

POLICY AND FINANCE COMMITTEE

22 FEBRUARY 2021

YORKE DRIVE REGENERATION UPDATE

1.0 Purpose of Report

1.1 This report is to provide a specific update to the Committee on the implications for the council of not securing Affordable Homes Programme (AHP) grant funding from Homes England (or alternative grant funding) against the Yorke Drive Regeneration Project.

2.0 Background Information

2.1 The council secured circa £1m Estate Regeneration funding from the Ministry of Housing, Communities and Local Government in 2017 which has funded the progression of the Yorke Drive project through to securing outline planning permission in 2020.

2.2 Since 2017 officers have maintained open dialogue with Homes England considering alternative and appropriate funding streams for delivery of the project.

2.3 In 2017 a provisional offer for circa £2m was made from the 'Accelerated Construction Fund'. However, at that time, financial modelling showed that the project required significantly higher levels of gap funding to be viable. Officers began working up a separate bid to the 'Small Sites Fund' and an application for Shared Ownership Affordable Homes Programme Funding (SOAHP).

2.4 The main constraint with both the Small Sites Fund and SOAHP has been the timeframe for the spend to be used i.e. by March 2021, whereas the project will not start onsite delivery until September 2021. Therefore the council began the process of working with a 'Strategic Partner', a separate intermediary who can deliver SOAHP on behalf of Homes England, but with an extended spend timetable to 2022.

2.5 Homes England staff and Council Officers worked to ensure that the project could be evidenced to meet Homes England funding criteria with changes to the outline planning permission approved by the Planning Committee in November 2019 to help evidence the need for funding.

2.6 In April 2020, the Policy and Finance Committee approved to move forward with the preferred developer Lovell Partnerships Ltd and set the maximum Council contribution to the project which was dependent on grant being secured to the value of £3.76m to offset the council's contribution.

3.0 Current Funding Position

3.1 In September 2020, Homes England launched their new Affordable Homes Programme (AHP) 2021 - 2026. The new prospectus specifies that:

*Please note, this funding does not provide grant for: **Regeneration** – the replacement of homes demolished through regeneration work is not eligible for funding.*

- 3.2 Despite this statement, senior officers made a strong argument (given the previous detailed discussions with Homes England) that at least a proportion of the properties within the new development should continue to be eligible for funding. However, on 14 January 2021, Homes England confirmed their position that despite the arguments put forward and previous verbal and written correspondence in support of the scheme, they are unable to support the project in its current form under the AHP 2021-2016.
- 3.3 Whilst officers have also secured a position on the Local Enterprise Partnerships (D2N2) 'reserve' list of projects for grant funding, this potential source will only be successful if an existing project to which the funding is currently allocated cannot deliver. In addition, there is an expectation that the Ministry of Housing, Communities and Local Government will launch a fund to bring forward 'Brownfield' sites with a proportion of this money earmarked for regeneration, however the prospectus for this fund has not yet been released.
- 3.4 In summary, there is no guarantee at this point that any external grant will be secured to fund this project; though Officers will continue to seek opportunities to attract funding.
- 3.5 In order to progress the project, the council is required to enter into the full Development Agreement with Lovell Partnerships Ltd by the end of March 2021. This will commit the council to the full costs of the development.

Risk of continuing without securing grant

- 3.6 Capacity within the Housing Revenue Account
- 3.6.1 As part of the council's annual budget-setting process, the council's 30-year Housing Revenue Account Business Plan (HRA BP) is updated to reflect the budgets set for the next four financial years – the Medium Term Financial Plan (MTFP) period.
- 3.6.2 The Yorke Drive scheme has been modelled into the version of the HRA BP which formed the basis of the 2021/22 HRA budget and rent setting report approved by Full Council on 9 February 2021. This took into account the HRA capital programme and future budget assumptions, and **included the receipt of nil grant** from Homes England in relation to this scheme. Despite the receipt of nil grant, the current HRA capital programme, including the future years of the development programme, remains affordable within the overall HRA BP.
- 3.6.3 As a consequence of not securing the funding from Homes England, the Council will need to review future projects and profiling of budgets in order to direct resources to this programme to ensure its successful delivery. This will also necessitate securing external funding for future qualifying housing projects.
- 3.7 Emerging / Unforeseen costs
- 3.7.1 Whilst the review of the business plan provides comfort, at present, that the project is affordable, it must also be noted that the HRABP may have to absorb any future additional costs associated with requirements emerging from the Government White Paper - The Charter for Social Housing, the ongoing review of the councils services to identify improvements and emerging legislative commitments on fire and building safety.

3.8 Reputation

- 3.8.1 The strategic case for the transformation of Yorke Drive remains sound and has been evidenced through the Bridge Ward Neighbourhood study which acts as the evidence base for the project. Whilst this project directs significant Council resources into one area of the District, the need to invest is clear.

Risk of not continuing with the project as grant cannot be secured

3.9 Project Delivery

- 3.9.1 If the council decides not to continue with the project now that grant funding cannot be secured, then this will mean that whilst the rationale for intervention at Yorke Drive remains, the needs of the residents and the need to regenerate the area will not be met. Yorke Drive is a strategic estate regeneration project, set to transform the entire area, and its evidenced need has secured strong support from existing tenants, owner occupiers and strong cross party support, reflected through its inclusion in the Community Plan.

3.10 Financial

- 3.10.1 Should the Council choose to not progress with the project, then it will become liable for the developers costs totalling £449,061.99 under the Enabling Agreement. However, this risk would be somewhat mitigated as the work undertaken under the agreement will not be wasted as the designs and reserved matters application would position the project well for future funding streams as a 'shovel ready' scheme.
- 3.10.2 In addition to liability under the Enabling Agreement, the council has already purchased a number of properties on the estate as part of the land assembly for the project. Whilst again this financial risk can be mitigated as the purchased properties can all be converted to rental properties within the HRA, this will undoubtedly have an impact on reputation, particularly amongst those owner occupiers whose homes were purchased under a voluntary arrangement to avoid a compulsory purchase order.

3.11 Reputation

- 3.11.1 The council has progressed this project over the last five years with a confidence in the positivity and support from Homes England and in turn we have raised expectations amongst residents that their neighbourhood will be transformed. Withdrawing from the project therefore will impact negatively upon the Council's reputation.

3.12 Securing grant at a later stage

- 3.12.1 There is a chance that over the life of the project additional funding streams may become available, particularly given the governments requirement to support the construction sector and wider economy post Covid19. Therefore there remains a possibility that grant can be secured against the project but this is very unlikely to be in place before the March 2021 deadline to enter into a contract with the developer. It is therefore important to seek approval that the project can be delivered without grant if necessary.

4.0 Equalities Implications

4.1 No additional Equalities Implications, specifically related to the nine protected characteristics have been identified within this report.

5.0 Digital Implications

5.1 No additional digital implications identified.

6.0 Financial Implications (FIN20-21/5897)

6.1 The costs relating to the Yorke Drive regeneration programme were modelled into the HRA BP prior to the exempt report approved by this Committee in April 2020. At that point in time, the receipt of grant was assumed within the HRA BP.

6.2 Subsequent to the decision by Homes England, further modelling of the HRA BP has taken place in order to remove the grant funding in relation to this scheme. This modelling has shown that despite the receipt of nil grant, the current HRA capital programme, including the future years of the development programme, remains affordable within the overall HRA BP.

6.3 As a consequence of not securing the funding from Homes England, the Council will need to review future projects and profiling of budgets in order to direct resources to this programme to ensure its successful delivery. This will also necessitate securing external funding for future qualifying housing projects.

6.4 The capital programme report elsewhere on this agenda includes the total cost of the scheme, apportioned between the General Fund and HRA, **whilst assuming nil grant funding.**

7.0 Community Plan – Alignment to Objectives

7.1 The rationale for the project has been clearly articulated in this and previous reports, its strategic importance is reflected through its inclusion in the Council's Community Plan. Following extensive and continued consultation with residents on the estate, the project is also supported by the overwhelming majority of residents.

7.2 The proposals directly relate to the following objectives within the Community Plan:

- *Improve the cleanliness and appearance of the local environment*
- *Reduce crime and antisocial behaviour, and increase feelings of safety in our communities*
- *Reduce levels of deprivation in target areas and remove barriers to social mobility across the district*
- *Improve the health and wellbeing of local residents, with a particular focus on narrowing the gap in healthy life expectancy and other health outcomes*
- *Increase participation with the Council and within local communities*

With the objective to

- *Accelerate the supply of new homes including associated facilities;*

With the supporting action of

Direct delivery of homes:

- Progressing implementation of Yorke Drive regeneration scheme;

8.0 Comments of Director

- 8.1 The Council has progressed this project over the last five years with a confidence in the positivity and support from Homes England and in turn we have raised expectations amongst residents that their neighbourhood will be transformed. Withdrawing from the project therefore will impact negatively upon the Council's reputation.
- 8.2 This is remains a key project for the Council in our Community Plan and it is very disappointing we have been unable to secure the indicated funding from Homes England to support its progress. Despite this, it is important that this project is progressed and therefore further re-modelling of the HRA BP has been undertaken to demonstrate that despite the receipt of no grant from Homes England, the current HRA capital programme, including the future years of the development programme, remains affordable within the overall HRA BP.
- 8.3 The HRA BP will be re-profiled and kept under regular review to ensure that future improvement and growth programmes remain affordable. This will also necessitate securing external funding for future qualifying housing projects.

9.0 RECOMMENDATION

That the Committee approve the progression of the Yorke Drive Project, within the existing financial approvals and cost envelope, as agreed by the Policy & Finance Committee on 2 April 2020, without the inclusion of grant funding.

Reason for Recommendation

To ensure delivery of the Yorke Drive Regeneration Project.

Background Papers

None.

For further information please contact Cara Clarkson on Ext 5923

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