

Notice of:	EXECUTIVE
Decision Number:	EX13/2015
Relevant Officers:	Alan Cavill, Director of Place
Relevant Cabinet Member:	Councillor Gillian Campbell, Cabinet Member for Housing, Public Safety and Enforcement
Date of Meeting:	23 rd February 2015

QUEENS PARK REDEVELOPMENT - PHASE 2

1.0 Purpose of the report:

1.1 Proposal to enter into a grant funding agreement with the Homes and Communities Agency and to agree the contract value parameters for Phase 2 of the demolition and redevelopment of the Queens Park estate.

2.0 Recommendation(s):

2.1 To authorise entry into a grant funding agreement with the Homes and Communities Agency in the amount of £1,950,000 in relation to the Affordable Homes Programme 2015/2018.

2.2 To authorise the conversion of 70 existing properties to affordable rents to contribute to the funding of Queens Park Phase 2, in accordance with the Homes and Communities Agency grant funding agreement.

2.3 To authorise variation of the Queens Park redevelopment proposals and agreements to account for the replacement of open market sale properties with affordable rent properties.

2.4 To authorise the Director of Place, subject to a published officer decision, to enter into a Design and Build contract with Lovell Partnerships Ltd for the construction of a second phase of affordable rent homes (for completion by 31 March 2018), subject to the financial parameters outlined in the report.

2.5 To authorise commencement of design works, consultation and the implementation of a scheme of improvement to Layton Recreation Ground, and to delegate agreement of the final detail to the Director of Place.

2.6 To authorise the Director of Place, subject to a published officer decision, to negotiate and enter into further grant funding agreements with the Homes and Communities Agency to support delivery of additional units within the Queens Park development.

3.0 Reasons for recommendation(s):

3.1 The continued appointment of Lovell Partnerships Ltd for the second phase of the redevelopment of Queens Park Estate will enable the development of new homes for Blackpool residents and bring about substantial improvement to the Queens Park area.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

Alternative development options were considered by Executive prior to the determination to seek redevelopment in September 2011.

4.0 Council Priority:

4.1 The relevant Council Priority is:

"Improve housing standards and the environment we live in by using housing investment to create stable communities"

5.0 Background Information

5.1 In April 2013 following the completion of an extensive OJEU compliant selection procedure, Executive authorised the completion of a legal framework with Lovell Partnerships Ltd to commence the redevelopment of the Queens Park Estate and set aside funds within the Housing Revenue Account for improvements to Layton Recreation Ground (EX/16/2013).

5.2 This framework supported the design and build of 180 affordable rent properties for the Council and provided the opportunity for Lovell to build 18 homes for open market sale and included;

a. a development agreement detailing the conditions which would support progression from the first to the second phase of development and the mechanism for agreeing the land transaction for the construction of the open market homes;

- b. a JCT Design and Build Contract for the construction of the first Phase of 91 homes to the value of £9.968m; and
 - c. a second JCT Contract for the remaining development phase at a value of £10,079,378 subject to adjustment in line with building cost inflation at the time that the conditions to proceed outlined in the development agreement (in a. above) are met.
- 5.3 The development agreement sets out the conditions for both the Developer and the Council to support progression from Phase 1 to Phase 2, as outlined below. The conditions are designed to provide protection to both parties to walk away in the event of non-performance or affordability problems. They also make allowance for the variation of the detail in the event that change is necessary to enable development to proceed.
- 5.4 The development requires the Council to;
 - a. secure any relevant public open space required to enable the development
 - b. provide the developer with a site for the construction of the open market homes which has good legal title
 - c. procure vacant possession of the Phase 2 site; and
 - d. have sufficient funding to carry out the Phase 2 development.
- 5.5 It is the progress towards satisfaction of the development conditions, variations to the form and content of the scheme and agreement of the value of that second contract of works that is the topic of this report.
- 5.6 Development Progress

The legal framework was completed in July 2013 and work on Phase 1 commenced with handover of the site to the developer on the same date. A complex demolition stage was completed in May 2014 consisting of the careful demolition of two 17 storey tower blocks and five blocks of deck access flats, bedsits and maisonettes, totalling 176 units and a garage court containing 47 units. Phase 1 construction is now progressing toward completion with first homes occupied in February 2015 and final phase completion programmed for Summer 2015.
- 5.7 Due to efficiencies in the scheme layout, the Phase 1 contract was adjusted at the point of finalisation by 1 unit to allow construction of 92 homes and associated infrastructure. This increased the value by £89,824 to £10,057,824, the

corresponding value of Phase 2 reducing by the same amount.

5.8 During the period since development commenced, the community living in the remaining parts of the Estate (the Phase 2 site) has steadily decreased and is now stable, with the tenants of the majority of existing occupied properties awaiting moves into new Phase 1 properties and others preparing for moves off site. There are approximately 75 properties currently occupied and clear relocation plans in place. A programme of negotiation with leaseholders and commercial tenant operations has continued in parallel with other elements of the scheme and is nearing completion. Authority to make a Compulsory Purchase Order was given (EX1/2014) on 27th January 2014, the Order being made on 30th April 2014, to provide a backstop to these activities.

5.9 Vacant possession of several blocks within the Phase II area has already been achieved and the remaining blocks will be vacated during the first half of 2015 as Phase 1 is completed.

5.10 Phase 2 proposals

The agreement created a break between phases in order to allow for change in circumstance to be accounted for in the period between tender and the point at which a decision to further proceed needs to be taken, as outlined above. There are two major factors which have determined reconsideration of the constitution of the proposals;

a. Affordability and value for money. Building Cost Inflation is an indicator of the change in cost of items such as labour and materials which affects the value of building contracts. Due to demand from renewed confidence in investment nationally as sectors of the economy have emerged from recession, this marker has been the subject of tremendous growth in the last couple of years and is indicatively in the region of 20% higher than when the tenders were returned in November 2012. Inflationary pressures relating to the Phase 2 tender therefore make affordability and consequently, value for money, a significant concern.

b. Impact of previously unregistered utility infrastructure affecting the development of the site. During the course of additional investigations to underground services a major sewer has been identified running through the site which was not accounted for on the utility providers asset registers. Whilst this is not an uncommon occurrence, the scale of the asset is such that a redesign of the Phase 2 scheme is necessitated. This exercise adds additional constraints, which have to be designed around and potentially introduce additional elements of cost.

5.11 A redesign exercise has been undertaken. Factors accounted for in the redesign

include;

- Maintaining the unit mix of one to four bedroom homes;
- Continuing the design and layout language between phases;
- Providing a high quality urban environment which relates with adjoining areas;
- Respecting the relationship with Layton Recreation Ground whilst maximising the amount of green space within the development;
- Ensuring private amenity space for all residents; and
- Making allowances for easements and constraints around utilities.

5.12 The second phase proposes the construction of between 95 and 105 affordable rent properties for the Council. The actual numbers are subject to detailed design around the constraints and in taking account of planning considerations but will result in an increase from the 88 properties previously anticipated. This increase in affordable rent properties has been achieved through deletion of the market sale homes previously anticipated.

5.13 Contract Value

A key factor affecting the decision to proceed relates to the impact of building cost inflation since the scheme was originally tendered in November 2012. As highlighted, this marker is indicatively running at 20%, the impact of which would be to increase the adjusted tendered phase 2 scheme of 88 units by approximately £2m, taking the average all-in unit cost from the tendered value of £113,500 (based on adjusted phase 2 contract value of £9,989,553 after phase reduced to 88 units) to the region of £136,000 (20% uplift applied to adjusted phase 2 tender cost).

5.14 Given the time gap between phases the agreements were structured to allow proper consideration of inflationary pressures on affordability and at these projected levels are considered to represent poor value for the Housing Revenue Account. This position is worsened by the costs associated with providing serviced plots for market sale, which although providing a contribution toward goals of providing mixed tenure on the estate, add a burden associated with providing infrastructure to service the plots being sold, including roads, which cannot be met by the transaction.

5.15 Consequently, with cooperation from Lovell, the need to redesign the scheme to avoid the buried utilities has supported negotiations around maximising efficiencies in design and implementation which have focussed around;

- Deletion of the market sale properties and, subject to detailed design and cost, replacement with affordable rent properties;
- Rationalisation of infrastructure serving the site; and
- Rationalisation of construction elements of the scheme without reducing quality.

5.19 Whilst this increases the number of units being built, it helps to concentrate cost inflation within expected boundaries resultant in an expected average all-in unit cost in the region of £120-125,000. This cost uplift is generally consistent with that originally anticipated at the point of tender, i.e. applying the appropriate rate of building inflation.

5.20 In terms of financial affordability under the self-financing regime for the Housing Revenue Account (HRA) there is a requirement not to exceed a maximum level of debt imposed by central government ('headroom'). The maximum debt level for Blackpool's Housing Revenue Account is £35.739m; at present less than half of that debt facility is being utilised. Undertaking Phase 2 at the indicative costs in this report does not lead to issues with headroom during the period of redevelopment or in the medium term.

5.21 Under the self-financing regime the Council is required to ensure that the Housing Revenue Account is viable over a 30 year timeframe. There are a number of factors which impact on the viability of the Housing Revenue Account, as well as major redevelopment schemes these include the costs of the maintenance of existing stock and in particular the levels of rental income received. As stated in the executive item for Phase 1 and recent Rent Reports the business plan requires rent rises at an average of 3% to be viable based on current assumptions relating to the costs of the capital programme and potential implications of the introduction of Direct Payments on rent collection levels.

5.22 Layton Recreation Ground

The master plan balances a high density of built environment with improved green spaces which will be supported by investment in the open environment of Layton Recreation Ground. This intent was approved by Executive when the legal framework was established and £600k has been allocated within the Housing Revenue Account to support the development of an improvement scheme. This will resolve matters associated with drainage, pathways and facilities within the space in addition to play facilities being provided as a part of the development contract. The development of Phase 2 should coincide with the progression of ideas, consultation with the community and delivery. Executive is therefore asked to approve commencement of the design process and delegate decisions on delivery to the Director of Place to a maximum value of £600,000.

5.23 Affordable Home Programme 2015-2018

The Homes and Communities Agency (HCA) has indicatively awarded the scheme funding out of its Affordable Homes Programme 2015-2018. At present £25,000 per

plot grant for the first 78 units (£1.95m) has been secured, subject to approval from Executive to enter into the grant funding agreement. The proposed funding agreement also requires that 70 existing homes are converted from social rent to affordable rent when they come up for re-letting, providing a small additional revenue stream to help fund the new homes.

5.24 Officers have held initial discussions with the Homes and Communities Agency in respect of the potential for grant funding for the additional units proposed. The Homes and Communities Agency's Affordable Homes Programme 2015-2018 is not fully committed and there is therefore the opportunity to seek further grant funding for the additional units. It is therefore proposed that the Director of Place be authorised to negotiate with the Homes and Communities Agency and enter further grant funding agreements to support delivery of additional units within the Queens Park development.

5.25 Does the information submitted include any exempt information? No

5.26 **List of Appendices:**

None

6.0 Legal considerations:

6.1 The development agreement in place will need to be amended to reflect the outcome of the negotiations with the developer, and a replacement contract will need to be completed.

7.0 Human Resources considerations:

7.1 The project is being overseen by existing staff within the Council and Blackpool Coastal Housing.

8.0 Equalities considerations:

8.1 The Council has a wide ranging statutory responsibility under section 149 of the Equality Act 2010, known as the "Public Sector Duty" to have "due regard" in decision making to the need to :

- Eliminate discrimination, harassment, victimisation and other prohibited conduct
- Advance equality of opportunity
- Foster good relations between different (defined) groups

8.2 The recommendations in the report have been examined to understand the scope of

possible impacts on people because of the protected characteristics of:

- Age
- Disability
- Gender Reassignment
- Race
- Religion or belief
- Sex
- Sexual Orientation
- Pregnancy and Maternity

8.3 Consideration to equalities has been undertaken at all stages of the process. An Equalities Impact Analysis was undertaken and considered by Executive prior to determination to proceed with the Queens Park redevelopment (EX16/2013)

8.4 Residents directly impacted by these proposals have been consulted and individual needs have been assessed. The Council and Blackpool Coastal Housing are taking all reasonable steps to ensure that identified needs are met and people are effectively supported and helped to relocate.

8.5 The development of better quality housing in the town is expected to positively impact on equality of opportunity and community cohesion through the creation of more stable communities in the inner wards.

9.0 Financial considerations:

9.1 See the main body of the report. The final cost of the work is still being negotiated, but with rent increases at the levels discussed in the Phase 1 report and recent Rent Reports can be afforded within the Housing Revenue Account. As indicated in the Executive Item for Phase 1 the improvement of Layton Recreation Ground falls as an additional, but necessary, element of the successful redevelopment of the estate and its integration into the surrounding community. The relevant sum (£600,000) has been included within the overall Housing Revenue Account budget framework.

10.0 Risk management considerations:

10.1 Risk of not being able to assemble site – various activities are being undertaken to mitigate this risk including the acquisition of third party interests, relocation/removal of commercial operations and the making of a Compulsory Purchase Order as a safety net if negotiations fail. Relocation of rooftop masts is in hand with notices served, although delays could impact on the demolition programme.

10.2 Risk of not securing the relevant statutory permissions and authority to develop – the

master plans have been developed in consultation with relevant agencies and with reference to the development brief. Elements involving public open space have previously been advertised but subsequent amendments to the master plan in order to mitigate risks associated with buried utilities will require further advertisement. Investment in the quality of the open space and new open space provision on existing parts of the estate will help to lift the quality of the area.

- 10.3 Funding risks associated with phase 2 – this phase of development has been accounted for within the service budget and whilst there are challenges associated with the Housing Revenue Account, these can be managed in line with other service budgets. The contract used would be a priced design and build with greater certainty of cost sitting within this framework, thereby reducing the risk of overruns or unforeseen claims. Grant funding is time limited and programme and developer activity reflects these constraints in delivery, although these pressures are lessened as delivery will be actioned towards the front end of the programme which has an end date of March 2018.
- 10.4 Risk of breaching Housing Revenue Account Debt Ceiling – the long term Housing Revenue Account business plan is sensitive to prolonged periods of increased costs and lower than anticipated rent increases. The impact of these factors can over time lead to there being insufficient funds available to adequately maintain the Council's housing stock and potentially breach the maximum allowable debt facility. The proposals are affordable within the short to medium term but careful management of Housing Revenue Account resources will be necessary to ensure the long term viability of the Housing Revenue Account.
- 10.5 Failure to comply with Homes and Communities Agency Grant conditions – the Homes and Communities Agency grant funding agreement places conditions on the Council, these include conditions relating to the quality of the development, rents that can be charged and the deadline for completion of the homes being developed. The Phase I development was due to be completed by 31 March 2015 and is delayed due the failure of utility providers to provide services in a timely manner. The Homes and Communities Agency are aware of this delay and a dispensation is expected, it does however place an element of the grant funding at risk. The Phase 2 development is programmed to complete well before the Homes and Communities Agency programme deadlines but nevertheless, failure to complete the development by the end of March 2018 will put grant funding income at risk. Robust project management procedures are in place that will seek to ensure compliance with the Grant Funding conditions to the extent that they are within the control of the Council.
- 11.0 Ethical considerations:**
- 11.1 The managed relocation of residents has created voids which will impact on this

indicator. A change in stock profile from flats with high turnover to a more stable mix of family housing will reduce turnover and improve and aid the stability of the Council's Housing Revenue Account in the longer term. Phase 1 of the redevelopment is now approaching completion with the first homes being occupied.

12.0 Internal/ External Consultation undertaken:

12.1 Extensive consultation informing the decision to redevelop and continuous engagement with the Resident Project Group, resident newsletters and through public events.

13.0 Background papers:

13.1 Queens Park Equality Analysis

14.0 Key decision information:

14.1 Is this a key decision? Yes

14.2 If so, Forward Plan reference number: 21/2014

14.3 If a key decision, is the decision required in less than five days? No

14.4 If **yes**, please describe the reason for urgency:

15.0 Call-in information:

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

15.2 If **yes**, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

16.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 13th February 2015 Date approved: N/A

17.0 Declarations of interest (if applicable):

17.1 None

18.0 Executive decision:

18.1 The Executive agreed the recommendation as outlined above namely:

1. To authorise entry into a grant funding agreement with the Homes and Communities Agency in the amount of £1,950,000 in relation to the Affordable Homes Programme 2015/2018.
2. To authorise the conversion of 70 existing properties to affordable rents to contribute to the funding of Queens Park Phase 2, in accordance with the Homes and Communities Agency grant funding agreement.
3. To authorise variation of the Queens Park redevelopment proposals and agreements to account for the replacement of open market sale properties with affordable rent properties.
4. To authorise the Director of Place, subject to a published officer decision, to enter into a Design and Build contract with Lovell Partnerships Ltd for the construction of a second phase of affordable rent homes (for completion by 31 March 2018), subject to the financial parameters outlined in the report.
5. To authorise commencement of design works, consultation and the implementation of a scheme of improvement to Layton Recreation Ground, and to delegate agreement of the final detail to the Director of Place.
6. To authorise the Director of Place, subject to a published officer decision, to negotiate and enter into further grant funding agreements with the Homes and Communities Agency to support delivery of additional units within the Queens Park development.

18.2 Date of Decision:

23rd February 2015

19.0 Reason(s) for decision:

19.1 Date Decision published:

24th February 2015

20.0 Executive Members in attendance:

20.1 Councillor Blackburn, in the Chair

Councillors Cain, Campbell, Collett, Cross, F Jackson, Rowson, I Taylor and Wright

21.0 Call-in:

21.1

22.0 Notes:

22.1