

BOROUGH OF BRENT

EXECUTIVE – 8th DECEMBER 2003

Report from the Director of Housing Services

For Action

Names of Wards Affected:

Kilburn, Queens Park

THE SOUTH KILBURN MASTER PLAN

1.0 Summary

- 1.1 This report seeks to update members on the proposals for the regeneration in South Kilburn in partnership with South Kilburn New Deal for Communities (NDC). It is necessary, at this stage, for the Executive to approve the spatial Master Plan framework in the light of the Council's overall statutory obligations and priorities and to further consider and approve officers' recommendations.

2.0 Recommendations

- 2.1 Agree the spatial Master Plan framework as set out in the Master Plan Executive Summary (Appendix 1)
- 2.2 Note that a further report on the completed Master Plan and the relevant Impact Assessment Studies will be presented to the Executive.
- 2.3 Agree that a bid for the fourth round ALMO programme will be progressed for submission by the 31 December 2003 deadline.
- 2.4 Note that 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.
- 2.5 Note that the funding gap has increased by £8m to £32m from what was previously reported in September 2003.
- 2.6 Note the approximate timescale for further reports and the delivery mechanism for the regeneration process.

3.0 Financial Implications

- 3.1 The overall net costs of the scheme (excluding refurbished properties) were reported to Members in September 2003 at £25m. Since this date consultants have created an initial business plan (Appendix 2) for stock

that could possibly be the subject of an alternative landlord and currently this gap stands at £32m. This is after taking account of contributions from the NDC and Brent Council. It is noted that if the standard arrangements are made for leaseholders by the way of compensation rather than equity swaps then the Business Plan at this stage may be fundable without recourse to further public funds.

- 3.2 Members are reminded that the Council is committed to providing £10m of capital resources to the project and that the NDC housing resources approximate £18m (decision Item 3, 22 September 2003 meeting of the Executive)
- 3.3 The Council will at some point need to take a view as to whether the package offered to leaseholders is appropriate given the resources available to the project. Irrespective of any leaseholder package the scheme requires substantial additional resources. The NDC and community 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 NDC is to enable existing residents to remain with South Kilburn.

4.0 Legal implications

- 4.1 The Council is in receipt of grant money from Central Government via its New Deal for Communities programme and is tied in to various grant conditions as a result of receipt of that grant. The Council is also acting as Accountable Body which means it takes responsibility for paying grant money, auditing those payments and accounting to the grant giver for those payments, and is responsible for repayment if there were a breach of grant conditions. This means the Council could be required to repay significant sums, so its audit processes need to be robust and it needs to be able to control expenditure and ensure it can recover money where possible. Members also need to be aware of the risk to the Council should it not be able to make recovery of money from third parties.
- 4.2 The NDC is a company limited by guarantee, incorporated in September last year when took over responsibility for the running of the New Deal for Communities projects. This company has no trading history and Members must satisfy themselves that it is robust enough to undertake the project and ensure money is properly spent otherwise they would be in breach of their fiduciary duties.
- 4.3 A report to the Executive on 28 April 2003 ' New Deal for Communities, South Kilburn transfer of responsibility' agreed a provision to novate the Master Plan contract to the NDC. However, at this stage the Council remains the accountable body and will remain so until the end of the Master Plan contract. As the Master Plan contract is still retained by the Council, the Council retains the responsibility for the delivery of a master plan on behalf of NDC, the commissioning body.

- 4.4 The Master Plan Agreement which governs the provision of Master Planning services for the regeneration of South Kilburn is between The Mayor and Burgesses of the London Borough of Brent and MACE Limited. The Council, as “Client” under the appointment has the benefit of the Contract with MACE and has direct recourse against MACE in the event of any breach, is obliged to make payments to MACE for the provision of the Services, and must abide by the terms of the Agreement.
- 4.5 The disposal of the estate held for housing purposes would be under the provision of S32 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.
- 4.6 Disposals of other land are subject to the provisions of s123 of the Local Government Act 1972 and require land to be disposed of for best consideration 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
- 4.7 Any demolition and rebuilding or 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
- 4.8 The tendering of any contracts for goods or services by the Council will need to comply with the Council's Standing Orders and where appropriate European Procurement Rules
- 4.9 Any variation to the contract between the Council and BHP may require the further consent of the Secretary State under s27 of the Housing Act 1985.
- 4.10 The framework for the planning system is contained within the Town and Country Planning Act 1990. It is plan led in that Section 54A of the Act requires an application to be determined in accordance with the Councils Unitary Development Plan (UDP) unless other material planning considerations indicate otherwise.
- 4.11 The principle of Supplementary Planning Guidance is recognised in central government publication guidance (Planning Policy Guidance 1 and 12 in particular) as a way of covering detailed issues that support and supplement the policies within the Councils UDP. They are a helpful tool for both developers and the Council alike.

- 4.12 SPG's are not statutory documents in the same way the UDP itself is, but clearly are legitimate and proper material considerations to take account of when determining individual applications.
- 4.13 The weight afforded to SPGs when making decisions is increased if the guidance notes themselves have been subjected to and prepared with public consultation followed through with a formal Council resolution to approve them.

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 updated.

6.0 Impact Assessment.

- 6.1 The report of the 22nd September set out the vision of the NDC 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)

- 6.2 The impact upon the residents of South Kilburn will be far reaching. The Master Plan, once agreed by residents, will provide the spatial framework document for the future comprehensive regeneration of South Kilburn and assist the NDC partnership in achieving its objectives. It is likely to affect all residents of South Kilburn in some way.

- 6.3 Written impact assessments for Health, Transport and Community facilities are currently underway. These assessments will test the robustness of the Master Plan (from a health, transport and community facility perspective) and will enable the adoption of the Master Plan as Supplementary Planning Guidance following the normal consultation process. An Equalities Impact Assessment, as required under the Race Relations Act (as amended), will be carried out once these initial studies have been completed. A further report will go to the Executive and the NDC Board once the Impact Assessments are completed and their results incorporated into the completed Master Plan.

- 6.4 Further options are being investigated on the best way forward for the remainder of the stock not being refurbished via the ALMO. The following options are being considered:-

- Retention of stock by the Council – through the prudential borrowing regime (& BHP managing the redevelopment)
- Retention of stock by the Council – through the “freedom and flexibilities” allowed to 3* ALMO's as indicated through recent ODPM guidance.

- Retention of stock by the Council – through PFI with the private sector.
- Transfer of stock through a consortium arrangement
- Transfer of stock to a registered social landlord.
- Transfer of stock to special purpose vehicle that is capable of being registered with the Housing Corporation.

6.5 On completion of the options investigation, members will receive a further report which will present all options mentioned with clear recommendations regarding the preferred approach. Clearly the preferred approach has to take into account a number of social and commercial issues. Whilst officers are mindful that an approach that concentrates wholly on financial issues is likely to fail in overall social and economic terms, similarly an approach that ignores the financial issues will result in a project that is not viable. The challenge is to find an approach that is financially sound whilst at the same time achieving key economic, housing and social objectives of the area.

- 6.6 The ALMO application is designed to meet the Government's Decent Homes target. Should the application prove unsuccessful, then the current proposals are not viable and officers will be seeking alternative funding routes.

7.0 Consultation

- 7.1 Since the Report to the Executive on 22 September 2003, the emerging South Kilburn Master Plan has been presented to the Commission for Architecture and the Built Environment (CABE) and the Mayor of London. The CABE Design Review have been very supportive of the Master Plan approach and its general concepts. They have provided very detailed and helpful comments and suggestions for further consideration which are being reviewed and incorporated in the master planning process. The Mayor of London has personally met Council officers and NDC representatives and has been very supportive of the general master planning approach.

8.0 Detail

Background

- 8.1 The report to the Executive on 22nd September 2003 gave an indication of the likely Master Plan proposals. Members agreed to approve the South Kilburn Master Plan framework as the basis of seeking partners and funding. Work has been progressed on that basis. The 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 22 September 2003 made the following specific decisions:
- That the South Kilburn Master Plan framework be approved as a basis for seeking a partner / funding.
 - That it be noted the obligations suggested in the Master Plan may exceed the resources generated from the net rental stream in South Kilburn and as such the state has a 'negative value'
 - That it be agreed to commit £10m over a period of 12 years. The phasing of payments being the subject of a further report in the light of further financial analysis and discussions with the Director of Finance.
 - That the Director of Housing be authorised to investigate all possibilities to secure additional funding for the refurbishment of that proportion of the South Kilburn Estate, which is anticipated to be retained under Council ownership. In particular authorisation for the Director of Housing to investigate additional funding through a Round 4 ALMO bid.
 - That in light of government policy and the need to maximise external funding, Officers be authorised to investigate the possibilities of external funding that may result in solutions that require a proportion of the redeveloped social housing to be owned by a social housing provider other than the Council.
- 8.3 Members should be aware that there will be a funding gap of approximately £32m which is fully explained from para 8.13. onwards. This is an increase on what was previously estimated. (para 3.1 report to Executive 22 September 2003). This is an increase of 2.5% to the overall cost of the scheme and an approximately 33% increase in the funding gap.
- 8.4 The properties included with the ALMO application are mainly street properties located in Allington, Cambridge, Claremont, Chichester, Malvern and Princess Roads together with properties situated along Kilburn Lane. In addition, the following blocks will also be retained and refurbished under ALMO: Alpha, Gorefield, William Dunbar, William Saville Houses, Carlton House (eastern parts only), Canterbury Court, Chamberlayne Mansions, and the Quadrant. Residents of these blocks expressed a preference in favour of the refurbishment proposals presented. The cost of the refurbishment proposals amount to £29.2million.
- 8.5 If Members agree, Officers will be submitting an application by 31 December 2003 for funding from the next ALMO round. Discussions have taken place with ODPM officials on the best way of progressing an ALMO submission. Early indications are that a new bid under Round Four rather would be preferable to an extension of the existing programme, as the latter would not allow us to claim the 5% sustainability factor which is available on the new ALMO programme. We do not propose to set up a separate ALMO, therefore if successful the additional programme will be incorporated within Brent Housing

Partnership. However, given the unique nature of NDC there will be need to be discussions on how to enhance local accountability. ODPM officials were clear that as Brent Housing Partnership has a three star rating there would be no need for a new inspection, as long as we adopt the recommendations from the Inspection Report. The Council's submission would represent what is essentially a unique position for an ALMO and the ODPM officials understand the reasoning behind this application. A further report will be submitted to the Executive outlining in detail all the relevant implications of transferring further stock to the ALMO.

8.6 The main principles of the Master Plan Executive Summary are set out in Appendix 4. These principles are embodied within the NDC and Council's 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.

8.7 The spatial Master Plan Framework is flexible enough to accommodate the wider regeneration objectives both today and in the future and is a key plank within the NDC regeneration programme. The master plan will identify sites and re-order land-use to include; homes for refurbishment, new build homes for sale and for existing residents. The master plan actively encourages a sustainable balanced community by allowing a mixture of tenures. The scheme tenure mix is 55% affordable 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 street pattern found in more popular areas of London. 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 55% affordable housing 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 Regional 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.

8.9 The master plan also identifies sites for economic regeneration such as live work units for start up businesses and provides new commercial /retail units, which will replace some of the existing retail shops within the South Kilburn area. By increasing the number of homes for a range of tenures (which consequently increases the overall density);

increases the potential for economic viability and long-term sustainability of both existing and new shops and businesses.

8.10 It identifies potential sites for leisure, which will support the existing and new community. One site (Peel Precinct) identifies a substantial site that will provide facilities to Sport England standard.

8.11 In order to test the robustness of the Master Plan, and to test the assumptions within the Master Plan framework, additional studies have been commissioned these are:-

- **Health Impact Assessment** - Health impacts are the overall effects, direct or indirect, of a policy, strategy, programme, or project on the health of a population. Health Impact Assessment (HIA) is a combination of procedures, methods and tools by which a policy, programme or project may be judged as to its potential effects on the health of a population, and the distribution of those effects within the population.
- This may include direct effects on the health of the members of the population and more indirect effects through intermediate factors that influence the determinants of the health of the population. Such impacts may be felt immediately, in the short term, or after a longer period.
- **Community Facilities Assessment** – Due to the planned increase in density, an assessment of community facilities identified in the master plan framework will be required to judge whether there will be adequate provision for the increased population and resultant demand. This would include an assessment of all non-commercial buildings e.g. community meeting rooms, health, education, sports, leisure and recreational facilities – which will cater for both young and old alike.
- **Traffic Impact Assessment** - Transport Assessments in support of planning applications for major new development proposals are carried out in compliance with the guidelines given in Planning Advice Note 57, PPG13 and NPPG17.
- The impact of the proposed development on the adjacent road and public transport systems is assessed and the need for any improvements to these systems to accommodate new trip generations is identified.
- The TA will provide the information required to determine how the cost of any necessary transport network improvements should be shared between the developer and the transport network authorities.

- 8.12 As can be seen by the above description, these studies are necessary and will provide the following outcomes:-
- a) It will identify the robustness of the master plan.
 - b) It will give an opportunity to amend/vary the master plan before an SPG note process is undertaken.
 - c) It supports the SPG process and
 - d) It send out a clear message to any potential deliverer the wishes of the Authority and the residents of the NDC – that they expect the scheme to be delivered as set out within the Master Plan.
- 8.13 Members will receive a report in the new year which will detail how the impact studies have been taken into account by the Master Plan. Following the outcome of studies – the supplementary planning guidance process will be undertaken.
- 8.14 A further report will be presented on what method of delivery will be best able to implement the South Kilburn master plan.

Financial Background to the Scheme

- 8.15 The draft Business Plan is attached as Appendix 2. This is by no means the final version. Indeed the Business Plan will go through several iterations before being finalised. In addition a future development partner will form their own view as to the Business Plan and its assumptions / acceptable risks. The Business Plan is based upon the Mace work which is generally referred to as the Business Evaluation Model which has been previously explained in the Report to the Executive dated 22 September (paras 8.11 and 8.12 in Appendix 3)
- 8.16 The current Business Plan shows a funding deficit of £32m with equity swaps and basically a fundable position without equity swaps. Therefore equity swaps costs the project in the region of £28.5m for approximately 159 leaseholders. Since the last report our external financial consultants have analysed the so-called 'Business Evaluation Model' and essentially converted it to a standardised discounted cash flow model (over 30 years) to determine the projects fundability. A review has been undertaken by the consultants in conjunction with Brent Housing Services of all the major elements. A significant element of the increased £8m is attributable to a review of the new build programme where the works are profiled to be completed over a shorted period.
- 8.17 As indicated in the Report to the Executive dated 22 September 2003, the scheme is heavily predicated on private house sales. HACAS Chapman Hendy will be undertaking a number of sensitivity testing to determine the degree the scheme is exposed to movements in house prices. This risk needs to be clearly understood and contingency plans developed to enable this risk to be managed. The risk will be discussed with ODPM in relation to any matters of public policy arising.

- 8.18 The Business Plan report also indicates the level of funding required for an ALMO bid that is £29.2m of support from Central Government. The means by which this is accessed is currently the subject of discussions between ODPM and Council officers. There is currently no guarantee that the ALMO route will be supported by Central Government. However, it is understood that there is Ministerial support to ensure that the South Kilburn estate is regenerated. Clearly at present officers are unable to give further information other than to state that the current proposals for ALMO funding meets tenants' wishes. The Housing Service in conjunction with Brent Housing Partnership has been undertaking work in connection with the prospect of additional funding with the existing BHP refurbishment programme. Any formal bid will need to be consistent with the existing ALMO programme.
- 8.19 There is no doubt that that South Kilburn cannot be successfully regenerated in social housing terms without substantial government support. Members will need to reconsider the Master Plan if government funding is not forthcoming. The Master Plan currently gives a framework to develop South Kilburn, however it should be emphasised that a funding gap still exists.
- 8.20 There are a number of additional sources for funding; however, these need to represent additional funding for the scheme such as the PFI initiative and bids to the Regional Housing Board. Savings can be undoubtedly made through reverting to a standard compensation package for leaseholders in line with previous Brent housing regeneration schemes – this has significant policy issues that need to be considered in due course.

9.0 Timescales

- 9.1 Attached at appendix 5 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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Appendices

- 1 Master Plan Executive Summary
- 2 HACAS Chapman Hendy Business Plan for South Kilburn
- 3 Report to Executive 22 September 2003 – South Kilburn Master Plan
- 4 Master Plan Principles
- 5 Timescale for additional events