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Collaboration Agreement with Walsall Housing Group

Ward(s) Brownhills, Darlaston South, Bloxwich East and Blakenall

Portfolios: Councillor A Andrew - Regeneration

Summary of report:

The report describes and details the terms of the Collaboration Agreement with Walsall Housing Group (whg) to give effect to the Strategic Partnering Arrangement that aims to deliver the Strategic Regeneration Framework (SRF) programme in Brownhills, Moxley and Goscote Lane Corridor. The principle of the Strategic Partnering Arrangement jointly with whg to identify a development model and developer partner was supported by Cabinet in April 2008. Cabinet simultaneously agreed to separately enter into a Collaboration Agreement to provide the procedural basis for joint working and enshrine the fundamental delivery principles of the Strategic Partnering Arrangement.

Background papers:

- District Centres Strategic Regeneration Framework – Cabinet report 22 March 2006
- Strategic Regeneration Framework Delivery Priorities – Cabinet report 18 October 2006
- Strategic Regeneration Framework: Strategic Partnering Arrangement – Cabinet report 16 April 2008

Reason for scrutiny:

The preparation of a draft Collaboration Agreement with whg to guide delivery of the SRF has been concluded and will be reported to cabinet in February 2009. The Agreement will establish the principles of how land owned by both the council and whg will be made available to a developer partner in return for new affordable housing and other community benefits that will bring about the wider regeneration of Brownhills, Moxley and Goscote.

The council and whg have jointly commissioned Ikon Consulting to advise on the most appropriate delivery model to effect this regeneration project. It is envisaged that Ikon will report in January. The new Homes and Communities Agency (HaCA) are a key partner in this process and in placing Walsall within its strategic investment agenda are supportive of this innovative partnership approach to neighbourhood regeneration with whg.

The broad approach to such an Agreement has previously been supported by cabinet. The attached draft document sets out the principles of how the council and whg will work together and provide land to a developer partner based on a suitable delivery model that produces affordable housing and community infrastructure improvements in the three priority areas. The main areas of negotiation around the draft Agreement have involved its relationship with the original housing stock transfer agreement particularly in respect of:

- Waiving of the clawback arrangement that allows the council to receive part of the difference between the value of land sold for open market development and the value for social housing;
- The impact of this waiver on the VIEW fund that is available for funding other regeneration projects;
- Whg becoming the preferred social housing provider in respect of development of the councils land, and jointly determining specialist housing providers in other cases;
- The use of the proceeds from S106 Agreements restricted to the priority areas;
- Best consideration issues in respect of the council's land;
- Levels of affordable housing.

Report

The SRF plays a major role in the regeneration of the Borough being one of three strategic regeneration priorities complementing the initiatives being delivered in the WRC area and the strategic corridors. The SRF was agreed by Cabinet in March 2006 and the first tranche of spatial priorities was approved at Cabinet in October 2006. The SRF is being pursued jointly with whg and other key partners and is based around housing-led regeneration with the objective of securing sustainable communities. Spatially the thrust of the SRF is dominated by the key district and local centres and their surrounding neighbourhoods and Cabinet has previously agreed the first tranche of priorities as Brownhills, Willenhall, Bentley, Moxley and Goscote Corridor. Framework Studies to guide regeneration have or are being prepared in these areas through extensive engagement with local communities, a process that is managed through a Project Reference Group (PRG) nominated by the LNP and comprising ward Councillors, local residents and key stakeholders. The delivery of the SRF in these areas is aimed at achieving social, economic and environmental regeneration and maximising the widest community benefit.

Achieving comprehensive regeneration demands an innovative approach and Government has encouraged local authorities and their partners to adopt more strategic solutions in working with the private sector particularly where significant public sector landholdings are involved. The Callcutt Review was commissioned in December 2006 by the Secretary of State for Communities and Local Government with the purpose of examining how the supply of new housing is influenced by the nature and structure of the house building industry, its business models and supply chains including land, materials and skills. The review also considered how these factors influence the delivery of new homes to achieve the Government's targets, meeting house buyers requirements and aspirations, achieving high standards of energy efficiency and sustainability as set out in the Code for Sustainable Homes, and progressing to carbon zero standards. The review built upon the 2007 Housing

Green Paper and the Barker Review of Housing Supply, and included amongst its recommendations:

- Local authorities should provide sustained leadership in improving the housing stock and quality of life in their areas;
- The uplift in land values should be tapped to help fund physical and social infrastructure.

Fundamentally establishing a Strategic Partnering Arrangement jointly with whg is an innovative approach to strategically delivering the SRF programme in Brownhills, Moxley and Goscote Lane Corridor. The Strategic Partnering Arrangement is based on identifying a developer partner and a development model that seeks the re-investment of some or all of the values liberated from the disposal of the Council-owned land in delivering sustainable housing-led regeneration.

The Council (11%) and whg (89%) own major areas of land in Brownhills, Moxley and Goscote Lane Corridor equating to approximately 43 hectares identified as being suitable to be redeveloped for housing through the Framework Studies. Jointly offering the combined land assets in the three SRF areas to the market will provide the private sector with a significant opportunity and therefore maximise leverage for both land owners. This will enable both whg and the Council to deliver comprehensive holistic regeneration; housing, (private and affordable), public realm, environmental works, social and community benefit, enterprise and business support, job opportunities in a range of areas that local people will be able to take up. This will establish sustainable mixed communities.

To give effect to the Strategic Partnering Arrangement the Council and whg will enter into a Collaboration Agreement that sets out the aims, objectives and terms of the regeneration partnership for the three SRF areas, which covers:

- Developer Selection
- Development Clawback/VIEW Fund
- Affordable Housing Provider
- Specialist Housing Provider
- S106 Agreements/Planning Obligations/Planning
- Land Value and Receipts
- Land Ownership
- Grants
- Level of Affordable Accommodation
- Comprehensive Regeneration Package
- Cross-subsidy of SRF Projects

The Collaboration Agreement is key to:

- Obtaining a private developer partner(s) to deliver the entire programme
- Legally enshrining principles for investment/re-investment and project delivery
- Setting out the aims and objectives of the project including the development requirements
- Giving confidence and certainty to developers, Housing and Communities Agency (previously English Partnerships and the Housing Corporation), and Advantage West Midlands that a partnership exists between the

- Council and whg to deliver new development
- Encouraging other partners to participate in this collaboration
- Securing investment from other agencies such as Housing and Communities Agency, and Advantage West Midlands
- Assisting in the deployment of land assets and distribution of community benefits
- Securing a level of investment to comprehensively and strategically regenerate areas
- Enabling the Council and whg to negotiate significant value and leverage out of the OJEU tender process
- Securing strategic funding from the ERDF North Black Country Sustainable Urban Development (SUD) fund

Resource and legal considerations:

Financial

The Collaboration Agreement sets out the principles of the Strategic Partnering Arrangement including the financial aspects of development clawback/VIEW fund, land values and receipts, cross-subsidy of SRF projects and S106 agreements.

Whilst the project will involve the delivery of mixed tenure housing there is an expectation of creating larger volumes of affordable housing which will have implications for the value of the Council's land in that this can reasonably be anticipated to lead to lower capital values than might be available were the land to be disposed of outside of the proposed SPA. The negative impact of this will need to be considered in the context of the wider objectives of the project in delivering wider neighbourhood regeneration. This wider regeneration lies at the heart of the project and will provide a context for consideration of the anticipated undervalues that are likely to occur. Once the most appropriate delivery model has been defined which will take into account an appraisal of land values and the costs of community infrastructure the effects on achieving best consideration will be the subject of a further report to cabinet.

There are also likely to be implications of the intention to waive the requirement for development clawback – that is the difference in value between whg's land developed for social housing and that offered to the open market. The clawback is allocated through the VIEW fund for regeneration projects. It will be necessary, again following agreement on the delivery model, to identify the implications of the deletion of clawback albeit from just these three priority areas when compared with the wider regeneration benefits. It should be noted that given the expectation of delivering a larger proportion of affordable / social housing the proportion of clawback would be reduced in any event. Again, the clawback issue would be further reported to cabinet.

The total cost of delivering the regeneration priorities identified in the Goscote, Brownhills and Moxley Framework Plans is estimated to be c. £40 Million and would need to be met by the selected developer partner(s), together with 'gap' funding support being sought from prospective partners, including HaCA and Advantage West Midlands. In the case of HaCA this will be in the form of direct investment through one or more of a series of creative interventions in the housing market. In the current market conditions it is critical to demonstrate collaboration

between the Council and whg in order that HaCA can justify strategic intervention in Walsall. Grant funding opportunities such as the ERDF North Black Country Sustainable Urban Development and Growth Point programmes will continue to be pursued to maximise the regeneration benefits for the borough.

Legal and Procurement

On behalf of the Council and whg, LG Legal and Trowers Hamblins respectively have been assisting in providing detailed legal advice and reviewing and producing the Collaboration Agreement to ensure that both partners are satisfied with the objectives, aims and terms of the agreement. LG Legal have confirmed that elements of the original Stock Transfer Agreement can be varied by the Council and whg committing to this Collaboration Agreement without voiding that original Agreement.

The intention that whg undertake the role of preferred social housing provider on the Council's land raises procurement issues on which initial advice from LG Legal suggests that the matter be exposed to OJEU. Further consideration will need to be given to this matter before the Collaboration Agreement can be finalised.

Discussions with the Council's legal services will continue to ensure that the Agreement is robust and deliverable.

Separate to the Collaboration Agreement the Strategic Partnering Arrangement will also involve a legal contract between the Council, whg and the developer partner(s) to involve the transfer of land assets in exchange for the delivery of the SRF programme in the three areas. The terms of which will be the subject of a further report.

Staffing

The project will continue to be led, in conjunction with colleagues in Estates and Assets and at whg, by the established SRF Team within the Regeneration and Performance Directorate. The delivery of the SRF is one of three strategic priorities for the Directorate and recently expanded resources within the Development and Delivery service will be deployed to support whg and the developer partner.

Since April 2008 initial discussions with English Partnerships, the Housing Corporation (now HaCA) and Advantage West Midlands have taken place. They have given support to the process proposed by the Council in the joint delivery with whg of the SRF programme and, in principle, to becoming both project and investment partners. A Steering Group involving the Council, whg and HaCA has been formed to progress the project. Whg and the Council have appointed Ikon Consultancy to advise upon the various delivery models available in taking forward the projects.

Citizen impact:

Through the Collaboration Agreement the Strategic Partnering Arrangement will assist in the successful delivery of:

- Major redevelopment projects in each of the areas;
- Rebalancing of tenure through an increase of owner occupation and

- lower proportion of social rented households;
- A significantly larger property type choice;
- A net increase of over 1,400 dwellings within the areas;
- A higher quality local environment in each area;
- Significantly improved community facilities for the area including significantly improved areas of open space.

The SPA has the potential to make significant 'inroads' into tackling issues such as:

- Worklessness (46% and 41% economically inactive in Goscote Estate and Moxley)
- Low educational achievement (62% and 54% have no qualification in Goscote Estate and Moxley)
- Health inequalities (Limiting life long illness 46% and 45% of households in Goscote Estate and Moxley)
- Disengagement particularly by younger members of the community

By focusing on the economic and social outputs in addition to the physical and environmental regeneration the maximum positive impacts and enhanced areas for citizens of Brownhills, Moxley and Goscote Lane Corridor is anticipated through the Collaboration Agreement. In partnership with the local community and other agencies this will also lead to greater local pride and citizen involvement.

Environmental impact:

Through the Collaboration Agreement the Strategic Regeneration Arrangement will transform the environment of the areas by redeveloping vacant sites, creating high quality new dwellings, removing eyesores and improving open spaces. Fundamentally the project aims to deliver transformational improvement to the environment of these priority neighbourhoods.

The chosen developer partner(s) will be expected to sign-up to the Council's Think Walsall strategy and support innovation in the delivery of the regeneration projects including creation of environmentally sustainable, low carbon communities through development models that are also environmentally friendly.

Performance management:

The delivery of the SRF projects is a priority within the 2008/09 Regeneration Service Plan, and managed through established performance arrangements. Technical project teams reporting to the Project Reference Groups will drive and monitor delivery the Strategic Partnering Arrangement.

The redevelopment of large former housing areas such as the Harrowby Road, Poets and Goscote estates and the High Street / Lindon Drive area of Brownhills will make a contribution to future brown-field housing completions, which is a Best Value Performance Indicator BVPI 106: (Percentage of New Homes Built on Brownfield Land).

Equality Implications:

The delivery of the Strategic Regeneration Framework Studies, through this developer partner procurement, will bring benefits to the whole of the Moxley, Goscote Lane Corridor and Brownhills communities. The redevelopment of sites, the enhancements to the local environment and the provision of new housing will present opportunities to engage with many sectors of the community and ensure issues of equality and accessibility are taken into account.

Equality and diversity practices of the prospective developers will be fully assessed as part of the comprehensive tendering process and the appointed partner will need to have demonstrated a commitment to this agenda.

The Council is seeking to achieve the highest possible level in the Equality Standard for Local Government. As part of this we are seeking to ensure that wherever possible our activities ensure a positive impact is made on people / communities using the 6 equality themes / strands. Those companies tendering to become developer partner(s) will be expected as a minimum to support both the Council and whg's equality and diversity policies. They will be required to highlight how their company will ensure the regeneration benefits for people based upon:

- Gender
- Ethnicity
- Age (i.e. young and old)
- Sexuality / sexual orientation
- Religion and or belief
- Disability

Consultation:

Estates.

Discussions with Legal Services on-going; to be reported verbally at a later date.

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