

<b>DECISION-MAKER:</b>	CABINET COUNCIL
<b>SUBJECT:</b>	TOWNHILL PARK REGENERATION FRAMEWORK: FURTHER CONSIDERATION OF THE FINANCIAL MODEL AND APPROVAL OF THE CAPITAL EXPENDITURE FOR THE IMPLEMENTATION OF PHASE 1
<b>DATE OF DECISION:</b>	21 AUGUST 2012 12 SEPTEMBER 2012
<b>REPORT OF:</b>	CABINET MEMBER FOR HOUSING AND LEISURE
<b>STATEMENT OF CONFIDENTIALITY:</b>	
N/A	

### **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

Estate Regeneration is also identified as a key component in delivering the City wide priority of sustained economic growth, contributing to the objective to deliver new homes and additional jobs.

On 12 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 16<sup>th</sup> April 2012 Cabinet report which was approved, but not submitted to Council on 16<sup>th</sup> May 2012 for approval of certain recommendations. This was due to the election of the new, current administration who, while in support of Estate Regeneration, wished time to consider the financial implications of the Townhill Park proposals. The main changes from the April 2012 Cabinet report is that the new social housing should be retained and managed in Council ownership and, due to outstanding ecological work, zone 25 will now be delivered later in phase 3, with zone 33 moving from phase 3 to phase 1 to replace it.

This paper reviews and consolidates the previous Cabinet papers of March and April 2012 and sets out the current strategy and financial analysis for the delivery of the Townhill Park Regeneration Framework.

This paper seeks approval of the overall strategy and the finances necessary to enable the project to proceed.

The affordability assessment is based on the regeneration framework approved in March 2012 (the modified Central Park option) 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 £33.1M, 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 £2.8M, 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 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.

- (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, 34, and 35
  - Phase 2 comprising zones 9, 11 (redevelopment), 12, 19, 20, 27 and 28
  - Phase 3 comprising zones 13, 14, 17, 24, 29, 30, and 25including 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 Zone 33 is now proposed in Phase 1 and Zone 25 in Phase 3. Further public consultation is planned in the next couple of months with residents of Phase 1, prior to a firm decision on proposals for this site.

- iii) To note that further consultation will be carried out, starting in August 2012, with residents affected in phase 1, and residents affected by the proposed new road, and reported back to Cabinet
- iv) To agree to recommend to Council that the HRA capital programme

will fund the site preparation costs set out in this report, currently estimated at £11.8M, and 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 Townhill Park, the phasing for which is set out in Appendix 1.

- v) To note that the HRA will be required to incur further capital expenditure to acquire the 450 units of social housing, 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.
- vi) To note that the General Fund capital programme will be required to fund highways infrastructure, open space improvements and replacement community facilities where appropriate, at an estimated cost of £2.8M 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.
- vii) 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.
- viii) To agree to recommend to Council that:
  - a) £23.9M of the 30 year HRA revenue surplus is 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 funds the highways infrastructure, open space improvements and replacement community facilities where appropriate, at an estimated cost of £2.8M 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.

## **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 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 Townhill Park, the phasing for which is set out in Appendix 1.

- (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, open space improvements and replacement community facilities where appropriate, at an estimated cost of £2.8M 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.

### **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. Redevelopment will 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.
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 4<sup>th</sup> July 2011 (and Council on 13<sup>th</sup> 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 preparatory 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 12 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 16<sup>th</sup> April 2012 Cabinet report which was approved, but not submitted to Council on 16<sup>th</sup> May 2012 for approval of certain recommendations. The current administration, newly elected in May, while in support of Estate Regeneration, wished 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 the completion of 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 what rent levels are to be charged. The main change from the April 2012 Cabinet report is that the new social housing should be retained and managed in Council ownership.

##### **Review of March 2012 Cabinet paper**

14. Before detailing the financial information, the following section of the report reviews and summarises the salient points of the March 2012 Cabinet report. A full version is available on the Council's decision making pages on the Internet.

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

15. These aspects are covered in the March 2012 Cabinet report (paragraphs 10-12 and 13-14)

### **Consultation – Estate Regeneration Programme**

16. Consultation has been undertaken 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

### **Consultation Process – Townhill Park**

17. A programme of consultation was undertaken during the study and is described in the 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. Further public consultations are planned in the next couple of months and these are set out in paragraph 30 to 33 and will be reported back to Cabinet in November 2012.

### **Townhill Park Study and Options Proposed**

18. The study process and the options considered are set out in the March 2012 Cabinet report paragraphs 22-32

### **Townhill Park Agreed Vision and Themes**

19. Residents helped to agree a vision and seven themes for Townhill Park. The vision agreed vision for Townhill Park is that:

By 2021, residents of Townhill Park will be proud to live in a successful suburban family neighbourhood.

20. 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**

21. The preferred Master Plan which was 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, new local shopping facility and 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. Housing details are included in more detail in paragraph 34 below. 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
- 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
- Car parking is recognised as a contentious issue and proposals aim to provide a range of parking improvements through comprehensive design
- The socio-economic Framework will contain the strategy for improving access to employment and links to other city wide initiatives.

**New Housing Provision resulting from the modified Central Park Option**

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

<b>Housing Detail</b>	<b>Numbers</b>
Current Numbers of Homes in the Study	817*
Number of Homes proposed to be demolished (subject to the outcome of further detailed consultation with those affected) (numbers are indicative at present and subject to further detailed consultation)	428
New homes proposed to be built (numbers are indicative at present and subject to further detailed consultation)	675
Net Gain	247

This includes the provision of 380 affordable homes. (March 2012)

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

## **Acknowledgement of Changes to the Master Plan as Development progresses**

23. In the 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 par 34).
24. Since the 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 concern about their future and the future of the pre-school running from the building
  - Residents', around Cornwall and Litchfield Road, 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
  - 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 misunderstanding that the development site suggested is the whole of Frog's Copse rather than a small area.
25. The Regeneration Framework documents have not been sufficiently clear that further feasibility work and consultation is due to be carried out before Master Plan ideas such as those listed above in paragraph 25, become firm proposals.
26. The March 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 par 42). These studies covering a Transport Assessment, Ecology, Sustainable Urban Drainage and Energy were approved and work is being carried out on them during 2012. The result of these studies will also inform the detail as initial Master Plan proposals are brought forward for development.

### **Proposed Changes to Phase 1**

27. The proposed phasing was considered in paragraphs 35 and 36 of the March 2012 Cabinet report. It is now proposed that there will be a change to Phase 1 zones which will now comprise:
- Zones 1, 34, 35 and 33
- Site 25 originally in Phase 1, is subject to the completion of certain studies, and is re-allocated to Phase 3, while Site 33, which was in Phase 3, is now proposed for inclusion in Phase 1.
28. It is considered that this alteration will produce an attractive, financially viable development package for the construction industry and make a significant impact on the regeneration of Townhill Park.



## **Future Planned Public Consultations**

29. Further public consultations are planned in the next couple of months. These include detailed consultations with residents of Phase 1, information update to all residents both in and around Townhill Park and a public consultation about the idea of a new road connection from Townhill Park to Cornwall Road at the junction with Litchfield Road.

### **Phase 1 Public Consultation**

30. Specifically around the redevelopment of Phase 1 the public consultations will commence with a letter to each secure tenant and leaseholder setting out the details of the consultation process. The process includes a personal visit to all secure tenants by the Tenant Liaison Officers after initial letters are sent out. A meeting is also organised and carried out by Capita with leaseholders. Residents will be notified in their letter of 2 drop-in events where they can speak to officers on an individual basis and discuss any concerns or aspirations they have. This further consultation process, building on the extensive general consultation already undertaken, will last for a minimum of 4 weeks with a further 2 weeks to consider any representations. A report will then be produced, which will form part of a subsequent report back to Cabinet, in November 2012.

### **Information Update Meeting for all Residents**

31. It has been some time since all residents have had the opportunity to attend a meeting to receive an update on proposals. It is proposed to organise an Information update meeting to which all residents, both within Townhill Park and those living adjacent to the area, will be invited.

### **Public Consultation on the Idea of a Road Extension from Townhill Park through to Cornwall Road at junction with Litchfield Road**

32. Although this is only a concept idea at this stage, and proposed for latter parts of the scheme, further consultation will be undertaken with residents on this now, due to concerns expressed about this road from residents. These will be considered and reported back to Cabinet (likely to be November 2012) where an early view will be taken on whether to proceed further with this concept or abandon the idea. Both residents of Townhill Park and those adjacent to the area, especially those living in Cornwall, Litchfield and adjacent roads will be invited to give their views.

### **Phase 1 Site Preparation Detail and Costs**

33. Specific details regarding any proposals for decanting, purchasing leaseholds, demolitions and required finances will be the subject of a subsequent Cabinet report in November 2012.

### **Financial Assessment of Townhill Park**

34. 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 April 2012 Cabinet report is that the new social housing should be retained and managed in Council ownership.

35. 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.
36. 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 5 shop premises, a public house and a community centre 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.
37. There is no General Fund contribution required for this site assembly activity. There are two GF sites in the regeneration area but there are no costs involved in preparing these sites for redevelopment.
38. 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.
39. 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.
40. 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).
41. Estate wide regeneration also has capital implications for the General Fund (GF). These cover highway works, improvements to open spaces and re-provision of community facilities where appropriate. This expenditure is estimated at £2.8M. There is currently no provision in the GF capital programme to meet these costs. However, two of the sites to be sold are held under GF powers so the capital receipts from the sale of these sites would accrue to the GF. These receipts are estimated at £0.5M and it is assumed that they will be applied towards the GF funding of £2.8M.

42. The redevelopment costings have also allowed for payment of the new Community Infrastructure Levy (CIL). This has been assessed using the fee structure that is currently out for consultation. A provision of £1.7M has been assumed based on the proposed level of private sector housing. This means that the Council will potentially receive income from CIL of £1.7M from this redevelopment. 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 infrastructure improvements estimated at £2.3M and, if it were possible to utilise the CIL income, the net cost for the GF capital programme would be reduced to £0.6M, as shown in Appendix 1.
43. 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 and so any developer contributions would reduce the net GF cost further.
44. The new infrastructure is not expected to have any material impact on GF revenue budgets.

#### Housing Revenue Account Implications

45. 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.
46. Whilst 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 clear that careful consideration will need to be given to the impact on the HRA of future phases of Estate Regeneration as the financial model for Townhill Park is not sustainable over the 30 year period of the business plan, should proposals come forward to redevelop a number of other estates in this manner. It is, however, 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.
47. The revised proposals remain within the April 2012 total costs envelope for the HRA of £33.1M, 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

48. 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. Over the next few years this shortfall will be made good, meaning that rent increases will need to exceed inflation for some time to come. By the time the redevelopment takes place most existing HRA rents will have reached their full target rent level.

49. 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 re-lets) 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 substantially 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:

50.

	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.				

51. 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 significantly higher. In general terms this means new clients having to pay significantly more for their accommodation than existing clients. If Affordable Rent is the only tenure available following Estate Regeneration, existing clients could be squeezed

out of the area. At the same time it will be equally important that a range of tenures of properties are available to encourage the creation of a balanced and sustainable community that moves away from deprivation.

#### Rent Assumptions Used in the Affordability Assessment and Impact on HRA

52. 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.
53. 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.
54. The current proposal is to provide as much social housing as the Council can afford to purchase and that the rent for these properties will be based on the affordable rent level. 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. By retaining ownership, the Council has a modern asset as a return for its outlay.
55. 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, and let on the basis of affordable rent.
56. 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.
57. 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**

58. 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.
59. 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.
60. 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.

61. 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 and Procurement Options**

62. The Regeneration Framework looked at a range of delivery options. 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. Approval for procurement, associated documentation and their financing will be the subject of a later Cabinet report.

### **Finances for the Preparation of Phase 1**

Finances for the preparation of Phase 1 will be subject of a further Cabinet report in November 2012.

### **Planning Strategy**

63. The consultant’s report recommends 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). The Council will investigate the benefits of these approaches, and will consider other options as well, as the work moves forward.

### **RESOURCE IMPLICATIONS:**

#### **Capital/Revenue:**

64. 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.
65. 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.
66. The report to Cabinet on 12<sup>th</sup> March increased the approved spending limits for the Townhill Park scheme by £156,000 in 2012/13 to enable the remaining studies to be completed, as set out in paragraph 42 of that report.

The cost of the Transport Assessment will not now be met from this budget and the £20,000 provision will be used towards the cost of other feasibility work that will be needed following the reassessment of how the social housing is to be provided.

**Property/Other:**

67. Within the area the Council owns are sites of the former Local Housing Office and Moorlands Community Centre, the latter is shown as the space currently re-provisioned in the Master Plan. In the case of the latter, further feasibility work and community consultation is required before confirming a future solution.
68. 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
69. 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.
70. Consent to dispose of the sites, once a developer is secured, will require Cabinet approval. The Council’s Strategic Services Partner Capita, will act as the Council’s property advisor inputting into these projects.

**Property Acquisition**

71. These will be covered in a subsequent Cabinet report.

**Other – Procurement**

72. Procurement will be covered in a subsequent Cabinet report.

**LEGAL IMPLICATIONS:**

**Statutory power to undertake proposals in the report:**

73. 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.

**Other Legal Implications:**

74. 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:**

75. The updated Housing Strategy 2011-15 and Housing Revenue Account Business Plan 2011-2041 approved by Cabinet on 4<sup>th</sup> July 2011 (and Council on 13<sup>th</sup> 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

<b>WARDS/COMMUNITIES AFFECTED:</b>	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
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**Documents In Members' Rooms:**

1.	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)
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1.	None.	
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