

BRIEFING PAPER

SUBJECT:	ESTATE REGENERATION AND DEVCO UPDATE
DATE:	15 OCTOBER 2015
RECIPIENT:	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE
THIS IS NOT A DECISION PAPER	

1. SUMMARY

- 1.1 This report updates on work undertaken to develop the DevCo and estate regeneration since the matter last came before OSMC in April this year.

2. BACKGROUND and BRIEFING DETAILS

- 2.1 The planning application for Townhill Park was submitted on 11 September 2015. It is currently in the process of being validated by the city council's planning department and includes provision for 675 new homes. Of these, 276 are in the first phase for which full permission is being sought. The remaining 399 are in phases two and three for which outline permission is being sought.
- 2.2 Ahead of the application being submitted, two public consultation events were held in Townhill Park during the summer. They attracted a total of 153 visitors. Positive feedback was received on many aspects of the scheme, such as the proposed Village Green. Arguably the most contentious issue was the proposed development of Site 4 (open space between Roundhill Close and Middleton Close) which was subsequently removed from the proposals in recognition of the feedback from residents, Natural England and Southampton Commons and Parks Protection Society. This site will no longer be taken forward for development.
- 2.3 Following the consultation, letters were sent to 1,400 households in Townhill Park and others close to the estate to update them on the project and its progress, the outcomes of the summer consultations, and the looming submission of the planning application. The letter allowed residents to register for further details once the application was validated to enable them to comment on the plans. The planning department will also write to all residents in the development plots and those immediately adjacent to them, along with all other statutory consultees, once the validation is concluded.
- 2.4 The Townhill Park Forum set up to review the regeneration proposals (organised and administered by SO18 and attended by the main local stakeholder groups) together with the Estate Regeneration Stakeholder, Group have, received regular updates on the scheme throughout the year. At the most recent meeting of the Forum on 30 September 2015, the planning process was outlined, and a further meeting is planned for 10 December 2015 to discuss this in more details, along with, at the request of the group's members, an update on highways issues.
- 2.5 Demolition of the blocks in the first phase of Townhill Park is set to commence in February 2016. At the time of writing, three flats in the one remaining block in phase one were still occupied. The council will have to consider using Compulsory Purchase Orders (CPO) to obtain possession of leasehold properties if no other solution can be found. The submission of a planning application greatly strengthens the likelihood of CPOs being approved.

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- 2.6 On 21 April 2015, Cabinet provided authority to undertake the required work to set up a wholly owned Development Company (DevCo) to deliver city wide development. It was agreed that the first focus of the DevCo would be the Townhill Park estate regeneration project. PwC was commissioned to undertake this work. As a result, a workshop was held to kick-start this work with all those needing to contribute to the business case/ business plan development. Those engaged in the process include Capita along with legal experts. A number of key principles underpin the development of the business case:
1. The purpose of the Special Purpose Vehicle (SPV) is to deliver housing in a commercially-minded way.
 2. The Council would set up a group structure with a holding company (“HoldCo”) which in turn owns an SPV responsible for the delivery of the Townhill Park Project (“DevCo”).
 3. The intention would be to create a model which is replicable for similar projects and a group structure which can be expanded to take account of both these replicable projects and also projects with a different focus and/or risk. As a result, the model could be used multiple times in multiple locations as the council sees fit.
 4. The financial implications of the project need to be considered with reference to DevCo (& HoldCo); the General Fund; and the HRA. Any negative cash flow implications or losses for the General Fund in particular would need to be carefully considered given the context of the Council’s wider General Fund budget challenges.
 5. Work is needed on VAT implications.
 6. Financing of the DevCo would be provided through a loan from the Public Works Loans Board which is then used to capitalise and provide funding to the DevCo. The loan to the DevCo would have to be at market rate.
- 2.7 There is a range of broad technical issues on which the Council requires specialist advice to take this work forward, specifically:
1. Cost model (Capita)
 - Inputs, outputs and key assumptions regarding costs need to be provided to develop the DevCo model.
 2. VAT Advice (PwC)
 3. Legal (Trowers and Hamlin have been commissioned) for example:
 - Provide information requests to expedite setting up HoldCo and DevCo.
 - Advise on the use of a license for the Phase 1 site rather than transfer.
 - State Aid risks arising from the above model.
 4. Commercial Model (PwC)
 - CPO advice in relation to the Phase 1 site.
- 2.8 Thus as a starting point Capita (as the council’s technical advisor on Townhill Park) is providing inputs, outputs and key assumptions to feed into this process. This work is ongoing to ensure the provision of a scheme that provides best value and remains financially viable in the current climate of construction inflation. This information will be

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used by PwC to model the business case for the DevCo. The aim is to take a further report to Cabinet on the DevCo in Spring 2016.

- 2.9 Parallel to this work, estate regeneration work is progressing in Millbrook and Maybush to develop future plans for estate regeneration. It is expected to start with a scheme to develop two adjacent sites; Woodside Lodge in Wimpson Lane and also 536–550 Wimpson Lane. These sites are now vacant and set to be used for an extra care scheme, similar to the Erskine Court project, along with some inter-linked general needs housing. Funding will also be provided to a partner Registered Provider to develop an affordable housing scheme of 9 affordable homes at the former Bush Inn, Wimpson Lane, which is opposite the proposed extra care site. A report is due to come to Cabinet in November 2015 to seek approval.
- 2.10 The Woodside/Wimpson plan was outlined to the Millbrook estate regeneration group at its most recent meeting on 24 August 2015. The group is also examining other sites around the area to evaluate which may be suitable for development, taking account of public opinion, and is next due to meet on 2 November 2015.
- 2.11 Two of the Phase Two estate regeneration projects have been completed in recent months – at Cumbrian Way in Millbrook and Meggeson Avenue in Townhill Park. The remaining Phase Two sites are at Exford Avenue in Harefield which is due to complete by July 2017, Laxton Close in Sholing which is set to be finished in December 2015, and Weston Lane in Weston which is due to complete in March 2016.

Appendices/Supporting Information

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