

<b>Item No.</b> 9	<b>Classification:</b> Open	<b>Date:</b> May 19 2009	<b>Meeting Name:</b> Executive
<b>Report title:</b>		Strategic Vision for Elmington Estate	
<b>Ward(s) or groups affected:</b>		Camberwell Green Ward	
<b>From:</b>		Strategic Director of Regeneration and Neighbourhoods	

## **RECOMMENDATION(S)**

1. That executive agree a revised strategy for the regeneration of the Elmington Estate, as follows, thereby amending the executive decision of November 22 2005:
  - i. That officers bring forward a scheme to develop the two cleared sites designated as A & B in Appendix 1 with a mixed tenure housing development.
  - ii. That officers review community provision in the area and that no dedicated community facility or tenants' hall is provided as part of the Elmington sites A and B redevelopment.
2. That executive agree the delegation of decisions on detailed implementation of recommendation 1.i) to the strategic director of regeneration and neighbourhoods and request a report back to executive on the final decision for disposal.
3. That executive agree consideration is given to preparing a Challenge Fund bid to the Homes and Communities Agency (HCA) to build new council homes at part of Site A, and alternative suitable council-owned sites.
4. That executive agree that an option appraisal exercise is undertaken for blocks designated 1-14 in Appendix 1 and Table 2, and that recommendations are reported back to executive by September 2009.
5. That executive note that preparation for investment works at blocks 6,12 and 13 be continued in line with the council's Decent Homes programme, in parallel with the option appraisal exercise.

## **BACKGROUND INFORMATION**

6. This report seeks to set a new strategic direction for the continued regeneration of the Elmington Estate, in response to changed circumstances since earlier decisions were taken. It is proposed that the empty sites remaining following demolition are brought forward for early development of mixed tenure housing to a high sustainability standard. Simultaneously, feasibility work should be undertaken on extending the redevelopment to the remaining low rise blocks at mid-Elmington, of a similar construction type to those blocks already demolished. The relevant blocks are listed in Table 2 at paragraph 31.
7. The original decision to demolish and redevelop the Elmington 4 Towers was taken on the December 7 1999 by the Housing Committee. The area affected by this decision is Sites A and B and the blue shaded areas at Appendix 1.

8. The proposal for the scheme as envisaged is summarised in Table 1 below.

**Table 1 – summary of historic development proposals for Elmington**

<b>Proposal and approval date</b>	<b>Starting point</b>	<b>Consent granted for</b>	<b>Progress made</b>
Original proposal approved by Executive in 1999.	375 homes to be demolished (including stripped buildings) to create vacant sites. 369 were social rented.	321 new homes (250 Council, 6 RSL and 65 for sale) over three phases consented April 2001.  Phase 1: 136 Council homes, 6 RSL homes  Phase 2: 89 Council homes  Phase 3: 25 Council homes, 65 for sale	375 properties demolished (369 social rent / 6 leasehold)  6 RSL homes completed in 2004  136 Council homes completed in 2005
Revision to proposal approved by Executive in November 2005	Phase 1 complete	Phase 2: Reduce number of Council homes from 89 to 27 to be built on hatched area of Site B.  Phase 3: Dispose of remainder of vacant sites to an RSL for development. The number of units and tenure mix to be based on existing planning conditions.	Scheme tendered but held.  No progress made on site disposal
Current proposal, under consideration considered by Executive.	Phase 1 complete, sites A and B remain vacant	Phase 2: Initiate development strategy for sites A&B to create minimum of 340 new units, with a minimum 35% affordable homes with flexibility to increase subject to additional grant availability in 2.  Option appraisal of broader Elmington area.	

9. The redevelopment was previously to be undertaken in a rolling programme of decant, demolition and new build in 3 phases. It was originally estimated in 1998, that disposal of part of the cleared site for housing for sale would generate capital receipts of £1.1 million, and as Phase 1 progressed it was anticipated that there would be some increase in land values. The capital receipt was to be

recycled into the scheme; all other expenditure was to be met from the housing investment programme.

10. All the blocks scheduled for demolition have been cleared with the exception of two stripped buildings within Sites A and B, which were retained to comply with the former capital receipts recycling rules. The blocks demolished contained 369 council rented homes. 136 LBS units have been built, completing in June 2005. 124 were let to households displaced by the scheme and 12 units were offered to other households in priority need. Following the completion of Phase 1, the proposal for the remainder of the scheme was then revised largely because of financial pressures on the housing investment programme following the decision to pursue the stock retention option.
11. On November 22 2005 Executive agreed that phases 2 and 3 of the development should be amended to provide 27 council units to meet remaining rehousing obligations and to dispose of the remainder of the land to a Registered Social Landlord or developer to create a mixed tenure development. It was proposed that the 27 units would be built in the corner of site B, shaded on the Appendix 1 plan. It was suggested that this development could be at higher density than previously proposed, and that the successful purchaser could develop the site according to standard planning policy, providing a mix of private, social rent and shared ownership units, thus generating more capital receipts. This decision freed up resources to fund the wider investment programme, including delivering the council's Decent Homes obligations.
12. Work was undertaken to develop the revised scheme. The services of the original employer's agent and architect were retained and design drawings and planning applications submitted for the 27 council homes. The scheme was tendered in August 2006 but tender prices were significantly higher than existing budget allowed, and the procurement was halted pending a review of the wider scheme. It was increasingly difficult to arrive at a viable scheme that could produce a sufficient number of affordable homes by use of cross subsidy. This was further complicated by the London Plan requirement for the full re-provision of all affordable housing properties demolished. Discussions have been held with the Greater London Authority (GLA) to seek confirmation that a mixed tenure scheme at Elmington would receive support. In bringing forward a development proposal for each site that is acceptable in planning terms and deliverable in the current housing market, the issues for the GLA are:
  - That the council has a robust argument if the scheme results in a loss of affordable housing.
  - That further details are provided about the development approach, including consideration of sharing development risk by equity partnership or use of a Community Land Trust or a similar asset backed vehicle.
  - That the views of the Homes and Communities Agency (HCA) are taken into account.
13. There has been considerable interest in the stalled redevelopment processes at Elmington during the scrutiny exercise in the Camberwell area. There have been some incidents of anti-social behaviour associated with the two hoarded sites, and there is a clear consensus that progressing the redevelopment will be of considerable benefit locally. The rear gardens of some of the new properties had been left shorter than intended because of the demolition of some of the blocks that was ongoing at the time. It was intended to finish the works as part of the

Phase 2 construction. Given the ensuing delay, it was decided that the work on the gardens should be undertaken separately; this was completed in December '08.

14. In parallel with work on the Phase 2 development strategy, there has also been ongoing consideration of the investment needs of Blocks 1 to 14. Blocks 1 to 6 are considered to be most in need of investment, and there has been a focus on blocks 4 and 5 which are in a particularly poor state of repair. All blocks have very costly investment requirements to bring them up to the Decent Homes standard. Preliminary discussions with residents have also questioned the merit of making that investment rather than pursuing a redevelopment strategy.

## **KEY ISSUES FOR CONSIDERATION**

### **Early housing Development**

15. It was previously estimated that Sites A and B have capacity for approximately 340 new units. Following recent revisions to the Passenger Transport Accessibility Level (PTAL) by Transport for London, it is likely that a higher output will be possible, subject to the development framework established, the mix/size of units required, and the fact that the sites lend themselves to a range of heights. The working assumption is that a development of between 450 and 500 homes may be possible on the land in question. The London Plan currently stipulates that there should be no net loss of affordable housing provision in regeneration schemes. Discussions with the GLA about Elmington have been based on the 340 unit scheme, and a proportion of new affordable homes between 35% and 50%. This would result in a development with 119 affordable homes at the 35% level and 170 affordable homes if developing at 50%. The 340 unit scheme was based on a proportion of 10% family housing; any revised proposal should be worked up based on 25% family housing with gardens as this is the new approach being set out in the emerging core strategy. An increase in development capacity arising from the PTAL revisions would obviously make it possible to develop more affordable homes but the overall scheme, taking into account the 136 council units already built, may result in the development having less affordable housing than was originally in place. Taking into account the issues raised by the GLA at paragraph 12, a case would be made that the new homes would be of significantly higher quality, better mix and would contribute to sustainability by supporting a more mixed and balanced community in the area. It is acknowledged that a range of factors need to be balanced in working up detailed proposals, but it is proposed that marketing of the currently vacant sites for development should be undertaken as soon as practically possible. A development brief will be prepared to invite submissions that meet the council's requirements, including comparison of the different outcomes at both 35% and 50% affordable units, and a strategy for working closely with the Homes and Communities Agency (HCA) in relation to grant funding. Proposals will also need to reflect the requirements of the emerging LDF core strategy eg a mix of 35% 1 bed, 40% 2 bed and 25% 3 bed and larger properties.
16. It was assumed that delivery of the 27 new council homes that the executive agreed in 2005 would be funded by capital receipts generated by disposal of the remainder of sites A and B and therefore would require forward funding from the housing investment programme, subject to the project sequence and timetable, which has yet to be agreed. The GLA initially provided £1.5million of supported capital expenditure to fund the construction of 17 larger homes amongst the 27 units to be built on the shaded area. Following the delay in progressing the

redevelopment, and with agreement from the GLA, this funding has been diverted to a de-conversion programme for 18 larger units in mainly street properties elsewhere.

17. Without supported borrowing or other funding, the scheme would require an estimated £3.2m to deliver 27 new council homes from the council's housing investment programme. The housing investment programme is currently seeking to balance a multitude of competing demands; disposing of the entire site, instead of developing the 27 additional council homes, will enable the council to retain any capital receipt from the disposal of the vacant sites to invest in improvement works to its other housing stock. It is therefore recommended that the development of sites A and B is brought forward based on the assumption that the provider of the affordable housing should be a RSL. However, there have been recent statements from Government, including in the Budget, about local authorities being eligible for funding for new housebuilding. The HCA has subsequently announced that there will be a Challenge Fund for local authorities who wish to build new council properties, that will be funded by 50% capital grant and 50% supported borrowing. Details are due to be released early in May. It is proposed that part of Elmington Site A, and alternative suitable council-owned sites are considered for submission for the Challenge Fund programme.
18. In the current economic climate it is doubtful that a mixed tenure developer-led scheme with even 35% affordable housing would be viable without grant funding. In these circumstances, subject to the necessary economic appraisal, it is likely that a scheme could be viable with the assistance of grant funding from the HCA for the affordable housing. Assuming the affordable component is provided with a RSL, a scheme can be brought forward that would attract core National Affordable Housing Programme funding from the HCA. The bid would need to demonstrate an improvement in mix and quality for the HCA to agree funding for replacement social housing. The affordable homes would be built to higher standards, particularly in terms of space than affordable units normally developed as part of a section 106 agreement. The development of sites A and B would provide useful additional housing capacity for general use as well as the households opting to return, and also any households moving as a result of future decisions about blocks on Elmington Estate. Space standards are one of the key priorities identified by residents in major regeneration schemes who are faced with re-housing, and this proposal will assist in achieving this requirement.
19. Camberwell Area Housing office has identified 15 households requesting to return to the estate. The tenants that have requested a return to the Elmington will be offered the option of a new home provided as part of the provision of affordable housing on sites A and B. It should be noted that during the consultation and rehousing process residents requesting a return to the Elmington site were neither guaranteed a right to return, nor a specific landlord preference. In the suggested proposal, they are likely to be offered new homes provided by a Registered Social Landlord. The 15 households are being consulted about this issue at the time of writing.
20. The original scheme proposed that a new community facility would be constructed to replace Caspian Hall, which was demolished as part of the planned redevelopment of the Elmington Estate. A planning application for the new community hall was refused in July 2007 as the proposed development site on the Benhill road has been identified as a nature garden and open space within the Southwark Plan.

21. The hall was intended to be a community facility, serving groups on the Mid-Elmington and D'Eynsford estates. The Mid Elmington T&RA agreed in April 2007 to use the Owgan Close community room hall which is in close proximity to the estate for its meetings. The TRA, which is now designated as Elmington T&RA is now settled at Owgan Close and has invested in a longer term use by acquiring new equipment etc. This position was reached as a result of meetings held between the T&RA, and officers from the Resident Involvement Team & Housing Investment in the autumn of 2007. The possibility was explored of developing a community hub at the new hall, which would be managed by the T&RA. The conclusion was that the T&RA had neither the capacity nor desire to embark such a challenging project and that it would be more prudent for them to focus on developing the facility at Owgan Close for the foreseeable future. There is therefore no supporting rationale for the development of a new T&RA hall. Moreover, there is no current sustainable business plan and / or management structure proposal for a multi-purpose facility in the voluntary community services (VCS) property portfolio to be developed as part of the Elmington regeneration. It is proposed that the community needs should be considered as part of provision in the wider area.

### **Progressing Development of Sites A and B**

22. If the strategy for sites A and B is agreed, there are a range of factors relating to the delivery to be considered, including how the development may be packaged and sequenced. If the affordable housing component is delivered by a RSL, it is unlikely that RSLs would currently be willing to undertake the whole mixed development including housing for sale. However, it may be possible to undertake the affordable housing relatively early in the overall development timetable and follow through with the market housing later, when it is judged that the development market and borrowing conditions are improved. A crucial aspect of the affordable housing delivery will be the availability of grant funding from the Homes and Communities Agency (HCA). Discussions are being held with the HCA at a senior officer level, with a view to establishing a strategic partnership between the council and the HCA to manage a programme of HCA investment in a number of housing and regeneration schemes in the borough. The Elmington scheme represents a good opportunity for either a conventional RSL-led affordable scheme or a more sophisticated approach with the council and the HCA jointly delivering a cross-tenure development with affordable housing provided by a Registered Social Landlord. There are 3 broad options to pursue the development:
- A site disposal or disposals, with development timetable and standards secured through a planning consent and a development agreement.
  - A development with more detailed requirements, and at variance with standard planning requirements, which even if delivered with a RSL partner would require a EU procurement exercise.
  - A strategic partnership arrangement with the HCA, as part of the wider set of arrangements outlined above.
23. It is considered that the most straightforward approach would be for the development to be pursued as a land disposal, or series of disposals. If appropriate changes are made by the government to the funding arrangements that make it a practical possibility, any development of council homes would require procurement exercises to be undertaken for constructors and consultants.

24. It is anticipated that the two cleared sites on the Elmington Estate will be offered to the market through a full marketing exercise using traditional advertising, direct marketing and a web site. A development brief will set out what the council is expecting from interested parties and will include some planning guidance. Care will need to be taken to ensure that any sale remains a land disposal transaction and does not transgress into procurement issues and therefore proposals need to be largely led by the developers.
25. It is likely therefore that the process of selecting a developer or development partner will be guided to some extent by the responses and proposals submitted. This may require a one or two stage selection process before recommendations can be made to Executive. It is proposed that developers are asked to bid on two bases; one providing 35% affordable homes and the second providing 50% affordable homes on site. Bids may come from developers or housing associations or a partnership of both.
26. Given the current property market and lending constraints, developers and housing associations are likely to seek to avoid committing too much money for the site up front and to make such payments over a number of instalments during the course of the development. There is also the opportunity for the council to take advantage of a future recovery in the housing market by requiring additional payments under overage arrangements if prices recover by the time the finished properties are sold.
27. The council will need to ensure that it obtains best value for its assets in any disposal and this will determine how any deal is structured together with management of risk. The council can seek to minimise its risk and exposure to allowing development to proceed on its land before all the receipt has been paid by devices such as requiring insurance bonds backed by major international institutions.
28. The council and a developer would be able to enter into a development agreement to implement a proposed scheme subject to obtaining planning consent. An overage arrangement would secure any future uplift in value during the course of the development.
29. An alternative, and one that needs to be considered in the current market, would be a joint venture agreement where the council puts its land into the venture and shares in the risk with the developer over the build and sale of the finished properties, subject to a minimum guarantee sum. The council's land receipt would come from a share in the profits of the development. Officers believe, in the light of other recent transactions, that this approach would generate the greatest interest. An additional advantage is that the council will have greater control of development requirements and would assist in achieving delivery of the affordable housing in the first phase.
30. The proposed outline timetable for the development of Sites A&B by others dealt with as a land disposal is as follows:

May 2009	Executive decision to agree strategy
June 2009	Development brief and invitations issued for expressions of interest
August 2009	Return and assessment of expressions of interest

September 2009	Invitation for full submission
October 2009	Submission by developers and assessment
November 2009	Selection of developer
Jan – June 2010	Planning and procurement
September 2010	Development start

### Assessment of extending regeneration proposals to Blocks 1-14

31. While the phase 1 development was being progressed and thereafter, interest has been expressed by a number of residents in the remaining blocks of a similar construction at Elmington to those already demolished, whether they would have any opportunities for new housing. It is well known that the original proposal to redevelop originated from the structural weaknesses in the four 11 storey blocks, but the issue has repeatedly surfaced because of the difficulties in preparing a viable investment programme. Table 2 is a schedule of the blocks in question, including numbers designated on the location plan at Appendix 1.

Block	Name	Number of tenanted properties	Number of leasehold properties	Total number of homes
<b>1</b>	1-20 Houseman Way	20	2	22
<b>2</b>	21-29 Houseman Way	9	0	9
<b>3</b>	30-51 Houseman Way	15	7	22
<b>4</b>	29-59 (odds) Benhill Road	9	7	16
<b>5</b>	1-27 (odds) Benhill Road	14	3	17
<b>6</b>	61-91 (odds) Brisbane Street	11	5	16
<b>7</b>	90-106 (evens) Benhill Road	9	0	9
<b>8</b>	1-24 Drayton House	21	3	24
<b>9</b>	30-72 (evens) Lomond Grove	13	9	22
<b>10</b>	1-20 Broome Way	17	2	19
<b>11</b>	1-12 Flecker House	12	0	12
<b>12</b>	1-22 Procter House	18	4	22
<b>13</b>	1-12 Flatman House	12	0	12
<b>14</b>	1-14 Langland House	12	2	14
<i>Refurbished</i>				
<b>15</b>	1-15 Shirley House	12	3	15
<b>16</b>	1-26 Drinkwater House	23	3	26
<b>17</b>	1-47 Caspian (odds)	18	6	24

32. The next 5 year housing investment programme has yet to be agreed. In the last 5 year programme agreed in 2006, blocks 1 to 14 were programmed to be completed by 2010/11. The most recently agreed investment programme is the 2 year programme running up to 2009/10 including blocks 6, 12 and 13. Works had been undertaken to blocks 15, 16 and 17 in 2004/5. Block 6 was determined to be in high need of investment based on its repairs history, information from the Stock Condition Survey (SCS) and survey information previously provided by SBDS. As its location was adjacent to the previously refurbished blocks 16 and 17, it was deemed appropriate to include this for investment. Neighbouring blocks were also assessed, in particular blocks 12 & 13 which were physically attached to the previously refurbished block 16. Again based on SCS information and previously provided SBDS survey information it was deemed that these should be included in the package, to complete the investment cycle in the area around the Phase 1 new build properties.



33. Block 14 was not included at that time, because although its location was close to blocks 12 & 13, the investment need was not considered to be as urgent as the 3 others based on SCS information and investment history.
34. The decision to include these blocks was based on their condition, investment need and their location. However, the preparation for works at blocks 4, 5 and 7 has encountered into considerable difficulty, and highlights potential problems with blocks of a similar construction.
35. Works have been drawn up for blocks 4 and 5 and have been tendered twice since December 2004. The last tenders were returned in March 2007. The average cost to carry out the required works based on the tender returns, was in excess of £40,000 per unit. The reason for the high unit cost is the design and construction of the buildings. Works required include the complete renewal of materials to the front and back elevations, this includes the windows and the asbestos backed cladding panels beneath the windows. The windows cannot be renewed without removing and renewing the cladding panels and frames because the asbestos panels would be disturbed. The cladding panels have seriously deteriorated and are beyond repair. The cost of this work element alone, when last tendered, was over £13,000 per property. In addition to this, the blocks also require extensive concrete repairs and roof renewals in addition to repairs and decorations. Added to this, all blocks require upgrades of the landlord's electrical installation and full internal refurbishment to tenanted properties to bring them up to the Decent Homes standard. The estimated costs of internal works are also high because there is significant amounts of asbestos that will require removing to enable them.
36. Taking this unit cost for the remaining similarly constructed blocks, the overall expenditure for blocks 1-14 would exceed £10 million. Cost estimates include provision for working on leasehold homes, which would be eligible for recharge. Factoring in further deterioration in the condition of these blocks, it is likely that this amount has increased since 2007, although it is commonly considered that blocks 4 and 5 are in the worst condition. Although a lot of information has been collected over time about individual blocks, it is proposed that stock condition should be specifically assessed as part of a more extensive and comprehensive feasibility exercise.
37. As stated in paragraph 32, blocks 6, 12 and 13 have investment works programmed based on their position adjacent to the refurbished blocks. It is suggested that preparation continues for this, without passing the contractual commitment stage, while feasibility work is undertaken. Without pre-judging the feasibility, if the study led to a decision to proceed with the investment works at blocks 6, 12 and 13, these works would therefore not be further delayed and, if extended to block 14, the result would be a defined area of refurbished council blocks adjoining part of the Phase 1 new build and environmental improvements. In a similar vein, whilst the appraisal will include blocks 4, 5 and 7 in Benhill Road, there is a developing consensus that redevelopment would be the most appropriate option.
38. However, given the extensive nature of the investment work required, and the known costs, it is recommended that a review is undertaken of blocks 1 to 14 before embarking on any investment work. As well as the high overall cost of repair, there are competing pressures on the finite resources of the council's housing investment programme. In addition, there should be an assessment of the quality of accommodation that could be offered by these blocks if refurbished,

in comparison to new homes, and whether this represents a worthwhile investment for the council. It is therefore proposed that feasibility work should be undertaken for Blocks 1 to 14, taking account of stock condition, potential for redevelopment and a comparison of costs of options, including rehousing and leaseholder acquisition for redevelopment. Residents of the blocks would be consulted as part of this exercise, including how rehousing would be dealt with. The rehousing process for tenants would be managed through Homesearch, affording Band 1 status to tenants in accordance with the rehousing and redevelopment programme. If agreed, this process would be sequenced with the other rehousing in regeneration schemes to avoid particular demand peaks. Homeowners would need to be bought out in accordance with the practice adopted for other regeneration schemes. Consideration would be given to developing options for homeowners who may not be in a position to buy another property. It would also be necessary to serve Demolition Notices on residents of the blocks in question, to prevent any further Right-to-Buy purchases.

39. It is anticipated that if agreed, the option appraisal process would be undertaken by the end of July 2009, with evaluation and assessment leading to a report back to Executive in early September. If it is decided that the regeneration scheme should be extended, the tenure mix and scale of the new development should reflect planning policy, including London Plan requirements for reprovision of affordable homes. It may be necessary to phase the tenure distribution as outlined at paragraph 22, so that a higher proportion of social homes is provided in the early phase of development at Sites A and B to provide rehousing capacity, and to balance the tenure mix with the later phases, to support a mixed and balanced community.

### **Policy Implications**

40. The proposals outlined above are in line with several of the council's housing priorities as outlined within the current housing strategy - in particular the provision of affordable housing by increasing opportunities for housing development and the improvement of the quality of all homes and neighbourhoods by bringing council homes up to Decent Homes standard.

### **Community Impact Statement**

41. There are two key groups that the proposed variation to the 1999 and 2005 executive decisions will impact on: - households seeking to exercise their option to return to the new development and the wider community in relation to the provision of a community hall.
42. All tenants who were displaced from the estate were given the option of returning to the Elmington area. The majority of these households were re-housed to the newly built council properties developed in Phase 1. 124 of the 136 new properties were let to tenants rehoused as part of the scheme. The remaining tenants who moved away continue to have the option of returning to the site within the revised proposal, albeit to a new RSL property. The 15 households identified have been consulted on the principal of the proposed change to involve an RSL, and will be further consulted in detail about the new development and their housing options.
43. The need for community facilities for residents of the mid-Elmington area will need to be assessed in accordance with work ongoing on an area and borough-wide basis.

44. Generally this proposal will provide a mixed development of housing for sale, shared ownership and affordable units in an area which consists of predominantly council housing, potentially providing a boost to the economic and social environment of the area.
45. The decision to extend the scheme to the low rise blocks, will impact on the residents of those blocks, and detailed consultation will be undertaken as part of the feasibility process.

### **Resource Implications**

46. Works and associated costs to date on the regeneration of the Elmington Estate have been funded from the housing investment programme, to a total of approximately £17m. The programme included further provision of £4.3m for future phases, including £1m for a community hall, £3.3m for phase 2, of which £0.1m has been spent to date, plus an additional borrowing allocation of £1.5m for the creation of larger units within phase 2, which has now been diverted elsewhere within the programme to avoid loss of funding. It had been anticipated that capital receipts of up to £5m would return to the programme for reinvestment elsewhere in the housing stock. While the disposal of sites A and B will achieve the generation of capital receipts, the level of these is uncertain in the current economic climate.
47. There are 192 residents (excluding leaseholders) in blocks 1 to 14 who will be eligible for Homeloss and disturbance compensation. Assuming homeless at a rate of £4,700 per property and a disturbance allowance of £750 per property, this amounts to a cost to the council of £1,046,400.
48. There are currently 44 leaseholders across blocks 1-14. Assuming property valuations of around £150,000 this amounts to a cost to the council of £6.6million to buy out leaseholders, excluding Homeloss payments. This amounts to an overall cost to the council of in the region of just under £7.7million to secure vacant possession, excluding Homeloss payments to leaseholders
49. The proposed costs estimated at £7.7m to secure vacant possession of further blocks will place an additional burden on the investment programme in the short term, although this may be offset in the medium term by a reduced investment requirement to make the properties decent. Should site disposal then be the preferred option, the level of the capital receipts cannot currently be quantified.
50. Any capital receipts generated by disposal should be earmarked for the reimbursement of costs borne by the housing investment programme, as was originally envisaged.
51. Capital receipts may be anticipated as a result of the disposal of Sites A and B. The choice of delivery options, as outlined at paragraph 22 would affect the amounts and timing of receipts.

### **Consultation**

#### **Residents**

52. Since 1999, consultation with residents in relation to the development proposals for the Elmington has been regular and ongoing. This has taken the form of

letters, interviews, public meetings and the production of an Information Pack. A project group was also established comprising residents, officers and consultants and met regularly from 2000 to January 2007. Since that time progress reports have been provided to the T&RA. The local housing office has also maintained records of the 15 households who were rehoused from the original blocks and who have requested to exercise their option to return to the new development. As part of a wider consultation with these residents about any possible changes in their housing requirements – in terms of both the size of unit and specific housing needs. They have also recently been consulted by letter on the proposal that the homes to be built will be RSL not council homes. The initial findings are summarised as follows:

- Everyone spoken to still wants to return to a new Elmington home, not remain permanently in their current home.
- General disappointment that there has been such a long interval from the time that rehousing took place to the time that new homes will be ready.
- Unhappiness that the new properties may not be council homes, given that this was the original choice when rehousing was proposed.
- Concern that RSL homes will have higher rents than council ones.
- Feeling that if there is a change in direction to RSL homes that there should be other council rehousing opportunities from what is viewed as a temporary home.
- Most respondents wish to know more about the development proposals and timetable and also about how RSLs.

53. In response to the concerns raised, a follow up letter and an insert outlining the differences between council and RSL tenancies has been sent to the 15 households inviting further comments before the consultation formally concludes on 15 May 2009. The final outcomes of this consultation will be provided as an addendum to this report. More detailed consultation would routinely be undertaken as the development proposals are worked up, with households with the option to return. In the event that these proposals are agreed, it is recommended that work is undertaken with the relevant households to offer reassurance that the development will proceed and on the working of RSLs as landlords particularly concerning tenancy conditions, rents and service charges and resident involvement.

54. Discussions have already been held with the Elmington (previously Mid-Elmington) T&RA residents about the redevelopment of blocks 4, 5 and 7 and there is strong support for this option. It is proposed that as part of the option appraisal exercise, residents of all blocks 1-14 should be consulted about the rehousing process in accordance with the *rehousing in regeneration* part of the lettings policy. If it is decided that any rehousing is necessary before new homes are available on sites A and B immediately, tenants will be rehoused to existing affordable homes through Homesearch and given the option to return to the new homes that are built on sites A and B once they have been completed.

### **The Wider Community**

55. From late summer 2007 discussions have taken place with both Mid Elmington and D'Eynsford T&RA representatives to discuss both a business plan and the capacity of the T&RAs for the development of a new community centre. At a special meeting on 13 September 2007 it was clear that neither the capacity, nor a business plan could be achieved in time to justify the development of a new

community facility. Further discussions are planned with residents about capacity in the wider community, which will take into account any population increased resulting from any new development at Elmington.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director for Legal and Democratic Services**

56. Section 105 Housing Act 1985 requires the council to consult with secure tenants on matters of housing management, which in the opinion of the council as landlord represents a change in practice or policy of the authority and is likely to substantially affect either secure tenants as a whole or a group of them.
57. The proposed amendment relating to redevelopment of Site A and B is unlikely to substantially affect secure tenants as a whole. General consultation is not therefore required.
58. The proposed amendment could be seen to affect displaced tenants who have requested/been given an option to return to the Estate; although the amended proposal provides that such tenants will still be offered a property on the site, they are likely to be offered a new home provided by a RSL as opposed to a council property. Tenants of RSLs enjoy similar security of tenure to council tenants, however, there are some differences between council secure tenancies and RSL assured tenancies. The council may not consider the effect on this group of tenants to be 'substantial', and if so, statutory consultation will not be necessary. However, representations made to displaced tenants as to options to return to council properties on the site during the course of consultation on the original proposal may give rise to an expectation of consultation on the proposed changes. To meet legal requirements consultation should:
  - be undertaken when the proposals are still at a formative stage
  - include sufficient reasons for the proposals to allow any interested party the opportunity to consider the proposal and formulate a response
  - allow adequate time for interested parties to consider the proposal and formulate their response;
59. The report sets out the consultation that has taken place. Executive members should take the outcome of consultation into account when the taking a decision on the proposals.
60. The report does not ask members to take a decision to dispose of any land at this point; any such decision will be taken by executive in the future under recommendation 2. At the point of that decision, the executive will consider the rules set out about disposal of properties held for housing purposes under Part II of the Housing Act 1985 which can only proceed in accordance with Section 32 of the Housing Act 1985, for which purposes the consent of the Secretary of State for the Department of Communities and Local Government is required. It is imperative therefore that the council are in a position to satisfy the requirements prior to the disposal of the land referred to in paragraph 2 of this report.

### **Finance Director**

61. It is proposed in recommendations 1 and 2 that a scheme is brought forward for development of existing sites A and B. Expressions of interest would then be

sought from developers and HCA grant funding would be explored. Disposal to developers for an agreed scheme would meet the need to achieve capital receipts from the sites already cleared, in order to reinstate funding of past council new-build and to provide the expected contribution to investment across the HRA. Overage agreements could be used to capture some of any post-sale future rise in value. It is possible, however, that disposal may not generate enough viable interest and some form of arrangement whereby the council offered land in return for future sales proceeds might be considered - this would delay the capital receipts compared with disposal. Community provision is not proposed to be included in the scheme and the need in the wider area will be reviewed - any new facility would require funding to be identified

62. Recommendation 3 is to consider preparing a bid for HCA Challenge Fund grant to assist in funding new council building on part of Elmington A&B and other council owned sites. This would be a separate exercise as an option for delivering some of the affordable housing and would not be an initial requirement in the development scheme. Grant funding is only likely to cover part of the capital cost of new-builds and prudential borrowing for the balance would be difficult to justify as affordable, given uncertainty over HRA subsidy and other income in future years. Under proposed new CLG arrangements council new-builds could be exempted from subsidy clawback and Right to Buy capital receipt pooling - this would give the HRA an extra income stream from these properties of rent in excess of management and repair expenses. If prudential borrowing were not possible and council new-build considered a priority, diverting of other HRA capital resources might be required to meet non-grant-aided capital costs in return for long-term recoupment through the rental stream providing additional annual revenue contribution to capital.
63. Recommendations 4 and 5 concern the feasibility study and options for 14 existing blocks on the estate requiring decent homes investment. The study may recommend demolition of some blocks, in which case there is a revenue impact - the effect of each tenanted dwelling lost is a combination of rent loss, subsidy gain and running cost savings but at average current costs the net average loss per tenanted property is around £2,000 p.a., so if all blocks were developed (192 tenanted and 44 leasehold dwellings) a £384,000 p.a. eventual loss, reduced pro-rata if only some of the blocks were demolished. Any long term loss would need to be met from future HRA revenue savings, yet to be identified, and at a time when redevelopment elsewhere, particularly of Aylesbury Estate, may require an even larger saving. During decant there would also be additional management, welding and security costs, again needing to be met from savings elsewhere unless voids arising from the decants could be used for temporary accommodation to provide short-term rental income. Capital effects of any demolitions would include the cost of buying out leaseholders and in paying home loss and disturbance allowances to residents - around £7.7 million for all fourteen blocks, less pro-rata if fewer were demolished. Not retaining some of the blocks would enable capital receipts to be generated to help fund investment work and would also reduce the need for major decent homes investment, which would otherwise total approximately £10m for all the blocks, part of the borough-wide decent homes investment programme, which is not fully funded. Given the revenue and capital impact of any solution it may be advisable to continue letting and not finally approve any new redevelopment until there is a positive indication - from the sale of the existing Elmington redevelopment land - that significant receipts can be achieved from later sites.

## **Concurrent from the Head of Property**

64. The current economic climate has made it more difficult to secure a development partner able to finance a scheme of this size. However there are few opportunities of the calibre of Elmington and this, subject to the development agreement reached, should attract a good response.
65. It will most likely be necessary to structure any redevelopment proposal/disposal in a way which reflects these difficulties. This can be achieved in a number of ways but primarily include the council entering into a joint venture with a development partner or a phased payment structure within a development agreement with overage payments to capture expected uplift in values.
66. Managing the risk to the council of such arrangements is important and this can be achieved in a number of ways including insurance bond guarantees.
67. Neither private nor affordable housing is selling at the prices or volumes of a couple of years ago. Grant will be required to support the S106 housing and it is worth investigating the option of further HCA funding in an attempt to increase the viability of redevelopment proposals, whether in a conventional way of as part of a strategic partnership.
68. There may be some advantage in delivering the social housing element of any scheme first as this could provide a secure receipt ahead of the private market for sale.
69. Only when further work has been carried out on the details of any redevelopment scheme and the likely planning density of the site will it be possible to carry out a worthwhile valuation appraisal.
70. The estate could be redeveloped in a phased manner allowing units to be built on the cleared sites that could be used to decant people from the existing blocks that require the most urgent attention. Part of the cleared sites to the north could provide valuable private housing to help fund further development of the estate.
71. Many of the units on the Elmington Estate have at least 3 bedrooms and gardens and this potential re-provision along with a number of other issues will have to be factored into the planning of any development.
72. There are multiple leaseholders in the various blocks that constitute the Elmington Estate and it will be necessary to acquire their interests prior to re-development. It is likely that this would cost several million pounds to achieve and could cause delays in the development timetable especially if Compulsory Purchase Orders are required. However without vacant possession of the blocks it will not be possible to commence re-development of the remaining Elmington blocks.
73. To enable the council to consider acquiring the leasehold interests in any block that may be deemed suitable for redevelopment it will be necessary to have complete and watertight grounds to justify the use of any compulsory purchase under the Housing Act. The council will have to demonstrate conclusively that redevelopment rather than refurbishment is the appropriate route to follow.
74. Until more detailed proposals are drawn up it is not possible to give an accurate timetable for development however once approval is given to take the cleared

sites to the market, it is estimated that a report could be bought back to executive detailing the interest, basis of offers and making recommendations, within 5 to 6 months of the instructions to proceed.

### Planning policy

75. The London Plan (consolidated with alterations) 2008 and the Southwark Plan (2007) form Southwark's development plan. Planning decisions should normally be made in accordance with the development plan. London Plan Policy 3A.12 (Loss of housing and affordable housing) states that UDP policies should prevent the loss of housing, including affordable housing, without its planned replacement at existing or higher densities. This means that usually there should be no loss of housing, including no loss of affordable housing.
76. Southwark's Affordable Housing Supplementary Planning Document (2008) provides more guidance on Southwark's existing approach to the replacement of affordable housing on estate redevelopment. When there is a net increase in the amount of housing provision through estate redevelopment, normal policy requirements for affordable housing do not usually apply to any additional housing that is built on the sites. Therefore, requirements for the provision of additional affordable housing in estate regeneration schemes is done on a case by case basis in consultation with the GLA and needs to be informed by a financial appraisal.
77. The Southwark Plan will be replaced by the emerging Core Strategy in 2010. The draft document is looking at not requiring 100% replacement of social rented housing on estate regeneration schemes.
78. Southwark's Residential Design Standards Supplementary Planning Document (2008) sets out the standards of design required from all new housing. This includes room sizes, requirements for Lifetimes Homes and Wheelchair housing. These standards apply to all new housing.

### BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
No applicable documents		

### APPENDICES

No.	Title
Appendix 1	Elmington Estate – site map



## AUDIT TRAIL

<b>Lead Officer</b>	Patsy Aduba, Head of Housing Strategy & Regeneration	
<b>Report Author</b>	Maurice Soden, Regeneration Initiatives Manager	
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