

Item 4

KEY DECISION

REPORT TO CABINET

22 NOVEMBER 2007

REPORT OF THE DIRECTOR OF NEIGHBOURHOOD SERVICES AND ASSISTANT CHIEF EXECUTIVE

Portfolios: Strategic leadership, housing, social regeneration and partnerships

ESTABLISHMENT OF REGENERATION TRUST

1. SUMMARY

- 1.1 The establishment of a Regeneration Trust is grounded in existing policy of the Council. It is at the forefront of Government Policy as set out in the recent local government White Paper¹, and supports the aspirations for Community based Trusts set out in the County Council's bid for Unitary Local Government².
- 1.2 This report outlines the recommendations of Savills Consultants on the best way of establishing a Regeneration Trust to maximise the effectiveness of the Borough Council's contribution to investments in the Coalfield priority areas outlined in the Housing Master Plan for the Communities of Dean Bank, Ferryhill Station and Chilton and approved by Cabinet in July 2006.
- 1.3 The Regeneration Trust would be community (locality) based and set up as a registered charity, to which approved financial resources and associated assets would be transferred.
- 1.4 The Council have, through its Medium Term Financial Plan, identified that £9m of Council Resources will be required to support the programme through to 2009/10. Funding was initially expected to be phased in equal instalments over the life of the Medium Term Financial Plan. The initial £3m resourced in the current financial year has already been spent or committed.
- 1.5 This report also proposes that further work is jointly commissioned with the District of Easington and Wear Valley District Council too look at ways of establishing a non locality based, profit making Housing

¹ Chapter 2 DCLG Strong and Prosperous Communities

² Para 5.72 a new County Durham Council, proposal for Unitary Structure for County Durham

³ Coalfield Community Study DTZ 2004, Coalfield Settlement Study Jacob Babbie 2005.

Regeneration and Development Company to provide programme management for the regeneration of all of the priority areas across the former Durham coalfield communities.

2. RECOMMENDATIONS

- 2.1 That Cabinet approves the principle and concept for the establishment of a Sedgefield Regeneration Trust as being consistent with all previous policy commitments to support those areas of the borough in need of immediate regeneration.
- 2.2 That Cabinet notes the need for further consultation with the Department for Communities and Local Government, the Durham County Council, in its role as transition authority and such other persons as the Council may be directed to consult; Cabinet notes further that all appropriate approvals will be sought in order to take this initiative to implementation stage.
- 2.3 That the Chief Executive be directed to take all necessary actions in order to obtain the required consents and to report further to Cabinet dealing with
 - membership selection and governance for the Trust
 - the creation of a Housing Regeneration and Development Company for the coalfield communities in Easington, Sedgefield and Wear Valley

3. BACKGROUND

- 3.1 The Borough Council is committed to improving the wellbeing of the Borough's residents and in particular those in the most deprived communities.
- 3.2 The Council has been engaged in the Coalfield Housing Renewal Partnership for County Durham for the last four years. The Partnership includes: Registered Social Landlords, County and District Councils GONE, One NorthEast and English Partnerships with a remit to address Housing Market Failure in former coalfield areas and improve quality of life for those living in deprived communities. Working on the model of successful housing pathfinders elsewhere in the region the coalfield Partnership is seeking to attract significant resources through English Partnerships following a lengthy period of discussion and negotiation.
- 3.3 Through a comprehensive analysis³ of housing and social factors, the Council identified Dean Bank, Ferryhill Station and Chilton as initial priority areas for intervention within the Coalfield areas programme.
- 3.4 In April 2005, the Borough Council commissioned Llewellyn Davis to undertake a Master-plan for the regeneration of Ferryhill Station, Dean

Bank and West Chilton. Llewellyn Davies worked intensively with affected communities to examine how the housing mix could be remodelled to significantly improve the physical fabric of the areas, provide opportunities for new housing investment and reverse the physical and social decline of the areas.

- 3.5 Cabinet approved the Master-plan on 13th July 2006. The Master-plan provides for significant remodelling of the housing stock in the affected communities at a cost of over £56m. The plan also highlighted a funding gap of £25m required to stimulate investment in the priority areas.
- 3.6 A significant element of the Master-plan was the identification of options for delivery of the interventions. This focus on delivery was seen as essential to maintain the community buy in that had been achieved through the comprehensive community involvement process undertaken by Llewelyn Davis.

4 MASTER PLAN DELIVERY OPTIONS

- 4.1 Llewelyn Davies identified a range of options⁴ to establish a Regeneration Vehicle for the short and medium term. These included:
- Unconstituted Partnership
 - Urban Regeneration Company
 - Registered Social Landlord
 - Public Interest Company
 - Housing Regeneration Company
 - Community Interest Company
 - Company Limited by Guarantee
 - Industrial and provident society.
- 4.2 They recommended that the first phase of the Master-plan should be the redevelopment of Ferryhill Station and that this could be undertaken by a Strategic Partnership between the Council and a Registered Social Landlord.
- 4.3 They further concluded that more detailed work should be undertaken to determine a delivery vehicle for the remainder of the programme⁵ and that such a vehicle should have the following elements:
- Ability to recycle capital receipts

⁴ Para 8.2 – 8.5 Housing Master-plan Llewelyn Davis.

⁵ Para 8.5.4 Housing Master-plan, Llewelyn Davis

- Be a watertight entity
 - Capacity to run a programme of capital receipts and spending
 - Robust to changes in governance or political context
 - Operate within a flexible constitution.
- 4.4 The Council has implemented these recommendations, opting for a partnership approach with Three Rivers Housing to redevelop Ferryhill Station. This work is well underway, utilising resources from SHIP funding and capital receipts from land sold for housing elsewhere in the Borough.
- 4.5 The Council has been actively involved in acquiring properties in Dean Bank and West Chilton in preparation for the second delivery phase of the Masterplan and is now ready to establish a mechanism to implement the redevelopment.

5. ESTABLISHMENT OF A REGENERATION TRUST

- 5.1 Earlier this year officers of the Council commenced work with Savills, recognised market leaders in this field to determine the optimum delivery vehicle for Sedgefield Borough. In addition to the criteria identified by Llewelyn Davis the Borough Council also asked that current Government policy be taken into account and any delivery vehicle be suitable to operate with any potential new Council should Local Government Reorganisation go ahead.
- 5.2 Savills have prepared a comprehensive report for the Council which recommends the establishment of:
- A Community Based Regeneration Trust, capable of holding capital receipts and assets.
 - A profit making Housing Regeneration and Development Company, capable of operating across the former Durham Coalfield priority areas.
- 5.3 In July 2004 Council agreed to make all capital receipts available from the disposal of major land holdings for regeneration and affordable housing⁶. At that time it was estimated that this would be around £25 million and was considered a one-off opportunity to have a significant impact on the regeneration of the Borough. Subsequently the Council allocated the sum of £9 million (£3 million per annum over the 3 years covering the period 2007/08 to 2009/10) to regenerating the former Coalfield priority areas of Dean Bank, Chilton and Ferryhill Station, recognising that further significant funding would be required in further years.

⁶ Budget Framework – Use of Capital Receipts Council Report 28/07/04

- 5.4 In the light of the Council's financial commitment, Savills further recommend that the Council transfer any uncommitted capital⁷ for housing renewal for 2007/08 to the Trust immediately upon its formation and that it transfers the further £6m identified in the Medium Term Financial Plan for the housing renewal for 2008/09 and 2009/10 when it is prudent to do so. Bearing in mind the need to future proof major decisions in the light of Local Government Reorganisation, it would be inappropriate to go further at this stage.
- 5.5 Savills recommend that the Trust be comprised of 10 members and that the Trust will be a company limited by guarantee with charitable status. The Council would have nomination rights of 2 Members. These nomination rights would transfer to the Unitary Council should it become established in April 2009.

6 HOUSING REGENERATION AND DEVELOPMENT COMPANY

- 6.1 Whilst the Trust would hold assets for the benefit of the community (until deployed in pursuant of its objectives), the projects themselves would be delivered through a Housing Regeneration and Development Company. The company would act as Programme Manager and would undertake research, feasibilities, procurement and site assembly. The company would also commission the delivery of projects through Special Purpose Vehicles, Joint Ventures and Market Disposals.
- 6.2 During the consultation discussions with partners it became clear that they too saw this approach as a solution to the wider regeneration needs of County Durham and in particular the former Coalfield.
- 6.3 A trust established by Sedgefield Borough Council could not operate in the way described without having a company, however there is no reason why such a company should be constrained by particular administration boundaries and could operate across for example the Coalfield authorities of Easington, Sedgefield and Wear Valley, bringing coordinated development and economies of scale.

7 CORPORATE POLICY IMPLICATIONS

- 7.1 The establishment of a Regeneration Trust supports the objectives within the Council's Corporate Plan. In particular the initiative supports the Corporate Ambition of A Borough with Strong Communities, securing quality sustainable housing and promoting safer neighbourhoods.

8 RESOURCE IMPLICATIONS

⁷ Major Regeneration Initiatives Capital Programme 07/08 Cabinet Report 05/07/07

- 8.1 Human Resources
- 8.2 It is not envisaged that the Regeneration Trust would require staff to support it in the initial stages as this could be provided by the Council. There is however potential for a small number of staff to transfer to the Trust and also to the Company once established. This will be the subject of a further report to Cabinet at the appropriate time.
- 8.3 Financial Resources
- 8.4 It is recommended that any uncommitted capital allocated for Housing Renewal in the 2007/08 Capital Budget be transferred to the Housing Regeneration Trust at the earliest opportunity.
- 8.5 A further £6m capital resource is identified in the medium term financial plan for 2008/09 and 2009/10. It is recommended that this resource be transferred to the Trust when it is financially prudent to do so, most likely in 2008/09 and subject to appropriate consultation.

9 **CONSULTATIONS**

- 9.1 The Housing Renewal Masterplan was developed through a process of intensive community involvement, raising expectations in the community of radical improvements.
- 9.2 Savills have included senior officers from the Borough Council in formulating their recommendations as to the most appropriate delivery mechanism for Housing Regeneration.
- 9.3 Savills have also consulted with senior civil servants from CLG. Further informal discussions with civil servants have been initiated by the Borough Council who have confirmed that this approach is very much in line with their current thinking and emerging Government policy.
- 9.4 Discussions have been held between officers, the two neighbouring local authorities and the Coalfield Partnership about the proposal to set up a Trust for Sedgefield and a Housing Regeneration and Development company for the former Durham Coalfield communities.
- 9.5 One North East, DCLG, the Housing Corporation and English Partnerships now need to be formally consulted about the establishment of a Housing Regeneration and Development Company for the former Coalfield Communities. The District Auditor would need to be made aware of the proposal in the normal way and the transfer of assets would be subject to the approval of the Secretary of State as described above.

10. **OTHER MATERIAL CONSIDERATIONS**

- 10.1 Constitutional and legal Implications
The Council's Solicitor advises that the Local Government (Public Involvement in Health) Act 2007 has now received Royal Assent; Section 24 of that Act places limitations upon the Council's ability to make financial commitments. This report recognises that certain consents may be required from the Department of Communities and Local Government, the Durham County Council in its role as transition authority, and such other persons as the Council may be directed to consult). Further reports will deal with these aspects.
- 10.2 Risk Management
A storm risk assessment has been undertaken to consider funding to deliver the Private Sector Master Plan. Particular reference was made to the retraction of internal funding. The risk was mitigated by phasing the project and building commitment into the Medium Term Financial Plan. Further work has identified the creation of a Regeneration Trust as an appropriate model to ensure the future commitment of capital funding that has been allocated for delivery of the Master Plan.
- 10.3 Health and Safety
There are no health and safety implications.
- 10.4 Sustainability
The proposal will help to reverse housing market failure in the Borough and so ensure sustainable communities in the priority areas.
- 10.5 Information Technology
There are no implications for IT.
- 10.6 Equity and Diversity
There are no implications for Equity and Diversity.
- 10.7 Crime and Disorder
The regeneration of the priority areas will help to reduce crime and disorder.
- 10.8 Human Rights
There are no implications for human rights.
- 10.9 Social Inclusion
The regeneration of priority areas will promote social inclusion.
- 10.10 Procurement
The establishment of the a Regeneration Trust and Company is outside the Council's procurement policy and requires the approval of full council.

11 **OVERVIEW AND SCRUTINY IMPLICATIONS**

- 11.1 The establishment of the Regeneration Trust and Housing and Regeneration Company will be subject to evaluation and scrutiny.

12 **LIST OF APPENDICES**

Contact Officer Joint Report of Director of Neighbourhood Services/Deputy Chief Executive and Assistant Chief Executive

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Key Decision Validation: This is a Key Decision as a decision made by Cabinet which is likely to result in the local authority incurring expenditure, or making savings of £100,000 or above.

Background Papers:

Proposal for the Creation of a Regeneration & Development Trust and Company for Sedgefield.

Strong and Prosperous Communities, Local Government White Paper 2006

Coalfield Community Study, DTZ 2004

Coalfield Settlement Study, Jacob Babbie 2005

Housing Renewal Master-plan, Llewelyn Davis 2006

A new County Durham Council, proposal for Unitary Structure for County Durham, DCC 2006.

Coalfield Housing Renewal, SBC Cabinet Report, 13 July 2006

Medium Term Financial Plan, 2006-2009 SBC

Major Regeneration Initiatives Capital Programme 07/08 SBC Cabinet Report 5 July 2007

Examination by Statutory Officers

| | Yes | Not Applicable |
|--|-------------------------------------|--------------------------|
| 1. The report has been examined by the Councils Head of the Paid Service or his representative | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 2. The content has been examined by the Councils S.151 Officer or his representative | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 3. The content has been examined by the Council's Monitoring Officer or his representative | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 4. The report has been approved by Management Team | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

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