunities to introduce new or improve the existing play facilities on the estates.

Crime and Disorder

Section 17 of the Crime and Disorder Act 1998 places a responsibility on Councils 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. Figures published by the Department for Communities and Local Government show some areas have crime levels amongst the top 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. Contractors will be required to demonstrate the ability to incorporate crime prevention into the design and implementation of any new build. 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.

Property / Assets

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. 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.

Options appraisal

An initial appraisal of the higher level options is set out below;

Option 1. Do nothing.

The need to address decent homes, socio-economic and environmental issues and opportunities on the estates has been identified by Council, tenants, residents and key public sector partners and was set out in the 2005 Housing Futures Investment Strategy. The reputation of the Council would be at risk if it does nothing to help local communities in these areas. A failure to progress regeneration to secure an improvement would only exacerbate existing concerns and negative feelings and perceptions about the Council's ability to deliver positive change.

Option 2. Focus available resources on maintenance and improvement rather than a redevelopment option.

The cost of maintaining and improving properties is being evaluated against the redevelopment options. It is likely to be concluded that the maintenance/improvement option would be less cost effective in the medium to long-term. This is because the buildings are approaching the end of their useful life expectancy and the types of improvements that are needed are improvements to the infrastructure and fabric of the buildings. Essential maintenance and repairs will continue throughout the projects lifetime. While the maintenance and improvement option would resolve some of the immediate housing conditions concerns, it would fail to address overall environmental issues on the estate. It is important that redevelopment of the identified estate happens in the next ten years to ensure that resources to deliver the core decent homes programme and are not diverted into maintaining assets that are uneconomic in which to invest and unpopular with residents.

Option 3 Comprehensive redevelopment of the whole estates

In order to implement comprehensive redevelopment of the identified estates, the Council would need to meet upfront costs in the region of £46 million which is unachievable in the current economic climate and would be beyond the capacity of the new supply of socially rented homes and negatively impact upon the Council's Housing Register and Transfer List. Therefore this option is discarded due to resource, budgetary and supply constraints.

Option 4 An incremental Estate Renewal Programme across the Gascoigne (east), Goresbrook Village and the Leys.

This is the chosen option as it creates the maximum regeneration Impact across the identified estates and enables issues such as estate layout and environment to be addressed that would not be addressed by Decent Homes alone. The development sites created under this scenario will be of sufficient size for redevelopment. A number of

different options for first phases will be considered based on previously completed masterplanning and studies. Detailed business cases and option analysis will be completed and presented back to Cabinet with recommendations for first phases of activity.

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1. Background

- 1.1 The need for comprehensive estate renewal has been identified in four estates across the borough, 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. This is a long standing commitment in relation to three of these estates, Gascoigne Estate (where master planning and phasing has been undertaken for the eastern side of the Estate) and Goresbrook Village (also where master planning has been undertaken in the past).
- 1.2 These three areas were included in the former Local Housing Company programme and were identified for regeneration in the 2005 Housing Futures option appraisal. The Leys Estate area became a higher priority last year following a petition by local residents concerned with the housing conditions across the flatted blocks on the estate. In detail the estates are:
- Gascoigne Eastern side of the - 13 high rise blocks and some adjacent low rise blocks
 - Goresbrook Village - 3 high rise blocks
 - The Leys Estate(Birdbrook and Wellington Drive) - 19 low rise blocks

The table below sets out the total numbers of tenants and leaseholders in these areas.

Estate	Blocks	Tnts	Leaseholders	Total
Gascoigne Estate (east)	13	1035	127	1162
Goresbrook Village	3	282	6	288
The Leys Estate (flats)	19	215	65	280

- 1.2 A comprehensive new housing options appraisal is being carried out in the context of the recently announced HRA Subsidy reform proposal. To inform the options analysis a new stock condition survey has been commissioned. The new housing options appraisal will be completed by January 2011.

2. Report detail

Estate Renewal programme

Meeting the up front costs for estate renewal

- 2.1 Comprehensive estate renewal projects require considerable funding in order to meet the up front costs of buying back of leaseholds, decanting, and demolition works and master planning (with resident engagement). To give an indication of the scale of this, the preparatory costs for The Linton's (256 flats) were met by a grant of £7m from the Estate/Area Renewal Fund via the GLA. This and other funding streams to meet the up front costs of estate renewal projects 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 Homes and Communities Agency (HCA) Single Conversation process are and will continue to be explored. There may be some limited funding from April 2011 as a result of the Borough Investment Plan.
- 2.2 In the short-term the suggested approach would be for the Council to fund essential maintenance works costs on the basis of an incremental longer term programme of redevelopment starting with small areas of perhaps one high rise block with, in the case of Gascoigne, and some adjacent low rise blocks to create sites of sufficient size and shape for redevelopment.
- 2.3 It is proposed 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. The Estate Renewal Account will be funded from a range of sources including:
- The re-allocation of £7.1m corporate borrowing support, previously identified to support the Council new build programme (now funded fully within the HRA)
 - land sales capital receipts
 - Right-to-Buy receipts
 - external regeneration monies
 - Units in-kind from any arrangements with individual developers which enable the Council to utilise part of the rents to support further borrowing

It should be noted that the Council previously resolved to reallocate £7.1m from the capital programme to support HRA new build programme. However, as set out in the accompanying HRA new build report, this support is no longer required and the £7.1m can be reallocated to support the Estate Renewal Programme

- 2.4 The sale of some sites on the open market to realise the land receipts could lead to less affordable units being created. This may only be viable in value terms for the Barking Town Centre sites, including the Gascoigne, as they potentially will be of a higher value compared with Goresbrook Village and The Leys.
- 2.5 The delivery of other sites by a developer procured through the Homes and Communities Agency (HCA) development panel could allow for an arrangement which would, by the Council putting in the land value, result in homes coming back to the Council at a discounted rate through us forgoing our land value. Alternatively, if a Registered Provider (Housing Association) is part of the

Development Consortium a higher number of socially rented homes may be achieved.

- 2.6 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 the capital receipts from land disposals. This would, however, be subject to a favourable HRA Review outcome in relation to borrowing caps, and 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.

Proposed first phases

- 2.7 First phases for estate renewal identified on the three estates will be subject to a detailed business case and options appraisal process taking into account the following factors;
- resident and Member concerns about housing conditions
 - impact on the HRA
 - 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 and value for development
 - site access issues during construction
 - number of leaseholders in each block
 - inconvenience to residents living in adjacent areas
 - regeneration impact

The business case and options appraisal work will be considered by the Member and Officer Estate Renewal Steering group prior to the recommendation to Cabinet of the first phases.

Decanting and new supply

- 2.8 Previous decanting programmes have created an adverse impact on the level of lettings available to the housing waiting and transfer registers which given size of the current volume of people registered could not be sustained. For this reason it is suggested that the amount of decants should be matched by the amount of new supply of socially rented properties coming online and available to people on the register. The programme will therefore be dictated by the level of new socially rented supply coming on line over the next 2 -3 years. Projects due to complete within this timeframe include;
- Council house building phase 1 (34 homes)
 - King William Street Quarter phase 1 (31 homes)
 - Council House building phase 2 (42 homes)
 - Goresbrook Compound (40 homes)
 - Barking Riverside (174 homes)
 - Lymington Fields (50 homes)
 - Frizlands Allotment site (35 homes)

- UEL (68 homes)

Member involvement

- 2.9 The Housing portfolio lead Member will establish a Member working group to consider and formulate with appropriate officers the detailed business case and option appraisal for the estate renewal programme to be brought back to Cabinet for decision. Prior to this the lead Member will meet with the Members from Gascoigne, Thames and Village to discuss the proposals for the estate renewal programme.

Other issues for decision following the selection of the first phases

- 2.10 In addition to the recommendation of the first phases the subsequent report to Cabinet will cover;

- Community Consultation and Engagement
- The service of Interim Demolition Orders
- The Programme and options for Developer procurement
- A review of our Leaseholder buy back options and policy
- Authority to seek any necessary Compulsory Purchase Orders

3. Links to Corporate and other Plans and Strategies

- Local Development Framework: Planning for the future of Barking and Dagenham – Site specific allocations issues and options report, LBBD, 2008
- Spatial Regeneration Service Scorecard 2007/10
- The Area Action Plan for Barking Town Centre (AAP BTC) Policy Statement 11 and the AAP Site Specific Allocation BTCSSA3 Barking Station

4. Consultees

- 4.1 The following were consulted in the preparation of this report:

Cllr McCarthy, Cabinet Member for Regeneration
 Cllr P Waker, Cabinet Member for Housing and Village Ward Councillor
 Cllr Ashraf, Gascoigne Ward Councillor
 Cllr Gafoor Aziz, Gascoigne Ward Councillor
 Cllr Twomey, Gascoigne Ward Councillor
 Cllr Channer, Thames Ward Councillor
 Cllr Geddes, Thames Ward Councillor
 Cllr Poulton, Thames Ward Councillor
 Cllr Mullane, Village Ward Councillor
 Cllr L Waker, Village Ward Councillor
 Tracie Evans, Divisional Director of Corporate Finance
 Lee Russell, Group Manager Corporate Finance
 John Hooton, Financial Controller, Corporate Finance,
 Sharon Roots, Group Manager Risk
 Vivienne Cooling – Group Manager Marketing and Communications
 Paul Ansell, Procurement Officer
 Yinka Owa, Legal Partners - Procurement and Contracts
 Heather Wills, Head of Community Cohesion and Equalities

Glynis Rogers, Head of Community Safety and Neighbourhood Services
Valerie Jones - Group Manager - Community Safety
Sue Lees, Divisional Director of Asset Management & Capital Delivery
Andrew Sivess, Group Manager Innovation and Funding
Stephen Clarke, Housing Services, Divisional Director of Housing Services
Andrew Butler, Group Manager, Area Planning
Daniel Pope, Group Manager Development Planning
Darren Henaghan – Interim Director of Customer Services

- 5. Background Papers Used in the Preparation of the Report:**
None