

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

14th JULY 2011

REPORT OF CORPORATE MANAGEMENT TEAM

CABINET DECISION/COUNCIL DECISION/KEY DECISION

Housing & Community Safety – Lead Cabinet Member - Councillor S Nelson
Regeneration & Transport – Lead Cabinet Member - Councillor M Smith

HOUSING REGENERATION SCHEME UPDATE INCLUDING THE RECENT ANNOUCEMENT OF HOUSING MARKET RENEWAL TRANSITION FUNDING

1. Summary

Following the cessation of Housing Market Renewal (HMR) funding to provide Members with a position statement with regard to the 'Parkfield/Mill Lane Phase 2' housing regeneration scheme and to seek endorsement for the Councils bid to the recently announced HMR Transition Fund.

The report also provides a general scheme update on the Councils other priority housing regeneration schemes at Parkfield (Phase 1), Mandale, Hardwick, Swainby Road and North Shore.

2. Recommendations

Cabinet are recommended to:

1. Note the current position regarding the Parkfield/Mill Lane (Phase 2) HMR project, in particular the implications of the sudden cessation of HMR funding.
2. Note the limited purpose of the Transition Fund, in particular its emphasis on assisting only 'isolated' residents left in stalled HMR projects rather than enabling a comprehensive and structured conclusion to HMR schemes.
3. Endorse both the Councils Transition Fund bid and proposed Exit Strategy as outlined in the report.
4. Approve the use of £1.52million to fund the 50% match funding requirement and a further £901,000 to fund scheme costs which are not eligible for Transition Funding from the Councils share of the VAT shelter.
5. Pending a successful Transition Fund support a 'Facelift' improvement scheme for the area not eligible for Transition funding ('Extended Area B').
6. Agree to a further report being presented back to Cabinet should the Councils bid be unsuccessful or not secure the full value of monies bid for.

3. Reasons for recommendations/decisions (s)

To inform Cabinet of the current position regarding all of the Council's major housing regeneration schemes and seek endorsement for the Councils Transition Fund bid.

1. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

AGENDA ITEM

REPORT TO CABINET

14th JULY 2011

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

***Housing & Community Safety – Lead Cabinet Member - Councillor S Nelson
Regeneration & Transport – Lead Cabinet Member - Councillor M Smith***

**HOUSING REGENERATION SCHEME UPDATE INCLUDING THE RECENT ANNOUCEMENT
OF HOUSING MARKET RENEWAL TRANSITION FUNDING**

SUMMARY

Following the cessation of Housing Market Renewal (HMR) funding to provide Members with a position statement with regard to the 'Parkfield/Mill Lane Phase 2' housing regeneration scheme and to seek endorsement for the Councils bid to the recently announced HMR Transition Fund.

The report also provides a general scheme update on the Councils other priority housing regeneration schemes at Parkfield (Phase 1), Mandale, Hardwick, Swainby Road and North Shore.

RECOMMENDATIONS

Cabinet are recommended to:

1. Note the current position regarding the Parkfield/Mill Lane (Phase 2) HMR project, in particular the implications of the sudden cessation of HMR funding.
2. Note the limited purpose of the Transition Fund, in particular its emphasis on assisting only 'isolated' residents left in stalled HMR projects rather than enabling a comprehensive and structured conclusion to HMR schemes.
3. Endorse both the Councils Transition Fund bid and proposed Exit Strategy as outlined in the report.
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DETAIL

Parkfield/Mill Lane (Phase 2) Housing Regeneration Scheme

1. The Parkfield/Mill Lane (Phase 2) regeneration scheme commenced in 2006. Following a period of extensive consultation and community support, Cabinet granted approval (in January 2010) for the original demolition boundary to be extended (min 156/09). The 'extended' area was divided into two (see **Appendix 1**), with approval given to proceed immediately with property acquisitions and demolition in *Extended Area A* and for those in *Extended Area B* (a further 80 properties) to proceed only if additional funding was confirmed following the announcement of the next Comprehensive Spending Review (CSR).
2. At the time of considering the January 2010 report, Cabinet were also advised that the Council had agreed 'in principle' a £8m Funding Agreement with the Homes and Communities Agency (HCA), the purpose of this funding was to enable private property acquisitions for both Parkfield and Swainby Road schemes. In anticipation of any potential HMR funding reductions a contingency agreement with the HCA had been agreed. Under this arrangement the HCA would invest their share of the anticipated Swainby Road capital receipt into Parkfield (to cover any reduction in funding and enable the completion of the scheme) on the condition the Council also did the same.
3. The HMR pathfinder programme was introduced by the previous Government and was expected to be a long-term programme running to 2018. In last years CSR the coalition Government announced the axing of the programme and the immediate cessation of funding. At the same time that HMR funding ceased, the HCA also saw its resources significantly reduced and as a result only the first instalment of the Parkfield/Swainby Road Funding Agreement (£2m) has been received and these resources have been ring-fenced for private property acquisitions on Swainby Road (although the contingency arrangement with regards to the use of Swainby Road capital receipts has remained unchanged).
4. The sudden cessation of funding has not allowed a programmed exit and has left all pathfinders in a similar position (with stalled and/or part complete programmes and residents left in isolated properties).
5. In Stockton whilst we have made significant progress with the £16.5m secured via the traditional HMR funding sources (210 properties acquired and 160 demolished) our programme remains un-complete. In summary:
 - In the 'original area': 8 properties to be purchased and 31 to be demolished
 - In 'Extended Area A': 26 properties to be purchased and 72 to be demolished
 - In 'Extended Area B': 80 properties to be purchased (and demolished)
6. As our HMR funding for 2010/11 was not fully committed, we have managed to continue (albeit on a slower basis) to negotiate with property owners in Parkfield (in the 'original' area and Extended Area A). This has not been the case in other HMR pathfinder areas and many ceased their programmes with effect from 31.3.11.

HMR Transition Fund

7. Since the announcement that HMR programmes would no longer be funded the Council has actively sought all other sources of funding including making a bid to Round 1 of the Regional Growth Fund. Our bid (as with the other Tees Valley LA's) was unsuccessful. In addition we have actively lobbied, along with other HMR Pathfinder areas, for replacement funding to allow us to complete our current commitments.

8. In direct response to lobbying by all parties Grant Shapps, Minister for Housing and Local Government recently announcement a **HMR Transition Fund**. The Government has allocated £30m to a transition scheme intended to help residents trapped in the worst conditions where former HMR funded schemes have been stalled. The £30m must be match funded thereby generating a total investment of £60m to “resolve the worst problems in the most challenged HMR areas – Merseyside, East Lancashire, North Staffordshire, Hull and Tees Valley”. It is clear from the scope of the guidance (and the pot of money available) that funding will not be sufficient to enable the completion of HMR pathfinder schemes rather it is intended to conclude only limited phases specifically where residents have been left ‘isolated’ in stalled programmes.
9. Bid guidance was released on the 2.6.11 and required one programme bid from each HMR pathfinder region with multi local authority bids contained within it. The guidance is specific in that:
 - a) Bids can only be made to re-house residents in the most isolated schemes, LAs must **target the most vulnerable households in the worst streets** and
 - b) LAs must submit an ‘**Exit Strategy**’ which must detail the process for either unwinding or transferring schemes to other local initiatives (on the full understanding that additional Government funding will *not be* made available). The Exit Strategy needs to detail the process of unwinding HMR commitments including how this will be taken forward with residents and how it will be approved at member level.
10. To ensure that LAs adhere to the bid criteria, each is required to complete a pro-forma (detailing scheme costs) and to supply the details of their blocks/streets under one of the following 4 four priority categories:

Category 1:	fewer than 10% of homes occupied and severe dereliction
Category 2:	fewer than 10% of homes occupied and some dereliction
Category 3:	fewer than 50% of homes occupied and severe dereliction
Category 4:	fewer than 50% of homes occupied and some dereliction
11. To ensure the most effective bid as possible is made for Stockton a number of potential options and scenarios were considered for submission. Each option was measured in terms of ensuring the maximum number of ‘vulnerable/isolated properties’ could be included whilst ensuring our bid would be deemed competitive and viable by the DCLG/HCA (who will assess all submissions).
12. Cabinet are asked to note that it has not been possible to make a bid for the ‘full’ Parkfield/Mill Lane area, as properties contained within ‘*Extended Area B*’ are not bid compliant i.e. they do not fall within either the fewer than 10% or fewer than 50% occupancy levels.
13. The Stockton bid is for the conclusion of the ‘original area’ plus ‘*Extended Area A*’. In summary our bid will be seek Transition funding for the purpose of acquiring the remaining 34 properties and completing the necessary demolition and site remediation work for 103 properties. The total value of the bid is £3.04million (£1.52million will be required in terms of match funding). Details of how the Council proposes to fund this are detailed in para. 17 of this report.

HMR Transition Fund – SBC ‘Exit Strategy’

14. As detailed above 80 properties currently contained within *Extended Area B* are not eligible for Transition funding; however as part of our bid submission we are required to detail our **Exit Strategy** for these properties. The Transition Funding guidance is clear that the Government will not make any additional monies available and those Authorities that decide to progress with their original/full schemes must do so via locally funded initiatives. As the Council does not have access to the additional £6.3m required to acquire and demolish these 80 properties Members are asked to support the ‘unwinding’ of *Extended Area B*. Pending member approval

it is proposed to contact residents/property owners in this area immediately confirm that will not be part of a demolition programme. Whilst a number of residents may be disappointed, residents have been advised previously that property demolition would only be undertaken if the Council was successful in obtaining additional funding.

15. In order to protect the level of investment made in the area to date and acknowledging that properties within this area are in need of investment, Members are asked to support pending a successful Transition Fund bid an external property improvement programme (a Facelift scheme) for properties in *Extended Area B*. Members are asked to note that a Facelift investment programme is not eligible for Transition Funding and must be solely funded by the Council. Without full property inspections the cost of this programme cannot at this stage be confirmed, however based on past experience it is estimated that costs will range between £200k - £400k.
16. As some members may be aware the Housing Service has carried out previous 'Facelift' programmes in other areas of the Borough which have included for example; the renewal of gutters, brick cleaning and repainting of doors and windows. These works have often complimented HMR activity for example the Norton Road area near Swainby Road and have been well received by local residents/property owners. In addition to this external investment local residents will be encouraged to apply for loan assistance from the Councils Private Sector Housing Division to remedy any category 1 Hazards that may be present in their homes.

Making a Transition Fund Bid

17. As the deadline for submissions was 7.7.11 and guidance was only issued in early June it has not been possible to bring a report to Cabinet (and Council) at an earlier date. As such the Councils Corporate Management Team (CMT) considered the bid guidance/criteria and the limited bid options available to the Council. On the basis of making a bid in accordance with the deadline of the 7.7.11 the preferred bid submission (i.e. to complete the 'original area' and 'Extended Area A) and details of the Exit Strategy were then referred to the Cabinet Member for Housing and Community Safety and the Mayor to agree in principle and formally sign-off prior to the bid deadline as part of the Councils Urgency process. The total cost to the Council of the full programme outlined in this report will be £4.53million and the urgent decision outlined that the match funding element and the other ineligible costs (i.e. project management costs, internal fees, potential CPO costs and Facelift costs) would be funded from the receipt in respect of the VAT shelter arrangement with VELA Homes. Members will recall that the report to Cabinet in November 2010 identified the receipt in respect of this arrangement would be ring-fenced to housing and regeneration programmes and complimentary regeneration activities (Cabinet Decision Record D100123).

Next steps

18. It is a requirement of a Transition Fund bid that councils consult local residents in areas where 'HMR projects' are being unwound. On this basis it is proposed that immediately following Cabinet the Housing Regeneration Team letter drop all residents in Extended Area B, this letter will explain that the Council has no further plans to purchase their properties and that pending the outcome of the Transition Fund bid we propose to carry out a Facelift improvement scheme. The DCLG/HCA have advised that LAs can expect to know the outcome of their Transition Fund bids by either late July/August 2011 or Sept/October 2011 (the later date is for bids where the DCLG/HCA is likely to require additional information for LA's). Pending a successful bid outcome, we will then progress with the formal consultation/implementation of the Facelift investment programme for properties in *Extended Area B*, this course of action cannot be taken forward until the Council understands the value of monies secured via the Transition Fund and therefore its match funding commitments/liabilities.

19. Should the Councils bid be unsuccessful or we do not secure the full value of the bid then a further report will be presented back to Cabinet.

Other priority housing renewal/regeneration projects

20. As Members will appreciate the 'housing market' has been challenged over recent years due to funding reductions and wider private sector market forces such as access to mortgage availability for first time buyers, etc. However despite these challenging times it is encouraging to note that our other regeneration projects have continued to progress. In summary:

PARKFIELD PHASE 1

21. As Cabinet may recall this site had stalled and the developer (Dunelm) had left the site due to a lack of private house sales. A partner 'Action Group' was established which included key partners from SBC, the HCA, the Fabrick Housing Group and Dunelm and following discussions all partners agreed this site as a priority and a 'kick start' action plan was agreed. This included for example:

- SBC providing a part loan/repayable grant of £211k to Dunelm using part of our Growth Fund allocation (which was specifically earmarked by CLG to assist stalled developed sites);
- Fabrick Housing Group purchasing 'standing stock' on the Yarm Road frontage (i.e. built but not sold);
- The HCA provided funding (to the Fabrick Group) for the development of 6 bungalows to be built for social rent and,
- Dunelm securing a revised planning application which saw a move from larger family homes to 2/3 bed family accommodation which would prove attractive to the local market.

22. All partners successfully achieved their actions which have resulted in Dunelm moving back on site, the 'sales office' has re-opened and the first show homes will be completed imminently.

MANDALE PARK

23. Mandale Park continues to be a success. As reported in the previous update report, the only external funding this scheme requires is HCA National Affordable Homes Programme monies to fund the remaining Registered Provider (RP) properties, Nomad our RP partner have recently made a bid to the HCA and the results of this are expected late July.

HARDWICK

24. Whilst sales on the Hardwick site are slower than Mandale they are continuing Hardwick is the only private sector development site in the Borough to benefit from the award of HomeBuy Direct funding, HomeBuy Direct is a national Government initiative aimed at assisting first time buyers to enter the housing market. As with Mandale our RP (Endeavour HA) has also made a bid to the HCA for National Affordable Homes Programme monies to enable them to complete the remaining homes for rent, the outcome of their bid for funding is expected late July.

SWAINBY ROAD

25. The decanting of the site has commenced and is progressing well, as are negotiations with private sector property owners on the Norton Road frontage. As Members will be aware it was agreed as part of the stock transfer that Tristar Homes would fund the clearance of 'social housing stock' in this area and return a cleared site to the Council.

26. As part of the Funding Agreement with the HCA (referenced earlier in this report) the Council is required to undertake a site master planning exercise. In conjunction with the HCA we have

recently appointed DTZ to undertake this on our behalf. A number of consultation sessions have been held including sessions with the local community, all of this information will now be collated and feedback to the Council/HCA. As the scheme progresses it is proposed to bring a further report back to Cabinet which will detail our site re-development options.

NORTH SHORE

27. As Members may be aware work has now started on the first phase of the HomeZone for the initial fifty properties with the show homes available from November 2011.

First Buy Direct

28. The Government has recently announced 'First Buy Direct' to help 10,000 first time buyers nationally purchase a new build property by 2013. This funding is available direct to house builders and is intended to support potential buyers who could otherwise not afford to buy (for example, as a result of deposit requirements but who could otherwise support a mortgage). We have recently been advised that our private sector/house build partners on the Parkfield (phase 1), Mandale and Hardwick schemes have all been successful in their applications for funding. The 'First Buy' product will provide another 'tool' for our private sector partners in terms of selling homes on their respective sites.

FINANCIAL IMPLICATIONS

29. The costs of the 'match funding' element of the bid together with the ineligible costs to complete the '*original/Extended Area A*' and Facelift investment proposal in '*Extended Area B*' will be met from the VAT shelter income.

LEGAL IMPLICATIONS

30. There are no legal implications arising directly from the report.

RISK ASSESSMENT

31. All of the Housing Regeneration Schemes are subject to regular risk assessments. This report is categorised as medium risk and such existing management systems and daily route activities are sufficient to control and reduce risk.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

32. The proposals within the report are in accordance with the Sustainable Community Plan Key Themes of Economic Regeneration and Transport, Environment and Housing and Stronger Communities.

EQUALITIES IMPACT ASSESSMENT

33. This is an update of previous reports where Equalities Impact Assessments have been undertaken.

CONSULTATION INCLUDING WARD/COUNCILLORS

34. Ward Councillors and Cabinet Members are provided with ongoing briefings to ensure they kept up to date with the progress/key issues etc. for housing regeneration schemes within their

ward. The Stockton Town Centre ward members and Cabinet Members for Housing and Community Safety and Regeneration and Transport have all been consulted on the Councils Transition Fund bid and the wider implications for the Parkfield/Mill Lane regeneration scheme.

Corporate Director of Development & Neighbourhood Services

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Background Papers

Housing Regeneration Report to Cabinet 2nd September 2010

Parkfield Swainby Road Cabinet Report 14th January 2010

Hardwick Redevelopment Cabinet Report 15th March 2007

Housing Futures: Transfer of Housing Stock to Tristar Homes (Final report) 18th November 2010

Education Related

No

Ward(s) and Ward Councillors:

Stockton Town Centre – Cllr Coleman & Cllr Kirton

Parkfield & Oxbridge – Cllr Javed & Cllr Rose

Mandale and Victoria – Cllr Large, Cllr Stott & Cllr Walmsley

Hardwick – Cllr Cooke & Cllr Stephenson

Norton South – Cllr Cook & Cllr Johnson

Property

As detailed within the body of the report