Hackney

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| **REPORT OF THE GROUP DIRECTOR, CLIMATE, HOMES AND ECONOMY**<br><br>**KINGS CRESCENT ESTATE REGENERATION PHASES 3 AND 4**<br><br>**AUTHORITY TO ENTER INTO A GRANT FUNDING AGREEMENT WITH ONE PUBLIC ESTATE (OPE) TO RECEIVE A £1.82M FUNDING ALLOCATION FROM THE BROWNFIELD LAND RELEASE FUND ROUND 2 (BLRF2) TO KINGS CRESCENT ESTATE REGENERATION PHASES 3 AND 4** |

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| **DATE**<br><br>**23 October 2023** | **CLASSIFICATION:**<br><br>**Open** |

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| **WARD(S) AFFECTED**<br><br>Brownswood |
| **REASON**<br><br>Agreement of external funding to Housing Regeneration project |
| **GROUP DIRECTOR**<br><br>Rickardo Hyatt, Group Director, Climate, Homes and Economy |

## 1.0 SUMMARY

1.1 As part of programme-wide efforts to address the unprecedented economic challenges facing the Council’s housing regeneration pipeline, external funding support in the sum of £1.82m has been secured from One Public Estate’s (OPE) Brownfield Land Release Fund Round 2 (BLRF2) for the final phases (phases 3 and 4) of the Kings Crescent Estate Regeneration.

1.2 The Council’s Estate Regeneration Programme (ERP) was authorised by Cabinet in July 2011 with the objective of regenerating twelve obsolete Council housing estates with high quality new homes (including replacement affordable housing), improved environments and transformed living standards. Updates on the programme were provided to Cabinet in March 2014, October 2015 and April 2019.

1.3 The ERP includes the Kings Crescent Estate in Brownswood ward, where a mixed approach of phased redevelopment and refurbishment is being taken. Outline planning permission for the Kings Crescent Estate Regeneration was granted in 2013, encompassing 765 new homes, refurbished existing low-rise buildings, supporting community and commercial uses and a transformed estate layout and environment. Phases 1 and 2 were completed in 2017 - 273 new homes (42% of which are genuinely affordable) were delivered and 101 existing homes were refurbished.

1.4 Detailed planning consent for the final phases (phases 3 and 4) was granted in July 2021 - this will deliver 219 new homes (47% of which are genuinely affordable) and 174 refurbished homes. Economic circumstances have changed fundamentally since the delivery of phases 1 and 2, with unprecedented construction cost inflation, changing regulatory requirements and an increasingly uncertain housing market.

1.5 In order to secure the delivery of phases 3 and 4 and complete the regeneration in line with commitments, the Housing Regeneration and Delivery service has taken a ‘no stone unturned’ approach to improving viability, as well as implementing emerging regulatory requirements particularly in respect of building safety. This includes procuring a suitable contractor with which a ‘cost optimisation’ process is currently being undertaken, including de-risking the site, developing detailed designs and ensuring compliance is future-proofed. The approach also seeks to maximise suitable external funding support to the scheme. The selected contractor was approved by CPIC in December 2021 and work is ongoing to finalise the design in line with new regulatory requirements.

1.6 The BLRF2 grant funding award will provide £1.82m of external funding to undertake specified enabling works at the phases 3 and 4 sites. This report provides urgent authorisation in order to secure this important funding within the constrained funding window.

## 2.0 RECOMMENDATION(S)

**This Delegated Powers Report recommends that:**

**2.1 The Interim Chief Executive Officer, after consultation with the Interim Group Director of Finance and the Acting Director of Legal, Democratic and Electoral Services, approves receipt of the grant funding award from OPE's BLRF2 to the Kings Crescent Estate Regeneration Phases 3 and 4.**

**2.2 The Interim Group Director of Finance, after consultation with the Director of Legal, Democratic and Electoral Services, settles terms and enters into a Grant Funding Agreement with OPE for the same.**

## 3.0 BACKGROUND

3.1 This report provides the background to the estate regeneration proposals and the circumstances under which it has been considered prudent to secure funding from OPE's BLRF2.

3.2 The plot of land to be developed at the Kings Crescent Phases 3&4 site has been cleared since the last demolition in 2013. The development of the site represents an opportunity to complete the regeneration of Kings Crescent which, apart from the introduction of new-build mixed tenure homes, also provides for the refurbishment of existing blocks, improved amenity space, public realm improvements, replacement community space, new commercial space and new office/workspace. A number of 'abnormal' site costs and risks are present at the cleared site, which the BLRF2 funding is expressly allocated to.

3.3 Kings Crescent Phases 3 & 4 comprises 219 new homes, 174 refurbished homes, a new community facility, retail, commercial and workspace, as well as public realm and landscape works including improved facilities for play and recreation.

3.4 In addition to the works described in 3.3 the Council has incorporated general repairs, maintenance and component renewal for existing blocks to the overall package of works in line with the provisions of the Housing Asset Management Strategy. This approach ensures a joined-up approach to capital investment and reduces overall disruption to residents.

3.5 The requirement to meet newly introduced building regulations came into effect in June 2023, and mandates higher sustainability and fire safety standards. In July 2023 the Government added a further measure to increase fire safety standards, namely to require second staircases to all residential blocks over 18m (6 storeys) subject to an as yet unknown implementation period.

3.6 In addition to bringing in dedicated grant support, the BLRF2 award allows the required enabling works to be accelerated, with the benefit of de-risking the site and therefore generating certainty to the Main Contract, as well as offering the advantage of a faster overall construction programme along with the associated savings.

## 4.0 BROWNFIELD LAND RELEASE FUNDING ROUND 2 (BLRF2)

4.1 The BLRF2 fund is administered by the Cabinet Office's One Public Estate (OPE) function on behalf of the Department for Levelling Up, Housing and Communities (DLUHC). The purpose of the fund is to support the unlocking of new homes on Council-owned brownfield land nationally, particularly in areas of high housing need and where the costs of resolving site-specific conditions and related technical requirements are hindering viable delivery.

4.2 Kings Crescent meets the fund criteria and a bid for the sum of £1,824,020 was submitted on 31 March 2023. The bid was authorised by the S151 Officer. On 2 August 2023, OPE notified the Council that the bid had been successful and that the Grant Funding Agreement must be signed in August 2023 in order to secure the award.

4.3 The funding award is linked to specific enabling works at Kings Crescent. The funding requirements are to enter a contract for the funded enabling works by March 2024 and to 'release land' meaning commence the main works construction by March 2027.

## 5.0 POLICY CONTEXT

5.1 The regeneration of housing estates and their wider neighbourhoods is a key objective of the Council. In 2015-2016 the Council carried out a borough-wide consultation exercise 'Hackney A Place for Everyone'. Key findings from the consultation suggested the Council needs to build more social housing and more "genuinely affordable housing". There was a strong value placed on community cohesion and a desire to promote social mixing. This was followed in November 2017 by Cabinet approving 'The Hackney Housing Strategy 2017-2022' which set out a new approach to building genuinely affordable housing through the Council's ambitious house building programme and building mixed sustainable communities.

5.2 The new boroughwide Local Plan 2033 (LP33) is the adopted key strategic planning document used to direct and guide development in the borough up to 2033. The Kings Crescent Estate regeneration is in line with the requirements of LP33 that seeks to maximise the opportunities to supply genuinely affordable housing on new developments, subject to viability and site context.

## 6.0 EQUALITY IMPACT ASSESSMENT

6.1 The Council has fulfilled its duty under the Equalities Act 2010 by preparing an Equalities Impact Assessment that considers the Protected Characteristics of those impacted by the Kings Crescent Estate Regeneration. The ERP provides new and improved housing with a better mix of homes, improved accessibility and social infrastructure, and safer, more attractive neighbourhoods, and the programme supports the borough in meeting its Public Sector Equality Duty.

6.2 The scheme complies with London Plan policy 7.2, which seeks to achieve the highest standards of accessible and inclusive design. This policy requires 90% of all new homes to comply with the new nationally described housing standard Building Regulations M4(2) which replaced the Lifetime Homes standards. The remaining 10% of the residential dwellings will be wheelchair user homes, either Building Regulations M4(3)(a) wheelchair adaptable and/or M4(3)(b) wheelchair accessible.

6.3 All shared ownership homes will be marketed in line with Hackney's Sales and Marketing Strategy, which gives priority to those who live and/or work in the borough. Initial sales launches will be targeted at a local (meaning all London Borough of Hackney postcode areas) audience. No overseas marketing will be undertaken.

## 7.0 SUSTAINABILITY & SOCIAL VALUE

7.1 The Kings Crescent Phases 3 & 4 scheme provides energy efficient new homes, landscape and biodiversity improvements, and active travel facilities aligning with Hackney's Transport Strategy and TfL's Healthy Streets Indicators. The scheme's energy strategy meets the London Plan and Hackney Local Plan policy standards on energy by reducing carbon emissions against Building Regulations Part L 2013 by 38% for residential and 26% for non-domestic (36% combined) uses. The London Plan and Hackney Planning Policy standards on sustainability are achieved in a range of ways including effective use of land and natural resources, adaptations to climate change and effective management of pollution during construction.

7.2 The scheme proposals have been designed and coordinated to connect into the existing energy centre, completed in Phases 1 & 2. The CHP system and high efficiency boilers have been designed to take the load from connection to Phases 3 & 4 when constructed.

7.3 The construction contractor is required to provide the Council with a local labour return for the scheme every three months during the construction phase and must notify the Council's Hackney Works team of all vacancies. Stipulated sums will be paid to Hackney Works toward the cost of training and supporting local labour participants both in construction and regarding the future commercial floorspace.

7.4 The construction contractor has committed to paying all of its staff and subcontractors the London Living Wage, for the term of the contract.

## 8.0 CONSULTATIONS

8.1 Thorough community engagement and consultations have been carried out at all stages of the Kings Crescent journey. A dedicated Residents Steering Group (RSG) receives regular updates. Most recently, in July 2023 a newsletter was circulated advising residents of the planned pre-construction phase activities of design change and cost optimisation, and a well-attended RSG meeting also in July discussed the same topics.

8.2 Statutory (Section 20) consultation with affected leaseholders commenced in 2020 regarding planned refurbishment and major works to their buildings, and cost indications have been provided. The final stage of the Section 20 process will occur during the construction phase when leaseholders receive itemised bills for the works.

## 9.0 RISK ASSESSMENT

9.1 In line with best practice, the Project Team undertakes continuous risk management on the project. The specific risks and mitigations associated with the BLRF2 grant funding award are set out in the table below. The principal risks pertain to achieving the funding milestones, which are (1) to enter into the enabling works contract by March 2024, and (2) to achieve a start on site for the main construction works by March 2027. The grant shall be ring-fenced only to be spent on the enabling works. Should the first milestone not be achieved, the monies would remain unspent therefore able to be returned if required. Should the second milestone not be met following the enabling works expenditure, the viability of the scheme would be no worse than if the funding award were not accepted.

| Risk topic | Description | Mitigations |
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| Financial | Value for money and/or budget adherence for the enabling works cannot be secured due to high market costs | - Early engagement with the specialist enabling works sub-contractor market<br>- Confirmation of contract sum well in advance of the fund deadline of March 2024<br>- Ringfence the grant award for the specified enabling works only |
| Financial | Enabling works contract is not entered into by the fund deadline of March 2024 | - Ringfence the grant award for the specified enabling works only, so that it can be returned if required<br>- Continuous monitoring of progress on preparing for the enabling works |
| Planning | Pre-commencement conditions required prior to the enabling works are not discharged in time | - Seek early planning advice<br>- Apply for re-setting of relevant conditions in adequate time |
| Financial | Main works start-on-site is not achieved by the fund deadline of March 2027 | - The current delivery programme allows robust timescales<br>- Monthly monitoring of progress against the programme with the main contractor |
| Building Safety | The 12 week period required for Gateway 2 approval under BSA may require revisions to Stage 3+ drawings or approval may be delayed- presenting financial and programme risks. | Comprehensive suite of Stage 3+ drawings to be submitted to enable first-time approval. |

## 10.0 COMMENTS OF GROUP DIRECTOR OF FINANCE (S151 OFFICER)

10.1 The £1,824,020 from OPE will help improve the financial position on the Kings Crescent 3&4 project, in a climate where viability is becoming more challenging due to the significant price rises that are being experienced within the sector.

10.2 The grant conditions require that we are in an enabling works contract by March 2024 and are on site with the main construction works by March 2027. The March 2027 deadline is currently well within programme timescales, however the funding won't be utilised against the project until the enabling works target of March 2024 has been achieved, allowing us to re-pay the grant if for any reason this target is missed.

10.3 Bids for future rounds of the BLRF should be considered on other Housing Regeneration sites to further help with the aforementioned viability challenges.

## 11.0 COMMENTS OF THE ACTING DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

11.1 A decision to accept the grant funding is required by 23 October, 2023.

11.2 The current Mayoral Scheme of Delegation (Jan 2023) provides that the following is reserved to Mayor and Cabinet:

> *Regeneration schemes – approval of the initial proposals, selection of preferred option(s), approval of masterplan, delivery plans (including annual plans) funding arrangements within the budget strategy, disposals and acquisitions of land, charters and/or other documents setting out Council's proposals for residents affected by the schemes and structures for delivery. Approval of formal applications for external funding with any contribution by the Council unless the contribution to be made is part of current service delivery arrangements and is within the approved budget*

11.2 Given the deadline for acceptance of the grant it is not possible to await the next meeting of Cabinet for a decision to be made. Under Part 3A (1.8) of the Council's Constitution, key decisions can be made by Officers. Therefore this decision is being presented to the Interim Chief Executive for approval. The decision maker must comply with the requirements of the Access to Information Procedure Rules as set out in Part 6C of the Constitution in the making of the decision.

11.3 Given the urgency of this matter it was not possible to comply with the 28 day statutory notice for publication on the Council's Forward Plan for Key Decision

Notice so therefore the Monitoring Officer has granted permission to list this decision under General Exemption.

11.4 The Grant Funding Agreement to be signed between One Public Estate and the Council covers the grant of a maximum sum of £1.82 million to the Council from the Brownfield Land Release Fund Round 2. It will be important for the Council to comply with the terms of Grant Funding Agreement in order to secure the provision of the funding. To not comply with the terms puts the Council at risk of losing the funding in total. Therefore the Interim Chief Executive is authorised to approve this Delegated Powers Report.

## BACKGROUND PAPERS

None

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| **Comments for and on behalf of the Group Director of Finance** | Jackie Moylan<br>Interim Group Director of Finance (S151 Officer)<br>jackie.moylan@hackney.gov.uk |
| **Comments for and on behalf of the Acting Director of Legal, Democratic and Electoral Services** | Louise Humphreys<br>Acting Director of Legal, Democratic and Electoral Services<br>louise.humphreys@hackney.gov.uk |

## AUTHORISATION OF THE INTERIM CHIEF EXECUTIVE OFFICER:

**Name: Dawn Carter-McDonald**

**Signature:**

**Date:**