

<p>London Borough of Hammersmith & Fulham</p> <p>CABINET</p> <p>29 APRIL 2019</p>	
<p>HARTOPP AND LANNOY POINTS</p>	
<p>Report of the Cabinet Member for Housing - Councillor Lisa Homan</p>	
<p>Open with exempt appendix</p> <p>Appendix 4 of this report is exempt from disclosure on the grounds that it contains information which is likely to reveal the identity of an individual under paragraph 2 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	
<p>Classification - For Decision</p> <p>Key Decision: Yes</p>	
<p>Wards Affected: Munster Ward</p>	
<p>Accountable Director: Jo Rowlands, Strategic Director for the Economy</p>	
<p>Report Author: David McNulty, Assistant Director Operations, The Economy</p>	<p>Contact Details: Tel.: 07867 160527 Email: david.mcnulty@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1 The Council has undertaken extensive structural surveys to look at the condition of Hartopp and Lannoy Points, which are two Housing blocks. These surveys identified serious structural defects giving rise to significant Health and Safety issues with the option to either refurbish or demolish Hartopp and Lannoy Point.
- 1.2 The Council has undertaken Fire Risk Assessments (FRA) which have identified serious issues of compartmentation between flats and within the

communal areas. These issues and existing issues of damp and water ingress of the buildings would need addressing as part of any refurbishment.

- 1.3 The overall costs of undertaking the refurbishment and structural work required to bring the properties to a decent standard is extremely high. Although these works would make the buildings safe in the medium term the Council would still be left with a defective asset requiring high on-going maintenance costs. That is why the Council consulted with residents on its preferred option of demolition.
- 1.4 This report presents the outcome of the consultation with remaining Hartopp and Lannoy residents. This was overwhelmingly supportive of the Council's preferred option to demolish, with 18 out of the 19 responses supportive. Noting the outcome of the consultation, this report seeks authority to proceed to demolish the blocks.
- 1.5 The report sets out how the council will support tenants and leaseholders in leaving the blocks and disposing of leaseholder property interests to obtain vacant possession and allow for the demolition to take place. It also sets out the procurement strategy for the various contracts that need to be awarded to progress the compulsory purchase and the demolition.

2. RECOMMENDATIONS

That Cabinet:

- 2.1 Considers the responses to the consultation as set out in exempt Appendix 4 and officers' comments in section 6 of this report.
- 2.2 Approves the demolition of Hartopp and Lannoy Points and authorises The Strategic Director for the Economy to serve a demolition notice on the secure tenants of Hartopp and Lannoy Points.
- 2.3 Approves a total capital budget allocation of £8,717,000 funded by internal or external borrowing as represented by an increase in the HRA capital financing requirement.
- 2.4 Approves the offer to secure tenants and leaseholders of Hartopp and Lannoy Points based on the offer package as set out in section 7 of the report.
- 2.5 Delegates authority to the Strategic Director for the Economy, in consultation with the Strategic Director for Finance and Governance, to acquire the leasehold properties required to secure vacant possession of the buildings. An additional £4,717,000 will be allocated for the purchase of leasehold properties.

- 2.6 Approves portable equity share loan options to resident leaseholders to enable them to remain in home ownership within the area and delegates authority to the Strategic Director for the Economy to finalise such arrangements.
- 2.7 Approves the Business Case and Procurement Strategy set out in Appendix 3 for the proposed approach to procure a demolition contractor to demolish Hartopp and Lannoy Points and to delegate authority to the Strategic Director for the Economy the contract award decision, to be taken following consultation with the Cabinet Member for Housing.
- 2.8 Approves a waiver of the usual tendering requirements of Contract Standing Order (CSO) 10 in relation to the appointment of technical advisers in relation to the Compulsory Purchase Order process, based on the information in section 8 of the report, on the grounds that this is in the overall interests of the Council.
- 2.9 Approves the appointment, by way of direct award to Avison Young up to the value of £100,000 to provide project management, valuation services and technical advice in relation to the acquisition of leasehold properties and the Compulsory Purchase Order process where voluntary acquisition is unsuccessful.

3. REASONS FOR DECISION

- 3.1 Structural surveys have identified significant health and safety concerns which, although currently remain safe for residents to live, require a significant investment to address structural defects. The cost of this is prohibitively high. The Council has undertaken an extensive cost analysis, and this identified a cost of approximately £150k per flat or £16.5 million for refurbishment of the two blocks.
- 3.2 To undertake the refurbishment of the blocks, they would need to be vacated. It would not be possible for residents to remain during refurbishment. This would add significant costs to any refurbishment of the blocks. In addition to major structural works, new kitchens, bathrooms and windows, electrical rewiring and plumbing would be required.
- 3.3 Councils across the country are reviewing blocks that were built using the similar construction method with a number pursuing demolition due to health and safety and long-term sustainability concerns.

- 3.4 The Council has consulted the remaining tenants and leaseholders, which when the consultation started, numbered 58 in total in the blocks. Nineteen responses were received, of which 18 were supportive of the proposals to demolish Hartopp and Lannoy Points. The one respondent opposed to the demolition was also opposed to the option to refurbish the blocks on the basis that the need to do so had not been demonstrated through Arup's structural survey and report.

4. PROPOSAL AND ISSUES

- 4.1 Hartopp and Lannoy Points are nearly identical 14 storey Tower Blocks located in Munster Ward. They were built using a system called a large panel system. This was the same construction method used at Ronan Point, Newham when in 1968 a gas explosion caused the collapse of the building and resulted in 4 deaths.

- 4.2 The construction method was subject to extensive review by the Building Research Establishment. Before Hartopp and Lannoy Points were first occupied gas supply was never installed to the blocks and strengthening work was undertaken.

Structural surveys

- 4.3 The Council undertook a structural survey in August 2017, H&F Building Control identified the buildings were safe however further intrusive surveys were required. The Council's Building Control undertook intrusive surveys to 3 void properties and this survey was published on the Council's website in March 2018. It identified it is safe for residents to remain at Hartopp and Lannoy Points (providing safety measures were put in place set out in paragraph 4.15) but extensive strengthening work was required. The buildings failed when tested for resistance to disproportionate collapse in the event of an accidental explosion.
- 4.4 To validate these findings in March 2018 the Council appointed Arup to undertake further intrusive surveys at Hartopp and Lannoy Points. Arup undertook intrusive surveys to 9 flats across the two buildings. Their survey dated 13 February 2019 validated the Council's findings and confirmed the test results regarding disproportionate collapse. Arup's report is available on the Council's website. It recommends Hartopp and Lannoy Points are 'demolished or strengthened as soon as reasonably practical'. Arup have indicated that 'reasonably practicable' be interpreted as by the end of December 2020 at the latest.
- 4.5 A meeting was held on 25 February 2019 with residents to explain the implications for Hartopp and Lannoy and the Council's intention to undertake

consultation on the Council's preferred option to demolish. And the Council would set out in the consultation papers to residents how they would be supported to leave Hartopp and Lannoy and that this would be required under demolition or refurbishment.

Refurbishment costs

- 4.6 The structural assessment of Hartopp and Lannoy were used for the basis for calculating the costs of refurbishing the blocks, this would address:
- The structural defects of the buildings
 - Breaches of fire compartmentation
 - On-going problems of water ingress and damp
 - And bring the flats to a decent homes' standard.
- 4.7 Any refurbishment option would be extensive and highly intrusive. It would be impossible to undertake this work with residents remaining in the block. Residents would have to be rehoused for the duration of the works. As well as the disruption there would be a significant cost of refurbishing the blocks.
- 4.8 The costs of undertaking a refurbishment would be prohibitively high and impact on the rest of the HRA and the Council's ability to fund other required capital schemes and investment. The Council commissioned Ridge Partners to provide cost estimates for addressing the structural defects identified. The cost of addressing the structural elements is estimated at £7.3m. Further costs would be incurred to address pre-existing issues of damp and water ingress, this was previously estimated at £8m. The total refurbishment costs for the 112 flats would be over £16.5 million or over £150k per flat. These figures exclude rehousing costs, asbestos removal and professional fees which would add further costs.
- 4.9 Based on the cost estimates of: refurbishment, maintenance, rehousing costs and the ongoing health and safety risks the recommended option is to demolish Hartopp and Lannoy Points.

Fire Safety measures

- 4.10 To keep residents safe the Council has undertaken, an extensive programme of works over the last 12 months. These works have improved fire safety and addressed issues identified in the communal areas and residents' homes.
- 4.11 The Fire Safety measures in place at Hartopp and Lannoy, include:
- Simultaneous evacuation in the event of a fire instead of 'stay put'. All residents are aware of this and have been tested by way of a fire drill.
 - Since November 2017, Fire Wardens are on site 24/7 working to the National Fire Chief Councils national standard for 'Waking Watch'.

- The London Fire Brigade visit weekly.
- Installation of a communal fire alarm system with Inter-linked hard-wired detectors are installed into flats in every room
- A detailed Emergency Plan.
- A secure Premises Information Box
- Evacuation chairs.

These measures will remain in place until secure tenants are re-housed and leasehold properties purchased.

Other large Panel System Blocks

4.12 There were many Large Panel System blocks built across the country. Since their construction a significant number of blocks have been demolished. Of the remaining blocks councils are reviewing the viability of their continued use. Several authorities are in the process of arranging for the rehousing of residents and or demolition, including:

- **Haringey, Broadwater Farm:** has undertaken section 105 consultation on the proposed demolition of two blocks.
- **Lewisham, Heathside and Lethbridge Estate:** has demolished 6 blocks.
- **Leicester, Goscote House:** is in the process of demolishing a 23 storey Large Panel System block.
- **Portsmouth, Horatia House and Leamington House:** is rehousing residents from two 18 storey blocks, to demolish the blocks.
- **Rugby, Biart Place:** is rehousing families from the 152 flats while determining the future of the blocks.

Demolition Notices

- 4.13 If cabinet approves the demolition of the blocks it will be necessary to serve Initial Demolition Notices (IDNs) under Section 138A of the Housing Act 1985 on all secure tenants. The effect of the IDN is to inform the secure tenants that their right to buy is suspended, this will be followed by a Final Demolition Notice (FDN) under section 138B when a date has been set for the demolition to take place.
- 4.14 The effect of the FDN is to stop the right to buy. IDNs can last for a period of 7 years. It is proposed that both the IDN and FDN be served also on the leaseholders, so they are informed that the Council plans to demolish Hartopp and Lannoy Points.

5. OPTIONS

- 5.1 The Health and Safety of all residents is the Council's prime concern. Arup's report makes clear the structural issues identified in surveys must be addressed by way of either refurbishment or demolition. There are no alternative options open to the Council. In accordance with Arup's advice, the Council needs to address these issues by the winter of 2020.

5.2 As set out in paragraph at 4.8 the costs of refurbishment are significant at approximately £16.5 million. The Council therefore sought views on its preferred option of demolition. The response was overwhelmingly supportive of this option because of the high costs of refurbishing the blocks.

6. CONSULTATION

6.1 In line with the commitment to work with residents, the Council has supported the re-establishment of the Pellant Road Tenants and Residents Association and 5 meetings have taken place. These have updated and provided information about the work being undertaken and the outcome of the surveys. The Council has regularly written, on over 14 occasions over the last 12 months, to residents to inform them of work to make the blocks safe and structural assessments underway. The Council has also door knocked residents throughout this period to provide residents with information about what is happening at Hartopp and Lannoy Points.

6.2 The Council has undertaken consultation with all residents about the future of the blocks. There is a statutory obligation in Section 105 of the Housing Act 1985 on the Council to consult with all secure tenants on a proposal to demolish the blocks.

6.3 The statutory consultation was extended to ensure that all residents were consulted on the future of the blocks. The consultation explained to residents they would have to be rehoused whether the blocks were refurbished or demolished and explained the Council's preferred option to demolish the blocks because of:

- significant health and safety concerns which must be addressed,
- the costs of refurbishing the blocks to address the health and safety concerns would have a major impact on the Housing Revenue Account, and limit investment in other homes.
- the Council wants to be able to rehouse residents appropriately.

6.4 The consultation started on 04 March 2019 and closed on 08 April. The length of consultation is appropriate due to the advice of Arup that the health and safety issues must be dealt with and the low number of flats occupied.

6.5 The consultation questionnaire was distributed to all remaining Hartopp and Lannoy Residents. Each consultation included a free-post return envelope, as well as information on replying via email. Each address was door knocked and all absentee landlords contacted in writing.

- 6.6 As well as consulting on the preferred option of demolition views were sought on the suggested offers for rehousing tenants and leaseholder purchases.
- 6.7 Nineteen consultation responses were provided during the consultation period. Of the consultation responses 18 were supportive of the proposal to demolish Hartopp and Lannoy Points. A full table summary of the responses provided during the consultation can be found at appendix 1.
- 6.8 Since the start of the consultation the Council has been scheduling appointments with all remaining secure tenants to undertake a needs assessment. This is to establish how the Council can best work to rehouse secure tenants.
- 6.9 The consultation undertaken with residents was overwhelmingly in favour of the Council's proposal to demolish Hartopp and Lannoy Points. Nineteen responses were received during the consultation, of which 18 responses supported the proposed demolition. In terms of the feedback provided on the offer to secure tenants this was in relation to:

Help to tenants with the costs of fixtures, fittings and decoration of their new homes.

The financial offer being proposed to tenants is in line with best practice. The proposed offer if agreed will also be higher than that previously offered to tenants on who have already moved voluntarily. For residents who downsize as part of the move they would also benefit from a downsizing payment. In addition the quality of accommodation is in line with the Council's letting standards and where required adaptations and changes to the properties made in order to meet tenants identified needs.

Support to elderly or disabled tenants.

Through organising individual assessments with each tenant the Council will identify tenants specific needs and ensure that not only are offers of accommodation suitable but that during moving support is provided to any tenant which has a recognised need. Moves are being sought as close as possible to Hartopp and Lannoy so that the disruption to families is reduced.

Support to leaseholders

The proposed offer to resident and non-resident leaseholders is in line with best practice. Support will be provided to leaseholders to enable the purchase of properties to proceed as quickly as is possible and this is the intention of the proposed appointment of Avison Young.

The one response which was opposed disagreed that Arup's survey demonstrated the need for either a demolition or refurbishment of Hartopp

and Lannoy is required. The Council has published Arup's structural calculations which demonstrate that strengthening is required to address the issue of disproportionate collapse which must be addressed.

7. OFFER TO HARTOPP AND LANNOY RESIDENTS

7.1 Since the fire evacuation advice for the blocks changed from 'stay put' to full and immediate evacuation in November 2017, the Council has offered voluntary moves to Hartopp and Lannoy residents and to purchase leasehold properties.

7.2 There are 112 flats in the blocks and as at 16 April 2019 there are 56 void properties. There were 3 void properties in November 2017, 2 leasehold properties have been bought back and 51 tenants have since moved.

Tenants

7.3 The Council recognises the impact rehousing and proposed demolition would have on tenants and consulted with residents as to how it could best support them in the event of demolishing Hartopp and Lannoy Points.

7.4 A case management approach has started with Housing Management undertaking appointments with each remaining tenant to provide information to all secure tenants about the rehousing support on offer and complete a needs assessment. This enables officers to understand each individual tenants housing preferences and establish the size of the property needed. Every attempt is being made to minimise the impact of moves households with children attending school and elderly residents.

7.5 The basis of the offer to tenants will be:

- Home loss payment
- A disturbance allowance of £500, plus £100 for every bedroom
- Financial assistance for the costs of moving home
- Band 1 prioritised move.
- 1 to 1 housing needs assessment.
- A retained right to return

This offer will apply retrospectively to all tenants to 13 February 2019, the date which the Council received Arup's structural report and advice on the need to demolish or refurbish.

7.6 The Council will work with each tenant to help them move, but it may be necessary to serve a Notice of Seeking Possession on secure tenants and then issue possession proceedings. We will rely on Ground 10 of Schedule 2 of the Housing Act 1985 to seek possession. This allows the Court to make a possession order if satisfied that the landlord intends to demolish a property and that suitable alternative accommodation is available to the secure tenant.

- 7.7 This offer applies only to council tenants and not to private tenants of Non-resident leaseholders. If their landlord is not able to help with alternative accommodation, the Council's Housing Solutions team will provide advice and support.

Leaseholders

- 7.8 There were 21 leasehold properties at Hartopp and Lannoy Points and the Council has offered a voluntary purchase option to all leaseholders based on open market valuation. To date, the Council has purchased two leasehold properties, leaving 19 leasehold properties.
- 7.9 The proposed demolition of Hartopp and Lannoy Points requires the Council to buy remaining leasehold properties. The Council's preference is to continue with a voluntary purchase approach, however given the short timescale it may be necessary to instigate Compulsory Purchase proceedings. This would be done in line with statutory requirements governing the use of CPOs and government best practice requirements.
- 7.10 To manage this in the most effective means possible, the Council will engage the services of an agent to negotiate the buyback of leasehold properties and pursue CPO proceedings as necessary.

Resident leaseholders

- 7.11 For the purposes of this offer a resident leaseholder is defined as residing in either Hartopp and Lannoy as their permanent or main homes as at 13 February 2019 and the offer will be:
- Full market value of current property.
 - A further payment equal to a home loss payment, 10% of market value with appropriate maximum and minimum value limits.
 - A disturbance payment to cover reasonable costs of moving.

This offer will be applied retrospectively to 13 February 2019, the date which the Council received Arup's structural report and advice on the need to demolish or refurbish.

- 7.12 The Council will make available portable equity share loan options, the final arrangements of which will be delegated to the Strategic Director for the Economy, to allow resident leaseholders to remain in home ownership within the area.
- 7.13 If resident leaseholders are unable to identify alternative accommodation the Council may make offers of temporary accommodation. The Council may pay the costs of the temporary accommodation or a social tenancy.

Absentee leaseholders

- 7.14 Non-resident leaseholders will be offered full market valuation for their current property plus the Basic Loss payment of 7.5%. This offer will be applied retrospectively to 13 February 2019, the date which the Council received Arup's structural report and advice on the need to demolish or refurbish.

8. PROCUREMENT

- 8.1 The Council has engaged Wentworth House Partnership to scope the demolition. Wentworth House Partnership will provide a technical specification on which the Council will tender for a demolition contractor to undertake the works to demolish Hartopp and Lannoy.
- 8.2 The report is proposing the appointment of a second consultant in order to provide project management, valuation services and technical advice in relation to the acquisition of leasehold properties and the Compulsory Purchase Order process where voluntary acquisition is unsuccessful. A direct appointment is proposed because of the urgency which the Council has to act in addressing the health and safety concerns identified by Arup's structural survey. The identified company for a direct award are Avison Young and they specialise in providing technical advice with regards to acquisition of leasehold properties and CPO processes.
- 8.3 In relation to the demolition contract, a contract value for the capital works has been produced by the consultants Wentworth. On this basis it is estimated to be under the OJEU threshold for works so the procurement opportunity will be advertised via the Council's procurement portal capitalesourcing. Evaluation of the bids will be based on a 50% cost 50% quality consideration.
- 8.3 Arrangements for the award of contract will be delegated to the Strategic Director for the Economy Department in consultation with the Cabinet member for Housing. The procurement strategy is appended at Appendix 3.

9. SITE FEASIBILITY

- 9.1 The main concern of the Council is to make sure that residents are safe. In addition to preparing to demolish Hartopp and Lannoy Points the Council will now consider options for the future through site feasibility.
- 9.2 The consideration for the future of the site will be based on the Council's established policy objectives of:
- Maximising the amount of genuinely affordable housing
 - Defending the availability of council housing in Hammersmith and Fulham
 - Housing Compliance asset management strategy (December 2018).

10. EQUALITY IMPLICATIONS

- 10.1 The decant of the remaining 56 households may have a proportionally greater negative impact on older people, people with disabilities and residents with school age children, as acknowledged in the Equality Impact Assessment (EqIA). The ongoing needs assessment, with Housing Management undertaking appointments with tenants, will assess the housing preferences

and support needs of each remaining tenant and seek to implement mitigating actions to alleviate any negative impacts identified.

- 10.2 The EqIA sets out the mitigating actions being proposed for the 13 older tenants, the 12 tenants with mobility issues and the tenants with school age children. These actions will be tailored to best meet the needs of those residents as the needs assessment is progressed.

Implications completed by Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.

11. LEGAL IMPLICATIONS

- 11.1 This report sets out the results of the consultation with Hartopp and Lannoy Point residents on the proposal to demolish the blocks. As set out in the report there is a statutory obligation to consult with secure tenants and Section 105 of the Housing Act 1985 requires the Council to consider any representations made in response to the consultation before making any decision on the matter. In making its decision Cabinet must conscientiously take into account the responses to the consultation.
- 11.5 Cabinet must also be satisfied that its decision is compatible with tenants' and leaseholders' human rights under the European Convention. Before demolition of the blocks it will be necessary to end all secure tenancies and leaseholders' leases (subject to the possible need for compulsory purchase). This will impact upon the following Convention rights in particular: Article 8 (right to respect for private and family life); Article 1 Protocol 1 (protection of property).
- 11.6 These Convention Rights are qualified; that is, there is a balance to be struck between the Convention Right and other interests and rights. Any restriction on the exercise of the right must be in accordance with the law, and in the public interest. The public interests to be considered in relation to Article 8 rights include, in particular, public safety. The public interests relevant to Article 1 Protocol 1 rights include in particular, the right of to control the use of property in accordance with the general interest
- 11.7 Section 149 of the Equalities Act 2010 requires the decision maker meaning the Council acting through its Cabinet, to have due regard to the goals in the Act as set out in section 149. An EqIA has been undertaken on the potential impact of the decision on resident with protected characteristics. This will be reviewed and updated as more information becomes available.

Implications completed by Janette Mullins Acting Chief Solicitor (Litigation and Social Care), tel. 020 8753 2744

- 11.8 The comments in paragraph 11.8 – 11.10 relate to the procurement issues only. This report is making recommendations in relation to two procurements.

- 11.9 The first appointment is proposed to proceed by way of a direct award and associated waiver. Section 8 of the report sets out the circumstances for making these two recommendations. Contract Standing Order 3 sets out the process for a decision-maker to approve a waiver of Contract Standing Orders and one of the permitted grounds for approving a waiver is that this is in the Council's overall interests. The decision-maker also needs to be satisfied that the proposed appointment of Avison Young is in relation to a company that can meet the Council's requirements. Legal advice should be sought about the appropriate contract terms for this appointment.
- 11.10 The second appointment is for a demolition contractor. As required by Contract Standing Order 9, all procurements in excess of £100,000 require a Cabinet-approved Business Case and Procurement Strategy for all contracts in excess of £100,000. One of the standard forms of construction contract is recommended for use, with bespoke amendments around the hazardous nature of the activities.

Legal comment on the procurement aspects of the report provided by Deborah Down, senior associate with Sharpe Pritchard Solicitors, on secondment to the Council. ddown@sharpepritchard.co.uk

12. FINANCIAL IMPLICATIONS

Capital budget

- 12.1 The recommendations in this report require an additional capital budget allocation of £8,717,000 to meet the costs of purchasing leasehold properties, compensation payments and CPO advice to achieve vacant possession and demolition costs.
- 12.2 Existing approvals already exist for the buy-back of leasehold properties and an additional capital budget is required in addition to this. As a result of using these approvals, there will be no approved budgets for buy back of other leaseholder properties for high rise buildings except in relation to Earls Court.

- 12.3 The total estimated capital budgets required including existing approvals are set out below:

Estimated budget requirement	£000s
Purchasing leasehold properties (including purchases to date)	10,068
Demolition contract	3,500
Tenant compensation and move costs (including contingency)	400
CPO advice	100
Total	14,068
Existing approvals	£000s
Purchasing Affordable Homes (Cabinet 9 October 2017)	451
Better Solutions for Council Leaseholders in High Rises (Cabinet 5 November 2018)	4,900
Additional budget required	8,717

- 12.4 The additional capital budget requirement of £8.7m will be funded from an increase in borrowing, as measured by the HRA Capital Funding Requirement (CFR). The Capital Financing Requirement is the non-funded element of capital spend which is in respect of borrowing or credit arrangements used to finance capital expenditure on assets. This is not restricted to external borrowing as the council may elect to internally borrow against cash balances.
- 12.5 The total estimated cost is £14,068,000 which is less than the estimated cost of refurbishing the two blocks. However, this is still a significant capital investment for the HRA and will affect funding available for other capital investment priorities such as the health and safety works and affordable housing provision (although there are options to deliver this outside of the HRA).
- 12.6 Use of the budget will be subject to the following approvals:
- Leaseholder property acquisitions: Each purchase will require signed delegated approval from the Strategic Directors of the Economy Department and Finance and Governance.
 - Demolition contract award: An Officer decision would be required from the Strategic Director for the Economy in consultation with the Strategic Director for Finance and Governance.
- 12.7 On 27 February 2019, Full Council approved the Capital Programme with an additional budget envelope of £50m to provide operational flexibility, for taking forward the major projects set out in Capital Strategy. Major projects included in the Capital Strategy included Health and Safety works. The proposed demolition works are required urgently on the grounds of Health and Safety and therefore in order to act quickly, the recommendations in this report propose the approval of a capital budget of £8,717,000 under this additional

budget envelope. This will leave £41,283,000 available for operational flexibility on other major projects.

Revenue budget

- 12.8 The capital funding requirement will require the council to either forego interest earned on existing cash balances or pay interest on external loans depending the treasury management decision taken on how to finance the capital spend. The annual revenue impact on current rates would be up to £227,000 if additional borrowing is taken out (the 50-year Public Works Loan Board rate was 2.6% on 17 April 2019) but less if cash balances were used. This would be an additional charge to the HRA until the associated CFR increased is funded via a capital receipt or revenue contribution.
- 12.9 The demolition of the council owned properties at the two blocks will reduce net rental income to the HRA, although the council will also avoid ongoing repairs and maintenance costs. Based on the HRA 2019/20 rental budget and the estimated average repairs cost within the current interim repairs delivery model budget this is estimated to be £310,000 of lost income to the HRA per annum.

Financial stability and financial strength of the contracting party

- 12.10 This report seeks approval of the Business Case and Procurement Strategy to procure a demolition contractor to demolish Hartopp and Lannoy Points. For the instructions to tenderer document (ITT) required for the procurement and appointment of a demolition contractor, finance officers will need to input on the financial qualification and checks specification.
- 12.11 This report seeks to appoint Avison Young to provide project management, valuation services and technical advice in relation to the acquisition of leasehold properties and the Compulsory Purchase Order. As the council is already a client of Avison Young for other services and this contract is less than £100,000 and will be paid in arrears a credit check has not been considered necessary and has not been carried out.

Financial context

- 12.12 This decision is expected to increase the level of debt in the HRA as measured by the HRA Capital Financing Requirement (CFR), as the Capital Programme Monitor & Budget Variations, 2018/19 (Third Quarter) report that went to Cabinet on 4 February 2019 sets out that the CFR is forecast to be within prudential borrowing limits. The proposal in this report will increase the CFR by £8,717,000 but this can be accommodated by the HRA Business Plan approved on 4 February 2019.
- 12.13 The Council is preparing its Housing Revenue Account Asset Management Strategy to prioritise capital investment in its current housing stock. Alongside this, the Council is developing an assets and growth strategy to meet the Council's priority of delivering new affordable homes. This strategy will provide

an overview and framework for Council capital investment priorities. Any future decision on capital investment by the HRA will need to be made in the context of potentially competing demands for capital investment and the affordability of the revenue implications of these within available resources and may influence the potential options through which new schemes can be delivered.

- 12.14 The Council will need to develop its plans for the future of this site which will be the subject of a future decision, the financial implications of which will be reported in full.

Implications completed by: Firas Al-Sheikh, Head of Housing Financial Investment and Strategy, Tel: 020 8753 4790.

Implications verified by: Emily Hill, Assistant Director, Corporate Finance, telephone 020 8753 3145.

13. IMPLICATIONS FOR BUSINESS

- 13.1 As an open procedure through Contracts Finder (Capital ESourcing) will be followed this will provide an opportunity for local firms who may choose to bid for the opportunity.

Implications completed by: David Burns, AD Growth.

14. COMMERCIAL IMPLICATIONS

- 14.1 The value of the contract for Avison Young is under the statutory threshold for services. As a result, the full PCR 2015 do not apply. In this case, a waiver from the usual tendering requirements set in the Council's Contracts Standing Orders (CSOs) may be approved by the Cabinet Member if they are satisfied that a waiver is justified under section 3 of the CSOs.

- 14.2 The value of the contract for a demolition contractor is under the statutory threshold for works. As a result, the full PCR 2015 do not apply. The recommendation is in line with the Council's CSOs. The tender will be advertised in Contracts Finder and the Council's e-tendering platform.

Procurement implications provided by Andra Ulianov, Head of Contracts and Procurement, tel. 020 8753 2284.

15. IT IMPLICATIONS

- 15.1 No IT implications are considered to arise from this report as it notes the outcome of the statutory section 105 consultation to demolish Hartopp and Lannoy Points, and requests approval for the necessary steps to proceed with

demolishing these sites and support tenants throughout this process. Should this not be the case, for example, by requiring new systems to be procured or existing systems to be modified, IT Services should be consulted.

- 15.2 IM implications: prior to the consultation the service was advised to ensure that a Privacy Impact Assessment (PIA) was carried out to ensure that all the potential data protection risks (e.g. in consulting with Residents) around demolishing Hartopp and Lannoy Points were properly assessed with mitigating actions agreed and implemented.
- 15.3 Any contracts arising from this report will need to include H&F's data protection and processing schedule. This is compliant with the General Data Protection Regulation (GDPR) enacted from 25 May 2018. Any suppliers will be expected to have a GDPR policy in place and all staff will be expected to have received GDPR training.

Implications verified/completed by: Tina Akpogheneta, Interim Head of Strategy and Strategic Relationship Manager, IT Services, tel. 0208 753 5748.

16. RISK MANAGEMENT

- 16.1 The Council has consulted with and been informed by experts whose opinion has led to the conclusion that demolition is necessary. The Council must address the structural issues identified either via demolition or refurbishment. The costs of refurbishing the blocks are significant hence the recommendation is to propose solutions for residents first following the consultation exercise and then to proceed to procure a contractor to undertake a controlled and safe demolition once the buildings are vacated of residents. The proposals are consistent with our Council Priorities, specifically decisions being made with our residents foremost in our consideration.
- 16.2 A tendering exercise is being conducted in accordance with our Being Ruthlessly Financially Efficient Objective to seek the best financial solution for our local taxpayers and most economically advantageous tender.
- 16.3 Safeguards will be required to ensure that there are sufficient measures in place to manage asbestos risk and associated environmental risk. Officers should also ensure that they have sought advice from the Council's Insurance Team in preparing the invitation to tender to ensure that the insurance requirements for the contract are appropriately specified and secured through the tender process.

Implications verified by: David Hughes, Director Audit, Fraud, Risk and Insurance tel: 020 7361 2389.

17. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

None

LIST OF APPENDICES:

- 1 Section 105 consultation response summary
- 2 Equalities impact assessment
- 3 Procurement Business Case
- 4 Full responses to consultation (exempt)

**Hartopp and Lannoy
Section 105: Consultation Response
04 March to 08 April**

Consultation to all secure tenants and both resident and absent leaseholders started on 4 March 2019. The Council's consultation document was sent to 62 properties which at the start of the consultation period were habited. There were:

- 44 tenanted properties
- 18 Leasehold properties (absent leaseholders received via at contact address.)

Consultation was anonymous.

19 replies received 31% response rate.

- 18 **In favour of demolition**
- 1 **Opposed the demolition and refurbishment**

Summary of responses:

Q1 Reasons for support of demolition:

- Cost – to both council and leaseholders
- Safety
- Future maintenance
- Chance to build new and better

Q1 Reasons for not wanting refurbishment:

- Cost
- Inconvenience of moving twice
- Inconvenience to residents living nearby
- Future maintenance costs
- Fire safety concerns

Q3 Additional support to tenants

- Help with refurbishment of new home
- Additional support for elderly or disabled residents
- Cost of fixtures and fittings including decoration and built in wardrobes.
- Allow to stay in same area.

Q4 Additional support for resident leaseholders

- Cost of replacement property plus legal and professional fees
- Increased offer – valuations are too low.

Q5 Additional support for absent leaseholders

- Time scale for process
- Fair market value – transparent process
- Assistance to deliver vacant possession
- Same package for sub tenants as secure tenants
- Legal and professional fees