

## CABINET

THURSDAY, 26 NOVEMBER 2015

### REPORT OF THE PORTFOLIO HOLDER FOR ECONOMY AND EDUCATION

#### TINKERS GREEN AND KERRIA REGENERATION

#### EXEMPT INFORMATION

n/a

#### PURPOSE

To agree procurement of a developer for the regeneration of the Tinkers Green Estate and Kerria Centre

#### RECOMMENDATIONS

- That Cabinet agree to the commencement of a procurement exercise for a developer for the regeneration of the Tinkers Green Estate and the Kerria Centre
- That Cabinet agree the requirements of developers shown at Annex One of this report including that 100% of the homes to be replaced will be Council owned properties for rent
- That the Director of Housing and Health in consultation with the Portfolio Holder for Economy and Education be authorised to agree the final specification prior to the commencement of the procurement
- That the Director for Housing and Health in consultation with the Portfolio Holder for Economy and Education and Solicitor to the Council be authorised to appoint a developer by May 2016

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#### EXECUTIVE SUMMARY

Cabinet have received a number of reports regarding the delivery of ambitious regeneration plans for the Tinkers Green Estate and Kerria Centre the most recent of which was received on the 9<sup>th</sup> July 2015.

The Council is now in a position to procure a developer via a competitive process and it is intended that this process will commence during January 2016. It is anticipated that the process will allow for confirmation of the appointment of a developer by May 2016.

In preparation for the procurement a draft document identifying requirements of developers is has been prepared attached as **Annex One**. This provides the outline specification against which developers will be required to bid. It is proposed that the final specification is agreed by the Director of Housing and Health in consultation with the Portfolio Holder for Economy and Education.

In preparing the above the Council has undertaken consultation regarding the proposals. This has included input from local residents, the Tenant consultative group and a cross party working group including ward members. This adds to previous consultation undertaken earlier in the year and ongoing opportunities for comments to be registered via the Council's web site and free phone telephone number. A report detailing this consultation is attached at **Annex Two**.

The specification reflects the outline planning permission with the exception that the specification states that 100% of the homes to be replaced will be Council owned properties for rent. The issues relating to tenure mix are explored further in the Background section below.

In addition developers will be requested to submit separate costing for completion and submission of Detailed Planning permission. This will enable the Council to assess the most appropriate and economically advantageous method of completing this work.

The proposed procurement method is via the Homes and Communities Agency (HCA) DPP2 route. HCA panels have been successfully used by the Council in the past and more detail on this can be found under Background below.

An updated project risk assessment is attached at **Annex Three**. A project timeline is shown at **Annex Four**.

## OPTIONS CONSIDERED

<b>Option</b>	<b>Risks</b>	<b>Benefits</b>
Do nothing	If a developer is not procured then the planned regeneration will not progress	None material
Procure a developer via the Homes and Communities Agency panel	Non material	HCA have already undertaken an OJEU process  A quicker process  Developers have the right skills and experience as evidenced by inclusion on the panel
Procurement via a full OJEU process	Process will be more complex and will take longer  Contractors will not have proven skills and relevant experience  Greater risk of challenge to the process	May provide a wider range of contractors

## **RESOURCE IMPLICATIONS**

The Council has made budgetary provision of c.£20m for the development of which budgets of c.£18.5m remain within its housing capital programme 2015/16 – 2019/20. Until a developer has been procured the final cost of the scheme can not be confirmed. However the Council has taken advice through out the project to ensure that budgetary estimates are robust.

## **LEGAL/RISK IMPLICATIONS BACKGROUND**

A risks assessment is attached at **Annex Three**.

## **SUSTAINABILITY IMPLICATIONS**

Housing regeneration is a key tool in the achievement of a range of corporate objectives and there is a wealth of evidence to support the benefits of regeneration. Tamworth continues to have an undersupply of affordable rented housing and the supply is diminishing. This scheme increases the numbers of properties on both sites, will provide local amenities and provide new and sustainable housing for those who need it.

## **BACKGROUND INFORMATION**

### **Tenure Mix**

As identified above the specification requires that all properties will be affordable homes for rent within Council ownership. The outline planning permission obtained by the Council identified that at a minimum 80% of the dwellings would be affordable rent. This is in excess of the requirements of local planning policy and there is no planning restriction which would prevent the development being 100% affordable rent.

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In considering the tenure mix a number of factors have been considered.

### **Mixed Communities**

There is evidence to suggest that communities where there is a mix of tenure will be more sustainable. Key to this is the case that occupants of affordable homes will be more likely to be on lower incomes or have other vulnerabilities. Therefore too great a concentration of affordable housing can lead to a concentration of social problems or economic vulnerability.

However it is important to note that the concentrations of affordable housing in these cases will be relatively small and that the two regenerated areas will form part of a wider area which already includes a good mix of tenure and high levels of owner occupied housing.

It is also considered that the high quality design, provision of well thought out layouts with provision of defensible space and effective management will mitigate historical issues associated with concentrations of affordable housing.

In addition the Council will have the opportunity to consider the implementation of a local letting policy as the scheme nears completion to seek to avoid a concentration of tenants with high needs.

### **Financial Impact**

Financial modelling has been carried out to show the impact on the Council's Housing

Revenue Account of providing 20% Market sale compared to providing 100% social rented housing.

Modelling has been carried out with future rent increases of 3% (model 1), 2.5% (model 2) and 2% (model 3) following a reduction of 1% per year from 2016/17 to 2019/20 in line with the guidance set out in the Governments Summer Budget 2015.

Capital costs have been reduced under the 20% market housing model to reflect the sale of dwellings at an average receipt of £117k per property.

The financial modelling is detailed in figures 1 to 3 below:

**Figure 1: 100% Social rented housing**

100% Council Housing			
	Tinkers Green £	Kerria £	Total £
<b>Model 1</b>			
Revenue Costs / Rent income (+3% p.a.)	-16,590,674	-6,912,452	-23,503,127
Capital Costs	13,278,196	6,875,916	20,154,113
Net	-3,312,478	-36,536	-3,349,014
<b>Model 2</b>			
Revenue Costs / Rent income (+2.5% p.a.)	-15,522,087	-6,458,958	-21,981,044
Capital Costs	13,175,794	6,796,720	19,972,514
Net	-2,346,293	337,762	-2,008,531
<b>Model 3</b>			
Revenue Costs / Rent income (+2% p.a.)	-14,536,785	-6,040,926	-20,577,711
Capital Costs	13,073,974	6,718,200	19,792,174
Net	-1,462,811	677,273	-785,538

**Figure 2: 80% Social rented and 20% market sale**

20% Market Housing			
	Tinkers Green £	Kerria £	Total £
<b>Model 1</b>			
Revenue Costs / Rent income (+3% p.a.)	-13,214,676	-5,510,514	-18,725,189
Capital Costs	10,508,679	5,696,307	16,204,986
Net	-2,705,997	185,793	-2,520,204
<b>Model 2</b>			
Revenue Costs / Rent income (+2.5% p.a.)	-12,358,659	-5,147,575	-17,506,234
Capital Costs	10,446,413	5,634,206	16,080,620
Net	-1,912,246	486,632	-1,425,614
<b>Model 3</b>			
Revenue Costs / Rent income (+2% p.a.)	-11,569,289	-4,813,011	-16,382,301
Capital Costs	10,384,342	5,572,615	15,956,957
Net	-1,184,948	759,604	-425,344

**Figure 3: Variance**

Variance			
	Tinkers Green £	Kerria £	Total £

<b>Model 1</b>			
Revenue Costs / Rent income (+3% p.a.)	3,375,999	1,401,939	4,777,937
Capital Costs	-2,769,518	-1,179,609	-3,949,127
<b>Net</b>	<b>606,481</b>	<b>222,329</b>	<b>828,810</b>
<b>Model 2</b>			
Revenue Costs / Rent income (+2.5% p.a.)	3,163,428	1,311,383	4,474,811
Capital Costs	-2,729,380	-1,162,514	-3,891,894
<b>Net</b>	<b>434,047</b>	<b>148,869</b>	<b>582,917</b>
<b>Model 3</b>			
Revenue Costs / Rent income (+2% p.a.)	2,967,496	1,227,915	4,195,411
Capital Costs	-2,689,633	-1,145,584	-3,835,217
<b>Net</b>	<b>277,863</b>	<b>82,331</b>	<b>360,194</b>

### Model 1 Summary

There would be an unfavourable impact on the HRA of £828k should 20% of the dwellings be sold on the open market. Payback is achieved for both schemes within 30 years with a net surplus of £3.3m for 100% retained council housing or £2.5m where 20% of the dwellings be sold on the open market

### Model 2 Summary

There would be an unfavourable impact on the HRA of £583k should 20% of the dwellings be sold on the open market. Payback would be achieved for Tinkers Green only within 30 years with a net surplus of £2.0m for 100% retained council housing or £1.4m where 20% of the dwellings be sold on the open market.

### Model 3 Summary

There would be an unfavourable impact on the HRA of £360k should 20% of the dwellings be sold on the open market. Payback would be achieved for Tinkers Green only within 30 years with a net surplus of £0.8m for 100% retained council housing or £0.4m where 20% of the dwellings be sold on the open market

There is therefore an overall cost to the Council in including properties for market sale rather than a financial benefit.

### Developer Views

Although there is some limited risk that developers may prefer a scheme with an element of owner occupation this is considered to be a low risk. During soft market testing the Council received positive responses from developers who expressed an interest in the developments regardless of tenure.

### Housing Need

There is an overall need for housing within the borough and this includes owner occupied dwellings. However the need for affordable rented homes remains a key priority. The proposed regeneration represents an opportunity for the supply of affordable homes to be increased. The Right to Buy is leading to a sustained reduction in the number of Social rented properties within borough. Extension of this scheme to Registered Providers will accelerate this loss. With proposed changes to planning regulation in the future and the opportunity for developers to create low cost home ownership options rather than affordable rent the level of new rented homes will fall.

### Procurement Methodology

The Homes and Communities Agency DPP2 route is a framework panel of prequalified housing developers established to facilitate the speedy development of homes on land in public ownership.

DPP2 has been procured through a fully compliant two stage OJEU process and as such, can be used to procure quickly via mini competition, as opposed to a full OJEU tender. It is divided into four geographical lots with the Midlands lot comprising of 25 prequalified housing developers.

A three stage process follows for developer selection:

- **Stage 1** – Expression of Interest (a simple yes/no is required to determine interest in the project);
- **Stage 2** – Sifting brief (only required if 6 or more parties express interest); and
- **Stage 3** – Tender

The whole process is managed via an e-tendering system which both the Council and the Council's appointed development consultants GVA have experience of using.

The alternative option would be for the Council to prepare a full OJEU procurement. OJEU would give the Council the opportunity to receive tenders from a worldwide reach of firms but it is a lengthy and involved process and is often used for larger projects where international experience, knowledge and skills are required.

The DPP2 process has already used the OJEU mechanism to identify its shortlist and to do this again would be duplication and not cost effective for the Council. It is also felt that the Tinkers Green and Kerria development sites would not interest an international market given their relatively small size and therefore the majority of responses would likely come from the house builders already represented on the DPP2.

For the reasons identified above it is proposed that the Council procure a developer via DPP2.

### **Detailed Planning**

Outline planning permission has been secured for both sites based on their illustrative master plans. As an application for detailed or 'Reserved Matters' planning permission will be required in order to commence development.

The preparation of submission for detailed planning permission will be a key task to be undertaken prior to commencement of works. The specification requires developer to price separately for completion of this work. This will enable the Council to consider the most economically advantageous method to commission and complete these activities.

Developers will be invited to submit views on the master plans and propose minor changes where appropriate. However the master plans have resulted from considerable community and technical input and developers will not be invited to rethink the overall master plan as part of their submission.

In addition developers will be asked to submit proposals against achievement of a range of 'social value' ambitions. These will be priced separately.

### **REPORT AUTHOR**

Robert Barnes. Director Housing and Health

### **LIST OF BACKGROUND PAPERS**

Cabinet report 19/02/15 Tinkers Green and Kerria regeneration- master plan  
Cabinet reports 09/07/15 Compulsory purchase order for land and property

**APPENDICES**

Appendix One: Draft Specification

Appendix Two: Consultation report

Appendix Three: Project Risks Assessment

Appendix Four: Project timeline



## **MINUTES OF A MEETING OF THE CABINET HELD ON 26th NOVEMBER 2015**

**PRESENT:** Councillor D Cook (Chair), Councillors S Claymore, S Doyle and M Thurgood

The following officers were present: Anthony E Goodwin (Chief Executive), John Wheatley (Executive Director Corporate Services), Rob Barnes (Director - Housing and Health), Andrew Barratt (Director - Assets and Environment), Stefan Garner (Director of Finance), Steve Pointon (Housing Strategy Manager), Stephen Lewis (Head of Environmental Health), Karen Adderley (Head of Partnerships and Commissioning), Claire Keeling (Housing Strategy Officer), Alison Knight (Housing Development and Regeneration Officer), Deborah Casey (Housing Strategy Officer), Natalie Missenden (Public Relations Officer) and Janice Clift (Democratic and Elections Officer)

**VISITOR:** Councillor A James

### **73 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor R Pritchard

### **74 MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 5 November 2015 were approved and signed as a correct record.

*(Moved by Councillor S Claymore and seconded by Councillor S Doyle)*

### **75 DECLARATIONS OF INTEREST**

There were no Declarations of Interest.

### **76 QUESTION TIME:**

None

### **77 MATTERS REFERRED TO THE CABINET IN ACCORDANCE WITH THE OVERVIEW AND SCRUTINY PROCEDURE RULES**

The Chair of Healthier and Safer Scrutiny Committee Councillor A James updated Cabinet on the proposals for DBS checking and that the members of Healthier



and Safer Scrutiny Committee had voted unanimously not to proceed with this any further.

## 78 QUARTER TWO 2015/16 PERFORMANCE REPORT

The Leader of the Council provided Cabinet with a performance and financial health-check

**RESOLVED:** That Cabinet endorsed the contents of this report.

*(Moved by Councillor D Cook and seconded by Councillor S Doyle)*

## 79 DRAFT BASE BUDGET FORECASTS 2016/17 TO 2020/21

The Leader of the Council informed Members of the re-priced base budget for 2016/17, base budget forecasts for the period 2016/17 to 2020/21 (the 5 Year Medium Term Planning Period) and the underlying assumptions and considered the future strategy to address the financial trends.

- RESOLVED:** That
- 1 the technical adjustments and re-priced base budget figures for 2016/17 and indicative budgets to 2020/21 be approved (as attached at Appendix B, C, D, E, F, G and H);
  - 2 consideration was given to the proposed Policy Changes and Capital Programmes, as detailed within the report;
  - 3 consideration was given to the planned changes to Council Tax and Housing Rent for 2016/17, as detailed within the report; and
  - 4 in compliance with the Constitution of the Council, the Joint Scrutiny Budget Workshop be asked to consider the budget proposals contained within this report.

*(Moved by Councillor D Cook and seconded by Councillor S Claymore)*

## 80 VCS AND LOCALITY COMMISSIONED SERVICES CONTRACT REVIEW

The Leader of the Council informed Cabinet and requested approval where necessary on decisions relating to Commissioning Cycle 2 – Tamworth Borough Council VCS funding contracts and Locality Commissioning – multi-agency funding contracts. Also the investment in services provided to Tamworth residents through these contracts will automatically cease on 31 March 2016 unless the decision is taken to take up the option to extend for a further one year.

**RESOLVED:**

That Cabinet

- 1 authorised officers in conjunction with the Portfolio Holder for Communities and Public Health to take up the option to extend five contracts named in Appendix I for a further one year to automatically cease as of 31 March 2017 and one contract for a minimum of a further 6 months;
- 2 authorised officers in conjunction with the Portfolio Holder for Communities and Public Health to terminate the contract with Business Development Services Ltd for an 'Infrastructure Support to the Business and Third Sector' service in line with the commencement of the Staffordshire County Council (SCC) infrastructure support contract;
- 3 authorised officers in conjunction with the Portfolio Holder for Communities and Public Health to use the funding released from the termination of the 'Infrastructure Support to the Business and Third Sector' contract to purchase additional support for Tamworth from the successful SCC infrastructure support contract holder on an as and when basis;
- 4 authorised officers in conjunction with the Portfolio Holder for Communities and Public Health and the Portfolio Holder for Economy and Education to develop a new business support service with a proposal to be brought to a future Cabinet for approval;
- 5 delegated authority to the Director of Housing and Health in conjunction with the Portfolio Holder for Communities and Public Health to manage the contracts set out in Appendix 1 during the final year of operation;
- 6 endorsed the 6 month performance data for the 12 contracts provided in Appendix 2; and
- 7 endorsed the Director of Housing and Health in conjunction with the Portfolio Holder for Communities and Public Health and the Commissioning Hub partners to decide on

*(Moved by Councillor D Cook and seconded by Councillor S Doyle)*

The Portfolio Holder for Operations and Assets reported on the Council Tax Base for the Borough Council for 2016/17.

**RESOLVED:** That Tamworth Borough Council resolves its calculation of the Council Tax Base for the year 2016/17 to be 20,904 (2015/16 – 20,628)

*(Moved by Councillor D Cook and seconded by Councillor S Claymore)*

## 82 WRITE OFFS 01/04/15 - 30/09/15

The Portfolio Holder for Operations and Assets provided Members with details of write offs from 1st April 2015 to 30th September 2015 and sought approval to write off irrecoverable debt in line with policy re Housing Benefit Overpayments in excess of £10k.

**RESOLVED:** That Members endorsed the amount of debt written off for the period of 1st April 2015 to 30th September 2015 – **Appendix A - D** and approved the write off of irrecoverable debt for Housing Benefit Overpayments of £28,988.66 – **Appendix E** respectively.

*(Moved by Councillor D Cook and seconded by Councillor S Doyle)*

## 83 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW REPORT 2015/16

The Portfolio Holder for Operations and Assets presented to Members the Mid-year review of the Treasury Management Strategy Statement and Annual Investment Strategy.

**RESOLVED:** That Cabinet

- 1 accepted the Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2015/16;
- 2 approved the changes to the credit methodology whereby viability, financial strength and support ratings will not be considered as key criteria in the choice of creditworthy investment counterparties, and revise the minimum sovereign credit criterion to AA- for all sovereigns within our current Annual Investment Strategy; and
- 3 approved the inclusion of Property Funds within the Treasury Management Strategy Statement and Annual Investment Strategy as an additional form of Non-

Specified Investment for potential future use.

*(Moved by Councillor D Cook and seconded by Councillor S Claymore)*

#### **84 REVISED GAMBLING ACT 2005 STATEMENT OF PRINCIPLES 2016-2019**

The Portfolio Holder for Communities and Health requested Members to endorse the revised statement of principles following the consultation between 1 August 2015 - 31 October 2015 and the comments from Licensing Committee on 12 November 2015. The comment received from Licensing Committee was that Tamworth Borough Council will promote socially responsible gambling and where possible prevent problem gambling. It is a requirement of the Gambling Act 2005 that the Council publishes a revised Statement of Principles in respect of the requirements of the Act by 1 January 2016.

**RESOLVED:** That Cabinet endorsed the Statement of Principles and recommends them to Council at the meeting on the 15<sup>th</sup> December 2015.

*(Moved by Councillor S Doyle and seconded by Councillor D Cook)*

#### **85 HOMELESSNESS PREVENTION STRATEGY**

The Portfolio Holder for Housing and Waste Management requested Members approval of the refreshed Homelessness Prevention Strategy 2016-20, the annual Strategy Action Plan, the Spend Plan that sets out how the homelessness prevention activity will be resourced over the first two years to 2018 and the supporting review and evidence base document.

The report also requested Cabinet approval of the Housing Solutions Fund, the Hospital Discharge Protocol and refreshed Severe Weather Emergency Protocol (SWEP), three key tools that will support the delivery of the Strategy and Action Plan.

Additionally, the report requested approval from Cabinet to increase the Bed and Breakfast Budget by £50K in order ensure the Council can assist those in need of temporary accommodation at a time of increased demand.

The report also requested approval to participate in the Government backed Gold Standard scheme that will require the Council to have excellent services and partnerships in place that meet the 10 local challenges that underpin the scheme.

**RESOLVED:** That Cabinet  
1 approved the refreshed Homelessness Prevention Strategy 2016-20 and supporting Action Plan, Spend Plan and Review Document;

- 2 approved the Housing Solutions Fund, the Hospital Discharge Protocol and refreshed Severe Weather Emergency Protocol (SWEP);
- 3 approved an increase of £50K in the Bed and Breakfast income and expenditure budgets; and
- 4 gave approval to participate in the Gold Standard scheme.

*(Moved by Councillor D Cook and seconded by Councillor S Doyle)*

## **86 REVISED STANDARDS FOR HOUSING IN MULTIPLE OCCUPATION (HMOS)**

The Portfolio Holder for Housing and Waste Management requested for Members to agree to the adoption and implementation of revised standards for Housing in Multiple Occupation (HMO) including Category D Lodgings and Hostels for the purpose of temporary accommodation.

- RESOLVED:** That Cabinet
- 1 agreed to the adoption and implementation of revised standards for HMOs; and
  - 2 agreed to the inclusion of Category D Lodgings and Hostels used for temporary accommodation.

*(Moved by Councillor D Cook and seconded by Councillor S Doyle)*

## **87 TINKERS GREEN AND KERRIA REGENERATION**

The Portfolio Holder for Economy and Education requested Members to agree procurement of a developer for the regeneration of the Tinkers Green Estate and Kerria Centre

- RESOLVED:** That Cabinet
- 1 agreed to the commencement of a procurement exercise for a developer for the regeneration of the Tinkers Green Estate and the Kerria Centre;
  - 2 agreed the requirements of developers shown at Annex One of this report including that 100% of the homes to be replaced will be Council owned properties for rent;
  - 3 agreed that the Director of Housing and Health in consultation with the Portfolio Holder for Economy and Education be authorised to agree the final specification

prior to the commencement of the procurement; and

- 4 agreed that the Director for Housing and Health in consultation with the Portfolio Holder for Economy and Education and Solicitor to the Council be authorised to appoint a developer by May 2016

*(Moved by Councillor S Claymore and seconded by Councillor D Cook)*

## 88 EXCLUSION OF THE PRESS AND PUBLIC

**RESOLVED:** That members of the press and public be now excluded from the meeting during consideration of the following item on the grounds that the business involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

*(Moved by Councillor D Cook and seconded by Councillor S Doyle)*

## 89 COUNCIL GARAGE SITE REDEVELOPMENT

The Portfolio Holder for Economy and Education requested Members to agree the approach to redevelopment of Council owned garage sites for affordable housing.

**RESOLVED:** That the recommendations as contained in the report be approved

*(Moved by Councillor S Claymore and seconded by Councillor D Cook)*

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Leader