

## Appendix 2 - Options Appraisal Analysis & Report

- 1.1. The Council engaged specialist surveyors Carter Jonas to undertake a formal Options Appraisal exercise using a recognised, industry standard methodology.
- 1.2. The following options were considered through the Options Appraisal exercise, based on realistic scenarios and significant input from the Council's Property, Finance and Asset teams and advice provided by the consultant team:
  - Option 1 - Maintain/Do minimum
  - Option 2 - Refurbishment
  - Option 3 - Redevelopment of CCL alone
  - **Option 4 (Recommended)** - Redevelopment including Stanhope Parade and Children's Centre Sites
- 1.3. These options were assessed against the following criteria and weighting based on advice from the consultant team:
  - ☐ Affordability to the Council – relative financial impact of the options
  - ☐ Additionality – potential to produce additional affordable homes
  - ☐ Housing Quality – considering space standards achievable, energy efficiency, accessibility, private outdoor space, aspect
  - ☐ Impact on existing residents – covering the need to decant and resident feedback
  - ☐ Euston Area Plan objectives – considering connectivity, east west routes, open space, potential to coordinate with the wider Euston masterplan
  - ☐ Sustainability – energy efficiency, environmental impact, whole life carbon.
- 1.4. To inform the Options Appraisal a baseline assessment of the performance of the existing buildings was undertaken in consultation with the Property and Asset teams and with building surveying input from Carter Jonas.
- 1.5. As part of the Options Appraisal exercise one-to-one consultation was undertaken with all of the remaining owners and tenants, with their responses informing the "Impact on existing residents" score.

## 1.6. Definitions and Pros and Cons Comparison of the Options

	Definition of scope	Pros	Cons
Option 1 Maintain	Undertaking the minimum amount of capital works to bring the flats back into a lettable state. E.g. lift replacement or repair, roof repairs where necessary, kitchen repairs where necessary.	Leaseholders do not need to be bought out, costs for leaseholders would be minimized and secure tenants can remain in situ.	The quality of the homes would be significantly lower than the alternative options in terms of flat size, aspect, quality of interiors, efficiency of heating and insulation, and accessibility.
Option 2 Refurbish	Undertaking extensive capital works to bring the flats as close as possible to new build standards. E.g. installing new lifts, heating systems, kitchens and bathrooms.	The resulting refurbished flats would be higher quality for tenants and leaseholders would not need to be bought out.	The homes would still be compromised in terms of aspect, flat size, ceiling heights, accessibility and airtightness. It would be the most expensive option for the council and residents might have to be temporarily rehoused.
Option 3 Redevelop CCL	Redevelopment of the Cartmel, Coniston and Langdale blocks alone, without Stanhope Parade and Children's Centre.	Provides high quality new and replacement homes in terms of space standards, dual aspect, accessibility, long-term sustainability and delivers some opportunities for improved placemaking in line with the Euston Area Plan.	Does not provide as much additionality and has less capacity for cross subsidy compared to Option 4 and therefore does not score as highly in terms of Net Present Value and Cost Benefit Ratio, as set out in the Carter Jonas report. Requires all CCL leaseholders to be bought out and may require a CPO if all cannot be acquired by agreement.
Option 4 Redevelop all.  <b>Recommended Option</b>	Redevelopment of the CCL blocks, including Stanhope Parade and Children's Centre Sites was the highest scoring option.	Scores highly in terms of the quality of the new homes but also higher than Option 3 in terms of delivery of EAP aims, additional affordable homes, cross subsidy through sales and therefore affordability to the Council, plus it delivers a new Children's Centre.	The major disadvantage of this option is that it would be mandatory for remaining secure tenants to move to suitable alternative accommodation, albeit with a right to return. It requires all CCL and Stanhope Parade leaseholders to be bought out and may require a CPO if this cannot be achieved by agreement.

- 1.7. A “do nothing” option was not considered to be appropriate as this would not be possible, because the Council cannot leave the empty flats void indefinitely, with the estimated cost to the council of approximately £700,000 per annum void loss as well as significant risks linked to anti-social behavior and squatting. Bringing these homes back into use after this amount of time would also require a significant amount of capital works.
- 1.8. Cost Benefit Analysis was used to identify a preferred option taking into account financial as well as non-financial scores, using a methodology in line with HMT Green Book guidance. The table below illustrates the Net Present Value (NPV), Non-Financial Score and Notional Cost Benefit Score for each option.
- 1.9. **The Financial NPV** is the value of future cashflows (capital and revenue costs), as at today’s date. A positive NPV indicates a profitable project.
- 1.10. **The Non-Financial Score** is the weighted score attributed to each option after consideration of the agreed non-financial scoring criteria.
- 1.11. These two scores are combined to determine the Notional Cost Benefit Score. The option with the highest **Notional Cost Benefit Analysis Score** delivers the most benefits for the lowest cost and therefore represents the preferred option.

Option		Financial NPV	Non-Financial Score	Notional Combined CBA Score	Rank
Option 1	Do Minimum/Maintain	(£21.7m)	1.15	-27	3
Option 2	Refurbishment	(£45.7m)	1.85	-85	4
Option 3	Part Redevelopment	£28.9m	3.60	104	2
Option 4	Full Redevelopment	£35.9m	4.40	158	1

- 1.12. **Option 4 – Recommended Option** - the redevelopment of the CCL blocks, including Stanhope Parade and Children’s Centre Sites was the highest scoring option. Along with Option 3 this option scored highly in terms of the ability to deliver in line with the EAP aims, quality of the new homes and ability to bring in cross subsidy through sales, however it scored higher than Option 3 due to the potential for even more additional affordable homes and for greater affordability to the Council, plus it delivers a new Children’s Centre.

Importantly this option scored highly for its potential to fulfil the Euston Area Plan objectives such as east-west routes and coordination with the wider Euston masterplan. This option scored the highest in terms of Net Present Value and Cost Benefit Ratio and would have no borrowing requirement if delivered via a Development Agreement.

**End**

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**EMERGING COST BENEFIT ANALYSIS PAPER**  
**REGENTS PARK ESTATE NORTH**

**LONDON BOROUGH OF CAMDEN**  
**NOVEMBER 2024**

**Carter Jonas**



CONTENTS

1. THE CASE FOR CHANGE ..... 4

2. THE OPTIONS ..... 6

3. OPTIONS APPRAISAL..... 7

METHODOLOGY..... 7

NON-FINANCIAL APPRAISAL ..... 8

FINANCIAL ANALYSIS ..... 10

COST BENEFIT ANALYSIS..... 10

VALUE FOR MONEY ..... 11

One Chapel Place  
London  
W1G 0BG  
T: 020 7518 3200  
F: 020 7408 9238

## 1. THE CASE FOR CHANGE

- 1.1 After years of campaign for a rehousing deal for residents who were severely impacted by HS2 construction at Regents Park Estate North (RPEN), Camden Council secured a rehousing and compensation deal from HS2 Ltd. for residents in Cartmel, Coniston, and Langdale. Although the HS2 work is currently paused by the government, the work will entail years of noise, dust and disruption to the estate, due to its proximity to the works.
- 1.2 The existing accommodation at RPEN comprises a series of dated apartment buildings in significant need of repair, improvement or complete replacement. Essential maintenance includes replacement of roof coverings, windows, lifts, heating and hot water systems, ventilation systems, landscaping, re-painting, floor and plaster repairs, new kitchens and bathrooms where required, electrical re-wire and fire safety works including upgrades to communal emergency doors and lighting.
- 1.3 The Regents Park Estate North site is outlined in the image below:



- 1.4 For context, the HS2 works can be seen in the image above, situated immediately north of Langdale, Coniston and Cartmel. These works, which extend along the existing railway line, have and continue to be disruptive to existing residents.
- 1.5 Additionally, due to the age of the buildings, there are a number of building limitations including but not limited to non-compliance with DDA, lack of secondary escape staircases, non-compliance with minimum space standards, limited communal space and no cycle stores.
- 1.6 Recognising that there were likely to be significant impacts from HS2 construction works and noting the age and condition of the accommodation, the blocks and surrounding area were included in the Euston Area Plan 2015 and the Draft Euston Area Plan 2023 as an area for future improvement. The Council's aim is to ensure that high-quality affordable homes remain for residents in RPEN.
- 1.7 The renewal of Regents Park Estate North is a strategic project not only to addresses the immediate need for better housing but also to tie into broader themes of community engagement, inclusive growth, and sustainability. This alignment ensures that the project contributes effectively to Camden's long-term goals, making it a key component of the borough's efforts to enhance the quality of life for all its residents.



- 1.8 Over 70% of residents in the blocks backed the Council to accept the deal and since then, more than 100 families have moved to new homes free from disruption. The Council's dedicated HS2 Rehousing team are continuing to support Cartmel, Coniston, and Langdale residents with their rehousing residents into new homes that meet their needs and compensation offer.
- 1.9 Now that Cartmel, Coniston, and Langdale are being vacated by residents, the Council is taking this opportunity to explore what options are available to ensure that much-needed affordable homes remain available to families here when HS2 construction ends, and the location becomes suitable for high quality residential housing once again.
- 1.10 No decision has been made yet. Any decision on the future of the blocks will be subject to consultation with residents, along with consideration of planning constraints, sustainability and financial viability.
- 1.11 Newbuild flats will be developed to the latest Minimum Described Space Standards, providing larger individual flats with an increased provision of circulation and amenity space in each building.

## 2. THE OPTIONS

- 2.1 Accordingly, Carter Jonas has been instructed by LB Camden to undertake an Options Appraisal to consider a variety of potentially suitable options for the RPEN site and to identify a preferred route forward that delivers value for money and aligns with the Councils objectives.
- 2.2 This paper provides a summary of the Options Appraisal work completed to-date. Our proposed methodology follows an HM Treasury compliant 'Green Book' analysis approach that will allow the Council to make evidence based and justifiable decisions around the future of RPEN.
- 2.3 This Options Appraisal is a comparison exercise, it is not a financial budgeting analysis. Financial planning will be undertaken in collaboration with the Council's Finance team at a later stage in this project. The objective of this Options Appraisal is to provide a comprehensive analysis to enable officers and members to short-list one of the following options for more detailed work:
- Maintain the existing accommodation
  - Refurbish the existing accommodation
  - Re-develop part of the site (Part Redevelopment)
  - Re-develop the whole site (Full Redevelopment)
- 2.4 A series of assumptions have been made in order to undertake a financial and non-financial analysis of the above options within this Options Appraisal. The scheme assumptions are indicative for the purposes of comparison and are subject to refinement and development at the next stage of this project.
- 2.5 The following options have been considered within the Options Appraisal.

Option 1	Do Minimum	LB Camden to retain the current Regents Park Estate North (RPEN) including 159 Council owned residential units and commercial accommodation including Stanhope Parade, the Children's Centre and Commercial Storage Facility. This option has cost provision to undertake essential compliance works and to maintain the existing residential accommodation over a 30-year period. 1
Option 2	Refurbish	LB Camden to retain the current Regents Park Estate North (RPEN) including 159 Council owned residential units and commercial accommodation. Undertake a comprehensive refurbishment programme of the existing residential units to bring the blocks up to as close as possible to new-build standards, noting the limitations of the existing building structure. This option has cost provision to maintain the existing refurbished residential accommodation over a 30-year period.
Option 3	Part Redevelopment	Residential re-development of part of the RPEN site, with potential to provide a combined c.330 private and affordable residential units. Demolition of Coniston, Cartmel and Langdale blocks. The Council retain the Social Let units (upon completion), in addition to income from the retained Stanhope Parade (retail units and flats), the Children's Centre and the Commercial Storage Facility. The developer retains / sells the remainder. This option has cost provision to maintain the retained existing and new-build residential accommodation over a 30-year period.
Option 4	Full Redevelopment	Residential re-development of the entire RPEN site to provide a new high-quality residential development with potential for a combined c.505 private and affordable units including ground floor commercial space. Demolition of Coniston, Cartmel, Langdale, Stanhope Parade (retail units and flats), the Children's Centre and the Commercial Storage Facility The Council the new Social Let units (upon completion) and the developer retains / sells the remaining residential and commercial accommodation. This option has cost provision to maintain the retained new-build residential accommodation over a 30-year period.

- 2.6 Option 3 comprises the redevelopment of part of the RPEN site and Option 4 comprises redevelopment of the entire RPEN site, as shown on Page 4 of this report. For comparison purposes, we have assumed Options 3 and 4 are delivered by way of a Development Agreement. In this hypothetical scenario, the Council would dispose of part / the whole of the RPEN site to a developer, who in turn funds and develops a suitable residential development, subject to a Development Agreement. It is assumed the developer would then hand back the Social Rented units to the Council. The developer would retain the private and intermediate residential and commercial accommodation.
- 2.7 The Development Agreement delivery route is considered a low-risk option whereby the Council may not need to borrow to fund any capital expenditure, unlike an alternative Direct / Self-Delivery scenario. The cashflow for Option 3 and 4 is positive from year 1, with minimal / no requirement to borrow.
- 2.8 It should be noted that this report does not make a recommendation as to the preferred route for procurement or delivery of any aspect of a proposed scheme. Alternative delivery routes, such as direct delivery, are available to the Council and will be explored at the next stage in this project, together with consideration of peak borrowing requirements, cashflow, receipts and profit.

### 3. OPTIONS APPRAISAL

#### Methodology

- 3.1 In line with HM Treasury Green Book guidance and methodologies, we have used the following three types of appraisal. Although using this methodology is not mandatory for the Council, it is considered best practice and will outline the preferred option based on evidence and objectives.

#### **a. Non-Financial Appraisal**

Carter Jonas and the Council developed a range of non-financial criteria for this project. Feedback from Public Consultation has been incorporated into the non-financial scoring in order to provide a holistic assessment of the options.

As a third party independent expert, Carter Jonas evaluated and scored the options against the pre-agreed non-financial criteria, using a weighting and scoring approach. The non-financial analysis is enclosed on **Page 8**.

#### **b. Financial Appraisal**

A discounted cashflow model has been constructed and run for each of the options over a 30-year period from 2025 to 2054. The sum of the discounted cashflow is referred to as the Net Present Value (NPV) and is used to compare the performance of potential options. The Net Present Value is used to compare all future costs and benefits occurring over different periods of time on a consistent basis, effectively putting interventions with different time spans and benefit cost profiles on to a common 'present value' basis. The discount rate applied in the Options Appraisal is 3.50% in-line with public sector projects as stipulated by HM Treasury.

#### **c. Cost Benefit Analysis**

The CBA is a simple way to bring the financial (Net Present Value) and the non-financial (qualitative scores) together to calculate the cost per unit of benefit and to provide a recommendation of the overall preferred option.

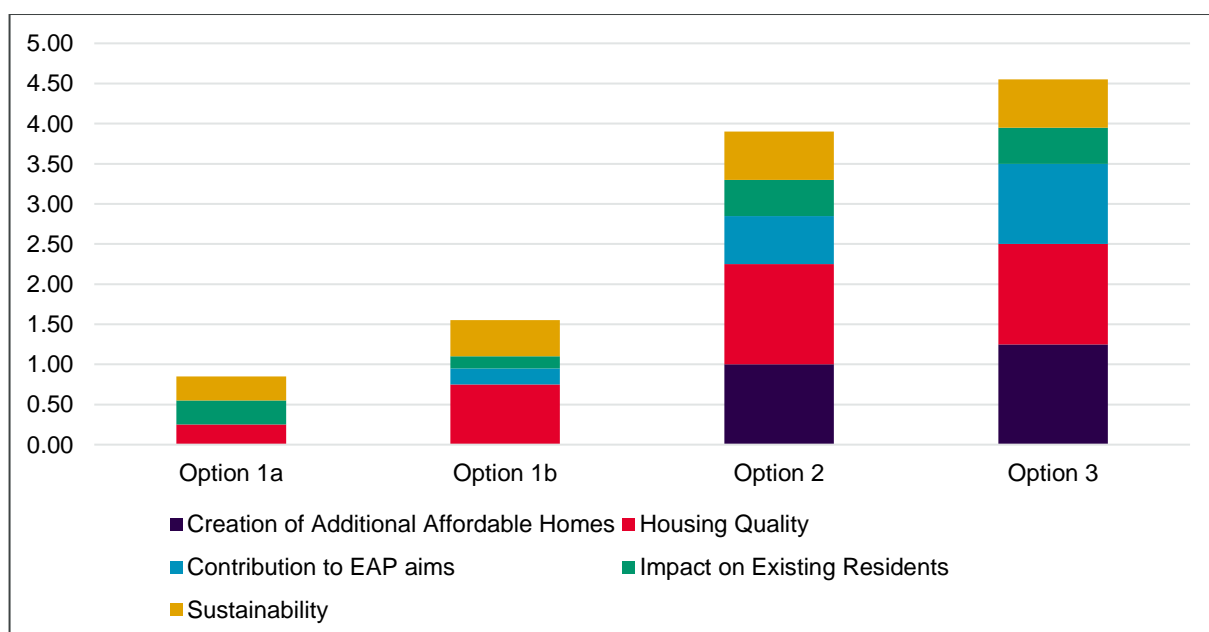
## Non-Financial Appraisal

- 3.2 The Project Team developed a model which evaluates the non-financial factors or qualitative elements of the options, using a weighting and scoring approach. With consideration of the project objectives, the project team has agreed the following primary and secondary criteria in order to assess the benefits for each of the proposed options.
- 3.3 The criteria for which each of the options have been scored against is listed below. The criteria has been weighted in order to rationalise the non-financial benefits that are delivered by each respective option.
- 3.4 The criteria and weightings are illustrated in the table below:

Primary Criteria	Description	Weighting
Additionality	Creation of additional Affordable Homes	25%
Housing Quality	Considering space standards, energy efficiency, accessibility, outdoor space.	25%
Contribution to EAP Aims	Connectivity east west including provision of open space	20%
Impact on Existing Residents	Covering need to move / disruption and resident feedback.	15%
Sustainability	Energy efficiency, environmental impact, whole life carbon.	15%

- 3.5 Carter Jonas has evaluated and scored each option against the above criteria, as in independent expert, to indicate how each option performs against the specified project objectives.
- 3.6 The chart below illustrates the weighted scoring:

### Weighted Non-Financial Scores



- 3.7 As demonstrated in the chart above, Option 4 has the highest non-financial weighted score and therefore is considered to deliver the most non-financial benefits, followed by Option 3.

- 3.8 Limited benefits are generated in Option 1 by maintaining the existing accommodation. There are a number of existing concerns in relation to the existing buildings, arrangement and structure, as outlined on Page 4.
- 3.9 Option 2 also scored poorly, although better than Option 1, as a result of providing good quality, refurbished accommodation for residents. This option provides higher quality social housing with better ventilation and reduced mould and damp issues. It helps future-proof the buildings ensuring greater longevity and energy efficiency. However, there are practical challenges associated with refurbishing the existing buildings, including non-compliance with DDA, existing structure limitations, lack of secondary escape staircases, non-compliance with minimum space standards, limited communal space, lack of placemaking and amenity space and no cycle stores.
- 3.10 Options 3 and 4 score well on the basis of providing new, high-quality, modern, energy efficient residential accommodation with significant placemaking improvements. The newly built homes would meet all modern standards on accessibility, energy performance, fire safety and structural design. All residents would have some private open space – balconies, roof terraces or gardens. A significant number of new private and affordable homes (Local Plan compliant) would be created. Option 4 potentially provides around 505 new residential units in total, compared to 159 currently provided on the existing RPEN site. Options 3 and 4 fit well with the aspirations in the Euston Area Plan; for example, creating extra walking routes, particularly East-West. The new blocks would also enable improvements to the public realm, with better landscaping, lighting, pathways and additional greening.
- 3.11 The long-term impact on residents is considered to be lower in Options 3 and 4 than in Options 1 and 2. This is predominately due to the significant maintenance and refurbishment works that would need to be carried out with tenants in situ in Options 1 and 2 over a protracted timeframe, thereby causing significant disruption to existing tenant's daily lives. Additionally, whilst relocating existing tenants would reduce the significant ongoing disruption caused by HS2 works, it also has the potential to significantly impact those tenants relocated should they not be able to remain in the immediate locality.
- 3.12 A combined score has been awarded for Sustainability which covers energy efficiency, environmental impact, whole life carbon. A Whole Life Assessment of the RPEN Site and proposed Options has not been undertaken at this stage. Whilst Options 3 and 4 require part or full demolition of the existing RPEN site, these options have been scored with a higher Sustainability score on the basis of providing new, modern residential accommodation. These buildings will have higher sustainability credentials and will be more efficient over the long-term.

#### **Stakeholder Feedback**

- 3.13 Of the residents who responded, 50% were positive about Redevelopment (Full or Part) and 21% were neutral, with the main comments and caveats being a fair valuation of their property for leaseholders and a right to return for tenants, with most residents happy to accept the move to a higher quality home.
- 3.14 In comparison 25% were positive about 'Do Minimum' and 71% neutral with investor leaseholders being attracted by the low impact on their business but tenants concerned that this was just the status quo, although with the advantage of not having to move.
- 3.15 For the 'Refurbish' option 17% were positive and 50% neutral, with leaseholders concerned about the potentially higher contribution compared to 'Do Minimum' and tenants happy with the higher quality but concerned about disruption and the potential for the finished result to be not as good as new build.
- 3.16 All of which have been taken into account in the non-financial scoring.

## Financial Analysis

- 3.17 A cashflow has been prepared for each option to project the capital and revenue costs over a 30-year period for each respective option.
- 3.18 Carter Jonas' Building Consultancy team has prepared cost estimates for Options 1 and 2 to allow us to project the anticipated long-term maintenance and refurbishment costs of the existing premises.
- 3.19 Carter Jonas' Development Team has prepared Residual Appraisals for Options 3 and 4 to understand the potential receipts if LB Camden were to sell the site, subject to hypothetical residential schemes. In order to compare the options, the appraisals are run on the basis of an assumed land sale to a developer, who funds and delivers the indicative schemes, subject to a Development Agreement. Other delivery routes are available, and these will be explored at a later stage of this project.
- 3.20 Borrowing costs have not been explored in detail at this stage of the project. In due course, it will be prudent to work with the Council's Finance Team to model and understand the financial implications of the likely funding route. For the purposes of comparison, we have assumed that all Capital Costs must be funded through borrowing in the form of a 40-year interest only annuity. Options 3 and 4 benefit from a positive cashflow due to significant receipts paid to the Council early on in the cashflow on the assumption of a land sale to a developer (as described above). There may therefore be no requirement to borrow.
- 3.21 Within our appraisals we have made allowances for:

### Revenue

- Commercial Income – Income from Stanhope Parade, Children's Centre and the Storage Facility
- Social Let Residential Income
- Service Charge Income
- Maintenance Costs - Repairs
- Management Costs
- Move Costs

### Capital

- Capital Receipts – Land receipt paid by the developer to the Council
- Receipts from HS2
- Maintenance Costs - Improvements
- Compensation – Payable to Social Let Residents and Commercial Tenants
- Commercial Acquisition Costs - CPO
- Buy-back Costs – Costs associated with acquiring the Leasehold Units

## Cost Benefit Analysis

- 3.22 The section below summarises the Cost Benefit Analysis and identifies a preferred option, using methodology in line with HMT Green Book guidance. The table below illustrates the Net Present Value (NPV), Non-Financial Score and Notional Cost Benefit Score for each option.
- 3.23 **The Financial NPV** is the value of future cashflows (capital and revenue costs), as at today's date. A positive NPV indicates a profitable project.

- 3.24 **The Non-Financial Score** is the weighted score attributed to each option after consideration of the agreed non-financial scoring criteria.
- 3.25 These two scores are combined to determine the Notional Cost Benefit Score. The option with the highest **Notional Cost Benefit Analysis Score** delivers the most benefits for the lowest cost, and therefore represents the preferred option.

#### Cost Benefit Analysis Results Matrix

Option		Financial NPV	Non-Financial Score	Notional Combined CBA Score	Rank
Option 1	Do Minimum	(£20.3m)	0.85	-17	3
Option 2	Refurbishment	(£93.0m)	1.55	-144	4
Option 3	Part Redevelopment	£28.9m	3.90	113	2
Option 4	Full Redevelopment	£35.9m	4.55	163	1

- 3.26 The findings of the Cost Benefit Analysis, subject to the assumptions made within this report, are summarised below:
- Options 1 and 2 both have a negative NPV and are loss making over a 30-year period. Both options also have a low non-financial score and are not considered to deliver significant benefits.
  - In Option 3, the Council retains the commercial elements of the existing RPEN site (Stanhope Parage, Children's Centre and the Storage Facility) as income producing assets.
  - Options 3 and 4 have a positive NPV, and generate a significant surplus over a 30-year period. Both options are also considered to deliver significant non-financial benefits.
  - Options 3 and 4 provide additionality of affordable housing tenures including Social Rented accommodation.
  - Significant masterplanning and placemaking benefits including the provision of additional amenity space could be realised by re-developing the RPEN site.
- 3.27 Option 4 has been identified as the preferred option on the basis of having the highest Notional Combined Cost Benefit Analysis Score. Option 4 has the highest NPV and Non-Financial Score, which provides a compelling case to be recommended as the preferred option to take forward.
- 3.28 Masterplans for the proposed options are yet to be developed in detail. We recommend that the Council considers the pros and cons of re-providing or retaining commercial accommodation on the RPEN site at the next stage of this project. Other revenue generating may be suitable to meet ongoing revenue targets, such as build-to-rent.

#### Value for Money

- 3.29 The HMT Green Book indicates that the most important analysis in relation to a future real estate project is the respective Value for Money (VfM) of the different options. The Green Book suggests the best route to determining the VfM is by undertaking a Cost Benefit Ratio (CBR) analysis.

3.30 The CBR has been assessed by dividing the benefits of each option costs to produce a cost per unit of benefit (BCR).

3.31 The table below illustrates the key metrics used to track performance of each option; these include:

Option	Option 1	Option 2	Option 3	Option 4
	Do Minimum	Refurbishment	Part Redevelopment	Full Redevelopment
Total Income	£31.3m	£33.0m	£69.0m	£83.7m
Total Costs*	(£78.2m)	(£164.6m)	(£27.6m)	(£32.7m)
CBR	x(0.40)	x(0.20)	x2.50	x2.56

\* Including borrowing

3.32 The benefit-cost ratio (BCR) indicates how much benefit is obtained for each unit of cost, with a BCR greater than 1 indicating that the benefits outweigh the costs. The greater the BCR, the better the value for money.

3.33 A BCR ratio of 1 or more indicates that its benefits outweigh its costs. A BCR of 2 or more indicates a strong proposition, meaning that every £1 unit of cost delivers £2 in income.

3.34 Options 3 and 4 are considered to deliver excellent value for money with a Cost Benefit Ratio of 2.50 and 2.56 respectively.

3.35 Options 1 and 2 both have a BCR of less than 0, which indicates a solution where the costs are greater than the income over the 30-year period.



