

LONDON BOROUGH OF BRENT

MEETING OF THE EXECUTIVE
12 JULY 2004

FROM THE DIRECTOR OF HOUSING SERVICES

NAME OF WARD(S)

Kilburn, Queens Park

REPORT TITLE: SOUTH KILBURN MASTER PLAN

For: Action

Above Below
Confidential Line

FP REF: HSG-04/05-18

1.0 Summary

- 1.1 This report seeks Members approval for the South Kilburn Master Plan (SKMP) .
- 1.2 The report advises Members of the extent of the funding gap as it stands at present.
- 1.3 In light of the timing constraints attached to the London Housing Board funding authority is also sought for the Director of Housing to seek expressions of interest for works to commence under the Single Regeneration Pot (SRP) allocation.
- 1.4 The report contains an update on the progress of the ALMO application submitted in December 2003 and the impact assessments carried out in January and February 2004.
- 1.5 Members are finally requested to authorise the Director of Housing to explore a number of options for a the delivery of the SKMP including the possibility of the procurement of a Delivery Partner and to conduct market testing if necessary to deliver the SKMP framework.

2.0 Recommendations

- 2.1 That Members approve the SKMP framework as set out in Appendix 1. and give delegated authority to the Director of Housing to publish an illustrated version with minor editorial amendments as necessary.
- 2.2 Members authorise officers to produce a final plan with sufficient flexibility to accommodate additional costs without recourse to further Council funding.
- 2.3 That Members note the recommendations arising from the completion of relevant Impact Assessment Studies (appendix 5).

- 2.4 That Members note the successful outcome of the fourth round ALMO application in respect of which the exact allocation of borrowing approval will not be known until after the completion of the Comprehensive Spending Review, and note that they will receive a further report on the implications of the ALMO bid in due course.
- 2.5 That Members note that the Single SRP application made in January 2004 to the London Housing Board, resulted in an award of £9.850m, which is less than the £19M bid for (appendix 3).
- 2.6 That Members authorise the Director of Housing to invite expressions of interest for a Contractor to enter into a works contract with the Council for the construction of the units that are the subject of the SRP funding allocation, given the deadline for delivery of March 2006. Pre-Tender Considerations for this proposed contract are detailed at paragraph 8.23 below. A further tender award report will be brought to Members in the winter of this year.
- 2.7 That Members note that the regeneration for South Kilburn will require a CPO process and that a further report will be brought before Members to seek approval for the CPO process.
- 2.8 That Members note the possible Delivery Partner options detailed below and authorise the Director of Housing to explore these options further, such exploration to include possible market testing if necessary. A further report will be brought to Members on the preferred option (if any) and to seek authority for the Director of Housing to seek expressions of interest from potential Delivery Partners later in the year, should that be the preferred option.
- 2.9 That Members agree the Delivery Vehicle Principles Paper (appendix 4)
- 2.10 That Members note that as the need to produce a Masterplan is set out in Policy H7 of the Housing Chapter of the Councils Unitary Development Plan (adopted January 2004), the SKMP would constitute a material consideration in determining any future planning applications.
- 2.11 That Members note the approximate timescale for further reports and the delivery options for the regeneration process.

3.0 Financial Implications

- 3.1 The Executive received a report dated the 24th September 2003 where the 'Financial Implications' a funding gap of approximately of £25m was identified (excluding the refurbishment of possible ALMO properties in South Kilburn). The financial implications should be read in conjunction with the advice given in this report as to the risk factors etc.. The report also recommended that the Council agree to commit £10M over a period of 12 years to the project.
- 3.2 In any financial implications there are generally two fundamental issues to be addressed, firstly the amount of resources that the Council is committing to the project (in this instance £10M over 12 years) and the risks inherent in the project which in the main are related to the vagaries of the property market. That is the majority of public subsidy to the scheme is by way of the value that can be extracted from the council land that the private houses will be built on.

- 3.3 The way this risk is managed will clearly be an issue for discussion and consideration between the Council, South Kilburn New Deal for Communities (SKNDC) and the potential delivery partner (i.e. the organisation that actually delivers the development). Whilst some risk can be transferred to a delivery partner, in the main it is likely that the Council will, in the event of a fall in the property market either increase the level of public subsidy or accept that the dwellings will be developed over a longer time period. This was fully outlined in the September report. Clearly the converse is true if property prices move favourably for the scheme.
- 3.4 What has to be clearly understood is that the development is over a 10 – 15 year period and that during this period whole range variables will have to be managed. Therefore at this stage it is important to appreciate the risks and that are inherent in this project and that these risks are reasonable in respect to what is predominantly a public sector housing project.
- 3.5 The funding gap of £25m excluded the 775 ALMO properties in the area which were the subject of an ALMO Round 4 bid. Whilst it is pleasing to note that the Council was successful in its ALMO bid the actual award has yet to be confirmed as regards resources and hence the financial analysis will be predicated on this level of funding (and hence is a project risk).
- 3.6 Essentially the ALMO funding route (in addition to meeting residents' wishes) does mean that approximately 30% of the social housing in South Kilburn is no longer dependant on the private house sales. The revenue implications of this scheme forms part of the overall business plan/HRA budgetary process and does not directly have implications for this report other than to state that if the Council does not receive its full allocation of £14M then the scheme overall (or the Council) will need to provide sufficient resources to enable the £24M programme to be completed.
- 3.7 Further to the risk management strategy officers remind Members of the bid to the 'Regional Housing Board'. Officers were successful in securing £9.8M of resources which will fund social housing for rent (in advance of the original plan) and to purchase leasehold properties (that were sold originally under 'Right to Buy'). Again this reduces the risk in regard to the vagaries of the property market as well as assisting in reducing the gap.
- 3.8 All financial analysis now undertaken excludes any reference to the so - called equity swaps whereby leaseholders subject to compulsory purchase could repurchase a property in the area. This scheme proved too expensive and whilst officers continue to look at ways to create opportunities for those leaseholders who wish to remain in the area the financial analysis is based upon 'Compulsory Purchase' only.
- 3.9 Further work is being undertaken by external consultants in regard to the various financial models reflecting the on-going work taking place.
- 3.10 Currently the total funding required from the public sector (excluding private house sales) is £55.7M (including the ALMO). This is broken down as follows:

	£M
Total Public Funding Required	55.7
Current Funding:	
L B Brent	10.0
South Kilburn NDC	18.0
ALMO Bid (actual award amount not confirmed)	14.0
Regional Housing Board	9.8
Additional Funding Requirement	3.9

- 3.11 The above indicates a gap of £3.9M which is within acceptable parameters. Clearly the next stage will indicate how the market views the cost profiles and the pricing for risk which may well differ from the current analysis. Further work is being undertaken by external consultants in regard to the profiling of expenditure/income as well as examining the sensitivities attached to a number of the assumptions.
- 3.12 Whilst the above analysis focuses upon the risks and the costs to the Council/public subsidy the overall scheme costs/revenues (in cash terms), both capital and revenue, are indicated below. This does illustrate the enormity of the South Kilburn project and in particular the Council's contribution by way of land included in the arrangements to enable private sale to take place.

	£M
Overall Costs	713.1
Revenue from Rents/Loans Raised etc	(259.3)
Homes for Sale	(398.0)
Brent Contribution	(10.00)
NDC Contribution	(18.0)
Regional Housing Board	(9.9)
ALMO Funding	(14.0)
Additional Funding Requirement	3.9

- 3.13 The financial implications of the non-housing elements have yet to be fully identified. The business model allocates a capital sums for a range of community facilities but as yet very little feasibility work or business planning for such facilities has been undertaken. It is proposed that this work is undertaken in conjunction with the NDC over the coming months. Ongoing revenue implications, both in terms of income and expenditure, will need to be factored into this feasibility work. This again is a project risk.

4.0 Legal implications

Accountable Body Status

- 4.1 Members should be aware that there is an SKNDC Board made up primarily of community representatives and a company limited by guarantee with the name SKNDC Ltd, the latter being the legal instrument through which the SKNDC Board's objectives and aspirations are to be transformed into reality.
- 4.2 The Council acts as Accountable Body for the SKNDC Board and the Council's relationship with the SKNDC Board and SKNDC Ltd is to be governed by an Accountable Body Agreement which is being progressed but is yet to be finalised.
- 4.3 The SKMP has been produced by MACE under a contract with the Council (rather than the SKNDC Board or SKNDC Ltd) as it was felt that this was an appropriate Accountable Body position and as the Board and the company were not seen as able at the time to enter into such a substantial contract. It has always been envisaged that where appropriate, contracts entered into by the Council could be assigned or novated to SKNDC Ltd.

- 4.4 It is assumed that this understanding will continue to be the case in relation to all contracts that flow from the SKMP. However, Members will appreciate that the decision as to whom the original contracting party is to be and whether or not an assignment or novation is appropriate is one that will need to be taken after careful assessment of the commercial and other risks that may flow from such a decision and the risks to the Council and its residents of failure of any part of the SKMP.

SRP Units

- 4.5 The overall value of works is such that it is subject to the EU Regulations and Standing Orders for High Value Contracts. The actual contract value for building work is likely to be in excess of £17m (assuming 140 dwellings are to be built). Due regard to the level of grant available will be made in respect of two issues, firstly whether bid submissions represent value for money and whether the scheme is affordable. A view would need to be taken, ultimately, when submissions are received as to whether the number of units can be confirmed or reduced as necessary.
- 4.6 Accordingly, a Notice will be required in the Official Journal of the European Union (OJEU). Officers will need to develop the Specification for the Works and to decide on the appropriate contract platform (JCT, PPC 2000 etc.). Trowers and Hamblins will be providing legal advice and support in this area.
- 4.7 As stated, the award is also subject to the Council's Contract Standing Orders in respect of High Value Contracts. Contract Standing Orders state if the value of a contract is estimated to exceed £1M in respect of works then the prior approval of the Executive is required to the seeking of expressions of interest and the award of the contract.
- 4.8 This report seeks authority for the Director of Housing to seek expressions of interest for works to commence under the SRP allocation of £9.850M. As required by Contract Standing Orders 89 and 90, pre-tender considerations are set out at paragraph 8.39 below.
- 4.9 A further report will be placed before the Executive later on during the year for the award of the Contract.

Delivery Options

- 4.10 Advice has been obtained by the Council officers from Trowers and Hamblins (external Solicitors) on the Delivery Options contained in the December 2003 Executive report and the degree of freedom that the Council would have to negotiate a complex award with interested parties. The advice received can be summarised as follows.

A. Retention of stock by the Council – through the prudential borrowing regime (with BHP managing the redevelopment).

Under this option the Council would simply be borrowing sufficient funds to enable it to pay for the 1,534 new social housing units. There would therefore be no transfer of land. The contract to build the units would be a straightforward public works contract requiring to be advertised in compliance with the EU procurement legislation. It is likely that the contract would have to be procured on the basis of the restricted procedure because it is difficult to see how in these circumstances, the negotiated procedure would be justified.

However, if it were possible to classify the scheme as a "public housing scheme works contract" (a public works contract relating to the design and construction of a public housing scheme), the Council would only be required to advertise the contract and to allow tenderers 37 days in which to submit their request to be selected to tender and then to evaluate expressions of interest in the normal way. Subject to that, the Council would be free to proceed with the procurement process in the way that it thinks best in order to facilitate the selection of the most suitable contractor. The Council would therefore have considerable freedom in how to run the procurement process.

B. Retention of stock by the Council – through the “freedom and flexibilities” allowed to 3 star ALMOs as indicated through recent ODPM guidance

In EU terms, the analysis is as for option A above.

C. Retention of stock by the Council – developer partner to provide social homes replacement

Under this option it is assumed that the social homes would be cross subsidised via the transfer of land to the developer partner for private sale. As with options A and B above, given that the social housing units would be built for the Council on land to be retained by the Council, the contract with the developer would in all likelihood be treated as a public works contract for EU purposes. The fact that the consideration payable may take the form of land, is not relevant. Again, the restricted procedure is therefore likely to apply.

However, as before, if it were possible to classify the scheme as a "public housing scheme works contract" the Council would have considerable freedom in how to run the procurement process.

D. Retention of stock by the Council – through PFI with private sector

Under this option, it is assumed that the PFI provider would construct the units and provide housing management services over a given term, say 25 years. PFI contracts are normally advertised in OJEU as services contracts that are subject to negotiation on the grounds that the nature of the services to be provided is such that specifications cannot be drawn up with sufficient precision to permit the award of the contract using the open or restricted procedure.

E. Transfer of stock through a consortium arrangement

As the work would not be carried out on land owned by the Council or ever to be transferred to the Council, this arrangement should not be seen as a “public works contract” within the meaning of the legislation.

The arrangement could be classified as a “mixed contract” or, alternatively, as a services contract on the basis that the outcome of the development would be the provision of accommodation for which the Council could nominate the occupants. If the contract were to be categorised as one for the provision of services then it could be described as a services concession (and thus excluded from the legislation).

On the assumption that the Council’s developer partner(s) (whether an RSL or a private developer or a consortium made up of both) is to take ownership of the land upon which the new build is to be constructed and is to be remunerated wholly or substantially from the revenue stream derived from the social housing units or from the sale of the private units and further, on the assumption that the risk of failure of the project would fall wholly or to a substantial degree on the developer partner, then the transaction could be construed as a concession agreement. The important elements of a concession arrangement are that the concessionaire should have right of “exploitation” and following on from that, it should also bear some (but not necessarily all) of the risks inherent in that “exploitation”.

The advantage to the Council in advertising the transaction as a public works concession contract is the flexibility and freedom it will afford to the Council in negotiating with its preferred developer partner or partner(s). Public services concession contracts are excluded from the application of the Regulations altogether.

F. Transfer of stock to RSL

In EU terms, the analysis for this option is as for option E above.

G. Transfer of stock to SPV that is capable of being registered with the Housing Corporation

Again the EU analysis is as for option E.

- 4.11 Authority is sought in this report for the Director of Housing to explore these options and any others further, from both the regeneration and the legal/procurement perspective as to enable the Council to consider the award of this complex contract with as much flexibility as may be available within the constraints of public procurement law.
- 4.12 Whichever option is to be pursued, the Council will need to be satisfied that a proper risk analysis has been conducted and that appropriate security is in place, for example to cover the possibility of mistaken assumptions in the funding model (rental income and sales) or partner failure (where a Delivery Partner is to be appointed).
- 4.13 As the capital funding sources are varied, the Council will also need to ensure that any specific terms of funding that are attached to each source are complied with.
- 4.14 Consultation with residents will be necessary regardless of what shape the ultimate delivery vehicle takes, but the precise requirements cannot be known until the delivery vehicle has been identified.

Disposals of Land

- 4.15 If a Delivery Partner is to be appointed and housing land transferred to it, disposal of the estate held for housing purposes would be under the provision of S32 and S43 of the Housing Act 1985 and would require the consent of the Secretary of State. Any existing tenants would have their Right to Buy Preserved and there are specified in the act the uses to which receipts can be put.
- 4.16 Disposals of other land would be subject to the provisions of s123 of the Local Government Act 1972 and would require land to be disposed of for the best consideration reasonably obtainable, unless the consent of the Secretary of State is obtained. There is general consent that permits disposals at an undervalue of up to £2m but the disposal must be for the promotion or improvement of the economic, social or environmental well-being of its area and the Council needs to have regard to its Community Strategy. Members owe a fiduciary duty to their taxpayers and they must consider whether the disposal complies with normal and prudent commercial practices

ALMO (BHP) Issues

- 4.17 This report contains an update on the progress of the Council/ALMO application. Should that application be successful then capital raised will be used towards the refurbishment of 775 homes in the South Kilburn area to bring them up to the Decent Homes standard. It is assumed that the Works Contractor for that project will be appointed by BHP and that there will not be any direct procurement issues for the Council. However, BHP will be required to procure the contractor in accordance with the EU Regulations. It is understood that the 775 refurbished homes will remain in London Borough of Brent ownership throughout the duration of the SKNDC 10-year programme..
- 4.18 The approval of the Council's Round 4 ALMO bid means that BHP will retain responsibility for managing the 775 homes intended to be refurbished using the extra ALMO borrowing approval. The existing management agreement between the Council and BHP already deals with this role. It is possible that BHP will eventually be involved in management of the re-build and/or new build properties in addition to those 775, in which case it will be necessary to vary the contract between the Council and BHP or perhaps have a separate contract; in that case it is likely to also be necessary to obtain the further consent of the Secretary State under s27 of the Housing Act 1985. This will ultimately depend on the Delivery option that is pursued.

Planning Issues

- 4.19 Any demolition and rebuilding of property will require planning permission. The grant of such permission will be decided by the Council's planning committee on the planning merits of the application
- 4.20 Policy H7 of the Housing Chapter of the Councils Unitary Development Plan (adopted January 2004) identifies the South Kilburn New Deals for Communities area as a Major Estate Regeneration Area and as such seeks and supports any refurbishment and/or redevelopment of the area. Clause (b) requires that any refurbishment and/or redevelopment be in accordance with a Master Plan. As the need to produce a Master Plan is set out in policy H7, the SKMP would constitute a material consideration in determining any future planning applications.

Compulsory Purchase Orders.

- 4.21 If the compulsory purchase of properties is required in order to implement the redevelopment, this will need to be the subject of a separate report at a future stage. The Council would need to identify appropriate powers to make a CPO and would need to comply with the procedure for making and confirming compulsory purchase orders set out in the Acquisition of Land Act 1981. The effect of that procedure is that, once the CPO is made, it must be notified to relevant persons and publicised, following which it will be submitted to the Deputy Prime Minister for confirmation. Any person may object to the CPO and, if an objection is made and not withdrawn, a public local inquiry may be held if the Deputy Prime Minister deems it fit for such inquiry to be held. Any public Inquiry will be conducted by an Inspector appointed by the Deputy Prime Minister who will hear evidence from any persons objecting to the CPO and from the Council. The Inspector would then submit a report on the Public Inquiry and his/her recommendations to the Deputy Prime Minister who would then decide whether or not to confirm the CPO. Before confirming the CPO the Deputy Prime Minister would have to be satisfied that there are no planning or financial obstacles to the implementation of the scheme and there is a compelling case for the CPO in the public interest.

5.0 Staffing Implications

- 5.1 Members received advice on the staffing implications (section 5 Report to Executive 22 September 2003). At this stage there is no further update on the number of staff that will be affected.

6. Diversity Implications

- 6.1 The proposals in this report have been subject to screening and there are no major diversity implications arising from the SKMP. Any impacts that evident are contained within para 8.21 below.

7.0 Consultation on the Masterplan

- 7.1 Since the Report to the Executive on 8th December 2003, the draft SKMP has been presented to the Housing Corporation, the Government Office for London, the Office of the Deputy Prime Minister (Lord Rooker), the Neighbourhood Renewal Unit, Downing St Policy Unit and HM Treasury. All parties have been very complimentary and supportive about the Master Plan proposals.
- 7.2 The final draft of the SKMP will be circulated to the neighbouring authorities, Greater London Authority (GLA), Commission for Architecture and the Built Environment (CABE), Sport England, Transport for London, Housing Corporation and GOL for their views in June 2004. These organisations have been continuously consulted during the development and finalisation of the master plan.
- 7.3 Consultation, especially with the community, have been a key feature of the Master Plan process and Members attention is drawn to the appendices attached to the reports in September and December 2003.

- 7.4 The SKMP will be considered by the South Kilburn NDC Partnership Board on 5th July 2004. Any observations of the South Kilburn NDC Partnership Board would be passed onto the Executive. Should Members approve the Master Plan, the plan will be presented to residents before the summer break.
- 7.5 Ward members have also been consulted and involved through briefings, presentations and NDC related meetings over the course of the past two years.
- 7.6 The SKMP will be considered by the Planning Committee on the 7th of July 2004 (Appendix 7). Any observations of the Planning Committee would be passed onto the Executive.

8.0 Detail

Background

- 8.1 The report to the Executive on 8th December 2003 presented the Executive Summary of the draft Master Plan proposals. Members agreed to note the South Kilburn Master Plan framework and authorised officers to seek additional sources of funding. Work has been progressed on that basis. The revised Executive Summary which is attached as Appendix 1 gives a full breakdown of properties to be refurbished, properties that will be demolished and rebuilt together with properties that will be built for sale to secure a financial contribution to cross subsidise the overall scheme.
- 8.2 The Executive meeting of the 8th December 2003 made the following specific decisions:
- (i) That the spatial Master Plan framework as set out in the Master Plan Executive Summary (Appendix 1 to the report refers) be noted;
 - (ii) that it be noted a further report on the completed Master Plan and the relevant Impact Assessment Studies will be presented to the Executive;
 - (iii) that it be agreed a bid for the fourth round ALMO programme be progressed for submission by the 31 December 2003 deadline;
 - (iv) that it be noted if the ALMO bid is successful, a further report on the implications and implementation of the fourth round ALMO programme will be presented to the Executive for approval;
 - (v) that it be noted the funding gap has increased by £8m to £32m from what was previously reported in September 2003;
 - (vi) that the approximate timescale for further reports and the delivery mechanism for the regeneration process be noted;
 - (vii) that in view of the funding gap, officers seek alternative funding sources.

- 8.3 Members should be aware that there will be a funding gap of approximately £3.9m which is fully explained in para 3.10. onwards. This is a decrease on what was previously estimated. (para 3.1 report to Executive 8th December 2003). However, Members should note that the gap will also be affected by dependence on market values for new properties. As mentioned elsewhere in this report further work is being undertaken in this regard, however, the 'market' may well have a different view as to how the financial arrangements would work and the pricing of risk. Of equal interest to the Council will be the extent to which other parties may be prepared to share the project risk and how that risk is priced.
- 8.4 The properties included with the ALMO were reported to the Executive on the 8th December 2003 and they remain unchanged. Members will be aware that the Council was notified in May 2004 that the submission in December 2003 was successful and is now included in the round four ALMO programme. However the level of the award has not been announced. The Council is not likely to hear the level of allocation until September 2004.
- 8.5 A further report will be submitted to the Executive outlining in detail all the relevant implications of the ALMO programme once the award announcement has been made.
- 8.6 The main principles of the SKMP are set out within the body of the SKMP document. These principles are embodied within the Council and SKNDC objectives and include resident aspirations from a variety of community consultations held in November 2002 and July 2003. These are in line with the principles in the Report to the Executive of 22 September 2003 and 8th December 2003.
- 8.7 The SKMP is flexible enough to accommodate the wider regeneration objectives both today and in the future and is a key plank within the SKNDC Partnership regeneration programme. The SKMP identifies sites and re-orders land-use to include; homes for refurbishment, new build homes for sale and for existing residents. The SKMP actively encourages a sustainable balanced community by allowing a mixture of tenures. The scheme tenure mix is 55% affordable rented housing and 45% private homes. Residents have indicated that they do not wish the scheme to have designated private blocks or gated communities, but wish to have tenures which are "pepper potted" to replicate a traditional approach found in more popular areas of London. This is also the view of the SKNDC Board. However, although this remains an ultimate resident aspiration it can only be realised at the point when properties are actually sold. The Master Planners are optimistic that a level of pepper potting can be achieved within the scheme, especially in later phases of construction.
- 8.8 Within the 45% private homes for sale will be homes for key workers, low cost home ownership and homes that will qualify as affordable housing. The rationale being necessary to attract additional subsidy through the Housing Corporation of the London Housing Board. This has not been allowed for within the current Business Plan, but will assist the scheme should an RSL/Developer be able to make the case to the Housing Corporation or the Government.

Non-housing facilities

- 8.9 The SKMP also identifies sites for economic regeneration such as business incubation units and provides new commercial and retail units, which will replace some of the existing retail shops. The increased number of homes increases the potential for economic viability and long-term sustainability of both existing and new shops and businesses in and around the area.
- 8.10 The Master Plan also identifies potential sites for leisure, which will support the existing and new community. One site (Peel Precinct) creates a “Community heart”. It identifies a substantial site that will provide indoor sports facilities to Sport England standard, a large healthy living centre paid for by the PCT, a refurbished and extended Granville Centre which will provide a childrens’ centre amongst other things, and a refurbished Carlton Centre with neighbourhood management offices within the vicinity. It creates a vibrant area which restores vitality to the area and improves the viability for local businesses.
- 8.11 Within the other neighbourhoods it identifies a range of facilities within a 600 and 1200 metre walking distance that will support them. For example, a replacement for the Marian Centre (off Stafford Rd) will be a purpose built centre capable of multi use including active recreation (i.e. dance). The Jubilee Sports Centre (a swimming pool) is less that 600 meters away from the Stafford Rd. It is important to mention the swimming pool in that a number of local people would want to have a local pool built into the sports centre.
- 8.12 Officers presented their views to an SKNDC Board pointing out the revenue implications of supporting a local pool and the likely cost impact upon them. Far from having affordable prices for local people it is likely to be outside the reach of local people unless the Council is willing to fund a deficit of approximately £150,000 for the life of the pool and have a “sinking fund” of approximately £75,000 per annum to replace large items of equipment e.g. boilers, pumps and other mechanical equipment. It is for these reasons a dry sports facility has been built into the Master Plan. The SKNDC operates a passport to fitness scheme which enables local people to access local sports facilities at minimal costs (£1). They are now proposing to operate such a scheme with the Jubilee Sports Centre so that local people can access swimming facilities at the same rate.
- 8.13 The Albert Road Day Centre is for people, with specified needs and learning disabilities owned by the Council and under the Social Services portfolio. In anticipation of the need to redevelop the site Social Services undertook consultation with staff, carers and users last year on options. The main concern was to retain a similar service. There is currently a review led by an external consultant on the best way to re-provide the services at Albert Road and to provide modern day services. A number of users are from South Kilburn area, however a significant number of users are bussed in to Albert Road Day Centre. Social Services would require the capital receipt to provide the service elsewhere, but have not yet completed consultation to formulate final plans. The Business Plan allows for rebuilding and fitting out the Day Centre only.

- 8.14 Should the Day Centre be relocated, this would provide an additional 20 units to the scheme which could be used to contribute positively towards the overall scheme. It is estimated that the 20 units could yield a maximum cross subsidy of £2m (after taking into account associated build costs).
- 8.15 The SKMP remains constant in that the numbers of properties to be demolished are 1534, the numbers of properties to be built for private sale is 1419 and the refurbished properties remain at 775. Officers are satisfied that the numbers of units for sale will enable sufficient cross subsidy for the overall development and is likely to be attractive to a private developer. The Business Plan is attached (appendix 2).

Owner occupier and Leaseholder issues

- 8.16 A number of leaseholders, and some freeholders are directly affected by the scheme and provisions have been made to buy them out (currently 189 – but may rise before the scheme is implemented in full, should Members approve SKMP).
- 8.17 There are number of opponents to the SKMP who object to the implementation of this plan due to the fact that the scheme does not provide replacement houses. The houses in question are located in Stafford Close, Malvern Road, Hampton Close and Stuart Road. Officers have given four options within a questionnaire for these residents to consider. Of the 189 that were sent out only 55 responded (29%), see the table below.

	Option	Responses received	%
1	Buyout freeholder/leaseholder with compensation. The freeholder/leaseholder will be paid the market value plus 10% of the value of their property (up to a maximum cash value of £31,000). They then can do what they want including leaving South Kilburn	29	53
2	Buyout freeholder/leaseholder with compensation and they buy back into the scheme by transferring sale price into new home. If they wished to own the property out right, they would need to make up the difference between the sale value and compensation for old property and the new property themselves e.g. mortgage	15	26
3	Shared ownership – as above buyout freeholder/leaseholder with compensation. The freeholder/leaseholder buys back into the scheme so that they own a proportion of the home. The balance will be owned by a RSL to whom they will pay rent on the balance. Shared ownership schemes allow staircasing to enable occupants to own a larger share of the property. Staircasing is the method by which the leaseholder can increase the percentage that they own within the property	2	4
4	In extreme circumstances where a leaseholder no longer works and does not have the ability to raise additional capital (i.e. pensioners) – the Council will consider reverting them back to being a tenant. In order to stay in South Kilburn that may mean becoming a tenant of an RSL	3	6
5	Undecided	6	11
	Total	55	100

- 8.18 The Council and the SKNDC are committed to assist the leaseholders to remain in the NDC area as this is important to contribute to the stability of the existing community. One of the main housing objectives of the Council and the SKNDC is to enable existing residents to remain with South Kilburn.
- 8.19 The report of the 22nd September 2003 set out the vision of the SKNDC and carried out an initial risk assessment of the evolving Master Plan for South Kilburn. (paras 8.11 to 8.25 of Report to Executive 22 September 2003)
- 8.20 The impact upon the residents of South Kilburn will be far reaching. The SKMP, once agreed by members, will provide the spatial framework document for the future comprehensive regeneration of South Kilburn and assist the Council and the SKNDC partnership in achieving its objectives. It is likely to affect all residents of South Kilburn in some way.

Impact Assessments

- 8.21 Written impact assessments for Health, Transport, Community Facilities Education, Equalities and an Economic Assessment were carried out. These assessments tested the robustness of the assumptions made within the Master Plan. In the main the impact studies corroborated the assumptions made. (see appendix 5) It also made recommendations for short, medium and long term actions, many of which have now been addressed and incorporated into the SKMP.
- 8.22 The main adjustments made to the draft Master Plan were surrounding the non-housing facilities required to support and sustain a diverse community. The study found that the aspiration of the community and partners and needs of an increased population with changed demographics and to meet Council responsibilities, anticipated that a range of non-housing facilities would be required within the boundaries of South Kilburn.
- 8.24 This was not sufficiently catered for within the business evaluation model, nor was the land available to support this aspiration. As a consequence a mapping exercise was undertaken to prove that sufficient provision is available within a fifteen minute walking distance outside the boundaries of South Kilburn. The approach to the provision of non housing facilities has now changed and the SKMP now clearly sets out where non housing facilities will be located and how buildings and spaces will be designed to accommodate those uses.
- 8.25 Some of the non-housing elements of the SKMP have not been subject to any form of rigorous feasibility, financial appraisal or business planning. The costs indicated in the business plan can therefore only be regarded as indicative. The next stage in the development of the provision of community facilities is for the Council to work with the SKNDC to develop a fully worked up business case for each facility proposed, taking into account the full range of issues including the following:

- A detailed rationale for each facility, including full evidence of the demand for that facility;
- An assessment of the optimum size and layout requirements of each facility;
- An assessment of the capital build costs for each facility;
- Fully identified capital funding budget for the development of each facility;
- An options study to identify the optimum procurement route;
- An options study outlining the optimum delivery vehicle for each facility – including consideration of the potential for commercial provision;
- A revenue budget for each facility, incorporating income and expenditure;
- The nature, range and cost of services that will be provided in each facility;
- The anticipated client/customer groups;
- The anticipated hours of opening and public access to the facilities;
- The measures to be put in place to ensure the facilities are both accessible and affordable;
- The expected initial date of operation of each facility;
- A full risk analysis of each facility

8.26 The impact assessments enabled partners, such as Brent PCT, to review their requirements and adjustments were made to the SKMP and to support the business evaluation model. An example of this is where the draft plan catered for 40 business start up units. The economic assessment questioned whether this was realistic for the area. Their investigations found that while the 40 units could be filled by people external to the area, the emphasis of the SKNDC were to cater for the residents of South Kilburn – and there did not appear to be the actual demand for the units from people living within the area. The consultants suggested that a pilot business incubation centre, equivalent to seven units, be allowed for to test the actual demand. The incubation centre is more appropriate to the needs of the South Kilburn community as it provides on site shared support for fledging businesses which would not be available for individual work units. If they are not successful, they can be reconverted back to private dwellings and sold. The business incubation centre is now part of the SKMP.

8.27 The SKMP also provides land space for the provision of two healthy living centres, a large dry sports centre and two multi-use residents' activity centres including a replacement Marian Centre. It is acknowledged that some minor adjustments may need to be made once a delivery partner/vehicle has been appointed.

8.28 The other adjustments to the SKMP were to cater for the potential of key worker housing, shared ownership and self build – all of which have the potential of bringing in added funding from both the private and public sector and currently have a neutral effect on the model.

8.29 Copies of all the impact assessments are available upon request.

Financial Issues not otherwise reflected in Paragraph 3 (Financial Implications).

- 8.30 The basis of the financial modelling was outlined to Executive in September 2003. Work continues on this financial model reflecting further work being undertaken by external consultants in refining the master planning proposals and putting them into a financial context.
- 8.31 At this stage it is important to note that this work informs the Council, SKNDC and prospective bidders that we consider that the SKMP to be broadly achievable at this point in time, although further work is being undertaken by external consultants. The market may have a different view of these assumptions and will form their own view of the proposals in financial terms. At this stage it is important to note that no contractual arrangements are being made based upon the current financial analysis and that the analysis reflects our best estimates as to expenditure and income for the next 30 years. The business planning process has been conducted on standard project appraisal terms.
- 8.32 Clearly the bulk of the financial work will be in respect of the proposals received from bidders and this will require substantial 'due diligence'. The major financial issue for this project is the management of risk during the development period (between 10 - 15 years) and the reasonable apportionment of that between the contracting parties.
- 8.33 If the implementation of the SKMP results in a stock transfer (wholly/partially) or results in transfer of parcels of land with the consequential change in landlord from Brent to an RSL for tenants affected then the Council would undertake substantial due diligence on the proposals
- 8.34 The major issue for the Council, financial terms, will be the view taken as to the deliverability of the scheme and its inherent fundability, the management of risk and in particular the extent to which the Council is prepared to grant fund the scheme to cover any future funding gaps (or indeed accept less units of social housing being built).

London Housing Board - Single Regional Pot (SRP)

- 8.35 Members gave approval to Officers to seek ways of closing the funding gap in both meetings of the Executive (22nd September & 8th December 2003). At a meeting with the Housing Corporation and the Government Office for London (15th December 2003), Officers were encouraged to put in a bid to the London Housing Board to seek additional funding for the South Kilburn regeneration scheme.
- 8.36 The notification for the funding pot was published on 23rd December 2003 with a deadline for the submission of 31st January 2004. The tight deadline was met and the application duly submitted to ODPM. The bid from the Council was to build up to 200 homes to form the first phase of a decant programme. Officers were informed that the Council would be notified in late March for authorities to prepare it's spend in 2004/5 and 2005/6.
- 8.37 The Council was notified on 8th April 2004 that it was awarded £9.850m from the Single Regional Pot (SRP) to be spent over the period of 2004/5 and 2005/6. The grant is required to be spent by 31st March 2006. This was one of the highest allocations in London (albeit lower than our bid). Securing these resources has assisted in improving the risk inherent in the project by enabling properties being built earlier rather than later.

8.38 In order to meet Government deadlines, Officers will need to procure a developer partner and needs Members approval for the procurement process to deliver approximately 140 units, which is estimated to cost around £17m to build and therefore needs Members' approval for the procurement process. Officers are therefore recommending that Members authorise the procurement of a Contractor to build the units covered by the SRP allocation in order to meet the deadline imposed by the London Housing Board. Social housing is generally procured on the basis of a mixture of grant funding (in this case the SRP resources of £9.85m) and loans that are raised from the net rental stream. Basically 'who does the borrowing' will be related to ownership. Therefore the two major options would be the Council utilising 'prudential borrowing' or a Registered Social Landlord undertaking the borrowing.

8.39 A further report will be presented in the winter for Members to make the award. In accordance with Contract Standing Orders 89 and 90, pre-tender and procurement considerations for the SRP units are set out below for the approval of the Executive:

1	The nature of the works	Construction of approximately of 140 units
2	The estimated value	Around £17m
3	The contract term	Estimated to be 2 years duration
4	The tender procedure to be adopted	Restricted procedure under EC regs
5	The procurement timetable	
	<i>Adverts placed</i>	13 th July 2004
	<i>Expressions of interest returned</i>	2 nd September 2004
	<i>Shortlist drawn up to the Council's approved criteria</i>	9 rd September 2004
	<i>2nd Stage</i>	9 th September 2004 – 9 th November 2004 4-6 architects/design team to provide conceptual drawings
	<i>Selection stage</i>	9 th November 2004 to 29 th November Design selected
	<i>Report recommending Contract award circulated internally for comment</i>	29 th November 2004 10 th December 2004
	<i>Executive approval</i>	December 2004 or January 2005
	<i>Contract start date</i>	February 2005

6	The evaluation criteria and process	<p>To accept the most economically advantageous tender which meets the following</p> <ul style="list-style-type: none"> • Technical capacity to meet the requirements • The Tender Price. • Demonstrated ability to provide a service. • Customer orientation & Diversity issues.
7	Any business risks associated with entering the contract	Failure to spend the £9.850m before 31 st March 2006 will result in clawback of the entire award.
8	The Council's Best Value duties	The Council has an obligation to provide best value within its tendering and award processes.
9	Staffing implications including TUPE & pensions	None
10	The relevant financial, legal and other considerations	The delivery of these units forms part of the SKMP.

Phasing & Implementation

- 8.40 The Draft Master Plan proposed a phasing plan which optimised the ability of keeping residents within South Kilburn for the duration of the regeneration programme. Some principles built into the SKMP, that are applicable to the phasing process, were that tenants who wish to stay in South Kilburn would be able to stay, and also that the Council aimed for a majority of tenants to be moved only once.
- 8.41 The phasing period could last anywhere between 12 and 15 years due to the fact that we have not factored in any off-site decanting in the programme. This could change when a delivery partner/vehicle is procured as they may have other sites to contribute to the regeneration of South Kilburn and would shorten the period of redevelopment if their sites were utilised.
- 8.42 However with the monies secured from the SRP the timescales are likely to be reduced by almost two years. Dependant upon the nature of the delivery partner(s) (i.e. if it includes an RSL) then the phasing period may be reduced even further if there is availability of additional sites for decanting and/or re-housing purposes.

Delivery Partner/Vehicle(s)

- 8.43 Discussions have taken place with the SKNDC concerning the delivery vehicle. The delivery vehicle issues, by their nature are quite conceptual; however the implications for the project of the delivery vehicle are immense. The delivery vehicle will essentially redevelop the area within the South Kilburn passing on properties, if necessary, to the agreed landlord. It essentially 'gets things done'. Clearly a number of issues arise in regard to the delivery vehicle, these include:
- Ensuring that the development proceeds in line with community/council wishes.
 - Those effective governance arrangements are put in place and that its policies and performance are subject to scrutiny from the sponsoring bodies (i.e. SKNDC/Council).
 - That effective contractual arrangements exist between the Council and delivery vehicle ensuring that the Council's position in regard to probity and value for money (VFM) and indeed its statutory responsibilities are not compromised.
 - It should be tax efficient maximising the resources available to the project.
- 8.44 A number of overarching principles have been discussed with SKNDC and agreed by their Board. These require formal approval by the Council. (Appendix 4). Clearly there is a balance to be struck between the commercial necessities of large scale infrastructure project and the need to ensure that the project proceeds in line with resident and council expectations.
- 8.45 Whilst the delivery vehicle is concerned with the redevelopment, it is, by its very nature, intrinsically linked with the issues concerning the future landlord etc. It is the firm view of the Director of Housing that at this stage the Council should not 'close off' the options at this stage in regard to the future ownership of the stock and that the place that 'stock transfer' in that process should be seen as flexible
- 8.46 Prior to 1st April 2004 the only possible route to redeveloping the non- ALMO stock in South Kilburn (i. e. the stock that is to be demolished) was to convince the tenants that they should transfer their tenancies to an RSL in return for a new dwelling. Therefore no transfer no new home. Since the 1st April 2004 the Council operates under a new financial structure (known as the prudential borrowing regime) whereby the Council if it so minded could consider owning the redeveloped properties by using the rents (less management and maintenance costs) to 'purchase' the dwellings by borrowing money. These properties would form part of the Council's Housing Revenue Account (HRA) and therefore tenants would be granted secure council tenancies.
- 8.47 The Director of Housing envisages that the bulk of new dwellings will be owned by an RSL for a number of practical reasons, however it is important that the Council at least gives the market an opportunity to respond based upon the current local government environment rather than the former. Officers would therefore expect the market to respond to the following points (albeit not exclusive):
- That the Council could take ownership of a proportion of new properties ensuring a balance between RSL and Council which would alleviate the assumption that refurbished properties are associated with the Council and new properties with the RSL and perhaps allow for a greater degree of landlord flexibility with tenants.

- That the Council's ALMO (Brent Housing Partnership) has been accredited with a high rating, by the Audit Commission, for its management services and therefore the Council (and tenants) may well look favourably on proposals that include BHP as an active partner in the area.

8.48 That Council may well respond favourably to those potential partners who demonstrate a capacity to look at structures that will deliver organisational and governance arrangements across the whole social housing sector (and indeed possibly the private sector) in South Kilburn (irrespective of landlord).

8.49 Whilst the Council may well look for innovative solutions that will deliver South Kilburn in a manner consistent with community/Council aspirations they will be based around the options (or indeed a mixture of those options) contained in the December 2003 report to Executive. These are:-

- The Council owning the new stock whether through the prudential borrowing regime or the Private Finance Initiative (PFI) arrangement (with the ALMO managing the properties).
- An RSL owning the properties, this could either be a stand alone (community based organisation), a community based housing association as a subsidiary of an existing RSL or the properties could be absorbed into the general stock of an existing RSL

9.0 Timescales

9.1 Attached at appendix 6 is the likely timescales for the next steps:

10. Background Information

July 2003 Masterplan Consultation Material
 South Kilburn Master Plan files
 South Kilburn Master Plan contract

Anyone wishing to inspect these documents should contact:
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 London NW6 5BS

Martin Cheeseman

Director of Housing Services

Appendices	
1.	South Kilburn Master Plan
2.	Business Plan
3.	Single regional Pot bid
4.	Delivery Vehicle Principles paper
5.	Impact Assessment Summary
6.	Timescales
7.	Report to Planning Committee 7 July 2004