

AGENDA ITEM: 6

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Meeting	Cabinet Resources Committee
Date	19 July 2010
Subject	Grahame Park Area Regeneration Project
Report of	Cabinet Member for Housing, Planning and Regeneration
Summary	Stage A of Grahame Park regeneration comprising 962 new homes is underway. 319 homes sub-phase construction is on site and the next sub-phase due to start on site later this year. Stage B, comprising 2,015 new homes is not currently viable. This report proposes changes to the phases, particularly Stage B to improve financial viability, conditional upon a satisfactory solution to the District Heating System and approval to vary the Principal Development Agreement (PDA) to allow re-phasing.

Officer Contributors	Stewart Murray, Director of Planning, Housing & Regeneration Colin Ross, Head of Regeneration Noreen Twomey, Assistant Project Manager (Regeneration Service)
Status (public or exempt)	Public (with a separate exempt report)
Wards affected	Colindale
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable
Contact for further information:	Noreen Twomey, Assistant Project Manager (Regeneration Service), 020 8359 7646.

1. RECOMMENDATIONS

- 1.1 That the proposed changes to the phases within Stage B of the Grahame Park regeneration programme be approved on condition that a satisfactory technical solution can be reached upon the District Heating System.**
- 1.2 That the variation to the Principal Development Agreement (PDA) be approved to allow the re-phasing of the regeneration and redevelopment of the Grahame Park Estate.**
- 1.3 That the Cabinet Member for Housing, Planning and Regeneration be given delegated authority to make future detailed decisions on changes to the PDA for the regeneration and redevelopment of the Grahame Park Estate.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Planning and Environment Committee, 8 September 2004 (Decision item 8) – approved outline planning permission for the regeneration of Grahame Park, with the completed Section 106 Agreement securing substantial local community and infrastructure benefits signed on 23 January 2007.
- 2.2 Cabinet, 24 July 2006 (Decision item 5 and Decision item 11) – authorised the entering into a Principal Development Agreement (PDA) with Choices for Grahame Park (CfGP) Limited (or subject to the approval of the Deputy Chief Executive in consultation with the Cabinet Member for Regeneration and Development, an alternative company within the Genesis Housing Group) and Paddington Churches Housing Association for the regeneration and redevelopment of the Grahame Park area.
- 2.3 Cabinet, 22 February 2010 (Decision item 9) – approved and recommended to Council to adopt the Colindale Area Action Plan (AAP), which includes strategic planning policy and targets for the regeneration of the Grahame Park Estate and wider Colindale Area.
- 2.4 Council, 2 March 2010 (Decision item 146) – approved and adopted the Colindale AAP as a statutory planning document within the Local Development Framework.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The regeneration of Grahame Park Estate supports the Corporate Plan 2010-2013 priority of 'A successful London suburb' and underpinned by the following objectives:
 - Delivering the Three Strands Approach of Protect, Enhance and Grow, where Grahame Park falls with Strand 3: Growth to deliver 3,000 new homes to the Colindale area;
 - Delivering high quality, sustainable housing development;
 - Continuing to develop successfully but realistically;
 - Creating the conditions for a vibrant economy; and
 - Promoting independence through housing choice.
- 3.2 The regeneration of Grahame Park Estate supports the 'Future shape: principles of our future approach' of the Corporate Plan for 2010-13, through the following objectives:
 - A new relationship with citizens
The new development will offer more choice and promote independence by providing a number of different housing options such as shared ownership to residents and those in the wider community.

- A one-public-sector approach
The Council is working together with other public sector partners to ensure the delivery of the scheme.
- A relentless drive for efficiency
The Council is working with development partners to ensure that the scheme is delivered in the most cost effective way.

3.3 The redevelopment also complies with strategic objectives in the Council's Housing Strategy.

4. RISK MANAGEMENT ISSUES

- 4.1 The Grahame Park regeneration scheme has reached a critical point. Whilst the economy remains fragile there are key risks associated with regeneration viability. By not enabling flexibility and approving changes to the phasing within Stage B of the Grahame Park regeneration scheme at this time the project delivery is at risk.
- 4.2 The following risks have been identified if the re-phasing of Stage B of the Grahame Park regeneration project does not proceed:
- 4.2.1 Stage B would remain financially unviable and there would be a risk that the rolling regeneration programme would temporarily cease. The PDA signed on 30 January 2007 and which became unconditional on 10 July 2009 only guarantees that CfGP will complete the whole of Stage A, the first sub-phase of which is currently being delivered. However, there is a mechanism within the PDA that allows CfGP to postpone starting the next sub-phase if the conditions are not right. There is a risk that the start on site of the next sub-phase, due to commence later this year, could be deferred if the Stage B Phasing Review is not approved. This would result in a delay in the Council receiving Section 106 and other payments triggered by the start of the next sub-phase, additional costs for ongoing maintenance to the existing housing stock would be incurred and there could be a loss of public confidence in the regeneration scheme.
- 4.2.2 The Council would be required to bring the remaining properties up to Decent Homes Standard for which there is no current financial provision if the re-phasing does not occur. The Council and the developer (CfGP) are working together to deliver a viable Stage B so that a CPO indemnity agreement can be entered in to in the next 18 months in-order to keep the regeneration programme on target.
- 4.2.3 In the current economic circumstances there is a risk that key commitments made to residents of Grahame Park when they voted in favour of regeneration in 2003 won't be delivered. One such commitment relates to existing secure Council tenants making choices regarding aspects of their new homes such as kitchen units, decorations etc. Work on the new homes for rent in Stage A of the regeneration programme is progressing well and existing secure Council tenants will shortly need to start making choices regarding aspects of their new homes. 134 homes for rent are currently being built within Stage A of the regeneration programme. Only 44 secure Council tenants remain living in blocks within Stage A so there are 90 new homes for rent available for the re-housing of existing secure Council tenants living in Stage B. Secure tenants living in the next blocks to be emptied under the revised phasing sequence need to be identified now so they can make choices regarding their new homes. The success of the regeneration programme is dependent upon a sequence of decanting then demolition so being able to deliver vacant possession of the next blocks to be decanted under the revised phasing plan is vital.

- 4.2.4 The re-phasing would help to achieve the key commitment made to existing secure Council tenants of a single move to their new home and would eradicate any associated tenant dissatisfaction with the regeneration programme that could arise.
- 4.2.5 The re-phasing would help to deliver the design of the next phase of homes for rent within Stage A, being finalised now, that meets the housing needs of the existing secure Council tenants living in the next blocks to be decanted under the revised phasing sequence.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The approval of the Stage B Review is essential to continued progress being made with the delivery of the Grahame Park regeneration scheme. The scheme will replace 1314 homes and deliver a mix of 2977 affordable, intermediate and private sale flats and houses with new community facilities, including a library, health centre, children's centre and community centre. The Council will have 100% nomination rights to the new affordable housing units and re-housing offers will be made to all the existing secure tenants on the existing housing estate. The regeneration scheme will provide a new area of mixed tenure housing and will make this part of the Borough a better place to live, leading to improved community cohesion in an area with a highly diverse population. The re-phasing will ensure the momentum of the regeneration programme is maintained and tenants and residents choices and expectations on housing are increasingly delivered.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 Finance – Detailed financial conditions for the Grahame Park regeneration scheme have been previously reported to Cabinet and there continues to be close monitoring of viability, funding and risks. The present economic slowdown has resulted in significant viability implications for the scheme and it is being constantly reassessed in the light of dramatically changed economic circumstances.
- 6.2 Performance & Value for Money – The Council and CfGP have agreed to adopt a transparent and open book approach to the management of the regeneration scheme. The Council has the right to access management accounts and other relevant documentation to ensure that information being provided in connection with financial matters is accurate and accords with 'Value for Money' criteria.
- 6.3 Property – The Stage B lands will be disposed to CfGP on a phased basis at nil cost subject to the appropriate consent from the Secretary of State. Where land/property has been specifically acquired by the Council to enable the regeneration scheme to proceed (for example, properties acquired because of hardship or pursuant to the Compulsory Purchase Order (CPO)) then all costs incurred by the Council in acquisition will be reimbursed as a project cost.

7. LEGAL ISSUES

- 7.1 These are addressed in the main body of the report.

8. CONSTITUTIONAL POWERS

- 8.1 The Council's constitution in Part 3, Responsibilities for Functions, paragraph 3.6 states the functions delegated to the Cabinet Resources Committee including all matters relating to buildings owned, rented or proposed to be acquired or disposed of by the Council.

9. BACKGROUND INFORMATION

9.1 Context

- 9.1.1 In January 2001, the Council embarked upon a scheme for the regeneration of the Grahame Park Estate which aimed to transform it into a thriving, 3,400-home mixed tenure community, improved transport links and enhanced community facilities. Grahame Park renewal forms a key part of the Colindale regeneration area, supported by the Area Action Plan adopted March 2010. The regeneration is to be taken forward in two stages. Stage A will comprise 962 new homes and Stage B, 2,015 new homes of which 656 will be for social rent, 127 for low-cost home ownership and 1,232 for private sale.
- 9.1.2 The first major sub-phase of Stage A, comprising 319 mixed tenure homes started on site on 27 July 2009 with the first homes due for occupation at the beginning of 2011. The Greentop Centre, a children's activity centre, was completed in December 2008 and the final major phase of Stage A is due to start on site later this year.
- 9.1.3 Stage B will see the staged removal of the current Concourse and its replacement with a landscaped circus opening on to a revitalised parkland setting. The poor urban and architectural design of the Concourse means that it is very unpopular with the highest concentration of voids, has the greatest call on the repairs budgets and the highest concentration of crime and social problems. The original phasing of Stage B was influenced, in part, by the decision to retain the Martynside block in the Concourse of the estate until the later stages as this block houses the chimneys which serve the existing District heating System (DHS). However, this limits the ability to deliver the early transformation of the estate and, under the current master plan phasing, Stage B, is presently not financially viable. As a result, the scheme could stall after completion of Stage A.
- 9.1.4 The PDA between CfGP and the Council provides for a review at this stage. CfGP have undertaken a review of the phasing of Stage B in order to improve viability and deliverability by re-sequencing and reorganising the phases. The new proposal put forward by CfGP now generates predicted surpluses on all but one later sub-phase and reduces peak debt levels to ensure that the project remains attractive to commercial lenders.
- 9.1.5 Under the revised Stage B phasing plan there is no change to the overall number of social rented, intermediate or homes for sale being built. However, changes will be required to the existing DHS to enable it to serve the existing properties under the new phasing proposals as detailed in 9.3 below.
- 9.1.6 At the end of 2009, CfGP consulted residents and stakeholders on the Grahame Park Estate on the proposed new Phasing Plan for Stage B. Subsequently, CfGP submitted a report to the Council on the public consultation which shows widespread support of 91% of attendees for the Concourse being prioritised for redevelopment and 81% of attendees sought a consolidated approach to the building works to limit disruption.

9.1.7 Currently, under the PDA, the Cabinet Resources Committee must approve any changes to the agreed master plan and phasing.

9.2 Benefits of the Stage B Phasing Review

9.2.1 Financial Viability – Under the previous phasing plan, only Stage A was deliverable. The re-phasing would enable the funding and delivery of Stage B. Further detailed information on the financial viability of the project is included in the accompanying exempt report.

9.2.2 Demolition Sequence – The Stage B Review proposes to bring forward the demolition of housing on and around the Concourse. The early demolition of the Concourse and its replacement by a high quality development as part of the revised master plan would accelerate the transformation of the existing estate into a high quality, mixed tenure neighbourhood.

The community centre and the library which are currently located on the Concourse will be re-provided in Stage A. A small number of commercial units will be delivered in Stages A and B with those businesses current located on the Concourse having the option to lease. The Wingfield's Children Centre and Grahame Park Health Centre will be re-provided in Stage B prior to demolition of their existing premises.

9.2.3 Benefits regarding Delivery of Infrastructure and Maximising Sales Values – Under the revised phasing plan there will be greater physical distinction between existing properties and development sites. This will reduce disturbance to residents, allow a more logical sequence for installing the new road layout and help in marketing the new properties as a part of the new transformed Grahame Park. Also, the new landscaped open spaces will be completed and delivered earlier in the programme than previously planned.

9.3 District Heating System (DHS)

9.3.1 In order to achieve the re-phasing of Stage B, the Martynside block located on The Concourse would now be brought forward for early demolition. Martynside houses the chimneys for the DHS which supplies heating and hot water to residents and non-residential properties such as Flightways Day Centre, Wingfield's Children Centre and Grahame Park Health Centre. CfGP's consultant's report sets out options to maintain the DHS in use whilst allowing the early demolition of Martynside. The report recommends the installation of new full-height chimneys allowing for Martynside and the existing chimneys to be demolished (circa 2015). This is the most cost effective option both for Barnet Homes, who retain responsibility for the DHS, and for the regeneration. The proposal minimises disruption to existing residents. The Council and Barnet Homes have appointed an external consultant to carefully appraise and comment on the technical solutions put forward by CfGP. The Council's consultants have evaluated and assessed the best economic solution for the DHS as well as the likely impact on residents and commercial users. The consultants have agreed with the recommendation, but have also suggested that the boilers be exchanged for smaller units as the load on the system reduces with demolition of the estate to ensure the most cost effective operation. The timing of this work, which would be undertaken without disruption to residents, will be driven by ongoing cost-benefit analysis in partnership with Barnet Homes.

9.4 Planning and PDA Approvals

9.4.1 It is acknowledged that the Stage B Phasing Review cannot be formally concluded until detailed design on the DHS has been progressed and appropriate planning permission obtained. It is envisaged that this could take much of 2010. However, in order to progress the design of the final part of Stage A, there is a need to seek approval for the re-phasing in order that allocations can be made from the first phase of Stage B to come forward and to arrange for demolition of those blocks.

9.4.2 Should CfGP fail to secure appropriate planning permission to implement option (1) above or further detailed technical design studies suggest that replacement chimneys could be problematic; the revised phasing proposed under the Stage B Review can still be delivered. The chimney stacks could be retained within Martynside, but this would clearly be a less acceptable solution technically and in terms of appearance, but would allow the re-phasing to take place.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal – TE
CFO – KB