Department for Communities and Local Government

Estate Regeneration – Statement

February 2016
Department for Communities and Local Government

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Introduction

The Prime Minister has called for an ambitious new estates regeneration programme – ambitious at every level. We will engage with up to 100 estates from around the country, to stimulate proposals for the transformation of those estates, a significant increase in housing, and, most importantly, improvements in estate residents' quality of life.

£140m of loan funding has been set aside by Government to be used as a springboard for partnership and joint venture arrangements, with the active involvement of communities.

We have established an Expert Advisory Panel, with a focused remit of work. The Panel will consider how to foster partnership models of estate regeneration, and will determine which financial approaches can fuel regeneration in both high and low land value areas.

The Panel will also consider the quality of design options and, of course, how to ensure existing estate residents are fully protected in future schemes, as well as how to engage communities in preparing proposals.

Our Panel has commenced its work, and will report by the Autumn Statement. Here, we set out some illustrative principles to help guide initial expressions of interest. We invite people to get in touch – local authorities, community groups, developers, investors, whomsoever may be interested in this field. A team in DCLG is ready to help develop your proposals, regardless of whether they are at an early or advanced stage.

Our goal is a long-term sea change in estate regeneration, to build more quality new homes, and to transform the life chances of residents, both current and future.

Lord Heseltine **Brandon Lewis**

Expressions of interest

The Government is seeking expressions of interest that would lead to estate regeneration proposals. There are no limitations about the stage these may be at – fully developed, or at an early stage, or from whom the expression comes. However, the expression will be needed as a precursor to a formal engagement with the Government team. The team will be in a position to assist with advice to potential bidders, and will also convey key issues to the Panel for wider consideration, for example where there are strategic or policy questions which need to be addressed.

Below, we set out some guiding principles for expressions of interest. We are not necessarily expecting fully worked up proposals. However, evidence suggests that these principles do guide success so we suggest that all proposals address them.

Your responses will also provide us with a measure of the types of support and engagement the Government may need to provide, so we can tailor and target our responses. If there are areas where your project has yet to develop particular thinking, or there are gaps, then please do indicate what these are.

Guiding principles

- Schemes must deliver regeneration through the redevelopment of existing social housing estates.

- Ultimately, schemes will need to be viable, so financial considerations need to be paramount in early planning, including which partners or joint ventures could potentially be included to support or fund proposals. To maintain the trust of existing residents and to ensure transparency, those submitting regeneration proposals should expect to make public the results of the viability assessments underpinning their proposals at all stages of the development process.

- Development vehicles should be private sector bodies or joint ventures and their leveraged finance be classed as private sector borrowing. This still allows scope for the involvement of public bodies and use of public sector funding to seek an economic and community return for the investment.

- Are multiple or innovative funding sources being considered, including, for example, S.106 agreements, PRS partners, or innovative approaches such as social impact bonds? A wide variety of supportive Government housing funds are now available (see table at end of this document), which can also be drawn on to support schemes.

- What preparatory work has been undertaken, such as land assembly, identification of land ownership, initial construction work, or identification of infrastructure links or opportunities?

- Design – what levels of design are the proposals targeting? Do they rely on large-scale masterplans or smaller-scale initiatives? Indicate how far proposals have reached in terms of options appraisals and consolidating specific designs. Are these designs innovative and do they directly respond to the needs of the local community?

- Community engagement – an indication of the level of community support, and what sort of consultation has been undertaken, and with whom. How accountable are community representatives in any such process? Is there a robust community management structure in place? Is there support for increasing densities (since this will often underpin scheme viability)? It is important to stress that before agreeing to support a scheme we will wish to be confident of wide local support.

- How arrangements for existing residents are expected to operate – such as for leaseholders, tenants, owner-occupiers and non-resident property owners. Indicate what alternative housing arrangements may be needed. This is a particularly important aspect of the programme. The package must be clear, reasonable, and fully supported. Is the new accommodation acceptable compared to what there is now? Existing residents – including leaseholders – should be entitled to remain on the redeveloped estate or offered equivalent accommodation locally.

- What tenure mix is proposed, including affordable housing provision?

- What is the local planning context – are there plans in place, or existing permissions? Conversely, are there particular planning problems or issues which need addressing? The Government is particularly interested in identifying what these may be, and to see if there is anything which can be brought to bear to resolve them.

- What is the position of the Local Authority? Authorities are often key partners in estate regeneration schemes, so their active participation and support will underpin rapid progress. It is difficult to conceive of a successful scheme that does not command the support of the local planning authority.

- Ultimately, schemes should deliver a net increase in new housing supply and be value for money.

- Are wider societal benefits demonstrated by the proposal, such as positive effects on local employment, health, poverty and education and training?

- Is there a delivery plan in place, with a workable and reasonable timetable?

- What non-housing projects are involved as part of the concept to make the estate more attractive a place to live (for example, associated infrastructure schemes)?

Next steps

If you would like to respond, a specific account has now been set up for receiving expressions of interest – EstateRegeneration@communities.gsi.gov.uk

The team are also interested in receiving general enquiries too, including about how the programme is anticipated to operate, or to resolve any other related questions.

The expressions of interest process will be used as an initial engagement with prospective new schemes. A formal arrangement for accessing the £140m Estate Regeneration Fund, and for the assessment of bids for that Fund, will be set in train in due course.

Estate Regeneration – Profiles of Example Schemes by DCLG Programme

This section provides some examples of models of estate regeneration schemes which have been implemented in the past to illustrate some different approaches to scheme design, finance, and structuring. These are illustrative. The Government is not necessarily proposing they are replicated, and will embrace innovation, since circumstances will differ widely across the country. However, good practice is available from looking at these schemes, and there are common lessons which can be drawn which should be shared.

HRA Housing PFI Programme

Brunswick Estate – Manchester City Council

Work on Manchester City Council's Brunswick Estate Regeneration HRA Housing PFI scheme commenced on site in January 2014.

Brunswick is a residential neighbourhood situated within the inner-ring suburbs of Manchester city centre and consisting of 1112 homes, of which 879 are Council-owned. The housing market in Brunswick is weak and the area is dominated by 1970s Council housing of variable quality, requiring substantial investment. The design, environment and connectivity to surrounding economic and employment opportunities is also poor and the neighbourhood continues to suffer from many of the conditions associated with inner city deprivation including poor housing quality and choice, high levels of crime and anti-social behaviour, high unemployment and low levels of educational attainment.

The Brunswick neighbourhood was within the top 5% of the most deprived neighbourhoods in the country. The Council's vision is to create '*a transformed and successful neighbourhood of choice with a wide range of high quality housing, shops and services set within a safe and attractive environment'*. The project will also support access to surrounding employment and enterprise opportunities with targets of 295 local labour jobs and 58 trainees.

The Brunswick PFI project directly involves the demolition of 270 council and leaseholder homes, redesign of estate layout and remedial land works, refurbishment and redesign of 654 council homes, provision of 200 new-build council homes and a 60 bed sheltered extra care facility. In addition, the PFI scheme will facilitate the provision of 322 homes for market sale. The scheme has a five to six year development programme.

DCLG provides capital funding support to the Council in the form of PFI special grant paid on an annuity basis over the 25 year life of the contract. The NPV of the Department's grant support is £113m. This is paid in the form of an annual revenue support grant over the contract term. The Council combines the Department's capital support with its own revenue and capital funding to pay the Contractor's for its investment and services over the contract term. The Contractor's investment is provided through bond finance.

Estate Renewal Challenge Fund Scheme Programme

Church End and Roundwood Estates – LB Brent

The Church End and Roundwood scheme works commenced in 1998 with the establishment of the community-based Fortunegate Housing Association and transfer of Brent Council Church End and Roundwood estates to the new association.

The scheme has focused on:

- demolition and redevelopment of the Church End (resiform) estate, involving demolition of 752 former council and leasehold properties of problematic construction and their replacement with 556 new-build properties;

- comprehensive repair, refurbishment and improvement works to another 664 former council and 70 leasehold properties on the Church End (traditional construction) and Roundwood estates; and

- development of 161 homes for market sale, which helped cross-subsidise and finance the wider scheme.

The estates area had the second highest level of deprivation in Brent, with 65% of households in receipt of benefits and levels of unemployment well above the London average. The scheme also focused on making local environmental, social and economic improvements for residents, including a new community centre.

The transfer of the council's housing stock to a housing association allowed the necessary investment to be raised through private sector finance on the basis of the long-term business plan of the new community-based housing association, with the financial support of the Ealing Family (now Catalyst) HA (which became the parent sponsor of Fortunegate) and £24m gap funding from DCLG.

DCLG closed a funding gap in Fortunegate's business plan through provision of £24m in phased payments over the initial two years. Refurbishment works were completed in the first five years and the new-build works undertaken in four phases were completed in 2015. (Fortunegate is now integrated with Catalyst HA).

Landed Estates Model

This model operates around the principle of land assembled in common ownership (or joint venture) by a management company, and held in perpetuity in this format. The area is redeveloped for a variety of uses – housing, mixed use, commercial, leisure – which are then in large part held as rentable assets, also in perpetuity, rather than private sale.

Most of the income from these sites is recouped as rent over an extended period of time (decades), as opposed to relatively rapid sales, and so the income stream is cumulatively much larger. The model is most ideally suited to "patient capital" – i.e. investors seeking steady and reliable returns over an extended period of time. Some parts of central urban areas (such as London) have operated on this landed estates basis for many years, and the model has been reflected in recent work by Savills. There are, however, no recent examples of the approach being used for more recent estate regeneration schemes, so it is untested as a new approach.

A Council Initiative – Hull, Orchard Park Estate

Hull's Orchard Park estate was built on the extreme north western edge of the city in the late 1960s and early 1970s. In 2010 the council estate comprised 2,880 dwellings; a mixture of high-rise flats, bungalows and houses. A significant proportion of the housing stock was of non-traditional construction, of poor quality with poor neighbourhood design and was also unpopular.

In 2008 the Council proposed to demolish c. 1,000 mostly high-rise council dwellings and provide 1,700 new-build homes for sale and social rent. Parallel area regeneration developments and proposals included a new integrated District Health Services Centre, a new District Retail centre, a new Academy school and improved local employment and training opportunities. However, the Housing PFI scheme through which the housing redevelopment was to be funded did not proceed due to a reduction in the PFI programme in 2010.

Hull City Council has continued to take forward its transformational strategy for the Orchard Park estate though, notwithstanding the loss of PFI funding. The Council's aim is for Orchard Park to be place where people want to live.

Over the past five years, the Council has funded and demolished tower blocks on the estate. Improvements to the remaining housing stock have been funded by the Council, in particular energy efficiency improvements (insulative cladding) to low-rise houses. The Council has entered into a partnership with Riverside Housing Association to deliver a major house-building programme. More than 400 affordable homes are being built on the estate where the tower blocks once stood. An extra care sheltered housing facility has also been constructed.

The demolition of the tower blocks, improvements to retained dwellings and the new-build programme have been part of the Council's masterplan for Orchard Park, with redevelopment, demolition and new-build provision being undertaken in stages. To achieve its aims the Council has used its own funding for demolition and improvement works, funding delivered by its housing association development partner and has also accessed other funding available through DCLG.

Gap-Funded Stock Transfer Programme

Packington Estate – LB Islington

The Packington Estate in Islington, London, has been transformed from a place with 538 structurally defective flats into a thriving community which now provides 791 mixed-tenure houses and flats (491 of the new homes are for social rent, 135 of which are three, four, five and six bedroom family homes).

When it became apparent that the estate had structural defects, Islington Council and residents looked at possible ways of funding the demolition and building of a new Packington estate. Residents favoured a gap-funding stock transfer option which was supported by the Council and by DCLG.

Hyde Housing Association was selected by the Council in 2005 as its development partner and therefore owner and landlord of the new estate which they would build. Hyde were selected through a competitive procurement process which involved residents assessing the various housing associations and their bids, the Council assessing the financial and commercial viability and value for money of the business plans, including with regard to the level of gap-funding being sought from DCLG, and the Masterplan proposals being assessed by the Council and residents. Hyde and their development partner Rydon were selected as the preferred contractor/developer partner through this competitive procurement and due diligence process.

A series of consultations, workshops and interviews during and following bidder selection demonstrated a desire by residents to return to the type of community preceding the 1960s estate. Requests included provision of family houses with front doors at street level and private space. Long-standing social residents were offered housing in the best locations - in canal-side homes by Regents Canal, in private mews and in Union Square. The masterplan focuses on opening-out the estate, opening access routes and reconnecting the community with the surrounding area. Clusters of low-rise buildings blend with neighbouring terraces. The historic street pattern has been reinstated and Union Square restored with a street of replica Georgian townhouses.

The local environment now includes a newly created canal side park, community centre, adventure playground and youth centre. The playground wraps around the youth centre and contains a main activity space, an arts and crafts space and a computer/quiet room. Innovative employment and training initiatives form an integral part of the estate’s economic regeneration.

The project is being delivered in a 50:50 joint venture partnership by Hyde with Rydon Construction over an eight-year, six-phase programme. A total of 538 structurally defective flats on the estate are being replaced with 791 mixed-tenure houses and flats. These new homes are being funded through a combination of £29m gap funding from DCLG, which was successfully secured by the Hyde Group on the basis of its business plan, which included substantial private sector finance cross subsidy from the development of 300 open market sale apartments and new infrastructure. 491 of the new homes are intended for social rent, 135 of which will be three, four, five and six bedroom family homes. Three of the six phases are now complete and overall works are scheduled to be completed in 2018. The Packington's regeneration success has received wide recognition and many awards.

H.A.T. (Housing Action Trust) – Castle Vale, Birmingham

Castle Vale was an extremely deprived and stigmatised neighbourhood on the outskirts of Birmingham which underwent a large-scale programme of regeneration from the mid-1990s. The housing estate was built in in the 1960s. Much of this new housing was built using pre-fabricated construction methods which resulted in poorly insulated homes. Within a decade, the area had become adversely affected by high levels of unemployment and crime. The present situation is now markedly different.

The process of regenerating Castle Vale began in 1993 when plans to create a Housing Action Trust (HAT) were passed by a resident ballot. Castle Vale was one of six HATs set up in particularly blighted urban areas of England in the 1980s and 90s. HATs were designed as public bodies that would oversee improvements to deprived neighbourhoods over a time limited period. Each was governed by a board which included active residents, representatives of resident organisations and members of the local authority. HATS received significant government funding support, with Castle Vale receiving around £198 million over its lifetime as a HAT.

The Castle Vale HAT existed for 12 years between 1993 and 2005 and was charged with a number of targets for the estate:

- To improve and redevelop the existing housing.
- To improve quality of life for residents, including their economic, social, health and environmental conditions.
- To provide wider choice of housing tenure.
- To be an effective landlord.
- To maintain these improvements into the future.

Its initial focus was to remodel the estate's housing. Almost all of the tower blocks – 32 of 34 – were demolished, many residents were resettled away from the estate and around 1,500 new homes were built in their place. The focus then moved to improving safety and quality of estate life, including through a community warden scheme which came into effect in 2002. The estate has continued to prosper since the end of the HAT regeneration project. The reputation of the area has also improved dramatically, to the point where demand for housing is high.

Castle Vale Community Housing Association (CVCHA) was set up in 1997 as a community-focused organisation with resident involvement to manage the new housing that was developed on site. A positive tenant vote in 2003 led to the transfer of 98 per cent of the HAT's housing stock to CVCHA.

A Neighbourhood Partnership Board brings together representatives from Birmingham City Council, the police, the Primary Care Trust (PCT), CVCHA, the Learning and Skills Council and the resident community to strategically plan and monitor Castle Vale's progress. It manages an endowment fund bequeathed by the HAT for the benefit of the community.

Since 2007 the priorities for the Neighbourhood Partnership Board have shifted from improving the quality and safety of Castle Vale's public spaces to improving longer term educational and economic outcomes for residents. Much of the HAT and CVCHA's work has helped to tackle some of the barriers preventing residents from being able to work: poor quality housing, poor health and lack of childcare. Particular focus is now being applied to training and educational opportunities for local people. This work continues.

Summary of Government support for housing investment in England. These funds could be further explored by prospective estate regeneration schemes for potential synergies with their project proposals

Programme	Period	Grant	Loan	Guarantee	Notes
Affordable Homes Programme	2016/17-2020/21	£5,700m	-	-	This grant funding is comprised of: - £4.1billion for 135,000 Help to Buy: Shared Ownership homes, which will allow people to buy a share in their home and increase that equity over time; - £1.6billion for around 100,000 affordable homes for rent.
Starter Homes	2016/17-2020/21	Gross investment of £2.3bn	-	-	Land facilitation and direct delivery to builders and Local Authorities to help build 200,000 starter homes by 2020, available to young first time buyers at 20% discount.
PRS Guarantee	2013/14 2015-Dec 2016	-	-	3.5bn	Guarantees for bond finance for new build rented homes. Ends Dec 2016 or (if renewed) Dec 2017.
Housing development financial transactions programme	2016/17 to 2020/21	-	£2bn	-	£2 billion in loans was allocated in the Spending Review to invest in infrastructure needed

					for major housing developments.
Local Growth Fund (Housing Revenue Account and Local Infrastructure Fund)	2015/16 to 2020/21 (Housing money only runs from 2015-16 to 2016-17).	-	£350m	-	£12 billion Local Growth Fund, of which: - £35 million Local Infrastructure fund - £300m HRA borrowing cap.
New Homes Bonus	2016-17	£210m	-	-	As in previous years, the Government will set aside an amount of funding to part fund the New Homes Bonus. In 2016-17 this amount will be £210 million. Again, as in previous years, the remaining funding will be provided from Revenue Support Grant, expected to be £1.25 billion in 2016-17.
Estate Regeneration	14/16 to 20/21	£290m	-	-	Loan funding only. £150 million already allocated.

Notes: 1. This table is intended to be indicative. 2 Whilst every effort was made to exclude overlaps, this is not guaranteed, hence totals are not provided. 3. Schemes generally apply only in England.