



London Borough of Enfield

Title of Report:	<i>Walbrook House – next steps</i>
Report to:	<i>Joanne Drew</i>
Date of Report	<i>12 April 2023</i>
Cabinet Member:	<i>The Leader of the Council (regeneration) Cllr George Savva (social housing)</i>
Directors:	<i>Executive Director: Sarah Cary</i>
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Ward(s) affected:	Lower Edmonton
Key Decision Number	5507
Implementation date, if not called in:	<i>2 May 2023</i>
Classification:	Part 1 Public with Confidential Appendix
Reason for exemption	<i>Commercially sensitive</i>

Purpose of Report

1. Walbrook House is a council-owned tower block located in Lower Edmonton and comprises of 126 flats. This report provides an update on the progress towards decant of the block as approved by the Cabinet Member for Social Housing in March 2022 and seeks authority for officers to fully decommission the block by securing vacant possession to facilitate an alternative solution due to the uneconomic cost of full refurbishment and ongoing maintenance and security costs.

Recommendations

- I. Agree the outcome of the formal S105 consultation carried out with existing tenants and leaseholders in Walbrook House earlier this year, which explained the need to permanently move residents and the intention to look at future options for the block.
- II. Agree that it is not feasible or viable to leave the block underoccupied for a long period or for the Council to self-deliver a refurbishment or redevelopment scheme at Walbrook House given the high costs and fluctuating inflationary construction market and approves the disposal strategy, noting the recommendations set out in the confidential appendix.
- III. Approve expenditure to enable full decant of the block, including the acquisition of leaseholder interests as set out in the approved Housing Revenue Account Business Plan (KD5499) Cabinet report, including alternative options as per **paragraph 8**.
- IV. Approve expenditure for the preferred option for a potential disposal, which includes cost of technical surveys for the marketing pack, dedicated marketing surveyor and associated fees equivalent up to 5% off the land receipt. Any costs associated with the preferred option will be in line with the HRA Business Plan (2023-2024).
- V. Delegate to the Director for Housing and Regeneration in consultation with the Leader to agree the strategy and communication plan with residents, addressing the issues outlined in paragraphs 15 and 16.

Background and Options

2. In 2021, the Council was advised by Cadent, the gas carrier, that the supply will need to be terminated by 19 July 2022 and an alternative heat solution will need to be installed ahead of that to ensure residents continued to have heating and hot water. During a tender process for the design and works the risk of not meeting that deadline increased, in addition to the uplift in costs related to the decommissioning of gas. The Council took immediate action to communicate to residents and made them aware that the project is uneconomical, and the contractor's proposals showed that works to install and connect to the district heating system, would not complete ahead of the gas being disconnected.
3. The Council wrote to residents in April 2022 and advising that council tenants and leaseholders will be rehoused or need to relocate, as a precautionary measure. The Council also agreed an extension from Cadent which has a backstop date of 30th September.
4. The S105 consultation undertaken in June advised Council tenants and leaseholders that they would need to permanently move to ensure no resident was impacted by the gas being switched off and there is no right to return given the long-term option for Walbrook House is still to be defined.

5. Walbrook House is a concrete panel tower block built in the 1960s. It was overclad with a new rainscreen cladding system in 2002/3 due to historic water penetration and to enhance thermal efficiency. The external wall system was removed in 2019 following a review of wall systems across the Council's portfolio. Subsequent investigations into the condition of the building fabric and mechanical and electrical services have identified a comprehensive suite of improvements which are required, to ensure the building is safe and meets the decent homes standard.
6. The original estimate for essential works was for £14m (based on 2020 projections) for the decommissioning of the gas and full retrofit solution. These estimates included design and contract management. The costs have risen significantly and are likely to rise further in the current market due to material and supply conditions. This could see the budget to increasing to over £30m, when the external improvements are also factored in. These costs would also need to be charged back to leaseholders to offset a proportion of the Council's debt. Under the current circumstances and given the concerns raised by leaseholders, it would be more prudent for the council to reduce its exposure to cost of works and therefore not recharge leaseholders.
7. If a decision to dispose is not approved, the Council will need to complete essential works as a minimum and will need to fund this from additional borrowing. The £30m works could be completed in phases ranging from connecting to the district heating network and essential building safety works (c.£7m) to building safety works (additional £7m) over the next two years. A possible phased approach with an adjusted inflation figure of 10% suggest that costs will continue to increase as seen against the previous forecast in 2021 and therefore there is limited cost certainty in commissioning works. The cladding could potentially aid existing residents by improving energy efficiency of c25% on but the most efficient solution would be the district heating solution which would potentially save residents 70% on bills but would mean a longer programme of works to achieve and more disruption as the building needs significant structural work to strengthen before any external cladding works and longer-term heat solution can commence.

Main Considerations for the Council

8. The council is committed to the safety and quality of accommodation for all its tenants in the borough. The lifecycle of tower blocks is an important part of this commitment. Any investment to deliver major improvements to the properties must be balanced with providing homes that are better suited to a growing population.
9. Due largely to the nature and construction methodology of the flats in Walbrook, there remains several ongoing structural challenges as a legacy of the piped gas into the building, which means any removal will require floors to be strengthened to support infrastructure for alternative heating solutions and the external façade will need further weatherproofing.
10. The Council could take a "do nothing" approach other than essential works. In the next 6 months the council has a programme of fire safety works as required as a compliant landlord. However, any major works programme

requires additional borrowing not currently assumed in the HRA Business plan coupled with an inability to service debt on higher interest costs, as there is less rental income being generated from the reduced occupancy. Given the rising costs of energy, the cost of maintaining the block for 40 residents will continue to be uneconomical. The cost of long-term security for the voids, cyclical maintenance of bathrooms and kitchens, with significant major works, means that doing nothing would not be a viable option for residents or the Council.

11. An approach where we undertake a minimal scheme of refurbishment, however, will not address the structural issues identified within the building. Alternatively, the Council has considered a full refurbishment. In the current volatile market, the cost assessments suggest this will be in excess of the forecast budget with unknowns in the building structure likely to result in additional impacts to time and budget if contracts are let.
12. A full regeneration proposal would see the building demolished and new build homes. However, it is unlikely this would generate net new homes. It would not be possible to replace the number of homes on a like for like basis if demolished and even with the infill opportunity along Bounces Road estate, the maximum number of homes is still less than the number being lost through demolition. Further the loss of social housing is significant as Walbrook is high-rise, the estate is already at a high density and have a high ratio of social rented tenants to leaseholders. The cost of redevelopment is likely to outweigh the benefits of place-shaping.
13. Early modelling based on the current assumptions indicates that a redevelopment could cost c.£50m and that a viable business case is only achievable with significant additional grant funding, or through an alternative delivery model such as a forward funding partnership, where the Council passes the risk on and is securing the nominations on any homes and any potential land value.
14. It should be noted that in 2021 the Government's Affordable homes programme determined that only homes which are net new would be eligible for funding which means estate regeneration or demolition and replacement of existing properties will need to be funded from within Council resources such as borrowing and unspent Right to Buy receipts. This would expose the Council to a risk that cannot be fully quantified as build costs have risen by 20% since 2021 and continue to fluctuate due to the economic environment. Given the current market pressures on build costs it would not be affordable to commence any redevelopment works until as such time as there is more certainty on the viability and deliverability of undertaking direct delivery in the market.
15. Given the financial liability of retaining or redevelopment by the Council and uncertainty of costs in the current market, the sale of Walbrook House will potentially deliver the aspiration of the Council but reduce the direct risk of delivery by the Council. It is therefore recommended that the Council assess options for a partnership model for a conditional or unconditional sale. Whilst the options are to be further developed, any proposal would need to deliver a land receipt for Walbrook House. One option could be identifying ancillary

land which would improve a sale, secure more and better homes and which addresses the needs of those in temporary accommodation or on the housing needs register. The options assessment will also explore the need for a CPO and timeline if rehousing offers to the remaining tenants and buy out of leaseholders (or given the opportunity to swap to another property) is not achieved by negotiation.

16. In terms of interested parties, the Council has been approached by NHS Trusts to explore a business case to use the empty properties at Walbrook House. It is unlikely that the Trust will be able to purchase the block outright and therefore is keen to explore the leaseback arrangement for rental income to underwrite cost of works. However, to fully occupy the building, the Council and any purchaser would need to complete a full refurbishment to ensure it is safe and robust for 100% re-lets. If the Council was to enter into such arrangement it would still be responsible for the cost of build and will need to manage the risk of build cost fluctuations and hyper-inflation, which would not necessarily be offset by a future rental stream. Additionally based on Savills assessment, it is unlikely that this arrangement would fully de-risk the Council's capital costs. This option will continue to be explored to ensure all partnership schemes are considered.
17. To ensure residents are informed and understand the rationale for the disposal, a communication strategy will seek to address any concerns and queries arising during the next phase. In this way the residents understand how and why the Council has arrived at the preferred option to decommission and dispose its interests in Walbrook House.

Preferred Option and Reasons for Preferred Option

18. Walbrook House is a 23-storey tower block owned by the Council and is located in the Lower Edmonton ward adjacent to Bounces Road Estate. The building was already identified for priority building safety works which included replacing the gas supply and connecting the 126 flats to a district heating system. There are structural issues with the block which require significant investment to strengthen the building before a full refurbishment can commence. In addition, the cost of upgrading the external façade, cladding and longer-term maintenance and management makes ownership uneconomical in the Housing Revenue Account as the Rent Standard restricts how much rent can be charged to offset costs. These restrictions would not apply to a third party and therefore any future use of the building may include reviewing the tenure and decommissioning it for social housing.
19. In April 2022, residents were advised that the Council would permanently rehouse council tenants and negotiate the buybacks of existing leaseholders in the block to ensure no resident was left without hot water and heating. The Director of Housing and Regeneration was delegated authority to take action to decant residents and determine a way forward for any remaining residents to maintain a heating supply. To support residents who have chosen to remain in the block, an electrical solution for up to 40 properties has been installed in the tower and ongoing maintenance and management of the block continues.

20. Given the low occupancy and the feedback from leaseholders about the desire to have a decision on Walbrook House, the Council commissioned Savills to assess options for Walbrook House including assessing the commercial and financial implications for each option. The options included:

- Option 1 – Refurbishment of the tower to include upgrading of the external façade, fenestration and cladding, the electrical and heating system and landscaping works.
- Option 2 – Demolition of the tower and redevelopment of the site to provide new affordable housing
- Option 3 – Sale of the block to a third party

21. The preferred option in this report is for the sale of the block which is a balanced approach to the long-term asset management in the HRA. The option has been prepared in accordance with the Savills advice as it provided an objective assessment of the options for the block, the market and made recommendations to inform a strategy for the site to be brought forward. The full report is available as the Confidential Appendix to this report.

22. The following sets out the current status of households by tenure remaining in the block.

Table 1 – Summary of Existing Tenure

Block	Secure Council Tenants	Resident Leaseholders	Non-Resident Leaseholders	Total residents/properties occupied
Walbrook	6	9	5	20

23. Good progress has been made towards vacating the block with 6 council tenants currently in situ. There are still 14 leaseholder properties with all 9 resident leaseholders choosing to stay in the building pending more information on the Council's intended use and development of Walbrook House. Since the recent increases in living costs and due to ongoing issues because of an underoccupied block, a number have expressed a desire to move. Given the cost of living is impacting on residents the Council intends to proceed to buyback leaseholders or offer leaseholder swaps to available and equivalent sized council owned properties from the void list. If the leaseholders agree voluntary sales than this will mean the Council does not need to seek Compulsory Purchase Order powers on health and safety grounds.

24. The offer to leaseholders will be made based on an assessment of market value as agreed by a RICS accredited surveyor and would not account for disrepair issues the block has – which will be a significant benefit to leaseholders who would otherwise need to make a considerable contribution to the works. The offer to leaseholders will also include home loss and reasonable disturbance payments in line with CPO requirements as set out

below. The Council will also offer resident homeowners an opportunity to purchase a similar alternative council home on a lease swap basis where void units are available or alternative tenures in hardship cases.

Table 2: Detailed assumptions for the leaseholder buybacks and tenant decants

Item Cost	Anticipated Cost
Secure Tenant disturbance payments	£2,500 per eligible tenant. There are currently 6 secure tenants residing at Walbrook. There are a number of tenants who have already been rehoused under management transfer provisions who will also receive payments retrospectively.
Secure Tenant home loss payments	£7,800 per eligible tenant (based on the current rate set annually by the Government). There are currently 6 tenants still in situ. There are a number of tenants rehoused who will also receive payments retrospectively.
Resident Leaseholder home loss payments	10% of the independent market valuation of existing homes. There are currently 9 leaseholders still in residence.
Resident Leaseholder disturbance payments	The Council will cover all the reasonable costs associated with resident leaseholders moving off the estate. This includes reasonable costs incurred such as moving costs and reconnecting appliances etc. There are currently 9 resident leaseholders still in residence.
Non-Resident Leaseholder home loss payment of 7.5%	7.5% of the independent valuation of existing homes. There are currently 5 non-resident leaseholders.
Communication and Engagement Materials and Costs	Assumed £2,000 per year
Council Surveyor Costs for Buybacks	Assumed £1,000 per leasehold property
Costs related to leaseholders seeking RICS Surveyor and independent Leaseholder Financial Advice services	Assumed £1,500 per leasehold property.
Council legal fees for conveyancing	Assumed £1,500 per leasehold property
Leaseholders' legal fees	Assumed £3,600 per leasehold property
Stamp Duty payable by the Council on Buybacks	Based on current estimated values of the existing homes.
Stamp Duty for onward purchases	Based on current estimated values of the existing homes and estimated take up for landlords..
Shared Equity	Based on an indicative allowance for those potentially identified as in need of additional financial support through the Exception Panel.

Costs involved in securing void properties when they become empty.	Assumed average of £1,000 per unit for Sitex costs.
Wider Council Decant Costs	An indicative allowance for progressing the Initial Demolition Notice, G10 and Compulsory Purchase Order

25. The rationale for disposal is that due to the long-term costs associated with security of the block, the ongoing repairs and maintenance required whilst the block remains in place the preferred route is to proceed to full vacant possession. Residents' safety remains the Council's priority and tenants and leaseholders continuing to remain in the blocks increases the risk to them and the surrounding area, in the event of the condition of the tower worsening.
26. An independent review of options was commissioned and undertaken by Savills (Confidential Appendix 3). The appraisals demonstrate that where the Council undertakes the refurbishment of the tower to re-let at social rent tenure, this is unviable particularly when compared to the other options. It generates a significant negative net present value, due to the value of the rental stream to the Council not being sufficient to support the early cost of the refurbishment and resident disturbance payments to the residents.
27. The options appraisals assume the Council would dispose of the site with vacant possession and therefore the Council's land assembly costs (leaseholder buybacks, disturbance costs plus some contingency) need to be accounted for separate to any residual land value (RLV). Once these have been deducted from the RLV, the options all produce significant negative financial deficits for the Council, the least of which is a disposal assuming a market sales scheme.
28. The preferable option for the Council would be disposal as there is potentially an attractive opportunity for an investor or developer which could provide the Council with a land receipt and homes remaining in the borough. Although the Council is unlikely to receive a positive receipt of funds once the land assembly costs are accounted for, it will have reduced its financial burden of future maintenance costs and lost income from a block which is 75% void, and it will increase much needed housing supply in the Borough whether this be market tenure or affordable.
29. This approach to dispose is recommended because the Council does not have the capacity in the HRA business plan to directly deliver the planned improvements to Walbrook House or take forward options for the redevelopment of the block as a direct delivery proposal.
30. The previous authority report approved a formal S105 consultation with existing residents of Walbrook House setting out why the Council was taking action to support residents to voluntarily move and that these would be permanent moves as the future of the building was undecided. Only two residents responded, one tenant and leaseholder, to that consultation carried out in July on issues related to their personal circumstances rather than the principles of the consultation. The consultation and outcome are detailed in Appendix 1.

31. An initial feasibility study has been undertaken which assessed options for redevelopment, including infill, demolition and newbuild, retrofit and retention and explores opportunities to maximise underused land around the Bounces Road estate. The need to bring in land adjacent to Walbrook House is critical to future viability should the council look to deliver the improvements to the area as a partnership scheme. The additional land is necessary as the initial planning feedback is that if the block was demolished, that under current planning policy a tall building of similar height is considered inappropriate development in the Huntingdon Road/Lower Edmonton area and therefore there is likely to be a loss of social housing if taken forward as a full regeneration proposal. This would be a further consideration in relation to a CPO (Compulsory Purchase Order) inquiry.
32. To use the powers under section 17 of the 1985 Housing Act to make a CPO Order, it is necessary for the Council to commit to delivering a quantitative or qualitative gain in housing stock on the "CPO Site". This means that if demolition was completed by the Council for placemaking purposes, it would need to ensure that at least the same number of affordable homes will be provided as well as a net uplift. Any new homes will be structurally compliant which will represent a qualitative gain in housing.
33. Given the financial and planning constraints, they are potentially two alternatives to the council retaining the block which are an outright sale or a partnership model. Both options would mean the Council is no longer the owner and therefore any sale would require vacant possession. The costs of disposal will be offset from any land receipt up to 3%.
34. Initial advice provided by Savill's suggests that stronger interest and potentially a higher receipt for the disposal could be achieved if the Council were able to offer the building with full vacant possession. Given that the leaseholders are occupying different parts of the building, as opposed to being concentrated on a few floors, this will compromise a purchaser / developer's ability to refurbish the property and manage the asset on completion of such works.
35. The time it would take to conclude the vacant possession process needs to be balanced with the urgency of the disposal for the Council. Although the Council could explore selling to a private party, there may be some public relations / reputational risk for the Council with leaseholders remaining in the property if it were owned by a private and commercially motivated freeholder; for example, leaseholders liability to contribute to the cost of works to the building. It would seem prudent to continue to engage with the remaining leaseholders and fully pursue a strategy to secure vacant possession through negotiated buybacks in line with the proposals in paragraph.

Relevance to Council Plans and Strategies

36. The council adopted a new [Council Housing Assurance Framework](#) in February 2023 in preparation for the new regulatory environment and proposed changes to the consumer regulation of social housing. This new Framework establishes transparency and oversight of the performance of the

council's own housing and meets the council's corporate plan objectives to ensure all residents, regardless of whether they are council tenants or housing association tenants, are provided with good homes in well-connected neighbourhoods and the creation or management of safe, healthy and confident communities.

37. Enfield's [Housing and Growth Strategy](#) (2020-2030) has laid the foundations for significant new housing growth across the borough over recent years which is providing much needed new council homes for local residents. It is anticipated that this pipeline of new homes will need to be utilised to boost the supply of re-housing options for residents, in addition to existing council properties.
38. The council has an established [Housing Allocations Policy](#) which provides homes for residents with enduring needs and who cannot access housing independently. This enables us to ensure those in most need are prioritised for housing. Residents of Walbrook House will continue to be re-housed based on priority need in line with the Allocations Policy.
39. Further, the council operates a Choice Based Lettings Scheme in partnership with Registered Housing Providers operating in the borough. This enables residents on the council's housing register to search for and bid for properties available for social rent and/or London Affordable Rent in Enfield. Bids are based on a points-based system aligned to priority housing need. Should the preferred option to decant be agreed, it is recommended that all council tenants in Walbrook be given priority weighting on Choice Based Lettings to give them more surety in securing their choice of alternative home off-site.

Financial Implications

40. This report is proposing the following:

- a. Agreement that it's not feasible or viable to leave Walbrook House under-occupied and approve the disposal strategy
- b. Approve a budget to enable full decant of the block, including the acquisition of leaseholders to enable vacant possession

Agreement that it's not feasible or viable to leave Walbrook House under-occupied and approve the disposal strategy

41. Walbrook House consists of 126 homes (112 tenants and 14 leaseholders)

42. Works previously approved to install a heating solution for up to 40 properties has taken place (£1m). In addition, active tenant decanting to gain vacant possession of this block has been undertaken with only 6 tenants and 14 leaseholders remaining in ownership.

43. This block generated c. £547k rental income per annum when fully occupied. Now the block has seen significant decanting and is under-occupied, the rental income has reduced. This solution is unviable in the long term and creates additional pressures to the revenue budget, including security costs.

44. An options appraisal of the future of the block has been undertaken by Savills on the following 3 main options:

- c. Option 1 – Refurbishment of the tower to include upgrading of the external façade, fenestration and cladding, the electrical and heating system and landscaping works.
- d. Option 2 – Demolition of the tower and redevelopment of the site to provide new affordable housing
- e. Option 3 – Sale of the site to a third party

45. The purpose of the appraisal was to provide an objective assessment of the options for the site and make recommendations to inform a strategy for the site.

46. The Savills report concluded the most preferable option for the Council would be disposal as they can see there is potentially an attractive opportunity for an investor or developer which could provide the Council with a land receipt. However, the Council is unlikely to receive a positive receipt of funds once the land assembly costs are accounted for. The Council's land assembly costs (leaseholder buybacks, disturbance costs plus some contingency) would be an additional cost and once these have been deducted from the Residual land Value (RLV), the options all produce significant negative financial deficits for the Council.

47. The HRA Finance team have reviewed the options presented by Savills in the context of the financial impact to the HRA, which includes all costs and income losses associated with the options.

48. The table below shows a summary of the options and the financial cost and viability of these:

	Option 1A	Option 1B	Option 2A	Option 3A	Option 3B	Option 3C
Cost to the Council	Council refurbishes 100% Social Rent	Council refurbishes 50% Social Rent/50% Shared Ownership	Council redevelops 50% Social Rent 50% Shared Ownership	Disposal to Investor/RP refurbishment for 100% PRS	Disposal to Investor for refurbishment as 100% MS	Disposal to Developer for redevelopment 100% MS
Number of units	126	126	57	0	0	0
Expenditure:						
Leaseholder buybacks	2.89	2.89	2.89	2.89	2.89	2.89
Compensation (home loss)	0.27	0.27	0.27	0.27	0.27	0.27
Disturbance, fees etc	0.35	0.35	0.35	0.35	0.35	0.35
Shared Equity & fees (indicative subject to Exceptions Panel)	0.72	0.72	0.72	0.72	0.72	0.72
Tenant home loss and disturbance costs	0.95	0.95	0.95	0.95	0.95	0.95
Council tax	0.28	0.28	0.55	0.14	0.14	0.14
Security	0.26	0.26	0.53	0.13	0.13	0.13

Contingency @ 10%	0.57	0.57	0.63	0.55	0.55	0.55
Total decant costs	6.29	6.29	6.89	6.00	6.00	6.00
Refurbishment costs	20.10	20.10	0.00	0.00	0.00	0.00
Total Works costs	20.10	20.10	0.00	0.00	0.00	0.00
Construction cost @ £400k per unit	0.00	0.00	22.80	0.00	0.00	0.00
Placemaking costs @10%	0.00	0.00	2.28	0.00	0.00	0.00
Demolition costs	0.00	0.00	3.35	0.00	0.00	0.00
Total development costs	0.00	0.00	28.43	0.00	0.00	0.00
Sunk costs	4.81	4.81	4.81	4.81	4.81	4.81
Borrowing costs (per annum)	1.32	1.32	0.34	0.30	0.30	0.30
Total Expenditure	32.53	32.53	40.47	11.11	11.11	11.11
Income:						
Rental income (30 years - affordable/social)	-23.79	-13.17	-6.16	0.00	0.00	0.00
Shared ownership rent and equity	0.00	-13.36	-5.42	0.00	0.00	0.00
Loss of rental income (30 years)	23.93	23.93	23.93	23.93	23.93	23.93
Total Income	0.14	-2.60	12.35	23.93	23.93	23.93
Net	32.67	29.93	52.82	35.04	35.04	35.04
Land receipt	n/a	n/a	n/a	-0.60	1.15	-2.56
NPV (50 years)	-28.25	-25.55	-58.00	n/a	n/a	n/a
NPV per unit (50 years)	-0.22	-0.20	-0.46	n/a	n/a	n/a

49. Options 1a and 1b requires significant investment, however these options ensure that the HRA retains the 126 units in this block which will generate long term rental income.

50. Option 2a again requires additional investment and will generate long term rental income, however the option shows a significantly negative position. This option will also require additional borrowing to support the development of new homes, these costs haven't been included within the financial assessment.

51. Options 3a, 3b and 3c show the disposal option which would result in loss of 126 units within the HRA's stock portfolio. Whilst the total costs are less than the other options, the long-term rent loss is significant. The negative land values for option 3a and 3c would mean the Council couldn't offset a land receipt against the costs incurred. Demolition would be funded from the investor/developer.

52. The capital costs incurred over the last three years on this block total £4.8m, these costs have already been accounted for as part of the HRA capital programme and were funded from HRA reserves. All options will enable previous years spend to be capitalised.

Approve a budget to enable full decant of the block, including acquisition of leaseholders to enable vacant possession

53. The table below summarises the full cost impact on both revenue and capital budgets for the preferred options 3a-c:

	Revenue	Capital	Total
	£m	£m	£m
Expenditure:			
One Off:			
Leaseholder buybacks	0.00	4.23	4.23
Tenants decant costs	1.09	0.00	1.09
Security	0.13	0.00	0.13
Contingency @ 10%	0.12	0.42	0.55
Total One Off	1.35	4.65	6.00
On Going:			
Borrowing costs on capital (per annum)	0.30	0.00	0.30
Loss of rental income (per annum)	0.55	0.00	0.55
Reduction in Management & Maintenance costs (per annum)	-0.14	0.00	-0.14
Reduction in major works costs (per annum)	0.00	-0.13	-0.13
Total On Going	0.71	-0.13	0.58
Total Cost	2.06	4.52	6.58
Funded by:			
HRA reserves (current balance £17m)	2.06	0.00	2.06
Existing capital budget (borrowing)	0.00	4.00	4.00
Reduction in acquisitions budget	0.00	0.52	0.52
Total Funding	2.06	4.52	6.58

Funding

54. The one-off costs will be funded as follows:

- f. £4.65m capital expenditure will be funded from approved borrowing. In the HRA Rent setting and Business Plan report (KD5503), a budget of £4m for the leaseholder buybacks in this block was approved as part of the capital programme, the

remaining £0.65m will be funded from reduction in the acquisitions budget.

- g. £1.35m revenue costs will be funded from HRA reserves, the balance is £17m, with minimum reserve levels held at no less than £6m.

55. The on-going costs of £0.58m per annum will be funded as follows:

- h. Revenue efficiency savings will be made – these will include reduction in Management & Maintenance costs, reduced capitalisation on Development and Estate Regeneration projects and Civica Implementation
- i. HRA reserves will be used if there is a shortfall in these efficiencies.

Leaseholder Offer

56. There are currently 14 leaseholders. Leaseholder buyback offer will be based on market value with statutory home loss compensation offered at 10% for resident and 7.5% for non-resident leaseholders. In addition, there will be disturbance compensation to cover the costs of solicitor fees and stamp duty costs.

57. In exceptional circumstances, for resident leaseholders who are unable to afford to buy a similar property off the estate, the council will consider a shared equity approach. This would see the leaseholder put the equity share, current mortgage and home loss payment towards the cost of a comparable property. The Council will then purchase the remaining equity share of the property that the homeowner is unable to purchase. The leaseholder would not pay rent on the share they do not own but would be responsible for any service charges related to the property.

58. An allowance of £664k for the shared equity option has been included within the leaseholder buybacks costs in the table above. This allowance is based on 11 resident leaseholders, with the Council equity share averaging at 35% of the property value, this is an average of £60k per property. The equity share would go up in value over time and when sold, could offset some or all of the preceding interest cost.

Revenue Impact

59. This block generates c. £547k rental income per annum, once the block has been fully decanted this will create a pressure in the revenue budget. However, this will be partly offset by the reduction in the on-going management and maintenance costs associated with these blocks.

60. The blocks will incur tenant homeless (£7.8k per tenant) and disturbance payments (£2.5k per tenant), council tax on the void properties and security costs, these costs are included within the table above.

Borrowing Impact

61. Borrowing of £4.65m is required to buyback the leaseholders in these blocks, the annual borrowing costs will be £300k based on a 5% borrowing rate.

Taxation

62. As these buybacks are not eligible to be supported by grant or RTB receipts subsidy, SDLT (Stamp Duty Land Tax) will be payable, these costs are included in the table above.

Draft Financial Implications supplied by Claire Eldred 10/4/23

Legal Implications

Legal Implications provided by JH (Legal) based on version of report circulated on 16.1.23.

63. Under Section 1(1) Localism Act (2011) the Council can do anything individuals generally may do provided it is not prohibited by legislation and subject to public law principles. There is no expressed prohibition, restriction or limitation contained in statute law against the use of this power in this manner proposed in this report. Under Section 111 of the Local Government Act (1972) the Council has power to do anything (whether involving the expenditure, borrowing, or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

64. Public law principles will apply to the decisions made by the Council, including the Council's duty to take account of its fiduciary duty and to act prudently. The Council is also under a general duty to act reasonably and show that its decisions are made after having given due and proper consideration to all relevant matters.

65. The Council is required to act in accordance with the Public Sector Equality Duty under section 149 of the Equality Act 2010 and have due regard to this when carrying out its functions.

66. Any acquisition of property must comply with the Council's Property Procedure Rules. Section 120 of the Local Government Act 1972 permits the Council to acquire any land for the purposes of the any of its functions or for the benefit, improvement, or development of its area.

67. Section 17 of the Housing Act 1985 provides the Council with powers to acquire land or houses (including flats) for the purpose of disposing of them to a person who intends to provide housing accommodation on it. The section further provides powers to acquire compulsorily.

68. Section 32 of the Housing Act 1985 provides the Council with powers to dispose of the building for a consideration equal to its market value subject to consent from the Secretary of State. A general consent has been provided by virtue of The General Housing Consents 2013 subject to conditions which included the building not being subject to tenancies.

69. Any proposed disposal of the building would be subject to the Council's governance procedures including its Property Procedure Rules which set out

mandatory procedures regarding (amongst other things) the acquisition, management, and disposal of property assets.

70. Consideration will need to be given to both the Town and Country Planning (Demolition – Description of Buildings) Direction 2021 and the Town and Country Planning (General Permitted Development) (England) Order 2015 as to whether there is a general consent available for the demolition of the building otherwise a specific planning application will need to be made pursuant to section 57 of the Town and Country Planning Act 1990.

71. The proposals set out in this report are within the Council's powers and duties

Equalities Implications

72. The Public Sector Equality Duty requires all public bodies to have due regard to the need to

- a. Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
- b. Advance equality of opportunity between people who share a protected characteristic and those who do not.
- c. Foster good relations between people who share a protected characteristic and those who do not.

73. The broad aim of the duty is to integrate equality considerations into general policy and decision making and we do this using the process of equality impact assessment.

74. An impact assessment of the proposals has been conducted and assesses the effect on residents who have moved from Walbrook House. See Appendix B, attached. The decision was assessed to have a differential impact as residents with high vulnerabilities. For residents who have chosen to stay, they will be supported to move to alternative accommodation ranging from leaseholder swaps for resident leaseholders and new council homes for social housing tenants.

75. An Affordability assessment has been conducted for a severalⁱ households being considered for London Affordable Rent offers, (i.e., 50% market rent). This was to ensure no adverse impact from the Benefit Cap and or any Cost-of-living issues. The financial costs for residents have been defrayed in the first instance more generally by the payment of statutory home loss and disturbance costs.

76. We will ensure that the consultation process is fully inclusive and ask residents about their communication requirements in our initial contact.

77. We will continue to collect profiling information during the tenancy audit process, to gain a better understanding of the profile of residents and use this in further iterations of the EQIA. This will enable us to target services to address any specific needs identified.

Environmental and Climate Change Implications

78. The major consideration for the environment and climate change impact of this decision, is whether the proposed decision increases the likelihood of demolition of this site when compared to the original refurbishment proposals and impacts the council's ability to consider the full environmental impact of the decisions being made.
79. The longer-term options for the two blocks, including potential demolition or rebuild will be determined through a robust regeneration appraisal which will take full account of the embodied carbon considerations when assessing the potential options.
80. Should the preferred option be pursued, the project team will engage with Enfield's [Excess Materials Exchange](#) Scheme to explore the potential for repurposing the equipment recently installed in the blocks (e.g., electric boilers), as well as working with the original installers and suppliers to investigate possible 'take-back' or re-installation schemes.
81. The Excess Materials Exchange (EME) Scheme embeds circular economy principles into the design, sourcing, specifications, use and re-use of construction materials, components, and buildings to bring benefits to carbon emissions, traffic reduction, resource scarcity, waste reduction, local businesses, employment, skills, and the quality of design. The intention is that this drives down embodied carbon and informs circular economy statements.
82. The project team will also continue to engage with the EME scheme in consideration of the longer-term options for the blocks, to explore the potential for the re-use and repurposing of any materials should any decision be taken to dismantle the buildings, wholly or in part. In assessment of the longer-term options, the Whole-life Carbon of the options will also be taken into account.

Implications provided by Tilly Ford 24.1.23

Public Health Implications

83. By moving residents to properties identified based on housing need, the council will be able to address issues of overcrowding as well as issues around mobility as well as ensuring health during the winter period.
84. During the consultation, the opportunity should be taken to review health needs to ensure that needs are taken into consideration for new housing offered. Additionally, there is opportunity to ensure that tenants, are being provided with wrap around support for employment, welfare/ debt and health and wellbeing through the Councils Community Hubs. A Health and Wellbeing offer should contribute to the wrap around package covering factors such as support registering with GPs, local dentists, and where appropriate referral through primary care social prescribing to ensure that residents, are supported to settle into new housing and communities

Property Implications

85. The HRA property implications are referenced through this paper.

86. From a General Fund (GF) perspective, while the refurbishment, redevelopment or disposal of these housing assets has no specific GF property implications, what happens in & around the Walbrook House complex may provide opportunities to add value to regeneration initiatives at the neighboring Claverings trading estate.

87. This could include the provision of accommodation for voluntary sector organisations (e.g., The Ark) that do splendid work in the community and will be displaced when the Claverings site is re-developed, together with delivery of environment and landscape improvements along this part of Montagu Road

Other implications

88. The do-nothing option would mean that the building remains in situ with the existing households who have not taken up offers to leave Walbrook House at a significant cost to the Council.

Risk	Mitigation
Property management cost Council will be responsible for managing a building running at 50% of capacity (income) Dwellings not being fully utilised. Potential need to complete full retrofit and connection to district heat system Cost of Cyclical repairs and management programme	Reduce overhead costs and review investment programme for non-essential works; consider leaseholder charging fees uplift Management reports to regularly monitor performance of buildings and HRA cashflow Test the extent to which electrical solution per property can be maintained before full infrastructure becomes necessary Non-essential works will need to be agreed with tenants and leaseholders to ensure maintaining the building remains affordable for the council

Implications agreed by Ejaz Patel 24.1.23

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Appendices

Appendix 1 Consultation & Engagement to date
Appendix 2 – Equality Impact Assessment
Appendix 3 – Savills report Confidential Appendix
