



Executive
8th October 2007

**Report from the Directors of
Housing and Community Care and
Policy and Regeneration**

Wards Affected:
Kilburn, Queens Park

South Kilburn Regeneration update

Forward Plan Ref: PRU-07/08-10

1.0 Summary

- 1.1 This report aims to update members on the current position in relation to negotiations with Communities and Local Government (CLG), give a position statement of where we are and the issues that will need to be addressed.

2.0 Recommendations

- 2.1 That members note the initial offer of financial commitment from CLG.
- 2.2 That members note the support offered by CLG/ Government Office for London (GoL) to access other government pots for financial assistance.
- 2.3 That members note that the South Kilburn Master Plan may need to be revised in the light of the overall levels of funding that can be secured and endorse the co-ordinated strategy to access external funding described in the report.
- 2.4 That members note that the Council may need to consider a revised level of contribution towards the delivery of the South Kilburn regeneration programme.

- 2.5 That members note that a further report will be presented to the Executive once we have a clearer picture on the funding issues and the options outlined in this report have been further explored.

3.0 Background

- 3.1 The South Kilburn Master Plan process initially started in 1999. The vision for the Master Plan has always been to ensure that we create and maintain a vibrant area where people are proud to “live learn and work”. This encapsulates the Government’s agenda to create “sustainable communities” and indeed we have been actively encouraged in this approach by the senior government officials and ministers who have attended the area throughout the development of the Master Plan. This approach is also encapsulated in the latest Housing Green Paper, which encourages local authorities to have an integrated approach to regeneration, including the inclusion of necessary infrastructure to support communities over and above the provision of new housing.
- 3.2 Initial meetings with ODPM/GoL and the Housing Corporation occurred in 2003 and officers made it clear that the level of funding required to deliver the Master Plan would be substantial in comparison to the normal housing stock transfer programme, which is the normal vehicle for obtaining gap funding. We were encouraged that the approach we were taking was right.
- 3.3 The Council made a submission in January 2004 requesting a sum of £19m from the Single Regeneration Pot (SRP) which was only available for a limited time period with no guarantees that this pot would be available in the future. In March 2004 the council was awarded £9.85m, which was confirmed to be £9.896m in February 2005. This award enabled the Granville New Homes (GNH) development scheme to be undertaken..
- 3.4 After meeting with Government officials and identifying the various approaches that could be taken to finalise the Master Plan, a full consultation was undertaken with local residents in July 2003. There was overwhelming support for the approach selected (73%), and the Master Plan was then finalised in early 2004 and was approved by the Executive and the NDC Board in July 2004. The main elements of the Master Plan were:-
- 1534 social homes to be demolished and re-provided
 - 1419 new private homes to be built
 - Replacement of some of existing facilities (Albert Rd Day Centre, Marian Centre and Church)
 - Provision of new facilities (Sports Centre, two healthy living centres, a children’s centre and extensions to schools) to accommodate the new community.
 - Upgrading of the environment (roads, parks and landscape)
- 3.5 The Council then started work on the Children Centre in Granville Rd using Council, Sure start and South Kilburn NDC funds. Work on the Carlton Centre using only Council funds and the South Kilburn NDC funded Thames

Court, were also progressed.

- 3.6 The Council applied for South Kilburn to be included in the Stock Transfer programme in January 2005 as this was the main route to receive support from the government for gap funding. We were notified in late April 2005 that we were included within the Stock Transfer programme for 2005.
- 3.7 As identified in para 3.3 we received £9,896,000 in cash January 2005. Granville New Homes form the first decant opportunities for South Kilburn and members have received two reports this year regarding the funding and allocations approach for Granville New Homes.
- 3.8 In April 2005 the Council approved a Supplementary Planning Document (SPD) for South Kilburn which was based on the agreed Master Plan of 2004. The Council also appointed the preferred delivery partners (DV) (Hyde Housing Association as the lead partner, in conjunction with Taylor Woodrow (now Taylor Wimpey) and Bellway Homes) in February 2006 to take forward the South Kilburn regeneration process. Since the appointment of DV partners we have met with CLG officials at least six times since May 2006.

4.0 Current Position

- 4.1 In July 2007 a number of officers from the Council, from SKNDC and several members of the DV partners attended CLG offices for feedback after they had received all the information that they requested. They were supportive of the holistic approach in general and made a few observations about costs and income but made it clear that they could only support the Housing elements of the programme and indicated that a sum less than we requested would be available for the scheme for the Housing elements only. The figure was confirmed as being £50m in the letter from CLG which was received on 10th August 2007
- 4.2 Officers queried how they arrived at the figure (given all the information they had received) but the response given was that was all CLG could offer at this moment in time. CLG has not supplied the Council with any working papers or a formula which gives rise to them assessing that £50m would be sufficient to complete the housing part of the proposals. Their rationale does seem therefore to be based on a subjective approach rather than a more scientific calculation.
- 4.3 The latest breakdown of the costs which includes the CLG contribution is shown below. Within the income figures an element of S.106 contribution towards Education (£7.6m) is also included. Please note that these figures are subject to change as they take into account some of the options being proposed within the report.

SUMMARY (Current Costs / Current Values) ***TOTAL**

1.0 INCOME		
1.1	Public	
	NDC	10,097,519
	CBHA	35,957,058
	Hyde	21,952,206
	CLG	50,000,000
1.2	Private	368,705,439
	TOTAL 1.0 INCOME	486,712,222

2.0 EXPENDITURE		
2.1	Housing Public	(207,791,140)
2.2	Housing Private	(237,023,847)
2.3	Community Facilities	(32,833,459)
2.4	General (incl. pre and post ballot activity, planning and design)	(2,480,000)
2.5	Acquisitions (incl. Land purchase, pre- demolition refurbishment, VAT, granville site)	(18,645,560)
	Leaseholder Buyout	(34,303,842)
	Decanting Costs	(9,444,600)
	TOTAL 2.0 EXPENDITURE	(542,522,448)

BALANCE £ (55,810,227)

Implications of the Offer

- 4.4 Members need to bear in mind that the £50m offer is only for Housing. The Council will need to consider a number of ways to address the shortfall for both the Housing and Non-Housing aspects of the scheme. Although there will be some vigorous discussions on the changes to the level of health, education, sport, open space and other contributions, there is a planning imperative to provide adequate infrastructure for the extra 1400 new homes being provided.
- 4.5 While it may be possible to remove or amend some pieces of the infrastructure kit, what is left must be fit to serve the needs of the extra residents and indeed mitigate the effects of extra density to existing residents. It is simply not possible therefore to remove the infrastructural costs and make the housing sums add up. The provision of housing and infrastructure must go hand-in-hand, and solutions to both housing needs and infrastructural requirements must be found together in a single package
- 4.6 In order to provide a viable scheme the whole of the Master Plan will need to be reviewed. We will need to consult with residents around a number of options within certain financial parameters in order to enable the partners to come up with solutions for South Kilburn. This also includes going back to the partners to see how they can provide additional value through their own contribution and finally the Council considering investing more resources into the delivery of the scheme.
- 4.7 The strategic objective for delivering regeneration to South Kilburn will rely on a positive tenant ballot. Tenants are unlikely to vote for proposals that provide new housing but strip out all the wider community benefits of the scheme and leave them with much higher density housing not mitigated by better health, education and community facilities.
- 4.8 However, any formal Council offer to the tenants will ultimately come from Hyde Housing Association – as they will be consulting with “tenants” and the offer delivered by Hyde subject to ballot, will largely relate to the “Housing Offer” rather than any other aspects of the regeneration. Hyde will not be able to guarantee areas which they do not have total control over. Officers are committed to ensure that residents are fully consulted and involved in the options for funding the gap.
- 4.9 In summary the Council and its partners will look at options to closing the financial gap and these may include the following:
- Getting the government to increase funding: either by paying more grant or by direct funding of facilities that would otherwise be paid for by the DV partner with the extra cost falling on the council.
 - Getting the partners to increase their own contributions
 - Getting the Council to consider in what other ways it could contribute or add value.
 - Changing the housing numbers: i.e. , providing more housing overall more housing for sale (or less for rent) or changing dwelling sizes
 - Reducing the quantity or quality of the current proposed infrastructure provision

- 4.10 It is likely that the gap will ultimately be closed by a combination of options from each of the above components, and other options not listed. The purpose of the next stage is to consider those possible options listed in more depth.

Considerations in reducing the funding gap

- 4.11 **Housing** - The consortium are currently re-looking at their current calculations to see whether there can be any more adjustments to the current assumptions which would in themselves close the gap. If we were able to close the gap then we would hope that this would not lead to a similar reduction in the governments offer. This work is likely to generate a number of proposals in respect of which the council would have to take a view as to whether they were acceptable or not.
- 4.12 The key principle in taking forward the options is that the Council and its partners will fully involve residents (through the Project/Tenant Steering Groups and Home Owners forum) and consult them at the earliest possible stage before decisions are made. Residents will ultimately decide the delivery of the scheme through a ballot process and it is extremely important that we fully explain to residents the options we are considering and take into account their views in deciding which options to pursue.
- 4.13 There are a number of options that we now have to consult on with residents and it would be useful to have a steer from the Executive on its overall view to assist the consultation process, for example
- 4.13.1 A reduction in the re-provision of social rented homes. This could assist in that the actual numbers of properties required to re-provide for existing residents upfront is likely to reduce over time. This could reduce actual requirement by say 200 units over the period of development. However with over 20,000 persons registered on the Housing waiting list, the Council will want the regeneration of South Kilburn to contribute in reducing the number of homeless households and the numbers in temporary accommodation. This is a critical area.
- 4.13.2 Increasing the number of units by increasing the density of development is an option. Given that the masterplan already proposes an extra 1400 new homes this is unlikely to be a popular option but it will have to be given due consideration.
- 4.13.3 The Council is committed to maintaining the space standards allowed for within the current plan for existing tenants, this is a key objective. However a reduction in the space standards for the units that will be occupied by new tenants as against existing South Kilburn tenants might be acceptable providing those properties were still larger than the existing housing Corporation standards.

- 4.13.4 An increase in the number of units for sale. This could be achieved in a number of ways e.g. redesignating a number of planned new social homes as private homes (as identified in 4.13.1) or an additional increase on top of existing units (as identified in 4.13.2). This could be acceptable provided that it is not seen as overdevelopment and it does contribute to reducing the funding gap.
- 4.13.5 Using other Council stock to decant tenants who wish to leave South Kilburn. This could help South Kilburn, but impact on the supply for homeless families and reduction in the use of temporary accommodation.
- 4.13.6 Using the nominations process with Hyde and other RSL partners to reduce the impact on re-provision for the scheme.
- 4.14 This work will bring the funding gap down to a lower figure but is unlikely to bridge it completely.
- 4.15 **Non-Housing** - The regeneration of South Kilburn has always been predicated on a comprehensive regeneration scheme, incorporating new mixed tenure housing, with education, health and community facilities. The vision is to create a new place, fully integrated with its surroundings, rather than the re-provision of an isolated housing estate. The government is supportive in principle of this ambition: indeed it hits all of their current priorities and agendas relating to 'place making' and 'sustainable communities'. Nevertheless, to date there is no government funding committed to non-housing facilities. There is a commitment from CLG/GoL to actively support the Council to seek alternative grant funding from other departments, and a meeting with GoL has already taken place. Relevant service areas are now working to more closely specify the non-housing facility requirements so a business case can be made for additional resources.
- 4.16 The main elements of the non-housing offer consist of:-
- 4.16.1 **Sports Centre** – The sports centre is a key feature of the existing masterplan and is the most aspirational new community facility proposed. It would provide an accessible and high quality venue for both new and existing communities to come together within South Kilburn. The building itself could be delivered towards the end of the regeneration programme, although obviously a suitable site needs to be identified and reserved at this stage. The demand and need for such a facility is difficult to predict, given the timescales involved, although work is currently underway to develop a sports centre strategy for the borough and this will shed further light on this issue. The estimated capital cost of a dry-side sports centre with the facilities envisaged will be in the region of £9million

(based on current day estimates) and there will obviously be a potential revenue implication should it progress. There are no obvious funding sources available through DCMS for a new sports facility, although a dialogue will be established. Alternative approaches could be to consider whether there is any merit to a combined sports facility with either the new school or the healthy living centre, although initial work shows that both options would severely constrain the type of facility that is deliverable. A more radical option would be to consider the long term future of other Council facilities within the area but not currently part of the masterplan, and to consider the re-provision of these facilities into a modern centre incorporating new sports facilities. An added benefit of including other facilities not included within the masterplan is the additional value the existing sites can add to the scheme. The provision of a new sports facility may further help the development of school places. Schools in tight sites can benefit from off site sports provision (sites are likely to be confined in all three primary schools). This may hinder the provision of additional capacity for school places the demand for which will be likely to be driven by the extra housing. By way of a compensatory measure may need to consider taking a larger slice of land for the repositioned CV and KP schools (as a combined 3FE).

4.16.2 Paragraphs 56-58 of the Education Impact Assessment (EIA) refers to community use and states that there may be limited opportunity to do so pointing out that at best it/there would be dual use under the control of Governors unless a new form of governance for facilities outside statutory school hours is introduced.

4.16.3 **The Healthy Living Centre** – the provision of a substantial number of additional homes into South Kilburn will require the provision of space for new GPs to service the new population. The masterplan envisages taking this a stage further, through the provision of a single, integrated health facility which provides space for new GPs, re-houses existing GPs who are currently located in sub-standard accommodation, provides a range of complementary health services, and incorporates a new Council customer contact point. A site in Peel Precinct has been identified in the masterplan, however the original funding mechanism proposed is through the LIFT initiative. The current funding constraints within the PCT necessitate a re-think of this strategy. One option is for the NDC to contribute its remaining capital resource to the project, effectively developing an asset for the NDC successor body (or the Council in the absence of any

body) which would realise a revenue stream. This will not reduce the gap overall – if external funding for this facility cannot be obtained. Concurrent discussions will also continue with both the PCT and directly with the Department of Health, as brokered by Government Office for London

4.16.4 Primary School facilities – Additional primary school facilities are essential given the new population that will be created in South Kilburn. The favoured option is to merge Carlton Vale and Kilburn Park schools to provide a new three form entry primary school, probably on a new site. It is anticipated in the masterplan that funding for extended school provision would come from the developer partner as part of the planning Section 106 requirement. However if contributions to the school were provided from alternative sources then the planning requirement would fall away, with the effect of closing the financial gap. Discussions will take place with DFES (now Department for Children, Schools and families – DCFS) to explore other potential funding streams. In addition, the Council will need to consider the potential to make a contribution through the existing Primary Capital Programme, although this would clearly have implications elsewhere in the Borough.

4.16.5 The aspiration is for any new school to be an ‘extended school’ possibly incorporating a children’s centre and other ‘out of hours’ community provision. Again consideration will need to be given as to whether this opens up additional funding routes through DCFS or elsewhere.

4.16.6 Albert Rd Day Centre – This facility is catered for within the current Master Plan, however given the funding gap, the large number of service users who are currently dislocated from their local communities and transported for up to 3 hours a day across the borough to this facility, the quality of the surroundings during the development, the wider day service modernisation strategy (a DoH monitored target) and the effect it will have on the service, the partners are reconsidering whether it is the right place to re-provide this service. The Council will need to consider a relocation and how it may positively impact on both the wider strategic modernisation objectives for people with learning disabilities and reducing the funding gap, for example, removing the facility from its current location will provide, an opportunity to build additional homes for sale to reduce the gap. The DV partners are committed to build or fund a new centre wherever it is located.

4.16.7 Other infrastructure issues – e.g. the Combined Heat & Power systems, roads and transportation issues, and the “green agenda” each may attract additional funds through government. There is a need for all areas of the Council to look at what grants could be gained through their normal grant application process and also to see what contribution it could make in making the scheme viable.

4.17 In considering all of the options for the non-housing facilities, the scope for merging proposed and existing facilities, or aspects of facilities, will need to be explored. The key criteria against which this needs to be judged is the level of constraint this may place on the accessibility, level or standard of the service being provided from within the facility. So for example, co-locating sports facilities with the primary school would make daytime access impossible for the wider community.

Strategy to deliver the Master Plan

4.18 Given where we are, the Council and the partners will need to have a co-ordinated strategy which is agreed between the parties. The proposed strands are as listed below:-

- Full Review of Master Plan by Officers and the Consortium
- Consultation with residents, approaches to Government Officials and feedback to members
- Decision making process which will include a lobbying strategy
- Re-present plan to CLG and
- Finalise plan for a Ballot process

Review by Officers and Consortium

4.19 As identified in 4.6 above, the Master Plan will be fully reviewed. H&CC officers, along with the consortium, will need to agree any revised housing proposals, and, following discussion with residents groups, put together a revised housing bid.

4.20 Project groups with officers from across the Council (which will be led by the Policy & Regeneration Unit) will need to urgently work on whether there is a case for other sources of grants for each facility. This will be done in conjunction with officers from SKNDC. Once the assessment is done and a case is made then a bid for funds from the appropriate unit should be taken forward, whether it is to DCFS, DEFRA, DCMS or Department of Health.

4.21 Council units that make annual bids to government offices for funds should ensure that additional funds for South Kilburn are included with the current and projected funding streams (e.g. Funding streams from DEFRA include grants to implement CHP systems, installation of photovoltaic systems, grants towards eco homes etc..) which they bid for, will all contribute to reducing the gap. It will be important that any bid is made prior to any final consideration by CLG of the housing funding, which is anticipated to be

completed by December.

Consultation strategy and approaches to Government Officials

- 4.22 There are a range of consultation groups already set up for South Kilburn Regeneration. These are set out in appendix (1)
- 4.23 It is absolutely critical that residents are fully engaged in the proposed options appraisal through the already established mechanisms, and that our consultation processes are open, transparent and robust, in order to ensure that we do not compromise the future ballot programme.
- 4.24 As identified para 4.20, a project group will be led by the Policy & Regeneration Unit to make the case for the community facility aspects of the Master Plan. Once the case is made, then GOL will be approached to make contact with the appropriate Government department/Agency so that we can make a bid for funding. We have a direct contact at GoL who will support our approach with all government departments/agencies as required.
- 4.25 Once the officers have received the appropriate feedback they will report back to members so that it feeds back into the decision making process, which will go back through the consultation structures identified above.
- 4.26 Officers' intentions are that there will be sufficient consultation to form an updated plan by the end of November/December 2007 so that we can go back to CLG in January for a revised offer. It is important to note that the Government's Comprehensive Spending Review is likely to be published around November and it is important that we maximise the opportunities to get additional funding for the scheme.
- 4.27 The council's Planning Service advises that the net changes that are likely to be required to the masterplan will need to be reflected in changes to the council's South Kilburn Supplementary Planning Document (SPD). Planners would need to consult formerly on those changes, producing a revised SPD early next year.

Projected Short Term Timetable

- 4.28 Below is a projected timetable that officers are working to in which to consult with residents, members and partners in order to produce a revised plan for CLG.

Month	Activity	Responsibility	Consultation
Sept 2007	Options and approaches for refinement of the Master Plan	Consortium	PSG/TSG/HOG LBB/SKNDC
	Discussion with GOL re: Non Housing Elements	LBB/SKNDC	PSG/TSG/HOG Consortium
	Review of Community Facilities to develop business case	LBB/SKNDC	PSG/TSG/HOG Consortium
	Agree consultation strategy with representative groups, eg PSG/ TSG	Consortium / LBB	
	Business Plan review – to feed in update of reviews	Consortium	PSG/TSG/HOG LBB/SKNDC
Oct 2007	Chief Officers Group to review options and give the appropriate steer	LBB/SKNDC	
	Report to members on the options and the general direction of travel	LBB	Consortium, PSG/TSG/HOG, SKNDC
	Initial options presented to Residents' groups and feedback sought	LBB/SKNDC Consortium	PSG/TSG/HOG
	Discussion around findings of initial stage of options works and agreement on how to proceed further	Consortium / LBB/SKNDC	
Nov 2007	Costed priority options presented to Residents' groups	Consortium / LBB/SKNDC	PSG/TSG/HOG
	Internal Board / members approval for required changes to individual party's commitments to BP	Each organisation	
Dec 2007	All parties agree to final revised scheme and business plan	LBB/SKNDC Consortium	PSG/TSG/HOG
	Consultation started with the wider community	LBB/SKNDC Consortium	PSG/TSG/HOG
Jan 2008	Reworked options presented to CLG	LBB/SKNDC Consortium	

5.0 Financial implications

- 5.1 With the offer of around £50m from CLG, the level of gap remaining is in the region of £56m (NPV). Officers have identified a range of options that will bring this level down through out this report. It is anticipated that the level will reduce even further so that members will be comfortable to move towards a ballot programme.
- 5.2 The level of the current contribution from the Council is restricted to the land that is subject to transfer (this is assumed) for nil consideration. However, the Council is now reviewing whether there are any further contributions it can make.
- 5.3 It should be noted that the Council was successful in gaining £14m funding through the ALMO pot for decent homes towards properties that are being retained by the Council.
- 5.4 The Council will need to consider the impact of additional land and properties that could be made available or any financial contribution that could be made through the use of receipts or section 106 obligations.
- 5.5 The Council will need to consider a co-ordinated approach to access funding for South Kilburn from a range of Council units to have a positive impact of the South Kilburn Master Plan (as identified in para 4.20 & 4.21).
- 5.6 The Council will also need to start a process of formal negotiations with the consortium with the aim to add further value and to reduce the current funding gap.

6.0 Legal Implications

- 6.1 The Consortium was appointed following a procurement process based on the current form of the Master Plan. Should the review of the Master Plan mean that it is changed materially; the Council would have to consider procurement law implications for the award of the scheme to the Consortium, which members should bear in mind.
- 6.2 If the Council is successful in identifying and securing other sources of grant funding from other government departments or bodies, close attention will have to be paid to the conditions attaching to any such grant. For example, such grant may be only for narrow specified purposes.
- 6.3 The Council must also be careful to ensure that if other ways of lessening the gap are found, these are not used by CLG as a reason for reducing the amount of gap funding available.

7.0 Diversity Implications

- 7.1 The diversity implications surrounding the Master Plan were fully addressed in the report to members in July 2004. As the proposals in this report are

considering options for changes a further impact assessment will be carried out once the strategic direction has been agreed.

- 7.2 This report has been subject to screening and in the officers view there are no adverse implications arising from the issues raised within this report.

8.0 Comments from Partners Consortium

- 8.1 The Consortium is working in partnership with the council and the NDC to develop options to improve the viability of the scheme, and to develop a consultation process to seek community buy-in to the options being considered. Whilst we recognise the funding allocated is not sufficient to meet all of the regeneration objectives of the scheme, we are delighted that the CLG has made the significant commitment of £50m of funding and promised support to access other sources of funding across government

NDC

- 8.3 These comments will be fed back at the meeting.

9.0 Conclusion

- 9.1 The strategic objective is to deliver regeneration to South Kilburn. The purpose of looking at different options for delivering the Master Plan at this stage is due in part to the funding commitment made by CLG but as a Council; members will need to send a message to the community of South Kilburn that it fully supports the delivery of holistic regeneration to South Kilburn.

Background Papers

South Kilburn Master Plan
Delivering the Master Plan Project
Community Facilities Files
South Kilburn Supplementary Planning Document

Anyone wishing to inspect these documents should contact:

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