

Committee: Cabinet	Date: 1 July 2009	Classification: Unrestricted	Report No:	Agenda Item:
Report of: Corporate Director Development and Renewal Originating officer(s) Aman Dalvi		Title: Blackwall Reach Regeneration Project Wards Affected: Blackwall and Cubitt Town		

1. **SUMMARY**

The purpose of this report is to update Cabinet on Blackwall Reach Regeneration project progress and seeks decisions that will help take the project forward to the development stage.

2. **RECOMMENDATIONS**

Cabinet is recommended to:

- 2.1 **Note** the project milestones set out in section 4.4 progress against which is dependent on Cabinet agreeing the remaining recommendations set out below.
- 2.2 **Agree** that £13m capital resources be provided over a three year period to fund the leaseholders/freeholders buybacks programme; purchase of the Woolmore St Health Centre land interest; and Tenants' Home Loss and disturbance payments to facilitate the Blackwall Reach project on the basis of commencing decanting and the main buyback programme in Autumn 2010.
- 2.3 **Agree** a revised baseline capacity of 1,600 homes of which a minimum of 35% of the accommodation by habitable room numbers will be affordable, with 45% of the social rented units to be provided as accommodation that is three bedroomed or greater and that officers work with the HCA (Housing and Communities Agency) to establish the additional level of housing which can be accommodated on the site in a sustainable fashion, subject to detailed design assessment and also review the business plan to re-assess planning obligations that can be generated from the revised housing totals.
- 2.4 **Authorise** the Corporate Director of Development and Renewal, Assistant Chief Executive (Legal Services) and Director of Resources after consultation with the Chief Executive and Lead Member Housing and Development to agree the

detailed terms of the Collaboration Agreement with the HCA and the Procurement Strategy including Phase 1A and 1B and approach to future phases.

- 2.5 **Note** progress made on community consultation with residents living on the Blackwall Reach site and delegate to the Director of Development and Renewal in consultation with the Lead Member Housing and Development authority to finalise the community charter and utilise this document to support the procurement process.
- 2.6 **Note** that the Corporate Director Children's Services will need to review education and S106 (planning obligation) supported provision originally anticipated in the Development Framework in view of the proposed lower density scheme and note that should the Council wish to pursue the development of a three form entry school additional capital resources will need to be identified.
- 2.7 **Approve** the approach set out in clause 11 to facilitate vacant possession of all land interests, subject to the decision made in 2.2 above
- 2.8 **Agree** that right to buy leaseholders/freeholders interests will continue to be acquired, to meet contractual commitments that have been made by the Council. The estimated additional cost (net of the £1.5m income from the sale of the St Matthias Site) is £570,000 which will require provision in the Capital Programme and a Revised Capital Estimate.
- 2.9 **Agree** that an additional £1.3m will need to be provided to meet 'hardship' cases which are to be limited to five in number, with criteria and process to be agreed by the Corporate Director of Development and Renewal after consultation with the Assistant Chief Executive (Legal Services).
- 2.10 **Agree** that decant status for tenants and further proactive buy back of RTB (Right to Buy) properties will continue to be suspended until Autumn 2010.
- 2.11 **Authorise** the Corporate Director of Development and Renewal after consultation with the Assistant Chief Executive (Legal Services) in consultation with the Lead Member Housing and Development authority to negotiate and agree the public sector Collaboration Agreement with the HCA (Homes and Communities Agency).

3. BACKGROUND

3.1 The Blackwall Reach Regeneration Project is a key priority for the Council. The proposed scheme as described in the Council adopted Development Framework, approved in March 2008, was planned to lead to the following:

- 2,500-3,000 homes for the site
- 2 hectares of open space
- 10,000-15,000 sqm commercial space
- 1,500 sqm community & health
- 4,000 sqm education
- 1,000 sqm leisure space

3.2 The original programme indicated a start on site for the scheme in early 2009 with completion by 2016. A key recent development has been the acquisition by the Homes and Communities Agency of the private developer Ballymore's interest in the site. In addition, DCMS has now confirmed the issue of a Certificate of Immunity which will enable the eventual preferred developer to demolish the Robin Hood Gardens element of the site. Specific decisions are to be sought from Cabinet on 1 July 2009 in order to progress the project. The decision areas (which include issues for Cabinet to note) are as follows:

- Milestone Programme (Project Plan)
- Business Plan and Funding
- Planning and Residential Density Issues
- Affordable Housing Strategy
- Procurement Strategy
- Consultation and Community issues
- Education Infrastructure
- Land Assembly
- Decant Strategy
- Draft Heads of Terms for the Collaboration Agreement with the Homes and Communities Agency

4. PROJECT PLAN

4.1 With the announcement on Certificate of Immunity, a number of key actions during the next twelve months will need to be taken, principally agreement/finalisation on/of the:

- The Procurement Strategy and procurement of a development partner for Phases 1A and 1B
- Business Plan modelling
- Scheme design
- Housing Needs Survey

- Resident engagement on relocation options
- Finalisation of the Community Charter
- Signage on site describing the project and timelines

- 4.2 The above work will be necessary to achieve the start of the construction phase of the development in late 2010 which is scheduled to eventually complete in Early 2018. The relatively early start of the project is due to the St Matthias Site (Phase 1A) and the former Ballymore Site (Phase 1B) both being in HCA freehold ownership, however there are some outstanding leasehold/tenancy issues to be resolved on the former Ballymore site. Phases 1A and 1B of the scheme are intended to yield approximately 100 social rented homes during the second half of 2012 which will become key for relocation purposes to achieving vacant possession of the remaining tenanted units by Early 2013.
- 4.3 These issues and a later decision on the requirement for a CPO (closer to when a developer is appointed the developer and a planning consent in place) will need to be considered and agreed by Cabinet. Intensive preparatory activity will be required in 2009/10 (ie, up to March 2010) will be required to achieve a start on site in late 2010. Key activities will
- 4.4 The remaining phases of the development – Phases 2, 3, and 4 – are all scheduled to begin in Late 2012/Early 2013. The overall programme can be illustrated as follows:

	Start	Completion
Phase 1A & 1B	Late 2010	Mid 2014
Phase 2 and School	Late 2012	Early 2016
Phase 3	Early 2013	Mid 2016
Phase 4	Early 2013	Early 2018

- 4.5 Achieving these timelines will be dependent on Cabinet agreeing the recommendations set out in this report. Specifically, the development partner procurement process for the Phases 1A and 1B will need to begin in the Summer 2009 in order to begin the construction process in Late 2010.

5. BUSINESS PLAN AND FUNDING

- 5.1 The original project was predicated on development value on completion of the project generating a surplus for all development partners and that the affordable housing component could be funded without recourse to affordable housing grant.

- 5.2 The latest iterations of the business plans, based on c 1,600 homes with a 35% affordable housing component, an overall scheme deficit of c £40m. £13m of additional capital resources are required to purchase leasehold and freehold right to buy buybacks; acquiring the Woolmore St Health Facility land interest; and budgetary provision for home loss and disturbance for tenants. The Council has agreed terms for the re-purchase of nine properties acquired under the RTB (totalling £2.1m inclusive of Home Loss and Disturbance) on the Blackwall Reach site, which will exceed the £1.5m budget available from the St Matthias Site. This additional sum will need to be met from within the £13m identified to fund the necessary acquisitions at para 14.3. The Council is now at a point where there are insufficient capital resources to proceed with further purchases.
- 5.3 The HCA has invested £10m of its own resources in purchasing the Ballymore land interests, there is now an requirement from them that the Council is requested to identify resources from its own capital programme to resource the buyback programme. Early discussions have been held with HCA housing investment officers on possible future gap funding, but the scheme is in a relatively early stage of development to be seeking firm commitments of funding. There may be some merit in the Council seeking a Collaboration Agreement with the housing arm of the Government's Homes and Communities Agency similar to that proposed for the Ocean Estate.
- 5.4 Given that the present decant programme is currently planned to take place during 2009/12, it is likely that the capital spend and necessary resources should be spread over the same period, with the peaks in expenditure during the first and third years of the programme. On average, the capital resources required will be £4.3m per annum during 2009/12 financial years. Other sources of funding can be explored, but with the changes in housing funding arrangements (with the merging of the Housing Corporation and English Partnerships into HCA) there are few options for external funding.

6. PLANNING AND RESIDENTIAL DENSITY ISSUES

- 6.1 The Blackwall Reach Development Framework (March 2008) adopted by Cabinet is the Council's Draft Interim Planning Guidance for the site. Since the adoption of the Framework, a number of issues have emerged which has required the Council and its partners revisit the residential unit numbers proposed for the site. Specifically:
- The developable area of the site will be reduced due to the prohibitive engineering costs associated with building a platform over the Blackwall Tunnel Approach Road meaning there is less area available for housing

- The Council's Local Development Framework has progressed to Options and Alternative Stage providing additional planning guidance for the Blackwall area
 - Demand for private market flats has fallen considerably since the Framework was adopted.
 - The site is now entirely under public ownership and therefore commercial development pressures have been reduced
- 6.2 Officers are confident that the baseline number of homes at 1,600 can be successfully accommodated on the site. There may be scope for this baseline to be increased through the design process whilst meeting LBTH and Mayoral planning policies but it is likely that the final number of units will be significantly less than the illustrative proposals in the Development Framework given the factors detailed above. This will need to be discussed in detail with HCA and their consultants, although it should be noted that they are content to be working with these figures for business planning purposes, but have indicated that they wish to retain the option of a scheme with higher numbers in the event of demand for market housing returning in the near future.
- 6.3 This will have a 'knock on' impact on S106 requirements which need to be fully explored as this will have an impact on the economic viability of the project.
- 6.4 A revised baseline capacity of 1,600 homes of which a minimum of 35% of the accommodation by habitable room numbers will be affordable, with 45% of the social rented units to be provided as accommodation that is three bedroomed or greater. It is also proposed that officers work with the HCA to establish the additional level of housing which can be accommodated on the site in a sustainable fashion, subject to detailed design assessment and also review the business plan to re-assess planning obligations that can be generated from the revised housing totals.

7. AFFORDABLE HOUSING STRATEGY

- 7.1 The current proposals for the affordable housing on Blackwall Reach involves a substantial housing association new build development. The original proposition was for the St Matthias site to be brought forward by HCA to facilitate a quantum of the decant requirements from the estate. With the acquisition of Ballymore land, a further phase of the development is planned to be brought forward, albeit with a small component of affordable housing.
- 7.2 Resident representatives have expressed a desire to retain their 'secure tenancy' status despite the proposed switch to a housing association owned and managed housing. A report was commissioned from Ikon consultants to consider how a Local Housing Company (LHC) might 'host' secure tenancies for future tenants. The LHC report established that the company option would not achieve the

outcome sought as only a local authority landlord can issue a secure tenancy. Tenants wishing to retain secure tenancy will have to relocate to a Tower Hamlets Homes managed property located elsewhere in the immediate area or wider locality.

- 7.3 The situation has been further complicated by the Government's announcement that it wishes to see local authorities build council housing again. Guidance has just been issued by CLG on how the new initiative will work – including releasing a funding pot of £100m nationally for local authorities to bid against, although HCA has been asked to work with Councils to identify sites in local authority ownership to bring forward on a pilot basis. However, this bidding guidance anticipates half the funding will be in grant form, the balance involving prudential borrowing. It is unlikely the income stream from these new homes alone would cover such borrowing, so countervailing savings would be needed elsewhere from within the HRA to support any new Council housing. Land is expected to be provided at no cost which may prove problematic in this case as the initial development sites are both within HCA's development arm's ownership.
- 7.4 A start on site is preferred this financial year which would be difficult to achieve given the embryonic stage of our proposals and completion of all homes would need to be achieved by March 2011 which means the current planned timetable towards commencement would be impractical.
- 7.5 The terms of the Government's bid round do not present a good fit for our proposals for the regeneration of Blackwall Reach/Robin Hood Gardens. The Council is currently exploring other, smaller sites that would be suitable for the HCA initiative.

8. PROCUREMENT STRATEGY

- 8.1 The procurement milestones for the key development sites are set out in Annex A. It has been agreed by Cabinet that the St Matthias Site (Phase 1A) be marketed by HCA, and any decision to include Phase 1B in the procurement process would need to be agreed by Cabinet. The decisions relating to procurement of development partners for the later phases – 2, 3 and 4 – will be decided by the Project Board, which will also require decisions on resourcing the respective processes.
- 8.2 A 'Draft Heads of Terms for Collaboration Agreement' (see section 13 below) are under negotiation with HCA. These will set out the agreement in respect of outcomes and funding between the public sector (HCA and LBTH) and the governance arrangements under which the project will be managed. It is proposed that the current Project Board/Steering Group arrangements be continued, and that the Project Procurement Strategy should be endorsed by the Project board.

9. CONSULTATION AND COMMUNITY ISSUES

- 9.1 A first stage of extensive community consultation preceded the adoption of the Development Framework by Cabinet in March 2008. Cabinet required that community engagement be continued on the proposals in the Development Framework, as outline design work progressed and on the re-housing strategy and decant process.
- 9.2 An estate-wide event launched the re-housing needs survey process in May 2008 and specific sessions were held with a new voluntary representative forum - the Local Voices Group (LVG) – addressing tenants' concerns about changes in tenure and home owners' demands for a 100% stake in a replacement home. The subsequent hiatus arising from the COI issue and the necessary suspension of decant status from Autumn '08 have disrupted the second consultation stage.
- 9.3 The delay has been met with periodic bulletins to the community, the opening of the project shop and specific work with residents' delegates to develop the housing chapter of a residents' charter. Officers are responding over a series of sessions to residents' key concerns. The re-housing needs survey has also progressed steadily with visits to tenants and waiting list cases and this is more than 60% complete.
- 9.4 In March 2009 the Tenants' and Residents' Association reformed its executive committee, apparently in frustration at perceived delays. This has disrupted positive discussions on the Community Charter: officers have convened refresher meetings in May with new delegates and hope to pick up on the good progress made previously to retain continuity.
- 9.5 The main consultation and engagement activities in 2009/10 will be:
- Re-housing needs survey - completion in May '09 and ongoing surgeries at the project shop.
 - close working with Residents' Regeneration Group (RRG) on the Community Charter for update to the wider Local Voices Group, including:-
 - completion of housing chapter by Summer 2009 for further consultation with the LVG
 - work on the design related chapter during Summer 2009
 - general community consultation on design in the late Summer / Autumn 2009

- bi-monthly newsletters / bulletins, dedicated drop-ins at project shop and low-level engagement activity like door-knocking, to monitor views and information needs, and surgeries at the local school;
- facilitation of a delegated residents' procurement panel, following the Ocean model, to help set the qualitative brief for the RSL/developer partner, and evaluate bids;
- periodic LVG meetings (3-4 during late Summer / Autumn) to present the Charter and ongoing design /public realm issues to a wider forum and receive updates from residents' sub-groups covering other matters like socio-economic regeneration;
- estate-wide event prior to outline planning submission - January 2010

10. EDUCATION INFRASTRUCTURE

- 10.1 The expansion of Woolmore Primary School to a three form entry school is a planned outcome of the project and officers from Children's Services and Development and Renewal continue to plan on this basis. This is programmed as part of Phase 2 of the project, planned to begin in late 2012 and complete early in 2016 (see section 4.4).
- 10.2 Since the inception of this project, Children's Services have been working on the basis of expanding the existing school from one form of entry to three forms of entry (i.e. from 210 places to 630 places, plus nursery classes) and that this would be substantially funded from the s. 106 envelope. The expansion of the school was predicated on both a need to increase school provision as a result of the scheme, but also increase provision for the wider area. A reduced scheme affects both the demand for school places and the ability to fund this and Children's Services will first want to consider other additional funding before reducing the size of the enlarged school. The expanded school has always been viewed as part of Children's Services borough-wide strategy for increasing school places, not just to meet the needs associated with Blackwall itself. This needs to be clearly understood in the context of future S106 negotiations and any additional options appraisal work that may arise.

11. LAND ASSEMBLY

- 11.1 The large majority of the site is now in freehold ownership by the Council and the HCA. Ballymore's interest in the site was sold to the HCA on 31 March 2009, complementing HCA's land interest in the St Matthias Site.

- 11.2 On the former Ballymore site, there are still some small parcels to be brought in, including a 42 year lease on a works yard; a squatted flat in a building adjacent to the LLiC Building; two small freehold interests in Naval Row.
- 11.3 There also remains some unregistered title in the bus turning area and Cotam Rd which requires further research and resolution. Other key land issues are:
- Local Labour in Construction (LLiC) – LBTH owned site and use to be relocated
 - TfL Tunnel Controls of Depot Area - Agreement to be reached with TfL on use of area around the mouth of the depot
 - Health Centre – temporary and permanent location to be identified
 - Mosque discussions are proceeding on the basis of moving this building from the South East corner of St Matthias site to the slightly larger site on the North East. This would be achieved through a straight swap of reversionary freehold and leases. The freehold interest in the new site being currently held by the Council and the intermediate leasehold interest by HCA. The Mosque presently holds the freehold interest in its existing site. They will through the swap hold the freehold interest for their new site and on their former site the Council will receive the freehold interest and HCA a long leasehold interest consistent with the rest of the St Matthias site.
 - Millennium Green a meeting is being arranged with the Trustees to discuss the development
 - Woolmore School – to be expanded from a one form entry to a three form entry primary school.
- 11.4 It is expected that a CPO will be required in due course when planning permission has been obtained to ensure that vacant possession of the whole site (including residential leaseholders and freeholders) is achieved by the target date to facilitate the development of the scheme.
- 11.5 The Certificate of Immunity Notice has been issued by the Secretary of State for Culture, Media and Sport (Appendix 1)

12. DECANT STRATEGY

- 12.1 The following blocks comprise the residential components of the Blackwall Reach Project and are required for vacant possession by January 2013. The individual blocks have the following characteristics.

Block Name	No of Units	Vacant*
Anderson House	22 (16 LBTH / 6 RTB)	1
Mackrow Walk	11 (5 LBTH / 6 RTB)	1
Woolmore St	5 (1 LBTH / 4 RTB)	0
Robin Hood Gardens (W Block –Nos 1-104)	104 (88 LBTH / 16 RTB)	3
Robin Hood Gardens (E Block – Nos 105 – 214)	110 (100 LBTH / 10 RTB)	1
Total	252 (210 LBTH / 42 RTB)	6

* Vacant either empty property or short term let

- 12.2 The blocks are also characterised by a third of the rented properties which are three and four bedroom properties whose households are also likely to suffer from overcrowding, thereby making decant requirements quite difficult.
- 12.3 In summary, the total number of residential units on the estate is 252, of which 42 homes (17%) are owned by freeholders or leaseholders originally purchased under the right to buy. Of the 252 total, 6 homes (2%) are voids.
- 12.4 To date, the Council has repurchased three homes from leaseholders/freeholders at an approximate cost of £610,000 (inclusive of Home Loss and associated fees). Formal offers have been made to a further five leaseholders on the estate which is expected to cost a further £1,460,000 (inclusive of Home Loss and associated fees). Therefore meeting existing obligations will total £2,070,000.
- 12.5 Home owner buybacks at this stage will be prioritised on a hardship basis only. To meet hardship cases it is proposed that a budget for five homes to be repurchased is set which at an average value of £225,000 would total £1,300,000. This is where the owner can demonstrate an essential need to relocate from the area. The full buy-back programme will commence in tandem with the tenants' decant programme. This will allow time for more detailed discussions with owners about their aspirations, specifically whether they require a new replacement home on Blackwall Reach which more than likely be provided by the RSL developer.
- 12.6 The total estimated cost of repurchases is expected to be £3,370,000, of which £1,500,000 will be met by the capital receipt generated from the sale of the St Matthias Site. Therefore the additional capital programme commitment to meet existing commitments and hardship cases will be £1,870,000, this will be a first call upon the £13m of additional capital resources sought within this report.
- 12.7 The total cost associated with the repurchases of land interests on Blackwall Reach is £13m as previously stated, comprising £12m for right to buy repurchases and £1m for the purchase of the Medical Centre in Woolmore St.

- 12.8 Given that the Certificate of Immunity has now been issued by the Government, the position on this strategy is to deliver vacant possession of the tenanted part of the estate needs to be considered. Concerns have already been expressed about the impact of 'community drain' and specifically the current absence of new housing in the locality that residents can move to as a community grouping. There are still substantive issues on design, community charter, and the wider relocation offer that need to be worked through with the community. By reinstating decant status at this moment in time, the opportunity to engage with the community on these issues will be undermined.
- 12.9 The Council remains committed to the principles and detail of the re-housing strategy set out in the March 2008 Report to Cabinet, creating options for tenants and homeowners (leaseholders and freeholders) to return to housing in the new development.
- 12.9 Interests will continue to be acquired, to meet contractual commitments that have been made by the Council. The estimated additional cost (net of the £1.5m income from the sale of the St Matthias Site) is £570,000 which will require provision in the Capital Programme and a Revised Capital Estimate. £1.3m will need to be provided to meet 'hardship' cases which are to be limited to five in number, with criteria and process to be agreed by the Director of Development and Renewal and the Assistant Chief Executive (Legal Services). Decant status for tenants and further proactive buy back of RTB properties will continue to be suspended until Autumn 2010. The additional £13m resources requested in recommendation 2.2 includes the sums identified above, in addition the £1.5m already programmed and committed.

13. HEADS OF TERMS FOR THE COLLABORATION AGREEMENT WITH THE HOMES AND COMMUNITIES AGENCY

- 13.1 In order to progress the project further, the HCA and LBTH need to formally agree roles and responsibilities in order to maximise available resources to the two organisations and ensure there is no duplication of effort. Reference is made earlier in this document to the Procurement Strategy which will also feature in the Collaboration Agreement. Other key elements of the agreement are as follows:
- 13.2 **Outline Planning Application** – LBTH and HCA to submit a joint planning application for the site based on the planning principles set out in the Development Framework. The parties will also jointly submit a detailed planning application for Sites 1A and 1B (both in the ownership of HCA).
- 13.3 **Affordable Housing Provision** – The scheme to provide a minimum of 35% affordable housing provision, with a minimum of that provision to be 80% social

rent with the remaining amount to be shared ownership. This provision is caveated by the need for the overall scheme to be commercially viable.

- 13.4 **Land Acquisitions** – Whilst the HCA and LBTH are the freehold owners of the large proportion of the site, a number of leases and occupiers exist that will require concerted action both separately and jointly to achieve eventual and timely vacant possession of the entire site.
- 13.5 **Project Board Role and Membership** – The Project Board is proposed to comprise three members each from Tower Hamlets and the Homes and Communities Agency with additional members recruited subject to agreement by both parties..
- 13.6 **Capital Funding** – The HCA will be seeking to recoup £1.7m already spent on the Development Framework from the development on a “first charge” basis. The HCA is also intending (subject to HCA Board Approval) to spend further unspecified sums on the project that will need to be clarified during the Heads of Terms negotiation process. These additional sums are proposed to be recovered on a “first charge” basis from the outputs of the Business Case. Reference is also made in the document to LBTH’s existing budget of £1.5m for RTB leasehold acquisitions and reference to a further £13m for land acquisitions. Reference is made to professional fees incurred by the Council being reimbursed when the development agreement for the Southern site is unconditional.
- 13.7 **Compulsory Purchase** - It is expected that the Council will need to utilise its compulsory purchase order powers once an outline scheme is ready for consideration to acquire any third party land interests and consequently will secure the necessary Cabinet authority in due course. HCA will pay for the inquiry costs: LBTH will pay for acquisitions north of Poplar High St and the selected developer will pay for acquisitions south of Poplar High St.

14. COMMENTS OF THE CHIEF FINANCIAL OFFICER

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- 14.1 Recommendation 2.2 of the report seeks consideration of the way forward with regard to immediate scheme progression. This proposes £13million should be identified to facilitate the buy back of the Right to Buy; other properties on the estate; tenants' home loss and disturbance costs – to be phased over 3 years. Officers have assessed how this could be funded in the context of very limited resources, and Cabinet's previous decision to adopt a prudent approach to the allocation of future capital receipts for investment, as agreed in February 2009.
- 14.2. It is necessary to identify funding at this stage to cover this risk in order to be sure of being able to complete the Blackwall Reach scheme, based on current costings, and, it is believed, to satisfy the HCA that the Council is able to fund this obligation. However it is hoped that a partial recovery in the housing market will mean that not all the funding is required for this purpose, and at that stage can be made available to other priorities.
- 14.3 The £13m buyback programme; decant costs; and the purchase of the Woolmore Street Medical Centre could be funded as follows. This anticipates capital receipts in 2009/10 from recent asset sales. These are contracted payments, and there is relatively little risk that they will not be received, but there is a small residual risk. As reported to Cabinet at the time the capital programme for 2009/10 was set, the funding of the Local Priorities Capital Programme for 2010/11 will be largely dependent upon further asset sales.

Available Capital Receipts	£5.574m
Anticipated contracted capital receipts in 2009/10	£3.426m
Section 106 - affordable housing and associated income	£1.500m
Available capital element of Housing & Planning Delivery Grant	£0.500m
Mainstream Housing Capital Programme	£2.000m
	£13.000m

- 14.4 Should this not be agreed the Council would have to defer the decant and buyback process until a development partner has been selected, except in a limited number of cases. In this regard members will note that the current capital

estimate for buy-backs is £1.5m and this is fully committed, and resources do still need to be identified for the recommended limited scheme. It must be noted that there is no guarantee that this process will deliver any additional resources to continue the programme. Whilst a delay may improve the viability of the business plan as the market for house sales begins to improve, it could also impact on the valuation and purchase process. It is also likely to present difficulties for HCA in progressing the underwriting of the procurement process.

- 14.5 Officers' initial assessment, as outlined in paragraph 7 of the report is that the Government's recently announced initiative to release funding for the build of new council housing, matched through prudential borrowing is not deemed suitable for this scheme because of the cost to the HRA and the timescales for the bidding process
- 14.6 Paragraph 10 of the report sets out the current position with regard to the planned expansion of Woolmore School as part of the overall redevelopment, in light of current business plan projections associated both with the reduced density and economic outlook. At this stage the business plan whilst providing part of the resources to support any school expansion, this is likely to be insufficient to meet the full cost of the project. The capital needs will require further assessment as part of the overall review of the Council's capital strategy. Furthermore paragraph 11 highlights a number of other issues requiring resolution, as part of development of the scheme, which have potential financial implications. These must all be seen in the context of very limited, if any, resources available.
- 14.7 Ongoing revenue costs associated with the early development of the scheme are predominantly project staff and consultation costs and will be contained within available Development and Renewal budgets.

15. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

- 15.1 The Council has the power under section 111 of the Local Government Act 1972 to enter into the Collaboration Agreement with the HCA. The next step will be to procure one or more developers for the scheme. This will be done under the Public Procurement Regulations in line with European Procurement Law. All buybacks and other compensation to vacate the properties will be carried out in line with appropriate policy under the Housing Act 1980.

16. ONE TOWER HAMLETS CONSIDERATIONS

- 16.1 This scheme will contribute to One Tower Hamlets objectives. The three objectives are to reduce inequalities; ensure community cohesion; and, strengthen community leadership.

- 16.2 On **reducing inequalities**, the new scheme proposed will lead to a significant increase in affordable housing on the site. Currently there are 210 social rented homes and 42 homes owned by leaseholders and freeholders. If the baseline 1,600 homes are developed, this will lead to over 500 affordable homes developed and associated socio-economic infrastructure which will help facilitate the creation of a sustainable community. The quality of the new housing, and the broader living environment, will be a significant improvement on what is currently sub-standard housing and a generally unattractive built environment. Expansion of Woolmore St School will also help improve educational attainment and consequently improve employment access for children from households on low, often benefit dependent, incomes
- 16.3 On **ensuring community cohesion**, the Council is working closely with the community to facilitate an inclusive and effective decanting process that helps preserves the 'social capital' that exists amongst the residents of Robin Hood Gardens and associated blocks. In addition to the intensive consultation process that has been undertaken to date, the recommendation in this report to delay decant status until Autumn 2010 will stop the 'community drain' impact that has characterised previous decant processes, and help create opportunities for residents to stay in the locality by taking advantage of social rent tenancies that become available from the eventual development of Phases 1A and 1B.
- 16.4 On **strengthening community leadership**, the Council continues to work closely with the Tenants and Residents Association and is also working closely (in partnership with the Homes and Communities Agency) with the local Mosque which has relocation requirements which are planned to be met on the St Matthias former school site. The Council will continue to work with the community to ensure that an effective and inclusive consultation process helps to ensure that community views are clearly understood and taken into account when key decisions are required to be made.

17. **SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 17.1 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. Whilst the Council will seek to achieve a higher (zero carbon) standard, Level 4 is higher than that currently required by the Homes and Communities Agency for affordable housing. The Government's target for all housing to be zero carbon (CSH Level 5/6) is currently 2016, so it may be that the last phase of the development will be impacted. This will be dependent on the necessary technology and available finance to achieve.
- 17.2 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. There are currently 252 homes on the Blackwall Reach site. The new scheme will lead to a minimum of 1,600 homes being developed; an expanded school; and retail, health, community and leisure facilities. This scheme will also make maximum use of the available transport infrastructure (Blackwall DLR Station and the adjacent bus stops), thereby optimising the use of transport nodes to maximise housing development in line with national, regional and local planning policy.

- 17.3 Thirdly, the scheme will maintain a significant amount of greenspace, which is planned to be a significant improvement on the area currently known as Millennium Green.

18. RISK MANAGEMENT IMPLICATIONS

- 18.1 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.
- 18.2 Since the Blackwall Reach Development Framework was considered and approved by Cabinet in March 2008, 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 both the Council and its partner, the Homes and Communities Agency, to commit additional resources to the project than was originally envisaged.
- 18.3 **Finance** - The project business plan was originally intended to generate a surplus for landowners – originally the Council, English Partnerships (now succeeded by the Homes and Communities Agency) and Ballymore Properties (a private developer). As the text in Section 5 of this report describes, the project is now dependent on additional financial support from both the Homes and Communities Agency and the Council.
- 18.4 A significant reduction in the risk associated with this project has been the acquisition by the Homes and Communities Agency of Ballymore's interest in the Blackwall Reach site. The benefits of this intervention are twofold: firstly, it demonstrates the HCA's commitment to supporting this project. Secondly, it means that the freehold 'footprint' of the overall site is largely in freehold ownership of the public sector. Given that the HCA and the Council are the key

statutory and funding stakeholders in this project, it is clearly beneficial that they are also the key landowners as well.

- 18.5 The comments of the Chief Financial Officer in Section 14 of the report highlighted the risks associated with identification of additional Council resources required for this project. An additional risk is the necessary finance required from the Homes and Communities Agency to support the development of the affordable housing itself (in addition to the support they have given for land acquisitions and financing the Development Framework. Given the HCA is a key stakeholder in the project, it can be expected that the HCA will be supportive 'in principle' of any funding application that is submitted by a future housing development partner. However, future applications are likely to be in a financial climate where public sector funding is being curtailed.
- 18.6 A broader, strategic change in the way that HCA affordable housing resources are applied in the future is likely to emerge following the publication of the HCA's Single Conversation Guidance in May 2009. This will require local authorities (with the HCA) to develop Local Investment Plans which highlight strategic priorities for the area and plan for their investment. This is beneficial for Tower Hamlets as it has significant development capacity and has highlighted its strategic sites in the 2009/12 Housing Strategy, which includes Blackwall Reach.
- 18.7 **Process** – The Project Plan and the associated milestones is set out in Section 4 of this report. The start on site of the first phases are anticipated in late 2010 and scheduled to complete in mid 2014, with the final phase of the project scheduled to complete in early 2018. Whilst the project is medium to long term in development activity, there is significant work that continues to be undertaken in the short term to ensure that the first phases commence. The need for a defined and resourced project management structure will help ensure that this happens.
- 18.8 The Council and the HCA already has a project management structure for Blackwall Reach. Project Board meetings are held monthly, steering group meetings held fortnightly; and sub groups are convened to address specific issues relating to this project. A project risk register is regularly updated by the Steering Group. The Council and the HCA intends to continue with this structure as it is engendering good working relationships between the two organisations and contributing to positive outcomes, most recently the Certificate of Immunity and the acquisition by the HCA of Ballymore's land interest.
- 18.9 On the Certificate of Immunity issue, this has caused a delay to the project's progress, due to architectural interest in the site, which has led to the involvement of English Heritage and the Department for Culture, Media and Sport (DCMS) as described in Section 11 of this report. However, this blockage to project progress has now been removed following the issue by the Secretary of State of the Certificate of Immunity. This now allows the Council and HCA to proceed with a redevelopment, rather than refurbishment, project. There is a

small risk that this decision is the subject of an appeal and the decision is reversed.

- 18.10 A risk which requires an intensive management approach relates to squatting of empty properties. Tower Hamlets is experiencing considerable squatting problems on blocks that are either empty or in the process of being vacated elsewhere in the borough. Once the decant process is restarted (in Autumn 2010) the Council is likely to let newly vacant large accommodation to households on 'non-secure' tenancies. Smaller accommodation is likely to be empty for some time and may be vulnerable to squatting attempts. For the next year or so, this will not be an issue. However, once the number of empty properties begins to escalate, the Council will need to ensure that long term empty homes are rendered uninhabitable and that security measures are put in place to prevent casual or organised attempts at squatting. The Council has sufficient time to address this risk when it begins to arise.
- 18.11 **Community** – A third key area of risk relates to ensuring there is an effective and inclusive community consultation process underpinning the project. Sections 9, 11 and 12 of the report cover community consultation; land assembly; and decant strategy issues respectively. The finance and process risk areas identified above are in relative terms easy to manage. Risks associated with community stakeholders, ie, tenants, leaseholders, businesses, education and health stakeholders need to be carefully managed in order to ensure that the disruption associated with the relocation and development process is minimised.
- 18.12 In terms of the residential community, a key risk that the Council has identified relates to 'community drain'. This is where residents voluntarily decant from the estate (through choice based lettings) in the absence of a developed proposal that will help them remain on the site if they so wish. The proposal to suspend tenants' decants status until Autumn 2010 underpin this approach.
- 18.13 A broader risk relates to tenants aspirations to remain council (secure) tenants rather than housing association (assured) tenants. Whilst tenants will have from Autumn 2010 the opportunity to bid for council homes in the vicinity and elsewhere in the borough, it is not planned to develop new council homes on the Blackwall Reach site itself.
- 18.14 A high risk relates to leaseholders and third party owners (as well as social housing tenants) who are unwilling to move from the site for various reasons. It is likely that the Council with support from the HCA will need a Compulsory Purchase Order to ensure that vacant possession of the respective sites is eventually achieved. This risk features in the project plan.
- 18.15 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 in difficult economic circumstances.

19. EFFICIENCY STATEMENT

- 19.1 Facilitating the regeneration of the Blackwall Reach area will assist with efficiency improvements in the Council. The rationale for taking forward this project on efficiency grounds can be demonstrated on the following grounds.
- 19.2 The Robin Hood Gardens blocks are considered to be uneconomic to repair. In the event the housing were repaired, this would not address the generally poor and remote state of the wider environment which the proposed scheme intends to address.
- 19.3 The issue of efficiency in land use that will be achieved by this project has already been covered under the sustainable action heading, but it is worth re-emphasising the point that the use of land will be considerably enhanced in an area which is in considerable need of regeneration. It will also represent a key element in bringing forward the wider regeneration of the South Poplar area, creating better linkages with Canary Wharf and in anticipation of the Crossrail Station that will be developed.
- 19.4 In housing terms, 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. In addition, Council with the Homes and Communities Agency wish to explore approaches to integrated management for the whole site to ensure that services for all users are under a single umbrella organisation.
- 19.5 Given the poor state of the current housing on Blackwall Reach, it is expected that short, medium and long term savings will be made on the management and maintenance of the stock, if the housing continued to remain. Whilst the stock continues to be habitable, only major investment will ensure that the stock is both 'decent' and safe to inhabit.

20. **APPENDICES**

- 20.1 Appendix 1 – Certificate of Immunity Letter from the Secretary of State, Department for Culture, Media and Sport.
- 20.2 Appendix 2 – Blackwall Reach Site Location with Proposed Development Phases.

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”	Name and telephone number of holder and address where open to inspection.
Blackwall Reach Regeneration Project Business Plan Review of the Scheme Options	Aaron Cahill, Development and Renewal, LB Tower Hamlets, Anchorage House, Clove Crescent, London E14 1BY. Extension 3482