



Report to: Cabinet Meeting - 10 December 2024

Portfolio Holder: Councillor Lee Brazier – Housing

Director Lead: Suzanne Shead, Director - Housing, Health & Wellbeing

Lead Officer: Cara Clarkson, Business Manager- Regeneration & Housing Strategy, Ext. 5293

Report Summary	
Type of Report	Open Report / Key Decision <i>There is an exempt version of this report including commercially sensitive information which is redacted in this open report.</i>
Report Title	Yorke Drive Regeneration Update
Purpose of Report	To update Members on the Yorke Drive Regeneration Scheme.
Recommendations	<p>That Cabinet:</p> <ul style="list-style-type: none"> a) as landowner, promotes a scheme which will deliver 207 units with an initial split of 133 market and 74 social units; b) alongside this, continue to negotiate with Homes England to maximise the affordable housing on the scheme through grant funding and a further report will be brought forward at the appropriate time; c) the HRA Capital budget be increased by [REDACTED] (financed by the Major Repairs Reserve) to [REDACTED] allow for future inflation and contingency; d) the Revenue loss of due to the change from Affordable Rent to Social Rent and a reduction in unit [REDACTED] 0 to 74 be noted; and e) delegated authority to negotiate and enter into the development agreement and subsequent JCT agreements, subject to planning permission, costs remaining within the approved budget envelope and risk profile, be granted to the Director - Housing, Health & Wellbeing in consultation with the Director – Resources / S151 Officer and Portfolio Holder for Housing.
Alternative Options Considered	Alternative options are considered within the body of the report.
Reason for Recommendations	To continue the delivery of the Yorke Drive Regeneration Programme, a key action within the Community Plan and delivering overarching transformation for the Bridge Ward.

1.0 Background

1.1 The Yorke Drive Regeneration project originally emanated from the Bridge Ward Neighbourhood Study in 2012 to deliver:

- Transformation of the estate and area through selective demolition and building of new mixed tenure homes for rent and sale
- To achieve a cross subsidy from the sale of market properties to support delivery of new affordable rented homes and improvements to the whole estate
- Providing improved sports and leisure facilities for all (including a new sports pavilion)
- Improving road access and the road network in the area
- Making the whole area a better and safer place to live

1.2 Outline Planning Permission for the selective demolition of 130 homes (of which 107 were at the time in council ownership) and development of up to 320 homes was secured in November 2019 and the subsequent exempt report presented to Policy and Finance Committee in April 2020, approved the maximum financial capital commitment from the Council.

1.3 The April 2020 report also approved the appointment of Lovell Partnerships Ltd as developer through their regeneration arm Compendium Living, as procured through the Homes England, OJEU compliant, DPP3 Procurement Framework.

2.0 Evolution of Design

2.1 Layout Changes and Impact

2.1.1 The Yorke Drive project is complex and there have been a number of external impacts on the project including: impacts from the changes in national and local policy (a new local parking supplementary planning document and a national change to building regulations requiring the installation of low carbon heating); changes in the noise profile of buildings on adjoining land that negatively impacted on the site and required a redesign; along with the requirement to meet the needs of a wide range of statutory and local stakeholders and consultees.

2.1.2 Constraints upon the site including the retention of existing trees, an existing Public Right of Way, and the requirement to deliver three full size football pitches and two junior pitches along with the new pavilion and trim trail, have all made design challenging.

2.1.3 Since December 2023 a further element of redesign has taken place to address the cumulative impact of the compromises that had been made to meet competing requirements from consultees. This redesign has led to some positive changes in the layout including a greater quantum of open space and additional existing trees being retained, however, it has led to a reduction in density and smaller number of units being delivered across the scheme - with a resultant impact on viability and land value.

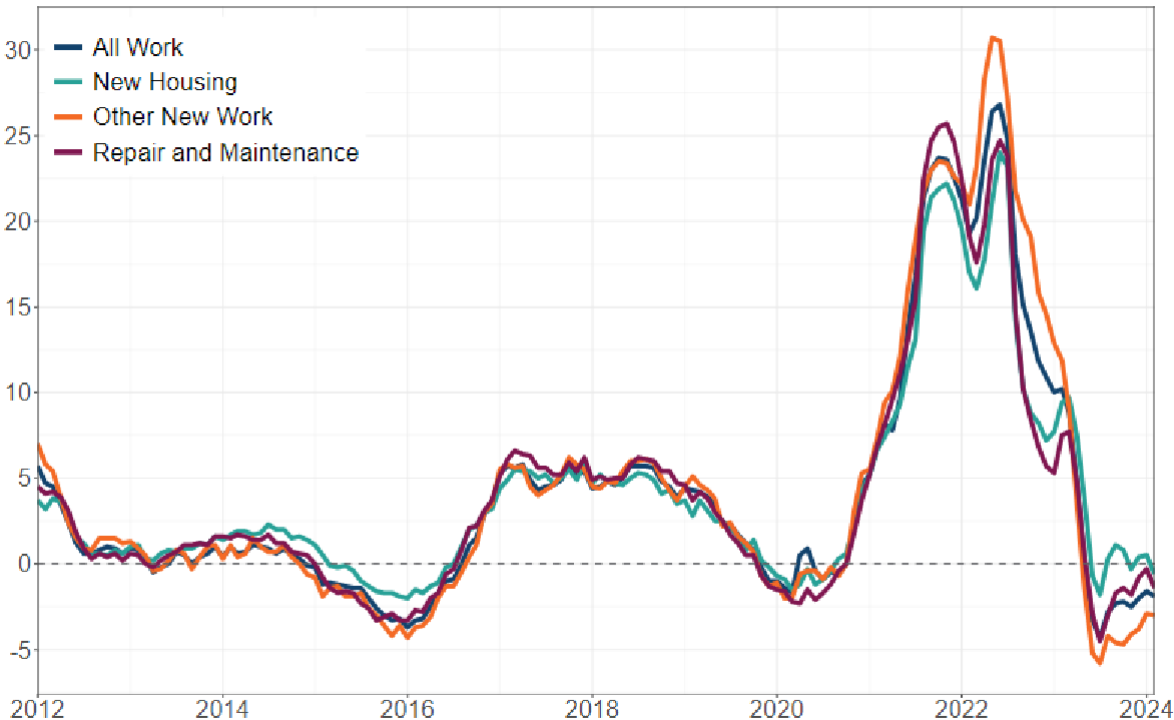
2.1.4 The redesign work was submitted to planning on 15 October 2024 and now proposes 207 units with a mix of 1,2,3 and 4 beds and with a current proposed tenure mix of 133 market units and 74 affordable homes. Despite the impact on viability from a significant reduction in overall unit numbers, and an increase in costs since the original budget was set in 2020, the council remains firmly committed to ensuring that those residents who have confirmed they wish to stay on the estate, have the opportunity to do so.

2.2 Delivering Affordable Homes

2.2.1 In February 2021, the Policy and Finance Committee resolved to progress the project despite confirmation from Homes England that the project would not be eligible for Homes England Affordable Homes Programme (AHP) Funding. In addition, the original budget set in April 2020 was not set with an inflationary increase.

2.2.2 Since the original budget was set in 2020, global events including Covid19, the war between the Ukraine and Russia and the September 2022 budget announcements have all had significant impacts on construction costs, as below demonstrates.

Figure 1: Construction Material Price Annual Inflation, UK



Source: Monthly Statistics of Building Materials and Components, Table 1

2.2.3 The original Yorke Drive project, to deliver 320 units, was expected to deliver 100 affordable homes (31.3%). At 207 units, the delivery of 74 affordable homes as a minimum, represents 35.7% of the total units delivered. A reduction in units, allows the council to continue to rehome all those who have said they wish to remain on Yorke Drive, but also continue the project within the current cost envelope (not including future inflation).

2.2.4 The decision to reduce the number of affordable homes being delivered is of course a difficult decision, with officers, members and residents acutely aware of the shortage of affordable housing in Newark and Sherwood and across the country. Nonetheless, the overarching aim of the project and the necessity for transformational change in the area must be weighed in the balance.

2.3 Current Projected Costs

2.3.1 Three scenarios are presented below for the delivery of social housing within the scheme:

- (i) Scenario 1 demonstrates the cost of the affordable contract should the council take 74 affordable homes – the minimum necessary to rehouse those residents who have confirmed they wish to stay on Yorke Drive.
- (ii) Scenario 2 reflects the same number of units but reduces the contractors Overhead and Profit margin from the current agreed [REDACTED] to address (in part) the negative land [REDACTED]
- (iii) Scenario 3 outlines the costs of the affordable contract should NSDC take 116 social homes of which 74 would be contracted for delivery and 42 would be purchased off- plan for an agreed price.

2.3.2 The rationale for considering 116 homes is that this number would replace the total number of social homes demolished in the scheme and in replacing all homes demolished, the council may again become eligible for Affordable Homes Programme Grant Funding under the current 2021-2026 prospectus which was relaxed in the summer of 2023 to allow funding to be used for replacement of homes demolished as part of a regeneration scheme. This option would only be viable with funding from Homes England as it increases the cost to the council’s Housing Revenue Account by [REDACTED]

2.3.3 All three scenarios reflect current assumed costs from the contractor and are based on today’s prices i.e. they are not projected to start on site and do not include an inflationary increase for future years.

HRA	Scenario1: 74 Social 133 Market £	Scenario2: 74 Social 133 Market £	Scenario3: 116 Social *74 Contracted and *42 Negotiated 91 Market £
Affordable Housing Contract	[REDACTED]	[REDACTED]	[REDACTED]
Units Purchased			[REDACTED]
AHC Cost per unit	[REDACTED]	[REDACTED]	[REDACTED]
Purchase cost per unit			[REDACTED]
Sales Valuation	[REDACTED]	[REDACTED]	[REDACTED]
Total market construct value	[REDACTED]	[REDACTED]	[REDACTED]
Developer Margin market units	[REDACTED]	[REDACTED]	[REDACTED]
Developer OHP market units	[REDACTED]	[REDACTED]	[REDACTED]
Land Value Return	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total assumed grant	[REDACTED]	[REDACTED]	[REDACTED]

2.3.4 The average cost per unit reflects a build cost that is lower than the current council's development programme (£██████ / property) in part due to economy of scale. This is also well below the east midlands average new build development cost £285,500 per property for the time period 2018-2023.

2.3.5 In addition to the affordable housing contract, the following assumed costs from the contractor, pre-development agreement (based on today's prices) for the Pavilion and playing fields and costs attributable to the General Fund:

General Fund	£
Pavilion	██████
Demolition	██████
Environmental improvements	██████
Share of Infrastructure (max. subject to change)	██████
Total General Fund	██████

2.3.6 Other Capital costs associated with the project include:

Acquisition (14 number of properties)	██████
Professional Fees	██████
Total Cost	██████

2.3.7 There is also the cost of statutory compensation of ██████ and disturbance allowances which have an ongoing budget provision within the HRA Revenue budget.

2.4 Other Options Considered

2.4.1 In addition to the three scenarios presented above, the following sections outline the implications should Cabinet decide not to progress with any of the above scenarios and to discontinue the project in its entirety.

2.4.2 Since the appointment of Lovell Partnerships Ltd and its regeneration arm Compendium Living, the partnership between Lovell and the council has been governed by two Pre-Construction Service Agreements (PCSA's) which have allowed for design, site investigations and enabling works to be undertaken securely whilst designs were completed and provisional and excluded costs from the tender examined and firmed up.

2.4.3 The outstanding liability for the council under PCSA 1 stands at ██████ i.e. the council would be required to pay Lovell Partnerships Ltd this money if it did not proceed with the scheme.

2.4.4 There is no outstanding liability from the council to Lovell Partnerships Ltd under PCSA2 as this has been funded through grant secured through the Department for Levelling Up administered through the One Public Estate Brownfield Regeneration funding.

2.4.5 The grant conditionality includes that the Department (for Levelling Up) may reduce, suspend, or terminate payments of Grant, or require any part or all of the Grant to be repaid if *"the Grant Recipient fails, in the Department's sole opinion, to make satisfactory progress with the Project; and in particular with meeting the Project Target Longstop Date"*. This liability would then extend by ██████ if the grant was recalled.

- 2.4.6 The council has purchased nine privately owned properties to facilitate the regeneration, and should the project not proceed, these properties will continue to be let as currently. There would be a necessary level of investment to bring any empty properties up to a lettable standard. This can be considered in more detail if Cabinet wishes to pursue this option.
- 2.4.7 Four Council owned properties have also been demolished as part of the enabling works for the regeneration project.
- 2.4.8 The existing pavilion, which sits within the General Fund was decommissioned in January 2022 and significant investment would be required to refurbish or replace this provision.
- 2.4.9 Critically however, not progressing the project will fail to deliver the change that Yorke Drive requires. The issues that have plagued the estate since the 2012 study remain and some, in particular anti-social behaviour, have worsened – enabled by a physical estate layout with multiple alleyways and cut throughs that cannot be addressed without transformational change.

3.0 Implications

In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection; Digital & Cyber Security; Equality & Diversity; Financial; Human Resources; Human Rights; Legal; Safeguarding & Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

3.1 Financial Implications (FIN24-25/652)

Capital

- 3.1.1 The current budget for the Yorke Drive Regeneration project is detailed below along with the dates of approval.

Approved	HRA	GF	Total
P&F 6 April 2017 Original Grant Funding			
P&F 26 September 2019			
P&F 2 April 2020			
P&F 2 April 2020			
P&F 27 Jan 2022 additional grant funding			
Total Budget			

- 3.1.2 The current projected costs which are subject to further review shown in section 2.3 of this report are based on today's prices and therefore exclude any provision for future inflation. They also exclude any element of contingency. Therefore, it would be prudent at this stage to adjust the budgets to reflect these.

- 3.1.3 In the table below, the budgets described above, including the financing, can be found in column A. Column B shows the spend to date. Column C represents the costs to deliver the project provided by Lovell described in section 2.3 above and the costs to acquire additional properties.

3.1.4 Column D shows the additional costs anticipated due to future inflation and including a reasonable contingency for the project. Some of these additional costs can be contained within the existing budget due to the reduction in units being delivered. Therefore, Column F shows the additional budget requirement.

	A	B	C	D	E	F
	Budget Available	Spend up to 31 March 2023	Future Costs (Construction provided by Lovells)	Inflation and Contingency	Total	Additional Budget Required
HRA – Expenditure						
Financing:						
Government Grants						
Government Grants						
Major Repairs Reserve						
Capital Receipts (non 1-4-1)						
Borrowing						
GF – Expenditure						
Financing:						
Government Grants						
RCCO						
Borrowing						

3.1.5 The budget available for the General Fund element is sufficient to cover the costs shown in the table at 2.3.5 plus the contingency and inflation shown in the above table.

3.1.6 As per Paragraph 2.4.3 should Members decide not to progress the scheme, the outstanding liability for the Council under PCSA 1 is [REDACTED].

3.1.7 As per paragraph 2.4.5, if the grant of [REDACTED] was repayable, the outstanding liability would therefore increase to [REDACTED] if the scheme did not proceed. This would initially be paid from the Capital scheme.

3.1.8 If the scheme were not to progress, the costs incurred to date, along with the outstanding liability described above would need to be reversed out to revenue. However, due to the acquisition of nine dwellings, which would remain Council assets, the costs attributable to those units would be eligible Capital expenditure. The value of this would be [REDACTED] including the grant (if it were to become repayable) and [REDACTED] grant conditions were satisfied. The cost once determined, would need to be funded by reversing transfers from the Major Repairs Reserve.

3.1.9 The balance estimated to be available in the Major Repairs Reserve at the end of 2024/25 is [REDACTED].

Revenue

3.1.10 The rent loss due to the change from Affordable Rent to Social Rent would be equivalent to [REDACTED] per year on 100 units, for the 30 year Business Plan Period. If this is further reduced by 26 units (from the original 100 to current 74) the reduction in rent receivable is estimated to be [REDACTED] in rental income per year. This is equal to [REDACTED] in total for the 30 year Business Plan period. Should the council secure grant funding and deliver a maximum of 116 units this would result in an estimated additional [REDACTED] per year and improve the loss above by [REDACTED] for the 30 Business Plan period.

3.1.11 The revenue budget for the medium term is sufficient to pay future Homeloss payments, decant costs, Council Tax on empty properties, premises security and professional fees in relation to the project that are not eligible Capital Expenditure. Spend to date is shown below:

Category	2022/23 £	2023/24 £	2024/25 to date £	Grand Total £
Repairs & Maintenance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Security	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Disturbance Allowance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Homeloss Payments	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Professional Services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Miscellaneous	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Council Tax	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Rent Loss on Void properties	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Grand Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

3.1.12 The report to Policy and Finance Committee on 2 April 2020 approved the ongoing revenue budget to cover the statutory compensation and disturbance allowances.

3.1.13 The additional budget and the loss of income has been modelled into the HRA Business Plan and it is currently affordable. However, the plan is currently being revised to reflect the updated budget for 2025/26 to 2028/29.

3.2 Legal Implications

Cabinet is the appropriate body to consider the proposals set out in this report. The contractual position is set out in the report; formal legal advice is being provided as required in relation to this project.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Yorke Drive and Lincoln Road Playing Fields Regeneration – Policy and Finance Committee November 2021

Yorke Drive Regeneration Update – Policy and Finance Committee February 2021 Yorke Drive – Regeneration Scheme – Policy and Finance Committee April 2020 Yorke Drive Decant Strategy – Policy and Finance Committee November 2019

Yorke Drive – Regeneration Scheme – Policy and Finance Committee September 2019 Yorke Drive – Estate Regeneration – Policy and Finance Committee November 2018