

MUNICIPAL YEAR 2017/2018 REPORT NO. 20

MEETING TITLE AND DATE:
Cabinet 13 July 2017

REPORT OF:
Executive Director of
Regeneration and
Environment

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Agenda – Part: 1

Item: 7

**Subject: Estate Renewal Programme
Update**

**Wards: Various
Key Decision No: KD4497**

**Cabinet Member consulted: Cabinet
Member for Housing & Housing
Regeneration**

1. EXECUTIVE SUMMARY

- 1.1 The report sets out progress made on the major schemes within the Council's Estate Renewal Programme. These schemes are Highmead, Alma, Ladderswood, New Avenue and Joyce and Snells, the latter of which although not approved by Cabinet for inclusion has been approved for public consultation to take place about its potential redevelopment. The purpose of the report is to give Cabinet an overall view of progress of these estate renewal schemes contained within one report.
- 1.2 The Council's Estate Renewal Programme is now heading into its third phase of larger scale projects. Across the projects, some schemes are now complete and residents in occupation; have planning approved; on site; undergoing early demolition or identified as potential future phases. The overall effect of these schemes is to increase overall housing stock and thereby contribute to meeting house building targets. New Council housing being provided is funded by the HRA and will remain as assets within the HRA. Other affordable housing is provided by housing association (Registered Providers – RPs) partners and new private housing ensures that mixed communities will live in the completed schemes.

2. RECOMMENDATIONS

- 2.1 To note the progress made in delivering the estate renewal programme and to note the commencement of the next stage of the programme.

2. RECOMMENDATIONS

- 2.2 To recommend to Council to update the estate renewal scheme budgets as set out in Part 2 of this report.

New Avenue

- 2.3 To delegate authority to the Executive Director of Regeneration and Environment to agree and finalise the terms of the shared equity offer to resident leaseholders.
- 2.4 To authorise, subject to officers fulfilling the requirements of Section 122 (2A) of the Local Government Act 1972 and obtaining the Secretary of State's consent pursuant to Section 19 of the Housing Act 1985, in accordance with section 122 of the Local Government Act 1972 a decision be taken that the land required for the completion of the New Avenue Estate Regeneration Programme (shown outlined in red on the plan set out at Appendix A to this report) should be appropriated from its present purpose for housing to planning purposes to enable the Council to take the benefit of Section 203 of the Housing and Planning Act 2016.

3. BACKGROUND

- 3.1 The Estate Renewal Programme has been under way for a number of years and seeks to ensure that the Council meets a number of objectives. These include:
- Increasing the supply of housing in the borough to meet both its housing targets and a range of housing needs.
 - Increasing the overall amount of affordable housing to enable the Council to meet its statutory housing requirements and help alleviate the number of households in temporary accommodation
 - Improving the physical conditions of existing residents on its own estates
 - Improving the asset value of the property held within the HRA and
 - Improving the overall quality of the built environment with associated community and environmental improvements.

In October 2015 Cabinet was advised of the intention to identify new schemes for the programme and in March 2017 Cabinet approved the commencement of resident consultation and master planning for the Joyce and Snells estates as a prelude to possible redevelopment.

- 3.2 This report provides a progress update on the major schemes within the estate renewal programme i.e. those that have required significant numbers of tenants and leaseholders to move to enable redevelopment to be undertaken.

3.3 Overall programme progress:

| Status | Scheme | No of Units | Status Date |
|--|---------------------------------------|-------------|---------------|
| Completed | Highmead | 118 | July 2015 |
| On Site | Ladderswood | 517 | March 2014 |
| Demolition Started | Alma | 993 | December 2016 |
| Planning Approved* | New Avenue | 408 | November 2016 |
| Approval to Start Initial feasibility & consultation | Joyce & Snells (Inc. Upton & Raynham) | Circa 2200 | March 2017 |
| Total Units | | 4236 | |

Scheme Updates

3.4 Highmead (Now known as Silverpoint)

- 3.4.1 The original block had 61 units. The new scheme of 118 homes, shops and retail units were completed and handed over in July 2015. The health centre while physically handed over is nearing fit out completion and due to open in summer 2017. The 22 affordable rent and 25 shared ownership homes are owned and managed by Newlon Housing.

3.5 Ladderswood

- 3.5.1 On the 22nd December 2011 the Council entered into a Development Agreement (DA) with the New Ladderswood LLP.
- 3.5.2 A planning application was subsequently submitted which proposed the demolition of 161 existing homes and developed a new scheme comprising of 517 homes with a 71%/29% private/affordable tenure mix, and includes a hotel, commercial units and a community centre. The scheme is also required to provide an energy centre, working to an agreed specification with the Council's energy company, LVHN.
- 3.5.3 93 new affordable rented homes and 56 shared ownership homes are to be owned and managed by One Housing.
- 3.5.4 The first block has been built and demolition of a number of old blocks and industrial space has occurred earlier than was originally planned. Handover of Phase 1 comprising 23 rented homes and 17 private homes is due for occupation in summer 2017. The fit out of the development's basement energy centre is near completion and currently Mulalley and their sub-contractors Vital Energy are testing and commissioning the system.

3.6 New Avenue

- 3.6.1 Enfield's Planning Committee resolved to grant planning permission for the New Avenue scheme on 8th November 2016. This is a key milestone for the project which will see the redevelopment of the existing 171 homes to provide 408 new homes; including 140 affordable Council owned homes.
- 3.6.2 The Council has been progressing commercial and legal discussions with Countryside Properties since selecting them as the preferred development partner in October 2014 (KD3793) and is now in the final stages of legal drafting for the Development Agreement.
- 3.6.3 The Council has made progress in re-housing secure tenants that wished to move away from the estate, and in acquiring leasehold properties to obtain vacant possession of the blocks to facilitate the redevelopment. This report makes recommendations for Cabinet to delegate approval of the terms of the shared equity offer for existing resident leaseholders.
- 3.6.4 Cabinet previously resolved to make a Compulsory Purchase Order (CPO). After the CPO was submitted to the Secretary of State for confirmation two objections which had been made to the CPO were subsequently withdrawn. As a result, the previously scheduled Public Inquiry was cancelled in March 2017 and the Secretary of State has confirmed the CPO. The Council will continue to seek to negotiate with remaining interested parties to acquire their properties.
- 3.6.5 Subject to the Development Agreement being signed Countryside Properties are aiming to commence works on site towards the end of 2017.
- 3.6.6 The key terms and structure of the Development Agreement are consistent with that of the final tender from Countryside Properties in 2014. The Council will receive a land payment, and 140 homes as part of the deal, and further detail is provided in Part 2 of this report

3.7 Alma Estate

- 3.7.1 The regeneration scheme for the Alma Estate entails the phased demolition of 746 homes (547 Council; 190 leasehold and 9 Metropolitan Housing Trust homes along with 12 retail premises, Welcome Point Community Centre and the Youth Centre Buildings.
- 3.7.2 The new scheme will include 993 new homes (200 Council, 199 housing association and 594 privately owned), flexible retail space units, a licensed bar, a restaurant/café, community/leisure space- including a community centre and youth centre, an affordable gym and a new medical centre and/or GP facility

- 3.7.3 The Council's development partner Countryside Properties (CPUK) has secured detailed planning permission for phase 1. This includes the demolition of Kestrel House and the adjoining two maisonette blocks and construction 228 new homes, 97 of which will be Council homes for rent, 35 will be housing association low cost home ownership (shared ownership) homes and the remaining 96 will be homes for sale. In addition, the first phase will contain space for the gym and a café.
- 3.7.4 Phase 1 demolition works (initially consisting of a "soft strip" – internal removal of fixtures and fittings and some external grounds clearance) commenced in December 2016. Construction of homes in phase 1 is scheduled to start later 2017 and be completed towards the end of 2019.
- 3.8 Snells & Joyce**
- 3.8.1 A Cabinet report on this scheme and the wider Housing Zone 2 (Edmonton Futures) opportunities was presented in March 2017 (KD4272)
- 3.8.2 Enfield Council was successfully awarded the Housing Zone status by the GLA in March 2016, which included a number of potential estate regeneration opportunities around Upper Edmonton. Following on from capacity studies undertaken by KCA Architects, the recommendation of the report is to progress detailed feasibility and resident consultation on the Joyce and Snells estate. This is seen to offer the greatest opportunity and potential to achieve the future aspirations of the Council, the GLA, our existing residents and stakeholders.
- 3.8.3 The objective of the next stage is to undertake resident engagement and options appraisals to assess the appropriate and supportable level of estate regeneration
- 3.8.4 Within Housing Zone 2 we are also progressing the planning application for approximately 150 new homes at Upton & Raynham, adjacent to Joyce and Snells in Edmonton. The application is progressing through consultation stages and is expected to be submitted in summer 2017, however the procurement and delivery route have not yet been agreed. A further Cabinet paper will be presented on the planning proposals and delivery options in the coming months

Contractual Updates

3.9 Alma: Supplemental Development Agreement (SDA)

- 3.9.1 The Council signed a Development Agreement (DA) with CPUK on 13 November 2014. The Council has now obtained vacant possession of phase 1 tower block Kestrel House.

3.9.2 During the course of the evolution of the legal documentation and following grant of the detailed planning consent on Phase 1, both the Council and CPUK have identified the need to change and update elements of the existing DA which either are not specific enough or do not reflect the evolving obligations on both parties. An SDA is now required to update the original DA.

3.9.3 A summary of the key changes to be contained in the SDA are detailed below:

- An increase in the expected Residual Land Value payment and notes an overall improvement to the net value of the scheme against the original business case.
- Changes to the vacant possession budget to take account of increased property values
- A decision not to buy the Ground Rents Lease Income (to be approved)
- Changes to the DA contained within the SDA and Phase 1 related leases to facilitate the regeneration of the Alma Estate in accordance with the contents of this report (to be approved).

3.9.4 Signing of the SDA, together with a Phase Lease agreement and associated under leases will enable CPUK to gain an interest in the land (and thereby sign a phase by phase s.106) and facilitate building works.

3.9.5 The Part 2 report sets out the advice from the Council's solicitor, Browne Jacobson and its valuer GVA in respect of the procurement OJEU and Best Consideration for this scheme. Best consideration advice as determined by the terms of the proposed changes to the DA encapsulated in the Supplemental DA covers Restricted Market Value and without the DA Unrestricted Market Value.

3.10 **New Avenue**

3.10.1 Cabinet have already approved the delegated signing of the DA, which is progressing, and does not require any further approval. The financial detail in Part 2 highlights the changes to the original tender and land offer as an update to Cabinet

3.10.2 The final tender from CPUK, which was accepted in 2014 included a number of qualifications, which meant that the Council was exposed to a substantial level of financial risk. Since then, some of these risks have materialised as a result of the planning process, evolution of the scheme design, and market factors. The significant cost item that has increased is the flood attenuation and mitigation solution, which was never allowed for in the original tender. In 2014, before the scheme design had evolved, the Council did obtain a high level cost estimate, however the required engineering solution that has been required

through the planning consultation process is considerably more expensive.

- 3.10.3 Although the provisional land payment has reduced as a result of cost items increasing, the overall value of the project in terms of cash and assets is attractive to the Council, along with the wider benefits of the scheme such as a significant increase in housing supply and transformation of an estate in need of significant capital investment.
- 3.10.4 The Council has taken independent specialist advice from consultants GVA, and negotiated with CPUK to fix most projected costs at current estimates. Originally (in Countryside's bid) the Council was to fund certain costs through reduced land payment, with reference to actual cost incurred. Fixing these costs now provides greater certainty as to the Council's land payment. The Council was advised that there was a greater likelihood of costs increasing than decreasing, and though the Council would not benefit from any savings if costs did decrease, it is considered prudent to have certainty.
- 3.10.5 The planning process since then has been challenging and complex, and the resulting reduction in the number of new homes for the current scheme from the original tender proposal of 451 homes to 408 homes, has had a negative effect on the level of land receipt that the Council originally anticipated receiving.
- 3.10.6 The current 408 unit scheme, which planning committee resolved to grant planning permission for, was, although deemed to be financially viable as part of a planning viability assessment, would actually decrease the Developer's land payment. A subsequent planning application for the scheme will be necessary, to increase the number of homes in Phase 2 and 3 to ensure the Council realises an acceptable land payment consistent with the original tender, which was the basis for CPUK being selected. The principle of the second planning application proposing additional storeys to achieve more private homes has been agreed in principle with Development Management.
- 3.10.7 Detailed negotiation has progressed between the Council and CPUK to review particular elements of the scheme, the timing of payments, commercial terms and a financial offer has been agreed between the parties. We are now in the final stages of legal drafting prior to execution of the Development Agreement.
- 3.10.8 The report also recommends appropriating the land for planning purposes, the implications of this are explained under Section 7 of this report.

3.11 **Ladderswood**

- 3.11.1 The Council is currently negotiating a Deed of Variation to seek to agree early lease payments ahead of completions with the intention to

trigger these as each phase receives unconditional planning consent. Cabinet will be updated on progress and the overall financial implications on the programme once this is agreed

- 3.11.2 The Council is currently negotiating with the developer to buyout the overage clause within the DA. The DA states these should be paid upon completion of each of the private sales units, however it could be in the Council's interest to agree an early settlement figure and therefore receive earlier capital income. We are considering various options including full buyout of the overage or 50% now and the remainder as per the DA.

Vacant Possession Progress

- 3.12 Table showing progress of gaining vacant possession on the regeneration schemes

| Project Name | Number of Tenants at the Start | Current Number of Tenants | Number of resident L/Holders at the Start | Number of non-resident L/holders at the Start | Current Total Number of L/Holders |
|---------------------|---------------------------------------|----------------------------------|--|--|--|
| Alma Rd | 547 | 238 | 69 | 130 | 105 |
| New Avenue | 130 | 70 | 20 | 21 | 26 |
| Ladderswood | 120 | 27 | 22 | 18 | 3 |
| Totals | 797 | 335 | 111 | 169 | 134 |
| Joyce / Snells | | 450 | | | 344 |

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Not to proceed with the developments. The work commissioned by the Council has demonstrated that all three schemes represent a good deal for the Council and the Council has made promises to residents which continuing with the existing agreements enable to be achieved.
- 4.2 Further options and their potential ramifications are considered in the Part 2 Report.

5. REASONS FOR RECOMMENDATIONS

- 5.1 The Council's estate renewal programme is of strategic importance to the Council. Not only does it provide existing residents with new better quality homes, at a time of a general housing shortage, the programme is increasing net supply both overall and in terms of affordable housing. These projects also make a signification contribution to the

regeneration of neighbourhoods and the improved opportunities for communities.

6 COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

6.1 Financial Implications

- 6.1.1 The revised proposed budgets associated with each of these schemes are set out in Part 2 of this report. These have been modelled into an updated version of the Council's 30-Year HRA Business Plan and are affordable. However, the plan is constrained in the early years and is subject to a number of financial risks. Performance against the new budgets, along with other expenditure and income incurred by the HRA, will need to be closely monitored, with appropriate action taken in the event that the plan starts to show a potential shortfall at any point. More detailed financial implications are included in the Part 2 report.
- 6.1.2 There are no financial implications associated with the recommendation set out in paragraph 2.3 (the appropriation of land at New Avenue for planning purposes)

7 Legal Implications

- 7.1 The proposed variations to the Development Agreement are within the Council's powers under the s.111 of the Local Government Act 1972 and s.1 of the Localism Act 2011.
- 7.2 Other implications, regarding commercially sensitive issues, are referred to in Part 2 of this report.
- 7.3 Under section 122 of the Local Government Act 1972 the Council may appropriate land from one purpose to another if that land is no longer required for the purposes for which it is held. In this instance the land is currently held for housing purposes, but it is now required for development for planning purposes as authorised by a planning consent.
- 7.4 Under Section 122(2A) of the Local Government Act 1972 the Council may not appropriate under subsection (1) above any land consisting or forming part of an open space unless before appropriating the land they cause notice of their intention to do so to be advertised in two consecutive weeks in a local newspaper and consider any objections to the proposed appropriation which may be made to them.
- 7.5 Where the Council have acquired or appropriated land for Housing purposes, they shall not, without the consent of the Secretary of State, appropriate any part of the land consisting of a house or part of a house for any other purpose.

- 7.6 Section 203 of the Housing and Planning Act 2016 allows works to be carried out on land appropriated for planning purposes as long as those works are in accordance with planning permission, even though those works may interfere with an interest or right affecting the land or involve a breach of a restriction on the use of the land. Appropriation of land for planning purposes under the 1990 Act in order to facilitate a redevelopment scheme is a usual and advisable procedure so that those with interests protected by easements and other legal rights may be dealt with fairly but without compromising the deliverability of the scheme.
- 7.7 Compensation is payable where loss is suffered as a result of interference with any such rights. It is noted that any such claims that may arise in this case will be met by the scheme.
- 7.8 The Council's Property Procedure Rules requires the approval of the relevant Director(s) and the Responsible Senior Officer where property is to be appropriated from one purpose to another.

8 Property Implications

- 8.1 The revised financial and development programmes are noted. It is prudent that continued viability testing is regularly undertaken to ensure that any additional increase in development costs are managed within the Financial Viability.
- 8.2 Regular market testing should be undertaken to ensure that 'sale values' do not decrease and to mitigate risk against achieving positive development outcomes.

9 KEY RISKS

Alma

- 9.2 There are a number of risks associated with this report which are all included within the Alma Estate Regeneration Programme Risk Register. The current key risk is that the Council does not achieve vacant possession by the longstop dates in the development agreement and CPUK exercise their ability to exit the agreement. This risk is mitigated by obtaining and then implementing a CPO.

Ladderswood

- 9.3 Ongoing delays to Phase 1 handovers are creating issues due to the uncertainty of the completions for residents. Regular meetings are being held with the developer to seek to establish resolution of the heating network connections

New Avenue

- 9.4 The current risk is concluding the Development Agreement with CPMK in May 2017. This will provide them with complete confidence to appoint their necessary consultant teams to progress the detailed planning consent to ensure the scheme can start on site by late 2017

10 IMPACT ON COUNCIL PRIORITIES

- 10.1 These projects make a strong contribution to the Council's priorities by providing better quality accommodation, empowering residents which fosters community cohesion and improving life opportunities.

11 EQUALITIES IMPACT IMPLICATIONS

- 11.1 All the projects are monitored in relation to their equalities impact.

12 PERFORMANCE MANAGEMENT IMPLICATIONS

- 12.1 The contract with the developers includes robust performance management arrangements to ensure that the regeneration is delivered according to the agreed standards and timescales.

13 HEALTH AND SAFETY IMPLICATIONS

13. There are no health and safety implications arising from this report.

14 HR IMPLICATIONS

- 14.1 There are no HR implications arising from this report.

15 PUBLIC HEALTH IMPLICATIONS

Housing is a fundamental determinant of health as evidenced by that those without homes have a life-expectancy some 30 years lower than the national average. Good quality homes are associated with higher life expectancies and better health. Ultimately these developments should therefore improve public health both through the provision of better quality housing and by relieving some housing demand. Planning will be needed to ensure that residents are not unnecessarily disadvantaged during any decanting and that requisite measures to reduce pollution etc. during construction are undertaken. Where applicable, connection to the Lee Valley Heat Network is particularly useful as a means of securing energy needs and mitigating climate change.

Background Papers

APPENDIX A – New Avenue Red-Line