

POLICY & FINANCE COMMITTEE

4 APRIL 2019

ESTATE REGENERATION - YORKE DRIVE ESTATE AND LINCOLN ROAD PLAYING FIELDS PROPOSAL

1.0 Purpose of Report

1.1 To report progress on the masterplan proposals developed for the Yorke Drive Estate and the Lincoln Road Playing Fields in Bridge Ward, Newark using funding secured from the Ministry of Housing, Communities & Local Government's (MHCLG) Estate Regeneration Programme.

2.0 Background Information

2.1 The Policy & Finance Committee has previously received reports in September 2017, June and November 2018, which set out the background to the Yorke Drive regeneration project, emanating from the 2012 Bridge Ward Neighbourhood Study, and progress to submit an outline planning application.

Outline Planning Application

2.2 In this respect, and in accordance with the approvals agreed by Committee in November 2018, an outline planning application was submitted for the master plan proposal in early December 2018 and is scheduled to be determined at the 2nd April 2019 Planning Committee.

2.3 The outline planning application has been submitted on the basis of delivering up to 320 homes (market & affordable units) and full details of the application can be found in the current Design & Access Statement:

https://publicaccess.newark-sherwooddc.gov.uk/online-applications/files/716F610B7A5606C46ED191EEF98158A4/pdf/18_02279_OUTM-REVISED_DESIGN_AND_ACCESS_STATEMENT-949467.pdf

2.4 In December 2018 all residents on the Yorke Drive Estate received a letter inviting comments on the regeneration proposals and formal planning application. The letter also contained details of the 'residents offer' for council tenants and homeowners whose homes are affected by the demolition and redevelopment.

2.5 In addition, as part of the statutory process, all Council tenants affected by the proposed demolition have now been served with an 'Initial Demolition Notice' as prescribed under the Housing Act 1985. Consultation was undertaken with the Yorke Drive Resident Panel prior to this being hand delivered to each affected tenant.

3.0 Funding

3.1 The project still has a funding gap as reported to the Committee in November 2018, though the true extent of the gap will only be known once the planning application has been approved, development delivery structures identified and the Council has secured a development partner.

Accelerated Construction Programme

3.2 At the September 2017 Committee meeting it was noted that the regeneration proposals had been shortlisted as a potential project under Homes England's Accelerated Construction Programme (ACP), aimed at accelerating the release and development of public land to help meet housing targets. The principles underlying the programme were funding to achieve:

- Homes built out faster than the normal pace
- Use of local builders or smaller construction firms
- Increased use of modern methods of construction

3.3 As reported to the November 2018 Committee Homes England has made a provisional funding offer to the Council of £2m under this programme and subsequently further development appraisals have been submitted to Homes England as part of their technical due diligence process.

3.4 Discussions continue with Homes England officers locally to gain further clarity on the detail of the programme so that all the necessary due diligence work is undertaken, which will then determine whether the funding conditions are acceptable to the Council.

3.5 A key requirement of the programme is that the Council will have to ensure all predevelopment works, as determined under the funding agreement, are completed and expenditure drawn down by March 2021.

Funding Gap Mitigation

3.6 Homes England also require assurance from the Council on how it proposes to mitigate the risk of the funding gap, measures the Committee will need to consider going forward include:

- Seek increased public sector funding (grant, low cost loans, etc.)
- Utilisation of the Housing Revenue Account (*further to removal of the debt cap*).
- Utilisation of the General Fund Capital Programme (*the Council's current contribution is land*).
- Review of the rent model assumptions.
- Recycle some of the Council controlled planning contributions into the scheme (e.g. for community facilities.)
- Procuring a development partner (*see below*).
- Undertaking a value engineering exercise with the preferred development partner, along with considering modern methods of construction.

- 3.7 Dependant on the outcome of the ongoing due diligence work being undertaken, Homes England have advised that to meet the funding timescales the agreement will need to be signed and secured by the end of April 2019.
- 3.8 Set against the above, and with the Committee's next meeting being in June 2019, it is proposed that Delegated Authority is given to the Director - Governance and Organisational Development, in consultation with the Director of Resources, to enter into the ACP funding agreement with Homes England.
- 3.9 Homes England has also confirmed that the new build affordable units to be delivered within the master plan proposals are applicable for grant funding through the Affordable Homes Programme, subject to a securing a successful funding bid.

Development Partner

- 3.10 Reflecting on the contents of paragraph at 3.6, external legal advice has now been commissioned to determine the most appropriate development vehicle structure to deliver the master plan proposals for the Council. Officers are also scheduled to meet the 4 developers who registered an initial interest in the proposals during April 2019 so to explore their expression of interest in more detail.
- 3.11 The outcome of this activity will be reported to a future Committee meeting and the necessary approvals presented to progress the master plan proposals, subject to securing planning consent.

Ongoing Revenue Support

- 3.12 The Committee should note that the £1m funding received from MHCLG is close to total spend and Campbell Tickell's (project manager) current contract is due to expire with the Council at the end of March 2019. Moving forward with the project consideration is now being given by officers on the level of revenue budget that will be required to facilitate the next phase of delivery of the master plan proposals, again to be reported to a future Committee meeting.

4.0 Proposals

- 4.1 In reviewing the detail contained within the above paragraphs the Committee should consider the activities being progressed through the 'Capacity and Enabling' funding of Estate Regeneration Programme to deliver the master plan proposals developed for the Yorke Drive Estate and the Lincoln Road Playing Fields in Bridge Ward, with the following activity being proposed for approval:
- a) Delegated Authority is given to the Director of Governance and Organisational Development, in consultation with the Director of Resources, to enter into the Accelerated Construction Programme funding agreement with Homes England, subject to the satisfactory conclusion of all due diligence work.

5.0 Equalities Implications

- 5.1 Equality implications for this regeneration scheme were presented and approved by the Committee at its meeting in November 2018.
- 5.2 The community consultation and master planning programme is aimed at ensuring that the needs and priorities of the existing community on Yorke Drive are addressed in both developing and taking forward the proposals.

6.0 Financial Implications (FIN18-19/2992)

- 6.1 As stated above, there is a current funding gap based on the financial modelling for the project.
- 6.2 There are a number of avenues open to the Council to help bridge this funding gap:
- Seek increased public sector funding (grant, low cost loans, etc.)
 - Utilisation of the Housing Revenue Account (*further to removal of the debt cap*).
 - Utilisation of the General Fund Capital Programme (*the Council's current contribution is land*).
 - Review of the rent model assumptions.
 - Recycle some of the Council controlled planning contributions into the scheme (e.g. for community facilities.)
 - Procuring a development partner.
 - Undertaking a value engineering exercise with the preferred development partner, along with considering modern methods of construction.

It might be possible to reduce the scope of scheme to reduce costs, but this would limit the impact of transformation.

- 6.3 The impact on the HRA will have to be modelled given that decanting and demolition would normally be considered HRA functions. The modelling also takes account of future rent loss on the demolished units, although this is offset by the affordable rents on the new rented units. This would then need to be assessed against the HRA financial business plan to assess the viability of the project in conjunction with the overall business plan.
- 6.4 HRA funding will only be utilised for justifiable costs relating to proper expenditure to be incurred by the HRA. Any shortfall to the project once funding has been allocated from other sources (including the HRA) would therefore need to be met by the General Fund.
- 6.5 Should the Council enter into an agreement with Homes England regarding funding for the project, there is a requirement that all qualifying expenditure must be incurred by 31st March 2021. There is therefore a risk that expenditure is not incurred by this date, meaning that external funding is not maximised into the project, and hence any funding not drawn down from this source must be met from either other external partners or from internal resources.

6.6 At the time of writing, £902k has been spent from the allocation of £1m received from MHCLG for revenue support to the project. As mentioned at paragraph 3.12 above, consideration is being made by officers to create a revenue budget in order to fund further support to contribute to this project. Any such budget that may be identified will need to be created by use of the Council's reserves. This proposal will be brought back to the Policy & Finance Committee in order for ratification.

7.0 RECOMMENDATIONS that:

- a) **the progress made with the masterplan proposals for the regeneration and development of the Yorke Drive Estate and the Lincoln Road Playing Fields in Bridge Ward, using funding from the Ministry of Housing, Communities & Local Government's Estate Regeneration Programme be noted; and**
- b) **delegated authority is given to the Director - Governance & Organisational Development, in consultation with the Director - Resources, to enter into the Accelerated Construction Programme funding agreement with Homes England, subject to the satisfactory conclusion of all due diligence work.**

Reason for Recommendations

To progress the 'transformational project, focussing on the regeneration of the Yorke Drive estate and Lincoln Road playing fields.

Background Papers

Nil

For further information please contact Rob Main, Business Manager – Housing Strategy & Development on 01636 655930.

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