

Item

**Report on progress toward HRA Estate Regeneration programme
Including a report on a proposed scheme at Aylesborough Close**

To:

Councillor Mike Todd-Jones, Executive Councillor for Housing
Housing Scrutiny Committee 23/09/2021

Report by:

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Wards affected:

Arbury, Market, Petersfield, Abbey, Coleridge

Key Decision

1. Executive Summary

- 1.1.** Cambridge City Council committed to a proposed new delivery programme of 1,000 new Council homes at the Housing Scrutiny Committee on 24th September 2020.
- 1.2.** The City's constrained boundaries as well as emerging differences in quality standards across new and old council housing stock has led to a proactive approach by council officers to reviewing the potential for estate regeneration as part of the programme.
- 1.3.** Potential for remodelling of existing estates to provide additional high-quality homes is being investigated alongside a separate programme considering retrofitting improvements being led through Maintenance and Assets. The potential and cost for retrofitting, resident interests, the likely future maintenance and repair costs and the possibilities for additional homes are all considerations in the investigation

- 1.4. In line with estate regeneration objectives and aim to minimise disturbance to existing residents while maximising development opportunities, the council is also investigating the potential for modular construction, focussed on rooftop/ airspace development and expansion of existing housing blocks. A proposed way forward toward an agreed approach is set out for consideration.
- 1.5. Consultation with residents is a key element of the regeneration process and a framework for consultation, decanting and compensating of residents and owners in estates which are to be redeveloped has been reviewed.

2. Recommendations

The Executive Councillor is recommended to:

- 2.1. Note the progress made to date towards identifying possible suitable candidate sites to be considered for regeneration as part of the new housing programme and the estates that have already been identified.
- 2.2. Note that the programme of review of estates will be carried forward including survey work and consultation with residents. Ward Members will be consulted prior to the commencement of survey work and prior to the commencement of consultation with residents on particular estates.

Regeneration Policy – Part 5

- 2.3. Approve the revisions to the Council regeneration policy as set out in Appendix 2 and discussed in Part 5 and to add the policy to the council's lettings policy.

Aylesborough Close – Part 6.1

- 2.4. Approve that the scheme be brought forward at **Aylesborough Close** with an indicative capital budget of £19,030,000 to cover all site assembly, construction costs, professional fees and further associated fees.
- 2.5. Authorise the Strategic Director in consultation with the Executive Councillor for Housing to approve variations to the scheme at Aylesborough Close including the number of units and mix of property types and sizes outlined in this report.
- 2.6. Approve that, subject to Council approval of the budget, delegated authority be given to the Exec Cllr for Housing in conjunction with the Strategic Director to enable the Aylesborough Close site to be developed through Cambridge Investment Partnership (CIP) subject to a value for money assessment to be carried out on behalf of the Council.

2.7. Delegate authority to the Strategic Director to commence Compulsory Purchase Order (CPO) proceedings on Leasehold properties to be demolished to enable the development at Aylesborough Close, should these be required.

2.8. Delegate authority to the Strategic Director to serve initial Demolition Notices under the Housing Act 1985.

Modular rooftop development – Part 7

2.9. Note the work done to date toward investigating the potential for modular rooftop and infill development across the Council's holdings as outlined in Part 7.

2.10. Approve the inclusion of airspace developments in the programme of new housing development for which finance has already been made available.

2.11. Approve the outline approach of proceeding with a Joint Venture partnership as the preferred method for implementation of modular rooftop (airspace) development, subject to further investigation and a further report.

2.12. Authorise the Head of the Housing Development Agency to approve a site for a pilot project subject to consultation with the Executive Councillor for Housing, the Head of Housing, the Head of Finance and the Ward Members.

3. Estate Regeneration

3.1. Background to estate regeneration

At the Housing Scrutiny Committee on 24th September 2020 Cambridge City Council committed to a new delivery programme of 1000 new Council homes, building on the success of the 500 programme funded by the Ministry of Housing, Communities and Local Government.

Given the constrained geography of the City as a local government unit and the limited availability of development sites a large proportion of the new homes will need to be built on existing council housing land. At the same time the Council holds older stock which does not meet modern standards, particularly in relation to sustainability. Maintenance is growing in cost and while the accommodation provided by the Council can be lawfully let and pressures on housing in Cambridge ensure a supply of applicants, the quality of some accommodation falls short of the Council's aspirations. A substantial difference is emerging between the new supply and the older stock.

The Council is actively working on a programme of retrofitting improvements. This will be a solution in some cases but in others remodelling estates to provide additional high-quality homes is a better response.

The focus is on older estates and therefore there is on-going maintenance required particularly to ensure the health and safety of residents. A challenge of the programme is to manage the maintenance expenditure, especially urgent interventions, against the limited life of a block.

Consultation with residents is a key element of the process and the framework for consultation, decanting and compensating of residents and owners in estates that are redeveloped has been reviewed.

4. Identification of estates to be considered for redevelopment

The method by which the current shortlist of sites was arrived at has had two main stages;

4.1. Stage 1: Internal review

Council officers working regularly on Council Estates were consulted to provide their views on the condition of each large Council Estate, to determine which areas are more suitable for large-scale demolition and regeneration. The following factors were assessed;

- The physical condition of each Council Estate. Estates containing older housing stock, especially those which are likely to require increasingly high maintenance costs over time, are given priority over those where maintenance costs remain steady over time.
- The sustainability of each estate. The Council is less likely to regenerate areas where the housing stock can be retrofitted with modern insulation, doors & windows to deliver a higher energy performance. Where a building has limited capacity for meeting modern sustainability standards, it is more likely to be considered for demolition.
- The popularity of each estate. Some areas of Council housing have a higher turnover in terms of tenancies than others. High turnover and large numbers of voids represent a financial risk to the Council. Where an estate has large numbers of void properties it is more likely to be considered for demolition.
- The relocation of residents. The Council wishes to minimise disruption for residents as much as possible. The logistical challenge of helping large numbers of residents to locate alternative accommodation is considered when prioritising estates for regeneration.

The HDA asked colleagues in City Homes, Maintenance & Assets, Property Services and related teams for their assessment of which council housing estates most merited regeneration on the basis of the above factors. From the large number of estates considered a short-list was identified for further study. This work has been co-ordinated by a working group of officers, the New Housing Programme Project Board, which has been created to support the implementation of the 1,000 programme.

4.2. Stage 2: More detailed studies including external review

The studies included external review by a specialist development management firm and capacity studies by consultant architects.

4.2.1. Stock condition review

Each site has had its condition and potential for renovation assessed by a specialist development management firm. The buildings under review are past their design life but piecemeal interventions – both repairs and improvements, have extended that life. The key issues are:

- The continuing cost of repairs and improvements as the buildings age further notwithstanding the funds that have already been disbursed.
- The quality of the accommodation even with these actions and the disparity in quality of accommodation between the older and newer stock.
- The extensive modifications and improvements that are essential to comply with evolving standards, for example in relation to fire safety.
- The social issues that declining quality of estates can contribute to.
- The limited extension to the life of the buildings that each intervention brings with the high risk that further interventions will be required.

4.2.2. Sustainability

In response to the Climate Emergency the Council has conducted a study based on typologies to consider the potential to upgrade the sustainability of its existing stock to standards equivalent to the new stock being constructed. The substantial costs and disruption associated with these works are a factor in the balance of the available options. While embodied carbon is a significant issue in demolition and reconstruction this may nevertheless be the best option and the balance of the carbon impacts is significantly affected by the life that is achieved for the existing building before it is demolished anyway. What is clear is that replacement units should be built to a high sustainability standard both to achieve the carbon reduction objectives and to ensure that the new buildings have a long life. There also must be a focus on mitigating the negative impact derived from embodied carbon by recycling materials.

The sustainability issue is not confined to the construction of the buildings. Redevelopment is likely to involve the loss of some trees; minimising the loss of

trees, planting new trees and other measures to improve biodiversity – on site where possible and off-site where not – are important considerations – with a target to secure a Biodiversity Net Gain of 20%. (The current Supplementary Planning Document in preparation but not yet approved proposes a target gain of 10%.) The approach agreed at the January HSC also covers parking and water use. Developing each estate offers an opportunity to redesign a small neighbourhood and increase the ability of pedestrians, cyclists and others to travel through the city and avoid main roads.

4.2.3. Quality

The quality of the existing accommodation as reported by officers and observable in the external environment and the known condition of the estates is a factor. Also the external environment in particular impacts upon the quality of life on the estate at a social level. Redevelopment provides an opportunity to address these issues, regenerate areas and provide new opportunities for communities. The case for doing this is a factor in considering estates for redevelopment. There are opportunities not only to retain but to enhance local amenities including open space and community facilities and to improve connectedness as noted above. The Council has been successful to date in this at for example Anstey Way in Trumpington. If the development programme did not take on any existing stock the gap in quality overall would increase between old and new.

4.2.4. Housing capacity studies

Architects were commissioned to develop capacity studies on each estate. The sites shortlisted were those with the highest potential for unit gain, with high density options delivering a 90% increase in the housing numbers or more, and with some of the sites having potential to more than double the number of homes on site. A range of factors will affect the ability to deliver the numbers identified in the capacity studies. More detailed investigation of planning constraints and site constraints will have an impact as will design decisions related to such issues as mix, density, open space and parking.

The Council has significant funds available for redevelopment, but they are limited and the viability of schemes is a key consideration. A number of factors bear upon viability including:

- The number of homes that can be delivered in the new development.
- The mix agreed on the new developments – both unit size and built form.
- The number of leaseholders and freeholders to be bought-out and the cost of doing so.
- The tenure mix on the new development and the value achieved from non-Council rented elements in a development.

- Rent levels in the new stock.
- Build costs which will be related to the imperative to deliver high quality accommodation.
- Levels of grant that can be secured.

These issues were considered at a high level when the Council approved the 1,000 programme. Proposals have to be reviewed against this framework and the continuing review of the financial plan for the HRA.

4.2.5. Surveys

A considerable amount of work has been carried out on the basis of desk-top data. Schemes can only be adequately investigated and assessed through on-site investigations. Ward Members will be consulted prior to the commencement of survey work on particular estates.

4.2.6. Residents and communities

Consultation with residents and engagement with the community is key. This is at various stages with different estates but the underlying principles are the same. In reviewing its stock as described above the Council seeks to balance the importance of consultation with residents, which is absolutely essential, with avoiding creating unnecessary anxiety and disruption. Much of the stock will be reviewed and the potential for redevelopment dismissed for a variety of reasons. Consultation is appropriate when there is a serious possibility that redevelopment may come forward but prior to any decision being taken. Ward Members will be consulted prior to the commencement of consultation with residents. The policy for consultation and also for decanting estates and compensating both Council tenants and owners (some of whom will be resident and some not) has been reviewed. The proposed policy is included in this report as Appendix 2 and is discussed further below:

5. Regeneration Policy

5.1. Background to Consultation and Decant Policy

This Policy explains the Council's approach to engaging with local residents and stakeholders where Council tenants leaseholders or freeholders are required to move from their home or are losing a property due to a redevelopment scheme, both in the period before a scheme is approved for development by the Council and during the development process.

In light of lessons learnt throughout the current 500 programme, the existing policy has been reviewed in order to update the policy in line with best practice. This policy supersedes two of the Council's earlier policies: *Appendix 3 of the Home Loss Policy (Commitment to Resident Involvement) approved at the*

March 2017 Housing Scrutiny Committee and the resident engagement policy submitted to the Housing Scrutiny Committee as Appendix 3 of item 19/31/HSC (New Build Housing – Campkin Road) in June 2019.

This updated (draft) policy will provide more notice to tenants and residents, more transparency on development proposals, clarity on the right to return and more clarity on when the council will serve notice and CPOs. The draft policy is attached at **Appendix 2**.

5.2 Amendments requiring Executive Councillor Approval

The following specific amendments represent a significant variation to the existing policy, and Committee scrutiny and Executive Councillor approval for their inclusion is sought:

Section 3.5, specifically the provision for a 12 week consultation and the information provision to residents. While we do wish to implement the guiding Gunning Principles as best practice, we are committing in this clause to a strict interpretation of those principles, and Case law does not explicitly require a 12 week period. Equally we are committing to a specific interpretation of “information required for intelligent consideration, being at minimum a map, indicative scheme plan, indicative timetable to residents as part of the consultation.”

Section 3, replacing the former Rolling Programme stage of our development process with an updated procedure as outlined.

Section 4.4, commitment to issue Notice Seeking Possession (NoSP) when three months have elapsed from the date of the detailed scheme approval at HSC. This is a major escalation from the current process. We currently say we will issue a NoSP six months *before* an arbitrary vacant possession date.

Section 4.6, as above, the Council will seek a Court order six months *after* issue of a NoSP. This escalates from the current policy where there is no clear timetable for when the Council will approach the County Court.

Sections 5.3 and 6.3, decision to initiate CPO 3 months from the approval of a scheme at HSC. As above, this escalates from the current policy by setting a clear timetable for the initiation of CPO proceedings

Additionally, the following two inclusions have been made in order to ensure legal compliance and following of best practice guidance.

Section 5.4, The policy to offer Leasehold residents the right to return (where possible). This ensures compliance with the law and with national best practice.

Section 7, The decision to offer residents support to move. This requires commitment of Council resources but does reflect current practice and is an interpretation of existing policy to offer tenants all necessary support to move.

6. Proposals for HRA estates

6.1 Aylesborough Close Phase 2 – Passivhaus Pilot Project 2.

As noted above, the work of reviewing the Council's stock and identifying estates where redevelopment is a positive option to be considered is continuing. The Council has been reviewing estates over an extended period with redevelopments at Anstey Way, Colville Road, Campkin Road and Ventress Close forming part of the 500 programme that is currently completed or on site. This followed on from an earlier programme which delivered 151 Council rented dwellings.

In some cases this created what developed as phased programmes – for example Colville Road Phase 1 was in the earlier programme; Colville Road Phase 2 is now on site and forms part of the 500 programme. Colville Road Phase 3 was approved by the Executive Councillor at the HSC in September 2020 and forms part of the new 1,000 programme. In the same way this report is now bringing forward Aylesborough Phase 2 for approval.

At the January 2021 HSC the Executive Councillor approved a pilot project of 35 Passivhaus homes across five sites. One of the five sites now has Planning Permission (Fen Road – for 12 homes) and applications are in various stages of submission for the four others. Aylesborough Close will be a second Passivhaus Pilot. Although the first Passivhaus Pilot is still at an early stage it is clear that the challenges in relation to flatted developments are significantly different and a second pilot is needed to focus on this distinct form of flatted development.

This will be a 100% Council rented scheme, and a full report is attached as **Appendix 1**. It should be noted that the Council has now delivered a number of 100% Council rented projects as part of the 1,000 programme but the programme presumes mixed tenure. Future proposals will need to reflect this, including on HRA estates. This will also be a Planning requirement on larger estates and a requirement of Homes England funding.

6.2 Other Estates

Work has started to explore the redevelopment possibilities on a number of further estates. Detailed scheme reporting will be brought to future meetings of

the HSC as any potential schemes develop. The following sites are under active consideration:

- 6.2.1 **Ekin Road** - identified as an area where redevelopment may serve favourable estate regeneration to tie in with the broader work considering East Barnwell.
- 6.2.2 **East Barnwell** – building on the One Public Estate project, work continues toward outlining regeneration opportunities for this area.
- 6.2.3 **Multi-storey garage, corner of East Road and St Matthews Street**– an ageing garage block with structural issues.
- 6.2.4 **Fanshawe Road** - a site which may offer both an opportunity for additional housing together with improved connectivity to the adjacent recreational grounds.

6.2.5 **Kingsway, Hanover and Princess**

Exploratory work on these estates shows that redevelopment could provide additional homes. The capacity is lower than on some of the other sites under review and the condition of the existing estates will be a key factor. Further work is required to explore the options available to the Council. This work will need to include engagement with residents to understand their perspective of the estates as they are.

Urgent work has been required in relation to gas safety at Hanover and princess Courts and Kingsway. This aspect is only one of the condition and age-related concerns at these estates and needed to be undertaken without delay. Whilst work is undertaken to understand options there is likely to be other immediate urgent work required to the blocks.

7. Modular rooftop airspace development

7.2 Background

Modular rooftop (airspace) development has the potential to combine the provision of additional homes on HRA land with upgrading of the existing stock. Limited availability of land, avoiding the disruption to residents of relocating for redevelopment, and retaining existing built fabric are all key advantages. Further benefits can be achieved through combining airspace development with upgrades to existing stock – particularly in the areas of sustainability and access – and in using the opportunity to deliver estate improvements.

Airspace development is part of a movement toward Modern Methods of Construction (MMC). The construction sector is facing significant supply-chain

constraints; MMC is an important part of the response to this. Our existing programme is using circa 30% MMC and the Solohaus modular homes for the homeless are another MMC element in the programme. The move to greater adoption of MMC is encouraged by Homes England which has set a 25% MMC delivery requirement for Strategic Partners

A number of factors affect whether an estate has potential for airspace development including:

- Good existing structural conditions
- Flat or low-pitched roofs
- External stairwells favoured /space for lift installation serving multiple units
- Broader build type preferable to long/thin construction footprint
- Opportunities for improvements to the existing homes and estates

A primary focus would be sustainability uplift/energy efficiency, tied into the separate workstreams being undertaken by Maintenance and Assets looking at efficient retrofit of existing properties. As reported in the MTFs (Item 10) to this committee, achieving improved levels of energy efficiency requires significant investment, and there is a challenge facing the Housing Revenue Account as to how to finance this required level of expenditure. The proposed development model offering mixed tenure regeneration as outlined below may feasibly offer a return which might offset a portion of this expenditure.

Alternative development models are considered below. Whichever is adopted, each scheme would require a viability appraisal in the context of an overall business plan. The first project could be an appropriate pilot scheme

7.3 Development Model:

7.3.1 Airspace development is a newly emerging and specialist field. The council has received specialist advice on possible development routes. The principle alternatives are procurement through a tendering process or development through a Joint Venture partnership.

7.3.2 Initial capacity studies indicate that there is council stock that is potentially suitable for this method of housing delivery. Technical due diligence on specific schemes has not been pursued further pending decisions on an overall approach to delivering airspace units.

7.3.3 Investigations of potential partners that the Council might work with indicate that there is a limited pool of specialised providers. The following are the main options under consideration:

7.4 Joint Venture

The benefits of creating a Joint Venture with a specialist partner are as follows:

- The know-how that a specialist firm would bring to the project. There is a significant benefit in working closely with a firm with expertise in this area

on the collaborative development of a programme with a single partner. A sustained programme of projects brings the potential for improvement and learning as the programme develops. This is a key element in this specialised emerging area.

- Under this approach a significant proportion of the units would be developed for sale. The proportion would vary from scheme to scheme but would generally be 40% subject to viability. This will enable the generation of a return, subject to any profit-sharing required through the joint venture agreement. This return could be made available for investment in other projects including new housing and reinvestment in sustainability improvements
- The structure would share the risk on development activities, with the Council's principal risks being the temporary loss of the roof-top lease and non-delivery of the residential units in the event of default by the JV partner
- The SDLT implications of the roof-top lease model would need to be investigated. Homes England grant will be required and will also affect the SDLT impact.
- A mixed tenure approach would support mixed and balanced communities which is a key objective in planning and housing terms although it would reduce the supply of Council rented housing in each individual scheme. The Council would retain the freehold. The leases that would be sold would sit alongside existing leases that have been granted as a result of the right to buy.

7.5 Procurement of a contractor

The alternative is for the Council to procure a contractor and deliver the units itself.

- This provides a transparent mechanism to demonstrate value for money.
- The Council would not get the benefit of specialist contractor input in the pre-contract stage and would take on a degree of design liability for works carried out before the contractors were appointed.
- There would not be a standardised process across different schemes.
- Because of the limited pool of firms with expertise in this area, there is a risk that a tender would attract bidders with capacity and experience in relation to Local Authority contracting who would rely on comprehensive sub-contracting to a specialist firm. This would also reduce the benefit to the Council of working directly with a firm with the relevant expertise.
- In principle the Council could deliver 100% Council rented schemes through this route but this would be subject to viability.
- The capacity of the Council to deliver a scheme without the active collaboration of a JV partner is an issue and the level of risk to the Council would be greater.

7.6 Recommended development model

It is recommended that the preferred development model should be a joint venture. Further due diligence should be carried out to assess the implications of a joint venture and to approve the selection of a joint venture partner.

7.7 Consultation

- 7.7.1 Consultation with residents and owners of properties on the estates will be at the heart of the process. A high-level legal review of Council leases and tenancies indicates that a programme is likely to be possible but a detailed review on a case by case basis will be required. In practice engagement with the community will be fundamental to bringing forward a successful scheme.

It is proposed:

- 7.7.2 To proceed with a Joint Venture partnership as the preferred method for implementation of modular rooftop (airspace) development, subject to further investigation and a further report.
- 7.7.3 That airspace developments are included in the programme of new housing development for which finance has already been made available
- 7.7.4 That the Head of the Housing Development Agency is authorised to approve a pilot project subject to consultation with the Executive Councillor, the Head of Housing, and the Head of Finance and the Ward Members

8. Other Implications

(a) Staffing Implications

Development work continues to be scheme will be managed by the Housing Development Agency, which will also provide the Council's staffing contribution to the development of specific schemes such as that proposed at Aylesborough Close. The scheme at Aylesborough Close as detailed in Appendix 1 will be developed through the Cambridge Investment Partnership (CIP).

(b) Equality and Poverty Implications

Scheme specific EQIAs accompany specific schemes as they progress to Committee for approval Such a scheme specific EQIA accompanies this report as Annex 3 to Appendix 1.

(c) Net Zero Carbon, Climate Change and Environmental Implications

In the January 2021 HSC report to this committee, it was confirmed that the new programme has been developed with a commitment, subject to technical and financial constraints, for new build Council homes to attain Net Zero Carbon from

2030; and to Passivhaus from 2021. Work conducted toward detailing the development programme remains in line with this roadmap, and the proposed development at Aylesborough Close is proposed to be delivered to meet Passivhaus standards.

Climate Change Rating assessments will be completed for all schemes coming forward to this committee for approval. Such an assessment has been completed for the proposed development at Aylesborough Close and accompanies Appendix 1 as Annex 4. The Assessment indicates a net Low Positive impact from the development.

(d) Procurement Implications

A Housing Scrutiny Committee in January 2021 set out the proposed approach to delivery of the new housing programme and identified the Cambridge Investment Partnership (CIP) as the primary delivery route.

The Aylesborough close scheme is proposed to be delivered by the CIP. The Council will both draw on the experience which Hill can bring to CIP of delivering Passivhaus projects and will ensure that the learning is captured. The project will be subject to an independent Value for Money assessment by the Employers Agent for the Council.

There are no further procurement implications of this update report at this stage. Specific procurement considerations related to estates identified which may progress as redevelopment proposals will be identified on a scheme specific basis.

(e) Community Safety Implications

All schemes under the new housing programme will be built in accordance to Secure by Design guidelines as set out within the City Councils Design Brief.

Any identified regeneration to redevelopment activities will additionally be aimed toward updating existing estates to meet such Secure by Design Guidelines.

9. Background Papers

19/42/HSC Approval for CIP scheme delivery routes

10. Appendices

Appendix 1: Report on Scheme at Aylesborough Close

Appendix 2: Cambridge City Council; Regeneration Policy

11. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Claire Flowers, Housing Development Agency,

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