

## **A5. GRENFELL TOWER – ADDITIONAL INFORMATION**

### **THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA HOUSING AND PROPERTY SCRUTINY COMMITTEE**

**16 JULY 2013**

#### **AN UPDATE ON GRENFELL TOWER IMPROVEMENT WORKS AND THE RECENT POWER SURGES**

The purpose of this report is to provide Members with additional information on the background to the investment plans for Grenfell Tower

**FOR INFORMATION**

#### **What is the amount being spent on a per unit of accommodation and per head basis**

The current total estimated cost of the regeneration of Grenfell Tower is currently above £10m. It is proposed that the cost is brought within budget through value engineering and market testing the costs. We are also working with the energy companies to explore opportunities to attract additional funding for the energy improvement works.

Approximately £3m of this expenditure does not relate to the existing housing asset, including:

- The provision of 8 new "hidden home" flats
- Relocation of the nursery
- Relocation of the boxing club
- Provision of improved office accommodation
- Public realm improvements

The £7m investment in the existing housing asset will deliver:

- Window renewal
- Over cladding of the building
- New heating and hot water services
- Redecoration of communal areas.

The unit cost of the work to the existing stock is estimated as £58,000.

#### **How does this compare with others estates and works programmes across the borough?**

The Savills report gives an average unit cost per property of £47,000 over 30 years.

The proposed investment in Grenfell Tower exceeds this average unit investment. Furthermore, the £58,000 per unit investment does not include some significant areas of further investment, such as the renewal of kitchens and bathrooms in the block.

**What is the 'present value' of the building as identified in the Savills report when the £11m cost is included?**

The Savills report identifies Grenfell Tower as being one of the poorer performing assets in the housing stock with a negative Net Present Value over 30 years of -£340k.

Any additional investment in "Year 1", above the scope of the Rand / Savills 30 year costs, will effectively increase the negative NPV on a pound for pound basis. On the basis that the heating, hot water, window renewal and communal decorations are included in the 30 Year costs, then the "extra" investment would be the thermal over cladding and associated works with a cost of approximately £1.3m. This would therefore increase the negative NPV to -£1.64m.

**What alternatives were considered before this expenditure was approved, including demolition and rebuild?**

When the Council was considering how to spend the capital receipts from the Elm Park Gardens redevelopment, the TMO was asked to review the investment needs of its major estates using its Keystone asset management system to identify the highest priority and highest cost estates and capital investment projects. The TMO was also asked to identify which projects would provide the following range of benefits:

- Regeneration or renewal of the Council's Housing Revenue Account (HRA) Assets
- Long term legacy projects
- Complementing other regeneration initiatives
- Reducing the future burden upon the Council's HRA
- Supporting wider Council policies

The top five 30-year investment priorities were identified were as follows:

- a) **World's End Estate:** This estate has significant investment needs. These predominantly relate to the renewal of existing elements, central boiler plant, heating and hot water infrastructure, common parts, external elevations, rather than any new development or regeneration. There is limited scope within these to support wider policy objectives or deliver key regeneration aspirations or the legacy outcomes that the Council is seeking.



- b) **Lancaster West:** This estate has significant investment needs, particularly around the common areas, heating and hot water system and windows. A child's death occurred following problems with the window opening system at Grenfell Tower and short term measures were implemented to avoid such an event happening again. However a long term solution is overdue. An assessment of estate investment need places Grenfell Tower energy efficiency, external fabric, heating system and windows as the top priorities.

In parallel, the proposed construction of the new Kensington Academy and Leisure Centre (KALC) will have a significant impact on the north of this estate, which has given rise to concern from Grenfell Tower residents who immediately overlook the site. Furthermore, the Grenfell Tower lower floors currently have an area of disused office space which has the potential for conversion into new homes. This demonstrates that an investment here has the potential to deliver a range of benefits.

- c) **Swinbrook Estate:** The estate has a wide variety of investment needs including works to communal areas and windows. Aspects of the required investment can be met from the available HRA Capital Programme. The potential for delivering wider objectives is limited.
- d) **Trellick Tower:** Whilst there is an ongoing need for investment in this Listed building, it has already had a larger sum invested in its repair and improvement than the Council's other estates. Furthermore there is an opportunity currently under investigation to deliver funding here through the development of the under-utilised garage and service yard areas and the neighbouring Edenham Way former old people's home site.
- e) **Silchester Estate:** The Silchester Estate currently has already significant investment planned, with a substantial kitchen and bathroom replacement project currently underway. There is also a large scale regeneration project being delivered through the agreed disposal of part of the estate to the Peabody Trust for regeneration. Whilst the estate could benefit from still further regeneration, this would require substantial consultation and planning, and is likely to be some years off before it is ready to take forward.

Based on the TMO's information on investment need the recommendation was made that funds from the Elm Park Gardens capital receipt be set aside for investment into renovation, regeneration and conversion works to Grenfell Tower on the Lancaster West Estate. The benefits anticipated to arise from were identified as:

- Replacement of single-glazed windows which are currently beyond economic repair and unsafe, with double-glazed fenestration throughout, improving thermal efficiency and fuel economy.
- Installing thermally insulating cladding and rain screen curtain walling system to the un-insulated external elevations of Grenfell Tower, significantly improving thermal efficiency, fuel economy, and providing for an external appearance that reflects and complements the adjoining KALC project.
- Replacement and rationalisation of existing office facilities with a fully accessible reception and office.
- Rationalisation and modernisation of estate community facilities.
- Delivery of between four and six new family sized affordable homes on the lower levels of Grenfell Tower.
- Replacement of an inefficient and life-expired communal heating system with controllable and highly efficient individual gas-fire combi-boilers to each unit, linked to funding from the existing HRA Capital Programme.
- Provision of improved pedestrian routes and Public Realm at the base of Grenfell Tower, which will assist in the access planning for the new Academy and Leisure Centre.
- Delivery of resident and community aspirations for their long term benefit.
- Support of wider RBKC policy objectives including carbon management and reduction targets.
- Reduced future investment demand on the HRA.
- Improvement of the overall appearance of Grenfell Tower to the benefit of its residents and of the wider regeneration of Golborne Ward.

In considering the possible options for investing in Grenfell Tower it was not considered feasible to proceed with one that involved a demolish and rebuild.

Grenfell Tower is made up of 40 1 bed and 80 2 bed units. Any demolish and rebuild option would have made it necessary to decant 120 households. This would not be possible due the competing pressures on the Council's stock. With only 2.5% turnover per annum in the Council's stock (there have been only 8 voids over the last 5 years in Grenfell Tower) there are limited opportunities to decant such a large number of households. This is exacerbated by the rising number of people in temporary accommodation (1729); the need to relocate up to 400 households because of the welfare reforms and rising numbers on the housing waiting list (8226). With no alternative block into which we could decant tenants, it would then take several years to successfully decant the property.



When the funding for the investment works was agreed there were and remain no current plans in place for the wholesale regeneration of Lancaster West Estate. Any major regeneration project could take up to 3-5 years in the planning and decanting of the building and the Council would still have needed to invest £3m over the next 2 years because of the health and safety requirements, the problems with the heating system and the failing services going into the building.

Given the need to carry out essential health and safety capital works which are required now to ensure that tenants' safety is protected and living conditions are improved, along with the need to align any works with the KALC project, it was deemed not possible to defer any investment works in anticipation of any major regeneration project.

**FOR INFORMATION**

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