

DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	TOWNHILL PARK REGENERATION FRAMEWORK: SCHEME APPROVAL FOR PHASE 1
DATE OF DECISION:	13 NOVEMBER 2012 14 NOVEMBER 2012
REPORT OF:	CABINET MEMBER FOR HOUSING AND LEISURE
STATEMENT OF CONFIDENTIALITY:	
Not applicable.	

BRIEF SUMMARY:

Southampton City Council has embarked on a major estate regeneration programme which plays an essential part in the wider commitment of delivering growth and tackling economic deprivation and social disadvantage on Southampton's Council estates

On 12th March 2012, Cabinet approved a report on the regeneration of Townhill Park. Some of those recommendations were conditional on a further report (approved by Cabinet on 19th April 2012) on the outcome of an affordability assessment, the availability of Housing Revenue Account (HRA) and General Fund (GF) budgets and the completion of the assessment of delivery options. This report was deferred by Council on 16th May 2012 to allow the new, current administration who, while in support of Estate Regeneration, wished for time to consider the financial implications of the Townhill Park proposals.

After a review of the financial detail of the Townhill Park proposals a further report was approved at Cabinet on 21st August 2012, including further resident/tenant consultation. This report reviewed and consolidated the previous Cabinet papers (of 12th March 2012 and 16th April 2012) and sought approval for the strategy and financial analysis for the delivery of the Townhill Park Regeneration Framework, including the finances necessary to enable the project to proceed. The report was deferred by Council on 12th September 2012 pending information on changes, particularly their financial implications between the Cabinet reports of 16th April 2012 and the 21st August 2012.

Following completion of further work and consultation this report now proposes:

- Not to proceed with a new link road to Cornwall Road or the opening up of Cutbush Lane to vehicular traffic.
- To move forward with Phase One development of Townhill Park on the basis that Site 35, (Moorlands Community Centre) is removed from Phase 1
- That new affordable housing should be retained and managed in Council ownership
- That 450 affordable homes will be developed on the site
- That 100% of affordable homes will be provided at Affordable Rent

The affordability assessment contained within this paper is based on the regeneration framework approved by Cabinet on 12th March 2012 (the modified Central Park option, see paragraph 22) but with an increase of 70 dwellings in the level of social

housing. It shows that there is a gross capital cost to the Housing Revenue Account (HRA) of £11.8M (with a net cost of £9.2M after capital receipts) and that the 30 year HRA revenue surplus will be reduced by approximately £23.9M. The revised proposals remain within the April 2012 total costs envelope for the HRA of circa £33M, including £1.3M to be vired from an affordable housing provision within the General Fund (GF). The GF will need to fund certain infrastructure improvements at an estimated cost of £2.6M, funding for which will need to be identified once the rules for the use of the Community Infrastructure Levy and the value of the GF capital receipts are known.

The report also sets out the implications for rent levels following the re-provision of the social housing under the regeneration proposals. A scenario where the social housing is provided by the Council, as part of the HRA, and let at Affordable Rent has been recommended as the preferred approach.

RECOMMENDATIONS:

CABINET

Cabinet are recommended:

- i) To approve the vision and themes of the Townhill Park Regeneration Framework based on the modified Central Park option, as set out in this paper, and to delegate authority to the Director of Environment and Economy to finalise the Townhill Park Regeneration Framework following consultation with Head of Finance and IT (CFO) and the Cabinet Member for Housing and Leisure and Leader of the Council.

Note: A number of proposals contained in the Framework documents require further study and consultation and these studies and consultation may necessitate some changes to be made to the Framework, approval as delegated above.

- ii) To approve in principle the redevelopment of Townhill Park in three phases with the following zones in each phase:

- Phase 1 comprising zones 1, 33, and 34
- Phase 2 comprising zones 9, 11 (redevelopment), 12, 19, 20, 27 and 28

- Phase 3 comprising zones 3, 14, 17, 24, 29, 30, and 25 including additional associated open space and highways improvements incorporated in the proposals and to delegate authority to the Director of Environment and Economy, following consultation with the Head of Finance and IT (CFO) and the Cabinet Member for Housing and Leisure to amend Phases, to move or amend zones within phases, to decide the extent of improvements and when to implement the additional open spaces and highways improvements incorporated in the proposals.

Note In the August 2012 Cabinet paper Zone 33 was proposed in Phase 1 and Zone 25 in Phase 3. In this paper Site 35 is removed from Phase 1.

The public consultation on Phase 1 has been carried out and is reported as part of this Cabinet paper.

- iii) To note that the wider consultation with residents has also taken place including consultation on the proposed new road link to Cornwall Road and is reported as part of this Cabinet paper.
- iv) To delegate authority to serve Initial Demolition Notices on secure tenants under the provisions of the Housing Acts 1985, as appropriate on all 3 Phases properties of the proposed redevelopment to the Director of Environment and Economy following consultation with the Cabinet Member for Housing and Leisure, the Head of Legal, HR and Democratic Services and the Head of Finance and IT (CFO).
- v) To implement the adopted Decant Policy in relation to Phase 1, and to delegate authority to the Senior Manager Property and Procurement to negotiate and acquire by agreement any legal interests or rights held in respect of the properties in Phases 1, 2 and 3, not held by the Council, using such acquisition powers as the Head of Legal HR and Democratic Services advises. In each case subject to confirmation from Capita, acting as independent valuers, that the price represents the appropriate Market Value.
- vi) To delegate authority to the Director for Environment and Economy, following consultation with the Head of Finance and IT (CFO), the Head of Legal HR and Democratic Services, and the Senior Manager Property and Procurement and Cabinet Member for Housing and Leisure to:
 - a) Produce, finalise and approve the range of documents necessary for the delivery of Phase 1 including as required; a Development/Contractor Brief, planning application, tender specifications and associated employer's requirements for Phase 1.
 - b) To decide and undertake the appropriate procurement route and the appropriate development model for the Council under the prevailing circumstances in order to enable, subject to Cabinet approval, to entry into appropriate Development Agreements/contracts to deliver Phase 1 in accordance with the Council's Contract Procedure Rules to deliver Phase 1
- vii) To report back to Cabinet the outcome of the procurement activity referred to in vi) b) above, as appropriate, and to seek further authority from Cabinet to appoint a preferred bidder(s) based upon the results of that procurement activity and to seek consent to any required land disposal within Phase 1 and/or to seek approval to appointment of a developer/contractors under an appropriate development or construction agreement.
- viii) To agree to recommend to Council that that the HRA capital programme will fund the site preparation costs set out in this report, currently estimated at £11.8M, and:
 - a) To recommend that Council approve a virement of £10.5M from the uncommitted provision for Estate Regeneration,

which exists in the HRA capital programme and business plan, and £1.3M from the uncommitted funding for affordable housing in the Housing GF capital programme to establish a specific budget of £11.8M for the regeneration of Townhill Park, the phasing for which is set out in Appendix 1.

- b) To recommend that Council approve, in accordance with Financial Procedure Rules, capital spending of £3.9M on site preparation costs, including the purchase of leasehold interests, for Phase 1 of the Townhill Park regeneration project, phased £0.5M in 2012/13, £2.0M in 2013/14 and £1.4M in 2014/15.
 - c) To recommend that Council approve, in accordance with Financial Procedure Rules, capital spending of up to a further £3.9M on the purchase of leasehold interests for properties in Phases 2 and 3 of the Townhill Park regeneration project, phased £0.5M in 2013/14, £0.8M in 2014/15, £1.4M in 2015/16 and £1.2M in 2016/17.
- ix)
- a) To approve, in accordance with Financial Procedure Rules, the addition of a Townhill Park enabling project budget to the HRA Capital Programme, funded by Direct Revenue Financing (DRF) provisions of £200,000 within the HRA Business Plan, primarily for professional fees relating to the development agreement, the procurement process and for design and planning advice.
 - b) To approve capital expenditure of up to £200,000 on enabling activities, including professional fees, phased £60,000 in 2012/13, £120,000 in 2013/14 and £20,000 in 2014/15.
- x) To note that the HRA will be required to incur further capital expenditure to acquire the 450 units of social housing at an estimated cost of £47.7M, provision for which has been included in the 30 year HRA Business Plan projections for these proposals, but with the timing dependent on the final details of the development agreement and subject to future Cabinet/Council approvals.
- xi) To note that the General Fund capital programme will be required to fund highways infrastructure, and open space improvements, at an estimated cost of £2.6M with the method of funding this being agreed once the use of the Community Infrastructure Levy and the value of the GF capital receipts are known.
- xii) To agree that the preferred approach for the provision of the new social housing is for this housing to be supplied by the Council, as part of the HRA, and that this new social housing provision will be provided for letting at Affordable Rents, subject to approval from the Department for Communities and Local Government / Homes and Communities Agency.
- xiii) To agree that the following proposals in the Townhill Park Regeneration Framework will not be implemented:

- The road connection from Townhill Park to Cornwall Road at the junction with Litchfield Road
 - The opening up of Cutbush Lane to vehicular traffic.
- xiv) To agree to recommend to Council that:
- a) £23.9M of the 30 year HRA revenue surplus will be utilised to meet the long term revenue costs of the regeneration of Townhill Park, which includes the requirement to repay the debt on the dwellings that have been disposed of from the general HRA revenue balance as there is no net capital receipt to fund this repayment.
 - b) The General Fund capital programme will fund the highways infrastructure and open space improvements at an estimated cost of £2.6M with the method of funding this being agreed once the use of the Community Infrastructure Levy and the value of the GF capital receipts become known.

COUNCIL

Council are recommended:

- i) To agree that the HRA capital programme will fund the site preparation costs set out in this report, currently estimated at £11.8M, and:
 - a) To approve a virement of £10.5M from the uncommitted provision for Estate Regeneration, which exists in the HRA capital programme and business plan, and £1.3M from the uncommitted funding for affordable housing in the Housing GF capital programme to establish a specific budget of £11.8M for the regeneration of Townhill Park, the phasing for which is set out in Appendix 1.
 - b) To approve, in accordance with Financial Procedure Rules, capital spending of £3.9M on site preparation costs, including the purchase of leasehold interests, for Phase 1 of the Townhill Park regeneration project phased, £0.5M in 2012/13, £2.0M in 2013/14 and £1.4M in 2014/15.
 - c) To approve, in accordance with Financial Procedure Rules, capital spending of up to a further £3.9M on the purchase of leasehold interests for properties in phases 2 and 3 of the Townhill Park regeneration project phased, £0.5M in 2013/14, £0.8M in 2014/15, £1.4M in 2015/16 and £1.2M in 2016/17.
- ii) To approve the use of £23.9M of the 30 year HRA revenue surplus to meet the long term revenue costs of the regeneration of Townhill Park, which includes the requirement to repay the debt on the dwellings that have been disposed of from the general HRA revenue balance as there is no net capital receipt to fund this repayment.

- iii) To agree that the General Fund capital programme will fund the highways infrastructure and open space improvements at an estimated cost of £2.6M with the method of funding this being agreed once the use of the Community Infrastructure Levy and the value of the GF capital receipts become known.

REASONS FOR REPORT RECOMMENDATIONS:

1. Estate Regeneration is a major programme of renewal which is part of a wider commitment by the Council to deliver sustained economic growth and tackle deprivation on Southampton's Council estates. The Estate Regeneration programme has grown from the Phase 1 pilot at Hinkler Parade through to an Estate Regeneration Framework for Townhill Park, which is focused on developing a strategic approach to delivery across the estate.
2. Redevelopment provides the opportunity to deliver improved modern local facilities to meet the needs of residents. It will also provide a mixed tenure environment and good quality accommodation, together with significant improvements in the public and private realm on site, to ensure a cohesive and sustainable community.
3. Selecting areas of the City which are the most deprived, but have the greatest potential for housing gain will also contribute to the City wide priority of economic growth, the Core Strategy target of delivering over 16,000 new homes between 2010 and 2026 and the aim to deliver more affordable housing. Regeneration will provide the opportunity to tackle some of the socio economic challenges in the area.
4. Regeneration is supported by the community and further consultations will be held as the proposals for the area develop. As the Townhill Park Master Plan proposals are implemented over a period of at least ten years there will be many further opportunities for the community to engage with the proposals as they evolve and develop through the various stages of implementation.
5. To approve the financial implications of the regeneration framework for Townhill Park so that the regeneration proposals can proceed.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED:

6. The updated Housing Strategy 2011-15 and Housing Revenue Account Business Plan 2011-2041 approved by Cabinet on 4th July 2011 (and Council on 13th July 2011) confirm estate regeneration and the provision of affordable housing as a key priority for the Council.
7. This report proposes the delivery of the next projects within a programme of Estate Regeneration. The option of doing nothing would not achieve the Council's objectives of creating successful communities on our estates.
8. The option of doing nothing would result in a lack of strategic direction for the future of the area and a lost opportunity to meet the Council's objectives of economic growth.

9. The Estate Regeneration programme began with a pilot and one off sites, which has given the Council experience of regenerating housing, but is piecemeal. Taking a whole estate, as in Townhill Park, has allowed opportunities to deliver enhanced impact, which are not possible with a site by site approach.
10. Furthermore there has been considerable community consultation with local tenants and residents at Townhill Park, as part of the development of the regeneration framework, which has raised community hopes and expectations.
11. The option of not approving the financial contributions to meet the cost of delivering the regeneration framework has been rejected as it would not enable the regeneration of Townhill Park to proceed.

DETAIL (Including consultation carried out):

Background

12. On 12th March 2012, Cabinet approved a report on the regeneration of Townhill Park. Some of those recommendations were conditional on a further report on the outcome of an affordability assessment, the availability of Housing Revenue Account (HRA) and General Fund (GF) budgets and the completion of the assessment of delivery options. This was the subject of the 16th April 2012 Cabinet report which was approved, but deferred at Council on 16th May 2012 for approval of certain recommendations. The current administration, newly elected in May 2012, while in support of estate regeneration, wished for time to consider the financial implications of the Townhill Park proposals.
13. The financial assessment, covering affordability and budgets, can be divided into 2 distinct parts. One is the main regeneration activity involving the demolition of existing dwellings, (subject to completed appropriate and robust prior consultation in relation to the details of properties and individuals affected) the provision of new dwellings and other improvement works. The second concerns the provision of the new social housing and whether this is provided by the Council or a Housing Association and the level of rent to be charged. The main change from the 16th April 2012 Cabinet report is that the new social housing should be retained and managed in Council ownership.

Review of 12th March 2012 Cabinet paper and identification of any changes

14. The following paragraphs highlight the key elements of the 12th March 2012 Cabinet report and any fundamental changes.

Core Principles of the Estate Regeneration Programme and Townhill Park – The Case for Regeneration

15. These aspects are covered in the 12th March 2012 Cabinet report, paragraphs 10-12 and 13-14, and these remain unchanged.

Consultation – Estate Regeneration Programme

16. Consultation has been undertaken by the Council with a range of bodies in the development of the Estate Regeneration programme. Nationally, this includes the Homes and Communities Agency and sub Regionally, the

Partnership for Urban South Hampshire (PUSH). Locally, there has been consultation with tenants' representatives and trade union representatives. There has also been positive cross-party engagement. For the estate regeneration programme this consultation is on-going.

Consultation Process – Townhill Park

17. A programme of consultation was undertaken during the study and is described in the 12th March 2012 Cabinet report in paragraphs 17 to 21. A copy of the Community Consultations forms Appendix 1 of the Regeneration Framework, which is a document available in Members' Rooms.
18. The 21st August 2012 Cabinet report set out how further public consultations were planned to take place over the next couple of months. The outcome of which is included later in this report.

Townhill Park Study and Options Proposed

19. The study process and the options considered was set out in the 12th March 2012 Cabinet report paragraphs 22-32 and these remain unchanged.

Townhill Park Agreed Vision and Themes

20. Residents helped to agree a vision and seven themes for Townhill Park and these remain unchanged. The agreed vision for Townhill Park is that:
"By 2021, residents of Townhill Park will be proud to live in a successful suburban family neighbourhood."
21. Residents also agreed seven themes which would form an intrinsic part of delivering the vision. These are:
 - A 'fantastic' community heart
 - Meggeson Avenue a safe and attractive public space with improved crossings
 - A transformed park and wonderful local greens and play spaces
 - A better walking, cycling and public transport connections locally and to the rest of the City
 - Healthy and well-designed socially-rented and private homes that address a variety of needs, with as many homes on the ground as possible
 - Successful local shops and community facilities
 - Greater social and economic opportunities

Regeneration Framework Preferred Master Plan Central Park modified

22. As set out in both the 12th March 2012 and 21 August 2012 Cabinet reports, the preferred Master Plan (arrived at through a combination of residents views and Cabinet consultation) was the modified Central Park option and includes:
 - Creation of a new community heart, with a new village green in the centre of Meggeson Avenue, a new local shopping facility and a community focused café or pub
 - Traffic calming measure on Meggeson Avenue including re-alignment around the 'Village Green'

- The redevelopment of all the blocks in the area and the provision of 675 new homes. A range of open space improvements including improving Frog’s Copse and Hidden Pond, the creation of a new central Village Green
- New local shops in a mixed use development in the centre in association with the Village Green, including a new café/pub, new shops, services and re-provided Moorlands Community Centre on Townhill Way. (It is proposed that Moorlands Community Centre will now remain and will not be replaced as Site 35 is not being redeveloped as part of Phase 1)
- Improved walking and cycling and transport connectivity including: improved access to amenities at Midanbury and improvements to pick up and drop off at the school and community centre and improvements to encourage walking and cycling (transport connectivity does not now include vehicular access to either Midanbury at Cornwall Rd or Cutbush Lane)
- a range of parking improvements through comprehensive design as car parking is recognised as a contentious issue
- a socio-economic framework containing a strategy for improving access to employment and links to other City - wide initiatives.

Total New Housing Provision in Townhill Park resulting from the modified Central Park Option

23. The following details around new housing provision were proposed and reported in the March 2012 Cabinet report (paragraph 34) as follows:

Housing Detail	Numbers
Current Numbers of Homes in the Study	817*
Number of Homes demolished	428
New homes built	675
Net Gain	247

In the 12th March 2012 report this included provision of 380 affordable homes. The 21st August 2012 Cabinet report included the provision of 450 affordable homes.

Number does not include 222-252 Meggeson Avenue which is currently being developed in Phase 2 of the Estate Regeneration programme.

Acknowledgement of Changes to the Master Plan as Development progresses

24. In the 12th March 2012 Cabinet report it was acknowledged that there would be changes as proposals developed: ‘Consideration of any development on any of the sites is subject to further studies and consultations. Numbers are currently being revised and are subject to further change once the technical work has been completed.’ (March 2012 paragraph 34).

25. Since the 12th March 2012 Cabinet report was approved and reported in the press, a number of concerns have been raised by groups in the area and residents both in Townhill Park and the surrounding area. These include:
- Moorlands Community Centre raised concern about their future and the future of the pre-school running from the building
 - Residents, around Cornwall Road and Litchfield Road, raised strong objection to the idea of a road link from Townhill Park to Cornwall Road at the junction with Litchfield Road
 - Objections to the idea of opening up Cutbush Lane to vehicular traffic
 - Objections to the idea of building on the grassland west of Hidden Pond (Site 25)
 - Objections and concerns around building on Frog's Copse and a misunderstanding that the development site suggested is the whole of Frog's Copse rather than a small area.
26. It has been acknowledged that the Regeneration Framework documents were not sufficiently clear in terms of explaining that further feasibility work and consultation would be carried out before Master Plan ideas such as those listed above in paragraph 25 become firm proposals.
27. The 12th March 2012 Cabinet report also set out the need to carry out additional studies, the results of which would further inform the detail of the proposals (March 2012 paragraph 42). These studies covering a Transport Assessment, Ecology, Sustainable Urban Drainage and Energy were approved and work is now being carried out on them during 2012. The result of these studies will also inform the detail when initial Master Plan proposals are brought forward for development.

Changes to Phase 1

28. The proposed phasing was considered in paragraphs 35 and 36 of the 12th March 2012 Cabinet report. In the 21st August Cabinet report it was proposed that there was a change to Phase 1 zones to comprise: Zones 1, 34, 35 and 33. Site 25 originally in Phase 1, subject to the completion of certain studies, was re-allocated to Phase 3, while Site 33, which was in Phase 3, was proposed for inclusion in Phase 1.
29. This alteration was designed to produce an attractive, financially viable development package for the construction industry and make a significant impact on the regeneration of Townhill Park.
30. Following further consideration it is now proposed to withdraw Site 35, which contains Moorlands Community Centre, from Phase 1. This is due to the Community Centre security of tenure and difficulty in re-providing pre-school places. It is still considered that the remaining Phase 1 sites will be an attractive development package. As detailed plans for Phase 1 develop, the Council will aim to encourage more units (delivered through imaginative design) that will compensate for the loss of units on Site 35. If these cannot all be absorbed in Phase 1 the intention is to endeavour to provide the remainder in Phases 2 and 3, therefore maintaining the overall numbers.

Results of Public Consultations

31. In view of the proposed changes to Phase 1 and the issues raised by local residents, the 21st August 2012 Cabinet report set out plans for further public consultations to be carried out over the next couple of months. These have now been completed and included: detailed consultations with residents of Phase 1, required under Section 105 of the 1985 Housing Act; an information update to all residents both in and around Townhill Park, and a public consultation about the idea of the proposed new road connection from Townhill Park to Cornwall Road at the junction with Litchfield Road.

Phase 1 Public Consultation (Section 105, 1985 Housing Act)

32. Specifically around the redevelopment of Phase 1, public consultations commenced with a letter to each secure tenant and leaseholder setting out the details of the consultation process and inviting written comment. Letters were followed by a visit to all secure tenants by the Tenant Liaison Officers (TLO's) and who were able to speak to the majority of tenants. Residents were also notified in their letter of four drop-in events (and in particular the Phase 1 meetings held on the 11th and 15th September 2012) where they could speak to officers on an individual basis and discuss any concerns or aspirations they might have. The Phase 1 consultation period lasted for four weeks with a further two weeks to consider any representations. This consultation process, built on the extensive general consultation already undertaken, while the Master Plan work was being developed. A report has been produced, on the results of the recent consultations. (Appendix 2). In addition to the letter, a meeting has also been offered to those leaseholders who live in their properties in Phase 1.

Phase One - Consultation Results

33. The majority of tenants interviewed in Phase 1 are in favour of the proposed redevelopment of their homes. 74% of the 115 Council tenants accept the redevelopment of their homes and would agree to move.
34. The TLO meetings with tenants raised a number of points which have been considered:
- High number of tenants that would like to decant to Townhill Park/Bitterne. Therefore the Council will need to monitor during decant whether a problem arises with insufficient property coming forward on 'Homebid'. The main reasons for wishing to stay in the area were the good schools, pre-schools, family nearby and access to work.
 - Interest in the option to move back to Townhill Park, but
 - realistic that they may change their minds in the future. Residents appreciated the possibility of moving back to Townhill, but realised that after a number of years living elsewhere they might not wish to move
 - Affordable Rent. The increase in rent to Affordable Rent levels was not considered an issue with tenants who have been part of the consultations as there is an expectation amongst them that Council rents will increase anyway.

- Lack of interest in the wider Estate Regeneration improvements. Tenants were not particularly interested in the wider aspects of the regeneration of Townhill Park. This may be related to the fact that they will be relocating.

No written representations were received from tenants.

35. No written representations were received from any of the 15 leaseholders. A meeting has been offered to the 5 leaseholders who currently live in their homes affected by Phase 1.
36. It is therefore proposed to move ahead with Phase 1. Specific details regarding proposals for decanting, purchasing leaseholds, demolitions and required finances are included in this report

4 Information Update Meetings

37. The four Information Update Meetings were held for all residents including consultation on the proposed road link from Townhill Park to Cornwall Road at the junction of Litchfield Road. In addition to the two Phase 1 meetings held on the 11th and 15th September 2012, two information update meetings were held, on the 18th and 22nd September 2012. Residents, both within Townhill Park and those living in Southampton adjacent to Townhill Park were invited. The purpose of these drop in meetings was to update people on the Master Plan proposals and the work previously carried out. In particular, specific consultation was carried out concerning the proposed road link from Townhill Park to Cornwall Road at the junction with Litchfield Road.

Results of the Four Consultation Meetings

38. Thirty six residents attended the Phase 1 consultations. It is thought that the low numbers are reflected in the good response that the TLO's had with visiting and talking to Phase 1 residents in their homes. The two wider consultation meetings were well attended by a total of 300 residents. The full results of the 4 consultation meetings are contained in a report to be found in Appendix 2.

Results of the Four Consultation Meetings – Link Road

39. There was overwhelming opposition to the idea of a road connection/ Link Road from Townhill Park to Cornwall Road. There has also been significant objection to the idea of opening up Cutbush Lane to vehicular traffic. The draft results of the Transport Assessment indicate that on technical grounds there is no transport argument for either the Cornwall Road connection or the opening of Cutbush Lane to traffic. Therefore, in view of this and the overwhelming response against the proposed road link from Townhill Park to Cornwall Road, and the objections to the opening up of Cutbush Lane, it is recommended that both ideas do not receive further consideration and are not implemented. It is therefore proposed not to move ahead with these plans as part of the project.

Frogs Copse and land west of Hidden Pond

40. Concern was expressed by some residents to the proposed redevelopment of certain areas of open space e.g. open space to the west of Hidden Pond (Zone 25) and the small area of Frog's Copse south of Northfield Road and

Old Farm Drive (Zone 19). There is no intention to develop a large area of Frog's Copse. These proposals are awaiting the outcome of further ecological studies and are subject to much further review before any future decision is made. .

Moorlands Community Centre

41. It is proposed to remove Site 35, which contains Moorlands Community Centre from Phase 1 as they have security of tenure and difficulty in re-providing pre-school places. The Community Association Committee has been informed.

Financial Assessment

42. The financial assessment, covering affordability and budgets, can be divided into 2 distinct parts. One is the main regeneration activity involving the demolition of existing dwellings (subject to the further appropriate prior consultation), the provision of new dwellings and other improvement works. The second concerns the provision of the new social housing and whether this is provided by the Council or a Housing Association and what rent levels are to be charged. The main change from the 16th April 2012 Cabinet report (as outlined in the 21st August 2012 Cabinet report) is that the new social housing should be retained and managed in Council ownership.
43. The overall financial assessment of the redevelopment has been prepared by the consultants (CBRE). The following paragraphs highlight the key conclusions. It needs to be emphasised that the redevelopment costings are high level and based on current regional cost indices and will need to be updated on a regular basis and particularly when development briefs are prepared for specific sites and phases.
44. The approved Regeneration Framework (March 2012) involves the demolition of 380 HRA rented dwellings and also the acquisition and subsequent demolition of a further 48 homes sold under the Right-To-Buy (RTB). There is also the acquisition and subsequent demolition of five shop premises, and a public house where the HRA is the freeholder. The gross cost over the 10 year regeneration period of all these items is currently estimated at £11.8M. A more detailed analysis is provided in Appendix 1, showing the initial assessment of when the spending will take place.
45. As part of the provision of 675 new homes, the current revised proposals includes the provision of 450 new dwellings for letting at Affordable Rents (80% of market rent), so that there is an increase in the level of affordable housing by 70 dwellings. Investigations were carried out in regards to the viability of reducing the social housing element to deliver rents at 70 per cent of market rate in the remaining properties without increasing the cost of the scheme. It was calculated that cutting the number of social homes to 380, i.e. the figure originally propose, would only deliver rents at 77.5% market rent and subsequently this proposal was not taken forward.
46. The affordability assessment assumes a capital receipt to the HRA of £2.6M from the sale of the redevelopment land, leaving a net cost of approximately £9.2M once the costs of preparing the sites for sale have been taken into account. The GF capital programme has an uncommitted sum of £1.7M available to support affordable housing. This funding can only be used to

help fund the costs of new affordable housing provision and it is recommended that £1.3M is used as a contribution towards this cost. The HRA business plan and capital programme has an uncommitted provision of £20M to support Estate Regeneration activity. It is recommended that the remaining £7.9M required for the regeneration is approved from this source, leaving a balance of £12.1M to support future schemes.

47. The capital cost to the HRA has increased in comparison to the April 2012 figure due to the increased proportion of affordable housing.

General Fund Implications and Community Infrastructure Levy (CIL).

48. Estate wide regeneration also has capital implications for the General Fund (GF). These cover highway works, and improvements to open spaces. This expenditure is estimated at £2.6M. There is currently no provision in the GF capital programme to meet these costs. However, one of the sites to be sold (part of Frog's Copse) is held under GF powers so the capital receipt from the sale of this site would accrue to the GF. This receipt is estimated by the consultants to raise £0.28M and it is assumed that this will be applied towards the GF funding of £2.6M reducing the net cost to £2.32M.
49. The redevelopment costings have also allowed for payment of the new Community Infrastructure Levy (CIL). This had been assessed using the proposed fee structure that was out for consultation at the time the original financial modelling took place. A provision of £1.7M was assumed based on the proposed level of private sector housing. This meant that the Council would potentially receive income from CIL of £1.7M from this redevelopment. Recent revision to the CIL levy has now been published which, if adopted, will result in a lower CIL figure for Townhill Park of £1.4M. The impact of this will be assessed if confirmed by the Examination in Public. This represents non ring fenced additional resources for the GF which could be used to fund the type of infrastructure included in the Townhill Park redevelopment plans. At this stage it is not possible to formally ring fence this CIL income for funding the expenditure at Townhill Park because the CIL arrangements are still under discussion. However, the GF will need to fund net infrastructure improvements estimated at £2.32M and, if it were possible to utilise the CIL income, based on the current proposal, the net cost for the GF capital programme would be reduced to £0.92M, as shown in Appendix 1.
50. In addition to the CIL payments, a broad assessment has been made of the potential Section 106 developer contributions, which indicates that a site specific transport contribution in the region of £0.4M could be sought. This expenditure has been allowed for in the modelling work.
51. The new infrastructure is not expected to have any material impact on GF revenue budgets.

Housing Revenue Account Implications

52. For the Housing Revenue Account (HRA) however, the net impact of the regeneration has been assessed over the life of the 30 year HRA business plan. This shows that the projected 30 year surplus would be reduced by £23.9M, including the interest costs associated with the project.

53. The capital and revenue costs for the HRA associated with the regeneration of Townhill Park are affordable within the context of the 30 year business plan. It is recognised that past the 30 year lifespan of the HRA Business Plan, the new Council owned properties will generate income to the Council and potentially be less costly to maintain. This approach will also provide sufficient funds to enable further estate regeneration projects across the City, whilst recognising that the Townhill Park model will not be a 'one-size fits all' approach and different models will be needed for each estate, depending on its circumstances, and delivering the greatest benefits alongside value for money.
54. The revised proposals remain within the April 2012 total costs envelope for the HRA of circa £33M, including £1.3M to be vired from an affordable housing provision within the General Fund (GF). However, the financial analysis has been based on a number of assumptions regarding costs and income that will clearly need to be updated on a regular basis, particularly when detailed development proposals are prepared for each phase and site. Further reports will be made to Cabinet / Council as appropriate, if this analysis shows that net costs to the HRA or GF have increased.

Options for the re-provision of social housing

Impact of Rent Levels due to Government Changes

55. The issue of what rent levels to charge is a significant one. In April 2002, the Government introduced rent reforms for tenants of all social landlords, which included local authorities and housing associations. Each property has a "target rent" calculated. Most housing association rents have now reached target rent but in the HRA, 2012/13 rent levels are still 5.5% below target. The current Government target is that by 2015 this shortfall will be made good, meaning that rent increases will need to exceed inflation certainly until that point. By the time the first new units in Townhill Park are completed, it is anticipated that HRA rents on the properties to be replaced will have reached their full target rent level.
56. In October 2010, the Government announced the introduction of a new social housing tenure called Affordable Rent as part of the Comprehensive Spending Review. Affordable Rent is not subject to the national rent regime but is subject to other rent controls that require a rent of no more than 80 per cent of the local market rent. Affordable Rent applies to new build (and some relets) of existing Housing Association owned social rented housing. These homes continue to be let through the Council's Homebid scheme. As part of the proposals for Townhill Park, properties developed for Affordable Rents would have higher rents than target rents. The table below, which uses 2011/12 data, compares the current average rents paid by tenants in Townhill Park for different property types with the comparable rents a Housing Association would charge for a similar new dwelling and also with the new Affordable Rents:

57.

	Average Actual Rents 2011/12	Target rent for new HA dwelling 2011/12 (^)	Affordable Rent 2011/12	% increase of Affordable Rent over target rent
	£ per week	£ per week	£ per week	%
1 Bed Flat	60.72	73.11	101.54	38.9%
2 Bed Flat	67.83	84.25	120.00	42.4%
2 Bed House	75.48	89.69	144.00	60.6%
3 Bed House	80.44	101.92	166.15	63.0%
^ - Target rents for HRA dwellings would be 2.96% lower for flats and 5% higher for houses.				

58. Affordable Rent is part of the new funding regime to provide new social housing development. Housing Associations (now known as Registered Providers) have from 2011, bid for resources to develop social housing based on the fact that these developments would be at Affordable Rent. The introduction of Affordable Rent tenure is a resourceful way of achieving more with less, but the new rent levels are higher. In general terms this means new clients having to pay significantly more for their accommodation than existing clients.

Rent Assumptions Used in the Affordability Assessment and Impact on HRA

59. In April 2012, Cabinet favoured the proposal to re-provide through a Housing Association, whereas the current proposal is to re-provide through the HRA with new social housing remaining in Council/HRA ownership.

60. The April 2012 Cabinet report proposed a two tier system for new social rented property. 50% of the total new stock was to be social housing with 50% of that being at Affordable Rent and 50% at subsidised target rent.

61. The current proposal is to provide as much social housing as the Council can afford to purchase and that the rent for the properties should be at the same affordable rate. Although this will mean that there will be no new equivalent of target rent, the new properties should have added advantages of being better quality, of a modern standard and include sustainable energy measures, so that they are cheaper to run for both tenants and the Council. In addition, the result of consultation suggests that tenants were unconcerned by Affordable Rent levels and that there was an expectation that Council rents would be going up to be equivalent to other social landlords and the market. By retaining ownership, the Council has a modern asset as a return for its outlay.

62. The revised affordability assessment has been prepared on the basis that all of the social housing is provided by the Council, as part of the HRA.

63. The analysis assumes that the extra borrowing the HRA would need to undertake to fund the new build programme has been repaid by the end of the 30 year business plan at which point the new properties will be debt free. After this the properties will generate an income. There is therefore a higher long term annual surplus for the HRA under any new build option, rather than giving the properties to a registered provider, but it takes longer than 30 years for there to be an increase in the cumulative surplus.
64. It is therefore proposed that all the new provision is provided by the Council, as part of the HRA, and let at Affordable Rent. This will need to be the subject of a specific approval from the Department for Communities and Local Government/Homes and Communities Agency.

Other Financial Assumptions/Issues in the Financial Assessment

65. The financial assessment has assumed that there will be no grant from the Homes and Communities Agency towards the social housing provision. This is a prudent assumption as the new provision will take place after the current HCA grant regime has finished and there is no information available about what might replace it after 2015.
66. Similarly, no income has been assumed from the New Homes Bonus as beyond 2014/15 this will come from formula grant. Whilst the Government have indicated this funding is intended to be a permanent feature of the local government finance system, given the current review of local government financing, there is no certainty as to the mechanism and methodology by which this will be calculated and distributed.
67. It needs to be emphasised that the redevelopment costings are based on current regional cost indices and will need to be updated on a regular basis and particularly when development briefs are prepared for specific sites and phases. These updates will also include the impact of Section 106 costs, final CIL arrangements and the availability of grant as these issues become clearer.
68. It has also now been possible to undertake a detailed “zone by zone” assessment of the master plan. This has shown that there are a few zones where the redevelopment costs are comparatively high compared to the number of new homes provided. As the detailed development briefs are produced it would be sensible to review the detailed plans for these zones to see if the financial position can be improved without compromising the regeneration of the area.

Assessment of Delivery Options

69. The Regeneration Framework looked at a range of delivery options, principally by:
- Development agreement, usually with a private sector partner and a Registered Social Landlord (RSL)
 - Joint Venture with one or more private sector partners
 - Direct Development: the Council acting as a developer and undertaking all the work itself.
70. In summary, the option of the Council acting as a developer would expose the Council to considerable risks in an area that is not the Council’s area of

expertise. The Development Agreement is the route the Council has adopted in previous schemes and was proposed in the April 2012 report for Phase 1. The option of a Joint Venture needs further consideration, particularly in light of the potential regeneration of further parts of the City, the master planning for which was agreed by Cabinet in February 2012.

71. The proposed change to Townhill Park where the HRA will now provide the new social housing, offers the opportunity for the Council to review the most effective means of procurement and delivery. Therefore the recommendations in this report delegate responsibility for this in order that the best method can be research and sourced.

Planning Strategy

72. The consultant's report recommended that the Council consider obtaining; either outline planning consent for the whole project (Phases 1, 2 and 3) or adoption of the Regeneration Framework as a Supplementary Planning Document (SPD). However, as the project has progressed, it is now considered that it is best to proceed by submitting a full planning application for Phase 1 of the project. Other technical reports will be required, including the submission of a screening opinion to assess whether the impact of all of the phases will require an Environmental Impact Assessment.

RESOURCE IMPLICATIONS:

Capital/Revenue:

73. The overall capital and revenue implications of the proposals have largely been set out above. However, one of the principles agreed by Council for developing the HRA business plan is that the debt outstanding on a dwelling should be repaid from the proceeds of the sale when it is sold. This is not possible at Townhill Park as there is no net capital receipt. The debt on these dwellings will need to be repaid from the projected 30 year revenue surplus, which is one of the reasons why the 30 year surplus is lower than reported in the budget. This is a matter which needs the approval of Council.
74. In order to progress with Phase 1 it is proposed that Council agree to the capital expenditure involved in getting the sites in Phase 1 ready for development. These costs include demolition, tenant compensation, leaseholder compensation and initial project management. It is therefore recommended that capital expenditure of £3.9M is approved, in accordance with Financial Procedure Rules. The phasing of the expenditure is £0.5M in 2012/13, £2.0M in 2013/14 and £1.4M in 2014/15.
75. It is also recommended that capital spending of up to a further £3.9M is approved, in accordance with Financial Procedure Rules, on the purchase of leasehold interests for properties in phases 2 and 3. The phasing of this expenditure is difficult to predict but initial allocations of £0.5M in 2013/14, £0.8M in 2014/15, £1.4M in 2015/16 and £1.2M in 2016/17, are proposed. This budget includes a provision of circa £100,000 for legal fees and other acquisition costs.
76. Professional fees relating to the development agreement, the procurement process and for design and planning advice are provisionally estimated at £200,000. It is recommended that a Townhill Park enabling project budget is

added to the HRA Capital Programme, funded by Direct Revenue Financing (DRF) provisions of £200,000 that were included in the HR Business Plan projections for these proposals. Approval to spend up to this sum on professional fees is recommended, in accordance with Financial Procedure Rules. The anticipated phasing of this expenditure is £60,000 in 2012/13, £120,000 in 2013/14 and £20,000 in 2014/15.

77. The HRA will be required to incur further capital expenditure to acquire the 450 units of social housing that will be constructed. Provision for this expenditure and the associated interest costs has been included in the 30 year HRA Business Plan projections for these proposals on the basis that it will be incurred following construction. However, the timing is dependent on the final details of the development agreement and will, therefore, be the subject of future Cabinet/Council approvals. The average acquisition cost, at 2012 prices, based on the estimated build cost for the various property types, is approximately £80,000 per unit; excluding professional fees (or £87,200 per unit, including professional fees). The total build cost for 450 properties, at 2012 prices, is therefore estimated at £39.3M. However, the HRA business plan builds in inflation at RPI+1%. The total cost built into the model, including this inflation, is £47.7M. It is anticipated that £37.7M of this figure will be funded by new borrowing, with the remainder being met from surplus HRA funds. Provision has also been made for responsive and programme repairs, starting from when the properties are finished, and for capital expenditure, starting five years after they are finished.
78. The provision for acquiring social housing in Phase 1 has retained the cost of the units to be provided on Site 35 even though Site 35 has been withdrawn from Phase 1. This is because as plans to develop Phase 1 progress, it is aimed to deliver some of the units that would have been provided within the remaining Phase 1 area. If these cannot all be absorbed in Phase 1, the intention is to maximise opportunities to provide the remainder in Phases 2 and 3, therefore maintaining the overall total number of homes provided.

Property/Other:

79. Within the area the Council owns are sites of the former Local Housing Office and Moorlands Community Centre. Site 35 is not now in Phase 1 and therefore the proposal to re-provide the space is no longer required.
80. Lettings of shops on Council estates are categorised as “social property” which recognises that the prime purpose for holding this type of property and the way in which it is managed, is to support the service and community. The case for regeneration sets out the opportunities to provide modern retail units to serve the future requirements of the community.
81. The commercial tenants will be compensated in accordance with statutory valuation procedures which will be specific to each tenant. The Estates Regeneration Team will produce and distribute information leaflets for residential tenants and property owners which set out their statutory compensation arrangements.
82. Consent to dispose of the sites, once a developer is secured, will require Cabinet approval. The Council’s Strategic Services Partner, Capita, is acting as the Council’s property advisor inputting into these projects.

Property Acquisition

83. This report seeks authority to acquire, where terms can be agreed, parcels of land which it would be desirable to incorporate within the potential regeneration sites now where Cabinet has given approval for consultation with residents to ensure these opportunities are not missed. These properties may be let out on a short term basis providing the Council with a fairly modest rental income pending site redevelopment. Care would be taken not to enter into any letting agreements that would result in the tenants obtaining security of tenure.

Other – Procurement

84. The Council's Contract Procedures Rules govern the Council's procurement of goods, services and works. These rules reflect European and UK Law. Options for procurement which are compliant with the Council's Contract Procedure Rules will be further investigated.

LEGAL IMPLICATIONS:

Statutory power to undertake proposals in the report:

85. The Council has powers under the Housing Acts, Landlord and Tenant Acts and the Town and Country Planning Act 1990 to undertake the estate regeneration proposals. A power of general competence is also available under Section 1 of the Localism Act 2011, the exercise of which is subject to any pre-commencement prohibitions or restrictions that may exist.
86. The Council also has powers under the Housing Acts 1985 and 1996, the Land Compensation Act 1973 (as amended) and the Planning and Compulsory Purchase Act 2004, to agree and to undertake the decanting of Council tenants to progress the scheme.
87. If approval is given in principle to the redevelopment of Townhill Park, it is prudent to serve Initial Demolition Notices in the 3 Phases on existing secure tenants in the affected areas. This will have the effect of releasing the Council from its obligations under the Housing Act 1985 to complete sales in respect of any existing or new Right to Buy (RTB) applications. The Initial Demolition Notice therefore suspends all existing claims and any new ones made will also be suspended.
88. In order to extinguish the RTB completely, in the 3 Phases a Final Demolition Notice (FDN) has to be served on any remaining secure tenants within seven years of the service of the Initial Demolition Notice, at which time the Council must either have purchased all land not in its ownership or have concrete arrangements in place to purchase property which is not in its ownership, and the demolition must be within 24 months of the service of the FDN.
89. Section 17 of the Housing Act 1985, permits the acquisition of land for housing purposes by agreement, or with the authorisation of the Secretary of State, compulsorily. With the consent of, and subject to any conditions imposed by the Secretary of State; a local housing authority may compulsorily acquire land for housing purposes notwithstanding the land may not be required for those purposes within 10 years from that date. There are also powers of acquisition in section 227 of the Town and Country Planning act 1990 to acquire land by agreement where the land is required for planning purposes.

Other Legal Implications:

90. It will be necessary to undertake appropriate impact assessments in relation to the proposals within this report and particularly the proposed move to Affordable Rents before a final decision is made.

POLICY FRAMEWORK IMPLICATIONS:

91. The updated Housing Strategy 2011-15 and Housing Revenue Account Business Plan 2011-2041 approved by Cabinet on 4th July 2011 (and Council on 13th July 2011) confirm estate regeneration as a key priority for the Council. The proposals in this report will contribute towards the achievement of these objectives.

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KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	Harefield and Bitterne Park
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices:

1.	Townhill Park capital expenditure and income – all phases
2.	Townhill Park Regeneration Report of Consultations held in September 2012

Documents In Members' Rooms:

1.	Townhill Park Regeneration Framework
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes
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Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s) Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	None	
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