

Item No. 7.	Classification: Open	Date: 20 March 2012	Meeting Name: Cabinet
Report title:		Four Squares Estate Options Appraisal	
Ward(s) or groups affected:		Riverside Ward; residents of Four Squares Estate	
Cabinet Member:		Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management and Councillor Fiona Colley, Cabinet Member for Regeneration and Corporate Strategy.	

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

After a lengthy process, we are finally able to take a firm decision on the future of the Four Squares Estate. The requirement for a high level of investment has been known for some and we are now in a position to make a decision about our investment plans for the estate.

Following a recent building survey which included both internal and external areas, we can now be confident that we can deliver an enhanced refurbishment programme of works, which will prolong the life of the blocks after some years of failure to invest.

The current budget allocation for the Four Squares Estate in the council's five year housing investment programme is lower than the estimated costs associated with the enhanced refurbishment works. This means that we will have to forward fund these works and in order to make up this shortfall we will have to dispose of naturally arising voids on the estate. However, we will only dispose of enough properties to meet the difference between the cost of the warm, dry, safe works and the enhanced refurbishment works. Works are currently programmed to start in 2012/13 to coincide with the security works to Marden and Layard Squares to ensure that we benefit from potential savings in terms of scaffolding or site set up costs.

We are pleased to recommend the preferred option of enhanced refurbishment to all blocks 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 would like to thank all those residents who have assisted us in this appraisal process and consultation work, in particular the Four Squares Resident Steering Group and those residents who kindly allowed us to internally survey their homes. Finally, we would also like to thank all the residents for their patience in bearing with us through what has been a very lengthy process.

We look forward to progressing the enhanced refurbishment works as quickly as possible and making each home warm, dry and safe.

We are therefore asking the cabinet, after consideration of the officers' report set out from paragraph 1 onwards to approve the recommendations below.

RECOMMENDATIONS

That the cabinet

1. Notes the findings of the Four Squares options appraisal.
2. Approves that work continues to implement a scheme of enhanced refurbishment to all blocks, to run concurrently with the security works already committed for Marden Square and Layard Square.
3. Instructs officers to programme future resources from the sources identified in paragraphs 79-82.
4. Notes the substantial financial resources required for the refurbishment and that the option appraisal identified that no meaningful contribution would be forthcoming from infill development on the estate.
5. Instructs officers to initiate disposals of void properties on the estate in accordance with the strategy outlined in paragraph 69 to contribute to the cost of the refurbishment works and notes that all disposal decisions in relation to the strategy to be made by the head of property.

BACKGROUND INFORMATION

6. As part of the report on the Housing Investment Programme and Revised Strategy, the cabinet on 31 May 2011 approved the designation of 6 estates as High Investment Needs Estates. They are the Aylesbury, Elmington, Brandon, Four Squares, Hawkstone and Abbeyfield Estates. On the basis that proposals were in place in relation to the Aylesbury, Elmington and Brandon Estates, it was agreed that an option appraisal considering investment and regeneration opportunities would be undertaken on the remaining three estates, including the Four Squares for consideration by the cabinet.
7. The cabinet also agreed that security works be undertaken to the Marden Square and Layard Square blocks at Four Squares Estate to the value of £5m and that a study be undertaken to examine options for investment in, or regeneration of the estate as a whole. It was also agreed that officers would facilitate a resident project group for each estate and appoint an Independent Resident Advisor, to help support residents in the development of future options for their estate.
8. Security works are programmed to be undertaken at Marden and Layard Squares in 2012/13. The council's Five Year Investment Programme also includes a budget of £7.5m for the completion of Warm, Dry and Safe works to the whole estate. The latter was initially programmed for 2013/14 and following agreement of the Five Year Housing Investment Programme by cabinet in October 2011, has been brought forward to allow commencement in 2012/13 to coincide with the security works, subject to the outcome of the options appraisal for the estate.
9. The Four Squares RSG was established in July 2011 and Open Communities was appointed as the Independent Resident Advisor shortly afterwards. The Open Communities team and council officers have been working with residents

throughout the options appraisal process.

10. A progress report outlining the development of the option appraisal was provided to cabinet on 18 October 2011 in a report entitled Housing Investment Programme – Confirmation of Five Year Programme and Update on the High Investment Needs Estate Options Appraisal project, with a recommendation to amend the strategic fit of the option appraisal model. The cabinet approved the revision of the strategic fit element of the option appraisal process to ensure alignment with corporate policies and also agreed an updated project plan requiring feedback to the cabinet on the preferred option for the Four Squares Estate in February 2012.
11. The Four Squares estate consists of 4 large blocks between Drummond Road and Southwark Park Road and a smaller block of residential units above a parade of shops on Jamaica Road. There are also 28 sheltered accommodation units based in Marden Square. Of the 687 units on the estate 489 are tenanted and the remaining 198 are leasehold.

KEY ISSUES FOR CONSIDERATION

12. The process involves the assessment of each proposed option against the council's options appraisal methodology to include strategic fit against the council's corporate objectives, as well as an assessment of the risks and cost.
13. In order to inform this process, technical advisors were appointed in early November 2011 to provide the quantitative information required to feed into the appraisal model. The purpose of this procurement was to appoint a multi disciplinary team comprising of a building surveyor, building services engineer, structural engineer, a health and safety specialist and architect. Mace was selected as the lead consultant to undertake the building condition survey and to coordinate the process; Feilden Clegg Bradley Studios (FCBS) to conduct a land capacity study and Potter Raper as the Quantity Surveyor to provide cost information. These appointments were made in accordance with the council's contract standing orders and two resident representatives from the RSG were involved at each stage of the procurement process.

Building condition survey findings

14. The Mace team was appointed to complete an independent assessment of the condition of the blocks and to provide a report detailing their findings to include:
 - a schedule of the works to make all homes warm, dry and safe
 - a schedule of the scope of works to meet decent homes plus a 30 year life.
15. The initial assessment was based on a desktop review of background stock condition information held by the council, followed by surveys of the internal and external areas of the block. The latter consisted of a 5% internal sample of properties of varying bedsizes and locations throughout the five blocks as well as a survey of the external areas including the plant room and boiler house.
16. The survey assessed the current and future repairs and maintenance liability of the Four Squares Estate. A summary of the survey findings is as follows:
 - The properties were generally in fair condition with evidence of minor

repairs being undertaken. Works to upgrade the security and access to New Place Square and Lockwood Square have been carried out. However, it was clear that no other major investment has taken place in the recent past and a number of major components have come to the point of requiring upgrade or complete renewal.

- The survey consisted of an assessment of the properties included against the criteria set out in the Decent Homes guidance, looking in turn at: the housing health and safety rating system (HHSRS) and presence of any category 1 hazards; then, if the property is in a reasonable state of repair; and finally that it has reasonably modern facilities.
 - A third of the properties were also found to be in non decent condition in terms of the criteria set out by the DCLG. The poor condition of the windows and the requirement for replacement and repair across the estate has a significant impact on compliance. The impact of this was that when combined with the failure of another item this resulted in a failure under Criterion B.
17. The report provides recommendations relating to works for inclusion in the initial works programme and future works. These have been incorporated into internal and external works schedules for each block and form the basis of the estimated costs produced for each option.

Land capacity study findings

18. FCBS' brief was to complete a desktop review of background information provided about the estate, to engage with residents and officers with a view to identifying potential development opportunities on the estate and to assist with the development of these into viable options for assessment as part of the option appraisal process.
19. The outcome of the land capacity revealed limited opportunities for infill development on the Four Squares Estate. Based on the retention of the existing buildings and following feedback from residents, it was determined that the internal courtyards are not considered suitable for infill, nor is it practical for additional storeys to be placed at the top of the blocks. In view of this the only opportunities for infill development were on or adjacent to the game courts on the estate, which form the basis of options 4 and 5, or the conversion of the garages at Marden and Layard Squares for live/work or commercial use.

Development of the options

20. Following the initial RSG meeting where officers outlined the option appraisal process and its objectives, some concerns emerged among residents that the outcome of the appraisal process was a foregone conclusion and a decision had already been taken to demolish the entire estate. Officers gave assurances that wholesale demolition had not been agreed, and that such a step would be very difficult to deliver in any case, in terms of rehousing capacity and funding for leaseholder acquisition. A number of residents formed a 'Save our Squares' campaign group and sought to gain firm assurances from the council about the parameters of the options appraisal.
21. In response to these concerns the Deputy Leader and Cabinet Member for

Housing Management wrote to residents and attended a public meeting. It was confirmed that the demolition of blocks would not feature as part of the options appraisal.

22. A number of the Save our Squares group have since become active members of the Four Squares RSG and have been involved in the process throughout the development of the options set out below.
23. The options considered in the appraisal model evolved over time through consultation with the Four Squares RSG, the wider estate and the incorporation of the findings of the building condition survey and land capacity study. Four draft options were initially presented to the RSG prior to wider estate consultation and a variant option was included on the basis that kitchen replacements, in addition to security and bathroom works, were one of the items prioritised by respondents to the initial survey. In terms of the land capacity study, the results of which feature in options 4 and 5, it was concluded that development above existing buildings was not a practical possibility and was therefore not considered as part of the process.
24. Five draft options were produced and presented to the RSG for comment and to the wider estate for feedback at an open event held in November 2011. 50 residents attended the event and 34 provided feedback on the draft options.
25. The draft options presented were as follows:
 - Option 1 - Warm, dry and safe
 - Option 2 - 30 year life cycle including external works
Internal works to Decent Home standard and communal works to last 30 years.
 - Option 3 – Enhanced refurbishment
Includes works outlined in option 2 above but with kitchen and bathroom replacement to tenanted flats.
 - Option 4 - Enhanced refurbishment and infill development
Includes works outlined in option 2 plus two small infill developments; re-provision of play space.
 - Option 5 - Enhanced refurbishment included works as outlined in Option 2 and infill development, plus refurbishment of garages at Marden and Layard Squares for alternative uses such as live/work or commercial.
26. Analysis of the 34 respondents at the open event showed that options 1 and 2 were popular with residents; views about option 3 were largely indifferent, but options 4 and 5 were strongly disliked.
27. Comments received from residents in relation to the infill developments proposed in options 4 and 5 expressed the desire for the estate to remain as is and concerns about the potential loss of community facilities, loss of light and privacy and the lack of benefit to leaseholders from the receipt obtained.
28. Comments were also sought from the council's planning policy and development management teams about the feasibility of the proposals outlined in the two development options. The feedback from all of these sources were considered and the options revised to allow for the inclusion of option 3; the amendment of options 4 & 5 to reflect an increase in the height of the proposed block from 5 to

6 storeys in line with existing blocks in the area, and the incorporation of internal play space to two courtyards. In addition option 5 was amended to reflect the retention of the garages at Marden and Layard squares for reletting, and the provision of 7 new family homes, rather than 14 as in option 4,.

29. The proposal to convert the garages at Marden and Layard Squares into live/work or commercial use was subsequently discarded following survey, due to the presence of extensive service pipes requiring re-routing and the limited floor to ceiling height of the units which would require floor slab excavation to meet current building regulations, at substantial cost and with significant disruption.
30. The five final options considered within the appraisal process were therefore as follows:
 - Option 1 - Warm, dry and safe
This option is based on achieving the government's minimum standard for decent homes and includes internal and external works such as electrical rewiring, replacement of sanitary fittings, the repair or replacement of doors and windows where necessary, roofing, other communal repairs and the completion of works to meet landlord obligations.
 - Option 2 - 30 year life cycle and external works
This option allows for extensive renewal rather than repair of internal and external elements of works to meet a 30 year life cycle.
 - Option 3 - 30 year life cycle and external works plus replacement kitchens and bathrooms.
This option provides for the element of works outlined in option 2 plus the extensive replacement of kitchen and bathrooms to tenanted properties.
 - Option 4 - Enhanced refurbishment and infill development
This includes the level of works outlined in option 2 as well as two infill developments within the boundary of the estate aimed at raising a capital contribution to complete enhanced refurbishment works to meet the decent homes standard for a longer lifecycle.
 - The infill development in this option includes the provision of a 6 storey block consisting of 36 x 2 bedroom properties and the provision of 14 x 4 bed family sized homes, additional play space outside of the four squares, improvements to the under 5's play areas to Marden and Layard Squares and improved car parking areas.
 - Option 5 - Enhanced refurbishment and infill development
This option includes the level of works outlined in option 2 as well as two infill developments within the boundary of the estate aimed at raising a capital contribution to complete enhanced refurbishment works to meet the decent homes standard for a longer lifecycle..
 - The infill development in this option includes the provision of a 6 storey block consisting of 36 x 2 bedroom properties and the provision of 7 x 4 bed family sized homes, additional play space outside of the four squares, improvements to the under 5's play areas within the internal areas of Marden and Layard Squares and improvements to car parking areas.
31. The residential developments proposed in options 4 and 5 were based on the following assumptions:
 - All new homes to be compliant with Southwark's Residential Design Standards.

- Proposals to comply with the requirement of the Core Strategy that residential developments of 10 or more units provide 60% of units as 2+ bedrooms and that 20% are 3+ bedrooms.
- In accordance with the Core Strategy, 35% of the homes to be affordable, with 70% of intermediate tenure and 30% social rented.
- No affordable housing grant.

Estimated costs

32. Estimated feasibility costs for the five options were produced by independent quantity surveyors based on schedules of works resulting from the building condition survey and the cost of development proposals put forward by the architects. It should be noted that the cost information input into the appraisal model did not include contingency; this was to avoid distorting the results as the model has its own contingency formula. The projected total costs associated with each option, including contingency, are shown in table 1:
33. The costs shown in table 1 are estimates produced for the purposes of informing the option appraisal. These will need to be firmed up once the contract requirements have been developed and a specification of works agreed.

Table 1

Option	Option outline description	Initial capital costs (£)	Additional cost for next 30 years	Total costs over 30 year life	10% Contingency Sum	Total Cost
Option 1	Warm, dry and Safe	15,516,866	23,706,920	39,223,786	3,922,379	43,146,165
Option 2	30 Year life cycle and external works	20,571,077	18,522,679	39,093,756	3,899,847	42,993,603
Option 3	30 yr life cycle and external works plus kitchens	24,173,845	12,827,038	37,000,883	3,700,088	40,700,971
Option 4	Option 2 works plus infill (50 units)	20,845,545	18,417,675	39,263,220	3,926,322	43,189,542
Option 5	Option 2 works plus infill (43 units)	20,876,730	18,417,675	39,294,405	3,929,441	43,223,846

34. For options 4 and 5, estimated land valuations based on the current market value of the developments proposed were produced by the council's valuers and the potential receipt input into the cost element of the appraisal model. Once developer's construction costs and enabling works including removal of play areas were taken into account, the likely capital receipt arising was approximately £1m.
35. The results show that the estimated initial cost of each of the options is higher than the £12.5m budget allocation for the Four Squares in the current Five Year

Investment Programme. It is acknowledged that these estimated costs will need to be firmed up once the specification of works have been agreed. Additional resources would have to be identified to provide any of these packages of works. In addition option 3 includes an enhanced package of internal works to tenanted properties such as general kitchen and bathroom renewal, which goes beyond existing housing investment policy.

36. However, due to the size and scale of the Four Squares blocks the package of repair works proposed in option 1, whilst making the properties warm, dry and safe, will not enhance the communal or external areas of the blocks substantially. Consideration should therefore be given to increasing the level of works to include a greater level of renewal rather than repair, with a view to sustaining the future long term life of the blocks, and reducing further major works investment in future years.
37. Security works are also due to be commenced to two of the blocks on the estate within this financial year. If the other investment works were to be undertaken simultaneously, it would introduce the potential for savings in terms of scaffolding and preliminary costs attached to site set up. It would also assist in supervision and prevent the possibility of disturbance to earlier works as could occur if they were undertaken in two stages. In addition, early security works introducing controlled access to the blocks would also protect later stages of the works from possible vandalism or theft.

Options appraisal findings

38. Each of the five options were evaluated against the council options appraisal model designed to assess the strategic fit, net present value and risks attached to each.

39. In summary each of the options were assessed against the following criteria:

Strategic fit

40. These are based on the corporate objectives outlined in the Council Plan, i.e:

- Working with communities to come up with innovative solutions;
- Creating a fairer borough;
- Making Southwark a place to be proud of;
- Realising potential;
- Transforming public services.

Net Present Value (NPV)

41. The base inputs in this section included

- Capital costs
- Lifecycle cost
- Revenue costs,
- Capital receipt or grants
- Income revenue

Risk

42. Each option was assessed against
 - Operational risks,
 - Staffing and culture,
 - Legal issues,
 - Reputational,
 - Financial and economic
43. The strategic fit and risks associated with each option were assigned scores by officers from the Estate Regeneration team, Housing major works and property.
44. The results of consultation with residents obtained through the initial survey, feedback from the open events and the views of the RSG were taken into account in the strategic fit section of the option appraisal.
45. Some elements of works, such as front entrance doors feature in both the general works for the estate and the security works. The budget allowance for both packages has been included as capital costs in the NPV section of the appraisal model to reduce the possibility of double counting. A budget of £12.5m for all works is therefore assumed throughout.
46. The outcome of the options appraisal is as outlined in table 2 below, with each of the 3 appraisal elements ranked against the options.

Table 2: Average ranking of options 1-5 (1 is best performing, 5 is worst)

Option	Strategic Fit	NPV	Risk	Total
Option 1	3	5	2	10
Option 2	4	3	3	10
Option 3	5	1	1	7
Option 4	2	2	4	8
Option 5	1	4	5	10

Strategic fit

47. Option 5 scores well in terms of the strategic fit in that it allows for the improvement of existing housing and provides additional affordable housing and improved amenities on the estate, whereas option 3 scores the worst in terms of strategic fit as although it would achieve much locally, much of the strategic fit criteria relate to boroughwide benefit.

Net present value

48. Option 3 scores best in terms of net present value and is the lowest overall cost over the 30 year life, whereas option 1 scores the worst due to the lower initial years cost and high future years cost.

Risk

49. Option 3 also scores well in terms of risk, this is likely to be due to the fact that the works are delivered directly and there are checks and balances in place to ensure that the risks involved may be mitigated. Conversely option 5 scores the

worst in terms of risk. This is largely due to the external risks attached to disposal of the land and achieving the best value, both of which are subject to vagaries of the market.

The preferred option

50. Based on the use of the option appraisal methodology, option 3 emerges as the preferred choice having achieved the lowest ranking. The costings for the works required in all options go beyond the resources currently included in the housing investment programme and there is therefore a need to identify further resources. It was assumed as part of the appraisal process that this could in part be achieved through infill development as proposed in options 4 and 5. However the impact of this will be the loss of some of the existing amenities to estate residents, albeit balanced with the improvement of other areas of the estate. The potential gain from capital receipts does not provide sufficient benefit to outweigh the loss of amenity, particularly given the time it may take to accrue and the planning risk involved.

Resident consultation

51. Consultation on the estate began in June 2011, when officers met with the Four Squares Tenant and Residents Association (TRA) to advise of the cabinet decision of May 2011 and discuss the intention to complete an option appraisal and form a resident steering group and to request the TRA's support in progressing the option appraisal.
52. Consequently the Four Squares RSG, formed of 29 individuals in July 2011, includes active members of the TRA and at least one tenant and leaseholder from each block. Open Communities were appointed as the Independent Resident Advisor in August 2011.
53. Since July 2011 RSG meetings have taken place roughly on a fortnightly basis, to progress the options appraisal process. Meetings have been attended by an average of 16 residents. The group has also at various times met separately with the independent resident advisor to formulate their views on the draft options, the outcome of which has been considered as part of the appraisal process.
54. The group's involvement in the appraisal process throughout this period has included:
 - Participation in the selection of the independent resident advisor.
 - Participation in the selection of the building condition surveyors and architects.
 - Input into the development of the five options through consultation with the building condition surveyors, architects and officers.
 - Input into the consultation strategy for the estate including: the development of the initial survey and review of responses; information provided at open events; and other information disseminated on the estate.
55. Other methods of engagement and consultation with residents have included:
 - July 2011 – Letter to all residents informing of the council's intention to complete an options appraisal for the estate and inviting participation via a resident steering group, to progress this.

- Publication of the minutes of RSG meetings on the council's website.
- Officers' letter dated 13 July giving assurance to residents that no pre-emptive decision had been taken.
- August 2011 – Letters publicising a public meeting attended by the Deputy Leader and Member for Housing Management and clarifying the outcome of that meeting.
- An initial option appraisal survey was also circulated in late August to gauge residents' views and aspirations for the estate. This survey was developed in conjunction with RSG members and the results of the survey informed the development of the options appraised, specifically option 3 which includes the renewal of kitchens to tenanted flats. This was one of the top three priorities identified by the 154 respondents to the survey.
- Sept 2011 – An information event was held on the estate to update residents on the various stages of the option appraisal process and the data to be gathered to inform the process. This consisted of information boards outlining each stage of the option appraisal process; how residents would be consulted and outlined what the stock condition and land capacity study would involve. This event was attended by 14 residents, including 9 members of the RSG.
- Nov 2011 – Letter advising of the appointment of the architects and building surveyor and an invitation to tenants to participate in the internal flat surveys. RSG members were also invited to put forward properties for inclusion in the surveys.
- 28 Nov 2011 - An open event was held on the estate to consult with residents in relation to the five draft proposals for the estate and to enable feedback to be collected. Information boards with details of each option were displayed along with an architect's model of the estate to show the scale and position of the infill development proposed in options 4 and 5. The building surveyors, architects and officers were also present to discuss the implications of the draft options with attendees. This event was attended by 50 residents, 34 of which completed resident feedback forms provided.
- Dec 2011 – Estate wide circulation. A summary of resident feedback obtained in relation to the five draft options presented at the November open event were circulated estate wide as well as an invitation to all residents to participate in a subsequent drop in session.
- Dec 2011 – The second estate wide drop in session was held to provide feedback from the open event of 28 Nov and to consult with residents on the proposed amendments to options 4 & 5. This event was attended by 5 residents including RSG members.

Response from Four Squares RSG

56. The outcome of the options appraisal was presented to RSG members along with an outline of the estimated leaseholder costs for each option. This resulted in concern being expressed about the estimated costs of work in relation to the resources available and the potential size of leaseholders' major works service charges.
57. The initial view of the RSG was that they felt unable to support any of the options proposed. After some consideration the group stated that they wished the council to pursue Option 3, and made a series of further requests which are outlined below, with the council's response alongside.

Item	Conditions/Undertakings sought by the RSG	Council response
1	That LBS officers involved in the previous security works to have no involvement in either the security works or regeneration works on behalf of LBS.	Given the level of the programme to deliver overall, it will be necessary to review resource levels of major works project management. We would expect to have to assemble a specific project team for the 4 Squares scheme.
2	Leaseholders to be given copies of any guarantees issued on works elements carried out.	This is agreed for works where a guarantee is issued to the council.
3	Individual interviews to be arranged with homeowners to discuss payment options and payment plans/arrangements tailored to the individual's specific circumstances when firm contractor costs are available.	This has been agreed.
4	Interest free period for payment of leaseholder charges by instalments to be maximized. Request that this is extended from 48 months to a period of 6 years as practised in another London Borough.	The interest free period has recently been extended to 48 months. It is not currently envisaged that this will be extended further, however more appropriate repayment options are available.
5	Works to start at the South (Layard and Marden) end of the estate.	It is the council's intention to start work at the southern end and to consult with residents on the detailed scheduling with the appointed contractor in place.
6	No moratorium or delays to necessary responsive repairs in the period between now and works commencing (or during works), in particular internal repairs to flats.	This has been agreed.

Item	Conditions/Undertakings sought by the RSG	Council response
7	<p>Contract Management Requirements</p> <p>Regular (weekly) scrutiny meetings with contractors.</p> <p>Identity Cards for all on site operatives including company names plus Hi Vis over jackets with company name on the back.</p> <p>Resident involvement in the Construction Design and Management (CDM) process for Health and Safety.</p> <p>Presentation on the asbestos removal process for residents, preferably to be given by the company carrying out the works</p> <p>Frequently Asked Questions information in Plain English re asbestos removal and other aspects of the works</p> <p>Container cabins associated with the works to be located in the football pitch areas rather than on the road so as not to impact on parking.</p>	<p>It is considered that weekly meetings would be too frequent, and that formal meetings with resident representatives should be held monthly. Any matters arising between meetings can be raised at any time with the council's Customer Relationship Officer and the contractor's Resident Liaison Officer.</p> <p>This is agreed.</p> <p>This is agreed; this should be conducted with the Resident Project Team.</p> <p>This is agreed; this should be conducted with the Resident Project Team.</p> <p>This is agreed.</p> <p>This suggestion is welcomed and will be investigated.</p>
	<p>"G" zone restrictions to be lifted for Drummond Road during works.</p>	<p>This is being further considered.</p>
8	<p>Resident involvement in selection of fixtures and fittings, including range of manufacturers invited to supply.</p>	<p>This is agreed; this should be conducted with the Resident Project Team.</p>
9	<p>Resident choice within ranges of finishes identified in # 8</p>	<p>This is agreed.</p>

Item	Conditions/Undertakings sought by the RSG	Council response
10	Right for reluctant tenants to refuse internal improvement works where these would be unreasonably distressing because of tenant's circumstances.	This is agreed in principle, subject to the council meeting its landlord obligations.
11	No infill building to be carried out on the estates as part of the scheme.	Agreed, but there will need to be some disposal of naturally arising void properties on the estate.
12	"Green" approach to the works if cost neutral or cost beneficial to residents and if there are no delays resulting.	Agreed, and energy improvements achieved will be published.

58. Consultation with residents in relation to the preferred option is underway. All residents and non resident leaseholders were sent a preferred option survey on 29 February with a closing date of 10 March. This was accompanied by information sheets outlining the preferred option and the implications for tenants and leaseholders. An estate drop in session event was held on 6th March to enable residents to discuss these proposals and to submit their completed surveys. This event was attended by 42 tenant and leaseholders from the estate. Lead officers and representatives from the Home Ownership Unit were present to answer queries. The responses of all surveys received will be analysed and provided to cabinet as Appendix (4) to this report.
59. In the event of the recommended scheme being agreed, consultation on the preparation of the delivery scheme will be undertaken through the "Putting Residents First" protocol which has been developed through joint working with a number of representative groups. The protocol is a 27 point plan, providing a template for officers, contractors and consultants that sets out very clearly in stages from inception to completion how the council and its partners will work with residents.

Policy implications

60. The council's agreed approach is to undertake investment works to the housing stock to make homes warm, dry and safe, thereby meeting the Government's decent homes standard. An enhanced refurbishment to the Four Squares Estate will contribute towards meeting the council's objective of ensuring all homes are warm, dry and safe and will also be in keeping with the Council's aspiration to develop a 30-year asset management plan.
61. The strategic fit assessment in the options appraisal model has been aligned with the fairer future promises and key supporting portfolio objectives and targets for delivery expressed in the Council Plan.

Community impact statement

62. Based on the outcome of the impact assessment carried out in relation to the Housing Investment Programme in 2011, it is envisaged that investment in the

council's housing stock will have a positive impact on all groups residing in these properties through the delivery of warm, dry and safe homes regardless of age, disability, faith/religion, gender, race and ethnicity and sexual orientation.

63. The outcome of the options appraisal addressed in this report will mainly impact on tenants, leaseholders and non resident leaseholders living on the Four Squares Estate. The outcome is likely to be a positive one as the aim is to improve living standards by investing in the blocks on the estate, to ensure that all homes are warm, dry and safe.
64. The completion of security works to Marden and Layard Squares is aimed at restricting access to the blocks and internal courtyards to residents with a view to reducing anti social behaviour, which has been a significant issue in the local area. This will bring the security level of those blocks on par with the neighbouring blocks on the estate and provide a greater level of comfort to the elderly residents residing in the Sheltered Accommodation at Marden Square.
65. Resources have been identified to complete these works as a minimum; however, the outcome of the appraisal is that a greater level of resources will be required to meet the investment needs of the blocks. Additional funds will need to be identified to prevent a negative impact on the delivery of other schemes within the borough. It is proposed that part of these resources should be generated by the disposal of void properties on the estate. This will reduce the number of properties available for future lettings.
66. It is acknowledged that the Four Squares Estate by virtue of its size and age requires significant investment, and any delay in completing these works is likely to result in further deterioration over time requiring a greater level of investment in future years.

Recommended approach

67. Four Squares is the largest Southwark Housing estate that does not have an agreed investment or regeneration plan, with the exception of the security works proposed for Marden and Layard Squares. The appraisal methodology identified enhanced refurbishment as the preferred option. It is clear that the scale of the investment need for the estate is a significant challenge irrespective of the option adopted. Paragraphs 36-37 identify the advantages in asset management terms of incorporating some front loading of investment, including a reduced future call on the programme by the Four Squares Estate.
68. There is a need to identify further resources to bring forward expenditure and to mitigate the impact on the housing investment programme. One part of the solution is to identify or generate capital receipts for recycling into the Four Squares Estate. Some will need to be found from the estate itself. Infill development does not offer a viable solution; therefore the disposal of selected void properties should be considered.
69. Therefore it is recommended that voids to the value of £9m should be disposed of representing the rounded difference between the estimated costs of works in option 1 and option 3. The strategy would involve the disposal of naturally arising voids in the bedsit, 1 and 2 bedroom categories. In the recommended approach arising from option 3, it is proposed that disposals are undertaken to maximise the value obtained for each and therefore to dispose of only sufficient

properties to meet the cost of enhanced refurbishment on the estate. There will not be an upper or lower limit to the numbers of properties to be disposed of, but depending on the value achieved (estimated at an average value of £130k per property), properties will only be disposed of up to the level of the resources required. It is envisaged that void properties will be disposed of across the life of the scheme, but an evaluation will be made on whether disposals before works have been undertaken to a block generate sufficient capital receipt to provide benefit to the scheme. It is known that a total of 75 voids have become available on the estate in the last two years; of these 50 were smaller bed sizes comprising of bedsits, 1 and 2 bed units. It is proposed that lettings of properties in this bed size on the Four Squares Estate are suspended at a suitable point in the lead up to the project, this decision to be taken by the Director of Housing Services.

70. The programming and marketing of the voids for sale will be undertaken by the council's property team who will procure and manage appropriately qualified and experienced estate agents who will be instructed to maximise the value of the individual units through professional and targeted sales and marketing. Asking prices and eventual sale prices will be set in conjunction with these appointed agents but the overall authority to dispose will be reserved to the head of property. Sales will only be approved where they achieve Market Value.
71. The completion of the major works to the estate will substantially enhance the value of the individual units identified for disposal whilst making them more saleable.
72. Careful consideration will be taken when deciding on the internal specification of the works to the voids for sale. The correct level of investment will be critical in achieving an optimum return to the council.
73. It is judged that the acknowledged major works requirements are best dealt with in terms of both asset management and disruption to residents by 'front loading' the delivery of works. The rationale for this is that the make up of the blocks would necessitate replacement of the same elements to different parts of the blocks at different times. This would require for example, scaffolding to be erected on a number of occasions through the investment cycle. Furthermore there is no logic to undertaking comprehensive works to one or other block in sequence in successive programme years; all blocks have a number of partial element failures, for example higher level windows which have been more subject to the weathering. As outlined in paragraph 37 there is considerable efficiency to be achieved by completing works in a sequential fashion but in one overall package. The completion of security works to the garage areas at Marden and Layard Squares will also bring the substantially disused garages back into use.
74. It is recommended that a scheme of enhanced refurbishment is undertaken to all blocks including the sheltered accommodation units at Marden Square (it should be noted that Sheltered Units within the borough are subject to a general boroughwide review), to run concurrently with the security works already committed for Marden Square and Layard Square. A scheme of this size will cross several programme years; it is estimated that the duration of works is likely to be 36 months. The resources required will need to be refreshed as part of the constant review of the overall programme.

75. Key to the successful delivery of the Four Squares Estate refurbishment and the wider warm, dry and safe programme will be to ensure that the project teams within the major works division responsible for the delivery of projects are given clear milestones and targets to work to and provided with streamlined procedures within proper delegated authorities to enable them to deliver.
76. Restructure within the major works team means there is greater focus and responsibility to ensure good project management going forward.
77. The new structure established project teams responsible for specific contract areas and one individual partnering contractor. The team led by a Project Manager includes a Contract Manager, Customer Relationship Officer, Lead Designer and Clerk of Works. Teams will be taking joint responsibility for all the projects across their geographic area; no one team member will be working in isolation and every team member is involved in the full range of projects within their team. There is an expectation that this contract will be closely supervised by the team to ensure that the contactors apply a high duty of care throughout the delivery of the works particularly when dealing with the households in the Sheltered Accommodation Unit.
78. Exacting contract management processes that monitor performance against forecast cashflows and delivery against key milestones are in place.
79. Progress will be monitored on establishing the heat network from the South East London Combined Heat and Power (SELCHP) plant which would be expected to connect to Four Squares Estate. The costs of any necessary works to the boiler plant and main distribution system would be met by the SELCHP scheme

Investment implications (inv/ii2590/28Feb2012/rjb)

80. The level and timing of the proposed expenditure will cause the costs of the planned 5 year Housing Investment Programme (HIP) to exceed the level of resources currently assumed. There are however additional resources expected to become available which are not yet included in the programme or identified for specific schemes. These include £15m Decent Homes Backlog government funding for 2013/14 and a further £32m (making £50m with the £18m currently assumed) for 2014/15 to be confirmed. Recommendation 8 of the HIP and Revised Strategy report to cabinet on 31 May 2011 stated that these and any other additional funds becoming available would be used to bring forward schemes within the programme. Other additional funds such as capital receipts are anticipated which may achieve over and above the level of current projections.
81. These additional resources will allow a refresh of the HIP in the light of revised assumptions for both the funding and the delivery of the programme. Such a refresh will allow a review of priorities across the different areas of the programme and the bringing forward of specific schemes as is proposed in this report.
82. The approved programme includes a provision of £12.5m from 2012/13 for Four Squares, including £5.0m for the completion of security works and a further £7.5m for the refurbishment of the estate. The overall costs of the preferred option 3 are £40.7m as shown in table 1. This includes future lifecycle costs which fall outside the HIP, and when these are excluded the capital

refurbishment costs to the current programme are approximately £26.6m (including a 10% contingency sum) in years 2012/13–15/16. This will require an additional allocation of £14.1m to be made available through a revision of the HIP as referred to in the above paragraph. It is anticipated that approximately £9m of this requirement can be funded through disposal of void properties on the estate as outlined in paragraph 69.

83. In the context of high investment needs estates it should be noted that a significant reduction in costs to the HIP has been identified in the proposals for the Abbeyfield Estate (also on this agenda). In the longer term this is estimated to offset the additional costs proposed in this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

84. The enhanced refurbishment recommendation in this report falls within the ambit of housing management matters that require consultation with the council's affected secure tenants. The report indicates that consultation has been carried out with potentially affected residents of all tenures on the Four Squares Estate. 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. The report confirms the outcome of consultation to date and confirms the outcome of further consultation will be available to members for consideration when taking a decision on the recommendation. Members are advised that a decision on the recommendation should be taken after careful consideration of consultation responses from interested parties.
85. Cabinet will note from paragraph 69 of this report that officers estimate the average consideration expected to be received for the sale of one of the properties on the estate is £130,000. The Constitution provides that authority for disposals of property up to a market value of £500,000 is a matter reserved to the head of property for decision.

Finance Director (AV/F&R/27/02/2012)

86. This report recommends that the cabinet notes the findings of the Four Squares Options Appraisal and approves that work continues to implement a scheme of enhanced refurbishment to all blocks, running concurrently with security works committed for Marden Square and Layard Square. Also, that the cabinet notes substantial financial requirements of the refurbishment and instructs officers to programme future resources to defray these costs from a number of sources including on site void property sales.
87. The Finance Director notes the resource and investment implications contained in the report, and the estimated feasibility costs of each option as outlined in Table 1. The council's five year investment programme includes a budget of £12.5m consisting of £7.5m for completion of Warm, Dry and Safe works to the estate, and £5m for security works at Marden and Layard Squares blocks,

however each of the five options proposed shows total estimated costs greater than this current allocation, even allowing for generation of some land receipts through options 4 and 5. The preferred option 3 with initial capital costs of £24.2m is estimated to cost £11.7m more than the current available budgets and therefore significant revision to the HIP on this point will be needed, to re-profile future resources accordingly.

88. A number of actions must be completed to complete this re-profiling. Firstly the current budgets for the Four Squares work in the HIP capital programme stand at just over half of the forecast up-front capital expenditure. Additional resource to support this expenditure will need to be reallocated in the capital refresh so that the preferred programme option is fully funded. Whilst there is potential for a significant reduction in overall costs to the HIP associated with Abbeyfield Estate proposals which may well offset the cost of the preferred option over the longer term there is no capital receipt anticipated from the preferred option here and therefore careful analysis of resources will be needed when the capital refresh takes place to ensure over-programming does not occur. Additional life cycle costs estimated for the next 30 years will need to be subject to the same rigorous review and future approvals as the point in time for incurring them approaches.
89. The revenue expenditure for the estates is supported by the approved repairs and maintenance budget controlled by the housing management service, which will be monitored through the process of annual budget setting. Housing rents associated with the estate will exceed the revenue expenditure over the life of the programme.
90. Officer time to implement the recommendations will be contained within existing budgeted revenue resources.

Head of Home Ownership and Tenant Management Initiatives

91. Home Ownership Services would support option 3 because as a general rule it is more efficient to undertake all necessary works in one contract. To do otherwise could result in leaseholders challenging the reasonableness of the service charge – for example two lots of scaffolding, preliminaries etc.
92. Much of the work proposed is service chargeable, so the council will be required to carry out statutory consultation with leaseholders under section 20 of the landlord and tenant act 1985 (as amended). If the prevailing partnering contract pertains then Home Ownership Services will need to carry out the consultation under schedule 3 of the regulations, which requires a single notice detailing the works proposed, justification for those works and the total cost. Leaseholders will have a 30 day period to make observations, which must be fully considered prior to the package of work being let. Home Ownership Services have given advice on the statutory consultation requirements should another contractor, including the back-up contractor, be used.
93. The council recognises that some leaseholders will have difficulty in paying large major works service charge bills. A number of payment options are available to leaseholders, dependant on their particular circumstances and staff within Home Ownership Services are available to discuss these with leaseholders on an individual basis. In particular the interest free payment scheme has recently been extended from 36 months to 48 months for service charges such as those which need to be invoiced in respect of these works. The extension of the

interest free period means that Southwark offers the longest period of all councils with the exception of one north London authority. Most councils offer 36 months, none have extended this period to 48 months. The viries for a 72 month period is uncertain. The introduction of the new general power of competence by the Localism Act, together with the rigours of a self financing regime for the housing revenue account will afford the opportunity to review interest free periods. With very large service charges these shorter interest free periods are still unaffordable for many leaseholders who need the longer periods of traditional mortgages or schemes to release equity. Southwark is the first authority in the country to use the powers afforded by the Housing and Regeneration Act 2008 to create policies for equity release and equity loan, again specifically aimed at helping long leaseholders to pay major works service charges.

94. The management of garages now falls within the remit of the Home Ownership and Tenant Management Initiatives Division. The garages under Marden and Layard Squares are in dire need of security and refurbishment work, similar to that carried out to the garages under Lockwood and New Place Squares. Very few garages under Marden and Layard are let (or in a lettable condition), while the majority under the other two blocks have been successfully let and are bringing in an income. The garages under Marden and Layard Squares are currently suffering from vandalism and fly-tipping, with cars being abandoned and set on fire. This means that not only is there a loss of income on the void garages (the vast majority), but there are on-going costs of security and clearance. Home Ownership Services are arranging for temporary security works to be undertaken to close off the areas prior to the investment works being carried out.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
The Four Squares Estate – Condition Survey	Deputy Chief Executive’s Department Regeneration Initiative, 160 Tooley Street London SE1 2QH	Sonia Esnard 020 7525 7743
Four Squares – Building Condition Report	As above	As above
Four Squares Estate – Land Capacity Study, Rev A	As above	As above

APPENDICES

No.	Title
Appendix 1	Covering Letter re Preferred Option Survey
Appendix 2	Preferred Option Survey
Appendix 3	Resident Information Pack
Appendix 4	Resident Responses to Preferred Option Survey (to be circulated after the closing date of 10 March)

AUDIT TRAIL

Cabinet Member	Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management and Councillor Fiona Colley, Regeneration and Corporate Strategy	
Lead Officer	Eleanor Kelly, Deputy Chief Executive	
Report Author	Sonia Esnard, Acting Principal Asset Management Officer	
Version	Final	
Dated	9 March 2012	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Head of Home Ownership and Tenant Management Initiatives	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	9 March 2012	