

AGENDA ITEM

REPORT TO CABINET

21 JANUARY 2021

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Regeneration and Housing – Lead Cabinet Member – Councillor Nigel Cooke

THE SYCAMORES REDEVELOPMENT UPDATE AND PROPOSALS FOR THE ELM HOUSE SITE

SUMMARY

To update members on the development of 'The Sycamores' housing scheme. In addition, to provide an overview of the Brownfield Fund (aimed at bringing stalled sites forward for housing development) and the proposal currently being developed with Keepmoat Homes Limited to bid into this Fund to bring forward the Elm House site.

REASON FOR RECOMMENDATIONS

To provide Cabinet with an update on a Brownfield Fund application which will enable the development of the Elm House with Keepmoat Homes Limited. To seek approval to revise the terms of the existing Victoria Estate Collaboration Agreement to include the Elm House site.

RECOMMENDATIONS

Cabinet are asked to:

1. Note the purpose/remit of the Governments Brownfield Fund (as detailed in para 3) and support ongoing work to secure Brownfield Fund monies which will accelerate brownfield housing developments across the borough.
2. Endorse the commencement of site remediation and development preparation in respect of the Elm House site and the indemnification of Keepmoat [to an agreed capped level] for the costs incurred.
3. Delegate authority to the Directors of HR, Legal and Communications and Finance, Development and Business in consultation with the Cabinet Member for Regeneration and Housing to determine the necessary revisions to the Collaboration Agreement and enter into any new legal documentation required to bring forward the redevelopment of the Elm House site.

DETAIL

Update on the 'Sycamores' site redevelopment (former Victoria Estate)

1. Members will recall following an extensive procurement process that Keepmoat Homes Limited were appointed as the Councils partner to bring forward the development of the Victoria estate. Despite the on-site challenges and the financial uncertainty faced by house builders as a result of the COVID-19 pandemic, significant progress has been made. In summary:

- The Show Home was officially opened in October 2020 by Richard Kilty (Olympic athlete and former resident of the site). The opening attracted media interest and was featured on BBC Look North.
- 21 properties have been built to date. This includes the first phase of 13 affordable homes which will be owned and managed by the Thirteen. These homes are currently being advertised on Compass (the Tees Valley Common Allocation system) and will be occupied imminently.
- In total 17 properties have been reserved / sold and building works have now commenced on a further phase of the development.
- Following agreement between Keepmoat Homes, the Council and Thirteen the percentage of affordable housing on the site over the term of the development will increase from 15% (22 units) to 22% (as Thirteen have purchased a further 9 units).
- To ensure that the development is inclusive homes are available for outright sale, affordable home ownership and affordable rent. In addition, the Help to Buy scheme is also available for potential property purchases. Help to Buy is a Government backed equity loan scheme which assists eligible households buy a home with a 5% deposit. This is in addition to other incentive packages offered by Keepmoat to help those seeking to purchase a home (i.e. the 'Easymove' scheme which helps residents pay their estate agent fees if they have their own home to sell).
- In addition to building new homes Keepmoat are committed to delivering a range of social value measures during the lifetime of the scheme. By way of an example Keepmoat have worked with a local primary school and will be installing an outside play area (unfortunately due to the current pandemic work has been delayed until 2021).

Elm House proposed redevelopment / Brownfield Development Fund

2. As highlighted in previous Cabinet reports it has always been the Councils ambition to bring forward the Elm House site with a scheme which would complement The Sycamores. Unfortunately, site investigations have identified that remediation costs are significant and have to date proved to be cost prohibitive to future development.

Brownfield Fund

3. Government have recently announced the 'Brownfield Fund' (the 'Fund'). The Fund which is overseen by Combined Authorities is aimed at supporting a range of financial interventions to enable the development of brownfield land which would otherwise not happen. Eligible expenditure includes; site remediation (including demolition) to prepare sites for housing, enabling infrastructure, site acquisition and land assembly. Whilst the Ministry of Housing, Communities and Local Government wants investment decisions to be made locally, there are some high-level principles for the Fund that have been set out in the Grant Agreement. Namely; all projects will be Green Book compliant (with a BCR floor of 1) and there is an expectation that Combined Authorities will seek the best possible Value for Money opportunities.
4. The Tees Valley local authorities have been working with the TVCA to identify a range of potential schemes which can be delivered during the Fund period (2020/21, 2021/22 and 2022/23). As Members will appreciate, there has been a particular emphasis placed on identifying those schemes which are eligible and can make a year 1 start (2020/21). The Council has identified the Elm House site as a year1 scheme and over recent weeks officers have been working to develop a Business Case which meets the Fund criteria. The proposed scheme is 14 bungalows which will be made available for affordable rent.

5. In order to bring this site forward within the required timelines, it is proposed to revise the terms of the current Victoria Site Collaboration Agreement with Keepmoat Homes Limited enabling the site to be included within the Agreement. The advantage of this approach is that allow Keepmoat Homes to mobilise quickly, with a start on site this financial year. It also ensures that the bungalow development will complement The Sycamores (as one builder) and the Council (who will make the Fund application) will be working with an existing, trusted partner. In addition, Keepmoat (on behalf of the joint partners) have been in negotiations with a Registered Provider who have committed to purchase the 14 bungalows.
6. Cabinet are asked to delegate authority to the Directors of HR, Legal and Communications and Finance, Development and Business in consultation with the Cabinet Member for Regeneration and Housing, to determine the necessary revisions to the existing (SBC/Keepmoat) Collaboration Agreement and enter into any new legal documentation which may be required to bring forward the Elm House site.

COMMUNITY IMPACT IMPLICATIONS

7. Given the nature of this report a CIA has not been completed.

CORPORATE PARENTING IMPLICATIONS

8. None.

FINANCIAL IMPLICATIONS

9. Given the extremely tight timescale to secure year1 Brownfield Fund monies it will be necessary for Keepmoat, with the Councils agreement to start on site late January 2021. This will involve the commencement of site remediation works and the submission of a planning application. On this basis the Council has agreed to indemnify Keepmoat (to an agreed capped level) for costs incurred should the scheme not proceed. Whilst it is not anticipated that the Council will need to meet these costs, should this situation occur a resource allocation has been identified from within the existing Victoria scheme redevelopment budget.

LEGAL IMPLICATIONS

10. It remains the responsibility of officers to ensure that the correct processes within Contract Procedure Rules have been followed and that where applicable the Public Contracts Regulations 2015 are complied with.

The Regulations permit a variation of the contract in these circumstances as the 'value' of the variation to the Collaboration Agreement sits within the 15% de minimis provision for works contracts included in section 72(5)(b) of the Public Contract Regulations 2015.

RISK ASSESSMENT

11. As with all development projects there are potential risks, these were highlighted in the July 2018 Cabinet Report. In addition, and as noted above the Elm House proposal brings a further financial risk to the Council in terms of indemnifying Keepmoat for initial site remediation and planning costs should the scheme ultimately not secure Brownfield Fund monies. To mitigate these risks Members are asked to note that a maximum value cap has been agreed and Officers have worked closely with the TVCA (and their appointed advisors) to ensure that the Business Case submitted is compliant with the Brownfield Fund criteria. The outcome of the bid is expected by the end of January 2021.

Members are asked to note that if a year1 start cannot be secured then the scheme is unlikely to secure Brownfield Fund monies, as future years are currently overbid with schemes which will deliver significantly more units of accommodation and a lower cost per unit Fund rate. A range

of opportunities have previously been explored to bridge the Elm House scheme appraisal costs, none of which have delivered a viable option. Therefore, without Brownfield Fund monies the Elm House site will not come forward as a housing development site.

WARDS AFFECTED AND CONSULTATION WITH WARD/COUNCILLORS

12. Stockton Town Centre Ward (Councillors, Councillor Kirton and Councillor Mrs Beall).

The Cabinet Member for Regeneration and Housing (Cllr Cooke) has been consulted on the Elm House Brownfield Fund application and the proposal to bring this site forward with Keepmoat Homes.

BACKGROUND PAPERS

13. Victoria Estate Redevelopment Update. Report to Cabinet 18.7.2019
Victoria Estate Redevelopment: Appointment of Joint Venture Partner / Establishment of a Joint Venture Company. Report to Cabinet 27.9.2018
Victoria Site: Update on the Revised Scheme Redevelopment Proposal
Victoria Estate Regeneration – Revised Scheme Proposal. Report to Cabinet 16.11.2017

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