

DECISION-MAKER:	CABINET		
SUBJECT:	TOWNHILL PARK REGENERATION NEXT STEPS		
DATE OF DECISION:	21 MARCH 2017		
REPORT OF:	LEADER OF THE COUNCIL		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Sue Jones	Tel: 023 8083 3929
	E-mail:	Sue.jones@southampton.gov.uk	
Director	Name:	Mike Harris	Tel: 023 8083 2882
	E-mail:	Mike.Harris@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
None	
BRIEF SUMMARY	
<p>This report contains an update to Cabinet on the delivery strategy for Townhill Park Regeneration and seeks approval to enter into contracts to deliver redevelopment of Plots 1 and 2 (phase 1). The next stages of the decant process are set out including future demolition and continued acquisition and disposal of land, as well as an update on potential Compulsory Purchase implications.</p>	
RECOMMENDATIONS:	
	<u>Delivery and procurement Plot 1 (phase 1) and delivery of Plot 2 (phase 1) and further demolitions</u>
(i)	<p>To delegate authority to the Head of Capital Assets after consultation with the Service Director – Finance and Commercialisation and the Leader to:</p> <ul style="list-style-type: none"> a) Finalise agreement of the procurement process for Plot 1 (phase 1) and appointment of a building contractor using an OJEU compliant framework subject to the contract sum being within the scheme approved budget b) Subject to written approval by the Service Director: Legal & Governance that all legal requirements are met and obtaining all necessary regulatory consents, to enter into the necessary legal agreements on land sale and lease to enable the delivery of housing on Plot 2 (phase 1) c) Subject to remaining within approved budget, to procure and enter into further demolition contracts to secure the clearance of property required to progress future redevelopment plots identified in the approved Master Plan.
	<u>Land Disposal</u>
(ii)	To delegate authority to the Head of Capital Assets after consultation with Service Director:- Legal & Democratic Service, the Service Director: Finance and Commercialisation and the Leader to dispose

		of land required for the delivery of the Townhill Park regeneration Scheme at less than market value where there is appropriate social and economic benefit and the disposal meets the conditions under Section 32 and 34 of the Housing Act 1985 permitting disposal at less than market value.
		<u>Future Decant Programme</u>
	(iii)	<p>Delegate authority to the Head of Capital Assets after consultation with the Service Director: Legal & Governance, the Service Lead: Council Housing & Neighbourhoods and the Cabinet Member for Housing and Adult Care to:</p> <ul style="list-style-type: none"> (i) Carry out all necessary consultation on the Decant Policy and arrangements under the Housing Act 1985. The outcome of the consultation will be presented to Cabinet for approval of the revised Decant Policy (ii) Subject to the future approval of Cabinet in relation to (i) above, to determine the future decant programme and associated arrangements for all affected properties required to deliver the regeneration scheme.
	(iv)	To note that the current approved budget together with funding from Section 106 Affordable Housing contributions will be used to cover the costs of activities outlined in this report. In addition there is agreed Homes and Communities Agency (HCA) funding of £750,000 towards 50 affordable homes on Plot 1 (phase 1).

REASONS FOR REPORT RECOMMENDATIONS

1.	<p><u>Delivery</u></p> <p>The Council's Estate Regeneration programme aims to identify the potential within Southampton's council housing estates for the development of new modern homes and to stimulate more mixed tenure communities. Townhill Park regeneration continues the momentum already achieved in delivering improvements to a number of council estates. Recent and proposed changes to Government housing and planning legislation have necessitated reappraisal of how the regeneration of Townhill Park is delivered. This report therefore sets out recommendations to enable the redevelopment of Townhill Park Plots 1 and 2 (formerly known as Phase 1) and future demolition of the further redevelopment plots in order to achieve Estate Regeneration objectives.</p>
2.	<p><u>Future Decant</u></p> <p>The comprehensive regeneration of Townhill Park is dependent on delivering more efficient buildings in an improved environment and relies on decanting existing residents from the proposed redevelopment sites. The Council's current decant policy is out of date and needs modifications. It would be prudent for Cabinet to give its permission for any consultation to be commenced both on the proposed amendments to the policy and on the decant programme due to the large number of council tenants and other residents that will need to be decanted and the potential for the residents to be substantially affected by the proposals. All representations will be taken into account prior to any final decision being referred to cabinet and prior to the Secretary of State's permission (where required) being sought.</p>

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
	<u>Revised delivery of Phase 1</u>
3.	As government housing policy has changed (reducing funding for affordable social housing and rental income from local authority housing rental) previous options for phase 1 delivery have become unviable. In February 2016 it was anticipated that Plot 1 would be appropriate for the government's then new initiative Starter Homes, but this has not proved to be the case.
	<u>Future Decant and Demolition</u>
4.	It is not feasible to carry out comprehensive regeneration of Townhill Park estate without decanting as the development sites need to be cleared to allow maximum potential to deliver a high quality living environment.
DETAIL (Including consultation carried out)	
	<u>The Council's Estate Regeneration Strategy including the Delivery Strategy for Townhill Park</u>
5.	In September 2016 a report was submitted to the Council's Overview and Scrutiny Management Committee setting out the future high level strategy for the delivery of the Council's Estate Regeneration Programme. It was acknowledged that the recent approach to estate regeneration based on the master planning of specific areas of the city has proved slower to deliver than hoped (a problem certainly not unique to Southampton) and has meant that many of the buildings which will cost the most to maintain and occupy are not being addressed as early as would be ideal.
6.	An approach that prioritises the buildings and types of building that will require the highest pro rata regular expenditure on repairs and maintenance over the next 5, 10 and 15 years and identifies the most cost effective (based on a lifetime cost approach) major refurbishment and/or redevelopment options is now proposed.
7.	Opportunities to increase density and the mix of housing to include homes for market rent or sale (including shared ownership and starter homes) will also be pursued.
8.	Accelerating investment in the redevelopment and or major refurbishment of the Council's housing stock will require, at least initially, greater capital expenditure than can currently be funded either from revenue balances or borrowing within the Housing Revenue Account.
9.	A range of models for development and funding are therefore being considered. These include :- <ul style="list-style-type: none"> • Direct development within the HRA. • Use of the Council's proposed development and investment companies • The proposed sale of sites to Housing Association partners. • The proposed sale of sites to institutional funding partners make completed units available to the Council through finance leases with options to purchase. It is proposed that the Council will develop ongoing relationships with a number of development and funding partners with models replicated across the city.
10.	The regeneration of Townhill Park will continue to broadly follow the proposals as approved to date, but may be revised and delivered through a variety of

	delivery models.
	<u>Planning Consent</u>
11.	Outline planning permission for Townhill Park Regeneration was granted on 5 th May 2016. The consent is a hybrid with full details already approved for Plots 1 and 2 (phase 1) and the remaining redevelopment requiring reserved matters approval.
	<u>Delivery of Plot 1</u>
12.	The Government's Starter Homes initiative, reported in the Cabinet report of February 2016 has not, so far, proved applicable to Townhill Park. Therefore, other delivery models have been pursued.
13.	Plot 1 (phase1) (land at Roundhill Close and west of Meggeson Avenue) is being developed using the Wayfarer Partnership Framework, which the Council is a member of. The design has been revised in order to both produce a viable scheme but also to produce an apartment block that does not require a roof top garden. Instead there will be more open space provided at ground level. A contractor has been selected using the framework and we are in negotiation to finalise a contract that will enable a start on site this Summer and completion by Spring 2019.
14.	In mid-February 2017 a new standalone scheme was submitted for planning consent and local residents have an opportunity to comment through the statutory process. Prior to this, pre-application consultations were carried out with a drop in event for local residents and a meeting with the Townhill Park Forum the local stakeholder group. The proposals, which are similar to the previous scheme were generally well received.
	<u>Delivery of Plot 2</u>
15.	The Council, along with other local authorities, has been exploring new models in order to continue to deliver affordable housing. A recent source of funding has been from certain institutional and financial investment funds. Officers have been in negotiations with Cheyne Capital Management (UK) LLP who, using their social fund, make investments in social housing. The investments aim to balance social and financial return whilst providing property that helps disadvantaged groups.
16.	In 2014 Cheyne Capital formed the Cheyne Social Property Impact Fund ("Fund") the UK's first private fund providing long term affordable properties to non-profit, social sector organisations. The seed investor in the Fund is Big Society Capital, a financial institution established by law with a social mission. They are partners in the New Communities Partnership formed of Keir Living, the Cheyne Social Property Impact Fund and the Housing Growth Partnership and supported by the Homes and Communities Agency. They also have collaboration with the National Housing Federation.
17.	In April 2015 they acquired a plot of land from Luton Borough Council to build 80 units of affordable housing. This project was completed in November 2016 when Luton Borough Council and the Fund entered into a 21 year FRI lease. Luton Borough Council allocates people from their waiting list into these properties. The Council's Head of Capital Assets has visited the Luton development and also spoken with key officers at Luton Borough Council about the Fund.
18.	The proposal for Townhill Park Plot 2 is that, subject to full legal review and

	<p>satisfaction that all legal requirements are met to enable the Council to enter into an innovative arrangement of this nature, Cheyne Capital would purchase the land, design and build the housing. It is anticipated that the affordable housing will be between 45 and 55% of the total with the remainder let for private rental allowing the Council to generate an ongoing income stream. Current proposals for Plot 2 can achieve at least the current planning consent number of 213 units and is likely to exceed this number. The Council will seek to receive a capital receipt for the land and it is intended that it will enter into a Full Repairing and Insuring (FRI) lease agreement with the Fund to pay an agreed rental sum for the properties. The lease agreement is proposed to last for 21 years, at which point the Council can allow the lease arrangement to end, renew the lease for a further 20 years (on the same economic terms) or purchase the properties. The agreement would also include the Council managing the rental of the properties and their maintenance for which the Fund will pay an annually, Consumer Price Index (CPI) increasing, maintenance allowance. The lease agreement is proposed to be treated as an operating lease and off balance sheet. The Council's Legal and Governance team are reviewing the full details and implications of entering into this model of provision and will provide further advice on this proposed development prior to any agreements being approved. If the proposals prove not to be legally or financially viable an update and alternative model for development will be referred back to cabinet for decision.</p>
19.	<p>Subject to paragraph 18 above, and confirmation of the arrangement meeting all legal requirements, delegated powers are sought to enter into the legal agreements necessary to approve the delivery of Phase 1 Plot 2 with Cheyne Capital or a similar company.</p>
	<p><u>Delivery of Townhill Park Infrastructure</u></p>
20.	<p>An important aspect of the Townhill Park estate regeneration is that it aims to provide comprehensive improvements that will not only provide new housing but improve the quality of the environment for existing residents. Central to this is the traffic calming of Meggeson Avenue, the creation of a new central Village Green and the improvements to linked green spaces and Frog's Copse. In order to deliver this the Council's partners Balfour Beatty have been engaged to provide the detailed design and costings for the highways changes and Village Green. The approach to cost apportionment arising from this work is subject to further discussion with planning as part of the normal planning process.</p>
	<p><u>Delivery of future Phases and Plots</u></p>
21.	<p>The documentation of the May 2016 planning consent contains a phasing drawing for Townhill Park. In future the phasing may alter as the Council capitalises on development opportunities. In addition there is a planning condition in the May 2016 consent that ensures the Village Green is delivered early in the regeneration, stating that the Village Green must be provided before the occupation of the 277th residential unit. Any variations will require the relevant regulatory consents to be amended through the normal statutory process.</p>
	<p><u>Proposed Decanting Programme</u></p>
22.	<p>Although extensive public consultations have taken place with local residents throughout the development of the proposals and during the planning application process it is necessary to undertake further statutory</p>

	<p>consultations under the Section 105 and part V of schedule 2 of the Housing Act 195 and S137 Housing Act 1996, prior to further decanting taking place. The phase 1 decant was fairly small but the proposals for the next stage of decant will involve approximately 300 residents. A full impact assessment of residents needs must be undertaken and kept under review throughout the consultation and implementation process and a detailed decant programme will need to be produced. It will also be necessary to seek the Secretary of State's approval prior to the decant programme being commenced.</p>
23.	<p>The requirement to provide the Village Green makes the decanting of the 3 blocks that would occupy the site of the Village Green a priority (1 to 21 Ozier Road, 207 to 227 and 185 to 205 Meggeson Avenue). In addition, recent work has been undertaken, which has identified several blocks which require expensive remedial treatment. It is the intention to include them in the next programme of decanting. In January a newsletter was delivered to all residents updating them about the regeneration proposals and informing them that further details about future decanting would be available in the next couple of months. Once finalised and approved the decant programme will give those affected full information and support during the process.</p>
24.	<p>Prior to any decant programme being commenced it has been agreed that a further report will be submitted to Cabinet. Cabinet will need to approve the new decant policy and approve the decant programme prior to the Secretary of State's permission (where required) being sought.</p>
25.	<p>Decanting is an expensive and time consuming process. Due to the large number of people on the housing waiting list and the decreasing supply of affordable houses available, it will be a lengthy process. In addition, it is important that measures are followed in order to build new properties for social rent as quickly as possible in order to meet demand. By increasing densities the estate regeneration programme will provide increased affordable housing supply as well as new properties.</p>
26.	<p>The Council will use its reasonable endeavours to reach voluntary agreements with all the residents to enable them to decant to suitable alternative accommodation as quickly as possible. However, if this is not possible and the Council have to seek possession of any properties this will need to be undertaken via the Courts. Where possession is sought for an individual property that needs works and/or demolished the Council can rely on Ground 10 Housing Act 1985. However, where possession is sought or a redevelopment scheme the Council would need to do so under Ground 10A of the Housing Act 1985. Prior to this though there is a statutory duty to commence a 28 day consultation with tenants and thereafter to consider any representations and to seek the Secretary of State's permission for approval of the scheme.</p>
27.	<p>The purchase of the remaining leaseholder properties continues and is to be pursued more actively by the Council than previously in order to prepare development sites more quickly.</p>
	<p><u>Disposal of Land</u></p>
28.	<p>Where the Council's delivery model for redevelopment proposes disposal of land the Council will aim to achieve best consideration in accordance with statutory requirements. However, there are likely to be instances where the land sale will be at less than best consideration in order to achieve a higher mix of affordable housing or other. In these cases the Council may still want</p>

	to agree the disposal because the social and economic benefits of the transaction outweigh the monetary value and this is legally acceptable provided certain statutory requirements and safeguards are met and sales certified by the Proper Officer as complying with the relevant legislation.
29.	Delegated powers are sought to enable disposal of land at Townhill Park to be made at less than market value provided there is appropriate social and economic benefit and statutory requirements for sales at an undervalue certified as met.
	<u>Compulsory Purchase Order (CPO) for Phase 1</u>
30.	Currently negotiations are proceeding favourably with the remaining leaseholder in Phase 1 and therefore CPO proceedings are being held in reserve pending the outcome of the current negotiations.
	<u>Compulsory Purchase Order for the Remaining Development Areas</u>
31.	Options are being investigated to establish the most effective future CPO route should difficulties occur in further decanting of tenants or leaseholders. Any requirements to pursue a CPO will be referred back to Cabinet and required to follow a strict statutory process.
	<u>Further Demolition of Vacant Blocks</u>
32.	Delegated power is requested in order that the Head of Capital Assets after consultation with Service Director: Legal & Governance the Service Director: Finance and Commercialisation and the Leader) can procure further demolition services and let a demolition contract for further demolitions subject to remaining within approved budget. On further investigation and if efficient a demolition contract allowing sequential demolition as blocks become vacant will be adopted.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
33.	The intention is to use the current approved Townhill Park Regeneration budgets to carry out the work detailed in this report.
34.	There is Homes and Communities Agency (HCA) funding of £750,000 towards 50 affordable homes on Plot 1 and Council s106 contribution towards the building of the six houses on Plot 1.
<u>Property/Other</u>	
35.	The land and properties are required for the improvement of the area which will improve the economic, social and health well-being of the residents within the estate regeneration area
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
36.	The Council has powers under the Housing Acts and the Local Government Act 1972 section 120 to undertake estate regeneration proposals. The detailed legal implications of the various proposals are set out within the main body of this report and some aspects of the proposals (consultation processes, the details of proposed land sales and leaseback arrangements etc) are subject to further legal investigation and confirmation of the appropriateness of the proposals in both legal, financial and risk

	management terms by the Council's statutory officers.
Other Legal Implications:	
37.	The Council will need to carry out a statutory consultation under S105 of the Housing Act 1985 and S137 Housing Act 1996 prior to considering any proposals to amend the decant policy. The Council needs to publish its arrangements for consultations under S105 and S137 but in order to meet government best practice, recent case law on public consultation and having regard to the scale of the impact of the proposals, it is recommended that a minimum 12 week consultation period is required. Thereafter all representations made during the consultation period will be taken into account before a finalised Decant Policy and Programme is referred back to Cabinet for consideration.
38.	The Council will also need to carry out a statutory 28 day consultation of tenants pursuant to Part V Schedule 2 of the Housing Act 1985 and seek approval of the Secretary of State prior to any decanting commencing.
39.	The Council's Legal and Governance team are seeking further review of the proposed Cheyne Capital proposals and their impact on the Council's statutory housing duties and powers and financial standing. The delegations to enter into arrangements in this regard are therefor subject to approval by the Council's Service Director: Legal & Governance prior to any binding obligations being entered into.
POLICY FRAMEWORK IMPLICATIONS	
40.	<p>These proposals will assist the City Council to achieve its corporate targets as set out in its Housing Strategy 2016-2025 in the following ways:</p> <ul style="list-style-type: none"> • Providing sustainable homes which in turn help to improve the health and wellbeing of local people • Developing on a brownfield site (estate regeneration) • Providing well-designed and safe sustainable housing where people want to live now and in the future • Providing affordable housing

KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	Harefield, Bitterne Park
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	None
2.	

Documents In Members' Rooms

1.	
2.	

Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		YES
Privacy Impact Assessment		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		YES
Other Background Documents		
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.		
2.		