

# **WOODBERRY DOWN ESTATES**

**EDUCATION AND HOUSING OPTION APPRAISAL  
INTRODUCTION AND THE OPTIONS AVAILABLE**

Second Edition

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January 2001

## **PREFACE TO THE SECOND EDITION**

The first edition of this report was produced in April 2000. In reprinting this report the opportunity has been taken to introduce a bibliography. No other changes have been made.

January 2001

## **I. INTRODUCTION**

### **PURPOSE OF THIS REPORT**

In order to present residents, Members and government with a rational basis for decision making about the future of education and housing on the Woodberry Down estates the Council will be carrying out an Option Appraisal. This report introduces Option Appraisal, some of the options which will be considered, and the tests which will be applied. This report therefore has four purposes.

The first purpose is to describe the objectives of the Council's Option Appraisal. This is a statement describing what the regeneration programme is to achieve. Without clear objectives the options could be inappropriate or not considered properly.

The second is to describe what Option Appraisal is and the way in which the Council intends to use it in the evaluation of the redevelopment possibilities for the estates. This will take in account the result of the qualitative and quantitative surveys which have been carried out and which have been reported upon separately.

The third purpose is to introduce some of the options available, and to describe some fundamental criteria against which to judge them on the Woodberry Down estates. This report will be followed by a more detailed and costed report on these and perhaps other options.

The fourth is to describe the four tests which will be applied to the options available in order to eliminate those which are unlikely to be applicable and those which will not represent value for money. The four tests are:

- The demand and finance test
- The net present value test
- The quality of life test
- The market test

The results of these four tests will be the subject of four separate reports.

## **2. VISION AND OBJECTIVES**

### **VISION**

The Council's vision for Hackney in 2020 is that it should be:

- A thriving, healthy and inclusive community which feels safe and confident
- A place with diverse housing ownership and good quality affordable homes

- A place with high quality education and a good place to work and do business
- A good place to get around and enjoy oneself

This sets the corporate framework against which the following objectives have been developed.

#### OBJECTIVES

The objectives of the long-term regeneration programme for the Woodberry Down estates have been defined as precisely as possible. In order to do this in a structured way the hierarchy of objectives used by the Department for Education and Employment has been adopted. This distinguishes between ultimate, intermediate and immediate objectives as follows:

Ultimate objectives are usually defined in terms of strategic issues. Examples such as satisfying long-term economic growth requirements, carrying out statements of government policy, and long-term local authority strategic plans fall into this category. A distinguishing characteristic of ultimate objectives is that they typically take 20 years or more to bring to maturity.

Intermediate objectives are one level below the ultimate objectives, and they will need to be met if the ultimate objectives are to be achieved. Usually, but not exclusively, intermediate objectives should be measurable. They usually have a time horizon of about 10 years. Intermediate objectives will not always be within the control of those responsible for delivery.

Immediate objectives are short-term objectives directly concerned with outputs. They will normally be measurable and to some extent within the control of those responsible for delivery. The immediate objectives will usually need to be met if the intermediate objectives are to be achieved. They may however be one of several contributing factors to the success of the intermediate objectives.

#### ULTIMATE OBJECTIVES

1. Satisfy the long-term aims of education and housing as described in The Borough's Education Strategy 2000-2002 and in The Borough's Housing Strategy 2000 to 2003.
2. Harness the energy, spirit and enthusiasm of local people to develop a sustainable community, which is confident, safe and secure.
3. Become a good place to visit and a place where people want to stay.
4. Provide new and refurbished housing and schools to modern long-term sustainable standards, in such a way that it will make a substantial contribution in terms of improved health, education, self esteem and other benefits.

5. Change the current uniform tenure pattern by providing new and refurbished housing with a range of different tenures and levels of affordability.
6. Provide an integrated cross-sectoral approach to unified and joint ownership of assets, their use, and the use of relevant income, in such a way that it includes resident participation.

#### INTERMEDIATE OBJECTIVES

1. Provide a unified solution which improves the fixed assets and service delivery of education and housing and enables improvements in either of these services to benefit the recipients of the other service.
2. Re-provide housing and schools in such a way that it will make a substantial contribution in terms of improving health, education and self esteem, care, crime and disorder, and environmental and other benefits.
3. Demolish buildings which are failing or which are too expensive to refurbish and replace with new, refurbish the remaining buildings to a standard to achieve a 30-year life, and comply with the latest planning guidance contained in PPG 3 and 4 and the Consultation Document on PPG 13.
4. Provide non-housing fixed assets as part of an integrated funding service provision programme.
5. Produce a Development Planning Brief for public consultation.
6. Secure adequate private and public funding within a strong management and control structure related to the planned reform of local government, and including the involvement of residents.
7. Encourage tenants in blocks with more than 40% of leaseholders to purchase their property so that these blocks can be transferred to some form of common leasehold ownership and management.
8. Increase tenant choice, including home ownership, from the current 9.2% to 40% of the properties in accordance with the Hackney Housing 2020 Vision. This to include key worker accommodation, cost rent initiatives and starter homes.
9. Arrange for the management of the estate to be by either statutory or non-statutory organisations to high responsive standards representing demonstrable best value.
10. Increase residents' influence and control in decisions which affect the estates.
11. Provide on-line services, and promote their use.

## IMMEDIATE OBJECTIVES

1. Continue to develop the residents' participation programme.
2. Secure a successful outcome of the Single Regeneration Budget Round 6 tendering process.

### **3. TOWN PLANNING**

These objectives have to be considered within the framework of Town Planning legislation. The Council is landowner and town planning authority for the Woodberry Down estates. The Town and Country Planning Act 1990 and the Town and Country Planning General Regulations 1992 make the Council responsible for determining planning applications for demolition and redevelopment of the estates. In doing this the Council must have regard to the Council's Unitary Development Plan, and to other material considerations. These considerations include the Development Planning Brief for the estates. This will describe the kind of development required, and the known constraints, for the guidance of developers and others.

The Development Planning Brief will form the basis of any Principle Development Agreements, which will include agreements prepared in accordance with Section 106 of the Town and Country Planning Act 1990. These agreements will guide and control any redevelopment. In particular the agreements made as a result of Section 106 of the Town and Country Planning Act 1990 will restrict and regulate the way in which any developments are to be carried out. These obligations will be enforceable by the Council.

### **4. PURPOSE OF OPTION APPRAISAL**

Good appraisal leads to better decisions and improved value for money. It is a way of providing systematic economic appraisal of expenditure decisions. This will involve the appraisal of non quantifiable issues. Systematic appraisal involves a process which includes being clear about objectives, thinking about alternative ways of meeting them, and estimating and presenting the costs and benefits of each potentially worthwhile option.

Generally the application of Option Appraisal is focussed on;

New or replaced capital projects. That is projects which require capital investment and also the revenue and expenditure which always follows the initial capital investment. Provision of new schools, housing stock, and

health care facilities are example of capital projects. In relation to housing stock for example, the revenue income includes the rents received, and the expenditure includes the cost of maintenance and the cost of investment finance.

The use or disposal of existing assets. This can include existing school buildings and housing stock and the land they stand on. Option Appraisal is used to inform decisions about the sale of land and buildings or their replacement with new buildings to a higher and more efficient and current standard.

Standards of design or provision also form part of this process. This includes standards which affect energy consumption and gas emissions, means of escape, environmental quality, space and access, and the design of buildings and urban design.

General policy and management appraisal. This includes decisions on the level and type of service provided and the standard of management to be expected. It also includes the appraisal of mixed tenure arrangements.

Option appraisal will contribute to the financial assessment of the proposals by:

Providing a framework for planning the activities to be carried out.

Helping ensure the best use of limited resources by identifying the opportunity costs of the resources used.

Promoting and making explicit the priorities used in expenditure decisions.

Identifying constraints and providing a framework for monitoring to enable remedial action to be taken if necessary.

Providing a basis for some aspects of performance measurement and evaluation.

Providing a means of assessing how a project performs in commercial terms.

Enabling the public/private comparison to be made.

Informing the procurement process.

Taking account of the results of a Best Value fundamental review.

Assessing the effect of those issues which affect the long-term stability of the estates and the well being of the residents for which quantification and costing is difficult.



## 5. THE FOUR TESTS

The way we are going to use Option Appraisal is to subject the available options to a series of tests. It begins with the selection of seven education and 16 housing options, and a provisional list has been prepared. These are described in Section 5 of this report. This is then followed by each of the four tests in turn which were referred to in Section 1.

### THE FIRST TEST, THE DEMAND AND FINANCE TEST

The Demand and Finance test is the first test and will be applied to the education and housing options. The objective is to reduce the available options to a smaller number. The selected options are tested against different characteristics and those which do not pass this test are eliminated. The different characteristics, which are described in detail later in this report, are:

- School and housing demand
- Availability of replacement housing
- Condition of the school and housing stock
- Availability and use of Council finance
- Change of tenure
- The density of the estates
- The size of the flats
- Satisfying the objectives

This test is called the Demand and Finance test because the two characteristics which contribute most towards eliminating options are long-term school and housing demand, and the availability and use of Council finance. High and changing school and housing demand and lack of Council finance, or inability to use it for building new schools and homes, automatically eliminates many options.

Hackney has high housing demand and the Council must demonstrate that this is the case. The evidence for this comes from two sources.

- a) The Housing Supply and Demand Survey which was carried out in April 1997 showed that those in the special needs category was barely matched by the available housing in the years 1997/98, 1998/99, 1999/00 and 2000/01. In addition there were over 5000 other families on the waiting list and requiring accommodation.
- b) The number of homes in Hackney is planned to rise. The current planning guidance for London requires an additional 11,000 new homes to be provided in Hackney, as either new or refurbished properties, between 1997 and 2016.

During the discussion on the options identified so far housing demand is often referred to. A judgement will have to be made against the background described above. Some options, such as Option 1, depend on low housing demand to be viable. Whilst this is a circumstance which obtains in some parts of north east England it does not apply to the Woodberry Down estates and it would not be appropriate to pursue further.

With regard to finance this is a rather different matter and for which direct evidence does not exist. For many of the options considered in this report it is very unlikely that the Council would ever have the financial resources available to carry out the work. In addition, and even if it did have the resources, it is not certain that it would be allowed to deploy it on large scale housing redevelopment schemes, or for refurbished or new schools. Even if it were allowed to do so it's residents and Members may wish the available finance to be set against other and conflicting demands. A view has therefore been taken in the discussion on the options which reflects the above.

#### THE SECOND TEST, THE NET PRESENT VALUE TEST

The second test is the Net Present Value or NPV test. This typically consists of comparing the net present value of income and expenditure streams over time. Usually the options with the lowest net present value represent best value for money. The NPV test will be applied to those options which remain after the Demand and Finance test, the first test.

#### THE THIRD TEST, THE QUALITY OF LIFE TEST

This is followed by the third test, the Quality of Life test which consists of trying to quantify those characteristics which are often not subject to financial appraisal and may not be capable of analyses in the same way as the NPV test. This test is applied to all the options to which the NPV test was applied and includes an evaluation of relationships such as the benefits to health of good housing; and the beneficial effects of a good standard of living space.

#### THE FOURTH TEST, THE MARKET TEST

These same options are then subject to the fourth test which is the Market test. This is to test the enthusiasm of the market for tendering for and delivering the options which passed the second test, the Net Present Value test. In order to do this a consultation exercise will be carried out with market leaders in this field and other potential participants. The purpose of this consultation will be to provide the Council with confidence that there is sufficient market interest in the options chosen.

#### CHOICE

This leads directly to the matter of choice. Choice that is by residents, Members and government of one option to put to the market on a strategic partnering procurement basis for tender. The number of options will be reduced to one for tender purposes. It would be unreasonable to ask the market to consider more than one option because of the large costs involved in tendering and the difficulty of pricing more than one technically different scheme and trying to guess the Council's preference.

The financial appraisal of the options will use the guidance contained in Appraisal and Evaluation in Central Government (1997), (The Green Book), published by HM Treasury. This guide is designed to help government departments and agencies appraise and evaluate their activities effectively. It is also intended to ensure consistency in practice. Whilst the guidance has been prepared with the needs of central government in mind it has also been used in some parts of local government.

## **6. THE EDUCATION OPTIONS AVAILABLE**

The options that have been identified so far, and which are subject to the approval of Governors, are shown on the list below. The process of Option Appraisal requires that all the following possible options be considered. It is acknowledged that closure of the school is not a consideration for the Council.

1. Local authority continues with current management and maintenance programme
2. Managed decline/closure of Woodberry Down school, pupils transferred to neighbouring primary schools
3. Refurbishment of existing school to improved standards
4. Demolition and replacement school built by the local authority
5. Local authority transfers land to HA/Developer subject to re-provision of new school under ownership of the LA
- 6A. Local authority enters service contract with private provider for new educational facilities on a stand alone basis
- 6B. Local authority enters service contract with private provider for new educational facilities on a bundled basis with other service provision

## **7. THE HOUSING OPTIONS AVAILABLE**

The options that have been identified so far are shown on the following list. Some are the standard DETR options some of which are used in evaluating Large Scale Voluntary Transfers. Others have been specifically designed for the Woodberry Down estates but are probably relevant elsewhere.

They have been divided into three groups. The first involves demolishing the estate and using the land for something else, the second would require the housing to be transferred to another landlord, and the third would mean that the housing would remain in Council ownership.

#### LAND USED FOR OTHER PURPOSES

1. Managed decline with no replacement; rehousing into other stock and some redevelopment for other uses
2. Demolition and redevelopment for other uses

#### OWNERSHIP TRANSFERRED FROM LOCAL AUTHORITY

3. Local authority renovates then transfers the stock
4. Local authority transfers the stock which is then renovated
5. Local authority transfers the stock; selective demolition, rebuild and renovation
6. Local authority transfers the stock; selective demolition, rebuild and/or renovation; and new infill blocks, resulting in increased built density
7. Wholesale demolition and rebuild by private sector at higher density

#### OWNERSHIP RETAINED BY LOCAL AUTHORITY

8. Local authority retains the stock but does the 'minimum' level of works under current funding
9. Local authority retains and renovates the stock
10. Wholesale demolition and rebuild by local authority
11. Wholesale demolition and rebuild by local authority at a higher density
12. Selective demolition and rebuild; renovation by the local authority
13. Local authority retains and renovates the stock and builds infill blocks, resulting in increased built density
14. Local authority procures a repair and maintenance service provision contract including selective demolition, rebuild and renovation. Land and buildings remain in the ownership of the local authority
15. Local authority procures a repair and maintenance service provision contract including selective demolition, rebuild and renovation; service provision for other service providers. Land and buildings remain in the ownership of the local authority
16. Local authority selectively sells stock to cross fund refurbishment of retained stock and retains ownership of remaining stock

In addition to these 16 options there are eight characteristics which can be used to describe Hackney and the Woodberry Down estates. These can be put as questions and they are:

- Is there long-term housing demand?
- What is the availability of replacement housing?
- What is the condition of the stock?
- Is Council finance available and if so can it be used?
- What will be the new tenure profile?
- Is the built density too high?
- Are the flat sizes appropriate for current and future needs?
- Are the ultimate, intermediate and immediate objectives satisfied?

The answers to these questions are not difficult to ascertain, and the answers can be used as a basis for eliminating some of the options. The applications of these questions to the options available are discussed in a report: Education and Housing Option Appraisal, the Results of the Demand and Finance Test.

#### SUMMARY

The following two diagrams, Diagram 1 and 2, summarise the testing programme. Both diagrams show the selection testing and procurement arrangements. They also show the options available using the same numbering system used in Section 5. When each of the tests are carried out the report which describes the results will include these two diagrams. The diagrams will be updated to show those options which have passed the test by means of an extension to the appropriate horizontal line.

It should also be noted that some of the education options are compatible with some of the housing options. For example, there would be little point in closing the school if the estate was going to expand and increase the number of children of primary school age. This issue will be discussed in the report on the Demand and Finance Test.

Diagram 1 - Selection and Testing of Education Options

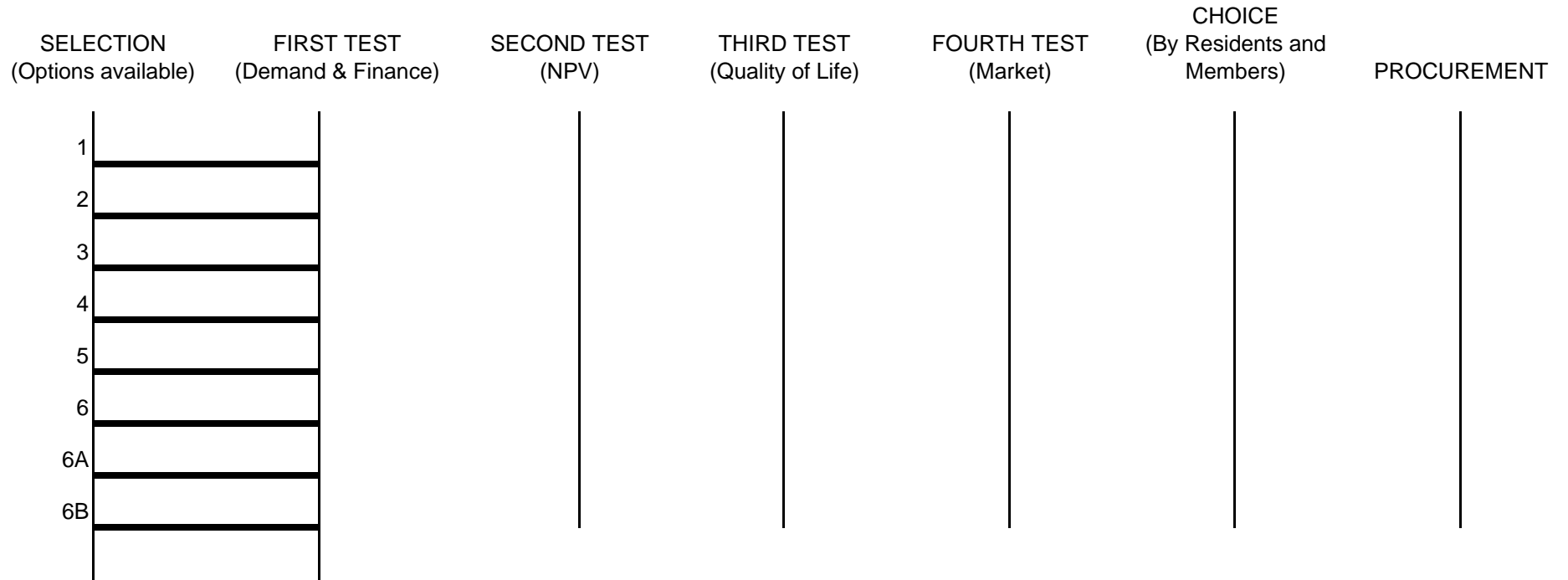
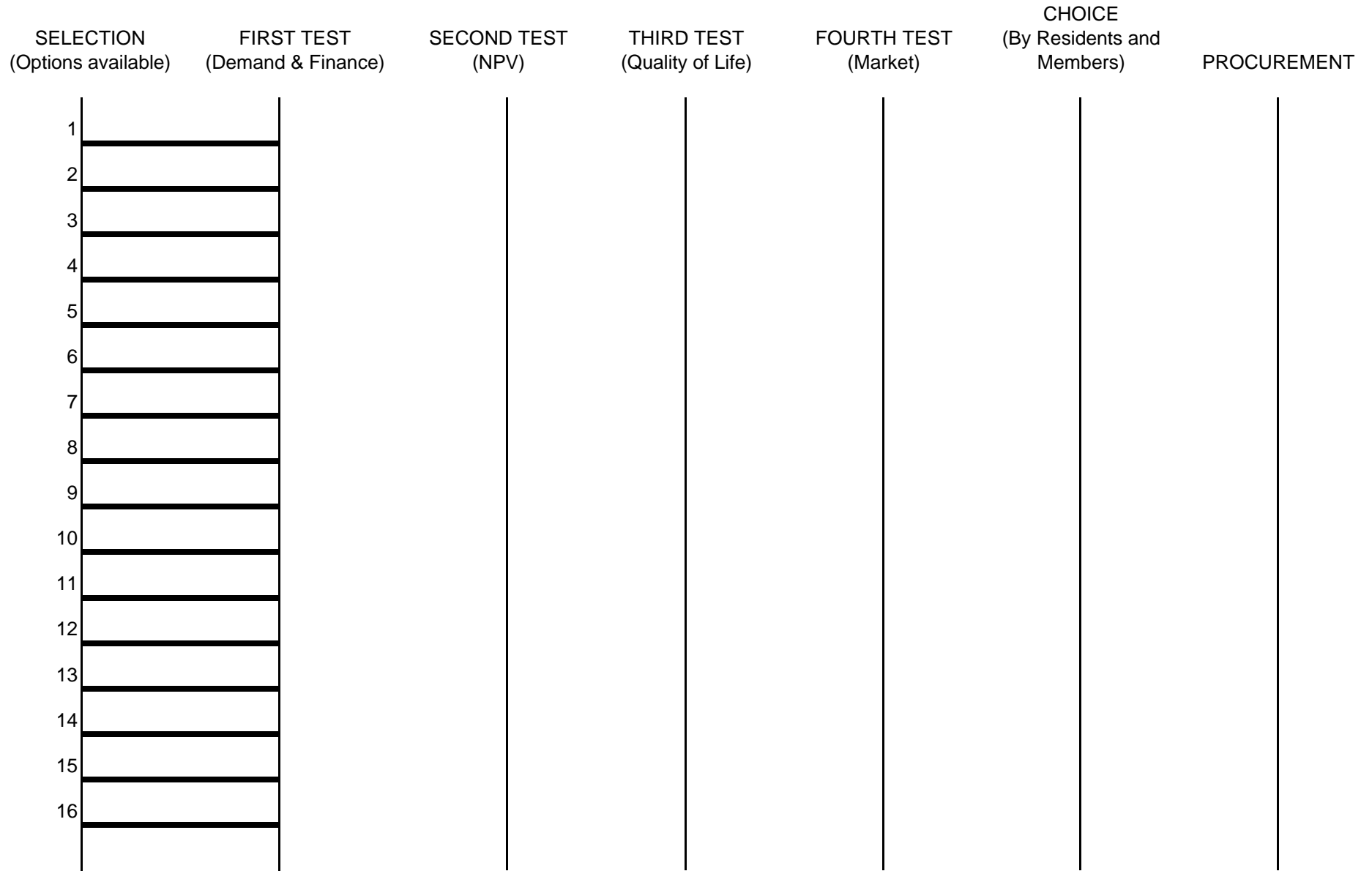


Diagram 2 - Selection and Testing of Housing Options



## **8. BEST VALUE SELECTION CRITERIA**

To ensure that available options are considered rationally it is necessary to subject decisions about the future of the stock to a best value fundamental review process. A best value review will be required on all the Council's housing stock and a plan must be developed to accommodate this. For the Woodberry Down estates, this may form part of the option appraisal.

The following documents will inform this process:

Best Value in Housing Framework Consultation Paper, 1999  
Local Government Act, 1999  
Implementing Best Value - A consultation Paper on Draft Guidance, 1999  
Audit Commission Performance indicators for 2000/2001, 1999

This best value review will consider:

The way in which the options will promote the social, economic and environmental well-being of the residents.

The value of the stock and its long-term investment needs.

The views of residents and their preferred level of involvement in the ownership body and in the management of the estates, and the views of other stakeholders.

The implications for neighbourhood and perhaps regional regeneration, and for neighbourhood management.

The prospect of sustaining demand for the new and refurbished stock.

The impact of the future supply and demand of housing, and the ability of the Council to meet its statutory duties.

The way in which the options will affect the prospects of homeless people and others with special housing and social care needs.

The long-term impact on public spending taking into account the flow of subsidies, benefits and taxes.

The impact on the financial position of the Council, taking account of debt redemption, and the cost to the General Fund.

The impact of the options on affordability.

The projected availability of capital and revenue resources.

The ability to attract suitable partners with sufficient capacity, or the necessity to generate a market for the services required.



The ability to obtain financial backing for the proposals.

As with all best value fundamental reviews, the issues are to challenge the existing arrangements, compare them with the performance of others, consult residents and other stakeholders, and assess their competitiveness. The current position is therefore the comparator against which other options are assessed, and it will be the default option if other options are rejected for whatever reason. The default option in this case is Option 4 described above.

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