

THURSDAY, 19 FEBRUARY 2015

**REPORT OF THE PORTFOLIO HOLDER FOR ECONOMY AND EDUCATION****TINKERS GREEN AND KERRIA CENTRE REGENERATION- MASTER PLAN****EXEMPT INFORMATION**

n/a

**PURPOSE**

To agree master plan proposals for the Regeneration of Tinkers Green and the Kerria Centre prior to submission for outline planning permission

**RECOMMENDATIONS**

- **That the summary Master Plan proposals are agreed**
- **That the Director of Housing and Health and Portfolio Holder for Economy and Education are authorised to submit an application for outline planning permission based on the proposals**
- **That the Director of Housing and Health and Portfolio Holder for Economy and Education are authorised to progress the procurement of a development partner**

**EXECUTIVE SUMMARY**

The regeneration of the Tinkers Green and Kerria Centre estates form an important ambition for the Council with the approval for the scheme given in November 2012. Since this date a number of update reports have been received by Cabinet with the latest report received on 11th December 2014. The delivery of the regeneration scheme has been progressed in accordance with an overall project plan shown at **ANNEX A** to this report.

This report marks an important point in the delivery of the project with the agreement of Master Planning Proposals which will be submitted for outline planning agreement. This will enable the progression of the project and in particular the appointment of a development partner for the project.

In developing the master Plan proposals extensive community consultation has been undertaken and local residents have been invited to review and comment on master planning proposals. Residents views have been central to the development of the proposals and the details of consultation exercises are attached at **ANNEX D** and **ANNEX E** to this report. Key options considered in the development of the master planning proposals are shown under the heading Options Considered below.

During the development of the proposals and the ongoing delivery of the project a cross party Members Group has met at key stages to ensure continued member engagement. This has been very successful and it is intended that this engagement will continue.

The proposals balance a number of competing considerations with the main driver being the need for investment to regenerate neighbourhoods and update currently unsuitable housing. A summary of the master plan proposals with the estate layout plans are shown **ANNEX B**.

It should be noted that the master planning stage is intended to provide a framework for the development of more detailed plans. A developer will support the Council in updating its plans and a detailed planning application will be submitted in accordance with the timescales outlined at **ANNEX A**.

In support of the proposals to move forward to the next stage of the project an updated financial appraisal has been undertaken. This is explained under the heading Resource Implications below. Budgetary provision has been made in accordance with this appraisal. Members will however be aware that the financial cost of the scheme cannot finally be assessed until a contract for development has been let.

The procurement of a development partner will now progress in accordance with the project plan. This will commence the process of agreeing detailed proposals and will involve consideration of key design issues including detailed consideration of elevations and design features including considerations of social value issues. During this process engagement will be maintained with residents, members and stakeholders. Two 'design' examples are provided at **ANNEX C** giving a visual impression of the finished designs. Members will note these are examples only. The original procurement by which the Council appointed GVA to support the delivery of the project included proposals and costs for the management of the development stage based on a percentage (0.7%) of the Capital cost of the procurement. This procurement was structured to enable the Council to implement an alternative method for delivery of this work to ensure greatest flexibility. In progressing the procurement of a Developer the Director of Housing and Health in consultation and Portfolio Holder for Economy and Education as authorised in the recommendations above will evaluate the original proposal and make a decision whether to appoint GVA or to implement an alternative approach.

A Risks Management Strategy Risk for the project is shown at **ANNEX F**. This has been regularly updated by the project team throughout the delivery of the project to date.

**OPTIONS CONSIDERED**

The development of the master Planning proposals has involved the consideration of multiple options and evaluation of a range of information from multiple sources. These considerations have been informed by the original objectives of the project shown in the Executive Summary. This has required competing priorities to be balanced. The key options which have driven the proposals are shown below:

<b>One: Site density and property numbers:</b> As outlined in this report the original proposals for the site included an assumed density based purely on theoretical assumptions. Following the completion of site investigations and evaluation by architects the potential numbers have reduced to ensure the delivery of regeneration for the area		
	<b>Benefits</b>	<b>Risks</b>
<b>Option One:</b> Maximise the number of properties by inclusion of high density accommodation	Increases New Homes Bonus Increased revenue to the HRA and general fund Greater contribution to meeting housing need numbers	Implies the inclusion of high numbers of flats with a high risk of duplication of the problems of the past Environmental and infrastructure issues including pressure on parking requirements increase Difficulty ultimately in letting properties as environmental and ASB issues impact The benefits of the regeneration are negated as is the value of the

		investment
<b>Option Two:</b> Redevelop with lower net numbers of properties to those currently provided	Lower Capital cost	Financial impact through net loss of New Homes Bonus and other revenue Immediate and long term impact on the HRA Business Plan Reduced ability to meet housing need No material improvement in quality of layout or sustainability of communities Negative impact on local facilities including threat to local school numbers
<b>Option Three:</b> Provide a density which allows for the creation of sustainable communities whilst ensuring at least like for like replacement with an increase in numbers where appropriate	Provides for attractive layouts and sustainable communities Provides a range of property to meet housing need Supports continued financial sustainability Supports sustainability of local infrastructure (local schools etc) This approach is in line with feedback received through resident and stakeholder consultation	Risks are considered elsewhere in this report and as part of the risks assessment attached as <b>ANNEX E.</b>
<b>Proposals are based on the achievement of Option Three</b>		

<b>Two: Re-provision of Community and Retail Facilities:</b> At present both sites include some retail provision and Kerria currently includes community facilities. Consideration has been given the level of re-provision which is achievable and desirable		
	<b>Benefits</b>	<b>Risks</b>
<b>Option One:</b> Re-provide retail and community facilities on a like for like basis based on current provision	Avoids any loss of facilities or cessation of business	Such provision will reduce the amount of residential accommodation on the site It is unlikely that there will be sufficient interest to ensure properties are let at rents capable of providing total cost recovery Alternative services and facilities are available Consultation does not support this level of provision
<b>Option Two:</b> do not re-provide retail and community facilities on either site	None material	This is not in accordance with community consultation or market intelligence Loss of current income to the General Fund will not be mitigated by re-provision

<p><b>Options Three:</b> re-provide retail facilities within the Kerria centre with the aim of attracting a provider capable of delivering choice and value for local residents</p>	<p>This option is consistent with the outcomes of consultation and supported by market evaluation  This has the potential to support the delivery of corporate objectives  Ensures the continuation of a recognised 'neighbourhood centre'  This option provides a financially sustainable model</p>	<p>Some residents may be concerned at a loss of facilities  Existing occupation arrangements will be the subject of negotiation</p>
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**Proposals are based on the achievement of Option Three**

**Three: Tenure Mix and the inclusion of owner occupied dwellings:** Consideration has been given to the inclusion of owner occupied dwellings on the site in order to achieve tenure mix. Financial appraisal has identified that inclusion of owner occupation will have a net negative impact on the future HRA business plan

	<b>Benefits</b>	<b>Risks</b>
<p><b>Option One:</b> Do not include owner occupied dwellings within the redevelopments</p>	<p>This potentially impacts favourably on the HRA as rental income accrues following the 'pay back' of the Capital outlay  Maximises the supply of affordable rented housing for allocation to households on the Council's register</p>	<p>It is considered good practice for new affordable housing developments to be mixed tenure in order to ensure the economic viability of the area  By not mixing tenure the Council could be creating social housing 'ghettoes'</p>
<p><b>Option Two:</b> Include an element of owner occupied dwellings</p>	<p>May help to make communities more resilient and support the development of mixed communities  Provides an opportunity to explore the potentially for delivery of 'shared ownership' models</p>	<p>Impacts negatively on HRA business Plan in the longer term with an annual loss of income of estimated £44m per annum (c.£1m over 30 years). However this is potentially offset by a Capital receipt of c.£1m if the properties can be successfully marketed.  Reduces the opportunity to meet demand for affordable rented housing</p>

On balance it is considered that the Council should progress on the principal of 100% affordable rented homes on the two sites. It is noted that the two areas are relatively small redevelopments and are surrounded by a concentration of owner occupied dwellings. However, it is also considered that this is an issue that should be informed by review with the Council's development partner once appointed. This will be important in ensuring that the development and market expertise of this partners is maximised. The Planning application has therefore identified the matter of owner occupied dwellings as a reserved matter with a minimum level of affordable rented housing being identified. This enables the Council to effectively keep its options open and allows further consideration. In order however to ensure proper financial provision the financial modelling includes an assumption for 100% affordable rented housing.

**Four: Flats above retail units.** Concern has been expressed at the sustainability of the provision of flats above the proposed retail unit at Kerria. These concerns centre on the poor quality of some existing provision and relate to design issues including access.

	<b>Benefits</b>	<b>Risks</b>
<b>Option One:</b> Remove these dwellings from proposals	Addresses concerns over the sustainability of these dwellings May increase the attractiveness of the retail provision to a provider	This will impact on the Council financially in relation to the New Homes Bonus Although there would be a reduction in the initial capital cost to the HRA of c.£0.8 m there would be a loss of revenue of £35k per year impacting on the HRA business plan (c.£1m over 30 years). It would also mean a loss of new homes bonus for the General Fund of £9.6k p.a. (£57.6k over 6 years). The loss of these dwellings will impact negatively on the Council's ability to meet demand for affordable rented properties Removes the opportunity to review design principals and potentially allay concerns
<b>Option Two:</b> Include these dwellings in the proposals subject to further consideration of design factors with development partner	Supports the sustainability of the Council Maximises the opportunity for demand for affordable rented housing to be met Provides the opportunity for design considerations to be explored and concerns to be allayed. Generates additional new homes bonus for the Council	No high risk issues identified
The master planning proposals have been developed in accordance with Option Two above		

These options mean that property numbers to be delivered differ from those originally reported as follows:

	Revised	Originally Planned	Difference	Existing	Difference
Kerria	44	60	16	36	(8)
Tinkers Green	108	127	19	100	(8)
<b>Total</b>	<b>152</b>	<b>187</b>	<b>35</b>	<b>136</b>	<b>(16)</b>

The reduced property numbers will mean a notional loss of income over the 30 year business planning period of c.£4.6m (offset by lower build costs) and new homes bonus of £246k (over 6 years).

## RESOURCE IMPLICATIONS

In assessing the overall cost of the scheme the Council has updated financial forecasts based on the master plan proposals. Financial provision has been made within Council's MTFs to cover the updated estimated costs.

The Council's consultants GVA have reviewed the proposed schemes and whilst it is not possible to give definitive figures until a development partner has been selected, they estimate the "all in" build costs for the two sites would be in the order of:

1. Tinkers Green - £10,100,000 (£93.5k per dwelling based on 108)
2. Kerria Centre - £4,700,000 (£107k per dwelling based on 44)

These figures include for the construction of the developments including the construction of the properties as well as the on-site infrastructure and external works – and they have also made an allowance for the demolition of the existing buildings and site clearance (and that there will be no abnormal ground conditions and that there are no major issues with the availability of services and drainage).

These figures exclude professional fees and other added costs such as disturbance payments, acquisitions and CPO costs (an estimated £3.65m had previously been included for these costs).

These estimates are significantly lower than the original estimates (full project costs):

	<b>Kerria Original Budgets</b>	<b>Tinkers Green Original Budgets</b>	<b>Kerria Updated Figures</b>	<b>Tinkers Green Updated Figures</b>
Construction Costs	6,279	13,283	4,700	10,100
Site Clearance	225	500	-	-
Disturbance Payments	383	799	383	799
CPO	500	700	500	700
Retail units	500	250	500	250
Acquisition of EFHI	528	-	528	-
Development Costs	-	-	-	-
Professional Fees	-	-	423	909
<b>Total</b>	<b>8,415</b>	<b>15,532</b>	<b>7,034</b>	<b>12,758</b>
<b>Total (Both)</b>		<b>23,946</b>		<b>19,792</b>
Less Sales*		<b>(1,298)</b>		-
<b>Net</b>		<b>22,648</b>		<b>19,792</b>
Change		-		<b>(2,856)</b>

\* No sales assumed in updated projections

## Implications

The lower cost estimates will mean a lower contribution from the HRA to capital spend.

## Updated Projections for the Draft MTFs (excluding costs incurred in previous years):

<b>Housing Capital Programme</b>	<b>2015/16 £</b>	<b>2016/17 £</b>	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>2019/20 £</b>	<b>TOTAL £</b>
<b>Regeneration Schemes</b>						-

Kerria	240,000	848,150	1,810,640	3,805,250	-	6,704,040
Tinkers Green	1,314,340	2,162,050	6,640,000	1,634,000	-	11,750,390
Total	1,554,340	3,010,200	8,450,640	5,439,250	-	18,454,430
<b><u>Proposed Financing:</u></b>						
Capital Receipts from add Council House Sales	-	768,200	-	175,000	-	943,200
Regeneration Revenue Reserves	373,340	-	-	1,947,950	-	2,321,,290
Revenue Contribution to Capital Outlay in Year	1,181,000	-	3,478,640	3,316,300	-	7,975,940
Unsupported Borrowing	-	2,242,000	4,972,000	-	-	7,214,000
						-
Total	1,554,340	3,010,200	8,450,640	5,439,250	-	18,454,430

The revenue implications of the scheme have been reflected within the policy changes within the HRA 5 year MTFs.

#### **LEGAL/RISK IMPLICATIONS BACKGROUND**

The comprehensive risk management strategy for the project is shown at **Annex F**. This includes an evaluation of risks and identifies mitigations. This is regularly updated by the project team.

In highlighting particular risks associated with this report and the next stage of the project members will note:

A key area of risk for the next stage of implementation relates to the procurement of a developer to complete the scheme. There is a risk that the scope and nature of the development does not attract a developer. To mitigate this risk the Council has undertaken market testing with developers to test interest. This has shown a positive result with the indication that the work will be of interest to developers.

Until a contract has been tendered final costs cannot be assessed. In mitigation appropriate budget provision has been made for the completion of the scheme and the updated financial assessment is based on the best available information. However, until a contract is let final costs cannot be updated.

Also related to the above are potential ground conditions which may affect the delivery of the scheme. It is not possible to fully assess the ground conditions of any development until demolition pre-construction phase commence. In mitigation relevant surveys and investigation have been undertaken as appropriate to this stage of the development process.

Further risks lies with the planning process itself and the master plan will be subject to challenge by both statutory agencies and through statutory public consultation. To mitigate this and to eliminate the possibility of legitimate planning concerns the Council has engaged with local residents and relevant agencies in the development of the proposals. If work is required to redesign the master plan due to negotiation with the planning authority there may be additional cost incurred. These additional costs will be met from existing budgets allocated for the delivery of the project.

For further detail on project risks members are referred to the risk management strategy at

### **SUSTAINABILITY IMPLICATIONS**

The redevelopment of housing is a powerful tool in delivering the regeneration of neighbourhoods. The Council, through its Growth and Regeneration Plan has identified an ambition to improve Tamworth 'the place' through a range of infrastructure initiatives and projects. The redevelopment of these neighbourhoods will contribute to improvement in the environment and provide appropriate housing to support communities and individual households to be safe, healthy and prosperous.

The project will also contribute to wards the sustainability of the HRA through the provision of new, high quality homes within the asset base. The provision of a modern retail facility will also benefit the general fund.

### **REPORT AUTHOR**

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### **LIST OF BACKGROUND PAPERS**

#### **APPENDICES**

ANNEX A- Overall project timescales

ANNEX B- Master Plan proposals

ANNEX C- Examples of Designs

ANNEX D- Community Consultation Kerria

ANNEX E- Community Consultation Tinkers Green

ANNEX F - Risk management strategy