

	London Borough of Hammersmith & Fulham CABINET 2 MARCH 2015
EDWARD WOODS ESTATE - NORLAND, POYNTER & STEBBING ROOFTOP APARTMENT	
Report of the Cabinet Member for Housing - Councillor Lisa Homan Cabinet Member for Economic Development and Regeneration - Councillor Andrew Jones	
Open Report	
For Decision YES Key Decision: Yes	
Wards Affected: Shepherds Bush Green	
Accountable Executive Director: Melbourne Barrett - Housing & Regeneration	
Report Author: Stephen Kirrage – Director Asset Management & Property Services Paul Monforte – Head of Operations	Contact Details: Tel: 020 8753 3064 E-mail: stephen.kirrage@lbhf.gov.uk Tel: 020 8753 1745 E-mail: paul.monforte@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 Twelve new rooftop apartments, located on the three large blocks in the Edward Woods Estate, were built as part of a wider scheme, which also comprised concrete repairs and energy efficiency measures. The flats were originally planned to be sold on the open market. However, a lack of basic due diligence when the scheme started in 2007 meant that it was not realised that mortgages would not be available for potential buyers.
- 1.2 It was reported to Cabinet in November 2013 that the project was ill-conceived and badly executed. The 2013 report identified a series of issues including:

- Failure to check whether or not rooftop apartments not accessed by lifts could be subject to a mortgage.
- Insufficient project planning at the commencement of the project.
- Poor choice of contract, leading to unfamiliarity and procedural failings
- Over optimism in 2011 with regard to the likely completion date (and associated costs).
- Construction delays due to design changes and disputes relating to design liability (regarding choice of contract).
- Major design change to the concrete mullions (that run the full height of each block). A significant variation in itself, additionally complicated by dispute over design liability.
- Omission of lift refurbishment from the project in mid-2011 on cost grounds.
- Disputes and arbitration actions brought by the contractor

1.3 Collectively, these issues resulted in an estimated overspend on the overall regeneration project of £5,019,149 (as at November 2013).

1.4 In November 2013, the previous administration belatedly realised that it was not possible to sell these units on the open market as banks would not provide mortgages to potential buyers. It was therefore decided to let them out at discount market rent (just below open market rent). Members have expressed concerns that sufficient due diligence was not carried out in relation to the mortgageability of the properties before they were built.

1.5 The new administration, elected in May 2014, set out in their manifesto 'the change we need' to protect social housing and provide genuinely affordable housing for local residents. The manifesto also made a commitment in respect of putting children and families first and to 'work to attract and retain good teachers, which may include offering support with accommodation'.

1.6 The rooftop flats provide an opportunity to increase the supply of social housing and specifically provide accommodation for key workers through the allocation of a proportion of them to teachers.

2. RECOMMENDATIONS

2.1. That delegated authority be given to the Director for Housing Options, Skills and Economic Development in conjunction with the Cabinet Member for Housing to develop in consultation with residents a Local Lettings Plan to govern the allocation of these properties.

2.2. That the letting of the rooftop apartments be carried out by the Allocations team with the homes allocated in accordance with the Local Lettings Plan agreed specifically for these properties.

3. REASONS FOR DECISION

- 3.1. The reason for this decision is to make best use of the Council's housing portfolio and contribute towards meeting the aims of their manifesto.

4. INTRODUCTION AND BACKGROUND

- 4.1. The Edward Woods Estate is located in the northeast of the borough overlooking the Westfield shopping centre. It is a purpose built estate consisting of three high rise (23 storey) and 4 medium rise (4/5 storey) blocks of flats and maisonettes. Over the last fifteen years, the estate has benefited from major public and private investment to support various regeneration and redevelopment initiatives.
- 4.2. The final phase of the original regeneration project was to address the three tower blocks and secure their structural integrity, improve thermal insulation, and enhance their physical appearance.
- 4.3. The tower block project comprised the over cladding and regeneration works at Norland, Poynter, and Stebbing Houses, and included insulation; the provision of enhanced energy saving (photovoltaic panels and associated works); the provision of gas central heating to studio flats; the construction of 12 new residential accommodation units on the roofs of the three blocks (originally intended for sale); the creation of office accommodation in unutilised ground floor areas (intended for commercial / voluntary sector letting).

5. PROPOSAL AND ISSUES – Rooftop Apartments

- 5.1 Twelve rooftop apartments have been created, four per block at the 23rd floor level.
- 5.2 In November 2013, following the presentation of a paper to the former cabinet, a report was considered on the future tenure of the 12 new units and due to the inability to sell them a decision was taken to promote and let the units as discount market rent properties. This decision was taken in anticipation of completion of these properties, with the final completion of these units only occurring in Mid 2014, and limited marketing of these units was progressed
- 5.3 In response to the new administration's manifesto 'The change we need' it is proposed that these properties be let at social rent and made available for local residents.
- 5.4 Applicants for these units will be assessed by Housing Options, and due to the limitations of the accommodation will be limited to couples with one teenage child, or a single parent with two, same-sex, teenage children.

- 5.5 Additionally, there is a clear opportunity to achieve a further aim of the new Administration. It is a manifesto commitment to offer support with accommodation for teachers in the Borough, and use of these apartments represents a good opportunity to support that aim.
- 5.6 The Council's Scheme of Allocation makes provision for the establishment of a Local Lettings Plan (LLP) to govern the allocation of a particular group of properties. There is clear evidence that there is substantial housing demand from teachers in the Borough. The draft Housing Strategy, to be issued for consultation shortly, includes reference to the issue of giving greater priority to key workers within the Council's housing policies. It is proposed that the Director for Housing Options, Skill and Economic Development shall develop and put in place such an LLP to govern the allocation of these properties. A copy of the draft LLP is attached for information at Appendix 1.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. A range of other options were considered in the previous November 2013 report to Cabinet.
- 6.2. The costs were reported to Cabinet in November 2013 as outlined below. Outturn costs have not significantly changed, while the provisional items have largely been incurred and are now included in the variations for the construction of 12 rooftop apartments is £3,887,006 (i.e. circa £324,000 per unit). Below table is a breakdown of main expenditure items:

Summary of Key Elements of Construction Costs of Rooftop Apartments		
		£
Preliminaries	14.5%	337,693
Measured Works		
Internal works to 23 rd floor (within existing envelope)		752,197
New works to levels 23 and 24		839,828
M & E installation		287,095
Variations relating to Rooftop Apartments		1,670,193
Estimated total costs for Rooftop Apartments		3,887,006

7. EQUALITY IMPLICATIONS

- 7.1. An Equality Impact Assessment is not required in relation to this report; relevant issues have not changed since original approval of this project.

8. LEGAL IMPLICATIONS

- 8.1. Section 166A(6) of the Housing Act 1996 enables local housing authorities to allocate particular accommodation to people of a particular description, for example teachers and other key workers, by way of a Local Letting Plan. All council properties must be allocated in accordance with the Council's housing allocation scheme and, as set out in paragraph 5.6 the current scheme contains provision for letting certain properties through a Local Lettings Plan.
- 8.2. *Implications verified/completed by: Janette Mullins, Principal Solicitor (Housing and Litigation) 020 8753 2744*

9. FINANCIAL AND RESOURCES IMPLICATIONS

- 9.1. The draft Long Term Financial Plan for Council Homes and the draft 2015/16 Housing Revenue Account contain no rent or sales income from these properties as their use was being reconsidered at the time the numbers were prepared.
- 9.2. If all twelve properties are let at social housing rents the additional net income after management and maintenance costs received by the Housing Revenue Account each year will be £34k.
- 9.3. Service charges will also need to be paid, these need to be calculated and the service charge percentage allocations to tenants and leaseholders in Norland, Poynter, and Stebbing Houses will also need to be reviewed. This is likely to result in a reduction in the percentage of service charges allocated to each existing flat.
- 9.4. The roof-top flats are currently held on the Council's balance sheet at a value of £5.3m. They have an associated revaluation reserve of £4.3m. Any conversion to social housing will likely result in an impairment of these assets, however for the reasons set out below this will not impact on the HRA's working balance.
- 9.5. The theoretical impairment is because the Government requires that social housing is valued at 25% of the equivalent 'Existing Use Value' (EUUV). Any impairment losses will, in the first instance, be charged to the revaluation reserve. Thereafter, losses ordinarily will need to be charged to revenue but these losses can be mitigated under special provisions which are in place for HRA dwelling assets until 2017. As such, there will be no impact on the HRA's working balance arising from any impairments consequential to the conversion of these assets.
- 9.6. Implications completed by Kathleen Corbett, Director for Finance and Resources, Housing and Regeneration, 0208 753 3031

10. RISK MANAGEMENT

- 10.1. The risk of financial loss through the sale of deeply discounted rooftop apartments has been considered. By including these properties within the general needs portfolio, the Council will retain the benefit of the asset, with any potential increase in asset value over future years.

11. PROCUREMENT AND IT STRATEGY IMPLICATIONS

- 11.1. Not applicable.

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Original Approval Papers (published)		HRD

LIST OF APPENDICES:

- 1 Local Lettings Plan