1. SUMMARY

1.1 This report summarises the pre-feasibility study carried out at Avenue Road Estate and requests approval for the further steps necessary to progress towards a preferred investment approach. The works to determine stock condition already underway on Avenue Road Estate are taking place independently from the proposals in this report. The outcome of these surveys will feed into the final decision taken about future options for the estate.

1.2 The report also provides an update on the current position at Montague Road Estate and recommends that ‘priority-decant-status’ is removed from the estate as the preferred option is major refurbishment rather than regeneration and decant status is no longer necessary.

2. RECOMMENDATIONS

2.1 Cabinet is recommended to:

2.1.1 Approve a budget of £650k for the appointment of a project team and relevant consultants to:

a) Develop and implement an engagement strategy at Avenue Road Estate
b) Progress initial design towards RIBA (Royal Institute British Architects) Stages 1 / 2

c) Develop a brief for the procurement of a preferred developer partner

d) Provide initial cost consultancy on the financial viability of the options brought forward

e) Carry out site surveys to support possible future development options

2.1.2 Agree to delegate all decisions required to award a contract for consultancy services for the project team to the interim Commercial Director of Housing Delivery.

2.1.3 Agree to carry out soft market testing and prepare a brief for the procurement of a preferred developer partner.

2.1.4 Agree that the Commercial Director, Property and Delivery begins initial discussions and negotiation on all leaseholder and freeholder interests at Avenue Road Estate.

2.1.5 Agree to serve an Initial Demolition Notice on Avenue Road Estate.

2.1.6 Agree to delegate the decision to designate Avenue Road Estate for ‘priority-decant-status’ to the Corporate Director of Housing for those residents affected by the structural survey.

2.1.7 Agree to remove ‘priority-decant-status’ from Montague Road Estate.

3. PROPOSALS

3.1 Avenue Road Estate Background

3.1.1 Avenue Road Estate was built in the 1960’s and is located to the south of the borough in the Cathall ward. A site plan is attached at Appendix A.

3.1.2 Estate information:

258 units across 4 blocks

<table>
<thead>
<tr>
<th>Block</th>
<th>Postcode</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blackthorn Court</td>
<td>E15 2DL</td>
<td>53 Units</td>
</tr>
<tr>
<td>Gean Court</td>
<td>E11 4HT</td>
<td>49 Units</td>
</tr>
<tr>
<td>Mulberry Court</td>
<td>E11 4HN</td>
<td>87 Units</td>
</tr>
<tr>
<td>Rosewood Court</td>
<td>E11 4JR</td>
<td>69 Units</td>
</tr>
</tbody>
</table>

3.1.3 There are currently 16 leaseholders on the estate and 5 Right to Buy applications in progress.
3.1.4 The blocks were built using the Bison large panel system and heating and hot water is provided by a communal heating system.

3.1.5 The Estate site covers 1.82 hectares and also includes the Nexus Dance Centre, Snowberry Nursery, three play areas and circa 60 parking spaces. (See Appendix A).

3.1.6 An Estates Review undertaken in 2010 identified housing estates requiring investment and intervention to improve the condition and quality of the stock (beyond planned maintenance). This review identified Avenue Road Estate as one of the highest priorities in the borough.

3.1.7 The main issues were identified as:

- acute socio-economic factors relating to a high level of crime and being in the lowest 5% of the most deprived areas nationally
- properties in poor condition with high levels of maintenance expenditure
- poor design, with streets being confusing to navigate and the estate being dominated by cars

3.2 Avenue Road Proposals

3.3 A pre-feasibility study and a structural survey have been commissioned at Avenue Road Estate.

3.3.1 The pre-feasibility study focussed on concept designs and initial financial viability for regeneration, replacing the existing blocks with new housing accommodation. The brief required the architects to look at the possibility of more efficient use of the site and creating additional housing units with better connectivity to the surrounding area. The study demonstrates that a potential regeneration scheme is viable for the estate having considered possible density, tenure mix and financing.

3.3.2 The structural survey is currently taking place to ascertain the structural integrity of the blocks at Avenue Road Estate to establish the longevity of the buildings and the maintenance liability if repair and retention was to be considered the preferred investment option. The information from both this structural survey and the more detailed design study described in this report will feed into the Council's Options Appraisal for the estate, resulting in a preferred investment approach.

3.3.3 Note that the findings of an ongoing structural survey at Avenue Road Estate have not been finalised, and any findings arising from that survey will be considered in recommending a preferred investment approach for Avenue Road to Cabinet in a later report to be brought forward in early 2020.

3.4 The Council will commence the procurement of a project team to support scheme development up to and including the Landlord Offer to Residents. The team will also develop a brief for the selection of a preferred developer partner, who will be appointed prior to the Landlord Offer to Residents, depending on the outcome of the option appraisal.
If regeneration is the option favoured by the appraisal, a Stage 1 appointment of a developer will be made up to ballot stage subject to competitive tender. This will add a more robust commercial view to the project prior to the Landlord Offer to Residents and will bring a continuity to project development if the ballot is successful. Developer Appointment (contract award) will be subject to a further Cabinet report.

3.4.1 The budget requested at paragraph 2.1.1 will allow the Council to work through a detailed resident engagement strategy with residents and appoint an Independent Tenant and Leaseholder Advisor (ITLA) who will capacity build and support residents through this appraisal process and, if regeneration is the preferred investment approach, towards a resident ballot.

3.4.2 The project team will also work up initial concepts into detailed design principles to RIBA stage 1 / 2.

3.4.3 The project team will develop an initial brief for the procurement of a developer partner in the event that the preferred investment option is regeneration of Avenue Road Estate. This will include initial cost consultancy on early financial viability options for the estate.

3.4.4 The project team will carry out specific onsite surveys and provide information relating to the estate, this will include ground condition and asbestos surveys.

3.4.5 An estimated breakdown of the £650k budget is as follows:

<table>
<thead>
<tr>
<th>External Professional Team</th>
<th>£350k</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Fees</td>
<td>£150k</td>
</tr>
<tr>
<td>Internal Costs</td>
<td>£50k</td>
</tr>
<tr>
<td>Independent Tenant Leaseholder Adviser</td>
<td>£80k</td>
</tr>
<tr>
<td>Communications</td>
<td>£20k</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£650k</strong></td>
</tr>
</tbody>
</table>

3.4.6 The funding will allow the project team to build on the outputs from the pre-feasibility study and progress to the Options Appraisal for the estate and the Landlord Offer to Residents.

3.5 The Council will commence early engagement with developers through Soft Market Testing. In the event early indications from structural surveys demonstrate that regeneration is the preferred option the Council can then accelerate the programme as appropriate.

3.6 The Council will commence early discussion and negotiation with leasehold and freehold interests in order to keep residents informed as to proposals for the estate and to ascertain the possible financial
impact on the potential viability of an estate regeneration scheme. Early indications of vacant possession costs will feed into the options appraisal.

3.7 The Council will serve an ‘initial demolition notice’ on Avenue Road Estate as the pre-feasibility study has demonstrated that a potential regeneration scheme is viable for the estate. The implications of the initial demolition notice are to suspend the Council’s obligation to complete Right to Buy claims whilst the notice is in place. The initial demolition notice is valid for up to 7 years.

3.8 ‘Priority-decant-status’ may be required at any point in the programme to assist with decants of the blocks currently subject to the outcomes of structural surveys. This would affect in the region of 15 residents.

3.8.1 It is therefore proposed that the Corporate Director of Housing is given the delegated authority to grant priority decant status for the residents affected by the structural survey.

3.8.2 Residents moved early under ‘priority decant status’ due to the findings of the structural survey will be entitled to a home loss and disturbance allowance payable for residents that are decanted. These costs would initially be borne by the HRA.

3.8.3 If it is necessary to undertake a full or part decant of the estate it is estimated that costs would be in the region of £2m for tenants and the liability for leasehold buy backs would be up to £7.5m. Further cabinet approval will be required at a later date to approve this budget.

3.8.4 The pre-feasibility study indicated a potential Council contribution of £12m to the development as identified at paragraph 7.1.5. Further viability may indicate a higher Council contribution to deliver the scheme and this cost will be subject to further cabinet approval.

3.8.5 Any resident moved away from Avenue Road Estate as a result of major works to their property will have the Right to Return to the estate. Subject to qualification secure tenants will be paid disturbance compensation in accordance with the appropriate Council policy.

3.9 Avenue Road Estate is adjacent to sites in the ownership of other public sector landowners including the Health Authority (CCG) and the GLA. In addition to the 2 studies referred to at paragraph 3.3, in February 2019 the Council were successful in bidding for £250k of grant to explore the potential of neighbouring publically owned assets through the government-funded One Public Estate scheme. £70k of this grant funding is repayable borrowing.

3.9.1 Waltham Forest has appointed a consultant to work to draw together the potential for all sites within an overarching masterplan. The outcomes from this are intended to provide a spatial template and neighbourhood vision that can fully exploit the potential of a combined service approach. This work is intended to complete in September 2019.

3.9.2 The outcomes from the master-planning exercise will inform the wider land assembly strategy and local plan for the area, however there will
be further work to tie together the recommendations from all work-streams and prepare the ground for the next stages of either refurbishment or development.

3.10 **Key Milestones to Preferred Option**

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Indicative Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Pre-Feasibility Study</td>
<td>Completed Nov 2018</td>
</tr>
<tr>
<td>Project Team Appointment</td>
<td>Sept 2019</td>
</tr>
<tr>
<td>One Public Estate Final Report</td>
<td>Sept 2019</td>
</tr>
<tr>
<td>Complete Housing Needs Assessment</td>
<td>Sept 2019</td>
</tr>
<tr>
<td>Carry out site surveys</td>
<td>Nov 2019</td>
</tr>
<tr>
<td>Options Appraisal (Regeneration)</td>
<td>Dec 2019</td>
</tr>
<tr>
<td>Issue Developer Brief</td>
<td>Dec 2019</td>
</tr>
<tr>
<td>Cabinet Preferred Option</td>
<td>Feb 2020</td>
</tr>
</tbody>
</table>

3.11 **Risks**

3.11.1 A financial analysis will be carried out by the Council to ascertain the best investment approach for Avenue Road estate. This analysis will include work to understand whether a regeneration scheme is financially viable. This will include consideration of preliminary ground investigation.

3.11.2 If regeneration were the preferred investment approach, in keeping with Mayor of London guidance, and Council commitment to follow this guidance as best practice, the scale of this scheme is likely to require a successful resident ballot in order to go ahead. If residents did not support the scheme this could result in an unsuccessful resident ballot. The Council intends to conduct extensive consultation and engagement with all residents currently living at Avenue Road Estate to ensure that they are involved in the process and aware of the implications for them. The Council will implement a comprehensive resident engagement strategy which will include appointing an Independent Tenant Leaseholder Advisor to give impartial information and advice to residents.

3.11.3 If regeneration were the preferred investment option there is a risk that it is not possible to secure all leaseholders and other interests not owned by the Council it will be necessary to resolve to make a Compulsory Purchase Order. This may delay delivery of the site, however the Council will programme in the making of a CPO so that any possible delays are mitigated.
3.11.4 Compensation payable due to making a CPO may affect the viability of the development. This will be considered as part of the viability of the regeneration of the estate, in conjunction with a developer partner, if this is the preferred option.

3.11.5 If refurbishment were the preferred investment option, there is a risk of cost escalation. The Council will carry out cost efficiency exercises to ensure value for money and to control the level of costs for refurbishment in order to avoid costs to refurbish the estate becoming higher than budget allocated.

3.12 **Montague Road Proposals**

3.12.1 On 21st February 2018 a report was presented to Cabinet detailing the outcome of the procurement process and the decision was taken not to proceed with a regeneration scheme.

3.12.2 A refurbishment programme for the estate is now being taken forward in consultation with residents.

3.12.3 Priority decant status was agreed for the estate when proposals for regeneration were being actively considered. Priority decant status has remained in place since February 2018 to allow those that were still actively bidding to move to be considered.

3.12.4 Within the wider housing programme other active schemes now have priority decant status. Other pipeline schemes including Hylands Phase 3 and Avenue Road may also require priority decant capacity. With the limited capacity of the Housing Options service to provide decant properties for priority schemes subject to GLA grant, it is necessary to remove priority status from Montague Road.

3.12.5 It is now recommended that decant status be removed from Montague Road Estate in line with Section 19.2 and Section 19.8.2 of the Council’s Allocation Scheme September 2013.

4. **OPTIONS & ALTERNATIVES CONSIDERED**

4.1 The Council is exploring all available options in considering regeneration or major repairs and refurbishment as outlined in this report.

4.2 It has been established that it is necessary for the Council to undertake some form of works at Avenue Road as improvements are required in the short to medium term. The full extent of the works and whether this takes the form of repair or regeneration will be dependent on comprehensive resident engagement and consultation in addition to the outcome of the surveys currently underway.

4.3 In terms of regeneration options, the site could be disposed to Sixty Bricks for redevelopment. This option has been considered, however due to the level of re-provision of affordable housing and compensation packages required it may not be viable for the company to undertake.
5 SUSTAINABLE COMMUNITY STRATEGY PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)

5.1 Any regeneration programme at Avenue Road would form part of the Council’s commitment to facilitate and enable the delivery of 18,000 new homes of all tenures over the next 10 years, with particular emphasis on providing affordable homes for local households.

5.2 Whether repair or regeneration of Avenue Road is agreed as the appropriate way forward for the estate, the project will contribute to improving the quality of accommodation for Council tenants and also to the local environment as part of the wider masterplan for the south of the borough.

6 CONSULTATION

6.1 Initial engagement has been carried out with residents. There is an informal group on the estate rather than a constituted residents association and officers from the regeneration team have attended meetings regularly since summer 2018.

6.2 Initial responses have been positive to a potential regeneration. Residents identified several existing issues with their current homes including:

- Poor sound insulation
- Frequent leaks that are difficult to resolve
- Windows of poor quality
- Need for improvement in communal decoration
- Concerns with security
- Concerns with proximity of parking and play facilities

6.3 A Housing Needs Assessment has been designed to ascertain the exact circumstances of each household on the estate and is currently being undertaken by the regeneration team. It is expected that this will be complete by September 2019.

6.4 If the final outcome of the Options Appraisal indicates that regeneration is the most appropriate option then the Council will engage and consult with residents on the regeneration of the estate.

6.5 Part of this resident’s engagement process will involve working towards a Resident Ballot on the regeneration options. This process ensures that an agreed scheme will only proceed with the backing of a majority of residents living on the estate. This places residents at the heart of the decision-making process, which is part of the Council’s Corporate Objectives and a requirement under the Mayor’s Policy on Engagement and Estate Regeneration.

6.6 There are two stages of this engagement process. The first stage is the appointment of an Independent Tenant Leasehold Advisor to work with residents to develop a Charter, a document setting out a statement of intent / key principles for the development. This document will help
residents to understand their rights and the Council’s obligations and commitments.

6.7 The key principles include ways of working together during the design, construction and management phase of the development, residents rehousing options, the design of high quality new homes, better open spaces and safer places to live. This document will also inform the second stage of the engagement process which is the Landlord Offer Document to residents in preparation for the Resident Ballot.

7 IMPLICATIONS

7.1 Finance, Value for Money and Risk

7.1.1 The recommendations in relation to Avenue Road Estate (paragraphs 2.1.1 to 2.1.4) propose approval of a £650k budget to carry out an options appraisal for the estate. The breakdown for this is provided in table 3.4.5. The likely options will either be a major works refurbishment or regeneration. As both options are capital in nature the £650k proposed can be capitalised towards those schemes. A £250k approved One Public Estate grant will cover the other master-planning elements of the feasibility.

7.1.2 There is no capital budget for Avenue Road within the existing HRA MTFS, however this can be accommodated within available resources. A pre-feasibility study has already been carried out, and a structural survey commissioned which will be charged to revenue.

7.1.3 If decant status is approved for residents of Avenue Road Estate they will have much increased ability to bid for transfers to other estates and entitlement to home loss and disturbance payments. The Council will also be liable to purchase property from any leaseholders who wish to move (currently 16 units plus potentially a further 5 units). Leaseholders will also be entitled to home loss and disturbance payments. Decant status will block any further Right to Buy applications until the scheme is complete. The cost of acquisition is estimated to be up to £7.5m, plus £2m tenants decant compensation, and has been included in the feasibility study estimated costs, but if the scheme were not to proceed this cost would be abortive.

7.1.4 The recommendation to serve an initial demolition notice may place an obligation on the Council to acquire the property of current leaseholders. This is considered unlikely at this stage and therefore no budget has been proposed at this time.

7.1.5 The decant costs associated with the circa 15 residents who may be moved for the structural survey will be relatively minor and will be met within the £650k budget requested at paragraph 2.1.1.

7.1.6 It is estimated that the cost of the options appraisal and potential acquisition, home loss and disturbance payments can be met within the resources available to the HRA capital programme. There is no current estimate of the alternative cost of repairs, but this is expected to be identified through the options appraisal.
7.1.7 The feasibility study identified a potential cost of regeneration of £110m. Based on 100% re-provision of social rented housing and additional units allocated 20% affordable and 80% private sales (providing overall a 64% affordable / 36% private tenure mix) the overall scheme showed a deficit of £12m which would fall on the HRA capital programme. On this estimate the scheme is therefore not viable without subsidy either from the GLA or HRA, or by reduction of the proportion of affordable housing. The HRA MTFS reported to Cabinet in November showed available HRA capital resources of £30m over 5 years so the cost also can be met within available resources, subject to the timescale of development.

7.1.8 The pre-feasibility report suggested that the deficit could be eliminated either if GLA grant is available for the scheme at an average rate of £30k per unit (including private sale units) or if the number of re-provided social rent units is reduced by about 20%. The current GLA funding scheme provides grants of £100k per unit at GLA affordable rent and £28k for shared ownership units. It is not certain what if any grant would be available for this scheme considering the low additional number of affordable dwellings.

7.1.9 There would be a short-term loss of rent income during construction. However, future voids on the estate can be used as temporary accommodation until the scheme is complete, off-setting the pressure on property allocations for homeless families and resulting in a potential increase in rent income in the short term.

7.1.10 The withdrawal of previously issued decant status from Montague Road estate will have the opposite effect to that set out for Avenue Road above. The reversion will be a saving of home loss and disturbance costs, for which there is no current budget but to which the Council is legally committed as long as tenants retain decant status. This will not fully offset the costs for Avenue Road because Montague is a smaller estate and already partly occupied as temporary accommodation.

7.2 Legal

7.2.1 The Council has the power under Part II of the Housing Act 1985 to provide housing accommodation. It has the power under section 17 of the 1985 Act to acquire land. The Council also has the power under section 226 of the Town and Country Planning Act 1990 to compulsorily acquire land to facilitate development or redevelopment.

7.2.2 The procurement of consultants will be undertaken in accordance with the Public Contracts Regulations 2015 and the Council’s Contract Procedure Rules.

7.2.3 The Council has the right under Schedule 5A of the Housing Act 1985 to serve Initial Demolition Notices on secure tenants. These notices must be in a prescribed form and have the effect of suspending a tenant’s Right to Buy under the Act. The Initial Demolition Notice allows the Council a reasonable period to carry out the demolition of the property that is subject to the notice but that period must not exceed seven years from the date of the notice.
7.3 Equalities and Diversity
7.3.1 Attached is an Equalities Analysis Screening Template at Appendix B.

7.4 Sustainability (including climate change, health, crime and disorder)
7.4.1 A full Sustainability Matrix will be provided to cabinet at a future date when proposals have been finalised.

7.5 Council Infrastructure
7.5.1 There are no current implications on Council Infrastructure.

7.6 Brexit
7.6.1 There is no current date when the UK is scheduled to leave the European Union, however it is widely predicted that Brexit could cause a downturn in the housing market and reduce property values as homebuyers adopt a wait and see attitude. The treasury has predicted a fall of between 10 – 18% in the short term. This outcome could lead to the Council experiencing difficulties in procuring a developer partner in a depressed market for property sales.

7.6.2 Other possible impacts of Brexit could include a shortage of labour supply, increase in cost of materials or delays in delivery through international supply chains that would potentially impact the ability of the Council to deliver a repair or refurbishment programme or a regeneration scheme.

7.6.3 A fuller consideration of these risks will be contained within the cabinet report with the preferred option to proceed.

BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)
None.