

# Estate Regeneration

More and better homes for London



In partnership with:

**Winckworth**  
Sherwood



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### London First

Middlesex House  
34-42 Cleveland Street  
London  
W1T 4JE  
[www.londonfirst.co.uk](http://www.londonfirst.co.uk)

Jonathan Seager  
Executive Director, Policy  
T: 020 7665 1500  
[jseager@londonfirst.co.uk](mailto:jseager@londonfirst.co.uk)

Steve Cole  
Programme Director, Policy  
T: 020 7665 1500  
[scole@londonfirst.co.uk](mailto:scole@londonfirst.co.uk)

### Winckworth Sherwood LLP

Minerva House  
5 Montague Close  
London  
SE1 9BB  
[www.wslaw.co.uk](http://www.wslaw.co.uk)

Roger Fitton  
Managing Partner, Co-Head of  
Real Estate  
T: 020 7593 5076  
[rfitton@wslaw.co.uk](mailto:rfitton@wslaw.co.uk)

Karen Cooksley  
Partner, Head of Planning  
T: 020 7593 5182  
[kcooksley@wslaw.co.uk](mailto:kcooksley@wslaw.co.uk)

Richard Tinham  
Partner, Head of Commercial &  
Corporate  
T: 020 7593 5165  
[rtinham@wslaw.co.uk](mailto:rtinham@wslaw.co.uk)

### Terence O'Rourke

Linen Hall, 162 – 168 Regent  
Street  
London  
W1B 5TE  
[www.torltd.co.uk](http://www.torltd.co.uk)

Faraz Baber  
Director  
T: 020 3664 6755  
[faraz.baber@torltd.co.uk](mailto:faraz.baber@torltd.co.uk)

Paul Rogers  
Technical Director  
T: 020 3664 6755  
[paul.rogers@torltd.co.uk](mailto:paul.rogers@torltd.co.uk)

Jonathan Woolmer  
Technical Director  
T: 020 3664 6755  
[jonathan.woolmer@torltd.co.uk](mailto:jonathan.woolmer@torltd.co.uk)

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# Summary

## 1

London needs to build a minimum of 49,000 homes a year but the city is systemically failing to meet this target. There is no simple solution to London's lack of housebuilding – increasing supply requires action on multiple fronts.

Redevelopment of London's public housing estates can be part of the solution to increasing housing supply. Where these estates are in a poor condition and require physical regeneration, via demolition and rebuild, better design and use of space can lead to more homes in total. Similarly, some estates have the space to accommodate more homes through so called infill development.

While there is considerable scope for estate regeneration to deliver more homes, this does not mean that every housing estate should be redeveloped; an estate's future will depend on its individual circumstances. The challenge is to get more of these typically long and complex schemes to happen and to improve the quality of life for residents while also ensuring that such schemes are playing their part in a much broader effort that is required to increase housebuilding in London.

This report considers what more can be done to support the physical regeneration process to help deliver, amongst other objectives, more new homes where this has been selected as the best option. It highlights three key issues that must be addressed to support a new wave of regeneration, setting out a series of key considerations on each.

First, **making the right start** – establishing and running an effective community engagement process. Comprehensive and effective engagement with the local community, which provides residents with the ability to help shape proposals, is essential to the success of regeneration schemes. This requires:

- the community to be identified and the establishment of a robust process to ensure the opinions of all parties are heard;
- getting the timing right on when to start talking to the community about proposals for regeneration. In practical terms, the right decision will vary case by case but on balance early high-level engagement that takes care to manage residents' expectations, and is clear about what is part of the consultation and what is not, is to be encouraged; and
- using a mix of modern and traditional communication techniques to engage the community as it evolves over time, but accepting that there is no substitute for face-to-face engagement as a means of discussing difficult issues, potential solutions and building long term relationships and trust.

Second, **making the right offer** – putting in place a deal that works for residents and is commercially viable. In deciding whether to support estate regeneration residents will rightly consider how it may benefit them and balance this against their current circumstances. Therefore, the offer made to residents is crucial and in effect a deal must be struck between residents and the organisation undertaking the regeneration. The deal is easier to reach if residents have been meaningfully engaged on what they want from the regeneration. The details of resident deals will vary by scheme, but there are overarching principles which can be adopted to help create a fair deal including:

- residents must have a genuine share in the benefits of estate regeneration. The deal must work for residents as whole, seeking to minimise impact and disruption, noting that the wider benefits delivered by regeneration will bring about individual challenges such as the ability of leaseholders/freeholders to purchase a home in the new development;
- from a developer's perspective, the resident deal is only deliverable if the scheme makes commercial sense. The need to deliver new, additional homes of different tenures is likely to be central to making a scheme commercially viable, helping to provide a financial return to a developer, and delivering benefits to both individual residents and the wider community; and
- from a local councils' perspective, they will clearly want residents to feel the deal is acceptable and that the more generous an offer that is made the greater the chance is of gaining resident support. Where schemes are of a relevant size, councils will also expect wider additional benefits to be delivered potentially including additional affordable housing.

And third, **setting up the right framework** – creating an efficient procurement process and a flexible development contract. If poorly managed, procurement can become an expensive and unwieldy process. Conversely, with a clear and properly resourced procurement strategy in place, it can help to facilitate the successful delivery of a regeneration scheme. Equally important is the legal documentation and structure of the development agreement which should reflect the reality of a long-term business relationship, taking account of potentially changing economic factors, unforeseen events, and evolution in the market place. Six key considerations when undertaking the procurement process and six key considerations when putting together the contract for and legal structure of schemes are analysed in detail in Chapter 5. Together, they are intended to help reduce the time and costs associated with procurement and provide a flexible structure to facilitate regeneration.

**Finally, if more estates are to be regenerated public policy must provide greater support for this process.** This means:

- introducing clearer support in housing and planning policy for estate regeneration, differentiating it from typical brownfield development;
- creating more certainty around the planning and development process for regeneration; and
- using additional central resource from Government and the Mayor to support the skills and capacity of local councils to manage the regeneration process.

The inherent complexity of estate regeneration cannot be removed, but more can be done to de-risk elements of the process, providing greater confidence to all types of developers to invest in regeneration. To this end, nine recommendations about public policy are made:

#### **Recommendation 1**

- Where the use of Compulsory Purchase Order (CPO) is the best option to progress regeneration, whether it is to acquire the interests of leaseholders/freeholders or to support wider land assembly, clear guidance should be provided to support the early preparation of orders so that the formal process can be quickly commenced upon the granting of planning permission. This will reduce the prospect of delay and uncertainty for all parties concerned.

#### **Recommendation 2**

- Where estate regeneration schemes deliver more than new or improved housing such as community facilities, commercial space or transport improvements government guidance should indicate support for local planning authorities to either exempt the payment of Community Infrastructure Levy (CIL) (zero rating) or to pay a reduced rate. In either option, robust evidence would need to be provided about the level of on-site infrastructure costs to justify such an approach. Where exemptions are permitted, s.106 agreements can be negotiated to set out how such monies can be spent to benefit the estate and wider community.

### **Recommendation 3**

- The Government should abolish restrictions on the ability of local councils to borrow against the value of their housing stock, when this would be within prudential limits. This reform would give most London boroughs, whose current debt is lower than the value of their assets, a greater ability to support housing growth through estate regeneration.

### **Recommendation 4**

- The Government should allow local councils greater flexibility in pooling of different funding sources - such as Right to Buy receipts, housing zone investment, GLA affordable housing grant and payments in lieu of affordable housing – to support estate regeneration.

### **Recommendation 5**

- If the Government implements Starter Homes through requiring a set percentage to be delivered on developments over a threshold then, as suggested in the technical consultation on Starter Homes<sup>1</sup>, estate regeneration schemes should be exempt from this approach.

### **Recommendation 6**

- The forthcoming review of the London Plan should include specific estate regeneration policies that provide support for this type of development such as further support for densification (where appropriate) and a clear approach to the additional provision of affordable housing in the context of the Plan's existing policy on creating mixed and balanced communities. Furthermore, where boroughs are seeking support to bring forward large-scale estate regeneration schemes that can anchor the wider regeneration of an area, the Mayor should use new or existing joint planning frameworks such as Opportunity Area Planning Frameworks to clearly advance the planning case for estate regeneration.

<sup>1</sup> Starter Homes Regulations Technical Consultation, Department for Communities and Local Government: March 2016



### **Recommendation 7**

- The Mayor should direct central resource in HfL to help support large, complex estate regeneration schemes. This support should include:
  - providing technical expertise where requested by a borough to help assess a planning application;
  - providing expertise and guidance in surmounting perceived or real constraints around 'best consideration', procurement and state aid; and
  - providing a centralised competency for CPO powers.

### **Recommendation 8**

- Local councils should provide clear estate regeneration policies in their local development plans, and where appropriate, identify strategically important areas that require some form of regeneration (without pre-determining the nature of the regeneration).

### **Recommendation 9**

- Local council Statements of Community Involvement, or other relevant documents, should specify the parameters regarding how residents should be engaged about proposals for estate regeneration. In many instances, local councils are also then well placed to lead on or heavily assist the community engagement process for individual schemes.

# Introduction

## 2

### Home Truths

London's population continues to rise, as does the demand for new homes. To meet this demand, London needs to build a minimum of 49,000 homes a year<sup>2</sup> but the city is systemically failing to meet this target. As London First previously set out in *Home Truths*<sup>3</sup>, there is no simple solution to London's lack of housebuilding – increasing supply requires action on multiple fronts. This means, amongst other actions, building at higher densities to make the best use of land, using new transport infrastructure as a catalyst to unlock more housing development, and introducing a coordinated approach to identifying and releasing surplus public land for housing.

Redevelopment of London's public housing estates can also be part of the solution to increasing housing supply. Where these estates are in a poor condition and require physical regeneration, via demolition and rebuild, better design and use of space can lead to more homes in total. Similarly, some estates have the space to accommodate more homes through so called infill development.

This does not mean that every housing estate should be redeveloped; an estate's future will depend on its individual circumstances. Many do not require any physical regeneration. Some may just require refurbishment, while others might benefit from social investment such as employment and skills programmes rather than investment in their physical fabric. This report is focused on what more can be done to support the physical regeneration process to help deliver, amongst other objectives, more new homes where this has been selected as the best option.

### Scale of the opportunity

Recent research has shown there is considerable theoretical potential to increase housing supply through the regeneration of housing estates. One estimate suggests there are approximately 8,500 hectares of land covered by local authority and ex-local authority housing estates in London of which 1,750 hectares might be 'capable of regeneration'. This could lead up to an additional 54,000 to 360,000 homes depending on the density of development<sup>4</sup>. Another estimate states that densification of large housing estates could provide an

<sup>2</sup> The London Plan, Greater London Authority: March 2015. This figure might increase when the full review of the Plan formally begins later this year.

<sup>3</sup> Home Truths: 12 Steps to Solving London's Housing Crisis, London First: March 2014.

<sup>4</sup> These figures are based on a specific approach to regeneration – 'complete streets' – which seeks to integrate redeveloped estates into the surrounding streets and neighbourhoods. See Completing London's Streets, How the regeneration and intensification of housing estates could increase London's supply of homes and benefit residents, Savills: January 2016.

additional 80,000 to 160,000 homes in London (4,000 to 8,000 new homes a year)<sup>5</sup>. Of course, these broad-brush estimates have not looked at the particular circumstances of the individual estates; and it would be neither practicable nor desirable for all of London's housing estates to be treated in the same way. It is ultimately down to the planning system, residents and the market to assess this.

Some of London's first housing estates were built by housing associations in the late nineteenth century. Through the stock transfer process in the latter half of the twentieth century, associations took over the ownership and management of significant numbers of local council owned estates. Housing associations have therefore become key players in estate regeneration as evidenced by a recent report by the g15 (a group of London's largest housing associations) outlining the significant contribution they are making to improving existing estates, while also building more new homes. 35 recently completed, on-site or planned schemes will deliver 34,000 homes by 2040 of which 14,000 are additional homes<sup>6</sup>.

While there is clearly considerable scope for estate regeneration to deliver more new homes, these projects are typically long and complex. The challenge is to get more of these schemes to happen and to improve the quality of life for residents while also ensuring that such schemes are playing their part in a much broader effort that is required to increase housebuilding in London.

### **History repeating itself**

The Government's current estate regeneration initiative is the latest in a long list of programmes undertaken by both central and local government in this area of housing policy<sup>7</sup>. The creation of many of London's housing estates were in large part a response to dealing with both the devastation caused by the World Wars and the need to clear slums to provide decent housing. In more recent memory, national estate regeneration programmes such as the creation of Housing Action Trusts (HATS) in the 1980s and the New Deal for Communities in the late 1990s, early 2000s, provided significant social and physical investment into London's housing estates.

<sup>5</sup> Another Storey: The real potential for estate densification, Centre for London: September 2016.

<sup>6</sup> Meeting the challenge of urban renewal, The g15's contribution to regenerating London's estates, g15: October 2016.

<sup>7</sup> See Chapter 2 for a summary of estate regeneration programmes over the years in Another Storey, Centre for London: September 2016.

In 2014, the Government launched a £150 million Estate Regeneration Fund offering recoverable loans to support regeneration. Most recently, in December 2016 the Government published the prospectus for its £172 million Estate Regeneration Fund<sup>8</sup> to accompany its National Strategy for Estate Regeneration<sup>9</sup> both of which are part of the Government's plan to transform up to 100 housing estates under the leadership of Lord Heseltine.

### **The viability of development and housing tenure**

A significant difference between the current Government's estate regeneration initiatives and those of the past is the nature of the support on offer. Initiatives such as HATs and the New Deal for Communities provided, amongst other things, millions of pounds in grant funding. The latest Government programmes, reflecting the broader cuts to Government spending, are primarily based on recoverable loans and leveraging in private investment.

Where once grant funding could help make a project viable now the focus is on making better use of land, building more homes of a variety of tenures, and using the value created by these new homes to cross-subsidise the overall project (but particularly the re-provision of affordable homes). In London, high land values – although not universal across the city – and strong demand for more homes help to make this approach work.

To date, homes for sale have provided the cross subsidy but the build to rent market – institutionally backed, professionally managed purpose built homes for rent – could provide an alternative and complementary source of supply (and revenue cross subsidy). There are currently approximately 33,500 build to rent homes completed, under construction, or with planning permission in London<sup>10</sup>. This number will grow and there is strong potential for more build to rent homes to play a prominent role in future regeneration schemes.

<sup>8</sup> £140 million of project finance, £30 million of enabling funding, and £2 million of capacity building funding. See [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/575800/Estate\\_Regeneration\\_Programme\\_Funding\\_Prospectus.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/575800/Estate_Regeneration_Programme_Funding_Prospectus.pdf)

<sup>9</sup> <https://www.gov.uk/guidance/estate-regeneration-national-strategy>

<sup>10</sup> <https://www.bpf.org.uk/what-we-do/bpf-build-rent-map-uk>

## **Models of delivery**

Building and indeed re-building housing estates was once the preserve of local councils but as funding models have changed (as outlined above) different types of organisations, and particularly housing associations, are leading or partnering with one another to deliver estate regeneration. The type of partner and model of delivery used varies from scheme to scheme – with an example given at the end of each chapter in the report – depending on a range of factors such as who owns the estate, the scale of the project and the aims of the regeneration.

Local councils are however a common thread running through all models of delivery. They have a multifaceted role which, depending on the scheme, can include some or all of being: the local planning authority; the local housing authority; the developer of the scheme; the landlord and or the landowner; and the representative of the local community. The local councils' views about estate regeneration are therefore central to any given scheme.

## **The rise of infill development**

In recent years, many large estates have been brought forward for regeneration and due to their size will take at least a decade to complete. There are still more large estates that could and will be brought forward for regeneration but there is also scope for smaller-scale, infill schemes to be undertaken where the original design of the estate supports it. These schemes may become increasingly common as the need to find more land to build more homes on in London intensifies.

As well as new build, it will be possible in some estates to add an additional level to existing mid-rise estates or to replace redundant garage space with new homes. In some instances, the infill approach may cross-subsidise wider improvements that are needed on the estate.

## **A new wave of regeneration**

London must double its rate of housebuilding if it is to adequately house a growing population and keep the city economically competitive. The Mayor has already ruled out some options that would help increase supply such as reviewing the greenbelt. Therefore, there is a need to maximise all other options, including estate regeneration.

The challenge is for a new wave of schemes – whether they be large-scale redevelopment or infill development – to be brought forward that have local political and community support, and are commercially viable. Without significant private investment the benefits of regeneration will not be realised, but such investment requires a supportive policy environment which acknowledges the risks being taken, the complexity of the process, the substantial upfront costs involved, and the slow financial return received.

This report highlights three key issues that must be addressed to support a new wave of regeneration, setting out a series of key considerations on each. First, making the right start – establishing and running an effective community engagement process (Chapter 3). Second, making the right offer – putting in place a deal that works for residents and is commercially viable (Chapter 4). And third, setting up the right framework – creating an efficient procurement process and a flexible development contract (Chapter 5). Chapter 6 goes on to outline recommendations for how both central and London Government could change public policy to support more estate regeneration schemes.

## **Mixed-use developer led estate regeneration**

### **Lendlease: Elephant Park, Southwark**

In July 2010, Lendlease and Southwark Council signed a regeneration agreement, which provides the legal basis for long-term partnership between the two parties. It includes several conditions which must be met, for example, the provision of 25 per cent affordable housing across the scheme. The regeneration agreement kick-started more detailed work from Lendlease including stakeholder engagement and consultation, gaining planning permission, demolishing the old estate and now starting the construction of the new development.

At Elephant Park, Lendlease is utilising its fully integrated delivery model, combining core capabilities of development, construction and asset management. Lendlease are development manager, project manager, principal contractor and estate manager at Elephant Park. This integrated model gives them the ability to deliver large, long-term, complex projects such as Elephant Park and drive value across each part of the property chain.

Valued at £2.3bn, the project aims to deliver 3,000 new tenure-blind homes, 50 shops, restaurants and cafes, as well as new parks, leisure facilities and much needed investment in public services. Since construction began in 2013 significant progress has been made. Nearly 1,500 homes are already either complete or in construction and, as a sign of the quality that is being delivered, the first phase was shortlisted for the 2016 RIBA Stirling Prize. The project has already delivered over 660 jobs for Southwark residents.





# Making the Right Start: Community Engagement

## 3

Community engagement is important to any new development and an integral part of the planning system<sup>11</sup>. For estate regeneration, community engagement acquires an even greater importance as these schemes have the potential to fundamentally change the existing physical, social and economic characteristics of the community. Furthermore, many of the residents living in housing estates have done so for many years and have forged strong social and emotional connections with their estate and wider area. Comprehensive and effective engagement with the local community, which provides residents with the ability to help shape proposals, is essential to the success of any proposed regeneration. Naturally, residents' views on regeneration will be heavily influenced by the disruption they will face, their access to a new home and the broader improvements to their area (these issues are discussed in Chapter 4 below).

### **Identifying who to engage with in the community**

The term 'community' is widely used but in the context of estate regeneration it is not always straightforward to work out who represents the community. Some people will be keen to engage in a discussion about regeneration, whilst others may be less inclined to participate or be hard to reach. Undertaking effective community engagement requires a detailed appreciation of the different members of the community and the establishment of a robust process to ensure the opinions of all parties are heard. Typically, this means identifying and engaging with resident groups, residents who do not generally attend formal meetings (the silent majority), future residents (those who might live in new additional homes built in the scheme), the local council and representatives of the wider community.

#### **Formal and informal engagement Network Homes, Stockwell Park, Lambeth**

Working with a highly engaged local community, Network Homes balanced formal engagement with more hands-on approaches. These included recruiting nine apprentices and two trainees from the area, running weekly planting days and cooking classes, establishing community fun days, and providing schemes showcasing the work of local artists, including an outdoor graffiti gallery which received coverage in the Wall Street Journal.

This informal engagement was balanced by the creation of SW9, a Local Management Organisation giving residents a greater formal say in how services are delivered. Two-thirds of the board members, including the chair, are local residents while the remaining third are independent representatives.

Source: Network Homes

<sup>11</sup> See paragraph 188, National Planning Policy Framework



Successful engagement will capture residents' concerns and aspirations for the future, but there is a danger that engagement becomes skewed if based on an over representation of the views of certain groups. It is likely that most members of the community will have an interest in regeneration but it is sometimes the hardest to reach groups or individuals that have the most to win or lose from regeneration. For example, younger residents are often the hardest to engage but form the basis of the future core of the community.

Careful consideration must be given to who is the most appropriate organisation to lead the community engagement. Local councils are often well placed to do this compared to the organisation undertaking the development because of their local knowledge and established relationships with the community. Of course, in many instances the council is the landowner and/or estate landlord and so should be able to draw upon its own internal resource and skill to access the views of as many people as possible. However, this will not always be the right approach – the relations between tenants and their landlord on a particular estate can be fraught – and in some instances third party community consultation organisations who bring independence and specialist knowledge will be best placed to lead on engagement.

### **Key considerations**

- The need to make engagement strategies inclusive, ensuring the views of all sections of the community are captured and considered.
- Meeting with resident groups and neighbourhood forums is a natural place to start engagement. However, they may not always be fully representative of the wider community and their views must be balanced with others.
- Local councils provide a unique and invaluable source of local knowledge and where appropriate they should be encouraged to lead on the community engagement process. Where a third party is used to lead engagement, transparent governance arrangements should be put in place so the community understands the respective roles of the parties involved.

### **Focused engagement Lendlease, Elephant Park, Southwark**

Lendlease's £2bn Elephant Park project is delivering 3,000 homes in the heart of Elephant and Castle. To engage effectively with the community, a comprehensive stakeholder audit was undertaken. This process identified who the key stakeholders were and helped to create a tailored approach to engagement. This included a mix of formal consultation events, on-line or one on one opportunities to discuss issues of importance, and the utilisation of existing channels the council had to engage with the local community.

Source: Lendlease

### **When to engage the community**

There are differing views about when the best point is to start community engagement. On the one hand, engagement could start after initial background work has been undertaken and ideas formed about what, in broad terms, regeneration might entail. On the other hand, engagement could start when the future of a housing estate is initially being considered by its owner<sup>12</sup>.

There are pros and cons to both approaches. If engaging before realistic, high-level options have been identified for the future of the estate, community expectations may be raised unnecessarily, creating mistrust in the process. However, engaging too late can cause resentment and a feeling that regeneration is being done to rather than with the community.

<sup>12</sup> Many landlords/owners will be in continuous engagement with their residents therefore any proposals for regeneration can emerge through this process.

### **A guide for long term residents**

#### **Grainger, Ospringe House, Croydon House, Charing House, Cornwall Flats and Ethelm House (OCCC), Lambeth**

As a first step in their community consultation about the regeneration of the OCCC estate, Grainger provided all residents with a guide to the regeneration process. The guide contains key information about the regeneration plans and explains how residents can provide feedback. It gives details of dedicated Grainger contacts available to residents, a timeline of the overall process, the guarantees Grainger are making to residents, and details of the options available to residents regarding rehousing or staying in their current home during the regeneration.



Source: Grainger

In practical terms, the right decision will vary case by case but on balance early high-level engagement that takes care to manage residents' expectations, and is clear about what is part of the consultation and what is not, is to be encouraged. There may, for example, be some parts of a scheme that simply must happen if it is to proceed and are non-negotiable but other parts that are fluid and can be shaped by consultation. The unveiling of a scheme that promises everything but is unclear about what it will really deliver creates mistrust. To help manage expectations, it may be necessary to test broad options for regeneration before commencing formal engagement. Equally, if options have been considered and discounted prior to engagement the reasons for this should be explained. A transparent approach will help establish credibility with the community

#### **Engaging early Peabody, South Thamesmead, Bexley**

By ensuring the residents of South Thamesmead were engaged straightaway with the new regeneration vision for the area, Peabody could tailor plans in response to resident feedback. In February 2016, Peabody delivered a brochure to roughly 600 homes outlining their proposals for the regeneration of the area over the next 10 years.

By June 2016, Peabody had spoken to over 470 residents, many face-to-face, and obtained clear messages regarding the need for further information particularly on affordability, housing options, and housing types. In response, Peabody published a Frequently Asked Questions document before delivering detail of the offer for tenants and homeowners in July 2016. The offer sought to reassure residents about Peabody's commitment to helping people stay in the area along with further detail on the new homes to be built in the Housing Zone.

Source: Peabody

Many estate regeneration schemes are undertaken through a procurement process (see Chapter 5) and these can sometimes hinder effective community engagement. If the community are not engaged at all during the procurement process this is a serious flaw as bidders are often required to work up detailed plans whilst having to effectively guess the views of the community. This is unlikely to produce a scheme that residents feel meets their needs. Equally, overwhelming residents with multiple visions for regeneration is likely to cause confusion and consultation fatigue. Solutions may include local authorities engaging the community prior to starting procurement to identify and agree a set of core values and objectives which can then be used by bidders to inform their proposals, or creating a time-limited and structured engagement process during procurement that focuses on key elements such as draft masterplans.

## **Key considerations**

- When to start engagement should be tailored to suit each case, but early engagement is encouraged providing it is meaningful.
- Managing expectations about what regeneration can deliver is crucial. Only credible and deliverable options should be consulted upon and residents should be made aware of the parameters of the consultation - what can be influenced and what is already set.
- The ability of local communities to understand the constraints affecting developers should not be underestimated. Where options are discounted, they should be done so in a transparent manner with information provided to the community explaining the decision.
- Formal procurement processes should include some engagement to ensure proposals are based on the needs of the community, but such engagement must be carefully managed with a view to not causing confusion or creating consultation fatigue.

## **How to engage the community**

Communities are dynamic with their composition and views changing over time. Given that regeneration schemes can take years to complete, engagement strategies must take account of the evolving community through regular reviews and updates to reflect the needs of both old and new residents.

### **A staircase of engagement**

#### **Swan Housing, Bow Cross, Tower Hamlets**

To support the regeneration of Bow Cross, Swan Housing developed a staircase of engagement process. Informal activities such as fun days, football competitions, welcome events, community competitions, language classes and an IT Club actively encouraged residents to get involved with more formal engagement such as drop-in sessions, open days, design exhibitions, and resident meetings. This ensured the regeneration proposals were rooted in the needs of the community and would stand the test of time.

In addition, the Bow Cross Management Board was established at an early stage to make joint decisions about the regeneration proposals and to oversee the regeneration works and on-going estate management issues after the regeneration process was completed. Improved landscape design, and concierge services were incorporated into the scheme following residents' feedback to help improve safety and security.

Source: Swan Housing

### *Methods of communication*

In recent years, methods of communication have become more sophisticated. Younger age groups are more likely to interact with social media – although its use is increasingly common across all generations – so this can be an effective way to engage with a typically hard to reach demographic. The rise of new technology should not however diminish the value of traditional methods of engagement such as exhibitions, drop in centres, resident meetings, and newsletters amongst others. Nor should comments on social media be assumed to be representative of the wider communities' views simply because they are publicly available and can be widely shared.

### *De-mystifying the planning process*

Most people rarely engage with the planning system. Residents may have a good appreciation of high-level regeneration objectives, such as providing new homes and improving the quality of the environment, but entirely reasonably, they will want further detail about how regeneration will directly affect them. It is important to communicate this information in plain English rather than technical planning terms, and for the broader regeneration process to be conveyed in a meaningful way.



### **Giving the community the skills it needs to engage Notting Hill, Barham Park estate regeneration, Brent**

Notting Hill Housing Group commissioned Planning Aid for London (PAL), a specialist organisation which works with communities on planning issues, to undertake training workshops on the estate for residents. This was designed to help residents fully understand the planning application process and make informed comments on the application itself. Meetings with the resident focus group supported by PAL during the planning application preparation stage included presentations from architects, planners, highways officers, sustainability consultants, and a safer neighbourhoods team.

In addition, all consultation activities at Barham Park were supported by an independent resident adviser. The adviser attended all meetings and events with residents, produced fact sheets, distributed newsletters, as well as providing general information and advice to residents.



Source: Notting Hill Housing

### *Engaging residents with design*

Residents on an estate understand how the homes, community facilities and landscape are actually used. They know, for example, which routes to local shops are overused, which cut-throughs create anti-social behaviour and where local children like to play. Engaging residents with the design of a regeneration scheme provides valuable insight into the practicalities of living on the estate and can help to produce a better quality of place.

In addition, actively involving residents in the design process can help secure resident support for a scheme. The use of design workshops can particularly help residents to understand what densification on their estate looks like, dispel negative preconceptions of the process, and bring to life the opportunities it can present to them and the estate for example the ability to provide more shops and services.

#### **Design workshops for children**

##### **Countryside, L&Q and Levitt Bernstein: South Acton, Ealing**

As part of the £579 million regeneration of Acton Gardens which will deliver approximately 2,500 homes, a design workshop was held in 2015 to seek the views of local schoolchildren about the redevelopment of open green space outside the local community centre as part of developing the proposals for phase six of the scheme.

Children aged 5-11 years old took part in the workshop which included a range of activities such as: asking questions about the existing space and its use; getting the children to add stickers to images of play equipment they liked or disliked; getting the children to build play equipment with Lego or drawing a play area they would like; and an outdoor session walking around the existing area asking the children how they currently use it and what they wanted to see in the new space.

The workshop provided a better understanding of the play equipment that was needed for the age range of children on the estate, the need for additional lighting and seating for parents in play areas, the potential for a children's planting area, the need for additional bins and recycling, and the type of surface materials best suited to the local play areas.

Source: Countryside



### *Seeing is believing*

Simply telling residents their new home will be better than their existing one is unlikely to convince them of the direct benefits of regeneration. There are several measures that can be used to build confidence and address concerns. For example, using Computer Graphic Imaging (CGI) to help residents picture what their new environment will look like (although this may not be available at the outset of the process as detailed designs will not have been worked up yet). Constructing show homes on-site and organising tours of completed developments, preferably by the same developer, can demonstrate what regeneration can achieve.

### **Key considerations**

- Communities change over time and so should engagement strategies to ensure the whole community remains engaged.
- Comprehensive and meaningful engagement is likely to require a mix of modern and traditional techniques. However, there is no substitute for face-to-face engagement as a means of discussing difficult issues, potential solutions and building long term relationships and trust.
- An active presence on social media by some members of the community should not be assumed to be representative of the wider views of the community.
- Using CGI to show what a new estate will look like, building show homes, and organising resident tours to completed regeneration schemes should all be considered as a matter of course for large regeneration schemes.

### **Building a community through continuous engagement Berkeley Group, Woodberry Down, Hackney**

Working with Reading University and Social Life, Berkeley Group has developed an innovative approach to social sustainability. A toolkit of 13 criteria allows the development team to plan for and measure people's quality of life. These criteria are grouped around 3 dimensions: voice and influence, social and cultural life, and amenities and infrastructure.

The toolkit was used to assess the strength of community 4 years into the 20 year regeneration programme. Woodberry Down scored highly on measures of wellbeing and ability to influence but less well on links between neighbours on the estate. The latter point has now been addressed through development of a community plan, an ongoing events programme, and the work of the local development trust.

Source: Berkeley Group

### **Creating local employment Marsh Farm, Keepmoat, Luton**

Running from 2016-2019, Keepmoat's £22 million regeneration programme on Marsh Farm is delivering 118 homes. Following extensive community engagement, Keepmoat created a twofold engagement programme which is focused on leaving a legacy in, and communicating with, the community. Leaving a legacy prioritised keeping regeneration investment within the local community. The procurement process was used to secure over 80 per cent local labour for the development, and a kick-start programme was created to provide local people with the opportunity to gain accreditation to work on construction sites through health and safety training and practical work.

Communicating with the community focused on ensuring there is an awareness both of what is happening on the development site and what ultimately the benefits of the regeneration will be. Several different methods of communication have been used including a dedicated website, newsletters, mobile application, videos, radio advertising, social media, events, posters, and school assembly talks.

By bringing residents on board at the beginning of the process, providing tangible benefits for the local area and continuing this approach as the project has progressed, Keepmoat demonstrated its commitment to the local community which in turn has made the entire regeneration process more straightforward.

Source: Keepmoat

### **Housebuilder led estate regeneration Barratt London, Edgware Green, Barnet**

As part of its commitment to estate regeneration across the Capital, Barratt London is working closely with Barnet Council, Family Mosaic and the local community on the regeneration of Edgware Green. Originally developed in the 1960s and 1970s, Edgware Green was a 603 home estate comprising of 11 storey tower blocks and 4 storey maisonettes. Between March 2014 and July 2017, 896 new homes, over 40% of which are affordable, will be delivered on the estate.

The regeneration has helped to revitalise the community by providing a balance of new private sale homes and affordable housing alongside the creation of social, economic and environmental benefits to the surrounding area. The design of the new scheme replaced the existing homes and facilities on the estate with a contemporary approach that meets all London Plan standards. Every home at Edgware Green now has its own outdoor space and the mix of housing types is improved. Modern landscaping has been introduced throughout the estate with the focus being a new tree-lined boulevard and network of paths and green spaces linking all the homes to provide a healthy and safe environment. New streets and squares have been included to improve access to the surrounding local area. As part of the masterplan, Barratt London is developing a new community facility and church. These will be housed in a single, focal point building with areas dedicated to a range of community uses such as a large hall, cafe, covered play area, and office space.



Source: Barratt London

# Making the Right Offer: The Resident Deal

## 4

In deciding whether to support estate regeneration residents will rightly consider how it may benefit them and balance this against their current circumstances. Therefore, the offer made to residents is crucial and in effect a deal must be struck between residents and the organisation undertaking the regeneration.

### **The importance of the resident deal**

As highlighted in the previous chapter, the resident deal is inextricably linked to community engagement. The willingness of residents to engage, and the outcome of this engagement, will be influenced by the content of the resident deal. The deal is easier to reach if residents have been meaningfully engaged on what they want from the regeneration. The details of resident deals will vary by scheme but, as outlined below, there are overarching principles which can be adopted to help create a fair deal.

### **Key considerations**

- Residents must have a genuine share in the benefits of estate regeneration otherwise it will prove difficult to secure their support. The deal must work for residents as whole, seeking to minimise impact and disruption, noting that the wider benefits delivered by regeneration will bring about individual challenges (discussed in more detail in this chapter) such as the ability of leaseholders/freeholders to purchase a home in the new development. Having a detailed knowledge of resident needs, concerns, and wishes is not only evidence of effective community engagement but a necessary part of building trust and delivering a successful scheme.
- The delivery of new homes will inevitably be the focus of a resident deal but depending on the circumstances of a scheme, particularly its size, other components of a deal from a resident's perspective might include: new/improved community facilities; new/improved transport connections; new/improved green and recreational space; employment opportunities; and a reduction in anti-social behaviour and crime<sup>13</sup>. On-going management and funding of these components, where relevant, must be addressed early on.
- From a developer's perspective, the resident deal is only deliverable if the scheme makes commercial sense. The need to deliver new, additional homes of different tenures is likely to be central to making a scheme commercially viable, helping to provide a financial return to a developer, and delivering benefits to both individual residents and the wider community.

<sup>13</sup> Although not the focus of this report, where relevant, estate regeneration schemes often address broader anti-social problems through improved design – e.g. designing out secluded public space and introducing community programmes such youth clubs.

- From a local councils' perspective, they will clearly want residents to feel the deal is acceptable and that the more generous an offer that is made the greater the chance is of gaining resident support. Where schemes are of a relevant size, councils will also expect wider additional benefits to be delivered (as outlined in the second bullet above) but also potentially including additional affordable housing.

### **More and better homes: London's estate regeneration deal**

Many previous estate regeneration programmes were socially driven and publicly funded. While the social imperative will remain, in the future funding in London will be driven by private investment, and the rationale for new schemes will often be based on the need for the city to build more homes. Delivering new, additional homes of different tenures to cross subsidise regeneration will therefore be a key component of regeneration and sits at the heart of a 'deal' that London needs to strike with estate residents.

The heart of any deal must be about additional new homes on an estate in return for more and better quality homes and an improved environment. This deal may require a new approach to gaining the support of residents, or at least greater emphasis placed on involving residents in some financial aspects of a scheme. It needs to be about creating an enduring partnership between all the principal players including residents – where all the parties feel they committed for the long term and have genuine influence and shared power.

For example, at one end of a spectrum of involvement where a development agreement includes an overage provision, a specified proportion of this additional profit could be set aside for the community to allocate to local infrastructure, in addition to any provision agreed at the outset. At the other end of the spectrum – and far more ambitious – would be the creation of a joint enterprise/company to undertake the regeneration that includes residents on the board.

If more estates are to be regenerated, particularly those estates that are not in immediate need of regeneration but could nonetheless accommodate additional homes through better use of land, new and bold ideas will be required to strike a deal with residents to gain their support for development. With their support, there is greater likelihood of delivering lasting and positive change.

## **The components of a resident deal**

Accepting that every deal will differ depending on the characteristics of the estate and issues the residents want to address, there are some components of a deal that are more common than others. These are considered in more detail below.

### *Housing tenure*

Whatever the rationale for regeneration – the need to replace or improve the quality of existing homes or make better use of land – it is likely that new homes of different tenures compared to those that already exist on the estate will be introduced. This must be sensitively addressed.

## **Key considerations**

- Balancing existing residents' needs to maintain their social or affordable housing tenure within the community with the need to introduce homes of other tenures to help deliver a scheme that is commercially viable.
- Addressing a potential tension in terms of resident and council priorities between the re-provision of affordable homes as a high priority for existing residents with the desire/policy requirement of a local council to provide additional affordable homes, which is likely to be less of a priority for existing residents. It can therefore be a challenge to present an uplift in affordable housing as a benefit to existing residents but it may be a key issue for the local council, and might have wider implications for the viability of the development.
- Factoring in the specific needs of different resident groups such as social/affordable tenants (e.g. security of tenure), leaseholders/freeholders (e.g. appropriate compensation for their home and/or the ability to continue to live locally), and private rental tenants (e.g. continuing tenancy in the local area), and ensuring that any deal makes a credible and appropriate offer to each of these groups.
- Given the complexity of the issues outlined above, in some instances a flexible approach to the location of affordable homes may be required.

### *Community facilities*

Residents naturally value their access to community facilities and social infrastructure such as local shops, schools, community spaces, parks, play areas, healthcare facilities and cultural centres. Regeneration may provide opportunities to deliver new facilities and or improve the quality of existing facilities.



## **Place, Vision, and Partnership**

### **Berkeley, Kidbrooke Village, Greenwich**

Kidbrooke Village is the successful regeneration of the once award-winning Ferrier Estate. Upon completion in 1972 the estate had 1,906 homes. But in less than a generation it was beset with social problems, cut off from the surrounding community, and notorious for crime and vandalism. Following a tender process, Berkeley Homes was selected by Greenwich Council to deliver the regeneration programme in 2006.

Over a period of 20 years, Kidbrooke Village will provide at least 4,800 new homes, doubling the density of the estate while retaining and enhancing 35 hectares of green space. Already over 1,500 homes have been delivered through a partnership between the council, the community, Berkeley, and the GLA.

There is a complete mix of tenures on the estate – from private, social and shared equity to senior living. The project will deliver a total of 35 per cent affordable housing. In addition, residents will enjoy a brand new school and a restored park alongside the health, community, sport and transport facilities. £86m has been invested so far into infrastructure, helping to reclaim 14.2 hectares of brownfield land. Independent social sustainability research suggests that 77 per cent of people living in Kidbrooke Village say they are satisfied with their life, compared to 60 per cent of people across the UK. 72 per cent feel able to influence local decisions and 93 per cent plan to remain in the neighbourhood.



Source: Berkeley Homes

### **Key considerations**

- Using the community engagement process to identify which facilities exist, which require upgrading and which are missing.
- Where community facilities need to be replaced, how can this be delivered in phases so new facilities are in place before existing services are removed?
- Prioritising the early delivery of community infrastructure to show residents the early benefits of regeneration. If it is not possible to phase in replacement community facilities early, creative solutions are needed to retain locally valued services until re-provision can take place, such as the use of temporary buildings or temporarily relocating services to existing buildings.
- How can new or improved community facilities be maintained over the long-term in such way that revenue funding becomes self-sustaining or where this is not possible, a credible plan is put in place as to how future maintenance costs can be funded

#### *Disruption through the development process*

In many estate regeneration schemes some residents will have to leave their home for a temporary period – which may be long in duration – before a new one is provided. This can obviously be an unsettling process, and must be handled with great care.

### **Key considerations**

- Providing good support packages for residents who need to be rehoused to help make the process as smooth as possible.
- Trying to devise a plan that avoids multiple movements of people, and where possible relocates them within their existing wider community.
- Efficiently relocating residents so that the overall pace of regeneration is maintained. This might require a flexible approach to the construction of homes on poor quality green spaces (which would eventually be re-provided) or the temporary relocation of facilities into these areas, to establish a first phase of development, for example.



### **Making rehousing work by partnering with the local council Catalyst Housing, Friary Park, Acton**

Extensive steps are being taken to minimise the need for rehousing in Friary Park but a small minority of residents may have to move elsewhere (either temporarily or permanently) in the early stages of the regeneration. To minimise disruption, Catalyst secured agreement from Ealing Council to use all vacant properties that arose in the existing estate as short term lets to residents that may need to be rehoused, rather than nominations from the council's waiting list. This will reduce the need to house residents off-site. It was viewed as being so critical to the scheme it was implemented before board approval was given to commence regeneration.

Source: Catalyst Housing

### **Modern Methods of Construction (MMC)**

MMC is a broad term covering a range of emerging construction methods such as off-site manufacturing. An ageing construction workforce<sup>14</sup> provides a challenging environment for the construction sector. Within this context, different forms of MMC are increasingly being used on all types of housing developments including estate regeneration. One significant benefit of using off-site construction could be to reduce the need to re-house residents away from an estate while it is being redeveloped if new or temporary homes could be brought in as old homes are redeveloped or refurbished.

#### *Leaseholders and freeholders*

Since the 1980s many people have taken advantage of the government's Right to Buy scheme which offers discounts to tenants, subject to various qualifying criteria, to help them purchase their home. The rise of home ownership on estates has added to the complexity of the regeneration process, and further emphasises the importance of devising an offer to residents which acknowledges both their financial interests and legal rights.

<sup>14</sup> Modernise or Die: The Farmer Review of the UK Construction Labour Model, Construction Leadership Council: October 2016.

## Key considerations

- Residents of all tenures (be they leaseholder, freeholder, or renter) want to know early on what regeneration means for them. Every effort should be made to be clear about the impact of the proposals and the type of offer that will be made. However, it can be difficult for a firm financial offer to be made until later into the regeneration process.
- A generous offer to leaseholders and freeholders is to be encouraged. It is common to present a menu of options which provide choice and flexibility. This menu could include shared ownership or equity, discounted outright purchase with a mortgage, outright sale and a move away, or a home swap.
- Striking the right balance between making a generous offer to residents of all tenures, while ensuring the scheme remains commercially viable, and delivers wider benefits such as improved community facilities is challenging. This is particularly the case when there are large numbers of leaseholders and freeholders on the estate. If the right balance can be struck, leaseholders and freeholders will be more likely to support regeneration and compulsory acquisition can be avoided.
- If possible, it is preferable to offer all residents (leaseholders, freeholders, and renters) a choice of where they could be relocated to.
- Leaseholders and freeholders, particularly those living in popular and higher value parts of inner London, are unlikely to have sufficient value within their existing home to afford to be able to buy or lease a new home outright at full market value after the regeneration process is completed. Generous financial offers, priority access to other properties in the local area, priority access for dependents or children to new rental properties, and shared ownership offers can help resolve this.

### **Make tailored offers which meet the needs of different tenures**

#### **Circle Housing Merton Priory's Regeneration Project, Merton**

Circle Housing listened closely to the community when producing their residents' offer. Consequently, the offer prioritised giving all residents the opportunity to stay in their neighbourhood helping to keep the community together. The following offer was made:

##### *For existing Circle Housing Merton Priory tenants*

- new homes for all existing tenants
- keeping the same tenancy rights they have now
- disturbance payment of £3,000
- relocation payment of £5,300 per household
- free, professional packing and removals
- free handyperson service to help older and vulnerable tenants
- help if they need to move temporarily because of regeneration
- new energy-efficient fridge freezer, washing machine, cooker and dishwasher

##### *For resident homeowners (leaseholders and freeholders)*

- a new replacement home at no additional cost if they choose to stay or open market value for their home plus 10% if they prefer to leave, or a shared equity option for those who prefer it
- a disturbance payment of £3,000 per household
- free and independent valuation of their home
- legal fees and other costs reimbursed
- payment of Stamp Duty Land Tax
- help if they need to move temporarily because of the regeneration

##### *For non-resident homeowners (leaseholders and freeholders)*

- open market value for their property, plus a 7.5% additional payment
- legal fees and other costs reimbursed
- payment of Stamp Duty Land Tax
- the opportunity to buy a new home in another development at market value

Source: Circle Housing Merton Priory (now Clarion Group)

### **Aylesbury Estate Compulsory Purchase Order (CPO)**

The Secretary of State recently refused to confirm the CPO for the next phase of the Aylesbury estate regeneration project in Southwark (despite having approved previous CPOs on the estate). The decision did not call into question the redevelopment itself and recognised the overall benefits of the scheme.

The refusal was based on a failure to balance the overall benefits with the negative impacts the CPO would have on several of the leaseholders on the estate. In particular, the decision focused on the negative economic and social impact the CPO would have on elderly and black and minority ethnic residents by effectively pricing them out of the local market.

It was determined that the CPO, irrespective of its broader regeneration merits, failed to discharge the local council's obligations under Article 8 of the European Convention on Human Rights (the right to a private and family life, home and correspondence). The Secretary of State took the view that the proposed CPO would not be 'necessary or proportionate' to justify the interference with the existing owners' rights that it would require.

This decision marks a clear focus of the Secretary of State to ensure that regeneration projects are of benefit to existing as well as future residents. Much of the rationale for the decision was based on the financial offer made to existing residents, and their ability to remain on the estate, or at least in the local area. This further underlines the importance of ensuring that residents are engaged in the regeneration process from an early stage to prevent suggestions that it has been imposed upon them as a *fait accompli*.

### **Housing association led estate regeneration Metropolitan Housing: Clapham Park, Lambeth**

Since 2006 Metropolitan Housing have refurbished 1,000 properties on the 2,000 home Clapham Park estate. In 2016, having built capacity in their development team, raised a significant financial surplus and secured bond finance to support the next phase of the regeneration programme Metropolitan obtained planning permission for the next phase of work.

Metropolitan identified the complex governance arrangements of the estate, created during the original stock transfer from Lambeth Council, as a barrier to regeneration. In response, they transferred what was a separate entity, 'Clapham Park Homes' back into Metropolitan, while keeping a separate board in place to manage the development. This has enabled Metropolitan to better support the development financially and strategically.

Throughout this process, Metropolitan have focused on the future of the local community. By setting up local engagement groups, supporting local charities and working closely with councillors, and other community representatives, they have ensured that the needs of the community in Clapham Park remain central to the regeneration process.

As part of a new masterplan for the scheme, which will ultimately mean there are over 4,000 homes on the site, Metropolitan will build and manage new homes based on whole life cost. This means streamlining the use of materials and products, supply chains, and procurement to ensure that everything from bricks to bathroom taps are high quality and long lasting. Alongside this, Metropolitan are securing long-term procurement deals to ensure faulty elements can be repaired or replaced quickly and cost effectively.

Metropolitan will invest their surplus from the development into building a range of housing tenures; building more homes at subsidised social rents, refurbishing existing properties, and delivering new homes for affordable ownership. A range of community facilities will also be delivered such as investing in a new school, a new community centre, and local residents will be supported into construction jobs on the estate.

The finished scheme will be a flagship development, meeting the Mayor's target of 50% affordable homes alongside providing new and innovative opportunities for local residents to rent and buy in the estate (including allowing residents to downsize or move into new sheltered accommodation).



Source: Metropolitan Housing

# Setting the Right Framework: Procurement and Contract

## 5

Many estate regeneration schemes are subject to a procurement process. Whether it is procuring the entire scheme or individual contracts as part of a scheme, getting this process right is crucial. As emphasised in the previous chapters, estate regeneration is a long and complex process, involving direct parties (such as residents and the developer) and wider stakeholders (such as different parts of the local council, the broader community and, depending on the details of the planning application, statutory consultees). These parties and stakeholders need to be engaged continuously throughout the regeneration process. To address this complexity both the procurement process and ultimately the regeneration agreement (i.e. the signed development contract) should set clear delivery commitments within a flexible framework which recognises that circumstances can change.

If poorly managed, procurement can become an expensive and unwieldy process. Conversely, with a clear and properly resourced procurement strategy in place, it can help to facilitate the successful delivery of a regeneration scheme. Equally important is the legal documentation and structure of the development agreement which should reflect the reality of a long-term business relationship, taking account of potentially changing economic factors, unforeseen events, and evolution in the market place. It is not possible to envisage every potential scenario at the start of scheme, but creative thinking in the early stages of any procurement exercise will lead to more robust and flexible documentation which can better withstand the test of time.

This chapter outlines six key considerations which should be addressed in the procurement process and six key considerations which should be addressed when putting together the contract for and legal structure of schemes. Together, these are intended to help reduce the time and costs associated with procurement and provide a flexible structure to facilitate regeneration.

## **Official Journal of the European Union (OJEU)**

In accordance with EU legislation, OJEU is the publication in which all tenders from the public sector valued above a certain financial threshold must be published. Local authorities and housing associations are currently required to utilise the OJEU process when going out to tender on projects above the financial thresholds (being approximately £4.1 million in the case of arrangements deemed to constitute public works contracts). It is likely that the OJEU process or something similar will remain regardless of the settlement the Government negotiates as part of leaving the EU. It could simply be left in place as it is used by our key trading partners or if the Government created its own procurement regime, it would still need to have regard to commitments in the Agreement on Government Procurement which the UK has signed up to within the framework of the World Trade Organisation. The Government would also want to ensure there is a competitive contracting process in place to ensure public authorities achieve best value.

## **Key considerations for the procurement process**

### *1: Engage in soft market testing*

It is beneficial to engage in soft market testing (mainly with developers but also with wider stakeholders, experts and communities) to explore potential approaches and concepts before a formal procurement process takes place. Early consultation enables the lead organisation on the scheme to better shape the objectives and strategy for the procurement process which in turn increases the efficiency and speed of delivery.

### *2: Public Contracts Regulations*

The Public Contracts Regulations 2015 introduced various new requirements which a local authority must follow when procurement falls within this regime. However, there are several exemptions (which, most importantly, include land disposals) and financial thresholds. It is worth exploring whether procurement exercises can be structured to fall outside of these regulations to increase the flexibility of the process.

### *3: Risk Management and speed of process*

Risk management should be considered and responsibility allocated at an early stage of estate regeneration. Ideally, this should be documented following soft market testing. There should be realistic and clear allocation of risk among those able to manage it, otherwise costs can spiral as parties build in pricing assumptions intended to cater for events outside of their control. Equally, costs can be further controlled – helping to encourage a range of bidders to come forward – by setting realistic but as short as possible timescales for the competitive period of the procurement process.

### *4: Meaningful information*

As much meaningful information as possible should be made available to all organisations bidding as part of the procurement process. This helps all parties avoid potential duplication and confusion about strategic objectives which can increase costs and prolong the procurement process.

### *5: Scoring criteria*

Careful consideration should be given to priorities and objectives in tender documents. In particular, the balance of scoring criteria and weighting allocations used in relation to the quality of design and construction versus those applied to financial criteria. The procuring organisation should clearly define the characteristics expected to be present in a winning bid, including short term financial gains versus long term community benefits, and enhanced area values.

### *6: Tenant representation*

As part of a holistic approach to engagement, such as involving the community in soft marketing testing (see point 1 above), and procurement it can be effective to appoint a tenants' representative to sit on the evaluation panel for the purposes of scoring bids. This should help to ensure that residents' concerns are raised early in the process, by helping to establish the scoring criteria, for example (see point 5 above), and potentially addressed at the procurement stage. It can also help establish community support, deliver a procurement system better focused on local need, and save time later in the process.



## **Key considerations for contracts and legal structure**

### *1: Flexible framework*

It is beneficial to engage in soft market testing (mainly with developers but also with wider stakeholders, experts and communities) to explore potential approaches and concepts before a formal procurement process takes place. Early consultation enables the lead organisation on the scheme to better shape the objectives and strategy for the procurement process which in turn increases the efficiency and speed of delivery.

### *2: Viability testing*

Viability testing and financial modelling should be completed at each stage of a scheme. Financial modelling in at least outline form provides a quantitative basis upon which to make a viability assessment. If left any later there is a risk of wasted expenditure and time before a project fails on viability grounds. Viability testing should then be completed on all phases before they are commenced, except for any early 'oven ready' phases. Developers should adopt a transparent approach to their viability testing (accepting that some information will be commercially sensitive and must remain confidential). This may mean using an 'open book' approach to viability which will allow the local authority, estate residents and wider community to understand the financial appraisal for the scheme and compliment the broader open relationship with the community that should be established during the procurement phase (see points 1, 4, 5 and 6 above). Such an approach can be particularly beneficial if schemes need to respond to external factors such as a recession.

### *3: Payments*

Where relevant, payments based on the financial performance of private sales rather than fixed land payments should be utilised, as these can be beneficial for developers drawing down finance. More generally, careful consideration should be given to the timing of payments. Large projects are cash hungry and can tie up capital for long periods before any return is made. Larger developers may be able to manage capital in this way but small and medium sized developers will struggle. It is important therefore to provide frameworks that increase the range of developers able to tender for these schemes.

### *4: Phasing*

Phasing is key to any large housing development but even more so where existing residents need to be rehoused. The different phases of development should take account of when and where residents will be rehoused - a process that could be addressed early on with tenants' representatives, for example (see point 6 above). If there are constraints on phasing these should be identified at the outset and could, for example, be addressed.

### *5: Tenure*

Commitments made about the number of homes of different tenures that will be built must be honoured. There may however, as highlighted above, be circumstances where honouring these commitments will prevent the scheme from progressing due to significant changes in economic circumstances, for example. One way to address this potential situation could be to build in flexibility over the delivery of different tenures across the lifetime of schemes. This would take account of market cycles and seek to achieve a defined outcome over the lifetime of the project but with the ability increase the provision of some tenures in different phases. More broadly, tenure flexibility is important to allow developers to respond to changing policy, products and aspirations over the lifetime of a project.

### *6: Cost inflation*

Provision for cost inflation based on Building Cost Information Service (BCIS) or an equivalent cost index should always be included as costs may rise but sales values (where regeneration is providing homes for sale) may remain static. Equally, it may be appropriate to include an overage provision, detailing how this money would be shared, in the case that sale values do significantly better than expected.

#### **Joint venture led estate regeneration**

##### **Mulalley and One Housing: Ladderswood Estate, Enfield**

Working closely with the London Borough of Enfield, Mulalley and One Housing entered into the New Ladderswood LLP joint venture to undertake the design, construction, marketing and long term estate management of 517 new homes, 300m<sup>2</sup> of commercial space, including a community centre, and an 85 bedroom hotel. The regeneration project started on site in 2013 and is due to be completed in 2022.

From the start New Ladderswood LLP ran an internal cost model, cash flow, and risk register to track all projected costs. This allowed them to offer the council fixed and future overage - a share of profit beyond an agreed baseline - payments.

Resident involvement has been an important aspect of the project with substantial consultation and engagement with, for example, residents having a say in the layout and specification of their new homes. The partnership with the London Borough of Enfield has resulted in an employment and training scheme on the development with around one in ten of the construction team recruited from the local area. The borough's Secured by Design officer has also helped to ensure that the scheme achieves certification and

implementation of all of their suggested security measures to help tackle the estate's previous ASB problems. As part of their offer to residents, New Ladderswood LLP has aimed to reduce utility bills by incorporating high sustainable standards (Code for Sustainable Homes level 4) into the development. This was further enhanced by working with the council to provide a state of the art district energy centre which provides low cost energy both to the development and homes in the adjacent area.

As part of its responsibility to manage the new development, One Housing will have a team of housing managers, estate managers and ASB officers to oversee the 'soft landing' of the new development and to ensure that the community created is truly sustainable – that New Ladderswood is a place where people want to live, work, play and grow up in.



Source: Mulalley



### **Joint venture led estate regeneration**

#### **Countryside and London and Quadrant Housing Trust (L&Q): South Acton, Ealing**

Acton Gardens LLP is a joint venture between Countryside Properties and L&Q appointed by Ealing Council in 2010 to deliver the phased regeneration of the South Acton estate over ten years. The £579m regeneration is one of the largest developments in West London. In addition to delivering 2,500 homes on a 52-acre site, the scheme will create a new green neighbourhood of parks, communal gardens and allotments as well as new community facilities and retail space. Sales of new properties have been underway since 2013 and planning permission for phase 7.1 was granted in 2016.



Community engagement has been critical to the successful delivery of the master plan which was subject to extensive consultation. A community board comprising of residents, council officers, local Councillors, local professionals, Countryside, Catalyst Housing (who undertook the initial phases of regeneration prior to the formation of the joint venture) and L&Q has been established. The board meets every two months to oversee the regeneration, covering a variety of issues including: consulting on building and landscaping design; updates about the scheme's progress; and allocation of funding for community projects. Residents are also invited to attend design sub-group meetings so they can view initial designs and proposals for a phase of development before the detailed planning application is submitted.

Source: Countryside

# Recommendations for Public Policy

## 6

Estate regeneration is significantly different from a typical brownfield development. The average timescale of development, the presence of long-term resident populations on the development site, in many instances the direct involvement of the local council as a landlord/landowner, and the financial model of delivery all combine to make estate regeneration particularly complicated

The previous three chapters have outlined key considerations that must be addressed to overcome the practical challenges of regenerating estates. However, if more estates are to be regenerated public policy must provide greater support for this process. This means: introducing clearer support in housing and planning policy for estate regeneration; differentiating it from typical brownfield development; creating more certainty around the planning and development process for regeneration; and using additional central resource from Government and the Mayor to support the skills and capacity of local councils to manage the regeneration process. The inherent complexity of these schemes cannot be removed, but more can be done to de-risk elements of the process, providing greater confidence to all types of developers to invest in regeneration.

The publication of the Government's national strategy for estate regeneration<sup>15</sup> and the Mayor's Good Practice Guide to Estate Regeneration<sup>16</sup> have established a productive context for more regeneration to take place. The next step is for the Government, the Mayor and boroughs to offer more policy support as outlined below.

### **The Government<sup>17</sup>**

There are several strands of national policy that interact with estate regeneration. The clear commitment the Government has made to supporting estate regeneration through publication of its national strategy could potentially be undermined if commensurate changes are not made to national policy.

#### *Compulsory Purchase Orders*

A commonly expressed frustration with the Compulsory Purchase Order (CPO) process is that it can only begin formally once planning permission has been granted. For estate regeneration schemes (indeed any type of development) this means the planning process and the CPO process cannot overlap, which can result in considerable delay. More generally, once commenced, the CPO process itself is unwieldy, complex, and time consuming which can result in additional expense, risk, and delay.

<sup>15</sup> <https://www.gov.uk/guidance/estate-regeneration-national-strategy>

<sup>16</sup> Homes for Londoners: Draft Good Practice Guide to Estate Regeneration, Greater London Authority: December 2016.

<sup>17</sup> This report has been written prior to the publication of the Government's housing white paper which may have addressed some of the issues covered in this section.

The CPO process rightly safeguards the legal rights of those that are subject to it, and is not a process that should be automatically relied upon in relation to estate regeneration. Indeed, it is often regarded as a mechanism of last resort but it is nonetheless there to be used in appropriate situations to help secure the wider benefits of regeneration.

The Government consulted on reforms to the CPO process in 2016 and introduced the Neighbourhood Planning and Infrastructure Bill to, amongst other matters, implement the consultation reforms. The Bill will clarify the framework for assessing compensation and make technical changes to the CPO process such as requiring orders to be brought into operation within a set period and enabling transport and regeneration bodies to make a combined order<sup>18</sup>.

### **Recommendation 1**

- Where the use of CPO is the best option to progress regeneration, whether it is to acquire the interests of leaseholders/freeholders or to support wider land assembly, clear guidance should be provided to support the early preparation of orders so that the formal process can be quickly commenced upon the granting of planning permission. This will reduce the prospect of delay and uncertainty for all parties concerned.

#### *Community Infrastructure Levy (CIL)*

CIL is a charge placed on new development by local planning authorities to help fund the provision of new or improved infrastructure in an area. Notwithstanding the fact that affordable housing is exempt from having to pay CIL, any uplift in floor space within an estate regeneration scheme is liable to pay CIL.

CIL is applied in a mechanistic way, contrasting with the narrowed-down S.106 agreement which is negotiated between an applicant and local planning authority to address site-specific issues, most notably new affordable housing. The application of CIL to large brownfield schemes has, for a variety of reasons, never worked smoothly. This is particularly the case for estate regeneration schemes and can make the financial appraisal for some already challenging schemes even more difficult.

<sup>18</sup> At the time of writing the Bill was due to receive its second reading in the House of Lords. For the Bill as currently drafted see <http://services.parliament.uk/bills/2016-17/neighbourhoodplanning.html>



Large and medium sized estate regeneration schemes provide significant environmental, social, and economic benefits to the local area. Typically, they rebuild affordable housing, provide additional new housing and re-provide or deliver new community facilities. Applying CIL to such schemes ignores the significant contribution that is being made to local infrastructure within the scheme, in requiring a further contribution to local infrastructure. It is possible that a more flexible approach to CIL for estate regeneration schemes could be achieved without the need for a major change in legislation by using the 'exceptional circumstances' relief route contained in the CIL regulations<sup>19</sup> in parallel with providing new guidance in the National Planning Practice Guidance.

## **Recommendation 2**

- Where estate regeneration schemes deliver more than new or improved housing such as community facilities, commercial space or transport improvements government guidance should indicate support for local planning authorities to either exempt the payment of CIL (zero rating) or to pay a reduced rate. In either option, robust evidence would need to be provided about the level of on-site infrastructure costs to justify such an approach. Where exemptions are permitted, s.106 agreements can be negotiated to set out how such monies can be spent to benefit the estate and wider community.

### *HRA borrowing and financial flexibility*

Having reformed the Housing Revenue Account (HRA) system in 2012, the Government imposed a cash limit on HRA debt which has constrained the ability of local councils to borrow sustainably for investment, including the redevelopment of their housing stock. This cap on borrowing goes beyond the normal prudential borrowing rules, ignoring the ability of a local council to borrow against its existing stock.

With greater financial flexibility at their disposal, there would be a strong role for local councils to support an increase in housebuilding, most obviously through helping to finance estate regeneration projects. Equally, a more flexible approach to how different funding programmes can be used and pooled would provide another option for local councils. For example, receipts obtained by local councils under the Right to Buy must be spent within three years and only 30% of the receipt can be spent on providing a replacement home.

<sup>19</sup> The Community Infrastructure Levy Regulations 2010 (as amended), Part 6, regulations 55-58.

### **Recommendation 3**

- The Government should abolish restrictions on the ability of local councils to borrow against the value of their housing stock, when this would be within prudential limits. This reform would give most London boroughs, whose current debt is lower than the value of their assets, a greater ability to support housing growth through estate regeneration.

### **Recommendation 4**

- The Government should allow local councils greater flexibility in pooling of different funding sources - such as Right to Buy receipts, housing zone investment, GLA affordable housing grant and payments in lieu of affordable housing – to support estate regeneration.

#### *Starter Homes*

Starter Homes are new build homes available only to first-time buyers under the age of 40 and sold at discount to market value. It is not yet clear how this initiative will be implemented and, since the change of Government leadership, there has been a broadening of focus to supporting a wider range of affordable tenures. The 2016 Autumn Statement provided additional funding for a range of affordable housing products and the Mayor's Affordable Homes Programme 2016-2021, which had to be negotiated with Government, likewise offers grant funding to support the construction of all types of affordable homes.

London needs to build more homes of all tenures and a 'one size fits all' approach to Starter Homes could have a detrimental impact on the overall supply of housing in London. Amongst other issues, it could cause political friction with developers stuck in the middle between the imposition of Starter Homes at a national level and some boroughs viewing it as a low priority in terms of meeting their locally assessed housing need.

### **Recommendation 5**

- If the Government implements Starter Homes through requiring a set percentage to be delivered on developments over a threshold then, as suggested in the technical consultation on Starter Homes<sup>20</sup>, estate regeneration schemes should be exempt from this approach.

<sup>20</sup> Starter Homes Regulations Technical Consultation, Department for Communities and Local Government: March 2016.

## **The Mayor**

In December 2016, The Mayor published a good practice guide to estate regeneration<sup>21</sup> which sets out key principles he wants those that are undertaking regeneration to follow including:

- producing a clear statement of the aims and objectives of the borough or housing association in maintaining and improving the estate;
- ensuring there has been full and transparent consultation and resident engagement;
- offering full rights of return for displaced tenants and a fair deal for leaseholders; and
- only undertaking demolition where this does not lead to a loss of social housing, or where all other options have been considered.

### *London-wide policy*

The Mayor plays an important role in estate regeneration through setting the city's spatial strategy in the form of the London Plan. This is complemented by other London-wide strategies, such as on housing and transport, which are relevant to estate regeneration. In addition to the Mayor's plan making powers, he can also determine large planning applications above a threshold and has a housing investment function, delivering the Government's affordable housing programme in London.

## **Recommendation 6**

- The forthcoming review of the London Plan should include specific estate regeneration policies that provide support for this type of development such as further support for densification (where appropriate) and a clear approach to the additional provision of affordable housing in the context of the Plan's existing policy on creating mixed and balanced communities. Furthermore, where boroughs are seeking support to bring forward large-scale estate regeneration schemes that can anchor the wider regeneration of an area, the Mayor should use new or existing joint planning frameworks such as Opportunity Area Planning Frameworks to clearly advance the planning case for estate regeneration.

<sup>21</sup> Homes for Londoners: Draft Good Practice Guide to Estate Regeneration, Greater London Authority: December 2016.

### *Central resource*

At a time when many boroughs are having to make significant financial savings, finding sufficient resource and the right skills to oversee complex, long-term estate regeneration schemes is a substantial challenge. The GLA already has considerable expertise across housing and planning, which is being supplemented through the creation of Homes for Londoners (HfL)<sup>22</sup>, an initiative by the Mayor to work with London Government and the development industry to increase housebuilding. Some additional central resource, most likely in the form of specialised technical expertise, could help local councils and developers progress complex schemes.

### **Recommendation 7**

- The Mayor should direct central resource in HfL to help support large, complex estate regeneration schemes. This support should include:
  - providing technical expertise where requested by a borough to help assess a planning application;
  - providing expertise and guidance in surmounting perceived or real constraints around 'best consideration', procurement and state aid; and
  - providing a centralised competency for CPO powers.

### **The boroughs**

The boroughs play an integral role in estate regeneration. Whether this is through ownership and management of housing estates; their role as a local planning authority; their role as a housing authority with statutory responsibilities to fulfil; or, through local councillors, their role as the democratically elected voice of the community. Without borough support, it is hard to see how estate regeneration can happen.

### *Creating greater policy certainty at the local level*

Estate regeneration can often require years of work before a planning application is submitted and then several more years to deliver as the scheme is built out in phases. This lengthy process could also require CPOs to be used and residents to be re-housed. During this considerable period of time there is always a risk that political control of the local authority can change and senior officers move on. Such large, long term projects require strong and continued leadership to succeed along with clear local policies across a variety of issues to help reduce risk and encourage investment.

<sup>22</sup> See <https://www.london.gov.uk/what-we-do/housing-and-land/homes-londoners/homes-londoners-board>.

### **Recommendation 8**

- Local councils should provide clear estate regeneration policies in their local development plans, and where appropriate, identify strategically important areas that require some form of regeneration (without pre-determining the nature of the regeneration).

### **Recommendation 9**

- Local council Statements of Community Involvement, or other relevant documents, should specify the parameters regarding how residents should be engaged about proposals for estate regeneration. In many instances, local councils are also then well placed to lead on or heavily assist the community engagement process for individual schemes.









**Contact us**

London First  
Middlesex House  
34-42 Cleveland Street  
London W1T 4JE

+44 (0) 20 7665 1500  
**[www.londonfirst.co.uk](http://www.londonfirst.co.uk)**