DELIVERING ESTATE RENEWAL

A briefing from London housing leaders
As highlighted throughout Future of London’s Estate Renewal programme, escalating land values, increased pressure on assets and diminished grant mean estate renewal is key to addressing London’s housing crisis – particularly for the affordable tenures the capital’s employment base needs.

As the 2015 Autumn Statement beds in and the Housing Bill makes its way through Parliament, the ground continues to shift. In addition to the ongoing curb the HRA borrowing cap places on council home-building, the extension of Right to Buy could have a major impact on estate renewal programmes and, coupled with rent reductions, with housing associations’ financial planning and independence. The London-wide top-slice of councils’ most valuable residential assets also risks hindering public-sector ability – and will – to build. Finally, as one practitioner put it, uncertainty around the final content of the Housing Bill is putting the same brake on investment and activity as the Scottish – and now EU – referendum.

With so much at stake, the creation of the Heseltine Estate Regeneration Panel and its ability to work out the detail of incoming policy was applauded across the London sector.

The Delivering Estate Renewal Chatham House roundtables this briefing is based on were designed to help, by bringing together cross-sector experts in London housing delivery to assess the state and potential of estate renewal, in terms of Strategy, Community Relations and Delivery. Hosted by Bilfinger GVA, the sessions focused on agreeing main obstacles to effective estate renewal and sharing workable approaches with the sector, mayoral candidates and central government.
INTRODUCTION

It’s worth taking a moment to look beyond the current debate about the shape of estate renewal and consider housing need. Those responsible for London supply generally agree that we must (a) shift gears rapidly from the approximately 24,000 homes a year being built to at least the 49,000 a year London Plan target5; (b) house people in socially and economically mixed communities, to sustain our employment base and avoid the geographic ghettoisation of unbalanced cities like Paris; and (c) do all this without counting on much central grant or loan funding4 – and across election cycles.

Estate renewal has a key role in achieving this. However, these programmes must be economically viable; socially and politically attractive; deliverable; sustainable in the broad sense; and coordinated to some degree across the capital. Estate renewal is not the “magic solution” to London’s housing problem or an “untapped resource”. It’s complex, expensive and delicate, although it may be tempting to view it as an easy fix for social ills or housing need. As a number of participants put it, we need to be clear about goals and about what is achievable, or we will fail.

There are serious delivery challenges tied to land values and build costs, and London needs devolved fiscal control to deliver housing effectively. Further, policies which downplay traditional social housing – particularly renting – risk the economic value people in this tenure contribute to London, and can hinder delicate discussion and intervention. The call for higher-value council sales is also uniquely disruptive in the capital, and delivery here would benefit from “a set of locally autonomous policies” and an acknowledgment that London is forced to do things differently.

If we continue on the current path, more than one practitioner predicted the demise of social housing within the next 10 years, which raises the spectre of protest. Regeneration must reprovide existing housing – at minimum, in the same tenure and area – to have public legitimacy. Pushing people out will “feed the fires” of the gentrification debate, so the proposed tenant package must be robust.

How to get all this done? For one thing, in addition to the expertise on the Heseltine panel, there is a wealth of cross-sector experience ready to be tapped. Renewal is a long-term process, requiring long-term perspectives, skills and partnerships. Improving estates is also more than a physical issue, and a broader approach is needed for success. The focus on physical layout – and the “sink estate” stereotype, which most London estates do not fit – led a number of roundtable participants to call the recent Savills report tied to central government’s estate proposals3 limited and possibly counterproductive.

This briefing encapsulates anonymised roundtable discussion and is divided into the same themes of Strategy, Community Relations and Delivery. Each section includes proposed actions for central government, the new London mayor and GLA, and the cross-sector organisations who lead house-building in London. We hope you find it useful.

Recurring themes and recommendations to central government

Social housing residents make an enormous contribution to London, including a direct economic contribution of £15bn, as shown in an upcoming report6. At the same time, housing affordability is considered a major challenge to London’s continued economic prosperity.7

> Commission research and use existing data on the economic value of social housing to inform policy; consider residents as economic stakeholders.

The extension of the Right to Buy policy, coupled with the additional discount, could cripple estate renewal, both for effective refurbishment, and for financially viable replacement.

> Assuming the programme cannot be stopped, options could be to rethink the structure, exempt London, or at minimum loosen constraints on local authority use of receipts.

Focusing on poorest-condition estates has merit, but the term “sink estates” is pejorative and alienating. Further, the priority in London, with its unrelenting housing pressures, is best use of public assets, including densification to increase numbers of homes.

> Acknowledge that London’s population and price pressures make it unique, and that the wider issue here is creating new homes as well as better ones; shift funding and energy to projects that will support this aspect of regeneration.

Local authorities can deliver housing that meets local priorities, directly, through joint ventures and/or via council-owned companies; some need additional staff to be effective, but it can be done.

> Free councils to build the homes their communities need by raising the Housing Revenue Account borrowing cap and supporting staffing.

Estate renewal cycles can last up to 20 years, which means disruption is the new norm.

> Support long-term programmes for communications and meanwhile activity to offset disruption and keep communities strong.

Uncertainty over Housing Bill implications has caused chaos in the sector: schemes on hold, financial impact, especially on housing associations, and a widespread strategic pause which stiffles housing delivery now and in the long term.

> Clarify all aspects of the Housing Bill as soon as feasible.
STRATEGY: RETHINKING THE RATIONALE FOR ESTATE RENEWAL

Why are we doing it?

As one experienced practitioner put it, “We talk about the ‘producer side’ (politicians, officers, developers) and the ‘consumer side’ (residents, neighbours) but do these stakeholders really understand what the others want?” All involved in the delivery of estate renewal – including residents – need an aligned focus on what we want to achieve; once we’ve got that, workable models can be created.

The first wave of estate renewal was driven by the need to replace poor-quality building stock, but in London, most of those estates have been refurbished or redeveloped. The agenda is now driven by the need to build more homes and get more sustainable use from public assets. As a number of speakers noted, a serious side-effect is that estate renewal now involves disruption to leaseholders and tenants who more often than not live in solidly-built homes.

This raises the ancillary question of “Whose estate is it anyway?” Do they belong to residents, or are they public assets? There is potential to move the quantum of schemes ahead faster, with many estates – five cited by just one participant – “good to go” in terms of feasibility, but stalled for lack of subsidy or political support. Polarisation on this question can make it difficult for councillors to support estate renewal schemes. However, with the sector shifting from single institutional ownership by councils or housing associations to new structures and tenures, this may be the last window for large-scale estate renewal: “we have one chance to do this, and we can’t fail.”

What has estate renewal become?

Most renewal is no longer undertaken to tackle physical or social problems within the existing estate. London housing estates, especially in central and western boroughs, are by and large in decent condition, even when “the design is not great” and they do not make the best use of space. The argument for densifying and improving the urban environment is tricky when the residents are fundamentally happy where they live. In Earl’s Court, for instance, where 50% of estate residents are leaseholders, “this leads to interesting and difficult dynamics”.

A number of participants pointed out that we should be talking about “places and homes rather than estates.” The need is to make these better places – for quality of life, to raise families and for economic opportunity and public space – and design won’t do that by itself; now-desirable 1930s terraced houses once had the same social problems as estates have had. As one researcher pointed out, we must use evidence to distinguish the symptoms from the causes of problems in housing estates.

It’s also worth re-examining the definition of “balanced community” and recognising that home ownership – by owner-occupiers – is part of that. Boroughs also recognise that mono-tenure and residential-only use are not healthy, and, with their housing association counterparts, are working more with resident groups, local service providers and businesses, as conduits and for area uplift. Communities work best when they are about more than estate residents, and include those who work in and use the area.

As to the industry, much is understandably in flux, given high land values, policy uncertainty and competition – the last already limited to major players, as smaller firms are priced out by cost and time. One housing association speaker called for more strategic leadership, to address the fact that current activity is “haphazard”, with organisations forced to be reactive, rather than proactive.

Finally, the ongoing Right to Buy programme is problematic for councillors as well as private or public developers. The latter must absorb the costs of buy-backs or work-arounds, while for councillors, RTB can transform tenants’ rights from a positive ideal to a perceived threat, with the connotation of making life difficult before and during schemes.

Where should we be headed?

Renewal as the norm: Cities are in a constant state of renewal, but estate renewal is still usually treated as “the exception to the norm,” and as one participant put it, “some of the challenge in regeneration is intrinsic in this ‘exceptional’ quality”. It would help to normalise the process for residents and others affected, and even to treat renewal as “a new orthodoxy of place management”. Housing providers can invite the wider business and voluntary sectors to contribute before, during and after the process, to avoid characterising renewal as episodic or isolated.

Beyond the physical change:

Expanding on that theme, a housing association practitioner said that while “we [can be] fixated on renewal as a physical process, you can do estate renewal without touching a brick.” Particularly in cases where social problems are a strong driver – as with central government’s focus – renewal should be part of long-term programme, addressing issues such as quality of life, jobs, and enterprise, and/or packaging the physical and non-physical together for a broader
Why are we undertaking estate renewal and where are we going?

Hilary Satchwell, Director, Tibbalds Planning & Urban Design

Now that the most dysfunctional London post-war estates have been renewed or are on their way, the trickier or more constrained ones, and those with less clear social needs, are on the table. External funding is harder to secure, so viability is critical, both at construction stage and in relation to ongoing revenue and maintenance costs.

Borough motivation varies. Some want new homes to accommodate those in need of social or affordable housing. Others want to improve existing stock, and any new homes are a useful by-product or necessary for viability. In other places, estate renewal is used to increase density, support local economies or rebalance housing tenures.

The aesthetics of post-war housing estates have also become a factor. Some estates are now lauded as great examples of design (even if they never worked well for residents). These have become fashionable, relatively affordable places for people keen to be involved in the community. In other places, prejudice against 1960s aesthetics has landed estate renewal on the agenda.

Looking ahead, there is an immediate clash between the national drive for home ownership and the need for schemes to be self-funded. In the longer term, we know people will continue to need housing but don’t know what the models will be. In the meantime, we must continue to deliver places that work well, and go beyond the purely physical.

Offer. It’s critical to learn residents’ concerns, often less about design than about questions like “Where will I work?” or “Where’s my child going to live?”, and to think beyond completion, in timescales of 60, 70 or 100 years.

In the shorter term, roundtable participants called for quick wins and “meanwhile stories” during a long estate renewal process, such as improved lighting and security; activities for older people and other marginalised groups; or public realm improvements like tree planting during disruption. Even if these are later removed, it helps residents to see positive impacts of change, and “the process has to be as enjoyable as possible.”

Consider the context: From a spatial planning perspective, it’s important to see the local aspect and the context beyond the scheme boundary. The Savills report, for instance, considered streetscape but not public transport access. Transport, public realm and related issues such as parking – which can flip from a glut to a shortage with market sale – are key factors in estate renewal.

Looking at maps of the capital, housing estates show up as gaps in the urban fabric, and one practitioner pointed out, it’s important to “stitch them back in to the city” to make them – and their surrounding areas – more resilient. Renewal often takes in ancillary or semi-industrial space, as in Tottenham and Enfield, and that could expand if Strategic Industrial Land is re-examined. This is more than just a housing issue.

WHAT CAN CENTRAL GOVERNMENT DO?

• The Housing Bill naturally overrides everything related to estate renewal. As currently outlined, a number of the bill provisions make estate renewal extremely difficult in London; an acknowledgement of the capital’s constraints and flexibility around key provisions (notably Right to Buy, starter homes requirements and high-value council asset sales) would speed delivery of homes.

• To avoid the planning and legal delays that can result from policy gaps or unforeseen policy consequences, a “rationa1 position with strong support from the top” is needed at the delivery level. No matter what the government’s final estate renewal stance, the clearer the message and guidance the better.

WHAT CAN THE NEW MAYOR AND GLA DO?

• There are polarised opinions on the question of ‘whose estate is it anyway?’ The GLA and new mayor could support local authorities in managing this.

• London has been good at estate renewal, thanks to cross-party and inter-borough consensus; that must continue or the process will become very difficult. Mayoral candidates need evidence to make sound choices for the capital, and must get pledges locked into their manifestos. There is a need to depoliticise housing and estate renewal, to gather an evidence base, and then to engage candidates and councillors on a non-partisan basis.

WHAT CAN THE LONDON HOUSING SECTOR DO?

• Motivations and needs vary across the sector. It could be extremely useful to have “one document that lays out how different interests align,” so parties understand both common ground and challenges, and can be honest about what can be achieved.

• While one-size-fits-all approaches to estate renewal don’t work in practice, the sector can share expertise more. Networks like Future of London, London Councils and the Housing Forum can all help, working with the GLA and feeding into the Department for Communities and Local Government.
COMMUNITY RELATIONS

In preparing communities for change on the scale of estate renewal, it’s worth remembering that “estates are not ‘sinks’,” as one participant said to general agreement, “but neighbourhoods and homes whatever the physical conditions, and people have relationships to the place and to each other.” Historically, estate renewal was usually good news: “knocking down slums and building nice new homes”. Now, the news can feel to residents more like upheaval and fear, or at best, “trading gardens for balconies.”

In spite of that, most residents prefer “a short, sharp shock” and for the disruption to be over with. To achieve this, homebuilders need assured cash flow and contractor capacity, both difficult to achieve in the current market.

**Early involvement and a reasonable offer**

All agreed it’s critical to involve people before the masterplan – estate renewal shouldn’t come as a surprise to residents or to local businesses, which are great communication hubs. Resident support makes everything easier, and “once you get commitment from residents to move, everything opens up.” There is a balance to be struck between taking time to do things right and avoid later problems on the one hand, and delivering visible progress and avoiding consultation fatigue on the other.

Well-resourced residents’ organisations with clear remits have a key role here. They can “lead on the ground” and reach out to the elderly, marginalised or resistant. The continuity they provide through the life of a scheme – and through political changes – is invaluable, as is their democratic nature. They need time, but are taken seriously by all, including councillors. It’s also worth considering third parties to manage the community side as with Manor House Development Trust at Woodberry Down.9

No matter what the communications channel, “there must be a good proposition” for the physical change, decanting, right of return and future tenancy agreements. The leaseholder offer also needs to be sorted early, as “you won’t even get to the physical regeneration if you can’t get past this.” A direct, single move is ideal, which necessitates vacant sites and finance – Compulsory Purchase Orders should be the last resort. However, one practitioner said that from his experience, developing a fair deal for leaseholders seems to be dealt with from scratch in each place. Leaseholders and freeholders have the most to lose, and need to gain or at least come out neutral.

As an example, the Winstanley and York Road scheme in LB Wandsworth10 involved a “sensible discussion about values” and a generous offer to the 170 leaseholders was built into the financial model. People were brought on board before considering the physical aspects, and 67% ended up in favour of intervention on the estate.

**Understanding the audience**
The demographics of estate residents are changing to include more varied economic and cultural groups, and will continue to do so with the phasing out of lifetime assured tenancies. A few participants felt that not enough is known about who lives on estates now, or about their motivations and needs. Real London Lives is one project which is tackling this.11

One resident representative said that despite having immediate personal aspirations, “most tenants do see the need for more housing”. A good offer for them or their families can make densifying an estate palatable, though comprehensive renewal involving demolition and doubling or tripling density may always face some opposition. He also suggested “unwrap[ping] tenant and leaseholder” motivations. The latter may reject change more strongly, or dominate meetings or social media. Whatever their tenure or background, the loudest people in the room may not represent the majority, and it’s worth reaching out to less accessible groups.

There’s also the issue of the slow burn; a generation or more has lived through the renewal process in places like Aylesbury.12 “All estates have their own folk story” and angry residents hold on to bad stories, while “politicians have to ride the wave”. The toughest problems stem from promises made and broken – in some cases, people have been angry with good reason.

Further, “there is a past and a future story to estates, and existing and future stakeholders have different agendas.” Whether they are tenants or leaseholders, ‘incumbent v. newcomer’ is a universal tension. Nurturing the ongoing community around an estate means finding ways to involve incoming residents, businesses and organisations with existing groups.

**Clear, consistent communications**
The case for change must be presented: is it stock condition, housing pressure or social conditions? Be open and consistent – from the chief executive to the front line – and be prepared to work as hard on community relations throughout the process and after completion as at the beginning.
Part of that is discovering and sharing what is not possible, which involves politicians being clear on their commitments. Politicians naturally start out as leaders on renewal schemes, and “some will still try to front a project when there are challenges”. Even within a single party there are tensions, and officers must support those in leadership. According to one stakeholder, “West Hendon" blew up partly because false starts during an overlong process led to distrust and anger, and partly because two parties in a marginal borough were “playing politics” with tenants and leaseholders. Strong political leadership is key to successful estate renewal.

As one experienced practitioner allowed, “You can’t buttonhole everything and expect no bad news.” A scheme can take decades, during which time there is often massive change to laws, markets, planning or politics which make it difficult to stick to original goals. It’s critical to be flexible enough to respond – and to adapt stakeholder conversations. No matter what, reporting back to residents, even when nothing has changed, is a must. Defensive communications “will never paper over cracks or flaws”.

Before communicating between the “inside and outside world”, including with local and national politicians, partners must agree who speaks for the project. That being said, it’s rarely as simple as one message to one place. Social media, initially lauded as a dynamic tool for community communications, is a double-edged sword. It’s no substitute for face-to-face contact, and can be an echo chamber for small but vocal groups. The minute a planning application is published, for instance – and sometimes before – it can be picked up and spun across social media. One front-liner advocated slowing down, picking up multiple themes being aired online and making a considered response.

Countering negative attention is a challenge, especially when “the internet makes everything permanent”. To have a useful dialogue, everyone who engages with residents needs the full history of an estate; a ‘who-said-what’ tracking system can help, and this is another place where direct resident involvement helps.

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**WHAT CAN CENTRAL GOVERNMENT DO?**

- There is a real fear amongst tenants that they will lose out permanently; even when unfounded, this fear makes the decant process much more complicated. With the end of assured tenancies, a strong, clear tenant package for right to return and related options is key. Any policy underlying the tenant offer should be carefully vetted, so promises made can be kept.
- To build goodwill and help renewal schemes succeed, it’s worth considering support for local delivery vehicles such as community trusts, and funding to leverage the inclusion of non-residential elements such as workspace and community services, from start through occupancy. This can apply to GLA funding and support in equal measure.
- Consider language – the term ‘sink estates’ has heightened tensions and is outmoded in London.

**WHAT CAN THE NEW MAYOR AND GLA DO?**

- One suggestion was firmer policy direction from the GLA on the Compulsory Purchase Order process, to give clarity to all involved and to support the councillors who must answer to those directly affected.

**WHAT CAN THE LONDON HOUSING SECTOR DO?**

- “Tick all the boxes” – show why a scheme is needed, why a CPO is needed, and that they have engaged with those affected. CPO specialists are often brought in late, and must find justification where good process hasn’t been followed. Article 8 of the Human Rights Act (respect for personal, family life and home) plays a big role here. Political support is also needed to use CPO powers, so it must be timed with election cycles. When it comes to contentious areas of estate renewal, best practice is right morally, and will also reduce cost, complication and risk.
- To get greater value from estate renewal, recognise that people want to live in a neighbourhood, and work to preserve the best in an estate’s character. Make estate renewal as neighbourly for the community as possible.

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**Community relations - core principles**

Chris Hall, Director, Bilfinger GVA

- Make a clear case for change tied to the condition of housing and place as a whole
- Have a sound, high-quality proposition for tenant (re-)housing, estate as neighbourhood, and area integration
- Alert stakeholders early to the potential for regeneration, through local plans, corporate strategy, etc.
- Engage local service providers and resident association leaders early
- Use multiple ways to communicate with residents and businesses – including social media, but as a bellwether
- Ensure the entire delivery organisation shares commitment to delivery and the way the proposition is communicated
- Include an economic strategy to enhance employment opportunities
- Renew or build new community facilities first to establish confidence
DELIVERY: OVERCOMING OBSTACLES

Funding challenges

London estate renewal presents considerable viability and delivery challenges, primarily because of the high proportion of leaseholder properties, and because of the high cost of land assembly. In many cases, it is not viable to deliver traditional social housing under current conditions. For estate renewal in particular, the “density prize is smaller than people think” as one development executive put it.

Despite – or because of – these challenges, funding and delivery mechanisms must be built into the process from the start – not as an afterthought or when a new scheme has been designed.

One central government initiative in particular, the Help-to-Buy scheme, was lauded for helping to achieve good sales rates and simultaneously locking purchasers into the owner-occupier tenure which helps mixed communities. However, the prioritisation of private ownership, especially via starter homes, brings real risks to estate renewal in a market like London’s. “Where is the cross-subsidy if the market crashes?” asked one developer, suggesting that market rent can provide that flexibility, while also contributing to balanced communities.

Private rented sector (PRS) housing was also cited as a remedy to another major obstacle, the dearth of front-end funding options. Acclaimed schemes like Packington, which was required to deliver a high level of social housing at the start, had gap funding; one project stakeholder said “that scheme could not happen in the current climate.”

That responsibility to deliver affordable housing despite initial cash-flow issues can slow estate renewal as much as or more than the consultation and planning processes, with major programmes such as Kidbrooke Village lasting up to 20 years. Private partners on big schemes like this must manage the release of sale properties to optimise values, and local authorities want local occupiers, not buy-to-let or ‘buy-to-leave’ owners. Developers could build more quickly, but this would mean reducing “sensible social objectives”.

Lack of flexibility was cited as a funding obstacle various times, mostly in connection with Right to Buy or Housing Revenue Account rules. On Right to Buy, one local authority officer said the initiative would be less detrimental if there was more flexibility in the use of receipts. The “three-year time-frame is the killer”, which he called especially frustrating because “we can fund at two times the level of the GLA, with less bureaucracy”.

Relaxing rules around Housing Revenue Account assets was also broached. “The accounting rules were prepared for good reason but can block estate renewal or drive unusual outcomes” like unwieldy schemes combining council General Fund and HRA monies, or where large areas of HRA land must be appropriated. Secretary of State consent is also required for transfer, adding another layer of expense and delay. Many councils are starting to behave more commercially in the interests of their residents, and have potential to do much more.

Others suggested that regeneration’s biggest financial-cum-delivery constraint – certainly one unique to the activity and exacerbated with comprehensive demolish-and-rebuild schemes – is the decant process. Rydon and Countryside Properties deliver similar projects, with no phase above 150 units per year, saying “otherwise [they] couldn’t do the decant or build affordable homes.” When the number of households needing to be rehoused is underestimated, that also “seals up supply”. Finally, on the less flexible side, the financial health of outer London boroughs following the Spending Review was cited as a major concern. In many of these cases, a borough has political support for regeneration, but no money to deliver it.

Funding approaches

Cross-subsidy, including PRS/market rent: “Cross-subsidy allows [housing associations] to take risks, though of course we can take higher risks with higher value sites”. In LB Ealing, there is potential for 3,000 new private rented sector homes. The borough cannot increase its ‘pure’ social housing, but could cross-subsidise, and look more broadly at ways to deliver affordable homes, financially and spatially. PRS housing was praised as a way to attract investors, kickstart project funding, enable acceleration and offer boroughs long-term institutional investment.

Asset optimisation: Capturing value from one part of a borough to fund regeneration in another was suggested by a range of participants. For example, there is potential to sell in south Westminster to support...
regeneration in north Westminster. At the same time, the Harrow Road area has 29 housing associations – “what’s the best approach to get effective area regeneration through stock swaps or combining council housing stock throughout the borough?” Given the difficulties of securing affordable homes using Section 106 contribution provisions, a number of speakers felt it was key to look around the estate in question.

Portfolio diversification: In places like North Tottenham, an increasingly rare value ‘sweet spot’ where it’s possible to get 40–50% affordable housing in estate renewal schemes, the borough is testing a mix of mechanisms and tenures. LB Haringey is using both joint venture and development agreement, and building homes at a range of rents. “It will take a long time to see if the huge resource poured into North Tottenham can deliver against its housing and placemaking aims” but looking across a whole area – within a borough-wide strategy – has promise. Different types of finance such early PRS housing and a mix of sources – not solely market-based – can help reduce risk and move projects from complex land assembly through decant through social housing provision.

Local authority low-cost borrowing: Local authorities need bigger schemes to transform capital into New Homes Bonus and the revenue streams councils so desperately need for service delivery. There must be an understanding that this is a “business opportunity for the whole council”. Lifting the HRA borrowing cap would also make a difference. Council gearing ratios are currently 6% in comparison to a 50–60% average for housing associations and varied rates for developers; the public sector is able and increasingly willing to carry this financial risk.

Unlocking local authority house-building potential

John Lumley, Assistant Director, Housing & Regeneration, London Borough of Hackney

Hackney council’s own 2,760-home, 18-site estate regeneration programme is already in its sixth year, making the authority the biggest house-builder in the borough. The programme provides 52% of the new homes for social renting and shared equity/ownership, and 48% for private sale to help fund the programme. We are replacing poor-quality homes, including bedsits and one-bedroom properties, with new homes built to spacious ‘lifetime’ standards, including sustainability measures that mean lower energy bills for residents.

So far, 201 new council homes for social renting have been built, as well as 20 for shared ownership/equity and 42 for private sale. Three hundred more are now on site and hundreds more will start construction over the next year. An estate infill programme has also just been approved, which will deliver a further 400 new council homes, 70% of which will be for social renting and shared ownership. This is being achieved at each site in close consultation with residents, beyond statutory obligations, so that ultimately they can help shape their neighbourhoods.

We could build even more new homes of all tenures if given the ability to raise additional borrowing, ideally with complete removal of the Housing Revenue Account borrowing cap. The delivery of new homes is becoming ever more challenging, particularly in the face of new measures such as the forced sale of council homes and the 1% reduction in social housing rents, which will only act as a further brake on local authority capacity. Local authorities such as Hackney have huge untapped potential to contribute to housing supply, and government does not have to do much to unlock it.
while selling others for tenure mix and cash flow. All local authorities can be active, retain ownership and act as master developers, though some need to build expertise.

- Mix tenures to create community and increase demand. The Help to Buy scheme was called “phenomenal”, but builders need more balance between open-market and other stock for mixed communities and effective delivery.

- Local authorities don’t control construction, but are still limited to builders they can use, meaning a weak procurement position. They must be more creative in how they procure projects, and who they partner with.

- It could be useful to agree valuation metrics for non-physical regeneration such as workspace provision, local procurement efforts or community and cultural activities. Social impact is included in most developers’ corporate sustainability targets, but broader application of the Social Value Act or metrics designed with RICS or other bodies could support renewal business cases.

The case for estate renewal joint ventures

Jerry Freeman, Director, Bilfinger GVA

A 50/50 joint venture won’t be right for all local authorities, but does allow for faster delivery of more homes. Benefits include:

- True alignment of interests – a 50/50 JV gives the public sector equal decision-making ability through the JV board, providing greater transparency and influence, and the private sector has its public partner alongside for difficult decisions. A clear business plan will ensure alignment and clarity on aspects the public sector will want control over.

- True sharing of risk and reward. Assigning appropriate risks to the public sector partner adds real value to the bottom line, meaning more cash is available for the scheme as most authorities will want to reinvest their returns.

- Public-sector funding is accessible at attractive rates and can ease early cash-flow pressures, with this more ‘patient’ funding model taking its return later.

- JVs contain deadlock mechanisms which encourage pragmatic decision-making, compared with Development Agreements in which council controls are framed in the negative, e.g. not to do X without land-owner consent.

- Many councils want to retain income-producing assets like new PRS housing. A JV enables them to share development returns (usually around 20%) to help fund the acquisition of these assets.

- JV dividends can be accounted for as revenue, usually more attractive to LAs than capital payments.

- JVs more easily facilitate multi-site renewal programmes.

- A caveat for the private sector is the ability of its public-sector counterpart to adequately meet its director responsibilities in the JV – resourcing this must not be underestimated.
Processes + politics

The local authority’s functional role in estate regeneration is to forge relationships, provide land, and smooth the process. Each scheme “has its own rhythm” and, as one borough officer put it, it’s not the speed of each individual scheme that matters for delivery as much as the speed or efficiency of a borough’s pipeline of schemes.

One of the problems with this is that estate regeneration and political cycles rarely marry up, and politicians must generally answer to the existing rather than the incoming community. One practitioner said his team uses monthly bullet-point briefings – even if nothing’s happened – to support councillors and to help “keep their eyes on the prize” of new homes, diversity, etc. Another speaker pointed out that “there are some very good politicians in London who do get it.”

At a London-wide scale, there are also fundamental debates, including the use of public land to build homes for sale. One of the participants raised the option of using 1% of the Green Belt for home-building rather than focusing on estate land, but this is already marked as no-go territory for mayoral candidates.

Another factor that came up in the roundtables and is an ongoing obstacle is the relationship – or lack thereof – with third parties, especially utilities, whose works can jam up renewal works for months. One housebuilder said they had given up on power connections and prepared for occupation using generators, and two borough representatives cited completion delays of up to a year.

Dealings with other public-sector landholders could also be improved. Transport for London is very much engaged with estate renewal and other development activity, and is working with the GLA and government to fine-tune value-capture mechanisms. Entities such as the NHS can be less engaged, and the Department for Education’s Education Funding Agency, with its fast-track purchasing powers, has secured land earmarked for housing on a number of occasions. All of these could work better together.

No matter what the regeneration model and how smooth the third-party

Right to Buy: Implications and impacts

Andrew Beharrell, Senior Partner, Pollard Thomas Edwards

Central government needs to take a non-ideological look at the true impact of Right to Buy on post-war estates in London. At the same time, opponents of RTB need to acknowledge its potential benefit in promoting social diversity (which is disputed partly because so many properties have ended up in the less salubrious end of the private rented sector). The practical effect has been a huge increase in the cost of regeneration, along with controversy, uncertainty and delay.

For many post-war estates, physical condition and layout mean radical change, including full or partial replacement, is the best long-term way to improve conditions for existing residents and create additional homes for a more diverse population. There is clearly scope for infill to make a significant contribution to housing numbers, but sometimes it is a short-term fix which precludes a bolder scheme later – poor-quality stock is harder to demolish if it is hemmed about by newer homes. Our recommendation is always to carry out an objective assessment first, and then select the right option for the scheme.

Continuing Right-to-Buy limits those options. It contributes to a spiral of increased costs, which are then met by pushing density to highly contentious levels, and an unsustainable imbalance in favour of market-sale properties against a spectrum of rented homes. This in turn leads to resistance among existing communities. Twenty-five years of successful London schemes show that regeneration can work – but future success requires intelligent efforts to reverse this vicious cycle.
relations, there is invariably a lag between planning stages and delivery, including the decant–demolition–build cycle itself, plus inherent constraints on construction, especially in built-up areas. To manage this well, dialogue and continuity are critical on the ‘back-of-house’ project side as well as the public-facing side.

**Staffing/expertise**

One practitioner highlighted two key issues: first, the need for strong leadership from politicians. Politicians are able to stop or facilitate regeneration, and can provide leadership (as they have in education) to get results. Second, the need to devolve power to those working in housing delivery; a core project group which can make decisions to move things along.

Local authorities need resource to deliver these programmes; most have no money for staff, despite growing housing targets. Boroughs like Ealing use contractors as well as permanent staff, but for both groups, retention can be a challenge. At the next level, project outsourcing has in some ways fragmented the capital’s base of expertise. There is a good talent pool in London, and embedded expertise is needed at the local level. Boroughs are best placed to absorb and use that talent, but have been hardest hit by cuts.

Finally, there is the question of best practice: how can different areas of London benefit from what’s happened elsewhere? “We should not still be making bad mistakes,” as one participant put it. A mechanism to harness and share expertise is needed, and local authorities must be involved. Participants spoke out against standardisation or centralisation, but agreed on the need for a pool of knowledge coordinated by the GLA, Future of London, LSE or others and available to local politicians, officers, developers, policymakers and the new mayor.

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**WHAT CAN CENTRAL GOVERNMENT DO?**

- Government could facilitate or require cooperation from departments such as Transport and Environment, and particularly from land-intensive or land-rich entities such as the Department for Education and the NHS.
- Align policies more, to avoid pulling in different directions, e.g. Right to Buy increases the cost and complication of estate renewal across all models.

**WHAT CAN THE NEW MAYOR AND GLA DO?**

- Given the high level of opposition to estate regeneration now, the GLA could help with policy justification, though that must take into account local issues.
- There is a need for ongoing strategic GLA leadership and policy context, tied to the London Plan and extending through election cycles. Leadership on issues such as use and/or reclassification of land to meet housing need would be particularly helpful.
- The GLA could help borough planners speed the processing of applications and help with legalities of housing, such as CPOs.
- Help manage political expectations: as one practitioner put it, “estate renewal will never be quick” and politicians can’t push for schemes to be completed too fast, as the work needs to be done well. The GLA can support this understanding.
- Local authorities are not in competition, and could share more resource, perhaps centrally advised by the GLA or related entities. Suggestions include a ‘flying squad’ of secondees and the potential for housing associations and local authorities to share staff.

**WHAT CAN THE LONDON HOUSING SECTOR DO?**

- With the GLA, provide clear evidence and experience to support mayoral candidates (and politicians and other stakeholders at all levels) with clear information on social housing, local authority powers and finance, Housing Bill impacts and more.
- Explore and use a mix of estate renewal models to meet community and corporate strategy needs: Refurbishment or partial refurbishment of estates, infill where it works, taller buildings where clusters make sense, including atop existing buildings – learn from other parts of London and beyond.

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**Closing the skills gap**

Mark Mitchener, Managing Director, Rydon Construction

Constructors have transitioned from managing impossibly low margins during the last recession to managing the inflationary costs of labour and materials resulting from rapid market growth. The sector will always face risk, but the skills shortage is driving construction costs to a level where it is common for contractors to turn down projects in the capital, and this could easily result in us getting nowhere near our ambitious targets.

Estate renewal is one of the most promising ways to address our housing imbalance, responding to local demand for the homes and community facilities people need. Yet it can also be one of the most complicated to deliver, requiring the integration of particular skills – from design and construction trades to project management and resident liaison – to understand the issues and provide scheme-specific solutions.

This expertise can only be acquired through project experience, and delivery teams can take years to develop the relationships and trust required for successful regeneration. We must look long-term.

This means we need a skills strategy to boost the number of apprenticeship programmes, encourage more graduates and experienced professionals to join and re-join the sector, so that we can invest with confidence and assure our workforce that they have a life-long career in a rewarding industry.
Estate renewal has great potential for London. On top of upgrading and adding much-needed housing, the place-making aspect of this work can help remove the historic stigma attached to estates, improve area integration, and create economic, cultural and community opportunities. The structure and increasing investment attractiveness of these places make estate renewal feasible despite the challenges, and it makes sense to prioritise this component of housing delivery before ownership becomes even more complex.

This is delicate, difficult, long-term work which must bring residents along, and be promoted and delivered as a normal, positive element of urban life, rather than an ‘episode’ to be survived. The Heseltine Estate Regeneration Panel clearly has its work cut out, but there is no shortage of people ready to help.

In that vein, this collected commentary is not offered or meant to be taken in isolation. Our focus on estate renewal complements the much broader report of the London Housing Commission, to be released simultaneously; ULI’s Build to Rent report; and the new Shelter report on Brownfield. Further resources are listed overleaf.

As outlined at the start, it was the intent of the Delivering Estate Renewal roundtables and this summary to agree key obstacles and share workable approaches. A comprehensive analysis is impossible in such a capsule view, but Future of London, the project partners and our wider network stand ready to help provide the evidence, cross-sector cohesion and best-practice sharing needed to make estate renewal work – for all involved.
ENDNOTES

3. https://www.london.gov.uk/what-we-do/planning/london-plan/current-london-plan
5. http://pdf.euro.savills.co.uk/uk/residential--other/completing-london-s-streets-080116.pdf
6. Peabody recently commissioned research from the Centre for Economics and Business Research to evidence the business case for affordable housing in London. Initial findings suggest the economic contribution of residents in social housing in 2015 was over £15bn. These findings were discussed at a March 2016 roundtable hosted by the CBI and the report is due to be published in July 2016.
http://www.mhdt.org.uk/about-us/woodberry-down-regeneration/
11. http://realondonlives.co.uk/research/
13. http://west-hendon.co.uk/
15. Haringey’s Wood Green mini-site is a good example: http://www.haringey.gov.uk/regeneration/wood-green
17. http://www.theguardian.com/society/2012/dec/04/packington-redevelopment-london-social-housing
18. http://www.kidbrookeregeneration.info/index.cfm?articleID=1

FURTHER RESOURCES

• Capital Failure: The Roots of London’s Housing Crisis, IPPR, December 2015.
• Completing London’s Streets, Savills, January 2016.
  http://pdf.euro.savills.co.uk/uk/residential--other/completing-london-s-streets-080116.pdf
  http://www.urbandesignlondon.com/new-estate-regeneration-sourcebook/
• Estate Regeneration Statement, Dept for Communities & Local Government, February 2016.
  https://www.gov.uk/government/publications/estates-regeneration-statement
• Home Truths: Tackling London’s affordable housing crisis. FT 14.10.2015
  http://www.ft.com/cms/s/2/8ef50668-63b3-11e5-9846-de406cb3712.html#axzz41OTHAvcl
• Managing the Estates, Claire Bennie, RIBA Journal, 23.02.2016
  https://www.ribaj.com/intelligence/the-state-vs-the-estate
DELIVERING ESTATE RENEWAL
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South Kilburn Trust
Peabody
Peabody
Bilfinger GVA
London Borough of Newham
London Borough of Lewisham
Bilfinger GVA
London Borough of Ealing
DatDotDot Property Guardians
Countryside Properties
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