

CABINET

20 September 2011

Title: Gascoigne Estate Renewal - Site Delivery and Disposal Options	
Report of the Cabinet Member for Regeneration	
Open report	For Decision
Wards Affected: Gascoigne	Key Decision: Yes
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Summary: <p>This report sets out the recommended options for the disposal and delivery of new homes at the Gascoigne Estate, Barking.</p> <p>The planned Estate Renewal of phase 1 at Gascoigne comprises four tower blocks and some adjacent low rise blocks for decanting and demolition. In total 364 flats will be demolished by the end of the financial year 2013/2014 and there is a commitment to take down a further 1000 by the end of 2017. This is part of the Housing Revenue Account Debt Settlement and CLG have been informed that these properties will be demolished before the end of 2017. However the Cabinet have not formally agreed the expenditure for this.</p> <p>The decant and buyback programme would deliver cleared and unencumbered sites for development.</p> <p>The Cabinet has previously approved the Estate Renewal programme of works, including the Gascoigne Estate in two separate reports. A 6 July 2010 Cabinet report outlined the strategic objectives of the Housing Management Asset Strategy as:</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 Renewal programme in support of the Council's core Decent Homes Programme. <p>The Cabinet agreed the following recommendations:</p> <p>(i) <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.</i></p>	

- (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 Customer Services and Corporate Director for Finance and Resources.*
- (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.*

Cabinet agreed that the Estate Renewal programme would decant and buy back at the Gascoigne Estate, 13 tower blocks and associated low-rise buildings on the eastern side of the estate. On the western side of the estate, all the homes would be subject to Decent Homes work.

A further report to Cabinet on 2 November 2010 identified how to spend the initial £7.1m set aside for the Estate Renewal programme and the remaining £16m that will be spent across the first phase of the Estate Renewal. The required costs for the Estate Renewal Programme and apportionment of the funding are included as **Appendix 3** to this report.

The Cabinet agreed seven recommendations including the following recommendation:

(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.

As a result of this letters were sent to every resident on the Gascoigne Estate in November. These letters informed them of their status within the phases of the redevelopment and the programme of Estate Renewal. Open meetings have been held as well as surgeries for residents to book appointments to discuss their situation and a number of residents have moved from their units in the first phase. The speed of this consultation has been maintained to ensure that the decanting can be undertaken swiftly and demolition can commence.

A report was drafted for the 23 August 2011 Cabinet to look at the next phase of this programme – the delivery and disposal of the new residential units on the three Estate Renewal sites, Gascoigne, Goresbrook Village and the Leys.

Officers were asked by Cabinet Members to examine a further option for the Gascoigne Estate – the possibility of a stock transfer for the eastern side of the estate linked to the sale of any cleared land.

There is an imperative to provide new homes quickly for two reasons. The first reason is to provide new social rented homes not only for those households on the housing waiting list but also to assist with the decanting process and the additional needs arising out of that. Linked to this the Council have been offered by the Homes and Communities Agency £18.3m for new affordable homes including social rent properties. In order to access this funding, new homes need to be completed by March 2015. Bearing in mind the length of time it takes to procure a development partner and undertake the development process it is essential that we get a partner on board quickly to maximise that potential grant.

Also, it must be emphasised that the Gascoigne Estate Renewal project is not just a housing project. It will have significant regeneration benefits for Barking Town Centre. The Local Development Framework states that *“the Council wishes to build a mixed community, with a variety of tenures living in high quality homes of different sizes and type providing long term social economic change.”*

Key to the Council’s vision is that the perception of Gascoigne as an Estate should disappear, with the area becoming simply integrated, as a largely residential area, within the overall regeneration of the Town Centre.

In order to achieve the above, three options are looked at in detail in the report,:

- DO1: Enter into an agreement with a Housing Association which, instead of a direct capital receipt, could encompass new build Council, refurbished Council and Housing Association built properties (affordable rented, intermediate and private sale);
- DO2: Enter into a development agreement with a developer on the basis of a proportion of new homes being delivered to the Council instead of a direct capital receipt together with the option of the Council to long lease sub-market (i.e. affordable) rented properties subject to suitable terms and to acquire further social rented homes by applying a part of the affordable housing grant secured from the HCA and Council borrowing and surpluses within the HRA settlement;
- DO3: Transfer the retained stock on the eastern side of the estate to a Housing Association and sell any cleared sites to the Housing Association

It is worth considering the principles which underpinned the inclusion of Gascoigne in the Estate Renewal programme:-

- Robust housing asset management (which can be directly traced back to Housing Futures option appraisal in 2004/05) to take the properties which would be most expensive to bring up to standard and were the least popular with tenants / housing applicants – which are the high rise blocks on Gascoigne
- The social and economic imperatives to regenerate the estate as set out in the Council’s Barking Town Centre strategy in 2003 and the Council’s Barking Town Centre Action Area plan approved in 2010.

A stock transfer is not consistent with achieving these objectives.

With regard to the other two options there are pros and cons as set out in **Appendix 2**. For example the partnership with a Housing Association model would allow the Council to address the whole Estate Renewal area, would bring its own Affordable Homes Funding,

and other internal resources, whereas the development partner model only applies to Phase 1 and would rely on Council Affordable Homes Funding and Council HRA resources. The HA partnership would also generate some funding to run a social and economic regeneration programme to assist Gascoigne residents access employment and may create a surplus which could be used to reduce the costs to the HRA in future decanting on the estate allowing HRA money to be used elsewhere in the Borough. In addition, such an approach would increase the decant options for households on the Gascoigne by increasing access to the HA properties, not only in the Borough but elsewhere, reducing demands on the Councils housing stock. However the Development Partner model would result in 128 social rents homes more quickly (using Affordable Homes Funding and HRA resources) and there is no guarantee that the Housing Association model would reach this figure although in overall terms they would provide a larger number of affordable homes. In regeneration terms both options would deliver mixed tenure schemes and contribute significantly to changing the perception of the area.

On balance it is recommended that Cabinet should agree to authorise Officers to establish a partnership with a Housing Association as set out in Section 3.1. Such an approach will give comfort to the Gascoigne residents that a comprehensive scheme for Estate Renewal will happen and such an approach will both allow flexibility in decant arrangements and allow some HRA resources to be spent elsewhere in the Borough on other Estate Renewal activity.

Recommendation(s)

Cabinet is recommended to:

- (i) Agree that the preferred delivery option for the Gascoigne Estate will be to select, through an OJEU competitive tender process, a Housing Association to enter into a partnership arrangement with Council to regenerate the areas identified for redevelopment on the Estate, 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
- (ii) Confirm whether Cabinet should be further informed or consulted on the progress of the project set out in this report, including the procurement and/or award of the proposed contract, failing which, that Cabinet delegates power to the Corporate Director of Finance and Resources, subject to the advice of 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; to negotiate and agree final terms of all necessary commercial and legal transactions, agreements and contracts, and do all other lawful things necessary to finalise and complete the project set out in this report.

Reason(s)

To assist the Council in achieving one of its key objectives in providing new high quality affordable homes and also contributing to the regeneration of Barking Town Centre.

Background:

- 1.1. The eastern side of the Gascoigne Estate is currently being decanted in preparation for demolition. The funded first phase will result in 364 flats being decanted and demolished by the end of 2013/14. In order to ensure delivery of the new homes without delay once demolition has taken place and to ensure that we can draw down the £18.3m of HCA Affordable Homes Programme Funding made available to us, by the specified HCA Programme end date of March 2015, it is essential Members have agreed the delivery option quickly.
- 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 the key criteria for assessing the different delivery options:-
 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 for 762 new affordable homes 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 following table provides an indication of how this HCA grant will be spent based on the submitted bid application to the HCA:

Estate	Number of Affordable Rent Units	Number of Social Rent
Gascoigne	60	76
Goresbrook	0	80
Leys	0	70

- 1.5. 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. This would 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 would convert a proportion of their re-let (void) properties from social rent to higher ‘affordable’ rents. Where estate renewal is being undertaken the HCA is willing to show a degree of flexibility and allow for some replacement social rent properties rather than affordable rent units.
- 1.6. 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 the Estate Renewal sites because it is considered that the BSF LEP

has reached its current delivery capacity for housing development until these two projects (WSQ and EETV) are completed, fully let and evaluated.

- 1.7. This report sets out alternative models for housing delivery which would maximise the level of grant that is available, provide for a suitable level of affordable housing, with sufficient levels of social rent and allow for concurrent development. All models bar one 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, residents and Council Members in line with the localism agenda.

2. Gascoigne Estate:

- 2.1 Gascoigne Estate was constructed in the 1960's and is the largest flatted estate in the Borough, occupying 35ha, with more than 2,400 flats, 1,770 units on the eastern side and 630 homes on the western side. There are some Housing Association properties within the eastern part of the estate, approximately 70 homes owned by Southern Housing built in 2004 and, adjacent to Phase 1 of the Estate Renewal, a home for Adults with Learning Disabilities, not fit for purpose, currently owned by London and Quadrant.
- 2.2 In terms of Estate Renewal the Cabinet has confirmed that this needs to take place on the eastern half of the estate with the western half remaining and over time being subject to Decent Homes work. The regeneration of the eastern side of the estate (approximately 24 hectares, 13 tower blocks and 1,770 dwellings) has been a long held aim of the Council. The first part of this process started in the late 1990s. Under the approved Estate Renewal Programme, 13 tower blocks would be decanted, along with a number of adjoining low-rise blocks. The total number of flats to be decanted and demolished is 1,365.
- 2.3 In the approved Barking Town Centre Area Action Plan (part of the Local Development Framework) the eastern side of the Gascoigne Estate is earmarked as being suitable for a range of residential, as well as some small scale commercial and community uses. Its location, within a 10 minute walk of Barking Station, means that a higher density than is already built on the Gascoigne Estate could be realised as part of the redevelopment. It is estimated that the Phase 1 site could accommodate around 350- 400 new homes (364 demolished). The indicative tenure mix would be a third social rent, a third intermediate and a third private for sale. The proposed overall house type mix would be 75% flats and 25% houses.

3. Delivery Options

Appendix 1 sets out the advantages and disadvantages of the options **Appendix 2** looks at the Council's key new delivery criteria set out in paragraph 1.2 against the three key delivery options – DO1, DO2 and DO3:

Delivery Option (DO)

DO1 –Set aside land value and enter into an agreement with a Housing Association which could encompass new build Council funded by applying part of the affordable housing grant secured from the HCA and council borrowing, refurbished Council

and Housing Association built properties (affordable rented, intermediate and private sale);

DO2 - 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 and to acquire further social rented homes by applying a part of the affordable housing grant secured from the HCA and council borrowing and surpluses within the HRA settlement;

DO3 –Transfer the retained stock on the eastern side of the estate to a Housing Association and sell the cleared sites to the Housing Association

3.1. Option DO1 - Partnership with an HA

A partnership arrangement with a Housing Association, providing one third social rent, one third intermediate and one third private homes for sale. This option has a number of advantages and disadvantages:

- (i) Gascoigne is the only estate in the Estate Renewal programme that is not being completely decanted and redeveloped in a single phase. As a result there will be some Decent Homes and external enveloping work required on the estate to bring retained units up to standard ensuring the same quality of accommodation for all residents. Undertaking the re-development with a Housing Association may generate some funding to cross-subsidise some decent homes work on the homes not being demolished and provide a small pot of money for undertaking social economic regeneration activities across the whole estate.
- (ii) This method of delivery should maximise the amount of affordable homes but not necessarily maximise the amount of social rent homes. The reason for this is that because of reduced “grant “(affordable homes funding) levels Housing Associations are reluctant for funding reasons to build homes at target rent levels. Also because they have greater flexibilities than local authorities they can provide properties for people to initially rent at a sub – market level (between 65-80% of a market rent). These types of homes are attractive particularly to young couples in work on low wages who may within say a five year period be able to consider purchasing a property. This is beneficial from a regeneration point of view
- (iii) Under this option a Management Committee to oversee the management and maintenance of the units on the Gascoigne could be established allowing every resident to have direct access to the same levels of management and maintenance service. The Council Members would be part of this management organisation which would enable the Council to ensure the delivery of better service levels for all residents and potentially encourage the driving up of standards.
- (iv) As the Affordable Homes funding is a programme bid some, if not all, of the “grant” could be transferred to Goresbrook Village and the Leys if for example a Housing Association was to undertake the development at Gascoigne .However because of the decant timescales there is unlikely to be

sufficient land available by March 2015 at Goresbrook Village and the Leys to allow this to happen. Therefore in order to maximise the grant it is essential that some new Council homes are built at the Gascoigne

- (v) This option would take between 6- 9 months to procure a Housing Association and there would be costs associated with the procurement process particularly legal and valuers fees.
- (vi) There is unlikely to be any long term return to the Council unless some new council homes are built as well.

3.2 Option DO2 - Procure a development partner

This option would entail the scheme being 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 the new homes being transferred at no charge to the Council as social rented units (likely to be no more than 20% of the 'for sale' properties). The potential for additional Council house rented units and additional affordable units would be determined by the amount of funding through borrowing and use of surpluses under the HRA settlement and some of the HCA Affordable Homes funding available together with any option brought forward by the developer to long lease other sub-market rented properties.

- (i) Such an approach is likely to result in the maximum amount of social rent (provided a proportion of the Affordable Homes Funding is used) and if the long lease option was available may result in the maximum number of affordable homes. Using the Affordable Homes Funding allocation, identified in the bid to the HCA, the Council would be able to acquire 76 social rent units and 60 affordable rent (at 80% of market rent). In addition the Council is likely to receive (based on soft market testing) 20% of the remaining new homes free (c52 homes) based on 400 (minus 136 acquired by the Council) units being provided on phase 1. This means the total number of affordable homes would be 188 (of which 128 would be at a social rent). This scenario means there would be less funding available for Goresbrook Village and the Leys.
- (ii) The procurement of a development partner through the Homes and Communities Agency Development Partner panel should be achievable in 4 months. This should mean that the new development would start more quickly than other options. Also the cost of the procurement would be significantly cheaper than other options as the HCA Development Partner panel process includes a number of "model" legal agreements and benchmarked rates. However this would only apply to Phase 1 of the redevelopment and further procurement processes would be required for future phases which would mean additional costs. In addition it should be noted that the HCA Development Partner Panel includes one Housing Association.
- (iii) As the affordable housing is either managed or owned by the Council there are short, medium and long term accountability and returns.

3.3 Option DO3 – Stock Transfer

The implications of pursuing this option of what would be a stock transfer to a Housing Association of the tenanted flats on eastern side of Gascoigne estate are set out below.

This course of action would transfer risk and liability for the estate from the Council to the Housing Association selected. The estimated cost of bringing the 1,770 flats to a decent homes plus standard (DH+) is in the order of £90 million. This is based on the actual costs of works the Council carried out within the past 2 years to Oldmead and Bartletts Houses and applying this to the 1,020 flats in the tower blocks and a commensurately reduced cost to the 750 low rise flats.

In order to bring about a stock transfer the Council would have to commission a detailed stock condition survey of the blocks and flats on the remaining areas and on phase 2 of the Estate Renewal project at Gascoigne. Following this there would be a requirement to produce a strong business case to support a potential transfer leading to an offer document. Alongside this the Council would need to resource a resident consultation team and sustain what would in effect be a campaign to achieve a successful tenants' ballot outcome. In addition work would be needed to identify an RSL partner for transfer in partnership with residents, or create a new RSL for this purpose. In all instances a business plan would be required that shows how the RSL would manage and invest in the estate over the next thirty years.

These preparations leading up to a ballot would take a minimum of 18 months with a cost to the HRA estimated at £1 million. In this time, significant parts of the Gascoigne would be decanted and work on demolition would be well underway or Members could consider stopping this activity. The stock transfer process would delay the provision of any new affordable homes.

It needs to be borne in mind that given the costs of refurbishment and / or redevelopment that any Housing Association would be taking on with a stock transfer in relation to asset and land value. This is likely to be an unattractive offer for any Housing Association and may result in the request for a dowry which would need to come from the HRA. This position also results from there no longer being any Large Scale Voluntary Transfer funding or gap funding available from CLG. The level of investment required is likely to deter potential RSL partners and a robust assessment of costs would be needed before this option could be considered. This would need to include carrying out stock transfer modeling based on known costs and income.

A stock transfer in these circumstances would be difficult to deliver. If a transfer took place and significant changes were subsequently needed in the business plan, this could result in the Council having little influence over the decisions affecting the future of Gascoigne, outside of the transfer agreement. A stock transfer would also be a lengthy process, resulting in the spending of HRA funding with the likelihood of no receipt and extensive costs on officer time for an unknown outcome. Also it would result in the need to consider stopping the Estate Renewal process on the Gascoigne and stopping the decanting of tenants and buyback of leaseholders who have already all been told that this will happen. In addition should a ballot be lost it would also impact on the HRA settlement where Government has been informed

that 1,940 units will be removed from the stock and the debt adjusted accordingly. Potentially 1,000 units may not be removed and this may result in an adverse financial impact on the settlement of over £14 million.

To reiterate, this option is not guaranteed and the Council may finance the investigation and preliminary work only to find this option is not attractive to any HA, or financially viable.

It is worth returning to the principles which underpinned the inclusion of Gascoigne in the Estate Renewal programme:-

- Robust housing asset management (which can be directly traced back to Housing Futures option appraisal in 2004/05) to take the properties which would be most expensive to bring up to standard and were the least popular with tenants / housing applicants – which are the high rise blocks on Gascoigne
- The social and economic imperatives to regenerate the estate as set out in the Council's Barking Town Centre strategy in 2003 and the Council's Barking Town Centre Action Area plan approved in 2010.

A stock transfer is not consistent with achieving these objectives.

4. Conclusion

- 4.1 Securing the regeneration of Gascoigne estate is a Council priority not only for housing reasons but for sound regeneration reasons particularly in relation to Barking Town Centre and the need to improve the retail offer for the Borough. Decanting and buying back properties is now underway with the objective of having a cleared, unencumbered site available for development from the beginning of 2013 onwards.
- 4.2 With regard to the Development Partner and Housing Association partner options there are pros and cons as set out in **Appendix 2**. The preferred option is the partnership with a Housing Association model which would allow the Council to address the whole Estate Renewal area, would bring its own Affordable Homes Funding, and other internal resources, whereas the development partner model only applies to Phase 1 and would rely on Council Affordable Homes Funding and Council HRA resources. The HA partnership would also generate some funding to run a social and economic regeneration programme to assist Gascoigne residents access employment and may create a surplus which could be used to reduce the costs to the HRA in future decanting on the estate allowing HRA money to be used elsewhere in the Borough. In addition, such an approach would increase the decant options for households on the Gascoigne by increasing access to the HA properties, not only in the Borough but elsewhere, reducing demands on the Councils housing stock. However the Development Partner model would result in 128 social rents homes more quickly (using Affordable Homes Funding and HRA resources) and there is no guarantee that the Housing Association model would reach this figure although in overall terms they would provide a larger number of affordable homes. In regeneration terms both options would deliver mixed tenure schemes and contribute significantly to changing the perception of the area.

- 4.3 On balance it is recommended that Cabinet should agree to authorise Officers to establish a partnership with a Housing Association as set out in Section 3.1. This approach will give comfort to the Gascoigne residents that a comprehensive scheme for Estate Renewal will happen and such an approach will both allow flexibility in decant arrangements and allow some HRA resources to be spent elsewhere in the Borough on other Estate Renewal activity.

5. Financial Implications

Implications completed by: Tracie Evans, Corporate Director

- 5.1 This project is part of the £45m Estate Renewal programme (decanting buy backs and demolition). Funding (c£22m) for this currently comes from Council capital and HRA borrowing and surpluses. Phase 2 of the programme requires an additional £23m of funding and this is presently modelled to be funded from HRA surpluses within the first five years of the new business plan. This second tranche has not been formally agreed by the Council. There is no further borrowing capacity within the HRA at present for the financial years to 2017 covered by this report.
- 5.2 Separately, the Council have been offered, by the Homes and Communities Agency, £18.3m of Affordable Homes Funding, for new affordable homes including social rent properties. In order to access this funding, new homes need to be completed by March 2015. Also a number of these new homes will come from the LEP Housing Model (see para 1.5) which, provided the deal is closed and the scheme gets built, will yield £14.28m of the £18.3m Affordable Homes Funding. This £14.28m can contribute towards the costs of new council homes on the Leys, Goresbrook Village and the Gascoigne and is expected together with “free” land, HRA borrowing and surpluses to enable a further 286 council homes to be built. The current Affordable Homes programme, officers have had to submit to the HCA, shows 70 social rent units for the Leys, 80 social rent for Goresbrook Village and 60 social rent and 76 affordable rent (80% of market rent) units at the Gascoigne. This would require between £21.04m - £25m of HRA surpluses and can be kept within the HRA debt cap. Provided both the LEP housing model and the 286 homes were completed this would allow either additional homes (c38 3 bed houses) or additional decent homes or estate renewal work elsewhere (£3.945m) to be undertaken post March 2015 without any additional “grant”.
- 5.3 As the Affordable Homes funding is a programme bid some, if not all, of the “grant” could be transferred to Goresbrook Village and the Leys if for example a Housing Association was to undertake the development at Gascoigne as described below. However because of the decant timescales there may not be sufficient land available by March 2015 at Goresbrook Village and the Leys to allow this to happen. Therefore in order to maximise the grant it is essential that some new Council homes are built at the Gascoigne.
- 5.4 The HCA Affordable Homes funding of £18.3m requires completion of at least 610 new affordable homes by the end of 2015. However the HCA have informed officers that they would expect more homes to be produced for the level of grant provided. The HCA approved bid was predicated on the LEP model producing 520 completed units before March 2015. Formal permission should be obtained as the HCA grant conditions would not usually apply to this type of scheme.

- 5.5 The LEP scheme has still not been finalised and if the scheme did not go ahead in its current form and that would impact on the amount of Affordable Homes Funding available.
- 5.6 There is also a risk that the current LEP model may not be tenable in its present form and require remodelling and this in turn could lead to a delay in the completion of units and ultimately the ability to draw down the HCA funding.
- 5.7 The latest HRA business model includes £25m of “new HRA build” together with the Estate Renewal funding above to be funded from HRA reserves and this has been achieved by reducing the amount available for the Decent Homes programme. Officers are currently working with Savills to re-profile the Decent Homes programme required under the recent stock condition survey to accommodate the new build programme.
- 5.8 As part of the discussions with Cabinet Members, options were put forward in terms of delivery and procurement options for the three Estate Renewal sites. There are number of additional financial implications associated with each option.
- 5.9 Using a partnership arrangement with an HA, the Council would dispose of the land at a nominal value in return for the HA building homes, some of which the Council could acquire using HRA borrowing, surpluses and HCA Affordable Homes Funding. This model would not result in a market value capital receipt; but could enable the Council to retain an interest in terms of any new build properties for Council use. This model could also result in both short term and longer term returns to the Council, e.g. improvements to existing Council properties and social regeneration, and will give rental returns on the proportion of properties that it acquires (the exact amount will be dependent on the number and mix of units). Procurement costs will be incurred as this option involves a 6- 9 month OJEU procurement process. Some funding has been allowed for procurement in the current Estate Renewal programme.
- 5.10 The second option which would only apply to the Phase 1 redevelopment of the Gascoigne estate involves procuring a partner through the HCA Development Partner Panel and disposing of the land at a nominal value in return for building some homes for social rent to be owned by the Council. This will be less costly and quicker than the option above, as the bulk of the procurement work has been undertaken and model agreements and benchmarked rates have been established. Also the Council would get some nil cost homes which could help support the HRA business plan. However in order to maximise the number of homes for social rent the Council will need to use some of the HRA surpluses as well as part of the Affordable Homes Funding which could have been used elsewhere in the Borough. Also this is only a short term option and a further procurement process will need to take place in due course to cover the additional phases which will involve additional costs and time.
- 5.11 Alternatively if the Council were to pursue the stock transfer option, it would involve the permanent sale of the land at market value to the HA, but the Council would no longer retain any financial interest in the properties (including nomination rights), or likewise any costs or risks. The main financial implication of this is that the Council would not have to bear the cost of the demolition (and/or refurbishment) on future phases of the Estate Renewal programme estimated at c£23m, as it instead

involves the wholesale transfer of the site to the HA who would fund any necessary works. This is of course predicated on any stock transfer being successful which is highly speculative. However compared to the partnership model or the Development Partner Panel model, there would be no future income streams back to the Authority. The estimated cost of bringing the existing 1,770 flats to a decent homes plus standard (DH+) is in the order of £90 million. This is based on the actual costs of works the Council carried out within the past 2 years to Oldmead and Bartletts Houses and applying this to the 1,020 flats in the tower blocks and a commensurately reduced cost to the 750 low rise flats. Taking off the 364 flats which are currently being decanted in phase 1 this leaves a figure of 1364 units which reduces the decent homes cost to c£69.6m. Alternatively the HA could continue with the decant programme which with regard to phase 2 is estimated to cost £23m and carry out a decent homes work on the remaining 476 units at a cost of c£24.2m. On this basis a Housing Association would need to find between £47m-69.6m to take on Gascoigne Estate. Although a notional land value of between £15-20m may be realised from all the decanted sites this is very unlikely to be an attractive proposition to any Housing Association. In the past, substantial grants have been made available from Central Government to give Housing Associations the incentive to take over Council stock. These are no longer available.

- 5.12 Also in order to undertake a stock transfer detailed structural survey of all the properties plus the development of a robust business case, and a residents consultation document would need to be funded from the HRA. This is estimated to cost at least £1m.
- 5.13 The base data return for the HRA debt settlement was submitted to CLG on 31 August 2011. This return contains details of the Estate Renewal programme, previously approved by Members, which includes 1942 units (1445 for Gascoigne) to be decanted and demolished by the end of the 2017 financial year. Only 364 properties will be vacated as part of the phase 1 process on the Gascoigne leaving at risk 1000 plus properties which the HA might decide not to decant. This will have adverse financial implications for the HRA debt settlement and possibly impact on the ability to fund any more Council homes.
- 5.14 The options proposed in this report contain a number of unknown financial variables such as land values, future HRA income streams (based on new HRA properties) and therefore it is not possible to comment on the most financially viable option.
- 5.15 However, the option chosen should seek to ensure that the Council is able to deliver the required number of units to maximise and draw down the £18.3m HCA funding in the timescales stipulated taking into account the available funding within the HRA business plan and the needs of the Decent Homes programme on the existing stock

6. Legal Implications

Implications completed by: Tasnim Shawkat, Divisional Director of Legal and Democratic Services

- 6.1 The proposals envisage that there may 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 1985 purposes. However the

Minister has issued General Disposal Consents which permit disposal at less than best consideration if specified conditions are met which would be likely to be made in this case.

- 6.2 The proposals are going to lead to decanting for tenants to enable the demolition and refurbishment of the estate. As part of the process Initial Demolition Notices have to be served. These advise tenants as to the plans for eventual demolition of the site. These Notices have a limited timespan which if exceeded require the consent of the Secretary of State to be re-issued. It is important that they are not served too early so as to be potentially out of time before the programme starts or late so as there is a risk that tenants may seek to exercise the right to buy. This should be balanced with a communications strategy that keeps residents informed as to progress so that they can make plans for decoration and understand that they may not be able to elect to take up the right-to-buy.
- 6.3 If property is to be disposed, there will be a requirement to ensure there is due diligence to the requirement of securing best value. Title checks will need to be carried out to check for any encumbrances affecting the property.
- 6.4 It is understood that the site earmarked for disposal may have some leasehold properties to be acquired. The risks involved in any delay to redevelopment programme in the event that early acquisition / acquisition by private treaty cannot be achieved then as a last resort it will need to be addressed by means of acquisition under a Compulsory Purchase Orders.
- 6.5 With regard to the procurement issues, the report outlines one option to procure a partnership contract with a Registered Provider of Social Housing to facilitate the regeneration of those areas of Gascoigne Estate identified for regeneration. The estimated value of the proposed works / services to be provided under the proposed partnership contract will exceed the EU threshold for works/services contracts which would oblige the Council to seek tenders via the OJEU (Official Journal of the European Union) Procurement route which is a lengthy process.
- 6.6 The preferred option is for the site to be developed in partnership with the Homes and Communities Agency Development Partner Panel. 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 this option envisages the transfer of 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 of those methods. This option has the additional advantage of the Partner Panel being already compliant with the OJEU procurement process.
- 6.7 Furthermore, Rule 3.6 of the Council's Contract Rules requires the strategy for the procurement of contracts of above £400,000 in value to be submitted to Cabinet for approval prior to procurement of such contracts. This is particularly so as the report is asking Cabinet to delegate power to the Director of Finance and Resources (in consultation with 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), to agree final terms with the selected bidder, upon conclusion of the procurement process. If Cabinet is to delegate such power, it should be briefed as fully as possible so that it is clear as to the full strategy, implications and risks of the project and procurement.

- 6.8 Finally given the size and strategic importance of this project there will be resources implications in terms of the need to supplement internal advisors with additional; external specialists in areas such as legal, financial and technical advice

7. Other Implications

7.1 Risk Management

There are risks 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, internal staff resources and, in the case of Housing Associations, the capacity within their agreed development programmes with the HCA, to deliver the scale of project they would be committing to in Barking & Dagenham.

7.2 Contractual Issues

The carrying out of works would need to be compliant with the European Tendering Regime and in addition in accordance with the Public Contract Regulations. The Corporate Procurement team have been consulted on this report and comment; 'The recommended approach as outlined in Option DO2 with the selection of a development partner via the Homes and Community Agencies Partnership would appear to be the most expedient and cost effect from a procurement cost perspective.'

7.3 Staffing Issues

A 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

Three 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 lead 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 a

project of this scale and nature simultaneously should not be underestimated and clear prioritisation of activity will be required.

7.4 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

The three options have been assessed for their impact on residents within Gascoigne:

- Option DO1: Partnership with a Housing Association:
While a partnership with a Housing Association would result in the best level of participation by the Council, this may not represent the best outcome for residents. A partnership with a HA would take at least a year to set up, and may result in a high level of intermediate rent housing including a significant proportion of rent to homebuy and a relatively small percentage of new social rent housing. In terms of being able to decant households within the Gascoigne area this may prove more difficult due to their inability to afford these rent levels without being on benefit. This

would then deter them from obtaining employment. Also some decanted households will be forced to move away from the Gascoigne area potentially disrupting school and social networks. The rent to homebuy model could lead to a more transient population who do not stay long, thereby not contributing towards building a community.

- **Option DO2: Delivery through the HCA DPP:**
This option gives more certainty. Potentially 32% of the new units could be provided at a social rent level with an additional 13% at an affordable rent level. The remainder would be private for sale. However, some of the social rent would be provided at the back end of the development phase which could impact on the ability to decant other Gascoigne residents into them. Also there is an issue about who will occupy the private units and there may be a high level of buy to let, which is not conducive for a stable community. This is unavoidable with any private units and it will be important for the Council to maintain a presence on the Estate through Estate Managers and community groups.
- **Option DO3: Stock transfer:**
This is expected to have the most damaging impact on residents. A stock transfer will take at least a year to undertake, at considerable expense and it is not guaranteed that the residents will vote for it. It will result in the decanting process being delayed and many households will continue to live in tower blocks that need at a minimum decent homes investment.

7.5 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 area.

7.6 Health Issues

There is a large body of evidence that improvements to housing quality can improve health and wellbeing outcomes and there is also evidence that high rises and multi-dwelling accommodation can be detrimental to psychological well-being. Therefore any option for the Gascoigne Estate which sees substantial improvement in the quality of the housing stock and a reduction in the number of high-rise and multi-dwelling buildings on the estate will have a positive impact on health.

The evidence on health relating to housing tenure is less robust and more varied. Although there is evidence that home ownership is related to better health, this is only in the context of home owners having better quality housing stock and hence in the context of asset transfer this would only be realised if the existing stock was substantially refurbished and improved prior to transfer. We have not found academic evidence of variation in health outcomes between Housing Association and local authority landlords. Housing Associations may have developed specialist provisions for specific client groups which may be beneficial for tenants health and wellbeing but this would be specific to the provider and therefore it is not possible to make general statements on the potential health benefit of options using Housing Associations compared to Local Authority landlords.

There is evidence of the positive impact of mixed tenure neighbourhood characteristics particularly in terms of deprivation at both small neighbourhood scale (about 100-150 households) and larger neighbourhood scale (about 2,200 households), although the evidence is strongest this is when the social tenure falls to below 30% of the total tenure in an area. This would support options which see greater mixing of housing types on the estate being potentially more beneficial for health. For references please see **Appendix 5**.

7.7 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.

In decanting the site it is important that this is done in a measured and timely way, not creating the opportunity for small numbers of people to remain on site, which could increase vulnerability of those residents and also of the site itself. In demolition and rebuild, contractors must be sure to adequately secure the site so as to ensure that any asset of the Council is protected and that the site does not become 'attractive' to criminals, for example by the removal of all piping and boiler work/electrical cable as soon as possible, as this can often be attractive to thieves due to its resale value. Contractors should be required to ensure that all equipment and resources at the site should be sufficiently secured so as to not increase the opportunity for crime which would possibly impact on Council, Police and Fire services' resources.

In terms of the redesign these implications can be partly addressed in the design of the built environment, both within the properties but also within the public space. Design of family housing can impact positively on certain crime types, for example specific types of violence such as domestic violence can be reduced by social aspects of any development such as better quality housing, sufficient space for families to live and for children to learn and through better access to services based in local community facilities.

The Gascoigne Estate currently benefits from a large amount of open space and recreational areas for young people of all ages. Improved facilities within the new development for young people will also provide new opportunities for education, recreation and employment directing them away from crime and disorder.

It is important that any plans include such recreational facilities aimed at both very young children and also teenagers and that community facilities are enhanced and are designed to bring all the community together to create a cohesive community and a neighbourhood that residents are proud of and value.

7.8 School

As you will appreciate, this is a significant development and the fact that there will be no support for other infrastructure development does raise issues for Children's Services, particularly with respect to the provision of school places. The department is of course aware that the existing development on the site will be removed and the existing residents decanted. However, any benefits in anticipated reduced demand for school places from the loss of these homes is unlikely to have

much impact as the Borough has experienced a significant rise in demand for school places brought about by a substantial and sustained rise in births since 2000, and an increase in residents to the borough over recent years as larger families move in.

In Central Barking there have been a number of developments which have recently been completed and occupied with above average occupancy levels. This has increased the pupil yield and despite the temporary reduction due to the demolition of the former Lintons we have experienced high demand such that we have had to increase school places at a number of schools as follows:

- | | |
|---|--------------|
| • Northbury infants and Junior Schools | 210 places |
| • Gascoigne Primary | 210 places * |
| • Ripple Primary (inc Westbury conversion) | 470 places * |
| • Eastbury Primary | 450 places * |
| • St. Joseph's Primary, Barking (subject to planning) | 210 places * |

Each year we have been increasing school capacity so that the youngest age groups can be accommodated in our schools, there has been particular demand this year and we are responding at four of the above mentioned schools (indicated by an asterisk *) by continuing to provide additional facilities. Extra provision in terms of the development of the Gascoigne Phase 1 site will increase demand and our sites are almost at saturation point. The experience in recent years where we have struggled to accommodate the youngest pupils in Barking Schools has been that children as young as 4 years old have had to take a bus and travel to the nearest school with a vacancy which often has been in Dagenham. We are anticipating that for next and future years this problem will continue without the extra demand which this development will inevitably bring.

More than this the issues are going to become more problematic as the pupil population increases the demand for secondary school places will not be met by adequate provision. Again because of the demand in Barking there are pupils at secondary age who are being displaced to Dagenham located secondary schools. There is unprecedented demand for school places and not sufficient funds to meet demand at present, some of this will need to be met by new site provision as schools reach their site capacity.

8. 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)

9. List of appendices:

Appendix 1: Delivery Options

Appendix 2: Delivery Outcomes

Appendix 3: Funding Requirements

Appendix 4: HCA Development Partner Panel

Appendix 5: Health Impact References (Section 5.6)