



## Mayor and Cabinet

### Excalibur Phase 4 and 5 updates

**Date:** 19 July 2023

**Key decision:** Yes

**Class:** Part 1

**Ward(s) affected:** Whitefoot

**Contributors:** Executive Director for Place, Executive Director of Corporate Resources and Director of Law, Corporate Governance and Elections.

### Outline and recommendations

*It is recommended that Mayor and Cabinet:*

*Notes the progress of the Excalibur Estate Regeneration Scheme as set out in this report;*

*Approves the increase in the land assembly budget as set out in the accompanying Part 2 report;*

*Agrees to the Council pursuing the purchase of 18 units from L&Q under the 'Housing Acquisition Programme for Homeless Households' programme, within the parameters as set out in the accompanying Part 2 report;*

*Delegate authority to the Executive Director of Corporate Resources in consultation with the Executive Director for Place and Director of Law, Governance and Elections, to negotiate the terms of, and complete the purchase of the 18 units from London and Quadrant Housing Association within the parameters as set out in the accompanying Part 2 report; and*

*Approve the lease of properties purchased through the Housing Acquisitions Programme to a housing management agent or council subsidiary, to provide housing management services for the 300 units. Delegate to the Executive Director for Place the authority to approve the issue of such lease.*

## Timeline of engagement and decision-making

A summary of previous reports to Mayor and Cabinet in relation to the redevelopment of the Excalibur Estate are as follows:

- Excalibur bungalow estate – decent homes through stock transfer – 17 April 2007
- Excalibur bungalow estate – decent homes through stock transfer – 25 June 2008
- Excalibur Estate – decent homes through development – 24 March 2010
- Excalibur estate ballot result and way forward – 15 September 2010
- Regeneration of Excalibur Estate – Section 105 Consultation and Decanting of Phase 1 – 17 November 2010
- Regeneration of the Excalibur Estate – 23 February 2011
- Regeneration of the Excalibur Estate – 7 March 2012
- Redevelopment of Excalibur: Demolition notices and Future letting's – 20 June 2012
- Redevelopment of the Excalibur Estate – 15 December 2012
- Regeneration of Excalibur Estate – Update – 10 April 2013
- Regeneration of Excalibur Estate – Roads – 19 March 2014
- Regeneration of Excalibur Estate – Phase 3 CPO – 4 March 2015
- Regeneration of Excalibur Estate phase 1 & 2 site disposal and overarching development agreement – 4 December 2015
- Excalibur Update – 22 March 2017
- Excalibur Regeneration update – 28 February 2018
- Excalibur Phase 3 Land Assembly – 11 July 2018
- Phase 3 Enabling works – 25 April 2019
- Excalibur land assembly & construction – 10 June 2020
- Housing acquisition programme for homeless households – 8 March 2023

**This report is a Key Decision, therefore any decision will be subject to scrutiny**

### 1. Summary

- 1.1. The regeneration of the Excalibur Estate is a historical scheme that has been led by the need to move residents from post-war pre-fabricated homes into modern homes. The Council has made commitments to the residents as part of the ballot which took place in 2010.
- 1.2. The Council has been working with residents on the Excalibur Estate on options for the regeneration of the estate for many years and also with London and Quadrant Housing Association (L&Q) as partner for the estate regeneration since 2006. The full history is

detailed in earlier Mayor and Cabinet reports. A list of previous reports is provided in the above section 'Timeline of engagement and decision-making'.

- 1.3. In November 2010 Mayor and Cabinet agreed that the Council proceed with the regeneration of the Excalibur Estate in partnership with L&Q. This followed on from extensive consultation including an independent ballot and Section 105 consultation. The regeneration scheme has been planned to be delivered over 5 phases.
- 1.4. The scheme has suffered significant delays. These have been caused by an application to list the Estate with English Heritage, a requirement to follow a formal Stopping Up Process on the estate roads, a significant increase in build costs and contractor delays.
- 1.5. Following the application to list properties, English Heritage listed 6 properties on the estate and so these are not included in the regeneration plans. The Council also decided to exclude St Marks Church on Baudwin Road.
- 1.6. The first new homes were completed in January and May 2018 in phases 1 and 2, providing 34 new social rented homes. There are a mix of 15 x 2-bed houses, 5 x 3-bed houses, 2 x 4-bed houses, 11 x 2-bed bungalows and 1 x 3-bed bungalow. 5 new shared equity homes have been available to freeholders wishing to remain on the estate and 18 homes for outright sale. All 34 new social rented homes are let on protected social rents to existing estate residents.
- 1.7. Vacant possession of the land forming Phase 3 was secured in summer 2018 and required the use of compulsory purchase powers.
- 1.8. The Council entered into a licence with L&Q to demolish the 48 prefabricated bungalows in Phase 3. Demolition was completed by late summer 2019.
- 1.9. Construction work started on Phase 3 in 2021, with 102 new homes now in construction.

## **2. Recommendations**

It is recommended that Mayor and Cabinet:

- 2.1. Notes the progress of the Excalibur Estate Regeneration Scheme as set out in this report;
- 2.2. Approves the increase in the land assembly budget as set out in the accompanying Part 2 report;
- 2.3. Agrees to the Council pursuing the purchase of 18 units from L&Q under the 'Housing Acquisition Programme for Homeless Households' programme within the parameters as set out in the accompanying Part 2 report;
- 2.4. Delegate authority to the Executive Director of Corporate Resources in consultation with the Executive Director for Place and Director of Law, Governance and Elections, to negotiate the terms of, and complete the purchase of the 18 units from London and Quadrant Housing Association within the parameters as set out in the accompanying Part 2 report; and
- 2.5. Approve the lease of properties purchased through the Housing Acquisitions Programme to a housing management agent or council subsidiary, to provide housing management services for the 300 units. Delegate to the Executive Director for Place the authority to approve the issue of such lease.

## **3. Policy Context**

- 3.1. The Council's Corporate Strategy (2022-2026) explains our values, priorities and focus for the next four years, our learning from how the borough worked together in response

to the pandemic, and how we plan to continue improving our services for residents, businesses and partners in an ever more challenging environment.

- 3.2. Above all, the strategy outlines the principles that showcase who we are as an organisation; our focus on equality, putting our residents at the centre of everything we do and ensuring transparency and sound financial management are embedded within all key decisions the council makes.
- 3.3. Delivering this strategy includes the following priority outcomes that relate to the provision of new affordable homes:
  - Cleaner and Greener – working to tackle the climate crisis through our development policies.
  - A Strong Local Economy – continue to expand our apprenticeship programme and invest in our high streets, doing what we can to be the best place in London for new businesses.
  - Quality Housing and Safer Communities – we will deliver more social homes for Lewisham residents, providing as many people as possible with safe, comfortable accommodation that they can be proud of and happy to live in.
  - Open Lewisham – we will co-design services and ensure strong consultation processes that reach out to people whose voices are seldom heard.
- 3.4. Housing Strategy (2020-2026), includes the following themes that relate to the provision of new affordable homes:
  1. delivering the homes that Lewisham needs.
  2. preventing homelessness and meeting housing need.
  3. improving the quality, standard and safety of housing.
  4. supporting our residents to live safe, independent and active lives.
  5. strengthening communities and embracing diversity.

## **4. Background**

- 4.1. There is a long history of the Council working with the former Tenant Management Organisation and other groups of Excalibur residents on the future of the prefabricated home estate. This has included consultation groups and events, surveys and working with independent tenant advisors. The extensive history is detailed in previous reports to Mayor and Cabinet. Following is a summary of key milestones in formal consultation:
- 4.2. Having been chosen as the preferred partners to work on the redevelopment of the estate, in July 2008, L&Q in partnership with the Council commence the consultation on the offer to be made to estate residents (regeneration proposals).
- 4.3. Following the consultation, at the Mayor and Cabinet meeting on 24 March 2010, the unprecedented decision was taken to offer residents a ballot on the regeneration proposals. This being well in advance of the GLA policy on balloting residents on potential estate regeneration schemes. Residents were informed that, in the event of a 'yes' vote, the Council and L&Q would work together to deliver the regeneration of the Excalibur Estate. In the event of a 'no' vote, residents were informed the regeneration proposals put forward by L&Q would not go ahead.
- 4.4. Residents were provided with an offer document which provided commitments in the event of the scheme progressing. The key commitments were:
  - Minimum of a 2-bedroom house regardless of need;
  - 2-bedroom bungalow for those that need them;
  - Protected social rents.

- Lifetime tenancies.
  - Separate bedroom for every child regardless of age (up to a maximum of 4 bedrooms) on the new estate; and
  - Resident freeholders offered a social tenancy if they wish, or a shared equity offer.
- 4.5. In July 2010 Lewisham Council, through the independent Electoral Reform Services Ltd, conducted a confidential Ballot of residents. The Ballot was offered to resident tenants and freeholders whose primary home would be demolished in the proposals. In total, 224 Ballot papers were distributed.
- 4.6. Residents eligible to vote were asked 'Are you in favour of the regeneration of the Excalibur estate as proposed by L&Q?' Residents were given two options to answer. Out of the 224 possible votes, 203 (90.6%) were returned. A total of 56.2% of residents supported the re-development of the Excalibur estate as proposed by L&Q. This meant that if the 21 who did not vote, had voted 'No', there still would have been more residents that wanted the re-development to go ahead.
- 4.7. In 2016, the Council entered into a formal development agreement with L&Q to deliver the estate regeneration.

## 5. Progress to date

- 5.1. Key milestones in the project are set out below.
- L&Q obtained planning permission in March 2012 (detailed for Phases 1 - 3 and outline for Phases 4 - 5);
  - The Secretary of State consented to the disposal of the Phase 1 and 2 land under Section 233 of the Town and Country Planning Act 1990 in October 2013;
  - The Council obtained vacant possession of the Phase 1 and 2 site in 2014. 33 tenants were re-housed. 7 freehold properties were bought back and the Council obtained and used CPO powers to assist with this;
  - The decant of the 48 prefabricated homes in Phase 3 commenced in 2013 and the Council obtained vacant possession of the Phase 3 site by September 2018. 39 tenants were rehoused. 9 freehold properties were bought back. The Council obtained and used CPO powers to assist with this;
  - The Council entered into a licence with L&Q to carry out demolition of the 48 properties in Phase 3 and to carry out ground works in preparation of building works.
  - The Council agreed to underwrite L&Q costs associated with the demolition and ground works as there were serious viability issues that needed to be addressed.
  - Demolition and land clearance of Phase 3 was completed by September 2019.
  - Officers worked with L&Q and the GLA to address the viability issues and in March 2021, building work commenced on Phase 3 to deliver 102 new homes.
- 5.2. The construction of the new 102 homes in Phase 3 is well underway. Of the 102 new homes, 36 are for social rent and 21 are for shared ownership/equity. The remaining homes are private with the income generated being used to cross-subsidise the affordable homes.
- 5.3. All remaining secure tenants have been allocated a new build property and have been given the opportunity to make choices on the finish. All remaining resident freeholders

who were part of the ballot, have a property available to them should they wish to move under the shared equity offer or as a tenant in line with the offer made.

- 5.4. The first new homes are currently expected to be ready for occupation in October 2023 with a rolling programme of handovers until May 2024.
- 5.5. Any residents who moved away from the estate in the first phase of the decant have priority to return when a property becomes available. Officers have written to those eligible residents outlining the options available in Phase 3.
- 5.6. With all remaining secure tenants and freeholders having an offer of a new home on the new estate and any returning residents having priority to return, the Council and L&Q have fulfilled the promises made in the offer document sent ahead of the ballot in 2010.
- 5.7. As outlined in 5.1, the original planning permission for the regeneration of the estate was secured in March 2012. Phases 1-3 is detailed permission and is now due to be fully implemented with the completion of Phase 3. Phases 4-5 received outline permission, meaning that further work would be required before full detailed permission would be granted. The outline permission has now expired.
- 5.8. Officers are working with L&Q to agree how to fund the work required for the design and planning work for a new consent. As there is no implementable planning consent, the next phase of development will not immediately follow on from Phase 3.
- 5.9. Officers will provide a further update to Mayor and Cabinet when an agreement has been reached with L&Q and setting out the terms for approval and any impact on the Development Agreement.
- 5.10. In the meantime, the Council will continue to use property guardians to secure the properties and reduce the risk of ASB which is often associated with vacant buildings.

## **6. Land Assembly costs**

- 6.1. The last approval for the Land Assembly budget for Phases 4 and 5 was at Mayor and Cabinet in February 2011. This budget was set early to allow for the voluntary decant and freeholder buybacks to commence allowing residents to move earlier should they wish.
- 6.2. Now that the Council and L&Q are in a position to be able to offer every remaining eligible residents a new home in Phase 3, the final land assembly can commence in preparation for obtaining full vacant possession of the site for redevelopment. Without a sufficient land assembly budget, the Council will not be able to obtain full vacant of the site.
- 6.3. Since the budget was last agreed in 2011, there have been several factors which have increased the costs needed to complete the assembly of the land. These include increases in statutory home loss payments for secure tenants, increase in disbursement costs (removals, disconnections/reconnections, postal redirection, etc) and general house price inflation.
- 6.4. As a result of these factors, the current allocated budgets for the phases is no longer sufficient to complete vacant possession. The estimated additional budget requirements are outlined in the accompanying Part 2 report.

## **7. Purchase and management of 18 new homes**

- 7.1. In June 2023, officers put forward an indicative offer to L&Q for the bulk purchase of the 18 homes to be purchased under the Housing Acquisitions Programme for homeless households. This programme and associated budget was approved by Mayor and Cabinet on 8 March 2023. The programme, supported and part funded by the GLA, will deliver up to 300 homes through open market property purchases to be

let to homeless households.

- 7.2. As outlined, L&Q have already delivered Phases 1 and 2 of the scheme. The new homes were completed in 2018 and are currently a mixture of social rent, shared ownership/equity homes and private sale. The private sale homes are intended to cross-subsidise the affordable homes.
- 7.3. L&Q have built 18 new homes for private sale in Phase 2. There are 6 x 1-bedroom homes and 12 x 2 bedroom homes. There have been some defects with these properties which have required rectification, these include upgrades for fire safety compliance and roofing defects which required prolonged correspondence with the contractor to resolve.
- 7.4. Whilst L&Q were dealing with the defects, the properties could not be marketed for outright sale.
- 7.5. The work to rectify the defects coincided with the pandemic, an increase in the cost of borrowing and high inflation. This has led to L&Q seeking alternative options for the properties which has included funding through their Build London Partnership which is a collaboration between L&Q and the GLA to partner with small housing associations to deliver affordable homes. Under this proposal, the GLA would partially grant fund the smaller housing association to purchase the homes.
- 7.6. L&Q worked with two small local housing associations to purchase the homes. Unfortunately, neither association were able to proceed in the timeframe required to receive the grant and both were impacted by the jump in the cost of borrowing.
- 7.7. The defects have now been resolved and L&Q have presented an opportunity to the Council to complete on a bulk purchase of the 18 homes. Officers have met with L&Q and believe that this is an excellent opportunity for the approved Housing Acquisitions Programme for homeless households. The homes are ready to occupy, they are in the borough, and they have fitted white goods which will financially help temporary residents particularly during the cost-of-living crisis.
- 7.8. Officers have viewed the properties and met with L&Q to discuss a proposal to purchase the 18 homes and outlined what due diligence would be required for the Council to proceed with an offer. L&Q have provided information on the numerous warranties and guarantees including a 10-year NHBC Buildmark policy valid from the date of sale, not the date of construction. A full list of the warranties and guarantees are provided in the accompanying Part 2 report.
- 7.9. Based on the information provided by L&Q, the initial inspection of the properties and the potential to purchase the homes under the Housing Acquisitions Programme for homeless households, officers made a without prejudice offer to L&Q for the bulk purchase. The details of which are in the accompanying Part 2 report.
- 7.10. On 27 June 2023, a report was presented to the L&Q Board with the recommendation that they accept the Council's offer and move to the next stages of agreeing Heads of Terms and the completion of all necessary due diligence by both parties, including red book valuations, building surveys, financial viability and legal review of the warranties and guarantees in place. L&Q are aware that the offer made by officers is subject to approval from Mayor and Cabinet.
- 7.11. The March 2023 report to Mayor and Cabinet also granted approval for officers to procure the housing management, refurbishment, and maintenance services for all 300 homes acquired through the Housing Acquisitions Programme, including the 18 L&Q properties set out in this report.
- 7.12. Subsequent soft market testing and procurement work has now led to a preference for subdivision of these roles. The leasing of the homes to a managing agent or council subsidiary to carry out the tenancy management function would allow rental income to be set at full Local Housing Allowance rates. An arrangement of this nature is likely to

result in the authority receiving income sufficient to cover most of the debt servicing and maintenance costs. Thus we now propose to lease all units purchased under the Housing Acquisitions Programme for 3 years, to a housing management agent. This will provide the best route to secure high quality housing management and deliver a programme that generates cost savings or avoidance.

- 7.13. The three-year lease period will allow Housing Services and Finance colleagues, to use this time to find a preferred ownership and management vehicle for all temporary accommodation, that is let at the maximum Local Housing Allowance (LHA) level.
- 7.14. The Refurbishment and Maintenance contractor is being procured externally, as set out in the March 2023 Mayor and Cabinet paper. The units to be purchased will be inspected for all defect and snagging issues and a list of collateral warranties and NHBC certification has been supplied by the vendor.
- 7.15. If the recommendations in this report are approved, officers will proceed to the next stages of purchases the properties.

## **8. Financial implications**

- 8.1. Contained within the Part 2 report.

## **9. Legal implications**

- 9.1. Melanie Dawson (Principal Lawyer – Place), melanie.dawson@lewisham.gov.uk
- 9.2. This report seeks approval to purchase 18 units from L&Q. Section 120 of the Local Government Act 1972 permits local authorities to acquire land in or outside of their area by agreement for the purposes of any of their functions (including housing functions) or for the benefit, improvement or development of their area. Therefore the Council has sufficient powers to purchase the properties.
- 9.3. This report also seeks approval to dispose the 18 units and any properties purchased through the Council's Housing Acquisitions Programme properties to a housing management company or Council owned subsidiary. The Council has power pursuant to section 123 Local Government Act 1972 to dispose of its property in any manner it wishes, provided that it must obtain the best consideration that is reasonably obtainable (unless the disposal is by way of lease of 7 years or less).
- 9.4. The form of transfer must be approved by Legal Services on behalf of the Director of Law and Corporate Governance.

## **10. Equalities implications**

- 10.1. The decant process involves the provision of an individual service, where decant officers visit tenants at home and get to know them and their needs on an individual basis. Any special requirements are identified and taken into account in planning the move, factors such as language, mobility and other support needs often need to be considered. It is recognised that decanting is a very stressful time and decant officers offer as much support as required to minimise the anxiety to residents.
- 10.2. The scheme will provide thermal and security improvements, with all new properties more than meeting the decent homes standard.
- 10.3. All new affordable units in the development will meet lifetime homes standards. A Lifetime Home unit can be adapted when required to suit residents changing needs.
- 10.4. In line with GLA and Council policy, more than 10% of units across the development will be wheelchair accessible or easily adapted for those using a wheelchair.



## **11. Climate change and environmental implications**

- 11.1. The current prefabricated properties were built post-war and are lacking and are environmentally inefficient by modern standards. The new homes to be built will meet the current standards and will benefit from modern technologies that will make them more efficient. Additionally, the Council will work with L&Q to endeavor to source building materials from local suppliers to reduce the travel distance and seek materials that do not contain animal products – where possible. This will help Lewisham achieve its carbon reduction goals.

## **12. Crime and disorder implications**

- 12.1. There are no direct crime and disorder implications arising from this report.

## **13. Health and wellbeing implications**

- 13.1. There are no direct health and wellbeing implications arising from this report although the provision of new social homes will have a positive impact on health and wellbeing of people on the housing register waiting for permanent accommodation.

## **14. Social Value Implications**

- 14.1. Through the planning process, L&Q are required to provide work opportunities for Lewisham residents including apprenticeships.
- 14.2. L&Q are also required to seek to contract local Small to medium sized enterprises (SME's).
- 14.3. The Council regularly monitors L&Q's performance against the targets set and will continue to work together to get the best outcome for Lewisham residents and businesses.

## **15. Report authors and contacts**

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