

AGENDA ITEM XX

REPORT TO CABINET

13 FEBRUARY 2014

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

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

HOUSING LED REGENERATION SCHEME UPDATES

1. Summary

To provide Members with a position statement in relation to each of the Council's major 'housing lead' regeneration schemes, summarising how each contributes to the Borough's broader regeneration ambitions in creating vibrant / sustainable communities and town centres.

In the absence of any external funding opportunities approve the use of VAT Shelter monies to address the identified funding gap (of £1.6m) thereby ensuring the continued momentum of all of the Councils housing lead regeneration schemes.

2. Recommendations

Cabinet are asked to:

1. Note the positive progress currently being made on each scheme.
2. Acknowledge that in these challenging economic times that the value of 'brownfield development land' has fallen significantly since the original Swainby Road and Victoria Estate financial appraisals were undertaken. This has occurred at the same time that access to external funding to support such regeneration schemes has ceased.
3. Note the revised financial position as detailed in paragraphs 27 – 29 (an anticipated funding gap of £1.6m).
4. In the absence of any external funding approve the re-profiling/use of previously negotiated VAT shelter monies to ensure the continued momentum on all of the Boroughs priority regeneration schemes.

3. Reasons for the Recommendations/Decision(s)

To provide Cabinet with an up to date position statement regarding each of the Council's major housing-led regeneration schemes, detailing how each contributes to the delivery of the council's broader regeneration ambitions through the provision of new quality accommodation and the levels of inward investment they deliver.

4. 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.

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RECOMMENDATIONS

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DETAIL

Background

1. As Members are aware there are a number of housing-led regeneration schemes currently on-going across the Borough. Despite some very difficult and challenging economic times (notably the credit crunch and a volatile housing market) each of these schemes has and continues to progress. Whilst some schemes are moving towards their later stages (i.e. Hardwick and Mandale) others are progressing to the 'on site' stage with our partners committed to significant new build programmes. The purpose of this report is to provide Members with an update position statement in relation to each scheme and where applicable provide a summary of critical next steps.

Mandale Park

2. 2014 will see this regeneration scheme enter its 10th year of delivery. This scheme continues to advance in a successful and positive manner and we are now in the final stages of site clearance. Of the 578 households to be decanted there is 1 private property left to purchase and 3 tenants in Tristar Homes properties to move to suitable alternative accommodation.
3. As Members will be aware the Council's partners on this site are Keepmoat, Barratt and Isos Housing. Collectively they will deliver 862 new, quality homes including 246 affordable properties (for rent and shared ownership). Both house builders have advised that sales remain strong on the site and this is supported by the national 'Help to Buy scheme' (a Government loan which provides up to 20% of the cost of a new build home so that the purchaser only needs a 5% deposit). To date over 770 of the new homes have been built (including 220 affordable properties). It is anticipated that the scheme will complete during 2016 and that the total level of private investment secured will be in the region of £80m. A layout detailing the current status of this regeneration scheme (i.e. the area still to 'build out') will be provided at Cabinet.
4. One of the commitments provided to those residents in the 'clearance area' was a priority to return to a new Isos property, as a result a number of tenants vacated on a 'transit basis' pending the building of new properties. As soon as we were aware of the implications of the 'spare room subsidy' (commonly known as the bedroom tax), all transit tenants were visited to discuss their housing options as many had originally intended to return on a 'like for like' basis (if they left a 3-bed house then they wished to return to a 3-bed house, regardless of their family size). In addition to providing transit households with general advice, planning revisions have also been made to the later stages of the development which has (and will continue to see) the number of smaller social properties (i.e. 2 bed houses) increased and larger properties reduced. We are also working with Isos to revise the current local lettings plan, to ensure that preference for any spare new homes (i.e. those not required for transit households) is given to tenants seeking to downsize.
5. The scheme has (and continues to offer) a variety of training and employment opportunities for local people with Barratt/Keepmoat estimating that around 95% of their current workforce are 'local'. Other additional benefits have included the sponsorship of the 'Mandale Cup' (football event between local schools) and sponsorship of promising (junior) athletes.
6. As mentioned above the scheme is entering its 10th anniversary year which provides a wonderful opportunity to celebrate its success. On this basis a proactive PR campaign (including community events) is being developed with all partners for implementation during the year.

Meadow Rise (Hardwick)

7. Like Mandale Park this scheme is also entering its later stages of development. The site has been cleared for quite some time and with the exception of the outstanding affordable housing plots all land has been sold to our appointed private sector development partners (Barratt and Keepmoat). 620 (of the 760 proposed new homes) have been built to date including 100 general needs housing for social/affordable rent, the award winning Aspen Gardens extra care home (50 units), an additional 20 apartments in the over 55 apartment block (Ruskin Court) and a further 20 bungalows providing accommodation for those who are elderly with a physical disability. A layout detailing the current status of this regeneration scheme will be provided at Cabinet.
8. Whilst 'sales' on the site have fluctuated over the years (critically at the time of the credit crunch) both house builders have advised that sales are positive at this time. This has again been supported by the 'Help to Buy' scheme. We anticipate the scheme will complete during

2018 and that on completion it will have delivered in the region of £70m private sector investment.

9. Unlike the Mandale estate there are no 'transit tenants' waiting to move back to the state. However to ensure that the remaining new-build, affordable houses address housing need, planning revisions have been agreed with the Vela Group (who will provide the remaining affordable units). As with Mandale this will decrease the number of 3-bed houses and an increase in the number of 2-bed houses.

Nursery Gardens (previously known as Parkfield and Mill Lane phase 1)

10. This site was also negatively affected at the time of the housing market crash and for a period it did stall. However the recent story is much more positive and the developer (Dunelm) have now built 97 of the 105 new homes on the site. To promote the site Dunelm have undertaken a proactive local marketing campaign and offer a range of purchaser incentives. Properties on this site can also be purchased via the 'Help to Buy' scheme. Total private sector investment is estimated at £16m when the scheme is complete.

West End Gardens (new 'scheme name' for the new build site previously known as Parkfield and Mill Land phase 2)

11. As members will be aware both of the Councils partners for this site (Tees Valley Housing – TVHA and Jomast properties) have secured the necessary planning approvals. At this present time the Council is progressing the necessary land transfers and it is anticipated that both will have completed by the date of this Cabinet meeting. In anticipation of the land transfer TVHA's appointed contractor have been allowed entry onto the site (under license) to commence necessary site investigation/pre-start works etc., ensuring no programme delays.
12. The TVHG development scheme will in total provide 117 units of accommodation, to ensure that this addresses both current and future housing need (and also addresses concerns regarding the falling demand for larger properties in response to the introduction of the spare room subsidy) the majority (97) units are 2 bed-properties. The scheme itself provides a range of accommodation types including houses, bungalows and a small number of flatted properties.
13. TVHG have secured funding from the Homes and Communities Agency to support the provision of affordable housing (from both the 2012-2015 Affordable Homes Programme and the 2013 Affordable Rent Guarantee programme). It is anticipated the first of the new build properties will be ready for occupation by March 2015. As the build-out of the scheme is not dependent on the sale of houses, TVHG are committed to a 3-year build programme.
14. As yet the Council has been unable to secure interest in all properties on the site by voluntary agreement and on this basis the initial CPO notice was served the wk. commencing 20.1.14.
15. To ensure that the broader (added value) regeneration activities are delivered on this site, TVHA are committed to a programme of providing training and apprentice opportunities as well as working with the local community. TVHA and their appointed contractor are also keen to engage with the local community, initial contact has been made with the local primary school who have welcome involvement in the development (potential activities include street naming, class room visits and site/safety tours etc.).

Swainby Road

16. Unfortunately this site is also one which has suffered as a result of the volatile housing market and a general preference from house builders for 'green field' over 'brown field' development land. As a result it has suffered protracted delays in the appointment of a development partner. A procurement programme to market the site commenced initially during the summer of 2012, unfortunately at this time the site failed to secure sufficient interest to proceed to a full tender

exercise. An exercise was then undertaken to review the Development Brief to ensure it was not un-necessarily onerous and following this the procurement process was repeated.

17. Following a period of detailed negotiation the Council now has one interested party who is keen to develop the site (Keepmoat). Planning 'one-stop shop' colleagues have been party to informal discussions regarding the proposed planning application, meetings have been held to draft a Development Agreement and Keepmoat have completed all site investigations. In terms of next steps:
 - Feb 2014: pre-planning community consultation event to be held
 - End Feb/Mar 2014: Keepmoat planning application submitted
 - Summer 2014: (subject to securing planning approval) Keepmoat start on site
18. At this present time there are 2 remaining Tristar tenants yet to be decanted from the estate. Tristar Homes are actively working with both to ensure this can be undertaken as soon as is possible. All properties on the frontage of the site are now within Council ownership and the tender process to appoint a demolition contractor has commenced.
19. The new Keepmoat development will include a minimum 15% affordable housing (or 30 units whichever is the greater). Tristar Homes will be the registered housing provider on this site and have successfully secured HCA monies for this purpose. On this basis it is anticipated that land will not transfer to Keepmoat in phases, rather as one transfer. On the assumption that the above timetable is not significantly revised and that a successful planning outcome is achieved Keepmoat are aiming to have the first (show homes) built by late 2014, it is anticipated that a scheme of this size (170 units) and nature (i.e. the majority of the units for sale) will take in the region of 5-years to complete.
20. A copy of the planning layout which will be used at the February pre-planning application community consultation event will be available for viewing at Cabinet.
21. Whilst we are confident that a viable development option is currently being progressed it should be noted that the value of the site is now deemed to be negligible (the impact of this on the overall Housing Regeneration Scheme Financial Profile is detailed at paragraph 27 - 29). Whilst it is anticipated that there will be no initial capital receipt, the Development Agreement will include the provision for sharing future overage should any be generated (for example should house prices on the site increase during the development period).

Victoria Estate

22. The decanting of the Victoria estate continues at pace. Initially we had anticipated that the rehousing of tenants and leaseholders could take up to 5 years; however based on activity to date this is likely to be closer to a 3 year period. The quickened decant has been possible due to the availability of social rented accommodation across the Borough and the decision taken by Tristar not to re-let some properties in later phases as they become vacant.
23. To ensure that we are able to move forward quickly in terms of delivering the 'new' Victoria, working jointly with Tristar Homes (who have a 20% interest in the site) 'Halsall Lloyd Partnerships' have recently been appointed to support us progress a 'Delivery Strategy' for the site. This work will be two fold; it will both review/refine the earlier Master plan and support us in working up firm proposals for older persons / extra care housing on the Phase 1 area of the site. Colleagues in Housing/CESC are currently working with Vela to determine the most appropriate housing scheme which will meet the current/future needs of older people within the central Stockton area. This in turn will allow a funding application to be submitted by Tristar to either the second round of the DoH Care and Specialist Housing Fund (funding prospectus yet

to be released) or the 2015-2018 HCA Affordable Housing Programme. As the Phase 1 area is yet to be cleared it is anticipated that any start on site will not commence until the later phases of the 2015-2018 funding programmes.

24. As with Swainby Road, soft market testing has again indicated that at this time the site is likely to secure the Council a negligible (if any) capital receipt. However this position may change should there be a significant up-turn in the housing market and/or house prices (with the position of the Council protected through overage agreements included in any land sales). The revised financial position is detailed in paragraphs 27 – 29.

Overview

25. As Members are all too aware the housing market has been turbulent over recent years and this has had a dramatic impact on many housing regeneration schemes (both regionally and nationally). As highlighted within this report the value of brownfield development land has fallen significantly and this has come at a time when the 'traditional' means of securing external funding has ceased. Without these funding opportunities brownfield sites are becoming increasingly difficult to deliver on the grounds of financial viability. In the absence of no alternative funding opportunities, Members are asked to agree (as detailed in paragraphs 27 - 29) the use of £1.6m of VAT Shelter monies to ensure the continued delivery/momentum of the Councils housing regeneration priorities. Thereby enabling each scheme to support the Councils broader regeneration ambitions via the improvement of physical environment neighbourhoods, securing significant levels of inward investment and through the provision of training and employment opportunities.
26. Also, as referenced within the report we have worked to ensure that the affordable housing provided on each site directly addresses housing need. In Mandale and Hardwick this has been achieved by partners securing revised planning approvals for 2-bed rather than 3-bed houses in the later phases of development. Whilst at West End Gardens, Swainby Road and Victoria this will be incorporated from the outset of the scheme.

FINANCIAL IMPLICATIONS

27. As detailed above, the value of land has fallen significantly at both Swainby Road and Victoria Road since original scheme financial appraisals were undertaken which has had a negative impact on the overall Scheme Financial Cash flow. An exercise has been undertaken to address this gap (a review of all scheme costs) which has reduced scheme expenditure by £1.3m, however a funding 'gap' of £1.6m remains.
28. As members may recall, as part of the 2010 Housing Stock Transfer the Council successfully negotiated with the HCA access to capital monies over a 15 year period as part of a *VAT Shelter* arrangement. Members previously agreed (Decision Record D100123) this money would be utilised to fund agreed strategic housing regeneration programmes and other complementary regeneration activity in and around the Town Centre. On this basis it is now proposed that the remaining estimated gap of £1.6m will be covered out of unallocated VAT shelter receipts. The revised financial position for the overall programme is detailed in the table overleaf, this revised financial profile will be reflected in the overall Capital Programme Members will be asked to approve as in the Budget/MTFP report to Cabinet on 20.2.14.

Housing Regeneration (Mandale/Parkfield/Swainby/Victoria)	Approved position @ Feb 2013 (£)	Revised Position @ Dec 2013 (£)	Change (£)
Expenditure	12,094,426	10,804,413	(1,290,013)
Capital Receipts	(7,196,828)	(7,171,566)	25,262
Previously approved VAT Shelter**	(2,023,363)	(2,023,363)	0
Unconfirmed Capital Receipts (Swainby & Victoria)	(6,800,000)	0	(6,800,000)
GAP/Previously assumed surplus	(3,925,766)	1,609,484	5,535,250
VAT shelter unallocated	0	(1,609,484)	(1,609,484)
Revised Position	(3,925,766)	0	3,925,766

**Used to fund the 'match funding' required as part of the Councils HMR Transition Fund bid (approved by Cabinet 14.7.1 D110078.)

29. Should a developer receipt be negotiated for either the Swainby or Victoria sites (or monies secured via overage agreements during the period of each sites development) this will be paid back to the scheme, thereby releasing VAT shelter monies back to the Council to fund other alternative projects.

LEGAL IMPLICATIONS

30. There are no legal implications arising from this report.

RISK ASSESSMENT

31. Each housing regeneration scheme has been risked assessed (and this assessment is reviewed quarterly). At this present time all schemes are categorised between low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

32. As detailed within the body of this report each housing led regeneration scheme has a positive impact on the following Sustainable Community Strategy themes:

- a. **Economic Regeneration and Transport:** each scheme delivers significant inward investment and has a positive impact on the Councils broader growth and town centre redevelopment priorities.
- b. **Safe Communities:** each scheme has/will be designed to provide a safe and inclusive environment.
- c. **Healthier Communities and Adults:** each of the schemes includes the provision of housing for older and or vulnerable people.
- d. **Environment and Housing:** the additional units of accommodation will address identified housing need both for current and future generations.

Supporting themes:

- e. **Stronger communities:** each scheme aims to foster a sense of pride by scheme residents.

- f. **Older Adults:** as highlighted previously a number of the schemes have/will include provision which will address both growing care and housing needs of older adults of our Borough.
- g. **Arts, Leisure and Culture:** each scheme development proposal will incorporate high quality design.

EQUALITIES IMPACT ASSESSMENT

33. This report is not subject to an Equality Impact Assessment (EIA) as each scheme has an individual EIA that has previously been reported to Cabinet.

CONSULTATION INCLUDING WARD/COUNCILLORS

34. Ward members are consulted at the inception of each regeneration scheme and regular briefings are held to ensure they are kept up to date with key issues.

Corporate Director of Development & Neighbourhood Services

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Background Papers

Cabinet reports:

Future of Mandale – Master Plan (30.1.03)

Regeneration of Mandale (14.8.13)

Mandale Redevelopment Financial Position (18.12.03)

Mandale Development (9.12.04)

Hardwick Visioning Exercise (14.8.03)

Redevelopment of Hardwick (11.11.04)

Hardwick Development (15.3.07)

Parkfield Regeneration Phase 1 (3.11.05)

Parkfield/Mill Lane Housing Regeneration Phase 2 (9.3.06)

Parkfield/Mill Lane Housing Regeneration (29.11.12)

Parkfield/Mill Lane Housing Regeneration including the Recent Announcement of HMR funding (14.7.11)

Parkfield/Mill Lane and Swainby Road Housing Regeneration (14.1.10)

Swainby Road Housing Regeneration Scheme update (14.6.12)

Housing Regeneration Scheme update Parkfield and Mill Lane and The Victoria estate (9.2.12)

Housing Regeneration Scheme Update – The Victoria Estate (14.6.12)

Housing Futures: Transfer of housing stock to Tristar Homes Limited / Final Report (18.11.10)

Education Related

No

Ward(s) and Ward Councillors:

Mandale and Victoria: Councillors Large, Stott and Walmsley

Norton South: Councillors Cook and Johnson

Parkfield and Oxbridge: Councillors Javed and Rose

Stockton Town Centre: Councillors Coleman and Kirton

Property

As detailed within the body of this report.