

Item No. 10.	Classification: Open	Date: 18 January 2022	Meeting Name: Cabinet
Report title:		Future of Aylesbury Estate	
Ward(s) or groups affected:		Faraday	
Cabinet Member:		Councillor Stephanie Cryan, Council Homes and Homelessness	

FOREWORD – COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR COUNCIL HOMES AND HOMELESSNESS

The regeneration of the Aylesbury Estate is vital to our ambitions to create homes that are clean, safe and cared for, to provide much needed homes to help tackle the housing crisis and provide good quality homes for many of the households on our housing waiting list.

In 2014, we signed a Development Partnership Agreement with Notting Hill Genesis with the objective of creating a better environment and better homes for residents. New, high quality affordable homes are now being built on the Aylesbury Estate including 581 new council homes on the First Development Site.

Since the agreement was signed, the council has made new green commitments including declaring a Climate Emergency with a commitment to be net carbon neutral by 2030. We have also learnt from resident-led estate rebuilding programmes on the Tustin Estate and the Ledbury Estate and have adapted and improved our approach to resident led housing redevelopment. The lifting of the Housing Revenue Account borrowing cap means we can borrow more money to fund building new council homes.

With such an ambitious commitment, there remains much to do to on the Aylesbury Estate. This report sets out some of the enabling actions that will ensure we continue to make progress towards our goal, putting residents at the heart of the future of the Aylesbury. We want to offer a fair deal to leaseholders who sell their homes to us to enable demolition. We want to make sure the partnership with Notting Hill Genesis reflects the new commitments and we want to deliver more council homes than were previously envisaged in the original agreement.

The council therefore needs to set aside money to pay for continued purchases of former right-to-buy properties and we also need to vary the 2014 agreement with Notting Hill Genesis so that it reflects the position we are in now and our ongoing commitment to the future of the Aylesbury Estate

RECOMMENDATIONS

1. That the council's Cabinet approves the expenditure of a further £29.8m on acquisitions in future phases of the Aylesbury Estate programme.

2. That the council's Cabinet approves contractual and leasehold acquisition variations to the original project budget for the Aylesbury Estate programme of £13.32m.
3. That the council's Cabinet approves the expenditure of £165,000 as discretionary payments to council tenants from later phases of the Aylesbury programme moving to new homes on Plot 18.
4. That the council's Cabinet delegates authority to negotiate and approve a further variation of the development partnership agreement with Notting Hill Genesis to the Strategic Director of Housing and Modernisation in consultation with the Strategic Director of Finance and Governance, the Leader and relevant Cabinet Members and to conclude that variation.
5. That the council's Cabinet approves the variations to the Housing Investment Programme as set out in the Closed Report to accommodate the financial implications of this proposed DPA variation.
6. That the council's Cabinet notes that a report will be presented to a future Cabinet meeting on the revised way forward for rebuilding the Aylesbury estate, to provide more council homes and to make the estate greener, working hand in hand with Aylesbury estate residents

BACKGROUND INFORMATION

7. The Aylesbury Estate regeneration programme comprises the phased demolition and redevelopment of the Aylesbury Estate to deliver new high-quality, mixed tenure housing, which has been a strategic priority for the council for over a decade. 408 new homes have already been built under standalone arrangements with L&Q.
8. A legal contract, the "Development Partnership Agreement" was entered into in 2014 with Notting Hill Housing Trust (now Notting Hill Genesis) for the phased redevelopment of the remainder of the estate. Detailed planning consent for the First Development Site (FDS) and outline planning consent for the masterplan for the remainder of the estate was granted in 2015. Demolition work on the First Development Site began in 2016. A Compulsory Purchase Order (CPO) for the FDS was confirmed in November 2018 and vacant possession of the whole of the FDS site was obtained in spring 2019.
9. Since 2014, a number of variations have been made to the development partnership agreement (DPA) to reflect the needs and circumstance at the time. For example, to update the terms of the contract in relation to phased demolition, and delivery arrangements for the approved premises facility (APF) and Plot 18.
10. On 31 March 2021, the DPA was varied again to allow the Council to develop 581 new Council homes that were previously being developed for rent and shared ownership by NHG as well as for private sale.
11. Under the DPA the following has been achieved

- Letting of construction contracts for 581 Council homes on the first Development Site. The first homes will be ready for occupation in the spring
 - Letting of a construction contract for a new library, health centre, early years facility and 122 homes on Plot 18. To be ready for occupation in summer this year
 - Completion of a new approved premises facility for the Ministry of Justice
 - 158 residents supported into employment for at least six months
 - 71 apprentices or equivalent traineeships at level 2 or above
 - 294 residents received pre or post-employment training
 - 157 young people have received one to one support
 - 621 Working Community bursaries for residents
 - 2422 attendances by Walworth residents in regeneration and other community activities
 - £1m from NHG to fund the Creation Trust for community development
12. To facilitate redevelopment of the estate, the Council needs to secure vacant possession. In addition to rehousing secure tenants and those in temporary accommodation, the Council needs to rehouse resident and non-resident leaseholders.

KEY ISSUES FOR CONSIDERATION

13. In 2014 £75m was set aside for estate redevelopment costs including acquisition of leaseholder property. The Cabinet report of September 2016 highlighted a balance of £52.5m remaining and signalled a future report would seek approval for further expenditure.
14. However, since then £65.82m has been spent on acquisitions, demolition and construction of the approved premises facility. The council funding of demolition was essential in order for sites to be brought forward for development by Notting Hill Genesis. The construction of the approved premises facility was a requirement as a replacement for the facility on the First Development Site. For these reasons, approval is sought for expenditure incurred on contract variations amounting to £6,975,126 and acquisitions of leasehold property of £6,348,505.
15. 355 leasehold flats have been bought back by the council ahead of future demolition, of which 178 were owned by residents and 177 by non-residents.

16. In Plot 18 of the Aylesbury programme, 23 homes for over 55 year old residents are being developed. Under the local letting policy for these homes, council tenants in later phases can be rehoused here, but they will not be entitled to statutory home loss and disturbance payments. It is proposed that a discretionary payment equivalent to the statutory payment be agreed for these tenants and this report is proposing a budget provision to pay for this.
17. Since the DPA was signed in 2014 a number of variations have responded to changes in requirements or the situation on the estate and in recent years further significant changes signal the importance of looking to change the DPA again.
18. Three major changes stand out:
 - The council can now borrow more money to build new council homes
 - The council declared a climate emergency and has set itself challenging targets for reducing emissions, many of which come from construction and homes
 - The council has adapted and improved its approach to resident-led redevelopment for the 21st Century, based on learning from tenants and leaseholders living on the Tustin and other estates.
19. The council is therefore holding discussions with NHG about a further variation to the DPA that would better reflect the situation the council is now in and the new commitments and ambitions it has.
20. The updated agreement should therefore enable
 - More new council homes to be built
 - Greener homes
 - A resident-led redevelopment
21. In accordance with Recommendation 4 of this report, if the cabinet agrees, negotiations on the proposed change will continue with NHG and form the basis of approval delegated to the Strategic Director of Housing and Modernisation to consider in consultation with the Strategic Director of Finance and Governance and the Leader and relevant Cabinet Members to agree the final terms of that variation to the DPA. In parallel NHG Board will be asked to consider the proposed changes.
22. Consideration of the revised approach will centre on a comprehensive community engagement plan and will need to take account of the structural condition of the properties, rehousing needs, the ability to secure vacant possession and funding available. A report will be drafted for a future Cabinet on this basis.
23. The following number of leaseholders remain on the Estate:

Phase	Resident leaseholders	Non-resident leaseholders	Total leaseholders
2B	4	8	12
2C	7	16	23
3	3	12	15
4	66	57	123
Total	80	93	173

24. Due to the budgetary position, the Council has prioritised securing vacant possession in blocks which are need of the highest investment. The blocks prioritised are:

Padbury
Ravenstone
241-471 Wendover
Winslow
Brockley House
Wolverton
1-240 Wendover
Taplow
1-56 Northchurch
76-255 Missenden
218 East Street

25. In these blocks there are currently 59 leaseholders. In addition as the council has adopted a policy of early buy backs there are currently a number of leaseholders in other blocks in Phase 4 who are in the final stages of negotiations over acquisition. The estimated cost of acquiring all of these leasehold interests is £29.8m. It is assessed that the demolition of these blocks in the next five years will save the Council £20.8m of investment. The properties acquired could be used by the Council for temporary accommodation, providing they can be maintained at a good quality standard.

Policy framework implications

26. The regeneration programme is being carried out in accordance with the framework set by the Aylesbury Area Action Plan and the New Southwark Plan. Outline planning permission for the whole Estate and reserved matters approval for current sites is in place.
27. The funding of the acquisition of leasehold interests is a fundamental component of bringing forward the sites on the Aylesbury Estate for development in accordance with the New Southwark Plan and agreed planning policy.
28. The funding of the discretionary payments to those tenants moving to Plot 18 is in accordance with the home loss and disturbance policy framework which applies to those phases which have priority rehousing status.

Community, equalities (including socio-economic) and health impacts

Community impact statement

29. Over the last decade there has been considerable community engagement as the programme has been developed. Recent activity has focused on both consultation on forthcoming planning applications and pre-allocation of new homes on Plot 18. The refresh of the programme as set out above gives an opportunity to re-engage with the local community. In addition the opportunity will be taken to improve the integration of the proposals with the wider Walworth and Old Kent Road neighbourhoods.
30. The proposed redevelopment brings about significant benefits which together contribute to a significant increase in the social, economic and environmental wellbeing of the site itself, the wider estate and the borough as a whole. The implementation of the programme will deliver a range of new community facilities which will support the new and existing residents.
31. The scheme will address the poor quality of existing physical environment. Existing buildings are of poor quality, using poor quality building materials, employing outdated construction methods, severely in need of costly repair, and representing inefficient land use with a low density of residential accommodation. The Estate also comprises under-utilised spaces, reducing personal security and perceived safety, with the ground plane dominated by car-focussed uses, deterring the use of this space by local people.
32. The proposed redevelopment of the estate will bring about a significant improvement of the physical environment within the site. It will deliver a broad range of open spaces, community facilities and commercial space. The development will also provide new high-quality homes, contributing towards an increase in both the quantum and quality of residential accommodation on the site and contributing to corresponding improvements in the wider area. The homes that will be built will see significant improvement on the existing stock and will retain the spaciousness of the existing properties.
33. In line with Compulsory Purchase and Compensation guidelines set out by the Government, leaseholders receive market value for the purchase of their property, plus a home loss payment of 10% for resident leaseholders, or 7.5% for non-resident leaseholders, as well as disturbance payment to cover the reasonable costs of moving, such as removals costs and fees. Even where purchasing properties by agreement, the council makes offers on this basis in recognition that this would be the basis for a purchase under a CPO. Leaseholders are free to purchase a new property on the open market.
34. While issues relating to the value of leasehold interests are not in themselves a consideration in promoting a CPO, it is acknowledged that there could be a potential impact resulting from the disparity in existing values on the estate and those in the surrounding areas which if unmitigated could present a barrier to resident leaseholders remaining in the area and continuing to access services, employment opportunities and community ties. The council has, therefore, put

in place a range of rehousing options for resident leaseholders which, depending on the individuals' specific circumstances, can result in the offer of a council tenancy on a council-owned property, the purchase of a council property on either shared ownership (where rent is paid on the unowned portion) or shared equity (where no rent is paid on the unowned portion) terms, or the purchase of a housing association property on either shared ownership or shared equity terms. Such options provide the opportunity for existing residents to be able to choose to remain in the local area, should they wish to, and thereby mitigating any potential impacts on individuals' ability to continue to access local services and amenities resulting from the proposed CPO.

35. The Council has sought to mitigate any disadvantage or losses through a range of reasonable and proportionate measures focused on rehousing and compensation options, in order to realise the public benefits associated with the redevelopment. The council has given consideration to the potential disproportionate impacts that could potentially arise and has identified and implemented measures to mitigate such impacts as far as possible.

Equalities (including socio-economic) impact statement

36. A further detailed equalities and health impact assessment will be carried out in order to inform the refresh of the programme.
37. The funding allocations proposed relate to the implementation of policies including leaseholder policy, local lettings policy and compulsory purchase activity for which separate equalities and health impact assessments are completed.

Health impact statement

38. The health impacts of the policies that this funding relates to are addressed in the equalities and health impact assessments referred to above.

Climate change implications

39. The current masterplan for the programme, which built on the Aylesbury Area Action Plan, was the subject of outline planning permission in 2015. At the time the provision of a communal heating system based on a number of gas powered energy centres was compliant with planning policy.
40. Sites 2B and FDS C are being taken forward to planning application stage on the basis of an alternative energy system based on air source heat pumps and photovoltaic panels. The designs shown increased use of Sustainable Urban Drainage systems, re-use of existing built material and an increase in biodiversity.
41. The refresh of the programme presents the opportunity to ensure that the remainder of the rebuilding programme meets the highest possible sustainability standards.
42. The refresh of the programme presents the opportunity to improve the new street

layout and public realm to meet the standards set out in the New Southwark Plan.

Resource implications

43. The acquisition process as set out above requires additional funding of £29.8m in order to secure vacant possession of the priority blocks. In addition £165,000 is needed for discretionary payments for tenants moving to Plot 18.
44. Further resource implications are set out in the Closed Report.

Legal implications

45. As detailed in paragraphs 51-53 below.

Financial implications

46. For the reasons set out elsewhere in this report, approval is sought for expenditure incurred on contract variations amounting to £6,975,126 and acquisitions of leasehold property of £6,348,505. It is also seeking approval for further expenditure to facilitate the acquisition of leasehold property, make discretionary payments to tenants moving to Plot 18 and pay consideration to Notting Hill Genesis (NHG) in respect of the proposed variation to the Development Partnership Agreement following negotiations with NHG.
47. Expenditure incurred in previous years has already been financed. Expenditure incurred and to be incurred in the current and future financial years will be financed from resources supporting the council's Housing Investment Programme, which may include borrowing where appropriate.

Consultation

48. The programme for the Aylesbury Estate builds on over two decades of community and stakeholder consultation.
49. The principals of the proposed variation to the DPA have been outlined to Ward Members and the chairs of the relevant Tenant and Residents Associations.
50. The principals of the proposed variation to the DPA have been discussed by the Notting Hill Genesis Board. Following the consideration by Cabinet of this report, the Notting Hill Genesis Board will be requested to consider a report on these proposed variations to the DPA.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

51. The Development Partnership Agreement (DPA) between the council and Notting Hill Genesis was entered into in 2014 following an EU-compliant procurement process, and has been subject to certain amendments which the

cabinet is aware of from earlier reports. This report recommends a further variation to the DPA, details of which are set out in the closed report.

52. As the DPA was procured in accordance with the Public Contract Regulations relevant at that time, then any variation will need to be in accordance with those Regulations. The Regulations do permit contracts to be modified in certain circumstances and advice will be given on the procurement implications as negotiations proceed, and to inform the delegated decision.
53. The Cabinet's attention is drawn to the Public Sector Equality Duty (PSED General Duty) under the Equality Act 2010, which requires public bodies to have regard, when making decisions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The Cabinet is specifically referred to the community, equalities (including socio-economic) and health impacts at paragraphs 30-43 setting out the consideration that has been given to equalities issues which should be considered when approving the recommendations in this report.

Strategic Director of Finance and Governance (H&M 21/128)

54. This report makes a number of recommendations that seek to both consolidate and take forward the further development of the Aylesbury Estate. In doing so, it seeks approval for variations to the original budget arising from contractual work to date, approval to acquire further leasehold interests. It also seeks approval to enter into a variation to the Development Partnership Agreement (DPA) with Notting Hill Genesis (NHG), to facilitate the next stage of redevelopment, all of which have financial implications for the council as set out in the closed version of this report.
55. In facilitating the next stage of the redevelopment and specifically the context of any future agreements with NHG, the Strategic Director of Finance and Governance will expect appropriate independent advice to be obtained by the Director of Planning and Growth and the Strategic Director of Housing and Modernisation from specialist advisors. This advice would seek to confirm that any financial agreement is appropriate and provides best value for the council. This independent advice will be an important factor in supporting the delegation of responsibility for negotiating a further variation of the development partnership agreement with NHG.
56. As outlined in the financial implications section of the report. The additional expenditure recommended for approval in this report will be met from resources available to the council's Housing Investment Programme.

Reasons for lateness

57. The report reflects a position negotiated with Notting Hill Genesis. The position set out in this report has only recently been agreed.

Reasons for urgency

58. It is the intention of both parties to conclude the variation agreement shortly. The details set out in this report including the financial implications need to be formally agreed by Cabinet in advance of the legal documents being completed.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Cryan, Cabinet Member for Council Homes and Homelessness
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Version	Final
Dated	14 January 2022
Key Decision?	Yes
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER	
Officer Title	Comments Sought
Director of Law and Governance	Yes
Strategic Director of Finance and Governance	Yes
Cabinet Member	Yes
Date final report sent to Constitutional Team	
14 January 2022	