

Meeting of the

# CABINET

---

Wednesday, 2 December 2009 at 5.30 p.m.

---

## SUPPLEMENTAL AGENDA – SECTION ONE

---

### VENUE

Committee Room, 1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG

#### Members:

|                                     |  |
|-------------------------------------|--|
| Councillor Lutfur Rahman (Chair)    | – (Leader of the Council)  |
| Councillor Joshua Peck (Vice-Chair) | – (Deputy Leader of the Council)                                       |
| Councillor Ohid Ahmed               | – (Lead Member, Resources and Performance)                             |
| Councillor Rofique U Ahmed          | – (Lead Member, Culture and Leisure)                                   |
| Councillor Anwara Ali               | – (Lead Member, Health & Wellbeing)                                    |
| Councillor Abdul Asad               | – (Lead Member, Children's Services)                                   |
| Councillor Marc Francis             | – (Lead Member, Housing and Development)                               |
| Councillor Rania Khan               | – (Lead Member, Regeneration, Localisation and Community Partnerships) |
| Councillor Oliur Rahman             | – (Lead Member, Employment and Skills)                                 |
| Councillor Abdal Ullah              | – (Lead Member, Cleaner, Safer, Greener)                               |

[Note: The quorum for this body is 3 Members].

If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact:

Louise Fleming, Democratic Services,

Tel: 020 7364 4878, E-mail: [louise.fleming@towerhamlets.gov.uk](mailto:louise.fleming@towerhamlets.gov.uk)

**LONDON BOROUGH OF TOWER HAMLETS**

**CABINET**

**WEDNESDAY, 2 DECEMBER 2009**

**5.30 p.m.**

**6 .3 Ocean Estate Tender (CAB 083/090) (Pages 1 - 36)**

Detailed as "To Follow" on the agenda circulated previously.

# Agenda Item 6.3

## PART I

|   |  |  |                                  |                            |
|---|--|--|----------------------------------|----------------------------|
| <b>Committee:</b><br>Cabinet  | <b>Date:</b><br>2 <sup>nd</sup> December<br>2009 | <b>Classification:</b><br>Unrestricted   | <b>Report No:</b><br>CAB/083/090 | <b>Agenda Item:</b><br>6.3 |
| <b>Report of:</b><br>Corporate Director Development and<br>Renewal<br><br><b>Originating officer(s)</b><br><br>Aman Dalvi |  | <b>Title:</b><br>Ocean Estate Regeneration<br><br><b>Wards Affected: St Dunstons and Stepney<br/>Green</b><br><br><b>Mile End and Globe Town</b> |                                  |                            |

### Special Circumstances and Reasons for Urgency

- The report was unavailable for public inspection within the standard timescales set out in the Authority's Constitution, because of the need to seek clarification from the East Thames Consortium on a number of items within their tender and proposals, and develop these in relation to the proposed planning application for the redevelopment scheme that is also subject to a parallel dialogue with the Council's Planning Officers. This was not completed in time for publication of the agenda for this meeting of the Cabinet.
- It is key to meeting milestones agreed with the Homes and Communities Agency that Cabinet considers decisions committing the Ocean Estate regeneration scheme at the meeting on 2 December 2009, to ensure the proposed partners can secure National Approved Housing Programme Grant this financial year to enable the delivery of the wider estate regeneration scheme.

### 1. SUMMARY

- 1.1 The purpose of this report is to enable Cabinet to take decisions that are intended to facilitate the regeneration and transformation of the Ocean Estate.

### 2. **RECOMMENDATIONS**

Cabinet will be asked to

- 2.1 Note the programme and timetable to achieving conditional contract and commitment of the first Development phases.
- 2.2 Note that elsewhere on this agenda a report dealing with the arrangements in relation to proposals to accept the tender of the East Thames Consortium are

set out and that the authorisations and approvals sought in this report are subject to the agreement of the recommendations within the Ocean Estate Regeneration report on this Part 2/confidential agenda.

- 2.3 Authorise the Corporate Director of Development and Renewal to take all necessary steps, including the making of Compulsory Purchase Orders (CPOs), General Vesting Declarations or Notices to Treat, to ensure that the legal interests in the various parcels of land known for identification purposes as Urban Block F, identified at Appendix 2 shall be acquired in order to enable the redevelopment of the site to proceed.
- 2.4 Note that the authorisation of the Corporate Director of Development and Renewal to make the CPO (s) referred in recommendation 2.4 above shall include determination as to whether any individual CPO shall be made under the provision of section 17 Housing Act 1985 or Section 226 Town and Country Planning Act 1990 as detailed in Section 5, should the Assistant Chief Executive (Legal Services) consider this appropriate.
- 2.5 Declare the 85 Harford Street site surplus to requirements subject to putting in place adequate arrangements to relocate existing users.
- 2.6 Note that initial surveys indicate additional work may be necessary at Studland, Allonby and Channel Houses and further investigations and costings will need to be developed and options prepared later in 2010.
- 2.7 Agree to the disposal of the HRA shops portfolio (south side of Ben Johnson Road) to the Ocean Regeneration Trusts subject is grant funding from NDC being available as set out in paragraph of the report.
- 2.8 Authorise the Corporate Director of Development & Renewal to indemnify East Thames in respect of any pre-contract loans made to leaseholders to vacate buildings due for early as set out in paragraph 5.6.6 of the report.

### **3. BACKGROUND**

3.1 The Ocean Regeneration Project is the Council's New Deal for Communities Pathfinder project, and is the highest single regeneration investment priority for the Council. Whilst having a significant housing component, the scheme is seeking to achieve transformational change in one of the most disadvantaged areas of the borough. The target outputs of the project under option D are:-

- Demolition of 342 homes on Urban Blocks E and F
- Construction of 819 new market and affordable homes
- External refurbishment of 1229 properties internal refurbishment to Decent Homes standard of 781 social rented properties
- Creation of a new town centre with new retail and community facilities
- Estate environmental improvements

- 3.2 The table below shows a comparison of the numbers of Council-owned homes with the projected new homes prior to the commencement of demolition and the projected new homes included in the scheme proposals. The subsequent table sets out the mix, affordable/market homes based on the anticipated scheme for which a planning application will be made in December. The scheme provides for 42% social rented housing, 13% intermediate/affordable housing and 45% outright sale based on habitable rooms. There may need to be some variance in the scheme content depending on planning matters; receipts generated from sales values and refurbishment costs as the scheme develops.

| <b>DEVELOPMENT/REFURBISHMENT PROPOSALS</b> |                  |  |  |  |                  |
|--|------------------|--|--|--|------------------|
| <i>Demolish<br/>Urban block E &amp; F</i>  |                  | <i>New homes<br/>( Note: The re-provision of 342 affordable homes<br/>includes allowance for re-housing of 39 leaseholders )</i> |  | <i>Refurbish more than<br/>40 Council blocks</i> |                  |
| <i>Rented</i>                              | <i>Leasehold</i> | <i>For Rent and<br/>shared<br/>ownership /equity<br/>on Urban Blocks<br/>E &amp; F</i>   | <i>For sale on Urban<br/>Blocks E &amp; F<br/>And the Feeder Sites</i> | <i>Rented</i>                                    | <i>Leasehold</i> |
| 303  | 39               | 4396   | 423  | 781  | 448              |

|                                       | <b>Proposed new build mix – 815 homes</b> |               |                |
|---------------------------------------|---|---------------|----------------|
|                                       | <i>social</i>                             | <i>Interm</i> | <i>private</i> |
| <i>1 bedroom</i>                      | 65  | 15            | 194            |
| <i>2 bedroom</i>                      | 100                                       | 48            | 175            |
| <i>3 bedroom</i>                      | 88  | 32            | 54             |
| <i>4 bedroom</i>                      | 28  | 3             |                |
| <i>5 bedroom</i>                      | 15  | 2             |                |
| <b><i>Total 819 new<br/>homes</i></b> | <b>296</b>                                | <b>100</b>    | <b>423</b>     |

- 3.3 As outlined at the July Cabinet meeting the project is expected to involve a total expenditure of over £200m. At ITSOP (Invitation to Submit Outline Proposals) Stage the estimated/anticipated headline financing sources and expenditure were close to balancing:

As part of securing the key component of the funding necessary for the scheme to proceed, Officers had approached the Government's 'Homes and Communities Agency' (HCA) initially to seek to close the dialogue on funding need involving an estimated £43.6m of support. This has developed and currently the Consortium through East Thames Housing Group estimates it will need to secure £41.6m as a result of these negotiations. The figure has been arrived at taking the needs of the scheme into account; benchmarking with other HCA supported schemes (in Tower Hamlets and elsewhere) and in recognition

that HCA funding is only available to support the development of new affordable housing.

3.4 The July 2009 Cabinet report anticipated that to progress the scheme the following initial key milestones would need to be met this financial year:-

- At least three blocks on Urban Block E are vacated and demolished
- An Outline Planning Application is submitted in January 2010
- A pilot internal refurbishment contract commissioned and onsite

It was further expected that over the twelve months to July 2010:

- Best and Final Offer submitted - Late October 2009
- Appointment of Preferred Developer\* - Mid December 2009
- Outline Planning Application Submitted - Early January 2010
- Outline Planning Approval - Early July 2010
- Entry into Conditional Contract subject to Planning Approval
- HCA (Homes and Community Agency) financial support

3.5 The initial milestones are on target to be met and a dialogue with the bidding Consortium to bring forward their planning application to potentially December 2009 is in hand. The first block Aden House has been demolished; the second, Taranto is in the process of having arrangements finalised for its demolition. Potentially, a further block will be committed for demolition prior to the calendar year end subject to rehousing of the final secure tenants and/or the buying out of leaseholders.

3.6 The Best and Final Offer in response to the Invitation to Submit Final Proposals (ITSFP) was received on 30<sup>th</sup> October. Subject to the successful conclusion of the preparation of proposals for the planning process previously outlined it is now anticipated that the Planning Committee will consider the scheme in March 2010. This potentially could enable HCA funding to be substantially agreed and a major component committed in this financial year 2009/2010.

3.7 Efforts have been concentrated not only on achieving the previously reported milestones, but in some cases advancing upon the target dates for delivery. The reasons for this include the potential difficulties in securing public finance/HCA grant beyond the current Treasury/Government spending period that ends in 2010/11. There is also the need to commit and deliver against NDC targets, utilising that funding, recognising that whilst currently it is expected that up to £5m of resources from this programme will be allowed to be carried forward into 2010/11 (i.e. beyond the original planned ten year life of the NDC programme) that such funds if not committed could also be at risk in the event of a national public spending review, potentially soon after June 2010. Further there is the desire of local residents to see the scheme proceed against the backdrop of failed earlier options intended to deliver the regeneration of the area.

3.8 The refurbishment pilot covering thirteen blocks on the estate is underway. (see paragraph 5.3.2) This is dealing with the internal refurbishment of tenanted flats

and is due to be complete in July 2010. Potentially eighteen units could be completed before the calendar year end.

3.9 This report is intended to enable members to consider the key actions necessary to commit the scheme. Given the range of areas to be dealt with the next section of this report is structured along the following themes or aspects to support this:

- **Scheme Overview**
- **Invitation to submit final proposals – ITSFP (or BAFO Best and Final Offer)**
  - Requirements – deliverables
  - Assessment Criteria
  - Scheme Proposals
  - Consortia Structure
  - Assessment Process and Results
  - Subsequent Actions
- **Contractual Arrangements**
  - Phasing
  - Consortia obligations
  - Viability
  - Land transfer
  - ORT (Ocean Regeneration Trust) issues
- **Site Assembly Issues**
  - Progress on Area
  - CPO proposals area
  - Feeder sites
  - Community Facility provision
  - Declaration of sites surplus to requirement
- **Compulsory Purchase Order Block F**
- **Funding**
  - HCA financing
  - Overage arrangements
  - Council/NDC contribution
  - Consortia investment in Council's Estate
  - Role of Section 106
- **Delegated Actions**
  - Consideration of leaseholder responses to consultation under Section 20 of Landlord and Tenant Act.

- 
- Finalising contract and entry into conditional contract
- Authority to vary the scheme due to contract: and/or technical; and/or planning requirement and/or financial issues arising from HCA grant deliberations and scheme viability test.

#### 4. **SCHEME OVERVIEW**

- 4.1 The scheme represents a package of proposals to comprehensively physically regenerate the Ocean Estate Area through partial demolition and redevelopment, providing a mix of new affordable rent, intermediate and market sale housing. It recycles NDC and HRA capital finance invested to date and future Council HRA Capital and NDC grant together with monies to be generated from the new development to deliver financial support to fund the refurbishment of the Council's retained homes. The project also relies upon Section 106 obligations being entered into by the Consortia that will finance the improvement of the wider estate public realm as well as supporting the fit out of the proposed new community facility at Harford Street, located at the junction with Ben Johnson Road.
- 4.2 At the time this scheme was conceived it was intended that there would be little or no need for support from the public sector beyond the Council's HRA Capital and NDC's grant. With the previous revision in housing unit numbers and tenure mix reducing the market sale element, and the decline in the Housing Market it became clear that a level of investment or subsidy from the Government would be required. This however will be limited to that obtainable to support the delivery of new affordable and intermediate housing. Finance from Government to support Decent Homes type works and related improvement to Council housing only being available to authorities who have established an Arms Length Management Organisation that has attained at least 'two star' status at inspection. A key factor towards obtaining the necessary level of HCA financial support that the scheme is expected to receive is that HCA have moved their position from just funding 'additional new' affordable housing from NAHP (National Affordable Housing Programme) resources, to also including replacement housing where existing former Council housing units are within regeneration schemes, and to be demolished.
- 4.3 The procurement of partners to deliver the project given the multi tenure nature of the scheme and the need for those partners ultimately appointed to invest in the Council's stock has meant that the process has been complex and must be compliant with Public Procurement Regulations.
- 4.4 As outlined at July Cabinet the ITSOP (Invitation to Submit Outline Proposals) resulted in one Consortia bidding: the East Thames Consortia (East Thames Housing Group; First Base; Bellway Homes and Wates). Their proposals have been the subject of what is known as a 'competitive dialogue processes. To ensure value for money elements of the tender have been benchmarked against the costings in the Councils advisors, business model. During the competitive dialogue period the physical proposal upon which the ITSOP was based has been the subject of review jointly with the Consortia. Whilst the previous

development plans and proposals had been developed within the dialogue with three potential bidders, the resultant scheme did not match the remaining bidders (ETC) aspirations for the development. Broadly they wished to see some key changes within the overall planning envelope area of 77,000m<sup>2</sup>. These have comprised:

- Reducing the number of dwellings with only a single aspect (external facing wall), i.e. ensuring most homes will have windows on both sides now.
- Changing the build form to enable discrete phases to be developed rather than the Council's previous model that tended to rely upon building very large structures.
- Varying the heights across the scheme to improve the interface with existing retained housing whilst still delivering the overall unit numbers.
- Varying the number of units by up to 6% to ensure viability.

4.5 To deliver the project the Council has moved ahead with the decant of tenants and the acquisition of homeowners interests. At the time of writing this report only ten homeowners remain within area E and six secure tenants. One block Aden House has been demolished and Taranto is due to follow very soon. The next block will probably be Flores House, Tenders are being invited for the demolition of the remaining blocks under a framework type contract that could be novated to the Consortia to continue and complete the demolition works after the proposed 'conditional contract' has been entered into between the Council and the Consortia.

4.6 Subject to Cabinet agreeing the recommendations set out within this report, the project targets dates are as follows:

|             |  |
|-------------|--|
| 03.12.09    | Commence leasehold consultation  |
| 18.12.09    | Planning Application submitted   |
| 08.01.10    | End of leaseholder consultation  |
| By 15.01.10 | Director of Development &Renewal (D&R) and Assistant Chief Executive Legal (ACE) I consider responses Leasehold consultation   |
| By 22.01.10 | Director D&R and ACE legal in consultation with the Lead Member for Housing consider whether to proceed and enter into conditional contract with Consortia               |
| By 25.01.10 | Parties enter into conditional contract and Phase I of the Refurbishment element of this conditional contract goes unconditional using HRA Capital and NDC grant funding |

|             |   |
|-------------|---|
| By 31.1.10  | HCA confirm (pre?) allocation   |
| 10.03.10    | Planning Committee considers scheme   |
| March 2010  | Subject to planning consent, land transfer of part of E with vacant possession and part of site F with vacant possession are transferred to the Consortia |
| By 31.03.10 | HCA grant confirmation  |
| By 31.03.10 | Consortia-East Thames – draws down initial stage of grant   |

4.7 The refurbishment programme will be delivered in three phases:

- a. initial phase mainly funded from Council and NDC resources capable of commencement following entry into contact with the Consortia
- b. second phase capable of delivery following land exchange for sites with Ocean Estate Area E and potentially feeder sites with Essian Street and Harford Street.
- c. third phase capable of delivery following land exchange on site F and the feeder site at LIFRA currently in use by the Limehouse Project.

The second and third phase of refurbishment works are triggered by the release of payments by the Consortia as they take possession of sites E and F. The delivery of the second phase refurbishment is expected to be reliant upon the transfer of the initial feeder sites as well as area E. These are dependent upon gaining vacant possession of 85 Harford Street and the Council making prior arrangements for the staff of Children, Schools & Families Directorate within the 85 Harford Street building to be relocated, including the relocation of the Parents Advice Centre; and completion of negotiations in respect of relocation of the school premises manager of Ben Jonson School who is resident on site.

The third phase of refurbishment relies on the transfer of block F feeder site release (LIFRA site) is complicated by the provision of new accommodation within the Harford Street Centre which is also intended to house the PCT's (Primary Care Trusts) surgery presently located under block F on the opposite corner of Ben Johnson Road and Harford Street. This relocation is subject to the Primary Care Trust financing the fit out of their intended of part of these new premises.

Delivery of Vacant possession on areas E and F of the current estate is subject to on-going resident and occupier negotiations. Compulsory purchase arrangements have been agreed to underpin securing title for area E of the Estate (October Cabinet 2009) and in respect of area F this report is seeking authority to commence a CPO as set out later in the report.

4.8 The refurbishment works comprise the internal upgrading of flats to meet the Decent Homes Standard (DHS), this includes repairs and renewals to the main structure and common parts of the retained blocks to also meet the DHS; additionally the redecoration of the common parts; the installation of double glazing to blocks where this has not already been provided; upgrading of lifts with the renewal of key elements, upgrading or renewal of entry systems and the provision of such to protect upper levels of blocks where none exist at present. These would also need to have DDA (Disability Discrimination Act) compliant approaches (ramped) and this would need to be packaged alongside the proposed Section 106 led Environmental works that will provide for the enhancement and refurbishment of the estate lands as probably the final component of the refurbishment scheme.

## 5. ITSFP

### 5.1 Requirements

5.1.1 The 'Invitation to Submit Final Proposals' (ITSFP) represents the end of the competitive dialogue process. The document sets out the Council's requirements as amended and developed as a result of the competitive dialogue process.

5.1.2 The Council's key objectives for the redevelopment proposals are:-

- No loss of affordable homes in accordance with planning policy;
- To achieve a minimum of 35% additional new affordable housing
- Refurbishment proposals to achieve a Decent Homes Plus standard to all retained existing affordable rented dwellings;
- Maximisation of funding achieved through open market dwelling sales, low cost home ownership sales, capitalised rental income from affordable rented dwellings as well as Homes and Communities Agency grant funding and funding from the development partner's own reserves;
- New build developments of high quality, mixed tenure dwellings meeting Lifetime Homes standards;
- High quality design standards to be maintained throughout the design and construction processes;
- High quality well designed environmental improvement, open space, play areas and community facilities;
- Dwelling mix to accord with the planning policy
- New build dwellings to achieve Code 4 star of the Code for Sustainable Homes;
- ;
- Existing Council tenants exercising the option to return to a new RSL home on Ocean Estate are to be given, as far as possible, tenancies offering preserved terms and conditions (including a preserved Right to Buy) to mirror or improve their existing rights or to apply to the Council's Choice Based Letting Scheme to remain a Council tenant; and
- Provision of affordable replacement homes for resident leaseholders.

- Re-provision of retail space as set out in the Council's Retail strategy. As part of this provision, the Council's Officers have kept an ongoing dialogue with traders.

5.1.3 Whilst the invitation sets out the design guidance to be adhered to, in parallel with the competitive dialogue, the Consortia have met with the Council's Planning Officers to develop the scheme proposals to ensure that these should be policy compliant and capable of gaining consent.

5.1.4 Requirements involved tenders providing their response on:

- Vision for the estate
- Approach to the refurbishment
- Affordable housing proposal
- Management of new developments post completion
- Rehousing option/support for leaseholders
- Sales and marketing proposals for outright sales housing
- Response to residents design code principle
- Consultation arrangements
- Employment and Training for local people
- Delivery team
- Financial and financing information
- Design information for 'compliant' and 'variant' bids programme
- Response to project Development Agreement

## 5.2 **Assessment**

5.2.1 The bids have to be assessed against pre set criteria detailed in schedule 1 to this report. Overall this falls under three headings:

Financial - 60% of marks  
 Qualitative - 25% of marks  
 Heads of Terms - 15% of marks

## 5.3 **Scheme Proposals**

5.3.1 Tenders have been invited on the basis of two main development proposed options for the new homes:

- One 'A' that follows the unit numbers and mix as set out at the ITSOP stage 777 units 38% social rent, 10% intermediate shared ownership 3% intermediate shared equity 49% outright sale.
- The second 'B' retains the same numbers of rent and shared ownership units but allows the development consortia to increase the element of outright sale to improve the viability of the scheme. Overall this proposal allows for 803 units.

- As part of the competitive dialogue process and negotiations with HCA, two further options have also been agreed for submission. Tender 'C' which is based on 799 homes and a further tender based on 819 homes.

Each option delivered a different level of potential viability for the scheme. It is anticipated that the 819 unit scheme will deliver a financial surplus on the business model that has been utilised to support the tender process. This translates to an anticipated receipt. That provides the main contribution to fund the refurbishment and Section 106 works to transform the Ocean Estate.

The areas of the estate to be redeveloped are Urban blocks E and F as the main sites for the mixed tenure housing with the largest proportion of affordable housing on E in order to meet HCA timelines/requirements. The three feeder sites are anticipated to be developed for market sale housing.

5.3.2 In terms of the refurbishment proposals these cover the following blocks;

| Refurbishment Sites:  | Refurbishment Sites:<br>(continued...)   |
|---|--|
| <p><b>Urban Block A:</b><br/>           Biscay House<br/>           Barnes House<br/>           Solway House<br/>           Barents House<br/>           Biscay House<br/>           Aral House<br/>           Bantry House<br/>           Magellan House<br/>           Pacific House<del>#</del><br/>           Levant House<del>#</del><br/>           Adriatic House<br/>           Genoa House<del>#</del><br/>           Hawke House<del>#</del><br/>           Palliser House<del>#</del><br/>           Formosa House<del>#</del><br/>           Galveston House<del>#</del><br/> <b>Urban Block B:</b><br/>           Weddell House<del>#</del><br/>           Peter Shore Court<br/> <b>Urban Block C:</b><br/>           Ionian House<br/>           Arabian House<br/>           Timor House<br/>           Anson House<br/>           Greenland House<br/>           Coral House<br/>           Cambay House</p> | <p><b>Urban Block D:</b><br/>           Sandalwood Close<br/>           James House<br/>           Broadford House<br/>           Emmot Close<br/> <b>Urban Block G:</b><br/>           Solent House<br/>           Lorne House<del>#</del><br/>           Cromarty House<br/> <b>Urban Block H:</b><br/>           Allonby House<br/>           Channel House<br/>           Studland House<br/> <b>Urban Block I:</b><br/>           Durham House<del>#</del><br/>           Pevensey House<br/> <b>Urban Block J:</b><br/>           Sligo House<del>#</del><br/>           Pegasus House<br/> <b>Urban Block K:</b><br/>           Panama House<del>#</del><br/>           Galway House<br/> <b>Urban Block L:</b><br/>           Morecambe Close<br/> <b>Urban Block M:</b><br/>           Milrood House<del>#</del><br/>           Rectory Square<br/> <b>Urban Block N:</b><br/>           Canal Close<br/>           Union Drive<br/>           Grand Walk</p> |

Of these it is anticipated that the internal works to tenanted units in those marked '≠' will have been dealt with as part of the refurbishment pilot scheme that is due to complete by July 2010. The refurbishment proposals sought as part of the invitation comprise:

- Desired Approach to Programme Priorities:
  - a) Most economic way of delivery scheme ( to ensure monies available are stretched to deliver maximum outcomes) –
  - b) Ideally deal with blocks undertaking full internal and external refurbishment at the same time to reduce disruption.
  - c) Complete to Decent Homes requirement for 2012
  - d) Complete pilot internally refurbished blocks externally
  - e) Complete environmental works – will include door entry and raising standard of block entrances to DDA compliance
  
- Refurbishment/Internal Works required –to tenanted units:
  - a) Kitchen refit and redecorate – including floor finishes
  - b) Bathroom refit and redecorate – including floor finishes
  - c) Upgrade or renew electrics
  - d) Upgrade to full heating where partial
  - e) New boilers – energy efficient
  
- Block common parts works:
  - a) Windows where single glazed – install double glazing
  - b) Communal areas redecorated
  - c) Door entry to be installed where none and practical, to do so where 'existing old' renew
  - d) Roof overhaul – renew as required
  - e) Brick work/works repair as required
  - f) Concrete repair as required
  - g) Plan to renew lifts where equipment is old and upgrade to DDA compliance
  - h) Repair/clean drainage
  
- External works:
  - a) Environmental works – Budget for each part of Estate set as part of section 106 requirements. Consultation with residents to be held on how this is to be spent and the specific types of environmental works to be provided within a structured approach.
  - b) Potentially to include new and improved lighting, play areas, gardens, parking and paths etc.

## 5.4 Consortia

5.4.1 During the dialogue period a number of options have been explored in terms of the structure of the legal agreement and the role of the Consortia members. At the close of the competition dialogue it was anticipated that each of the Consortia members would take responsibility for key aspects of delivery. Bellways being both a house builder and constructor are expected to take responsibility for building out the sites that are wholly or in the major part comprising 'market sale housing'. This will therefore cover the three feeder sites and potentially a significant component of urban block F. East Thames will as Social Housing provider be expected to take responsibility for delivering the new affordable housing and will lead on redeveloping urban block 'E' and potentially a small component of F. East Thames Housing Group may sub-contract with Bellways who will build out the new build.

5.4.2. The refurbishment work will be carried out by Wates as sub-contractor to East Thames.

5.4.3. Additionally First Base are also a member of the consortia. Their role through the dialogue period has been to provide project management co-ordination across the consortia and to lead and develop the bidding teams financial model.

## 5.5 Assessment Process and Results

5.5.1 Cabinet will receive (to follow) a report on the marking of the submission, At the time of preparing this report the Qualitative assessment (involving the residents procurement panel) had been carried out and had been marked with a positive result. The legal and financial assessment had been carried out, but queries on a number of issues had been raised for clarification prior to final marking in the week ending 27 November 2009.

## 5.6 Site Assembly Issues

5.6.1 The progress in preparing to obtain vacant possession and enable the first phase Block E of potential development within the estate is set out within the table below with one block Aden House demolished; and a second Taranto House under negotiation with a potential contractor to follow. The remaining blocks are each very close to vacant possession and demolition proceeding. Tenders that enable the appointment of a 'contractor' to commence demolition on each of the blocks as they become void are being invited.

| <b>URBAN BLOCK E</b><br>(235 Units, 230 Properties) |               |             |               |                |             |               |                |              |
|---|---------------|-------------|---------------|----------------|-------------|---------------|----------------|--------------|
|   | <b>Bengal</b> | <b>Aden</b> | <b>Flores</b> | <b>Taranto</b> | <b>Riga</b> | <b>Darien</b> | <b>Caspian</b> | <b>TOTAL</b> |
| <b>Leasehold</b>                                    | <b>3</b>      | <b>0</b>    | <b>1</b>      | <b>0</b>       | <b>4</b>    | <b>0</b>      | <b>2</b>       | <b>10</b>    |
| <b>Council Owned</b>                                | <b>90</b>     | <b>0</b>    | <b>22</b>     | <b>24</b>      | <b>19</b>   | <b>24</b>     | <b>22</b>      | <b>201</b>   |
| <i>Secure Tenants</i>                               | <i>2</i>      | <i>0</i>    | <i>1</i>      | <i>0</i>       | <i>1</i>    | <i>2</i>      | <i>0</i>       | <i>6</i>     |
| <i>Non-Secure Tenants</i>                           | <i>1</i>      | <i>0</i>    | <i>0</i>      | <i>0</i>       | <i>0</i>    | <i>1</i>      | <i>0</i>       | <i>2</i>     |

|                   |           |            |           |           |           |           |           |            |
|-------------------|-----------|------------|-----------|-----------|-----------|-----------|-----------|------------|
| <i>Squatters</i>  | 1         | 0          | 7         | 0         | 7         | 9         | 5         | 29         |
| <i>Voids</i>      | 86        | 0          | 14        | 24        | 11        | 12        | 17        | 163        |
| <i>Demolished</i> | 0         | 19         | 0         | 0         | 0         | 0         | 0         | 19         |
| <b>TOTAL</b>      | <b>93</b> | <b>19*</b> | <b>23</b> | <b>24</b> | <b>23</b> | <b>24</b> | <b>24</b> | <b>230</b> |

\*Block has been demolished

The agreement of the use of CPO powers by the October Cabinet should assist in the final negotiations with homeowners. Alternative properties to enable rehousing to proceed are being held in the case of five of the six remaining secure tenants where notices to seek possession have also been served.

Additionally, a dialogue has been opened with the owners of the land at 90 Duckett Street that is also required to deliver site E.

5.6.2 On Block F, as elsewhere outlined in this report, authority is sought to commence the CPO process. They early release part of the site of block F could be key to ensuring East Thames is in a position to secure and drawdown Affordable Housing Grant from the HCA. Efforts to enable at least part of Block F to form part of an early land transfer are being focussed on Atlantic House and the grounds surrounding it. The current position at block F is set out below:

| <b>URBAN BLOCK F</b><br>(107 Units, 107 Properties) |                |                 |                |                    |              |
|---|----------------|-----------------|----------------|--------------------|--------------|
|   | <b>Andaman</b> | <b>Atlantic</b> | <b>Marmora</b> | <b>Ben Johnson</b> | <b>TOTAL</b> |
| <b>Leasehold</b>                                    | <b>2</b>       | <b>3</b>        | <b>3</b>       | <b>3</b>           | <b>11</b>    |
| <b>Council Owned</b>                                | <b>34</b>      | <b>33</b>       | <b>23</b>      | <b>6</b>           | <b>96</b>    |
| <i>Secure Tenants</i>                               | 14             | 11              | 13             | 2                  | 40           |
| <i>Non-Secure Tenants</i>                           | 10             | 12              | 3              | 2                  | 27           |
| <i>Squatters</i>                                    | 3              | 0               | 0              | 0                  | 3            |
| <i>Voids/Other</i>                                  | 7              | 10              | 7              | 2                  | 26           |
| <b>TOTAL</b>  | <b>36</b>      | <b>36</b>       | <b>26</b>      | <b>9</b>           | <b>107</b>   |

Block F includes Marmora House where eight retail units are located beneath the residential accommodation along with the premises occupied temporarily by the Primary Care Trust for surgery purposes. The scheme anticipates the PCT will move to the proposed new Community Hub located on the corner of Harford Street and Ben Johnson Road. To provide an assured or secure position in relation to obtaining vacant possession for the scheme to proceed it is proposed that the arrangements are put in place to enable a CPO to apply to all the interests that need to be extinguished or acquired within Urban Block F. The arrangements and the background to pursuing a CPO for Urban Block F are set out within Section 6 of this report.

5.6.3 The three feeder sites 'Essian Street'; 85 Harford Street' and the 'LIFRA' site are all expected to make a significant contribution to the affordability of the overall project. Essian Street is vacant and capable of development subject to the normal consents immediately. Harford Street involves a mixed refurbishment and new build proposal for this site. The 85 Harford Street frontage building is listed and subject to proposals for conversion to housing. The buildings and site currently have three Education uses that will need to move. The arrangements

to achieve this have been under discussion with Children, Schools & Families Directorate. The 85 Harford Street site became part of the scheme when the former feeder site Dame Collett House was removed from an earlier set of proposals for the Ocean regeneration. The uses at Harford Street comprise:

- Staff accommodation
- Parents Advice Centre (PAC)
- Premises Manager to of Ben Jonson School

In the case of the office use and the PAC, Children, Schools & Families Directorate is to relocate the uses/users by Summer 2010. The Premises Manager's rehousing provision is subject to proposals to be submitted by East Thames HA. A menu of options is anticipated enabling some choice for the service provider/occupier in terms of rehousing. The key issues include: identifying suitable and appropriate interim and final locations, size of and type of accommodation; tenure; and financial consequence both to the Council and the scheme.

#### 5.6.4 Community Facility Provision

Beyond the contractual issues for the delivery of the Housing proposals separate arrangements need to be put in place for the relocation of the Limehouse project from the LIFRA site to the new Community provision at Harford Street. As has been outlined this is partly dependant upon negotiations between East Thames Housing Group, the owners of the 'shell' at Harford Street and the Primary Care Trust (PCT) who are intended to occupy approximately two thirds of this area. The PCT's move in turn releases the space occupied by the surgery beneath Marmora House which is due for demolition as part of block F. The separate arrangements to be agreed between East Thames and the Council (as well as potentially the PCT if they take an under lease on the whole premises) relates to agreeing terms for a lease on the community element including bringing this up to useable standards, either through the lease requiring a fully fitted out building, or through a lease and a separate fit out contract. Should East Thames and the PCT not be able to agree terms for the 'Health' provision, the Council may have to proceed separately and directly with East Thames on the Community element of the Harford Street building.

5.6.5 The proposed development sites are being disposed of on a long lease with the Council retaining the freehold. With the exception of 85 Harford Street, they have previously been declared surplus to requirements to allow the regeneration. Appended to this report are plans; 'at Appendix \_\_\_', illustrating the sites that are to be transferred to the Consortia. This report will seek members, 'in principle', agreement to delegate authority to the Director of Development and Renewal in consultation with the Assistant Chief Executive (Legal) to declare 85 Harford Street surplus and to release the sites if necessary in phases or parts, once vacant. The sites comprise:

- Housing site Urban Block E
- Housing site Urban Block F

- Feeder/vacant site Essian Street
- Education site 85 Harford Street
- Community use site LIFRA

5.6.6 Prior to the Council entering into conditional contact with the Consortium it may be necessary for East Thames to grant a small top up loan to one or two leaseholders to enable them to move out of the blocks so they can be demolished and save the Council considerable costs in security against squatters. If this is the case then East Thames will seek a letter of indemnity signed by the Director of Development & Renewal to reimburse the loan from the HRA capital account in the event that the contract with the Consortia never becomes unconditional and in that event the sum would be met from the HRA Reserves.

## 6. **COMPLUSORY PURCHASE ORDER “BLOCK F”**

6.1 As outlined above at the October Cabinet meeting it was agreed that Compulsory Purchase arrangements should be put in place and progressed in relation to Urban Block E. This section of the report deals with proposals to take forward similar arrangements for Urban Block F where there are currently 11 Residential Leasehold interests created through the exercise of Right to Buy entitlement by former tenants and eight commercial interests within the Council’s freehold title. At Appendix 2 the plan indicates the areas concerned..

6.2 Section 17 Housing Act 1985 (the 1985 Act) provides a power for a local housing authority to acquire land for housing purposes via the use of CPO powers. The types of situations envisaged by the legislation when such powers can be exercised include:

- acquisition of land for the erection of houses
- acquisition of houses or buildings which may be made suitable as houses, together with any land occupied
- acquisition of land to provide facilities in connection with housing accommodation, and
- acquisition of land to carry out works in connection with providing housing

6.3 It extends to the provision of recreation grounds, shops and other commercial premises and building serving beneficial purposes for the people who will occupy dwellings (for example community centres).

6.4 Land can be acquired under section 17 of the 1985 Act either by agreement or compulsorily. The procedures to be followed and provisions concerning compensation are contained within sections 578 – 603 of the 1985 Act. The legislation governing the procedures to be followed when exercising CPO powers are contained in the Acquisition of Land Act 1981, the Compulsory Purchase Act 1965 and the Land Compensation Act 1961.

- 6.5 Section 226 of the Town and Country Planning Act 1990 (as amended) (the 1990 Act (as amended)) was amended by the Planning and Compulsory Purchase Act 2004 (the 2004 Act) to provide wider powers for local planning authorities to acquire land by CPO when the authority thinks that the acquisition will facilitate the carrying out of development, redevelopment or improvement on or in relation to the land.
- 6.6 Section 226(1A) of the 1990 Act (as amended) provides that an authority must not exercise the power under section 226(1) (a) unless it thinks that the development, redevelopment or improvement is likely to contribute to the achievement of the promotion or improvement of the economic, social or environmental well being of their area and be in the public interest. Land may also be acquired by agreement for the same purposes.
- 6.7 The Assistant Chief Executive (Legal) will advise the Corporate Director Development and Renewal which of the statutory powers are appropriate for the final order when the detailed scheme of development is finalised at the end of the tender.
- 6.8 Government Circular 06/04 entitled 'Compulsory Purchase and the Criche Down Rules' sets out guidance to acquiring authorities in England making a compulsory purchase order. Paragraph 17 of Circular 06/04 refers to the balance that has to be struck between ensuring a compelling case in the public interest and that the regeneration project sufficiently justifies interfering with the human rights of those with an interest in the land affected. It reads as follows:
- "A compulsory purchase order should only be made where there is a compelling case in the public interest. An acquiring authority should be sure that the purposes for which it is making a compulsory purchase order sufficiently justify interfering with the human rights of those with an interest in the land affected."*
- 6.9 Paragraph 19 of Circular 06/04 goes on to state:
- "If an acquiring authority does not have a clear idea of how it intends to use the land which it is proposing to acquire, and cannot show that all the necessary resources are likely to be available to achieve that end within a reasonable time-scale it will be difficult to show conclusively that the compulsory acquisition of the land included in the order is justified in the public interest... Parliament has always taken the view that land should only be taken compulsorily where there is clear evidence that the public benefit will outweigh the private loss."*
- 6.10 Appendix E of Circular 06/04 provides guidance to local authorities considering using the CPO powers under the Housing Acts. Paragraph 2 of Appendix E states that orders should not be made unless there is a compelling case in the public interest for making them.

- 6.11 Guidance in Circular 06/04 in relation to the use of CPO powers under the 1990 Act (as amended) states that this can include housing development (where there is no qualitative or quantitative gain) and cases where other benefits are gained e.g. road or rail improvements.
- 6.12 Consideration is given to the human rights implications of the decision to make a compulsory purchase order below.
- 6.13 The Circular 06/04 sets out examples of the circumstances in which CPO may be used by relevant authorities and can be summarised as follows:
- To unlock situations where a scheme is being blocked by an owner (or owners) unwilling to dispose of property either at all or only at a price considerably in excess of market value a ransom situation
  - To ensure effective negotiations for land assembly where there is a multiplicity of ownerships and absent landlords
  - Where there are unknown owners
- 6.14 The guidance in Circular 06/04 states that where possible specific powers (e.g. the Housing Act 1985) should be used rather than the more generic power under the 1990 Act (as amended). It is therefore necessary to determine in the case of each CPO whether all the reasons for acquisition fall within the Housing Act 1985 or not, in which case the powers under the 1990 Act (as amended) must be used. This judgement can only be made closer to the making of the CPO, when all of the factors applicable are known.
- 6.15 Whether the housing or planning powers are used people affected by the CPO have similar rights to object, to be heard at a public inquiry and receive compensation.
- 6.16 As the required judgement cannot be made at this time it is recommended that the decision as to whether to use the housing or planning powers for the CPO be delegated to officers.
- 6.17. The essential requirement for use of compulsory purchase powers under section 17 of the 1985 Act may be summarised as follows:
- That the Council is satisfied that acquisition will achieve a quantitative or qualitative housing gain
- 6.18 The essential requirement for use of compulsory purchase powers under section 226 of the 1990 Act (as amended) may be summarised as follows:
- That the Council is satisfied that the development, redevelopment or improvement is likely to contribute to the achievement of the promotion or improvement of the economic, social or environmental well being of their area

- 6.19 Appendix 2 to this report is a plan Urban Block F that and schedule the interests within the site which are to be subject to potential CPO.
- 6.20 The need for the action is to support the process required to ensure all tenants; leaseholders; freeholders; community facility occupiers; retailers and traders; as well as illegal occupiers are moved off the site in a timely and fair manner so the redevelopment work can proceed.
- 6.21 **In line with Government Guidance on the use of CPO powers the Council has sought and will continue to seek wherever possible to secure vacant possession through voluntary agreement.** There is clear evidence available to demonstrate this, through correspondence and negotiations the council has had with various occupiers. Regrettably there are occasions when occupiers are unwilling to agree terms, this can be due to a variety of factors, ranging from opposition to a scheme to unrealistic expectations as to the level of compensation which may be payable.
- 6.22 In the event that the Council did have to proceed with the CPO and a public inquiry were held such evidence of negotiations would be available to demonstrate the fact that the Council has used the CPO as a last resort.
- 6.23 It is stressed that the authorisation to commence CPO proceedings would be conducted while further negotiations with owners continue alongside the CPO process. Council officers are committed to trying to achieve negotiated settlements with owners wherever possible. Council officers will continue to work sensitively with leaseholders. For example when requested Council Officers have been assisting home owners by carrying out property searches and by helping to arrange viewings in their area of preference.
- 6.24 The Ocean decant process has taken considerable time and is in its final stages. The imperative now is to decant and demolish the remaining blocks in the redevelopment phase known as Urban Block F to enable the new development to proceed. Officers will therefore seek to accelerate the ongoing negotiations - backed up by the requested CPO - so that the clearance and demolition of the blocks within Urban Block F is completed to meet the delivery timetable. Ward Members will be kept informed of progress and invited to assist officers in discussions with individual leaseholders, where appropriate, subject to the observation of legal process in the conduct of negotiations and the valuation process.

## 7. **FINANCING**

The financing of this project is dealt with within the accompanying report on the Part 2/confidential agenda.

## 8. **DELEGATED ACTIONS**

- 8.1 Authority to vary the Contract once entered into

The nature of this complex regeneration scheme involve entry into a conditional contract with the Consortia. This essentially locks the parties into a fixed set of terms and arrangements that subject too the satisfactory outcome of actions to be effected subsequently such conditionality falls away. Key is the matters that will be conditional which are:

- The granting of satisfactory Planning Consent to enable the redevelopment scheme to proceed.
- The agreement by HCA (Housing and Communities Agency) of the anticipated level of grant support to enable the affordable housing element of the scheme to be funded.
- The satisfactory outcome from the viability checks.

In the event of any or all of these delivery outcomes not being delivered in the manner that the 'Conditional Contract' conceives, for the project to move forward it will be necessary for rapid negotiations to take place between the Council and the Consortia to agree to vary the project (and the contract terms) to enable the regeneration to proceed. Given the need to meet rules on future funding and secure the overall scheme objectives, it is recommended that Cabinet agree to delegate authority to the Director of Development and Renewal to vary the contract terms and project content following consultation with the Lead Member for Housing and in agreement with the Assistant Chief Executive Legal Services.

## **9. ALLONBY, CHANNEL AND STUDLAND HOUSE**

- 9.1 These three blocks are currently part of the proposed refurbishment proposals. They are eleven stories in height of system concrete type construction and are understood to have been build using the Taylor Woodrow Anglian system. One flat has been surveyed in detail and a desk assessment of the buildings has been carried out. These indicate additional survey work should be undertaken to verify the extent of work these buildings may require. This may mean a further report later on 2010 will be presented to cabinet if the costs and solutions cannot be delivered within the current scheme finances.

## **10. COMMENTS OF THE CHIEF FINANCIAL OFFICER**

Chief Finance Officer's comments to follow.

## **11. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)**

- 11.1 The Council has the power to make a CPO under section 17 Housing Act 1985 (as amended) and section 226 Town and Country Planning Act 1990 (as amended). This may be done to assemble land for housing and ancillary development, including the provision of access roads; to bring empty properties into housing use; and to improve sub-standard or defective properties or to facilitate the carrying out of development, redevelopment or improvement on or in relation to the land involved. However, this must promote the economic, social or environmental well-being of an area and be in the public interest as set out elsewhere in the report

- 11.2 A CPO can be used to assist a developer and there is currently a procurement process underway to select a developer to regenerate the land. There is no requirement that the Council is the developer. Since this deprives people of their property compulsory acquisition is always the last resort and will be preceded by continued efforts to buy the land by agreement.
- 11.3 In this case the formal making of the Order is proposed to be delegated to the Corporate Director of Development and Renewal. In consultation with the Assistant Chief Executive (Legal). The properties are set out in the Appendix 2
- 11.4 Whenever a CPO is made, it is necessary to carry out a “balancing exercise” to judge whether it is in the public interest to make a CPO in view of the harm done to the property interests of the individual and the benefit of improved housing and amenities for the estate together with the benefit to the well-being of the community gained by the scheme. The impact of this harm is lessened by the existence of rights of objection via public inquiry and a statutory compensation regime which includes the payments above the market price to compensate for the involuntary nature of the process.
- 11.5 The acquisition of land for housing development is an acceptable use of compulsory purchase powers, including where it will make land available for private development or development by Housing associations. Section 17(4) of the 1985 Act provides that the Secretary of State may not confirm a compulsory purchase order unless he is satisfied that the land is likely to be required within 10 years. It should be noted that the Secretary of State would not normally regard compulsory purchase as justified where development will not normally be completed within 3 years of acquisition. In this case whilst development may not be completed it should be underway and this scheme will satisfy the requirement.
- 11.6 When applying for confirmation of a compulsory purchase order made under these provisions the authority will include in its statement of reasons for making the order information regarding needs for the provision of further housing accommodation in its area. This information should normally include total number of dwellings in the district, unfit dwellings, other dwellings in need of renovation and vacant dwellings; total number of households and the number for which, in the authority’s view, provision needs to be made. Details of the authority’s housing stock, by type, may also be helpful.
- 11.7 The acquisition of land designed to facilitate this regeneration of the area satisfies the test that it will promote the economic, social or environmental well-being of an area and is an acceptable use of compulsory purchase powers under the planning legislation.
- 11.9 The value of the project is well above the threshold for the application of the Public Contract Regulations 2006. The Competitive Dialogue process described above has been undertaken in compliance with the Regulations and the process has been supported by both internal and external legal advice throughout. The

final award will be subject to a 10 day Alcatel 'standstill' period under the Regulations.

- 11.10 The statutory leaseholder consultation has to date been carried out with the involvement of Legal Services and the final Notice of Proposal to leaseholders will be reviewed by Legal Services to ensure compliance with the Commonhold and Leasehold Reform Act 2002, Section 151, as amended by the Service Charge (Consultation Requirements) (England) Regulations 2003 (together still referred to as 's.20' consultation requirements in reference to the original provisions in the Landlord & Tenant Act 1985) and will be issued once the Cabinet has approved the acceptance of tender.
- 11.11 The project and the procurement process have been thoroughly vetted to ensure they comply with the European Union State Aid Rules.
- 11.12 The Council has the power and the duty to undertake this scheme under the various Housing Acts and s.2 of the Local Government Act 2000.

## **12. HUMAN RIGHTS IMPLICATIONS OF THE CPO**

- 12.1. Section 6 of the Human Rights Act 1998 prohibits public authorities from acting in a way that is incompatible with the European Convention on Human Rights. Various convention rights are likely to be relevant to the Order, including:
- **Entitlement to a fair and public hearing** in the determination of a person's civil and political rights (Convention Article 6). This includes property rights and can include opportunities to be heard in the consultation process.
  - **Peaceful enjoyment of possessions** (First Protocol Article 1). This right includes the right to peaceful enjoyment of property and is subject to the State's right to enforce such laws, as it deems necessary to control the use of property in accordance with the general interest.
  - **Right to respect for, private and family life**, in respect of which the likely health impacts of the proposals, will need to be taken into account in evaluating the scheme (Convention Article 8).
- 12.2 The European Court has recognised that "*regard must be had to the fair balance that has to be struck between the competing interests of the individual and of the community as a whole*". Both public and private interests are to be taken into account in the exercise of the Council's powers and duties as a local planning authority. Any interference with a Convention right must be necessary and proportionate.
- 12.3 The Council is therefore required to consider whether its actions would infringe the human rights of anyone affected by the making of the CPO. The Council must carefully consider the balance to be struck between individual rights and the wider public interest. It is considered that any interference with the Convention rights caused by the CPO will be justified in order to secure the social, physical

and environmental regeneration that the project will bring. Appropriate compensation will be available to those entitled to claim it under the relevant provisions of the national Compensation Code.

### **13. ONE TOWER HAMLETS CONSIDERATIONS**

- 13.1 This scheme will contribute to One Tower Hamlets objectives. The three objectives are to reduce inequalities; ensure community cohesion; and, strengthen community leadership.
- 13.2 On **reducing inequalities**, the new scheme proposed will lead to an increase in affordable housing on the site. The scheme will also lead to new socio economic infrastructure for the area, ie, new health, community and retail facilities that will improve community well-being for local residents.
- 13.3 On **ensuring community cohesion**, the Council is working with community representatives to facilitate the regeneration project, and minimise disruption. The new scheme is intended to achieve transformational change as part of the broader objective of the New Deal for Communities Programme which is now towards the end of its final year.
- 13.4 On **strengthening community leadership**, the Council continues to work closely with the Ocean Tenants and Leaseholders Association as well as stakeholders involved with the New Deal for Communities partnership. The successful regeneration of the Ocean Estate is predicated on continuing successful engagement with residents and other local stakeholders and the Council will continue to work with residents on that basis.

### **14. RISK MANAGEMENT IMPLICATIONS**

- 14.1 The comments on risk associated with this project have been divided into three broad areas: finance; process; and community. Overall there are high risks associated with this project and set out below is the Council's approach to addressing and reducing them.
- 14.2 On **financial** risks, since Cabinet considered this Project in April 2007, the housing market has been negatively impacted by the 'credit crunch' arising from financial turmoil in the national and international financial markets. The impacts have been characterised by a reduction in demand for market housing for sale; reduction in mortgage finance for purchasers; and reduction in private finance available for developers. This has contributed to an overall lack of confidence in the housing market which has had a considerable impact on large projects of this nature. This has required the Council to approach the Homes and Communities Agency to commit resources to support the project.

The most significant work is now securing this proposed HCA support prior to forthcoming increasing uncertainties on the availability of public funds for such initiatives.

- 14.3 The Council has completed engaged in a Competitive Dialogue process with the East Thames Consortium (ETC). As set out within this report, a tight timetable exists to achieve the appointment of the Consortia and a successful conclusion to the planning process.
- 14.4 A major risk is associated with the business plan which is dependent on subsidy of £41.6m from the Homes and Communities Agency. Common with many other schemes of this type, the scope for generating cross subsidy from private market housing to support affordable housing has become limited. Similarly, housing associations are proving to be more risk averse, consequently being less willing to use financial reserves and available private finance to fund tendering processes and development activities. To address this risk, discussions have been held with the HCA on funding the Ocean Estate project which to date have been positive. The contract will be conditional on HCA Funding.
- 14.5 There have been risks associated with to successfully concluding the competitive dialogue process with the Consortium on terms acceptable to the Council. It is considered that this has been achieved through careful management of the competitive dialogue process and early identification and resolution of critical issues.
- 14.6 The Council already has in place a management structure for this project. A Project Board meets monthly and steering group meets fortnightly. Project planning and risk management issues regularly feature as agenda items at these meetings.
- 14.7 A risk, that is now reducing relates to the negative consequences of which have been experienced, from squatting and associated anti-social behaviour. Blocks on the estate, particularly on Block E which is the first major phase, are being targeted by an organised approach
- 14.8 On **community**, the Ocean Estate is a New Deal for Communities (NDC) Pathfinder project which is in its last year. A significant element of the funding is to be applied to the housing element of the project which is intended to bring about transformational change to the area. The NDC regeneration approach is predicated on community engagement through a range of mechanisms. The Council is keen to ensure that the regeneration proposals are influenced by the community stakeholders. A key risk therefore is where the Council and the East Thames Consortium fails to maintain an effective and inclusive relationship with residents, creating a situation whereby the eventual development proposals are not supported. A particular issue relates to the proposed refurbishment pilot which will require intensive consultation with individual households, many of whom will be living in overcrowded conditions. This risk will be managed through intensive community consultation primarily by the Consortium but with support from the council.
- 14.9 A related high risk relates to achieving vacant possession of Site E by Summer 2010, ensuring that all tenancy, leasehold and freehold interests in the site are secured. There are related risks associated with gaining vacant possession of

the three feeder sites and Site F which have impacts on residents; community facility occupiers and users; health providers; and traders. Agreement on pursuing a Compulsory Purchase Order for area E was given at Cabinet in October and this report seeks similar powers for area F.

- 14.10 These risks are fully identified and the Council continues to work with these community stakeholders to ensure that negative impacts are mitigated and a proactive approach is adopted to ensure future risks are avoided.
- 14.11 In conclusion, there are a number of high risks associated with this project. However, the Council believes that these risks are clearly recognised and has already demonstrated it is able mitigate negative impacts and ensure project progress continues to be achieved.

## 15. EFFICIENCY STATEMENT

- 15.1 Facilitating the regeneration of the Ocean Estate will assist with efficiency improvements in the Council. The rationale for taking forward this project on efficiency grounds can be demonstrated on the following.
- 15.2 The regeneration of the estate involves the redevelopment of five sites, two of which – Urban Blocks E and F – involve the demolition of council blocks that are in a poor condition, and refurbishment of the remaining blocks on the estate. By undertaking this work, the Council will be making efficiency savings by not having to carry out day to day repairs and maintenance to housing stock that is either past its economic life or is in need of major internal and external refurbishment. Key to sustaining the value of any future investment, whether new build or refurbishment, is an effective asset management strategy.
- 15.3 The redevelopment of Urban Blocks E and F will lead to the demolition of 342 social rented and leaseholder homes which will be replaced by 700 new homes. Over 110 additional homes are proposed to be developed on the three feeder sites. This will lead to a more efficient use of available land which helps deliver more market and affordable homes, but also helps to reduce pressure to develop new housing on greenfield sites.
- 15.4 The new housing will meet Code for Sustainable Homes Level 4. As part of delivering the CSH standard, issues such as recycling; renewable energy; and waste collection will all be effectively addressed through the new development in an integrated fashion.

## 16. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 16.1 There are three key sustainability benefits to this project. Firstly, it is planned that all the new residential development will meet a minimum standard of Code for Sustainable Homes Level 4, which is higher (and better) than the standard being delivered elsewhere in London. There may be scope to deliver a higher standard in the latter stages of the project. Overall, the scheme will also seek to facilitate better approaches to energy conservation and recycling of waste.

- 16.2 Secondly, a key element of the sustainability agenda is using land in urban environments to maximum effect. This both maximises the value of the land itself and in strategic planning terms, reduces pressure to build on greenfield sites. Issues relating to the effective use of land are set out in the efficiency statement.
- 16.3 The third element is that existing homes will have their energy performance improved through the utilisation of double glazed windows where single exist currently; and energy efficient boilers will be installed in all tenanted homes not served by communal heating systems

**Local Government Act, 1972 Section 100D (As amended)**  
**List of “Background Papers” used in the preparation of this report**

Brief description of “back ground papers”

Contact Officer: Niall McGowan  
ext. 2538

**Appendix 1: Site Plans**

**Appendix 2: URBAN BLOCK F (residential leaseholders)**

**Ocean Estates**

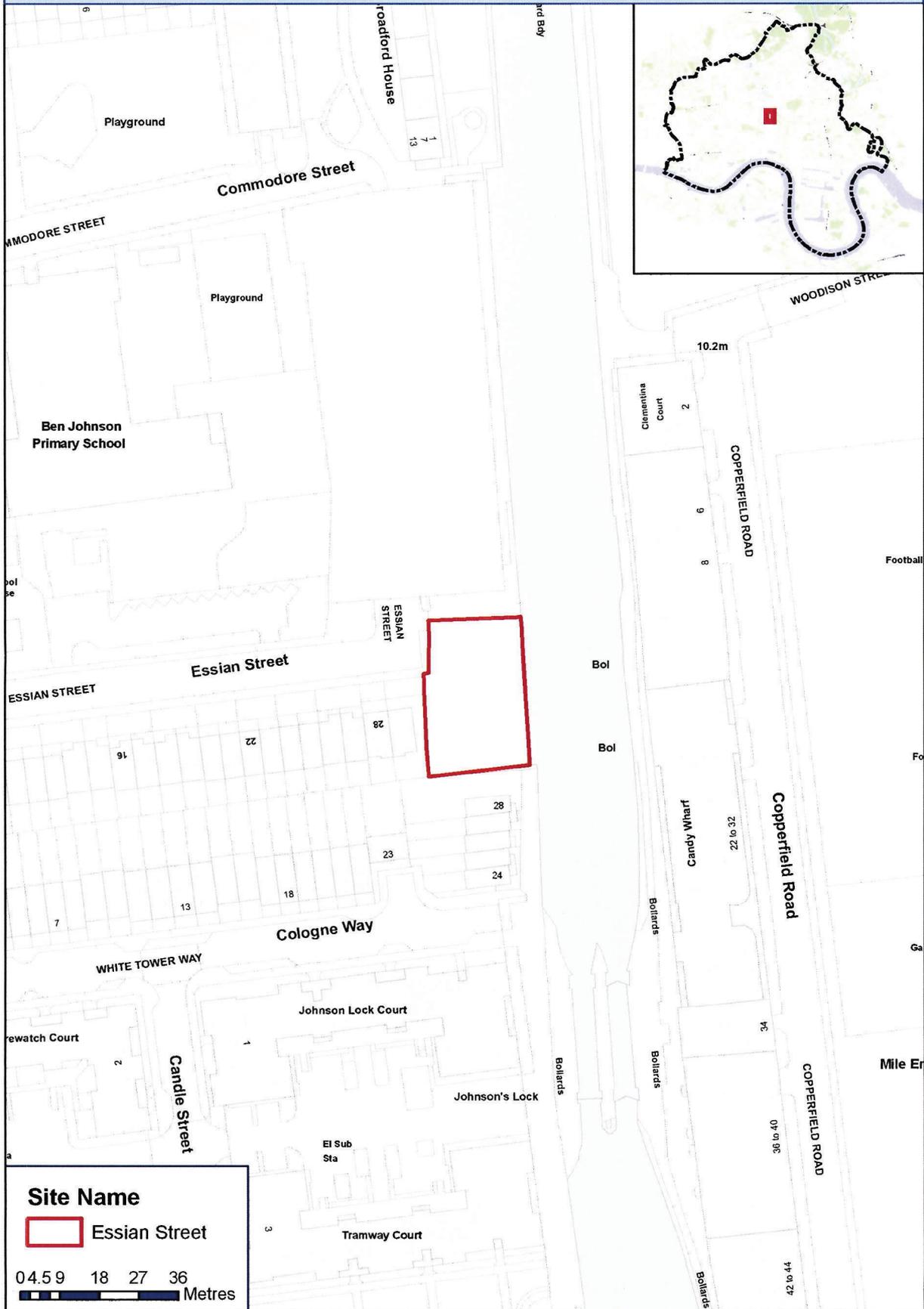
**Sites to be transferred to the East Thames Consortia**

**(see attached maps)**

| No  | Full postal address                    |
|---|--|
| <b>URBAN BLOCK F (residential leaseholders)</b>                       |  |
| 2   | Andaman House, Duckett Street, E1 4RY  |
| 21  | Andaman House, Duckett Street, E1 4RY  |
| 1   | Atlantic House, Harford Street, E1 4RZ |
| 16  | Atlantic House, Harford Street, E1 4RZ |
| 23  | Atlantic House, Harford Street, E1 4RZ |
| 31  | Ben Jonson Road, E1 4SA                |
| 33  | Ben Jonson Road, E1 4SA                |
| 41  | Ben Jonson Road, E1 4SA                |
| 6   | Marmora House, Ben Jonson Road, E1 4SA |
| 15  | Marmora House, Ben Jonson Road, E1 4SA |
| 26  | Marmora House, Ben Jonson Road, E1 4SA |
| <b>Block F - Shops (odd no's) and Doctor's Surgery and Lifra Hall</b> |  |
| 47  | Ben Jonson Road, E1 4SA                |
| 49  | Ben Jonson Road, E1 4SA                |
| 51  | Ben Jonson Road, E1 4SA                |
| 53  | Ben Jonson Road, E1 4SA                |
| 55  | Ben Jonson Road, E1 4SA                |
| 59  | Ben Jonson Road, E1 4SA                |
| 61  | Ben Jonson Road, E1 4SA                |
| 63  | Ben Jonson Road, E1 4SA                |

|    |  |
|----|--|
| 65 | Ben Jonson Road, E1 4SA                    |
|    |  |
| 67 | Ben Jonson Road, E1 4SA                    |
|    |  |
| 69 | Ben Jonson Road, E1 4SA                    |
|    |  |
| 71 | Ben Jonson Road, E1 4SA                    |
|    |  |
| 73 | Ben Jonson Road, E1 4SA                    |
|    |  |
| 75 | Ben Jonson Road, E1 4SA                    |
|    |  |
| 77 | Ben Jonson Road, E1 4SA                    |
|    |  |
| 79 | Ben Jonson Road, E1 4SA (doctor's surgery) |
|    |  |
| 7  | Halley Street, E14 7SS (Lifra Hall)        |

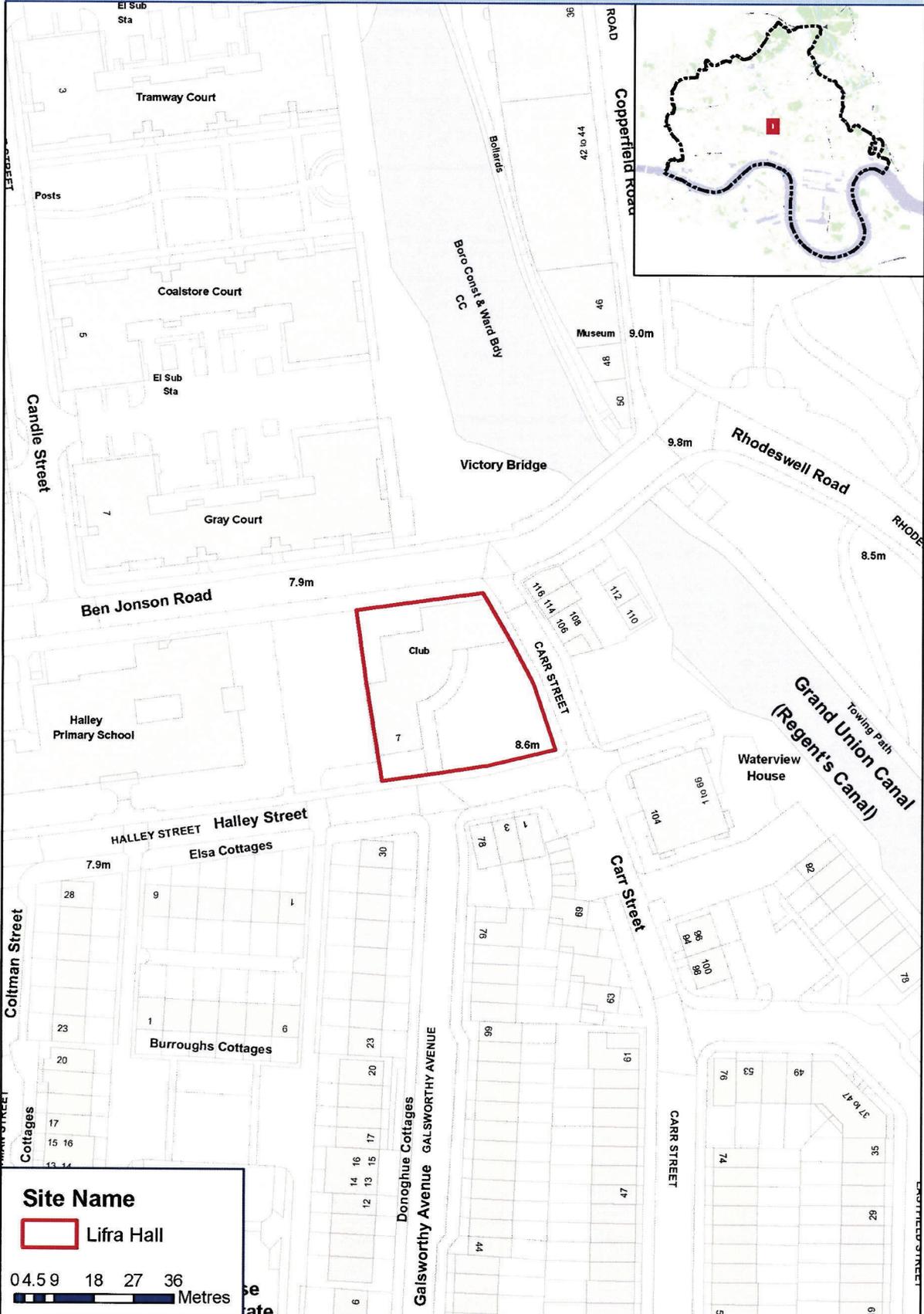
This page is intentionally left blank



### Site Name

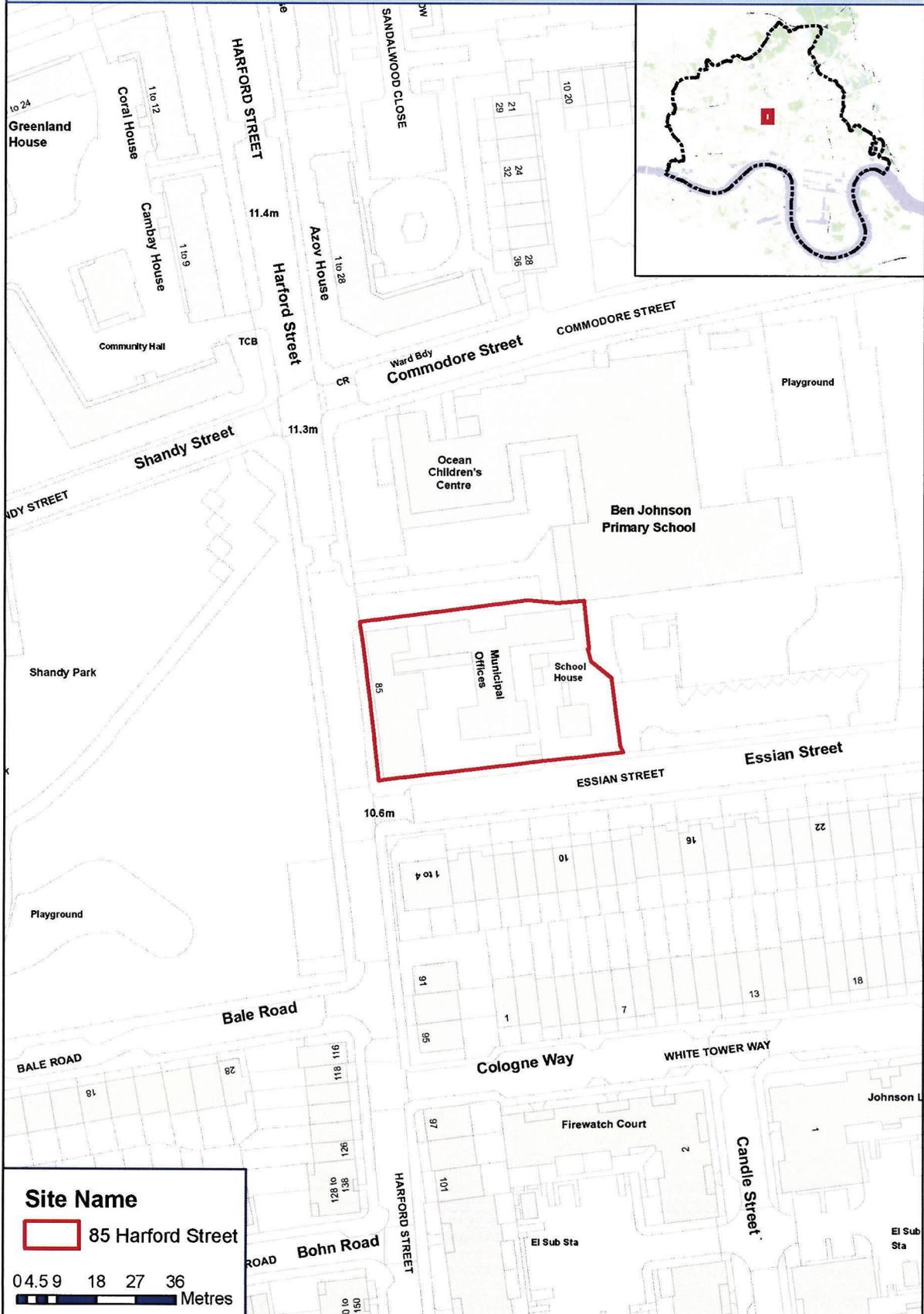
 Essian Street

0 4.5 9 18 27 36  
 Metres



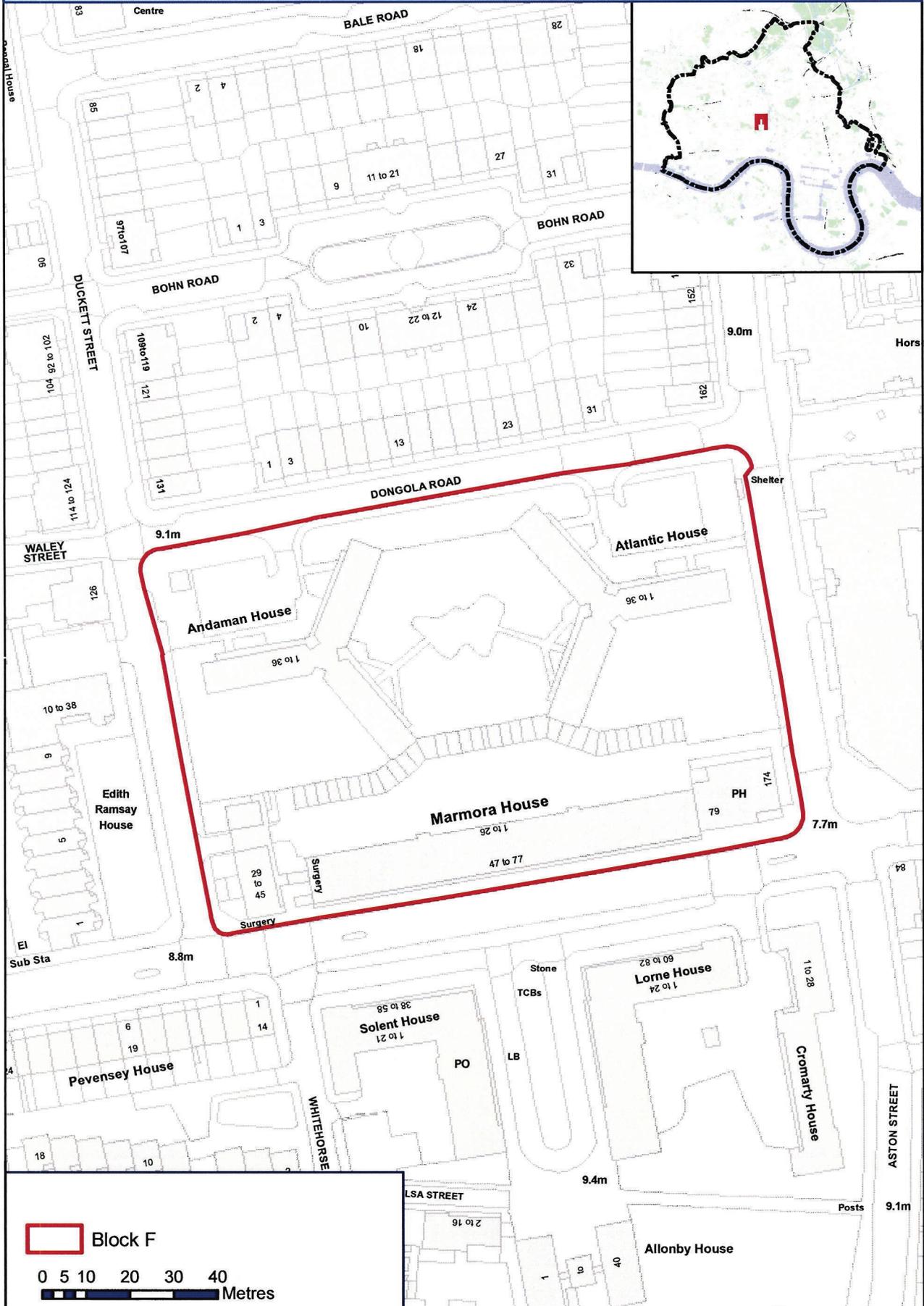
**Site Name**  
Lifra Hall

0 4.5 9 18 27 36 Metres



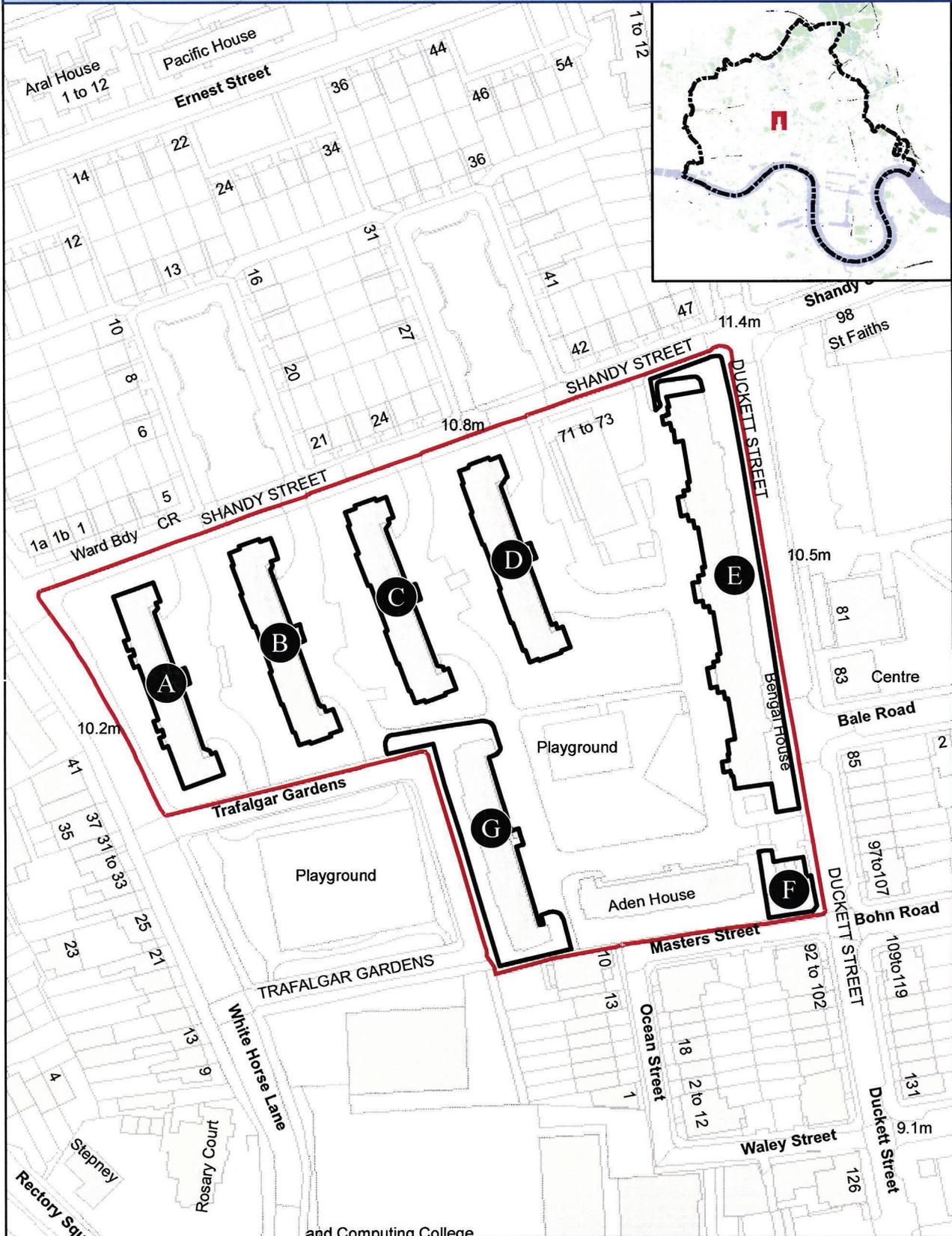
**Site Name**  
 85 Harford Street

0.4 5.9 18 27 36  
 Metres



# Appendix 2 - Ocean Estate Urban Block E

GIS for Development  
& Renewal



- A** Caspian House      **C** Riga House      **E** Bengal House      **G** Taranto House
- B** Darien House      **D** Flores House      **F** 90 Duckett Street and the garages       Block E

This page is intentionally left blank