

Item No. 7.	Classification: Open	Date: 13 December 2011	Meeting Name: Cabinet
Report title:		Hawkstone Low-Rise Options Appraisal	
Ward(s) or groups affected:		Rotherhithe Ward	
Cabinet Member:		Councillors Fiona Colley, Regeneration and Corporate Strategy and Ian Wingfield, Deputy Leader and Housing Management	

FOREWORD - COUNCILLORS FIONA COLLEY, CABINET MEMBER FOR REGENERATION AND CORPORATE STRATEGY AND IAN WINGFIELD, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING MANAGEMENT

After years of uncertainty and delays we are delighted to be able to take a firm decision for the future of the Hawkstone Estate Low-rise blocks.

Having closely monitored works on three pilot flats, we can now be confident that the Hawkstone low-rise blocks can be safely refurbished without residents having to move out of their homes and that the works can be delivered within the budget initially allocated to the Hawkstone estate in the council's 2 year investment programme, which members will be aware should have meant that works were already underway to these blocks prior to the commencement of the current 5 year housing investment programme.

It is right that a range of other options were considered and consulted on alongside the refurbishment options considered for the Hawkstone low-rise blocks. Although it has required intensive focus and commitment from residents, it would not have been right to extend the period of uncertainty when steps could have been taken to reach a decision as soon as possible - Hawkstone low-rise residents have been living with uncertainty over the future of their homes for too long

Following this work we are pleased to recommend our preferred option of enhanced refurbishment of the Hawkstone low-rise blocks which can be afforded within the money already made available for the Hawkstone estate, and which will contribute towards the council's aspirations for a 30 year asset management plan to follow on from our commitment to make all homes warm, dry and safe.

We'd like to thank all the residents who have assisted us in this appraisal and consultation work and in particular the residents who kindly allowed pilot study works to be conducted in their homes.

We now look forward to progressing these works as quickly as possible and making every home on the Hawkstone Estate warm, dry and safe.

RECOMMENDATIONS

1. That the cabinet notes the findings of the Hawkstone low-rise options appraisal.

2. That the cabinet approves the adoption of the preferred option of enhanced refurbishment of the Hawkstone low-rise blocks and that these works are programmed into the housing investment programme for financial year 2012/13.
3. That officers report to cabinet on the implementation of this option only if matters arise that mean that an enhanced refurbishment option can not be implemented within the resources that have been made available for the Hawkstone estate.

BACKGROUND INFORMATION

4. On 31 May 2011, cabinet approved consultation on the council's draft five year housing investment programme. Within that report, 6 housing estates were identified as requiring high investment in order to refurbish them to the government decent homes standard. These estates were the Brandon Estate, Aylesbury Estate, Elmington Estate, Four Squares, Hawkstone low-rise and Abbeyfield estate.
5. Agreed investment approaches are in place for the Brandon, Aylesbury and Elmington estates. Cabinet therefore agreed that officers undertake options appraisals for the remaining three estates in consultation with residents, namely the Four Squares, Abbeyfield and Hawkstone low-rise.
6. Officers reported back to cabinet on 18 October 2011 on the progress made to date in carrying out these options appraisals. Cabinet noted progress and approved an updated project plan for the three estates, which stated that a further report would be provided to cabinet in December 2011 outlining the outcome of the Hawkstone low-rise options appraisal. Officers were directed to report back on the outcome of the Four Squares and Abbeyfield estate options appraisals in February 2012.

KEY ISSUES FOR CONSIDERATION

7. It was noted in the cabinet report of 18 October 2011 that the council's options appraisal methodology consists of an evaluation of net present value, strategic fit and risk.
8. In order to provide the quantitative information required to feed into this evaluation, a technical advisor team was appointed to undertake costed building condition and land capacity surveys. A quantity surveyor was appointed to review the stated costs identified in these surveys. These appointments were made in keeping with council contract standing orders, with two residents from the Hawkstone low-rise options appraisal resident steering group (hereafter referred to as the Hawkstone RSG) participating fully in the procurement exercise. MACE was appointed to advise on building condition, PRP architects was appointed to advise on land capacity and Potter Raper was appointed as independent advisors on cost.

Building condition survey findings

9. MACE was directed to review existing information on stock condition held by the council in relation to the Hawkstone low-rise blocks as well as carrying out their own surveys. An important element of this information concerned the findings emerging from works undertaken to three pilot flats in the low-rise blocks.

10. Works were undertaken to an initial void pilot flat in a Hawkstone low-rise block by the council's major-works partnering contractor Wates. Wates concluded that it would not be possible to undertake decent homes refurbishment works with residents in situ due to the prevalence of asbestos within dwellings. Following further discussion, Wates undertook to carry out and closely monitor works to an additional two pilot flats in order to determine if it were possible to safely replace windows in these flats with residents in situ.
11. The findings that have emerged from the second pilot flat indicate that it is possible to replace windows in these flats without causing any risk to the occupants' health by the disturbance of asbestos. Works to a further pilot flat were undertaken to further verify that this is the case. The second pilot flat has confirmed that the metal single-glazed windows in the low-rise blocks can be removed and replaced safely with double-glazed UPVC windows, leaving the timber surrounds in place without disturbing the asbestos within the overall structure. The second pilot has also identified that it is possible to safely over-clad the remaining timber frame, encapsulating the external asbestos board with residents in situ.
12. Taking into account the findings of previous surveys, including the Wates pilot works, and their own representative sample survey of 10 per cent of the low rise properties, MACE identified the range of works that were necessary in order to ensure that the homes met the following criteria:
 - Warm, dry and safe in accordance with the investment strategy adopted in May 2011 and the 5 year programme agreed in October 2011
 - An enhanced standard to enable the blocks to meet the 30 year investment cycle criterion set for the council's housing investment programme.
13. In order to ensure that the lifecycle costs of each refurbishment option were taken into account in making an investment decision for the Hawkstone low-rise blocks, MACE was also asked to identify a schedule of maintenance that would need to be undertaken on the blocks, based on the assumption of a 10 year maintenance cycle.
14. One of the key findings to emerge from the MACE surveys was that refurbishment works could be carried out to both the standards set out above with residents in situ, only requiring residents to temporarily vacate their properties for a period of up to five hours where asbestos-bearing kitchen or bathroom panels would be disturbed due to major kitchen or bathroom works and full asbestos management measures were therefore necessary.

Land capacity survey findings

15. PRP architects were asked to identify areas of additional land capacity on the Hawkstone estate.
16. In identifying viable infill development or redevelopment opportunities within the area, PRP considered the following:
 - Existing development within the area
 - Current use and quality of existing spaces
 - Resident feedback on both of the above

17. All these factors were of importance because the purpose of considering development was to provide finance for the scheme to be delivered, and if necessary to provide rehousing capacity.
18. PRP then designed three, phased, additional development options for the Hawkstone estate which were:
 - Infill development on the old doctor's surgery and Hawkstone Road garage site with environmental improvements to the areas immediately surrounding the low rise blocks.
 - Infill development on the old doctor's surgery and Hawkstone Road garage site with redevelopment of Rotherhithe Old Road and 15 1-bedroom homes from Canute Gardens with environmental improvements to the areas immediately surrounding the low rise blocks and also to existing amenity space.
 - Infill development on the old doctor's surgery and Hawkstone road garage site with complete, phased redevelopment of all the Hawkstone low-rise blocks.

Developing the five options

19. The findings of both the building surveyors and architects were then combined to produce five draft options to be appraised for the Hawkstone low-rise blocks, which were then discussed with residents at a Hawkstone RSG meeting on 12 October 2011 and at a Hawkstone Tenant and Residents' Association meeting on 26 October 2011.
20. Taking into account feedback from residents, and information made available as the building surveys progressed, the options were developed in further detail and then consulted on at an options appraisal day held on 3 November 2011, Residents of the low-rise Hawkstone blocks and of John Kennedy House and Brydale House were leafleted and encouraged to attend this event.
21. Residents from 45 households from the Hawkstone Estate attended. Display boards describing the detail of each option, and a 3D scale-model were made available for residents to consider. Both the architect and building surveyor teams were available for residents to question about each option, as were council officers from the Estate Regeneration and Housing Investment Teams. Residents' feedback was collected by use of questionnaire forms.
22. The five draft options were:
 - Option 1: Refurbishment of the low rise blocks to make homes warm, dry and safe
 - Option 2: Enhanced refurbishment of the low rise blocks to enable the blocks to last for 30 years
 - Option 3: Enhanced refurbishment of the low rise blocks with additional works to communal areas and facades, including full replacement of kitchens and bathrooms with infill development on the Hawkstone garage site and old doctor's surgery site
 - Option 4: Demolition of Old Rotherhithe Road and part of Canute Gardens with enhanced refurbishment of the retained low rise blocks and infill development on the Hawkstone garage site and old doctor's surgery site.
 - Option 5: Full demolition and redevelopment of the Hawkstone low-rise

blocks.

23. The option that received the most favourable response from Hawkstone low rise residents was for an enhanced refurbishment option, with 15 low-rise residents responding favourably and seven responding unfavourably. When residents were asked if they would support infill development if it helped to generate sufficient resource to facilitate an enhanced refurbishment option, respondents were evenly split, with seven saying yes, and seven saying no. There was a largely indifferent or negative response to option three, with 10 low rise residents disliking the option and only six liking it. Officers received a number of questions from residents about the rehousing implications of the options that involved a level of redevelopment of the low-rise blocks, particularly around the rehousing process and the option to return.
24. Following on from the consultation event, it was confirmed by the building condition study that the replacement of kitchens as part of option two could substantially increase the cost of an enhanced refurbishment standard by requiring the removal of asbestos and the replacement of external panels attached to kitchen windows. Given the responses received from the consultation event that seemed to show support for an enhanced refurbishment standard without infill development, it was decided by the project team to adjust options two, three and four to take into account this new information and the feedback received from the consultation event as below:
 - Option two: Refurbishment of the low-rise blocks to ensure a 30 year life, including replacement of kitchens only where it is evident that they are not fit for purpose; replacement of windows with double glazed UPVC windows, with overcladding.
 - Option three: Refurbishment of the low-rise blocks to ensure a 30 year life, including new kitchens and bathrooms where they are either unfit for purpose or fail on the decent homes 'modernity' criterion with replacement of windows with double glazed composite timber-aluminium windows, with overcladding to the blocks, and development on two infill sites (the old doctor's surgery site and the garage site)
 - Option four: Refurbishment of Jarman House and part of Canute Gardens to ensure a 30 year life to the same standard as listed in option three, with redevelopment of Rotherhithe Old Road and 15 properties in Canute Gardens.
25. Residents were then written to and informed of the changes that had been made to the draft options in response to the consultation event and offered the opportunity to attend a drop-in session with council officers in order to pose any questions they might have about the revised options.
26. The feedback session was relatively well attended with 20 residents dropping in to find out more about the final options to be appraised. Many of the residents who attended the feed-back session had attended the options appraisal drop in session (11 of the 14 respondents who provided this information). Of the 14 residents who filled in a feedback survey, 10 were from the low-rise blocks. Five of the low-rise respondents expressed a strong preference for a refurbishment option, one respondent expressed a preference for option three and three respondents did not comment.
27. The draft options remained the basis of the final options to be appraised,

although further detail had emerged before appraisal concerning the precise extent of refurbishment works to each option; precise rehousing dates for the redevelopment options taking into account the council's existing rehousing in regeneration schemes commitments and feedback from planners on PRP's designs for the options with development implications – options 3 to 5.

The preferred option

28. The options appraisal consultation process was run in parallel with the undertaking of the building surveys, land capacity surveys and cost analysis of the works identified as necessary to the Hawkstone low-rise blocks. These processes were run in parallel, rather than subsequent to each other, in order to provide the opportunity to arrive at an investment decision over the future of the Hawkstone low-rise blocks at cabinet by December 2011.
29. One of the major implications arising from the findings of the two pilot flats and the wider surveys undertaken by MACE was a consensus that refurbishment works to the low-rise blocks could largely be undertaken with residents in situ, with a limited range of works perhaps requiring residents to move to a daytime respite facility for up to five hours. This significantly brought the estimated cost of works down from previous estimates.
30. The need to develop and consider options three to five arose from the potential need to explore investment options for the Hawkstone low-rise blocks, should it emerge that refurbishment could not be achieved within the council's available resources, and if rehousing was found to be necessary.
31. For the purposes of completeness, the five options that had been consulted on with residents were run through the council's options appraisal model after it became known that according to estimates, both options one and two could be resourced from the provision made in the council's housing investment programme, and were assessed against the criteria as outlined in the October 2011 cabinet decision.
32. Assessment of NPV was based on the costings provided to the council by the quantity surveyor and the anticipated land values as provided by a council valuer for options three, four and five. The information informing these valuations was provided by architects and advice from council officers concerning planning requirements affecting the Hawkstone estate. The following was assumed:
 - All new homes were compliant with Southwark's minimum dwelling sizes as set out in the residential design standards supplementary planning document (2011)
 - In accordance with the core strategy (2011) that for each option, 60% of the homes provided had 2 bedrooms or more, and that 20% of the homes provided had 3 bedrooms or more.
 - In accordance with the core strategy (2011) and the saved Southwark Plan (2007) that for each option, a minimum of 35% of the homes provided were affordable, with 70% of those homes being of intermediate tenure and 30% being social rented
 - That all social rented homes were set at target rent in accordance with the affordable housing supplementary planning document.
33. Initially, across all three options, land values were predicated on the assumption

that all affordable housing lost via redevelopment was re-provided as part of the new scheme and that 35% of the net additional homes were provided as affordable housing to enable existing Hawkstone residents to move into new homes if they chose too. This assumption rendered the redevelopment values of options 3, 4 and 5 as negative. Following on from this, the assumption that was modelled and run through the options appraisal is as appears at paragraph 32 – namely that 35% of new homes across the development are provided as affordable. This yielded positive land values.

34. The resulting implication of the above is that a deliverable redevelopment option would be one that did not make provision to rehouse all Hawkstone low-rise residents. Based on the figures run through the options appraisal model, under option four, nine social rented homes would be made available and under option five, 21 social rented homes would be made available. Taking into account Southwark’s nominations protocols, Southwark would be able to nominate to seven and 16 of these properties respectively.
35. The strategic fit and risks associated with each option were scored by five council officers drawn from the estate regeneration, property and housing services teams. The ranking of the options against net present value (NPV), strategic fit and risk are shown in table one below.

Table 1: Average ranking of options 1 to 5 (1 is best performing, 5 is worst)

Option	Ranking			Average ranking
	NPV	Strategic Fit	Risk	
Option 1: Warm, Dry, Safe	2	5	3	3.3
Option 2: Enhanced refurbishment	3	1	1	1.7
Option 3: Enhanced refurbishment and infill development	4	4	2	3.3
Option 4: Enhanced refurbishment of retained low rise blocks and partial redevelopment of the remainder, with infill development	5	3	4	4.0
Option 5: Full redevelopment	1	2	5	2.7

36. Overall, option 2 ranked best, averaging a rank of 1.7 across the three areas of consideration. Option 2 scored particularly well on risk and strategic fit; the fit of this option with resident aspirations was deemed to be extremely good based on the priorities that had been made known to the council by residents via the written consultation carried out over September 2011 and the two options appraisal consultation events that were held in November 2011. These showed that there was:

- Support amongst survey respondents for the refurbishment of the low rise blocks – 81% of respondents would rather have their blocks refurbished than redeveloped.
- A desire amongst low-rise Hawkstone respondents to remain as council tenants (100% of respondents indicated this in the September survey)
- A desire amongst low-rise Hawkstone respondents to remain in the Bermondsey and Rotherhithe area (84% of respondents indicated this in the September survey).

- Significant concerns amongst Hawkstone low-rise tenants and leaseholder respondents about the availability of suitable properties should relocation be required as part of a redevelopment option (76% of respondents indicated this in the September survey)
 - No substantial concerns amongst Hawkstone low-rise respondents about the levels of crime/antisocial behaviour or availability of local services such as GPs, community facilities and shops in the area.
 - A good level of satisfaction from low-rise residents who commented on the draft options with option two; opposition from low rise residents who commented on the draft options to options three, four and five and an even response to option one.
37. On the basis of the above, option one, warm, dry, safe, also scored well with its fit with resident priorities. Its low overall strategic fit ranking is accounted for by its limited focus in relation to the range of long-term council priorities that are assessed as part of the strategic fit scoring, against which the longer-term and broader ranging options scored better. Option five did not score well on its fit with resident aspirations as based on the results of the financial modelling that was undertaken, a viable redevelopment scheme would not be able to support re-provision of the number of homes, at their current bedroom mix and level of affordability, as currently exist across the Hawkstone low-rise blocks. This means that residents would most likely be required to move away from the estate, with no guarantee that they would be successful in bidding for properties within the immediate area.
38. Option five scored well on NPV, yielding the smallest negative return on investment. Option one, Warm, Dry, Safe, was the best of the other options on NPV, reflecting its rigorous focus on managing investment across the borough's housing stock as a first step towards the council's 30 year asset management strategy.
39. Option five was assessed as the riskiest option, which is reflective of the comparatively higher levels of uncertainty that surround redevelopment schemes that require residents to be rehoused. There are currently more than 800 residents with band-one (highest) priority active on Homesearch, making rehousing an uncertain process, particularly for residents who have indicated a strong preference to remain as council tenants. Option one scored an average score, with the majority of its risks being associated with its higher lifecycle costs.
40. In determining a preferred option to recommend to councillors for the Hawkstone low-rise blocks, the following was considered:
- The findings of the building surveys undertaken by MACE
 - That the Hawkstone estate was initially placed in the council's two year programme, the programme that was due for completion prior to the start of the current five year housing investment programme.
 - That the revision of anticipated costs for the refurbishment options (one and two) meant that refurbishment of the Hawkstone low-rise blocks could be resourced from within existing investment allocations.
 - The council's 30 year approach to asset management
 - The outcome of resident consultation to date
 - The outcome of the options appraisal modelling
41. Taking into consideration the factors listed above, option 2 (an enhanced

refurbishment option) has emerged as the preferred option for the Hawkstone low-rise blocks. Provision has been made within the Housing Investment Programme for the implementation of this option in financial year 2012/13.

42. Hawkstone low-rise tenants and leaseholders received information packs on 30 November 2011 informing them of the preferred option that would be recommended to cabinet. A copy of the material provided to residents, including a summary of the items included within the enhanced refurbishment option, appears at appendix one. The implications of the preferred option were set out and residents were asked to fill in a survey outlining their response to the preferred option and detailing whether it met their priorities and aspirations. High rise residents were written to on 1 December to inform them that the preferred option for the Hawkstone low-rise blocks would not involve any infill development or redevelopment on the estate.
43. In order to ensure that leaseholders were fully aware of the costs of option two, the scope of works identified for the preferred refurbishment standard was reviewed by officers from the council's home ownership service to arrive at outline estimates for leaseholder charges arising from the works. These costs were listed in the information packs referred to in paragraph 41 and were clearly labelled as budget estimates that could either increase or decrease once the cost of works was identified by the contractor carrying out the works. Leaseholders were informed that further consultation would be carried out before they were issued with a final charge.
44. The estimates provided to leaseholders were placed within a range that varied according to property size and block. The ranges are provided in table two below. The ranges for option one, warm, dry and safe, are provided for comparison and show that although the upfront capital cost for leaseholders will be higher under option two than under option one, in addition to receiving additional benefits in terms of heat and sound insulation under option two, the subsequent cost of cyclical maintenance over a 30 year period, assuming works occur every 10 years, is lower. The total cost to leaseholders over 30 years is therefore similar between options one and two.

Table 2 – Costs to leaseholders

Block	Warm, Dry, Safe (for comparison)			Enhanced refurbishment		
	Initial capital cost	Lifecycle cost*	Payment over 30 years	Initial capital cost	Lifecycle cost*	Payment over 30 years
Canute Gardens	£20,600 - £40,000	£16,600 - £26,600	£37,200 - £66,600	£27,300 - £43,700	£10,700 - £17,100	£38,000 - £60,800
Rotherhith e Old Road	£25,500 - £29,100	£21,400 - £24,400	£47,000 - £54,500	£33,800 - £39,000	£13,400 - £15,300	£47,200 - £54,300
Jarman House	£23,700 - £31,500	£19,900 - £26,600	£43,600 - £57,100	£31,000 - £41,400	£12,800 - £17,100	£43,800 - £58,500

* This is the total lifecycle cost over 30 years, making allowance for cyclical maintenance every 10 years, so leaseholders can expect to pay half of the amount listed in this column after 1 cycle in year 10 and the other half after cycle 2 in year 20.

45. Officers have been invited to a Hawkstone tenant and resident association meeting on 1 December 2011 to explain the preferred option to residents. An open Hawkstone RSG Meeting will also be held on Wednesday 7 December for low-rise residents. Finally, a drop in session for tenants and leaseholders of the Hawkstone low rise blocks has been scheduled for Thursday 8 December 2011.
46. As the results of this consultation will not be known until 8 December, its findings will therefore be submitted as a late appendix to this report.

Resident consultation

47. Council officers approached the Hawkstone tenant and resident association (TRA) in June 2011 to form a resident steering group to work with through the options appraisal process. Officers were made aware of a pre-existing group of residents that had formed in response to the council's proposed major works to the low-rise blocks. Council officers worked with the Hawkstone RSG as a consultative body that fed back to the Hawkstone TRA throughout the options appraisal process, rather than constituting a formal subgroup of the TRA.
48. Hawkstone low-rise residents have been engaged throughout the options appraisal process via the following means:
 - Meetings with the Hawkstone RSG and circulation of minutes (once finalised) to all Hawkstone low-rise residents and Hawkstone high rise residents where discussion has touched on topics related to the high rise blocks.
 - Feedback from the Hawkstone RSG and council officers at Hawkstone TRA meetings
 - Open days where Hawkstone RSG members, council officers and technical advisors are available to answer queries
 - Provision of an independent resident advisor to answer any queries residents may have independently of the council.
49. As the council identified possible options that might include infill development, efforts were made to broaden the membership of the Hawkstone RSG to incorporate residents from the high rise blocks. A meeting for high-rise residents was held on 21 September 2011 where information was provided to residents of these blocks about the options appraisal process and nominations to the steering group were sought. Those in attendance at the event expressed concern that they would not feel comfortable in representing high rise residents without having been nominated at a better-attended meeting. It was expressed that insufficient notice of the meeting had been provided to residents. It was decided that nominations would be more appropriately sought at an open meeting for residents.
50. An open meeting was held on 5 October 2011 to find four volunteers from the high rise blocks (two from Brydale House, two from John Kennedy House) to sit on the Hawkstone RSG. The proposal from officers for four volunteers was to seek a balance to reflect the proportion of the two 2 block types on the estate against the fact that more radical solutions were being considered for the low rise blocks. In the event, no volunteers were forthcoming.

Policy implications

51. Implementing the preferred option for the Hawkstone low-rise blocks by refurbishing them to an enhanced refurbishment standard will contribute towards meeting the council's housing policy target to ensure that all homes are warm, dry and safe and will be in keeping with the council's aspiration to develop a 30 year asset management plan.

Community impact statement

52. Refurbishing these homes to an enhanced refurbishment standard will make these homes warm, dry and safe. Residents of these blocks will benefit from better noise and heat insulation as a result of the renewal of window frames, installation of double glazed windows and overcladding of their blocks. They will also indirectly benefit from reduced fuel bills over winter. The worst cases of internal disrepair to kitchen elements will also be addressed and all bathrooms will be replaced.
53. Leaseholders of the Hawkstone low-rise blocks will be financially affected by the refurbishment as outlined in table two, but will benefit from better noise and heat insulation as outlined at paragraph 52.

Resource implications

54. The Hawkstone estate was initially identified as a high-cost estate in terms of meeting the warm, dry, safe standard because of indications that significant asbestos-related works and precautions would be needed. However, recent surveys have indicated that refurbishment can be carried out without these extra costs. The recent option appraisal took account of these recent surveys and focussed on five options ranging from standard warm, dry, safe works to full demolition.
55. Option 2, enhanced refurbishment, is the recommended option, taking into account net present value of cash flows, strategic fit and risk (see table 1 within this report). The cost implication of this option is £4.7 million capital, to be met from housing investment programme provision for the whole estate. It should be noted that other options have better net present value but lower overall ratings. Option 1, warm, dry, safe works, would have higher secondary future replacement costs and only partly meets tenant aspirations. Option 5, full redevelopment, would add to the council's rehousing pressures and has delay and land value risk.

Investment implications (inv/ii2574/1Dec11/rjb)

56. The 5-year housing investment programme approved by cabinet on 18 October 2011 includes indicative funding for the refurbishment of the Hawkstone Estate. The costs of the enhanced refurbishment standard currently estimated at £4.7m can be met from this provision.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Home Ownership

57. 26 of the 117 properties are owned on a leasehold basis with varying distribution

over the three affected blocks.

58. The head of home ownership notes and approves the preferred option 2 as presented by this report. Exercising this option should provide the most balanced result.
59. Options 1 to 4 all include items of repair and renewal to the structure, common areas and communal services of the blocks and estate. These are rechargeable to leaseholders under the terms of their leases. Leaseholders will not be recharged for works carried out inside tenanted properties.
60. Option 1 does not have the intended longevity of all the other options and is likely to result in additional works becoming necessary sooner in comparison to other options. As well as causing further disruption to residents, this could also result in a higher cost overall when compared to option 2 which would be particularly unpopular with leaseholders.
61. Should options 3 or 4 be exercised, the head of home ownership who manages the council's portfolio of garages would need to consider the surplus declaration. There are currently 80 garages on the estate, 56 of which are rented. The current income per annum from the rented garages is £53,464.32. While the potential annual income from all garages on the estate is £76,377.60. The potential loss of revenue to the council must be considered if either of these options is to be exercised.
62. Option 4 would require the repurchase of the six leasehold properties at Rotherhithe Old Road and option 5, the repurchase of all 26. Gaining vacant possession of leasehold properties through negotiation or by use of the council's compulsory purchase powers will not be an easy or quick process, especially since it has been ascertained that residents are unsupportive of these options. They would naturally require significant available capital. Leaseholders financially unable to afford to move to a suitable property would likely be offered the same rehousing assistance opportunities as agreed for other estates subject to redevelopment. This will have housing supply and interdepartmental resourcing implications.
63. Although option 2 is not the most expensive one, the service charge will still be significant with initial rechargeable costs estimated to range between £27k and £41k depending on the size of the property. A case recently heard at the Lands Tribunal Upper Chamber (*Garside & others v RYFC Ltd and others* [2011] UKUT 367) considered that the LVT should, in determining whether costs have been reasonably incurred, take account of the financial impact on leaseholders and whether major works should be phased to mitigate this. Here, the costs were in the region of £7.6k per property. It is recommended that a statement is made as to why phasing is considered to be inappropriate and which lays out the payment plans offered by the council which have the same effect of spreading the cost over time but with less physical disruption. The estimated service charges outlined here are based on budget estimates only, and could vary considerably once further surveys have been carried out and specifications written and priced.
64. The calculated estimates do not include any allocation for rectifying any necessary damage caused to a leaseholder's fixtures or fittings during the course of the works. The council would have an obligation to make good any such damage but would pass on the cost of doing so to the leaseholder.

Strategic Director of Communities, Law & Governance

65. Under Section 105 of the Housing Act 1985, the council is required to consult with its tenants on matters of housing management that it considers is likely to substantially affect secure tenants as a whole or a group of them. This includes maintenance, improvement or demolition of dwellings that represents a new programme of maintenance, improvement or demolition or a change in the practice or policy of the council. Similarly affected council long leaseholders are likely to have an expectation that they will also be consulted on such matters.
66. The recommendation in this report that cabinet approves the implementation of the preferred option of enhanced refurbishment of the low rise blocks at Hawkstone engages legal requirements to consult with affected residents. To meet legal requirements consultation must 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 and allow adequate time for interested parties to consider the proposal and formulate their response. Those responsible for taking decisions on proposals should take into account the product of consultation when making decisions on the matters concerned.
67. In May 2011 cabinet agreed that option appraisal work be carried out for the low rise blocks on the Hawkstone estate in consultation with residents; to include the facilitation of residents' project groups with independents expert support.
68. The report details consultation with residents that has taken place. The outcome of consultation is set out in the report; it is indicated that the results of ongoing consultation will be made available for members to consider at the meeting. Members should give careful consideration to the consultation responses when taking a decision on the recommendation in this report.

Finance Director

69. This report recommends that the cabinet approves that work continues to implement the preferred option of enhanced refurbishment as set out in the body of this report and notes the findings of the Hawkstone low-rise options appraisal.
70. The finance director notes the confirmation in paragraph 56 that the costs of the recommended option can be met from the capital budget for the Hawkstone Estate contained within the approved housing investment programme. Paragraph 55 explains the risks and issues surrounding other options with a better net present value.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Information pack sent to residents

AUDIT TRAIL

Cabinet Member	Councillors Fiona Colley, Regeneration and Corporate Strategy and Ian Wingfield, Deputy Leader and Housing Management	
Lead Officer	Maurice Soden, Regeneration Initiatives Manager	
Report Author	Jennifer Daothong, Project Officer (Estate Regeneration)	
Version	Final	
Dated	2 December 2011	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBERS		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Head of Home Ownership	Yes	Yes
Cabinet Members	Yes	Yes
Date final report sent to Constitutional Team	2 December 2011	