

REPORT FOR: **CABINET**

Date of Meeting:	15 January 2015
Subject:	Grange Farm Regeneration Scheme
Key Decision:	Yes
Responsible Officer:	Paul Najsarek, Interim Head of Paid Service and Corporate Director of Community, Health and Wellbeing
Portfolio Holder:	Councillor Glen Hearnden, Portfolio Holder for Housing
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	Harrow on the Hill
Enclosures:	None

Section 1 – Summary and Recommendations

This report sets out to advise Cabinet on progress made with the regeneration of Grange Farm Estate and seeks approval to move to the next stage of developing the regeneration delivery plan.

Recommendations:

That Cabinet:

- a) delegate authority to the Corporate Director of Community, Health and Wellbeing to serve initial demolition notices under the Housing Act 1985 (as amended) on tenants of the Grange Farm Estate the period of the notices to be 6.5 years
- b) authorise the commencement of all preparatory work required for the making of any future CPO(s), including (but not limited to):
 - i) appointing land referencers to review all relevant proprietary interests with a view to producing a draft schedule and plan for use in any future CPO(s);
 - ii) the service of requests for information notices under the Local Government (Miscellaneous Provisions) Act 1976 on those who may be affected by future CPO(s).
- c) delegate authority to the Corporate Director of Community, Health and Wellbeing following consultation with the Portfolio Holder for Housing to proceed with the submission of a Planning Application once the design process has been completed.

Reason: (For recommendations)

Following the July 2014 cabinet report progress has been made in procuring consultants and building on the engagement proposals with residents. The actions identified in the recommendations are necessary to facilitate the regeneration of the estate.

Section 2 – Report

Introductory paragraph

- 2.1 In July 2014 Cabinet approved several recommendations to enable the regeneration of the Grange Farm estate to proceed. The Grange Farm estate was built using a non-traditional form of construction (Resiform) and the flats are past their ideal useful life proving difficult for the council to maintain and for residents to heat. Other estates of similar construction both in Harrow and elsewhere have already been demolished and rebuilt. This report sets out how in accordance with the Corporate Plan the council can now take the lead in the regeneration of the estate having discounted the other alternatives identified.

- 2.2 The aspiration of both residents and the council is to undertake a comprehensive redevelopment and regeneration of the estate in which the council retains ownership of the affordable housing. In this respect it will differ significantly from previous regeneration schemes (Rayners Lane, Mill Farm Close) where the council transferred the homes to a housing association who took ownership and responsibility for the regeneration with the council receiving 100% nomination rights to the affordable housing units. The council is now in a different financial position as a result of HRA self-financing and therefore in a position to take forward the regeneration and retain ownership of the replacement affordable housing.

Options considered

- 2.3 Various options were considered when deciding the best use of housing assets and the different ways in which the Council could build new affordable housing. These were considered by Cabinet in June 2013 and a new build Council programme was approved as well as detailed regeneration feasibility studies.
- 2.4 Initially 2 options were considered for the Grange Farm Estate – refurbishment and comprehensive redevelopment/regeneration. The first option was discounted as initial estimates to refurbish and retrofit the Resiform flats up to modern standards were c. £11m which was not considered to be good value given that the basic building fabric will not be completely renewed.
- 2.5 Options were considered for the comprehensive regeneration of the estate – sale and redevelopment by the council direct or via a housing association partner. The latter option was discounted. The introduction of HRA self- financing presents an opportunity to deliver the regeneration of the estate and supports the viability of the HRA which would otherwise be at risk if the Grange Farm estate was disposed of to another organisation in addition to Right to Buy sales. Furthermore the council's approved ambition is to build new council homes itself.

3 delivery options have been considered for the council to take forward the comprehensive regeneration itself. These are:

- A Developer Led - the council appoints a development partner, who would take the lead in securing planning permission and then delivering the project including both the private sale and the affordable housing;
- B Partial Land Disposal - the council takes the lead in securing the planning permission, clears the site and sells the land for the private sale element to a developer. The developer would then take forward their element and the council would develop their parcel at the same time using either the same contractor or another;

- C Council led - the council would lead the design and planning process to Stage C or C+ and then tender for a development partner to help finalise the planning application and then deliver both the private sale element and the affordable.

Option C has been selected as the preferred option because it offers the council the greatest control and flexibility. As the council takes on some of the risks it should also bring greater reward which will help to manage the current funding gap.

Current Situation

2.6 Since July 2014, the following progress has been made:

- The residents steering group has been set up and there have been monthly meetings;
- The majority of residents have now been visited to complete the Housing Needs survey;
- 2 leaseholders are pursuing the option of early buy back;
- Discussions with other landowners continue;
- Appointment of a Client Advisor;
- Business model completed;
- Process for procurement of cost consultants commenced December 2014 via East Thames Housing Partnership Framework;
- OJEU process commenced for appointment of architect with PQQ issued, ITT planned for February 2015 and appointment in May 2015.

2.7 In order to progress the Grange Farm estate regeneration project the following next steps are proposed:

2.8 **Service of Initial Demolition Notices** under the Housing Act 1985 on tenants of the Grange Farm Estate to suspend the Right to Buy. Most of the tenanted properties on the Grange Farm Estate affected by the proposed regeneration are flats, with only 6 bungalows. Should a tenant make an application to buy their home, either a leasehold interest in a flat or a freehold of a bungalow, they would normally be sold attracting a discount of up to £102,700. To allow the regeneration scheme to progress the council would then have to buy back these properties at market value plus at least 7.5% and disturbance allowance and none of the discount granted would be repayable. Should a large number of additional homes be sold under the Right to Buy this would add significantly to the costs of the scheme and compromise its financial viability.

2.9 By serving the Initial Demolition Notice the council sets out its intention to proceed with the regeneration and this removes the obligation to complete Right to Buy sales for a maximum period of 7 years while the notice is in place. At the end of the notice period if the council has not completed the demolition of the property a tenant could ask for compensation arising from not being able to exercise their right to buy.

However, the proposals for the regeneration are now sufficiently advanced to provide some certainty that the scheme will be taken forward within the 7 year timeframe.

- 2.10 There are currently 2 RTB applications in progress for which compensation may be payable for example to reimburse any expenditure incurred by the tenant such as survey or mortgage application costs. However the cost of these compensation claims will be minimal.
- 2.11 **Appointment of Land Referencing Agents** to allow for a potential Compulsory Purchase Order (CPO) process. The council is not yet in a position to proceed with a CPO and will continue to negotiate voluntary repurchase of the Freehold and Leasehold properties. However, it would be prudent to be in a position to seek a CPO in order to ensure that vacant possession can be delivered to meet construction requirements and avoid a situation where one owner can potentially hold up the whole regeneration process. The first stage in preparation of the CPO process is a fact-finding one to establish all those with an interest in the land. The use of CPO would always be seen as a last resort and there is no suggestion that it is our intention or preference to implement the full CPO process. Should it become necessary to seek a CPO a separate detailed report will be presented to Cabinet, at this stage the recommendation is only to keep all options open.
- 2.12 **Authority to proceed with the submission of a Planning Application** once the design process has been completed. The current project plan envisages being in a position to apply for planning approval in Autumn 2015. By May 2015 it is planned to have an architect appointed who will produce detailed designs in consultation with residents on the estate. Once these have been refined and subject to the appointment of a development partner, a formal planning application will need to be made.

Governance and Engagement

- 2.13 To facilitate the coherent development of the portfolio of regeneration schemes within Housing Services a Project Board has been formed including the Portfolio Holder, Divisional Director of Housing and officers working on the projects.
- 2.14 At a local level a Steering Group of Residents has been formed and is working positively through a range of issues and training in preparation for the commencement of the regeneration. At the end of November site visits to 3 other recent regeneration schemes in Harrow took place with over 20 residents to consider which scheme design elements they would wish to see incorporated at Grange Farm. Residents will be involved in the selection and appointment process for architects to take forward the planning submission for the estate.

Performance Issues

- 2.15 In taking forward the regeneration of Grange Farm and finding decant solutions for some of the existing residents there will be some impact upon the normal Housing Register which will eventually be redeemed when the new properties are built. Consideration of the impact from this and on the performance indicators relevant to these areas will be taken into account as the design work is progressed, enabling a phasing and decant plan to be developed.
- 2.16 The London Mayor wants all London councils to increase delivery of all housing types to meet the increasing demand for housing in the capital. The overall current annual housing supply monitoring target for Harrow is 350, and the Further Alterations to the London Plan propose an increased annual housing supply monitoring target of 593. The regeneration of the Grange Farm estate will contribute to these targets by increasing the density and net supply of new homes.

Environmental Implications

- 2.17 The Grange Farm regeneration scheme will have a positive impact and contribute to the Council's Climate Change Strategy and Delivering Warmer Homes strategy through:
- Improving energy efficiency and reducing CO₂ in the Council's housing stock.
 - New affordable homes will be required to achieve a minimum of level 4 of the Sustainable Building Code.
- 2.18 Other environmental improvements often included in new housing developments or retrofitting of existing social housing include: provision of green roofs, solar thermal hot water systems to meet the target for use of renewable resources and resulting reduction in CO₂ emissions, improved biodiversity as a result of increased tree planting and landscaped communal open spaces, provision of Sustainable Urban Drainage Systems, and green travel plans to encourage use of public transport and walking. Where possible, we will endeavour to recycle demolition material recognising this may be limited due to the construction type of some properties.

Risk Management Implications

Risk included on Directorate risk register? Yes
Separate risk register in place? Yes

2.19 The Risk Register identifies the following key risks:

1. Residents not engaged with the proposals: Mitigation – Steering group set up, regular information and special events to engage all residents

2. Not able to achieve the required increase in density to produce a financially viable scheme: Mitigation – inclusive design approach with input at an early stage from the LPA
3. Financial viability compromised by RTB: Mitigation – serve Initial Demolition Notices to suspend the RTB
4. Resistance from leaseholders impacts on scheme costs and deliverability: Mitigation - provide reasonable rehousing options for resident leaseholders, prepare for possible CPO if necessary
5. Cost plans not viable: Mitigation – early appointment of cost consultants
6. Sales values not maximised: Mitigation – appointment of development partner before planning application submitted
7. Decanting of tenants and leaseholders not achievable: Mitigation – early identification of rehousing needs and prioritisation for rehousing, alternative housing options explored, preparation for CPO process commenced
8. Limited in-house experience of delivering major new build housing projects: Mitigation – additional posts created and recruitment process targeted at recruiting officers with experience of similar projects, consultancy support and all appointed with requirement to transfer skills and knowledge as part of the contract terms, Project Board established, learning from other local authorities and housing associations through strategic partnerships such as the West London Housing Partnership, London Councils etc.

Legal Implications

- 2.20 Under Schedule 5A of the Housing Act 1985, on service of initial demolition notices stating that the landlord intends to demolish the relevant premises, any Right to Buy claims in progress at the date of service of the initial demolition notices and any claims made subsequently during the period of validity of the notice do not have to be completed. Service of final demolition notices during the period of validity of the initial demolition notices will extinguish all Right to Buy claims then in progress and prevent any new ones from being brought. Compensation may be payable under Section 138C of the 1985 Act in respect of certain expenses incurred by tenants on Right to Buy claims existing at the time of service of the initial demolition notices (e.g. legal fees). Initial demolition notices expire after a maximum period of seven years after the date of service on the tenants. The period during which the demolition is intended to take place must be specified in the notices when served.
- 2.21 The Council has the power through various enactments to make a Compulsory Purchase Order and to apply to the Secretary of State for confirmation of the order.
- 2.22 The power commonly used by local authorities is Section 226(1)(a) of the Town and Country Planning Act 1990 (as amended). The section provides that a local authority shall, on being authorised to do so by the Secretary of State, have power to acquire compulsorily any land in their area if they are satisfied that the acquisition will facilitate the carrying

out of development, redevelopment or improvement on or in relation to the land. However the power must not be exercised unless the authority thinks that the development is likely to contribute to the achievement of the economic, social and environmental well-being of the area.

Financial Implications

2.23 In July 2014, Cabinet approved the following HRA budgets from within existing resources to enable the Grange Farm regeneration project to be taken forward:

	£,000
Provision of Consultants for a) overall scheme co-ordination and b) architects for Grange Farm Master Plan	1,000
Potential short term repurchase of former council units at Grange Farm	1,000
Establishment of delivery team to manage projects plus costs of meetings / publicity p.a.	100

The above allows for the appointment of the architect. At this time we do not anticipate spending the full amount set aside for the short term repurchase of former council properties, but this position may change as the project progresses.

2.24 A detailed business model has been created for this project. However until the detailed design is taken forward which will define the total number of new units, the number to be sold and up to date estimations of sales values it is not possible to determine the final net cost of the scheme. The model currently forecasts a deficit which could range from £3.7m to £13.4m, as indicated in the July Cabinet report. While this range is currently considerable this is based upon a range of variables such as build costs, sale prices and unit numbers any one of which can produce significant variation and if all combined in a negative manner could produce the extreme result. As the scheme design progresses the objective will remain to achieve an outcome which delivers regeneration at no net cost to the council if at all possible; however, if necessary, HRA balances and or other resources could be used to support the regeneration. Given the cost of retaining the stock and refurbishing it being in the order of £11m the scheme looks capable of producing a positive contribution to the HRA.

Equalities implications / Public Sector Equality Duty

Was an Equality Impact Assessment carried out? Yes in progress

A draft EQIA has been prepared for the Grange Farm regeneration scheme using the evidence from the Housing Needs Survey and is in the process of being discussed with the Resident Steering Group before being finalised.

Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

The Homes for Harrow programme which includes the Grange Farm regeneration project will contribute positively to the Council's vision for Harrow Working Together to Make a Difference for Harrow and the Council's priorities in the following ways:

1. Making a difference for the vulnerable – building a range of new affordable homes including homes for those who are most in need.
2. Making a difference for communities – This work provides an opportunity to involve and engage residents on the Grange Farm estate and from the wider community in the development of new homes, the replacement of poor housing and improvements to the external environment.
3. Making a difference for families – Improving the worst social housing in Harrow and building homes to meet family needs. Other benefits flowing from the regeneration programme include the creation of apprenticeships, jobs and training opportunities to help those most in need, especially the young.

Section 3 - Statutory Officer Clearance

Name: Dave Roberts	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 5 December 2014		
Name: Ian Goldsmith	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 2 January 2015		

Ward Councillors notified:	YES
-----------------------------------	------------

EqIA carried out:	YES
EqIA cleared by:	The draft EqIA is subject to consultation with residents. Overall the regeneration of the Grange Farm estate will have a positive impact on residents and the wider community.

Section 4 - Contact Details and Background Papers

Contact: Alison Pegg, Housing Partnerships and Strategy Manager
Tel/Email: 020 8424 1933 alison.pegg@harrow.gov.uk or Paul Mullins, Interim Senior Project Manager, 020 8420 9680 paul.mullins@harrow.gov.uk

Background Papers: Cabinet report 20 June 2013, Housing Business Plan 2013, consultation draft Asset Management Strategy, Proposals for a future Affordable Housing Programme, and Proposed Grants to Move scheme

<http://www.harrow.gov.uk/www2/documents/g61429/Public%20reports%20pack%20Thursday%2020-Jun-2013%2018.30%20Cabinet.pdf?T=10>

Cabinet report 10 April 2014 Affordable Housing Programme Update

<http://www.harrow.gov.uk/www2/documents/g61438/Public%20reports%20pack%20Thursday%2010-Apr-2014%2018.30%20Cabinet.pdf?T=10>

Cabinet report 17 July 2014 Homes for Harrow

<http://www.harrow.gov.uk/www2/documents/g62354/Public%20reports%20pack%20Thursday%2017-Jul-2014%2018.30%20Cabinet.pdf?T=10>

Call-In Waived by the Chairman of Overview and Scrutiny Committee	NOT APPLICABLE <i>[Call-in applies]</i>
--	---