

Cabinet (Special)

Monday 28 February 2011

4.00 pm

Ground Floor, 160 Tooley Street, London SE1 2TZ (Room G02A)

Membership

Councillor Peter John
Councillor Ian Wingfield
Councillor Fiona Colley
Councillor Dora Dixon-Fyle
Councillor Barrie Hargrove
Councillor Richard Livingstone
Councillor Catherine McDonald
Councillor Abdul Mohamed
Councillor Veronica Ward

Portfolio

Leader of the Council
Deputy Leader and Housing Management
Regeneration and Corporate Strategy
Health and Adult Social Care
Environment, Transport and Recycling
Finance, Resources and Community Safety
Children's Services
Equalities and Community Engagement
Culture, Leisure, Sport and the Olympics

INFORMATION FOR MEMBERS OF THE PUBLIC

Access to information

You have the right to request to inspect copies of minutes and reports on this agenda as well as the background documents used in the preparation of these reports.

Babysitting/Carers allowances

If you are a resident of the borough and have paid someone to look after your children, an elderly dependant or a dependant with disabilities so that you could attend this meeting, you may claim an allowance from the council. Please collect a claim form at the meeting.

Access

The council is committed to making its meetings accessible. Further details on building access, translation, provision of signers etc for this meeting are on the council's web site: www.southwark.gov.uk or please contact the person below.

Contact

Everton Roberts 020 7525 7221 or Paula Thornton 020 7525 4395 or email:
everton.roberts@southwark.gov.uk ; paula.thornton@southwark.gov.uk
Webpage: <http://www.southwark.gov.uk>

Members of the committee are summoned to attend this meeting

Councillor Peter John

Leader of the Council

Date: 18 February 2011



Cabinet (Special)

Monday 28 February 2011

4.00 pm

Ground Floor, 160 Tooley Street, London SE1 2TZ (Room G02A)

Order of Business

Item No.	Title	Page No.
-----------------	--------------	-----------------

PART A - OPEN BUSINESS

MOBILE PHONES

Mobile phones should be turned off or put on silent during the course of the meeting.

1. APOLOGIES

To receive any apologies for absence.

2. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

In special circumstances, an item of business may be added to an agenda within five clear working days of the meeting.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

Members to declare any personal interests and dispensation in respect of any item of business to be considered at this meeting.

4. AYLESBURY REGENERATION - NEXT STEPS

1 - 17

To consider issues relating to the regeneration of the Aylesbury Estate.

DISCUSSION OF ANY OTHER OPEN ITEMS AS NOTIFIED AT THE START OF THE MEETING

Item No.

Title

Page No.

EXCLUSION OF PRESS AND PUBLIC

The following motion should be moved, seconded and approved if the cabinet wishes to exclude the press and public to deal with reports revealing exempt information:

“That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1-7, Access to Information Procedure Rules of the Constitution. “

PART B - CLOSED BUSINESS

DISCUSSION OF ANY OTHER CLOSED ITEMS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT

Date: 18 February 2011

Item No. 4.	Classification: Open	Date: 28 February 2011	Meeting Name: Cabinet
Report title:		Aylesbury Regeneration – Next Steps	
Ward(s) or groups affected:		Faraday	
Cabinet Member		Councillor Fiona Colley, Regeneration and Corporate Strategy	

FOREWORD - COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR REGENERATION AND CORPORATE STRATEGY

1. Aylesbury Estate is unique. There is no other neighbourhood of a comparable size, located so close to the heart of the city, in need of regeneration and with such a committed, active community.
2. Southwark Council is committed to the regeneration of the Aylesbury and to the vision expressed through our Aylesbury Area Action Plan. This commitment transcends political divisions.
3. The current economic climate and recent withdrawal of PFI funding, combined with the change of the government's housing grant funding regime, are setbacks and represent a major challenge.
4. However, the council has a track record of delivering major regeneration and renewal projects through previous economic downturns. Such setbacks are an inevitable part of programmes such as the Aylesbury that have long delivery timeframes.
5. When such challenges arise, we have learned that where our partnerships are strong we are able to find a way to deliver. We will take this opportunity to reinvigorate our partnerships with our residents, businesses, service providers, private sector developers, housing associations and national government, in order that together we can deliver our vision for the Aylesbury.

RECOMMENDATIONS

Recommendations for the Cabinet

That the Cabinet:

6. Notes the previous decision to progress land transactions for sites 7 and 10 (Wolverton and Missenden) and the associated issues set out in paragraph 45.
7. Requests officers to consider an appropriate route for seeking a development partner for the Aylesbury, with an initial focus on phase 1b and 1c (Bradenham, Chartridge, Arklow House and Chiltern), taking into account lessons learned on Aylesbury Phase 1a and other similar projects within Southwark, as indicated in paragraphs 50 to 54.

8. In relation to the redevelopment of sites 8 and 9 (East Street, Taplow and Northchurch), requests that officers continue to consult with residents, the Aylesbury Health Centre, Creation and other stakeholders, as alternative options are explored.
9. Requests that officers also explore with residents, Creation and other local partners, options to enhance the existing community hub located on Thurlow Street, near to the junction with East Street, ahead of the longer term regeneration.
10. Requests that officers prepare a housing management and investment strategy for the Aylesbury, in consultation with residents, taking into account (a) the regeneration timetable set out in the Area Action Plan; and (b) the council's Decent Homes programme.

Recommendations for the Leader of the Council

That the Leader

11. Delegates responsibility for agreeing the detail of the development brief for sites 7 and 10 to the Cabinet Member for Regeneration and Corporate Strategy, following officer discussions with the PCT and Creation Trust.

BACKGROUND INFORMATION

12. The cabinet received a report on 14 December 2010 on the consequences of the government's decision to curtail the proposed £181m funding for the Aylesbury PFI Housing Project, as one of 13 housing PFI pipeline projects nationally. The cabinet reaffirmed its commitment to regenerating the Aylesbury Estate and requested officers to complete and submit the Outline Business Case (OBC) for the PFI project and to review possible alternative funding sources, reporting back to cabinet in February 2011.
13. To keep up the momentum for regeneration, the cabinet also requested officers to commence the re-housing of tenants in the remainder of Chartridge (Nos 106–149), in line with the indicative housing plans set out in the report.
14. Since the cabinet meeting on 14 December:
 - The PFI Outline Business Case has been completed by officers, agreed by the Cabinet Member for Regeneration and Corporate Strategy and submitted to the Homes and Communities Agency on 29 December 2010.
 - The Leader led a delegation, including local residents and officers, to meet with Harriet Harman MP and Grant Shapps, Minister of State for Housing and Local Government, to explore future funding options.
 - Detailed analysis has been carried out into the potential impact of the Government's 'affordable rent' proposals on the Aylesbury programme.
 - Informal discussions have been held with senior officials from the Homes and Communities Agency and the Mayor's Housing Advisor.
15. Officers have also commenced an analysis of future options, in the light of the changing national environment on housing policies and funding.

16. This report updates the cabinet on the outcome of this work and associated discussions. It takes an overview on the current prospects for regeneration and makes recommendations on a way forward to maintain the council's momentum in progressing the regeneration of the Aylesbury estate, in line with the Area Action Plan.

PROGRESS ON THE SCHEME TO DATE

17. The anticipated phasing and site designations for the Aylesbury programme are set out in the Area Action Plan (AAP), as indicated in Figure 1 below. The composition of the four phases is as follows;

- Phase 1 comprises sites 1a, 1b, 1c, 7 and 10
- Phase 2 comprises sites 4a, 4b and 5
- Phase 3 comprises sites 6, 8 and 9
- Phase 4 comprises sites 2a, 2b, 3a, 3b, 11, 12, 13 and 14

Figure 1: Area Action Plan – Phasing

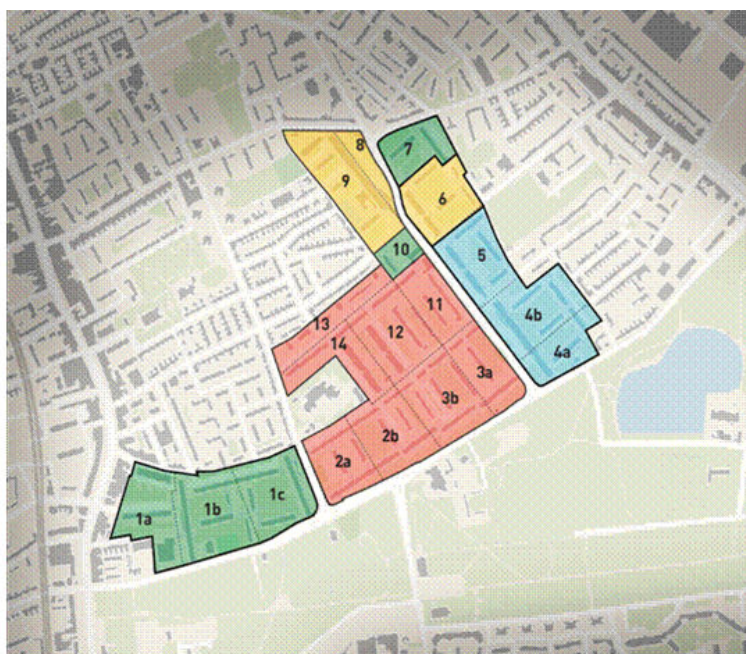
Key:

Phase 1 ■

Phase 2 ■

Phase 3 ■

Phase 4 ■



18. Appendix 1 tabulates these sites and phases against the names of each of the housing blocks.

Phase 1a

19. Redevelopment of Phase 1a is currently being taken forward through London and Quadrant Housing Group. This work includes 260 mixed tenure homes across four adjoining sites and a resource centre for people with learning and sensory disabilities. Close working with the HCA has been fundamental in enabling this stage to be progressed, in particular through social housing grant funding of £13m to unlock this phase of the programme. The first of the four sites is under construction and is expected to achieve practical completion in March 2011, including the delivery of 37 homes for social rent, 15 for intermediate rent and the resource centre. Construction works have also commenced on the adjacent sites.

Phase 1 – Sites 7 and 10

20. On 2 November 2010, the cabinet agreed to offer sites 7 and 10 on the open market with a view to securing one or more development partners for their regeneration. The AAP indicates that the two sites together should provide some 277 new housing units, together with some health, community and retail space. The requirements for the latter, together with the anticipated split of affordable and private housing, are currently being assessed prior to taking these sites to the market.

Aylesbury PFI Housing Project – Sites 1b, 1c, 8 and 9

21. The proposed PFI scheme relates to sites 1b, 1c, 8 and 9. The initial cabinet decision was to apply for PFI funding for Phases 2 and 3. However, this decision was amended by Cabinet in July 2010 in the light of changing market conditions, phasing considerations and the fundamental reductions in available HCA funding which could seriously impact on the scheme. The revised scheme comprised a total of 943 new homes, as follows:

- 360 social rented homes
- 131 intermediate homes
- 452 homes for sale.

22. The government decision to curtail funding for this scheme has necessitated a review of alternative delivery options for the affected sites. In the meantime, work is continuing to vacate properties to enable redevelopment, as follows:

- The purchase of leaseholds has commenced on sites 1b and 1c.
- Re-housing of tenants has commenced in Bradenham (nos. 42-256) and Chartridge (nos. 1-105) on site 1b.
- Re-housing has recently been activated under delegated authority for the remainder of Chartridge (nos. 106-149) and for Arklow on site 1c.

23. Re-housing has yet to be commenced for Chiltern on site 1c.

24. The council has made a commitment through the provision of an enhanced neighbourhood housing management service, staffed by dedicated officers providing a wide range of services, to ensure that the Aylesbury estate is effectively managed throughout the life of the regeneration programme.

CURRENT ISSUES

Changes to Government Housing Policies

25. The Aylesbury PFI Housing Project was designed to play an integral part in the delivery of the Aylesbury Area Action Plan, which is an adopted Plan with strong public support following extensive public consultation. The loss of PFI funding is therefore a decision which has fundamental implications, not just for this scheme but for the whole Aylesbury regeneration programme.

26. In addition to the curtailment of funding for all pipeline PFI housing projects, there have been some major changes to government housing policy, including:
- Significant reductions to the HCA's social housing grant budget, making this grant unavailable for new schemes for 2011/12 and with little funding available for the following year
 - An associated reduction in grant levels from around £120,000 to £25,000 per unit
 - The proposed introduction of the principle that affordable housing providers can charge up to 80% of market rent
 - Major changes to housing benefit, including a cap at the 30th percentile of local market rent
 - Fixed term tenancies being introduced for use by Registered Providers
 - An end to the ring-fencing of Housing Revenue Accounts
 - The provision of a New Homes Bonus to local authorities for additional homes being provided.
27. The availability of grant funding from the HCA will in future be linked to the above increase in rent levels of 'up to 80%'. There are limited opportunities to do this on regeneration projects, given the general intention of seeking to re-house existing residents on regenerated estates. It is not yet clear whether any exceptions can be made to this requirement for major regeneration schemes such as the Aylesbury.
28. The combination of all these changes will have the effect of removing, or severely curtailing, any HCA grant funding for the Aylesbury regeneration programme.

Planning Policy Context and Constraints

29. The Aylesbury AAP sets out the policies, phasing and design guidance for redevelopment of the existing estate, although it does not go into the detail of how each proposal site will be delivered, allowing flexibility and creativity in the detailed design and development of each site. As a consequence of existing site features and the complex phasing and re-housing processes, there are several physical constraints and considerations with the potential to create significant challenges. These could impact on the design, demolition and construction of each site and include the relationship with the surrounding area, the existing buildings, non-residential facilities, highways, services and mature trees on the site.
30. Any detailed proposals for new development will need to reflect the existing site constraints in order to minimise any negative impact, while also ensuring that the AAP requirements are achieved. Pre-application discussions with the council as client, landowner, Local Planning Authority and Local Highway Authority, as well as relevant service providers, will ensure that many of these issues are reviewed in advance of any planning application submission. It may be feasible to adjust the phasing of proposals or tenure mix, or recalibrate the infrastructure tariff as set out in the AAP, provided that the overall objectives and vision of the Plan can be met. Such proposals would be tested through the design stage of detailed schemes and the development management process; ultimately Planning Committee would take a view on whether the overall benefits justify the approach taken.

31. The plan includes a framework which enables the council to monitor progress towards meeting the plan objectives. Every year, the council publishes an Annual Monitoring Report, which provides a vehicle for reviewing the output and effectiveness of policies. This monitoring process will be used to review and inform the effectiveness of the AAP.

Housing Management Issues

32. The condition of the council's housing assets on the Aylesbury Estate is in serious decline requiring:
- 7,000 ad hoc repairs per annum, costing £950k
 - 5,000 programmed repairs per annum, costing £700k.
33. The council has been relying on the Aylesbury redevelopment being progressed to help address the above problems. However, were the regeneration of those sites associated with the Aylesbury PFI Project (sites 1b, 1c, 8 and 9) to stall, this would potentially increase the cost of the council's planned maintenance programme to meet the Decent Homes requirements for up to an additional 775 homes.
34. In addition, the lift systems on the Aylesbury Estate and the district heating system require extensive and costly remedial work to halt the decline of their infrastructure, with costs estimated at approximately £6m to upgrade. Whilst a proportion of the forecast costs are currently covered through the Aylesbury planned preventative maintenance programme, this will not cover the full extent of work which would be required if the proposals for regeneration were not to progress.
35. Any delays to the implementation of the regeneration scheme will entail increased maintenance and investment as the blocks will be occupied for longer. This generates issues with regard to the ongoing maintenance of the asset and the associated costs of running a block with reduced occupancy and increased need for security, patrols and managing a mix of tenure types. Delays will also extend the length of time that the enhanced neighbourhood service is required and extend the process of transferring ownership of landlord responsibilities from the council to new landlords managing the new homes to be provided.

Re-housing of Residents

36. The council's intention is for as many residents as possible to have the option of remaining on the estate throughout the regeneration programme. To facilitate this, the regeneration programme was structured to deliver a larger proportion of affordable homes (59%) in Phase 1.

37. The council is proceeding with the re-housing proposals for North Wolverton, Missenden, Bradenham, Chartridge and Arklow. This will allow the council to improve the availability of new homes for Aylesbury residents and reduce the probability of any compulsory re-housing, as residents will have more time to use the council's Homesearch facility to find new homes. The current indicative re-housing timetable for sites 7 and 10, together with those blocks comprising the Aylesbury PFI Housing Project is set out in Table 1 below.

Table 1: Sites, Blocks, Sites and Re-housing Start Dates

Block	No. of Homes	Site	Re-housing Starts
Wolverton (1-59)	59	7	2010
Missenden (300-313)	14	10	2010
Bradenham (42-256)	215	1b	2010
Chartridge (1-105)	105	1b	2010
Arklow House (1-28)	30	1b/1c	2011
Chartridge (106-149)	44	1c	2011
Chiltern (1-172)	172	1c	2011
Taplow (1-215)	215	9	TBA
Northchurch (1-76)	82	9	TBA
East Street (184-218)	12	8/9	TBA

38. In terms of leaseholder acquisitions, the council only purchases freehold and leasehold interests once a block has been activated for re-housing. Buybacks have therefore commenced for sites 7, 10, 1b and 1c but not for sites 8 and 9. Any homes purchased a year or more in advance of the date at which the relevant blocks need to be vacated are made available to be used for temporary accommodation. This will mitigate the potential security risks and provides additional revenue to the HRA budget.
39. Any changes to the timetable and phasing of the scheme may have implications for the timing of the service or re-service of demolition notices and the validity of existing demolition notices. In addition, any re-phasing that may result in a change to the timeframe may have a detrimental financial impact due to a potential increase in the number of properties which would need to be re-purchased should it not be possible to suspend or end right to buy claims.
40. Throughout the regeneration process, residents have had an expectation of an option to return to the Aylesbury footprint should they move away from the area as a consequence of the re-housing process within the initial phases of the redevelopment. The option to return for tenants re-housed from the SW corner (Phase 1a, 1b and 1c) was agreed by Executive on 26 September 2006. However, the detailed implementation of this process is obviously subject to overall scheme delivery and, given the current funding position, it is not possible to provide certainty on this point at present. Should the redeveloped housing provide sufficient capacity at the early stages for a 'one move' strategy to be adopted, then the 'option to return' may not be required. It is therefore proposed that officers revisit this issue as part of the review of the Housing Strategy, in consultation with residents, as the revised phasing proposals are clarified.

ALTERNATIVE DELIVERY OPTIONS

Options and Evaluation

41. The removal of PFI funding and changes to government funding arrangements present the council with a significant challenge in accessing alternative funding sources to enable the regeneration programme to move forward. The cabinet agreed to continue to progress the timelines for re-housing tenants and for buying out leaseholders. However, the council needs to be able to move towards a position of greater certainty to meet the expectations of residents, who have strongly supported the regeneration of their estate over a significant period of time.
42. The HCA has indicated that the CLG may still be able to consider PFI Outline Business Cases for those affected schemes, in the event of any further resources being made available in the future. PFI funding remains therefore as a possible future option. In any case, the analysis contained within the OBC will be useful in setting out some of the funding requirements and as a basis for discussion with potential partners, regardless of the source of finance available.
43. For the reasons set out in paragraphs 32 to 35 above, there is no practical 'do nothing' option. If the regeneration scheme were not to be progressed, the costs of both planned and responsive maintenance would escalate rapidly, particularly in relation to infrastructure such as lifts and heating systems. This would also fail to achieve the transformation of the estate to a sustainable, mixed community, as envisaged in the AAP.
44. The redevelopment of phase 1a is currently taking place with the assistance of a significant level of social housing grant, as indicated above. The decision of the cabinet in November 2010 to offer sites 7 and 10 on the open market was taken in the knowledge of the potential risks, including those associated with the viability of the sites and the possible difficulties in accessing social housing grant.
45. The latter two sites are fundamental in enabling the re-housing of Aylesbury residents from later stages of the regeneration. More recent feedback from the market has indicated that there are increasing concerns over the deliverability of sites 7 and 10, in the light of the changes in government funding indicated in paragraphs 26 to 28 above. There is a question as to the required levels of affordable housing for these sites, given the commitment to 50% affordable housing over the length of the regeneration scheme. There are also particular pressures on site 10, which the AAP indicates should provide 2,500 sq m of health facilities, 500 sq m of community uses and 400 sq m of retail facilities. There may be other ways of meeting these objectives without putting such a financial burden on a single site. For example, if the recommendations of this report are accepted, there will not be an early need to relocate the medical centre and health facility, currently on site 9. However, re-provision of a health centre on a site within the Aylesbury is essential in order not to compromise the objectives of the Plan. Also, there may well be other ways of providing a community centre, utilising existing premises, which could be achieved more quickly. It is therefore suggested that discussions are held with the PCT, Health Centre and Creation Trust over the requirements for sites 7 and 10, prior to the development brief being finalised. The decision on the content of the brief would be delegated to the Cabinet member for Regeneration and Corporate Strategy.

Any changes to the site requirements should be able to demonstrate how the planning objectives of the AAP would still be met.

46. A further key question for this report is how to take forward those sites which were previously dependent on PFI funding, 1b, 1c, 8 and 9, and what approach to take for subsequent phases.
47. There are broadly three options for taking forward some or all of these sites:
 - To offer some or all of the sites to the market, including possible sub-division into smaller plots
 - To transfer responsibility for management, maintenance and regeneration to a third party
 - To appoint a development partner to work with the council to regenerate one or more sites on the estate.
48. Marketing the sites on an individual basis was seen to be an appropriate approach for sites 7 and 10, in order retain momentum and ensure sufficient early capacity to re-house tenants from subsequent stages. However, extending this approach over a longer time period could lead to a disjointed and uncoordinated redevelopment of the area. There could also be uncertainties over delivery timescales which could prejudice the delivery of an effective re-housing programme. It could also lead to a multiplicity of different housing providers.
49. Transferring responsibility for management, maintenance and regeneration of the estate to a third party would be unlikely to be an attractive proposition to housing providers in the current market. In reality, this approach would be likely to lead to extensive delays while an interested party is sought, with an associated loss of momentum. Delays to the re-housing programme would be likely to reduce the opportunity for existing residents to be re-housed within the estate. This approach was also rejected by local residents in 2001, with a 73% 'No' vote.
50. The preferred approach is to appoint a single development partner, or single consortium of partners, to work with the council to regenerate one or more of the Aylesbury sites and have a stake in the future of the wider area. This would bring on board a wider level of expertise to advise on both development options and phasing to match the ability of the market to deliver solutions. It would also deliver greater control to the council over its target vacant possession dates.
51. An open exercise to find and appoint a strategic development partner would publicise the council's continued commitment to the regeneration of the Aylesbury estate. Such an appointment would also be a key milestone, as it would allow the council to initiate a Compulsory Purchase Order, again increasing the certainty of delivery.
52. This approach would also help establish a key thread running through the regeneration process with regard to housing and estate management. As the council's role as landlord on the estate diminishes over time this could be matched by the increased responsibilities of the strategic partner who would have a broad enough interest in the redevelopment to represent a critical mass. The nature of this relationship would encourage both parties to work together to establish and agree upon long term plans for the management of the area and

provide for a clearer shift in ownership and responsibility than if a number of different developers were building out sites across the redevelopment.

53. One option would be to enter into such a partnership, for a period of 3 to 5 years initially, to work with the council to develop sites 1b and 1c. This would still constitute a substantial development of some 700 new homes on a key site adjacent to Burgess Park. This would have the effect of deferring the redevelopment of sites 8 and 9 and the wider effects of this on the timetable would need to be the subject of consultation with the local residents affected.
54. The appointment of the preferred partner could include the option of retaining the partnership for future phases of the regeneration processes, if judged to be successful in taking forward sites 1b and 1c. This would therefore provide a further incentive to successful delivery.
55. It is proposed that more work is carried out on the detail of the proposed partnership arrangements set out above, to be reported back to a future cabinet. Any future such approach should ensure that:
 - The momentum of the regeneration programme is maintained, providing some certainty within a 3-5 year time frame
 - Real market interest is generated in becoming a strategic development partner to the council
 - The support of local residents is retained and coordination achieved with the management of the existing estate
 - Developed sites are available to re-house existing Aylesbury residents
 - Costs to the council are minimised while the potential for it to deliver a financial and/or social return is maximised
 - Solutions are acceptable to, and supported by, the HCA and GLA.
56. Clearly the loss of PFI funding has created a significant financial shortfall, whatever the nature of future partnership arrangements. The council has already committed a substantial level of funding in getting to this stage and has also identified a further £26m to meet the various costs associated with land assembly and site clearance. Details of the current financial position are set out in paragraphs 60 to 65 below.
57. Possible future funding models for reducing this shortfall are currently being considered by officers and explored through discussions with the HCA, GLA and potential partners. Such options include:
 - Possible amendments to the site requirements, such as levels of affordable housing, to reduce market risk and the dependence on HCA grant
 - A potential contribution from the New Homes Bonus and/or commuted sums from planning agreements
 - Whether there is any scope for the 'affordable rent' model applying to future re-lets
 - Possible ways of utilising future land values to fund the regeneration in the early years.

58. While the AAP has a broad ownership and sets out a clear vision, some of the requirements set out will have an impact on the financial viability of future phases. The Plan was written in different economic circumstances, although it is intended to be used flexibly in achieving the vision and outcomes for the area. Some of the issues which could have an effect on future viability include:
- The ratio of affordable to private to affordable housing
 - Sizes of homes
 - The proposed infrastructure tariff
 - Phasing requirements.
59. Nevertheless, there is development value in a Plan which demonstrates a shared commitment to creating a better 'sense of place' and which has support from the GLA, being in conformity with the London Plan. The AAP is designed to be flexible and this flexibility will need to be applied when schemes come forward for planning approval, including the consideration of scheme viability in the assessment.

Resources

60. A significant amount of work was undertaken to frame the financial aspects of the AAP, including preparation of a supporting financial model for the programme based on market assumptions then current. However, in light of the economic turbulence over the period of its preparation, once the AAP had been adopted, the council commissioned financial advisors to review and update its financial assumptions. The output of this review was a new baseline financial model for the scheme, capturing each of the phases in turn and allowing the council to achieve an updated view of the financial position of the programme at April 2010 prices. Modelling indicates that the scheme runs at a deficit of around £250m across all phases, which in broad terms, on the basis that market elements cover their own costs, represents the cost of land assembly, upgraded infrastructure and re-providing social housing during the regeneration. As the council has insufficient resources alone to meet this deficit, it must be met either by scheme engineering to raise values, cost reduction within the model, external funding and/or a combination of these on a site by site basis.
61. In bringing the scheme to the market, there are upfront land assembly costs, covering leasehold acquisitions, home loss and disturbance payments, clearing and securing units, and demolition. These costs are estimated to amount to £120m for the programme and the council will need to identify means of meeting these costs, potentially through a range of funding sources and shared with developers and government agencies where possible.
62. Attention has focused on bringing early sites to the market while a wider review of future options is undertaken. Sites 7 and 10 are being released to the market via land transfer in early 2011. Financial modelling has indicated that there is likely to be a scheme deficit for these sites in addition to around £4m of up-front land assembly costs. Any deficit funding requirement will need to be met by a combination of social housing grant, or its equivalent, and or rental, tenure or other options to be explored by the council as indicated above.

63. Curtailment of the £181m PFI credits has left the council without immediate alternative external funding for meeting the likely deficit for sites 1b, 1c, 8 and 9. Deferring site 8/9 within the programme would reduce this immediate deficit and defer the date from which the council would incur land assembly costs for the site. However, it would also be likely to add around £1m of maintenance costs to keep the blocks on those sites functioning until the point of demolition.
64. The process of developing the Outline Business Case for the Aylesbury PFI required the council to identify the sources of funding it intended to use to meet up-front land assembly costs on the sites identified. These sources of funding remain following the curtailment of PFI funding and can be directed toward the delivery of vacant possession on sites 1b and 1c.
65. The costs to the council of programme management are also significant and could run to between £5m to 10m over the next 4 to 5 years, allowing for in-house costs and external financial, legal and technical support. Whilst costs will always be managed with a view to achieving savings, such expenditure is necessary to successfully manage a programme of this scale and risk. This forecast included an allowance for advisor costs to support the resource intensive PFI procurement and this will require revision concurrently with any future partnership proposal. Financial and commercial analysis will be undertaken by officers and advisors for each site as their procurement and release to the market progress, both to analyse programme parameters and mitigate the financial risks to the council. A key aspect of the council's work as the programme moves forward will be to frame a funding strategy and gain clarity around the new funding regime for social housing for the first sites. This may need to be discussed and agreed with the HCA in order to crystallise the respective positions of the council, HCA and the market with regard to SHG funding levels, rent levels and other key programme variables.

CONSULTATION

66. Effective consultation is a significant element of the Aylesbury regeneration. It is recognised that an extensive and inclusive approach to consultation with all the programme's stakeholders is fundamental to the success of the regeneration and this will remain a key feature moving forward.
67. With regard to the recommendations within this report:
- Residents living within sites 8 and 9 have received information via the December newsletter advising them of the likely impact of the withdrawal of PFI funding. Consultation will continue with those residents affected when the council is able to give more information on the future implications.
 - The approach to housing management throughout the lifetime of the programme is key. Consultation with residents will continue as the council further considers its approach to the development.
 - The council will actively consult on the progress of the development briefs for sites 7 and 10 with the PCT, Health Centre, Creation Trust and other stakeholders, prior to their agreement and release to the market.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

68. The report confirms the curtailment of funding for the proposed PFI scheme relating to sites 1a, 1b, 8 and 9, the potential consequential impact on the re-housing timetable for residents on sites 8 and 9 and the potential general implications for the wider regeneration scheme. Section 105 Housing Act 1985 requires the council to consult with its secure tenants on matters of housing management, which in the opinion of the landlord council represents a new programme of maintenance, improvement or demolition, or a change in the policy or practice of the authority and is likely to substantially affect either secure tenants as a whole or a group of them. The potential impact of the withdrawal of PFI funding on the re-housing time table for residents of sites 8 and 9 is likely to engage this consultation requirement. With regard to the recommendations, the report confirms residents have been informed of the likely impact of the withdrawal of PFI funding and that consultation with those whose re-housing may be particularly affected will take place when the council is in a position to provide more information. The report also confirms that general consultation with residents will continue as the council considers its approach to the redevelopment.
69. Recommendations 7, 8 and 10 require officers to consider an appropriate route for sites 1b and 1c, and following this for the delivery strategy for future phases. Any appointment of a development partner or future delivery strategy is likely to be subject to the tendering requirements of the EU procurement regulations, depending on the route being proposed. Legal officers from Communities, Law and Governance will advise on any proposals for these sites, and in the development of the Gateway reports for approval of the cabinet at the appropriate time.

Finance Director

70. Progression of the Aylesbury Regeneration programme remains a high priority for the council. A revised delivery strategy and options for the estate will need to allow for the significant changes to the regeneration funding regime, Housing Revenue Account and subsidy system.
71. All programme financial commitments including those to the Housing Investment Programme and Housing Revenue Account will be closely scrutinised to manage the financial risks of progression and mitigate against unforeseen detrimental circumstances as far as is possible.
72. The finance director notes that given the scale of the programme the council does not in any event have sufficient resources to deliver it alone and so will require significant financial assistance from external bodies, including developers and government agencies.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Aylesbury Area Action Plan	Regeneration and Neighbourhoods Dept.	Julie Seymour 0207 525 0508
Cabinet report September 26, 2006: Aylesbury Regeneration – Phase 1	Regeneration and Neighbourhoods Dept.	Sara Waller 0207 525 4904
Cabinet report October 20, 2009: Aylesbury Regeneration – Phase 1	Regeneration and Neighbourhoods Dept.	Sara Waller 0207 525 4904
Cabinet report July 20, 2010: Aylesbury PFI Housing Project – Submission of the Interim Outline Business Case	Regeneration and Neighbourhoods Dept.	Sara Waller 0207 525 4904
Cabinet report November 2, 2010: Aylesbury Regeneration – Phase 1: Sites 7 & 10 Revised Delivery Route	Regeneration and Neighbourhoods Dept.	Sara Waller 0207 525 4904
Cabinet report December 14, 2010: Aylesbury PFI Housing Project – Outline Business Case	Regeneration and Neighbourhoods Dept.	Sara Waller 0207 525 4904

APPENDICES

No.	Title
Appendix 1	Phases, Sites and Housing Blocks

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Regeneration and Corporate Strategy	
Lead Officer	Eleanor Kelly, Deputy Chief Executive	
Report Author	Richard Rawes, Regeneration Advisor	
Version	Final	
Dated	17 February 2011	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Head of Housing Management	Yes	Yes
Head of Procurement	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional/Community Council/Scrutiny Team	17 February 2011	

APPENDIX 1

PHASES, SITES AND HOUSING BLOCKS

PHASE	SITE	EXISTING HOUSING BLOCKS
1	1a (53 units):	Bradenham 1-41 (41), Red Lion Close 1-12 (12)
1	7 (59 units):	Wolverton 1-27 (27), Wolverton 28-59 (32)
1	10 (14 units):	Missenden 300-313 (14)
1	1b (320 units):	Bradenham 42-256 (215), Chartridge 1-68 (68), Chartridge 69-76 (8), Chartridge 77-105 (29)
1	1c (246 units):	Arklow House 1-28 (30), Chartridge 106-119 (14), Chartridge 120-149 (30), Chiltern 1-172 (172)
2	4a (139 units):	Foxcote 1-30 (30), Ravenstone 24-36 (13), Ravenstone 67-81 (15), Wendover 391-471 (81), 140 Albany Road (non residential)
2	4b (264 units):	Padbury 1-25 (25), Ravenstone 1-23 (23), Ravenstone 37-66 (30), Wendover 241-390 (156), Winslow 1-30 (30)
2	5 (183 units):	Wendover 37-72 (36), Wendover 117-156 (40), Wendover 201-240 (40), Wolverton 126-151 (26), Wolverton 152-175 (24), Wolverton 176-192 (17)
3	6 (205 units):	Brockley House 1-14 (15), Wendover 1-36 (36), Wendover 73-116 (44), Wendover 157-200 (44), Wolverton 60-84 (25), Wolverton 85-104 (20), Wolverton 105-125 (21)
3	8 (6 units):	East Street 218 (A-F) (6)
3	9 (303 units):	East Street 184 (A-F) (6), Northchurch 1-20 (20), Northchurch 21-40 (20), Northchurch 41-56 (22), Northchurch 57-76 (20), Taplow 1-215 (215)
4	2a (112 units):	Gayhurst 1-35 (35), Gayhurst 62-79 (18), Gayhurst 80-120 (41), Gayhurst 145-162 (18)
4	2b (125 units):	Calverton 1-24 (24), Gaitskell House 1-18 (18), Gaitskell House 19-31 (13) Gayhurst 36-61 (26), Gayhurst 121-144 (24), Hambledon 1-20 (20)
4	3a (91 units):	Albany Road 198-202A (4), Emberton 7-35 (29), Latimer 32-61 (30), Latimer 114-141 (28)
4	3b (162 units):	Calverton 25-31 (7), Danesfield 1-31 (31), Emberton 1-6 (6), Gaitskell House 32-42 (11), Gaitskell House 43-66 (24), Latimer 1-31 (31), Latimer 62-85 (24), Latimer 86-113 (28)
4	11 (65 units):	Michael Faraday House 77-105 (29), Michael Faraday House 57-76 (20), Missenden 284-299 (16)

PHASE	SITE	EXISTING HOUSING BLOCKS
4	12 (191 units):	Michael Faraday House 1-36 (36), Michael Faraday House 37-56 (20), Missenden 59-75 (17), Missenden 166-255 (90), Missenden 256-283 (28)
4	13 (72 units):	Chadwell House 1-8 (8), Darvell House 1-8 (8), Inville Road 51-67 odd (9), Lees House 1-12 (12) , Soane House 1-30 (30), Soane House 31-35 (5)
4	14 (148 units):	Missenden 1-43 (43), Missenden 44-58 (15), Missenden 76-165 (90)

Originally sourced from **Appendix 5** of the AAP with modifications to reflect the rehousing timetable - February 2011

This page is intentionally blank.

CABINET AGENDA DISTRIBUTION LIST**MUNICIPAL YEAR 2010-11**

NOTE: Original held by Constitutional Team; all amendments/queries to
Paula Thornton/Everton Roberts Tel: 020 7525 4395/7221

To	Copies	To	Copies
Cabinet Members	1 each	Officers	
P John / I Wingfield / F Colley / D Dixon-Fyle / B Hargove / R Livingstone / C McDonald / A Mohamed / V Ward		Constitutional Team, Tooley Street	4
		Doreen Forrester-Brown	1
		Jennifer Seeley	1
Other Councillors	1 each	Trade Unions	
N Coyle / T Eckersley / G Edwards / D Hubber / M Glover / T McNally / H Morrissey / P Noblet / E Oyewole / L Rajan / A Simmons / L Robinson		Roy Fielding, GMB	1
		Mick Young, Unite	1
		Chris Cooper, Unison	1
		Tony O'Brien, UCATT	1
		Michael Davern, NUT	1
		James Lewis, NASUWT	1
		Pat Reeves, ATL	1
Group Offices		Sylvia Morriss, NAHT	1
Alex Doel, Cabinet Office	1	Irene Bishop, ASCL	1
Steven Gauge, Opposition Group Office	1		
Press		Others	
Southwark News	1	Shahida Nasim, Audit Commission	1
South London Press	1	Robin Campbell, Press Office	1
		Constitutional Officer	20
Members of Parliament		Total:	73
Harriet Harman, MP	1		
Tessa Jowell, MP	1		
Simon Hughes, MP	1		
Corporate Management Team			
Annie Shepperd	1		
Romi Bowen	1		
Deborah Collins	1		
Gill Davies	1		
Eleanor Kelly	1		
Gerri Scott	1		
Susanna White	1		
Duncan Whitfield	1		
		Dated: 28 January 2011	