

Taunton Deane Borough Council

Executive Meeting - 12 October 2011

Halcon North Regeneration Project

Report of the Growth and Development Manager

(This matter is the responsibility of Executive Councillor Mrs Jean Adkins)

1. Executive Summary

This report updates Members on progress of the project and presents the Project Brief. It outlines the main findings of the Development Appraisal commissioned and what a viable scheme might look like. The Executive is asked to consider four options (see paragraph 8.5) including whether the Council should proceed to the next stage involving developing a more detailed business case leading to the procurement of a developer.

2. Background

- 2.1 Halcon North comprises 7.25 hectares of housing land and approximately 220 dwellings. This part of Halcon features in the top 5% of most deprived wards in the country. Although, much good work has been done over many years by a range of agencies, the deprivation indices show no sign of improvement. Housing is deemed to be a significant contributing factor, not simply because of its fabric, but also due to a high proportion of dwellings having only two bedrooms, which is resulting in overcrowding that in turns leads to other social problems.
- 2.2 The rationale for this Project is that to make a real difference in the area requires a physical shift in the type of place it is. Halcon should become a place that residents are proud of and want to be associated with.
- 2.3 To achieve these wider aspirations will need a multi-agency approach and the involvement of the local community.
- 2.4 This Committee was last updated on 7 December 2010. Since then the project team has further developed the Outline Business Case and the Project Brief (See Section 3 of this report).
- 2.5 Advice from the Housing Quality Network has been sought in assessing delivery mechanisms and from Savills in developing a Development Appraisal to demonstrate whether a viable scheme could be delivered, and if so, what that might look like in terms of mix and tenure.
- 2.6 The Housing Enabling Lead has continued to keep residents engaged and informed and support for the project has been sought from key

stakeholders, such as the Head Teacher of Halcon Primary School, the local Police Beat Sergeant, the Somerset Youth Service and Somerset College, all of whom are hugely supportive of the project and its aspirations.

3. The Project Brief (attached as Annex 1)

- 3.1 The Project Brief defines the project scope and its vision, sets out the Outline Business Case and the Project management and governance arrangements.
- 3.2 The Outline Business Case sets out the strategic case for redevelopment, which aligns with all four of the Council's corporate priorities (tackling deprivation and sustainable community development, regeneration, affordable housing and climate change). This project could also make a significant contribution to delivery of the aims of the Priority Areas Strategy.
- 3.3 The Delivery Options Analysis (Section 4 of the Project Brief) concludes that delivery by a developer for the market housing, in partnership with a Registered Provider for the affordable housing, is the preferred mechanism and in Section 5 that this be through vacant transfer.
- 3.4 The financial constraints are set out in Section 6 of the Brief and are also summarised in Section 4 of this report.

4. Project Viability and Resultant Impact on Mix and Tenure

4.1 Development Appraisal (attached as Confidential Annex 2)

- 4.1.1 In order to understand the deliverability of the North Halcon scheme, and to assess the impact of the scheme on the Council's finances, the Council has commissioned a development appraisal which has been carried out by Savills.
- 4.1.2 The development appraisal explores financial viability by considering the various elements including:
 - The number and type of new homes to be built on the site – using information from the original architects' study
 - The tenure mix to be provided – the balance of private for sale and affordable housing, and within the affordable housing, the balance of social rent, affordable rent (80% market rent) and low cost home ownership/shared ownership
 - Build costs
 - Sales values
 - Future rental income (net of management and maintenance)

4.1.3 The appraisal calculates a gross development value of the various different types of home, and then deducts development costs (construction, professional fees, financing and profit) to produce a scheme surplus or deficit. In order for the scheme to have a neutral impact on Council finances, the surplus needs to be sufficient to fund the costs of buying back properties previously sold under the Right to Buy and the decanting costs of moving tenants to enable the development (estimated by the Council to be in the order of £3.8m). It would also need to fund the cost of developing any units which the Council wished to retain.

4.1.4 Different scenarios have been run in order to determine the scheme which produces the best financial viability, while addressing as many of the project objectives as possible.

4.1.5 The initial appraisal assumed a total of 400 homes being built on the site, with 300 of these affordable. This was based on the original architects' study, with some adjustments to reflect a greater proportion of houses compared with flats, with a corresponding reduction in the overall number of homes built.

Original Mix based on Boon Brown massing study

Tenure	Flat	%	house	%	Total
General Needs Rent (GNR)	24	27%	64	73%	88
Affordable Rent (AR)	30	23%	102	77%	132
Shared Ownership (SO)	8	22%	28	78%	36
Shared Equity (SE)	4	29%	10	71%	14
Private Sale (PS)	18	18%	82	82%	100
Retained Units	8	27%	22	73%	30
Total	92	23%	308	77%	400

4.1.6 This initial appraisal indicated a scheme loss. The main reasons for the loss were

- The high proportion of affordable units meant that there was insufficient cross subsidy from private sales.
- High S106 costs assumed to be payable on all 400 units
- Suppressed sales values to reflect current housing market

4.1.7 While it was felt that the scheme addressed project objectives in terms of new affordable units and addressing levels of overcrowding, it did not meet project objectives for financial viability and deliverability. Therefore sensitivities were run to consider the impact of:

- Increasing the proportion of private sales to increase cross subsidy

- HCA grant received based on discussions the Council has held with HCA
- S106 payments only made in respect of additional homes with no education related contribution on any flats

4.1.8 Two revised tenure mixes were modelled. Both included 50% affordable housing (200 units). Within the affordable housing one mix assumed the Council retained 50 units and one 30 units.

Revised A: 50% Affordable Housing - 50 Retained Units

Tenure	Flat	%	house	%	Total
GNR	12	24%	38	76%	50
AR	12	24%	38	76%	50
SO	8	22%	28	78%	36
SE	4	29%	10	71%	14
PS	24	12%	176	88%	200
Retained Units	10	20%	40	80%	50
Total	70	18%	330	83%	400

Revised B: 50% Affordable Housing - 30 Retained Units

Tenure	flat	%	house	%	Total
GNR	13	22%	47	78%	60
AR	13	22%	47	78%	60
SO	8	22%	28	78%	36
SE	4	29%	10	71%	14
PS	24	12%	176	88%	200
Retained Units	8	27%	22	73%	30
Total	70	18%	330	83%	400

4.1.8 It should be noted that whilst this produces equivalent numbers of affordable housing to that already on the site, the replacement affordable housing would be a mix of general needs rent, affordable rent, and low cost home ownership which is different to the current mix of 100% general needs rent.

4.1.9 Details of assumptions around grant rates and S106 payments are contained in the development appraisal.

4.1.10 There is a risk that large number of sales will flood the local housing market and reduce sales values. This risk is managed by staggering sales over several years, reflecting the rate of sales that has been achieved on other local developments. This means the delivery of the scheme would need to be staggered over up to 8 years.

4.1.11 Local registered providers have identified grant funding for around 100 units. These would need to be delivered within HCA timescales (e.g. 4 years) which would mean the Council would need to take decisions promptly about proceeding with the scheme. Further details on timetable are provided below.

- 4.1.12 The revised development appraisal has shown that it is possible to produce a broadly viable scheme by reducing the percentage of affordable units on the scheme to 50%. At this level the scheme produces a surplus. The scheme surplus is larger if fewer retained units are required. The retained units could be funded through a mix of debt and cross-subsidy from land value. If one includes the cost of decanting tenants and buying back private properties, there still a funding gap although this is relatively small compared with overall scheme costs.
- 4.1.13 The appraisal assumes that the scheme delivery is developer led, in order to deliver the private sales element, with the majority of the affordable housing provided in partnership with a Registered Provider, with the balance retained by the Council.
- 4.1.14 The appraisal makes assumptions about sales values based on the current condition of the market. The Council may wish to consider negotiating a development agreement which requires the developer to share any uplift in sales values which is achieved above a certain level so that the Council shares in any value gain generated through the regeneration and/or more general market recovery.

5. Impact on Housing Revenue Account

5.1 Revenue impact of removing stock

- 5.1.1 The development appraisal will inform the assessment of the financial impact of the scheme on the Council. As set out above, this will depend to a large extent on decisions about the number of retained units and the proportion of affordable housing provided.
- 5.1.2 Other factors to consider include an assessment of the impact of the scheme on the HRA include:
- The impact of lost rental income on the HRA. Typically homes would be vacated on a phased basis which would help to manage the financial impact.
 - The extent to which there could be a corresponding reduction in costs of future major repairs, day to day maintenance and management. The latter will be limited by fixed overheads within the HRA which cannot be reduced in line with property numbers.
- 5.1.3 The cashflows relating to the North Halcon units are being modelled as the new business plan is being developed in order to understand the extent to which these units currently contribute to the business plan, or reduce the value of the overall Council portfolio. If cashflows for these assets are weak, then removing them may have a beneficial impact on the HRA

business plan. If cashflows are strong, then removing them will have a negative impact on the plan.

5.1.4 Under HRA self financing the Council will take on additional housing debt from April 2012. The North Halcon units are included in CLG's assessment of the value of the Council's housing stock, and subsequently the level of housing debt to be taken on. They can only be excluded from the calculation where there is a Council resolution to demolish the units within the next three years.

5.1.5 If the cashflows for these units are weak, and they do not currently generate enough income to cover the attributable HRA debt, then removing them from the business plan will actually improve the ability of the remaining units to repay housing debt, as a business plan liability will have been reduced. If cashflows are strong, then the remaining units will need to be able to repay the housing debt that would otherwise have been serviced by these units.

5.1.6 This is currently being modelled through the business plan and will be tested as the scheme develops.

5.2 Impact of new build on HRA borrowing

5.2.1 Any borrowing that the Council undertakes to fund the retained units, will need to be undertaken within the debt limits imposed under HRA self-financing. The Council currently has some additional borrowing capacity below the debt limit. This "headroom" is estimated at £16m. The Council would need to agree to use an element of this additional borrowing capacity to finance the borrowing required for the retained units. This borrowing would be repaid from the net rental income from the new units. The Council may also need to forward fund the buy backs in advance of scheme surpluses being generated. Where scheme surpluses are sufficient, this borrowing would be repaid as surpluses materialise.

5.2.2 Peak debt for the retained units is estimated at between £3.5m and £5.5m for 30 and 50 units respectively.

5.2.3 Debt as a result of forward funding project costs would depend on the final plans for phasing the development, but would never exceed total buy back costs, currently estimated by the Council of £3.8m.

5.3 Project costs

5.3.1 The Council will need to fund project costs to deliver the scheme including:

- Commercial advisors to assist with procurement of developer partner and negotiation of development agreement (estimated between £100K - £150K)
- Legal advisors to draw up the legal contract (development agreement) between the Council and the developer/RP (estimated between £75K - £100K)
- Urban design input to produce an outline masterplan to be used to procure a partner (c£20K)
- Additional surveys (geotechnical, environmental, services) c£50K

5.3.2 This comes to a total of between £245K and £320K which would be spread over several financial years. This represents less than 1% of total scheme costs.

5.3.3 The final cost of professional advice will depend on the balance of internal and external resources available to support the project.

5.3.4 The Council would also need to consider staff costs to manage the project delivery which is likely to represent an increase in current staffing levels.

5.3.5 Where these costs cannot be met from scheme surpluses, they will need to be met from the HRA business plan or other capital receipts (e.g. Right to Buy or S106).

5.3.6 The advantage of the delivery method proposed is that the developer/RP would fund the majority of costs in relation to design and planning and large proportion of the intensive tenant consultation required at individual household level as the scheme progresses.

5.3.7 The Council can also seek a contribution to its own project costs through the competitive procurement process of selecting a partner.

6. Process/Timetable for Next Stage

6.1 An indicative project plan is summarised below. There are several steps required before work can start on site. In summary these are as follows – from the point at which a decision to proceed with the development is taken by the Council.

Task	Timescale
Preparing for procurement <ul style="list-style-type: none"> • Draft information brief • Procure advisors • Consult residents • Legal and procurement advice • Specification/employers' requirements • Draft heads of terms • Establish evaluation panel 	4 – 6 months Many of these tasks can run simultaneously. Details employers requirements and draft heads of terms would not be required until later stages of procurement process
Procurement process <ul style="list-style-type: none"> • Full OJEU or HCA panel 	4 – 12 months Procurement process can be reduced through use of HCA panel and by structuring the process in limited number of stages
Negotiation of development agreement with selected partner	2 – 6 months Time can be reduced by issuing heads of terms as part of the procurement process
Master planning and planning application <ul style="list-style-type: none"> • Development of scheme masterplan in consultation with residents • Outline planning for whole scheme and detailed planning for phase one 	2 – 6 months. Can be run at same time as negotiation of development agreement providing the partner is prepared to work at risk.
Minimum lead in from Council decision to start on site	12 months

6.2 The minimum timescales would be required in order to start on site to deliver the affordable housing units in a timescale that fits with grant requirements.

7. Position on Void Properties

7.1 When properties become vacant in the project area, the works required to bring them back to the lettable standard are assessed. Where these works exceed £5000 we will hold the property vacant. Where works are under this amount these properties are re let. There is currently only one property held on this basis. We will shortly be reviewing this provision in light of refreshed timescales for the project overall.

8. Conclusion

- 8.1 This project has benefitted from cross-party support within Taunton Deane, as well as as from a wide range of stakeholders and a significant proportion of the local community since its inception. Whilst one regeneration project is not going to solve all of Halcon's problems, there is a strongly held consensus that physical regeneration of this part of the estate could act as a catalyst for wider social and economic change. It would also deliver additional housing and provide a wider range of tenure which should result in a more mixed and diverse community. This must be good for the area.
- 8.2 However, the need for redevelopment to be financially viable in what are difficult economic circumstances, means that any proposal will deliver the additional dwellings as market housing, (as set out in paragraph 4.1.8 above) and of the remainder there needs to be a mix of affordable tenures, with only a maximum of 50 of those being returned to the Council.
- 8.3 The Tenant Services Management Board considered these issues at their meeting on 19 September 2011 and whilst they continue to support the proposal, raised serious concern about the small number of properties that would be returned to the Council's stock.
- 8.4 The above factors need to be carefully considered by Members in making a decision whether to proceed to the next stage of the Project or not.
- 8.5 Options available to the Council would appear to be:-
- i Accept that the wider benefits of regeneration outweigh any concerns around mix and tenure and proceed to the next stage and procurement of a developer.
 - ii Remove the requirement to return any properties to the Housing Revenue Account which would improve viability and, therefore, increase the overall proportion of affordable housing within the scheme.
 - iii Move away from current proposals and explore options for a smaller scale redevelopment.
 - iv No longer consider full regeneration and look at retrofit options funded through the HRA to address the overcrowding issues.
- 8.6 This matter was considered at the Community Scrutiny Meeting held at All Saints Church Hall, Roman Road on 3rd October. A large number of local residents were in attendance. Following a wide ranging discussion, which a number of the Executive were in attendance to hear, a proposal to follow option (iii) was not supported. Members subsequently resolved to support option (i) with the proviso that a minimum of 50 dwellings be returned to the Council. More detailed notes of the Community Scrutiny Committee will be available by the date of this meeting.

9. Risk Management

9.1 A risk register for the project has been prepared and is attached to the Project Brief as Appendix B.

10. Finance Comments

10.1 The Council's S151 Officer is the Project Sponsor and has been closely involved throughout the development of the Project Brief. As outlined above, Savills have provided support and advice around project viability.

11. Legal Comments

11.1 Specialist legal advice will be required if the project is to progress to the procurement phase.

12. Links to the Corporate Aims

12.1 The Halcon North Regeneration proposal has strong links to all of the Council's Corporate Aims.

13. Equalities Impact Assessment

13.1 An Equalities Impact Assessment has been prepared for the project and is attached to the Project Brief as Appendix C.

14. Recommendation

14.1 The Executive is asked to consider each of the four options set out in paragraph 8.5 of this report and to decide on which of the options they wish to pursue.

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TAUNTON DEANE BOROUGH COUNCIL

PROJECT BRIEF

Halcon North Regeneration Project



Project Brief Definition

Project process and documentation will be managed in accordance with PRINCE 2; the Council's chosen project methodology.

The purpose of this document is to provide a commonly understood and well defined start point for the project. This documentation will be refined and extended into the Project Initiation Document (PID) should the project proceed to the next phase. The Project Brief will contain:

- Project Definition
- Outline Business Case (OBC)
- Project management & governance
- Description of the project team and roles.

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SECTION 1

Project Definition

1. Background

North Halcon features in the top 5 % of the most deprived wards in the country. Despite much good work over a number of years by a range of agencies the indices have shown no material improvement. Whilst it may only be part of the solution to the many problems here, a major regeneration project will result in a more efficient use of the land, a better mix of housing in terms of both size and tenure, and improved community facilities. It will also provide a better quality public realm and living environment for those living there in the future. The benefits to be derived from regeneration have been promoted by a range of agencies and individuals working locally. The Homes and Communities Agency have also indicated that this would be the type of scheme which they would like to give support to.

In June 2010 the Council's Executive approved the regeneration of this area as a formal Council project. Work has subsequently taken place to develop a business case, as well as continued consultation with the local community to inform objectives, outcomes and potential delivery options. This project will be closely aligned to the development of the Priority Areas Strategy (a multi agency project), as well as supporting the Council's corporate priorities which are; tackling deprivation, affordable housing, regeneration and climate change.

2. Project Vision

2.1 To regenerate the area of Halcon North through a change in both the physical and social environment, by providing green space, community facilities and improvements in housing quality and choice.

2.2 The change in physical and social environment will promote access to learning, job skills and healthier living standards. Halcon North will therefore become a place where people want to live and where residents are no longer disadvantaged economically, socially or through health problems.

2.3 This physical and social regeneration is key to increasing opportunity and achieving long term prosperity for the area and its residents.

3. Project Scope

3.1 The project scope is the regeneration of the North Halcon Area standing on 7.25 hectares of housing land, comprising of 192 council owned houses/flats and 31 privately owned properties.

Specifically:

- Moorland Road
- Valley Road
- Beadon Road
- Creechbarrow Road.

Please refer to Appendix A for a full map of the area.

3.2 Whilst this project is focused on a specific area of Halcon it is important that it is aligned to the Council's wider regeneration agenda and specifically the work in the Halcon area undertaken through the Priority Areas Strategy (PAS) and the multi-agency group.

4. Project Objectives & Deliverables

Objective	Critical Success Factor	Measures/targets
To meet the housing needs of the community	A wider choice of housing size, quality and tenure	<ul style="list-style-type: none"> • Range of offer in terms of accessibility size, number of bedrooms etc • Buildings for Life score of 16 or above • An appropriate mix of owner/occupier, social and affordable rent properties
	Reduction in over occupied dwellings	<ul style="list-style-type: none"> • Improved internal space standards and layout • Creation of lifetime homes • Better attendance, achievement and behaviours at school • Reduction in domestic abuse
	More sustainable housing and community green stuff To provide an exemplar housing development which demonstrates the highest environmental standards?	<ul style="list-style-type: none"> • Compliance with the Taunton Protocol • Reduction in fuel poverty • A minimum of Code for Sustainable Homes level 4 • Passive housing • Community environment • Allotments • High levels of carbon reduction (Code 5 or 6) through energy efficiency and use of

		<p>renewables</p> <ul style="list-style-type: none"> • Water recycling and overall reduction of water consumption • Promotion of health and wellbeing through design Reduction in fuel poverty; • Ecological gain through overall design, including green roofs, landscaping and allotments <p>Compliance with the Taunton Protocol.</p>
To support the aims of the Priority Areas Strategy	Improvements in health and well-being	<ul style="list-style-type: none"> • Support the delivery of community facilities • Green open space • Health Indicators • Reduction in Social Security referrals • Reduction of teenage pregnancy
	Development of a pride of place and formation of a close knit community	<ul style="list-style-type: none"> • Number of and success of community groups operating in the locality • A public realm that scores highly in terms of both Buildings for Life and Secured by Design • Creation of a permeable environment allowing good access to shops and services • Reduction in crime levels • Resident participation in development solutions • Increased CBL's • Increased house prices
	Increased access to safe open space, play and youth facilities	<ul style="list-style-type: none"> • Continued investment in public open spaces through s106/CIL • New play spaces delivered as part of project (LEAPs Neaps etc)
	Safe access to public transport	<ul style="list-style-type: none"> • Maintained access to bus provision • Increased number of people accessing public transport
	Increase in economic activity	<ul style="list-style-type: none"> • Number of residents accessing skills and training • Reduction in unemployment rates

4.2 Project deliverables

1. Increased housing supply in the area
2. Widened choice of housing size, quality and tenure
3. Accessible Community Facilities
4. Safe open spaces
5. Network of safe pedestrian routes
6. Create a place where people want to live
7. Reduction in fuel poverty
8. Support and influence raised income through employment opportunities
9. Support and influence skills training and employer placement programmes
10. Low carbon living
11. Act as a catalyst for change in an area of deprivation.

5. Constraints and Assumptions

The success of the project delivery will be dependant on the management of key constraints and assumptions. An initial identification of these is detailed below however these may change over time as the project develops. The management of these will be through the formal project process and governance.

5.1 Constraints

- Shrinking Public Sector Financial environment
- Limited Funding From Homes and Communities Agency
- Long-Term Viability of the Housing Revenue Account
- Decreased Land Values and Developer Profit Margins
- Difficult property market conditions
- Additional costs of brown field development
- Complexity of social housing reforms
- Access to required private sector funding
- Priorities of other agencies might not be focused on Halcon
- Capacity to deliver a project of this complexity
- Expertise and ability to conduct robust analysis.

5.2 Assumptions

- Continued cross party political support for the project following the May 2011 election
- Residents continue to engage positively with the consultation
- Project continues to align with the Council's corporate priorities.

6. Stakeholders

- 6.1 The project has cross party political support and is supported by the Corporate Management Team (CMT). Initial engagement with key partners

through Multi Agency Group and Taunton Development Partnership has also confirmed endorsement of this project.

The project will need to align and will affect many aspects of service delivery for Taunton Deane Borough Council as well as requiring support from external agencies and citizens. Clear identification of all stakeholders is essential along with a robust plan of engagement and joint working.

Identification of key stakeholders groups are identified below. Engagement will be maintained through the communication strategy project process and governance.

1. Residents
2. Schools
3. Landlords
4. Faith groups
5. Support Groups
6. Healthcare Providers
7. Police & Fire and Rescue
8. Social Services and other Somerset County Council Service Providers
9. Skills development support
10. Utility Providers, County Highways, Waste Services
11. Local business and transport infrastructure
12. Taunton Deane Borough Council, Members, CMT, Services and union
13. Resident and multi agency boards
14. Tenant Services Board
15. North Halcon Multi agency group.



Section 2

Outline Business Case

1. Summary

1.1 The purpose of the Outline Business Case (OBC) is to set out the business need for the proposed regeneration project, and to identify any investment in resources necessary to progress the project. It will outline the reasons for carrying out the project, why it will benefit the residents of Taunton Deane and how it will support the Councils Corporate Objectives. It will contain:

- Strategic case
- Benefits
- Dis-benefits
- Delivery Options
- Finance and Delivery Appraisal.

1.2 The OBC will act as verification at each project key decision point ensuring that the project remains justified and the objectives can be realised

1.3 The OBC is written as a 'live' document and will be continually updated as new information becomes available to ensure it can act as the key verification for project decision points

2. Strategic Case

2.1 North Halcon features in the top 5 % of the most deprived wards in the country. Good work has been carried out over a number of years by a range of agencies and the Council. The indices for multiple deprivation show that deprivation has been improving across a number of important themes including health and education however more is required and the regeneration of the physical living space is a key way of building on this current work.

2.2 For over three decades TDBC has invested significant amounts of money into the modernisation, maintenance and repair of these properties built in the 1930's. Whilst they are superficially reasonable looking properties, built of brick with a tiled roof, they do not make good family homes due to the small nature of the rooms. They generally do not have a dining room or a separate area big enough to put a table. Most families eat on their lap in the sitting room. There is no room for children to study quietly. Overall, the layout and size of the rooms do not cater for the day to day living requirements of the modern family impacting health and well being.

2.3 The houses on Halcon North were extremely land hungry and gardens are often overgrown or simply dumping grounds. However, this land hungry layout does afford an opportunity to increase the density significantly which would allow for the retention of a significant element of Council Housing stock whilst

introducing other tenures as well as a range of dwelling sizes. The local Police Beat Sergeant is convinced that improved layout and better public realm will reduce problems and increase self-policing of the area. The combination of factors affecting these four streets makes them the right choice for redevelopment.

2.4 It is widely accepted that the area has for a long time had a 'stigma' attached to it. Many people will not admit where they live when asked. There are significant numbers of single parent families housed on this estate. This has come about by these roads being very difficult to let in the past and priority homeless applicants have been the only people who would accept an offer of housing in these streets. This has occurred due to these roads being very difficult to let at times in the past when priority homeless applicants have been the only people who would accept an offer of housing here.

2.5 Many households have very young children who have to share a bedroom with much older teenagers. This mix does not work well. The younger children are kept awake by the activities of the older siblings and are therefore then not fit for school in the morning. The Head teacher at Halcon Primary School was convinced that overcrowding was having a serious impact on educational achievement and as a result was having to let some of the children have a sleep and breakfast each morning before they could engage with school work.

2.6 Over time kitchen and bathrooms have been replaced or updated. However, during discussion with residents they have identified damp as a major issue on parts of the estate. Tenants who try to keep their home decorated feel that their precious money is wasted because the damp keeps coming through the paint or wallpaper.

2.7 Whilst redevelopment alone cannot deliver all the solutions for Halcon, it can create an area in which people will want to live and ultimately become proud of. It will deliver much needed additional housing in an area in which it is hoped that Taunton can be justifiably proud.

The project will make a significant contribution towards the achievement of all of the council corporate aims:

- Tackling Deprivation and sustainable community development
- Regeneration
- Affordable Housing
- Climate Change.

The Councils commitment to tackling deprivation and sustainable community development has largely progressed by the Priority Areas Strategy (PAS). The PAS is a multi-agency project whose governance rests with the Taunton Deane Partnership and multi agency groups for North Halcon and Taunton East. TDBC provides leadership and scrutiny. The aims of the PAS are:

- Supporting the local community to take action on its own

- Enabling strong, informed and active communities whose members are involved in decisions that affect them
- Improving the quality of life in local communities
- Coordinating how we interact with local communities to ensure that resources allocated to communities are efficient and effective
- Providing an insight into local needs and priorities for service providers.

The North Halcon projects scheme can play a significant part in helping to deliver the aims of the PAS

3. Delivery Options appraisal

Delivery Options appraisals identify and appraise a range of options that will deliver the outputs required. Best Value is achieved by a thorough and robust comparison of these various options. The aim of the options appraisal is to determine the option(s) that best meet our objectives and which delivers Best Value.

The following list of potential delivery models have been identified as part of the options appraisal work.

Model	Description
Do nothing	An option to look at in the light of the housing market conditions that exist is “doing nothing.”
Retrofit to provide energy efficiency	Carbon emission reduction relies on two broad types of housing intervention: improving energy efficiency measures (e.g. insulation and efficient heating) and providing local energy and heat generation (e.g. combined heat and power plants, district heating schemes, and utilising renewable energy sources).
Joint venture with a private developer	This would involve setting up a joint venture company with a private sector developer on the basis that risks and rewards of a site redevelopment are shared.
The Traditional Housing Association Enabling Route	The traditional “enabling” route through the National Affordable Housing Programme (NAHP) was administered by the Homes and Communities Agency (HCA). Previously, HCA money was designated for local authorities under the NAHP to deliver new affordable housing projects through registered providers (housing associations). This NAHP money provided capital cover for housing association borrowing serviced from future rental income streams. Combined with land subsidy from local authorities, it was a successful route for regeneration schemes not involving local authority ownership of homes.

HCA Delivery Initiatives	The HCA announced their new Public Land Initiative (PLI) to improve housing delivery. The aim of this scheme is to streamline affordable housing development on publicly owned land by introducing new ways of working, creating better local delivery conditions in the current market, and ensuring more diverse delivery partners are involved
Development Partnership led by the Council	A hybrid option is the one being led by Cambridge City Council where 4 housing associations and 2 developers have been formed into a development partnership. The role of this partnership is to develop or redevelop several sites owned by the Council for affordable housing, either to be retained in Council ownership and/or to be in housing association ownership.
Local Authority New Build	Under the NAHP there was a delivery option open to all local authorities to develop their own affordable housing, using HCA funding, local authority land and prudential borrowing serviced by rental income from their new properties

4. Delivery Options Analysis

4.1 The delivery options have been evaluated by Officers with support from external expertise, Housing Quality Network (HQN).

Option	Funding	Benefits	Risks	Explore Yes or No
Doing Nothing	Cheapest of all the options as will not require any staff or financial resources for regeneration – and would utilise existing resources in the HRA.	Easiest to implement in the short term with minimal disruption. Council retains ownership and management.	Unpopular with residents hoping for regeneration. Adverse impact on HRA through increased re-let times/more difficult to let through social problems not being addressed.	No
Retrofit	Affordable for HRA @ cost of £60k per dwelling – total cost to HRA £11.5 million.	Would reduce carbon emissions from HRA stock. Could be managed as part of a standard improvement scheme. Keeps stock in HRA and Council control.	No assistance for private owners. Could prove unpopular with tenants hoping for regeneration. Only addresses one aspect of deprivation. If Council subsequently decides to go for regeneration, money invested in retrofit wasted. Investment needs to be prioritised alongside that needed to the rest of the Council stock – Halcon may not be the area with the highest need.	No
Joint Venture with a Private Developer	Would be more costly and time consuming to develop than traditional housing association enabling work. Extra costs would make big inroads into financial benefits of this approach.	Risks and rewards of selling open market housing would be shared. Detailed planning, build and marketing of scheme would draw on skills and experience of developer.	Exposure to sales risks in a relatively low demand housing market. Tenants could have some concerns about the nature of such a joint venture and how it would benefit them. Tight contractual arrangements needed to protect Council. Borrowing for scheme could remain on the Council's balance sheet.	No

Traditional Housing Association Enabling at sub-market “social” rents	Combination of land and/or capital subsidy from Council plus grant from Homes and Communities Agency (HCA) made low cost social housing viable.	Allowed new affordable housing to be provided at sub-market rents with appropriate financial input from Council. Risks and scheme management dealt with by partners.	No longer a viable option. This pre-dates the HCA’s February 2011 framework for affordable housing – in this HCA grants for social housing schemes will only be given in “exceptional circumstances” as the emphasis will be on new rents nearer market levels.	No
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Option	**** Costs	Benefits	Risks	Explore Yes or No
Housing Association Redevelopment Scheme at new “Affordable Rents”	Would require land and/or capital subsidy from the Council, plus HCA grant. Vacant property transfer to housing association would require the Council to decant, compensate and re-house affected tenants. If tenants are transferred to another landlord it would require consultation and a ballot. Both are costly and time consuming. Privately owned properties would have to be purchased. All of this impacts on costs and scheme	Has the cost advantage of being able to access HCA funds, which makes other contributions go further. This housing association transfer option (vacant property or tenanted) shifts the offloads the onerous complexities of managing estate redevelopment, re-letting and regeneration to someone else. A tenanted transfer, unlike a vacant transfer, to a housing association, would also mean the Council does not have to find suitable alternative accommodation for tenants, and deal with private owners, for the scheme to go ahead, as the association would do all this. A vacant transfer would allow the Council to exert more influence	Vacant property transfer depends on Council’s ability to decant tenants and to acquire homes in private ownership. This needs careful management to avoid negative impact on finance and timescale. With a tenanted transfer, the Council would have to manage the risks of tenant consultation and balloting. Vacant and tenanted housing association transfer have common risks: the ability of the Council to influence and control the subsequent redevelopment; the HRA would be left with a level of debt associated with the existing dwellings, with no income to pay it; the deal would have to pass strict value for money tests and obtain Secretary of State consent; and there is limited HCA funding. The new “Affordable Rent” may not be acceptable to tenants and the Council.	Yes

	viability.	over final scheme design, mix of tenures and any added value regeneration sought.		
Local Authority New Build at new “Affordable Rents”	Total cost of £19.2 million (HQN figure). A number of assumptions were used for an indicative feasibility assessment of this option. These included costs of all fees, demolition and construction, buying privately owned properties.	The development of the affordable element may be possible through the self-financing HRA route as “broad-brush” indicative figures suggest it may be feasible within existing “headroom”. However, more detailed financial appraisal and sensitivity modeling is needed to get to a definitive position and the impact on investment available for remaining Council stock needs to be considered	This route would be heavily dependent on the Council’s ability to secure grant – which to date has not been available to Councils for the low cost home ownership elements of the affordable housing proposed on the scheme. The Council would retain control over both ownership and management but would also bear a greater proportion of development and delivery risk. Existing tenants could be more enthusiastic about this option over other options. Higher “Affordable Rents” could increase arrears, bad debts and re-letting times. Existing tenants would need to be offered accommodation at social rents – a large proportion of this would be off site. The Council would take all the risk of managing the redevelopment at a time when the relevant skills, experience and appetite for this risk is insufficient for success. A further significant risk is the cap on the HRA debt which limits flexibility to deal with unforeseen costs as the development proceeds: and using available HRA “headroom” for this could preclude future flexibility.	No
Homes and Communities Agency	Costs for these initiatives are fully met by the	Maximises the delivery potential of land in public ownership by	Government has already allocated HCA resources for these initiatives over	No

Delivery Initiatives	HCA through their support staff.	utilising different approaches to housing procurement. Has unlocked some new sites for affordable housing.	the 4 year (2010-2014) Spending Review period and there are currently no new initiatives to bid for. The risk is waiting for any new initiatives when they may not materialise.	
Development Partnership Led by the Council	Significant set up costs for the Council are anticipated based on the experience of this option elsewhere.	The Council retains control over the procurement and development process, and thus can exert influence over the design, tenure and added. The Council (not the developer or the housing association) makes the decision on the amount of risk and reward it is prepared to take in the scheme – although this would still need to be negotiated with the partners. The scheme would still be reliant on cross-subsidy from market sales to make it viable.	Complexity of partnership arrangements with both developers and housing associations requires robust legal and delivery frameworks to manage effectively. Possible insufficient size of estate to attract sufficient developer and housing association interest as these partnerships are suited more too much larger (500+ homes) schemes.	No

5. Recommended Delivery Option overview

5.1 With help from Housing Quality Network (HQN), a high level viability review was undertaken of potential delivery options for the Halcon Regeneration Project.

5.2 This review took account of the latest Government initiatives on the Housing Revenue Account (HRA), and the new Affordable Housing Framework introduced by the Homes and Communities Agency (HCA).

5.3 The review assessed the ability of different options to deliver the project objectives and deliverables outlined in section 4 of this report.

Viability Review

5.4 A summary of the delivery options assessed and the initial conclusions drawn from this viability review is summarised in the Delivery Options Analysis table in section 4 above.

5.5 The high level review identified the most viable option to explore in more depth was a housing association redevelopment of the site – this would either involve the transfer to a housing association of the vacant site (after Council tenants have been decanted) or a transfer of Council tenants in their homes to a housing association.

Vacant Transfer

5.6 Transferring the vacant site to a developer/housing association would result in up front costs and risks for the Council to deliver vacant possession. The Council would endeavor to recoup all this through negotiations with any housing association(s) on the redevelopment.

5.7 It is estimated that a vacant transfer would have significant financial implications: estimated £3m-£4m buy back costs for 31 ex-Right to Buys (RTBs); estimated up to £1.4m (£6-£7k per tenancy) decant home loss costs; the punitive impact of empty homes on New Homes Bonus payments; lost Council Tax revenue whilst old homes are empty and until new homes are built and occupied; any compulsory purchase costs to ensure the sight is vacant before transfer; the added Housing Benefit costs of new homes at higher “affordable” rents, and the associated risk of increased Council Tax Benefit costs to cover this. In order for there to be a neutral financial benefit, scheme surpluses, from the value of land transferred, would need to be sufficient to cover these costs. New Homes bonus would also be payable on new units. Costs would also be phased over the development period to manage risk.

5.8 Apart from the above up front costs to factor into the negotiations with any housing association development partner(s), vacant transfer is likely to have a major impact on the HRA: there could be a risk of debt settlement costs for 200+ HRA demolitions, without any rental income to service this, although there would also be a reduction in costs and liabilities associated with the existing stock.; and it would limit headroom in the HRA at a time when maximum HRA business plan capacity is needed for self-financing – to fully finance future HRA ambitions and to ensure the theoretical HRA debt cap is not breached.

5.9 Nevertheless, whilst it is still possible include all of the above costs in negotiation(s) with any developer/housing association partner(s), this could then potentially mean the Council obtaining less out of scheme, in terms of the balance of new low cost “social” housing and new “affordable” homes developed at much nearer market rents. This compensatory balancing of costs and returns during negotiations could also impact adversely on the Council’s aspiration to “add value” to a regeneration scheme on the site, by creating the conditions to deal with deprivation.

- 5.10 A vacant transfer also could run reputational risks for the Council due to bad publicity over ex-RTB purchases and home loss payments offers not being regarded as sufficient; new tenants on higher “affordable” rents with fewer rights than previously; and an increase in density at the expense of environmental space to make the scheme viable for redevelopment.
- 5.11 Even so, a vacant transfer precludes the huge risks and costs of tenanted transfer ballot and the extensive tenant consultation that is needed for this. It also allows for each individual tenant to make a decision about their future rehousing. This should be seen as a big advantage of this option.

Tenanted Transfer

- 5.12 Tenanted transfer has huge risks and costs for the Council. This is a well tried and tested process for housing refurbishment schemes, but less common for redevelopment. It would involve the Council in taking on major up front costs and risks, with no guarantee of any return on them if tenants decided not to transfer. The Council has been in this position before and would need to think very carefully before doing this again. It is unusual for a Council to progress a regeneration scheme as a tenanted transfer as this involves a significant element of ballot risk which is unnecessary for a scheme that involves demolition of existing tenanted homes. Tenanted Transfer would only be an option a Council would need to consider if the scheme involved partial demolition and therefore the transfer of tenanted units for refurbishment.
- 5.13 The tenanted transfer process is a long, time-consuming and extremely resource hungry option, which usually starts with tenant involvement in the choice of housing association(s) partner(s). Tenants are balloted on a potential transfer following a formal consultation offer, but, in this ballot, if the majority of tenants vote against the proposal it will not go ahead. If this happens, the Council will not be able to recoup its costs.
- 5.14 However, should tenants vote for transfer, costs for subsequent decants and ex-RTB purchases to make the site vacant would fall on the development partner(s) instead of the Council – although the costs of this would be reflected in the value of the stock to transfer and may need to be supported by a Council dowry where this value is negative. However, (as above) this could impact adversely on overall scheme viability and “added value” regeneration flexibility for Council. If tenants vote in favour, extensive tenant consultation, legal and independent tenant advice costs, whilst the Council’s responsibility for vacant possession, could be picked up by the partner(s). Either way on the vote, the Council would run reputational risks during the transfer ballot, and still lose HRA rental income and HRA business plan capacity (as above).
- 5.15 As with vacant transfer, transferring tenants are protected and would need to be offered homes at social rents, a large proportion of which may

be off site. New homes built are likely to be at higher rents than in Council homes once the scheme is redeveloped – which would add to the General Fund bill for Housing Benefit and potentially increase rather than decrease benefit dependency. This criticism equally applies to the vacant transfer option where new homes are developed at the 80% “affordable” rents being encouraged by the HCA.

5.16 If tenants decide not to transfer the Council could revert to a vacant transfer to a housing association, which would not require tenant consent in a ballot, but this would not look good after tenants had rejected it in the first place.

5.17 Tenanted transfer has some advantages for the Council: it would not need to find alternative accommodation for tenants that is required for a vacant transfer (providing the transfer was to a housing association with sufficient stock locally; and the significant risks and costs of ex-RTB buy back and decants to ensure a vacant site to redevelop belong to the development partner(s). Housing associations also have experience of 200+ home redevelopment schemes and are used to managing risks of this magnitude – although they may not be used to managing the substantial element of private sale that may be involved in this scheme.

5.18 Both options have undergone risk analysis and equalities impact assessment as per appendix A and B

6. Finance

6.1 HRA Reform

The Council currently manages 6000+ homes. All the associated costs and income from being a “landlord” are collected for in the Housing Revenue Account (HRA). Historically, Taunton Deane has been in a negative subsidy position – paying around £7m annually to the Govt to support the national Housing position.

6.1.1 The Government are progressing plans to move away from this system to a system of self-financing. For Taunton Deane, this would mean the Council taking on additional debt currently estimated at £87m. The costs of servicing this debt would be met from the money no longer paid to the Govt in negative subsidy. This will be finalised via the Localism Bill which is currently progressing through the various Parliamentary stages of debate and approval.

6.1.2 The move to self-financing is welcomed, and will bring new freedoms and flexibilities to local authorities in how they manage their housing stock. Clearly there are also new risks that have to be managed. To support this change, a corporate project team (supported by advisors) is developing a 30 year business plan. The Business Plan will be a

very important document, and a key tool in managing the service moving forward, and in supporting decision making on future investments and future regeneration projects. The team working on self-financing is linked to the team progressing this project as there are very important linkages to be made.

The settlement debt figure of £87m assumes that the properties currently managed by the Council will continue to be managed by the Council over the next 30 years. This equates to approximately £19k of settlement debt per property.

- 6.1.3 Any changes to this, through regeneration projects for example, will impact on future rental income for the Council and therefore our ability to repay the debt etc. This regeneration project could – if no properties are retained in Council ownership – result in a £700k reduction in rental income each year. There would be a reduction in spend (in maintenance and management costs) to help offset this. The extent, to which the removal of these properties has a positive or negative impact on the business plan, and on the ability to repay debt, will depend on the cash flows relating to these properties. This is being assessed through the development of the HRA business plan.
- 6.1.4 The Government recognise that there are Councils who have some regeneration schemes “in progress” and have asked for details. We have logged this Councils regenerations projects with the Government – even though many are at a very early stage. It is unlikely that they will be removed from the calculation of debt settlement as the Council is not at this stage in a position to make a formal resolution to demolish.
- 6.1.5 The Government will look for hard evidence of the Councils commitment to the schemes, of community consultation, and of plans to physically deliver the schemes within the next 5 years. We won't know until the end of this year whether the Halcon Regeneration Project is recognised or not. If it isn't, it doesn't mean the scheme can't progress. It just means that Councillors will have to make choices on priorities with the HRA Business Plan.

Impact of new build on HRA borrowing

- 6.1.6 Any borrowing that the Council undertakes to fund the retained units, will need to be undertaken within the debt limits imposed under HRA self-financing. The Council currently has some additional borrowing capacity below the debt limit. This “headroom” is estimated at £16m. The Council would need to agree to use an element of this additional borrowing capacity to finance the borrowing required for the retained units. This borrowing would be repaid from the net rental income from the new units. The Council may also need to forward fund the buy backs in advance of scheme surpluses being generated. This borrowing would be repaid from scheme surpluses from private sales.

- 6.1.7 Peak debt for the retained units is estimated at between £3.5m and £5.5m for 30 and 50 units respectively.
- 6.1.8 Debt as a result of forward funding project costs would depend on the final plans for phasing the development, but would never exceed total buy back costs, currently estimated by the Council of £3.8m.

6.2 Financial Issues To Consider

- 6.2.1 From the earlier section on delivery options, it appears the most appropriate delivery option for this particular scheme is a Developer/Housing Association scheme. As explained in para 5.6 – 7.17, there are 2 routes to achieving this:-
- A Vacant Transfer (where the Council is responsible for decanting the properties prior to redevelopment)
 - A Tenanted Transfer (where the Housing Associations is responsible for the tenants. This is effectively a mini stock transfer.)
- 6.2.2 The end result of both routes is that the new affordable properties will be in Housing Association ownership and management. Either option may offer some opportunity for some Council owned properties to be delivered – but this will be significantly less than at present
- 6.2.3 The more usual option is the one referred to as a Developer/Housing Association scheme. Under this option Council control is achieved through a development agreement, either with a developer or a registered provider (RP), or a consortium of both. Under this option the development agreement forms a contract which sets out the respective roles and responsibilities of the Council and the developer/RP. The agreement will set out the pre-conditions and terms of transfer of land, the phased process of decant, transfer of vacant units and development. The new affordable units developed may pass to an RP on completion, but can alternatively pass to the Council. Legal advice is needed to determine an appropriate procurement route. Most Councils consider the agreement to be subject to public contract regulations, requiring an OJEU compliant process, either through competitive dialogue, negotiated procedure or selection from a pre-approved framework such as the HCA developer panel.
- 6.2.4 The estimated financial issues associated with a Housing Association regeneration project of this scale are set out in the development appraisal prepared by Savills. .
- 6.2.5 In the Vacant Transfer route – The development appraisal explores financial viability by considering the various elements including:
- The number and type of new homes to be built on the site – using information from the original architects' study
 - The tenure mix to be provided – the balance of private for sale and affordable housing, and within the affordable housing, the

balance of social rent, affordable rent (80% market rent) and low cost home ownership/shared ownership

- Build costs
- Sales values
- Future rental income (net of management and maintenance)

6.2.6 The appraisal calculates a gross development value of the various different types of home, and then deducts development costs (construction, professional fees, financing and profit) to produce a scheme surplus or deficit. In order for the scheme to have a neutral impact on Council finances, the surplus needs to be sufficient to fund the costs of buying back properties previously sold under the Right to Buy and the decanting costs of moving tenants to enable the development (estimated by the Council to be in the order of £3.8m). It would also need to fund the cost of developing any units which the Council wished to retain.

Different scenarios have been run in order to determine the scheme which produces the best financial viability, while addressing as many of the project objectives as possible.

6.2.7 It shows that it is possible to produce a broadly viable scheme of 400 units by reducing the percentage of affordable units on the scheme to 50%. At this level the scheme produces a surplus. The scheme surplus is larger if fewer retained units are required. The retained units could be funded through a mix of debt and cross-subsidy from land value. If one includes the cost of decanting tenants and buying back private properties, there still a funding gap although this is relatively small compared with overall scheme costs.

6.2.8 The appraisal assumes that the scheme delivery is developer led, in order to deliver the private sales element, with the majority of the affordable housing provided in partnership with a Registered Provider, with the balance retained by the Council.

6.2.9 The appraisal makes assumptions about sales values based on the current condition of the market. The Council may wish to consider negotiating a development agreement which requires the developer to share any uplift in sales values which is achieved above a certain level so that the Council shares in any value gain generated through the regeneration and/or more general market recovery.

6.2.10 In the Tenanted Transfer route – the Housing Association would bear 100% of the costs of achieving vacant possession and redevelopment costs and these would be reflected in the transfer value or price paid by the association to the Council for the stock. The Council would bear all risks of the project until a successful ballot had been achieved. It isn't clear what the "transfer value" would be on such a deal (whether the Housing Assoc would pay TDBC for the transfer of these properties – or whether TDBC would have to pay the Housing Assoc to take them on).

6.3 Conclusion

6.3.1 The challenge facing the Council is that none of the above will be known with any certainty until we progress the next stage of the project. If this scheme is something the Council wants to see delivered, then we have to move forward to the next stage. This brings risk to the Council but there are ways of minimising the impact.

6.3.2 These could include:-

- Engagement with the HCA to try and gain their financial support to the project.
- Making it clear in the brief issues to prospective partners that we expect them to bring money to the table to help deliver this scheme.
- Setting aside some Council funds to support this scheme. This could be from capital receipts or from the HRA business plan.
- Set some parameters for the next stage negotiations

7. Resource Costing

7.1 The Council will need to fund project costs to deliver the scheme including:

- Commercial advisors to assist with procurement of developer partner and negotiation of development agreement (estimated between £100K - £150K)
- Legal advisors to draw up the legal contract (development agreement) between the Council and the developer/RP (estimated between £75K - £100K)
- Urban design input to produce an outline master plan to be used to procure a partner (c£20K)
- Additional surveys (geotechnical, environmental, services) c£50K.

7.2 This comes to a total of between £245K and £320K which would be spread over several financial years. This represents less than 1% of total scheme costs.

7.3 The final cost of professional advice will depend on the balance of internal and external resources available to support the project.

7.4 The Council would also need to consider staff costs to manage the project delivery which is likely to represent an increase in current staffing levels.

7.5 Where these costs cannot be met from scheme surpluses, they will need to be met from the HRA business plan or other capital receipts (e.g. Right to Buy or S106).

7.6 The advantage of the delivery method proposed is that the developer/RP would fund the majority of costs in relation to design and planning and large proportion of the intensive tenant consultation required at individual household level as the scheme progresses.

7.7 The Council can also seek a contribution to its own project costs through the competitive procurement process of selecting a partner.

8. Risks

8.1 Risk is the chance of something happening that will have an impact upon objectives. Risk can be defined as the chance of exposure to the adverse consequences of future events. Risk becomes a major factor to be considered at all stages in the life of a project:

8.2 Other risk areas to consider are reputational risk - risks from any of the project stages that might impact on customers, users, stakeholders and political risk – an uncertain political climate can adversely affect the effectiveness of the partnership or the willingness of others to partner with the authority.

8.3 Risks will be managed by the Councils adopted risk management methodology

9. Conclusion of Findings

9.1 There is a clear desire on behalf of a range of stakeholders as well as the Council, to do something tangible in the Halcon area which can act as a catalyst for social and economic change.

9.2 A regeneration project covering these four roads will increase the density of development significantly and as a result deliver much needed new housing as part of Taunton Deane's commitment to the growth agenda. It will also introduce a wider mix of tenure and therefore a more balanced community. Better quality public realm and a more permeable layout will improve security and the self policing of the area. Modern methods of construction and design will minimise the running costs of these new properties.

9.3 None of the delivery options assessed come without risk. However, the assessment has clearly identified that the combination of a developer and a Registered Provider represents the option with most benefits when

assessed against risk. This leaves the Council with the option of progressing a vacant or tenanted transfer. Whilst there could be some benefits from a tenanted transfer in terms of cost and risk, the advice received has strongly encouraged the vacant transfer route as the preferred option.

9.4 This preferred option inevitably brings with it risks around delivery and financial impact, both on the Housing Revenue account and the General Fund, and therefore managing these risks will be a key component of the Project initiation stage, and will tie in with work already being undertaken by Savills on the Housing Revenue Account Business Plan.

9.5 This project has benefited from cross-party support within Taunton Deane as well as from a wide range of stakeholders and a significant proportion of the local community. Whilst one regeneration project is not going to solve all of Halcon's problems and in current economic conditions won't deliver the preferred tenure split, there is still a strong belief that physical regeneration of this part of the estate could act as a catalyst for wider social and economic change.



.Section 3

Project Management & Governance

1. Project Management Arrangements

1.1 The project is managed in accordance with the principles of Prince 2.

1.2 The proposed governance structure is as follows:

Executive Board

- To approve the strategic direction, outline scope of activity, agree outcomes and benefits and authorises procurement process
- To approve recommended partner(s) at the end of the procurement process.

Member Change Forum

- Provides political direction to the project
- Review project progress and approves any exceptions to the approved scope
- Ensures process is properly aligned at all stages to the strategic outcomes required.
- Supports key communication processes across all key stakeholders.

Corporate Management Team *Director Project Sponsor: Shirlene Adam*

- The Corporate Management Team exists to monitor and give guidance to the Project Lead or Project Manager
- The Corporate Management Team will monitor and review the project, provide guidance on project conflicts, act as a sounding board and formally accept the project deliverables once agreed.
- Owns the strategic vision for the project provides clear leadership and direction during the course of the project
- Takes key decisions
- Receives monthly highlight reports.

Project Lead: *Tim Burton*

- Is directly accountable for the delivery of the project delivering agreed outputs to required specification and quality within budget
- Maintains close liaison and communication with Key Stakeholders
- Provides day to day direction for the project, responds to project issues and takes decisions to ensure project maintains momentum and that the timetable is achieved
- Ensures business case is maintained and remains relevant to the overall strategic aims
- Ensures that communications with internal and external stakeholders are effective
- Manages the key strategic risks facing the project
- Meets with the project manager at least weekly to review progress
- Commissions and chairs reviews during the project to ensure alignment with objectives, capability of delivery and measurable achievement of benefits.

Project Manager *Alison North*

- Directs and motivates the project team
- Provides project information and advice to partner organizations and stakeholders
- Project manages and plans all stages of the project
- Prepares project reports and monthly highlight report
- Manages on a day to day basis the business and project risks
- Liaises with members of associated activities e.g PAS and Communications
- Monitors progress, expenditure, resources and initiates corrective Action
- Keeps Officer Working Group and CMT informed of deviations in plans and associated action (i.e. Change Control)
- Establish quality strategy with appropriate members of the Officer Working Group
- Prepare End Project Report
- Identifies and obtains support and advice necessary for the management, planning and control of the project
- Manages the development of the communication strategy and delivery of the communications plan.

Officer Working Group:

The Working Group exists to represent the user side and to represent any specialist input. The Project Manager will report regularly to the group, keeping them informed of progress and highlighting any problems she can foresee.

- Actively leads the working groups and contributes expertise to the project
- Supports the communication with external stakeholders as agreed through the Communication Strategy
- Receives regular reports on project progress
- Informs discussions on and develops business objectives and expected benefits
- Coordinates and provides all service specific information required by the project team at all stages of the project
- Approves key procurement documents
- Takes decisions to resolve any business or project issues
- Identifies, owns and actively supports/leads the management of project risks and related contingencies
- Ensures adequate resources are available during the life of the project
- Makes recommendations to the CMT Project Board via the Project Manager
- Receives feedback from and directs and advises on action to be taken by work stream leads as they are appointed to project activities.

Frequency of Meetings: Fortnightly from Jan 2011 or as project issues demand.

Working Group Officers:

Shirlene Adam; James Barra; Stephen Boland; Tim Burton; Martin Daly; Paul Fitzgerald; Jayne Hares; Mark Leeman; Stephanie Payne; Dan Webb; Lesley Webb; Scott Weetch; Phil Webb, David Evans, Fiona Gudge.

1.3 The project will be managed by stages as shown below with high level activities. Each stage will be run by work streams. In the project current stage of Start up work stream leads are also identified below and within the project plan.

Stage	Description of activity
Start up	Formation of Project Management , Outline Business case produced, Procurement of consultants to support delivery options appraisal, Delivery options appraisal Development of communication strategy Stakeholder consultation Equality Impact Assessment Executive Board sign off to move to the next stage
Initiation	Production of Project Initiation Document (PID) Production of detailed business case & costs Formation of detailed project management Detailed communication strategy Stakeholder consultation Equality Impact Assessment

	Executive Board sign off the move into delivery
Delivery	Delivery of project plan Delivery of Communications Strategy Regular checkpoints for approval through governance Continued monitoring of Business case and benefits against objectives
Closure	Project evaluation Outcomes and criteria evaluation Benefits Review Executive Board authorisation to close the project

Start-up Stage Work stream Leads

Work stream	Lead	Supported By
Business Case & Strategy Development	Tim Burton	Mark Leeman, Steve Boland, James Barrah, , Scott Weetch, Lesley Webb
Risk Analysis	Dan Webb	Officer Working Group
Delivery Options	Martin Daly	Fiona Gudge, Steve Boland, Tim Burton, , Lesley Webb
Finance	Fiona Gudge	151 officer support Paul Fitzgerald
Assets	Phil Webb	Fiona Gudge Tim Burton
Community Engagement	Lesley Webb	Jayne Hares, Penny Comley-Ross, Lucy Hawkins and Debbie Rundle
Stakeholder analysis & Communications Plan	Alison North	Mark Leeman, Debbie Rundle, Jayne Hares, Penny Conley Ross, Lucy Hawkins, Lesley Webb

Section 4

Project Plan

1. Summary

1.1 The purpose of the project plan is to ensure effective communication and control of the project deliverables. It describes how, when and by whom project targets will be achieved and will provide a means by which to monitor project progress.

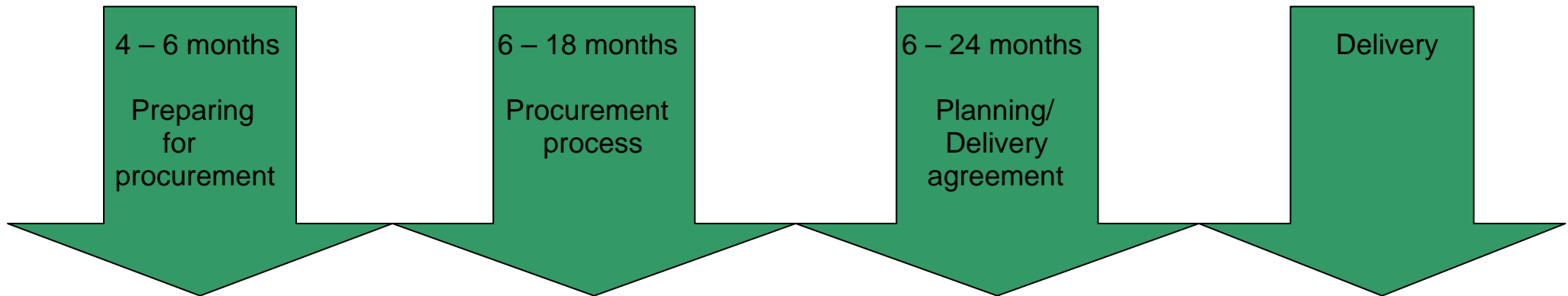
1.2 The project plan will be kept in line with the business case at all times and will be approved by the project governance in place.

2. Next Project Steps – Initiation Stage

If the project proceeds to the next stage the following activities will be completed:

1. Information Brief – this will be produced in consultation with tenants and partners. It will provide high level design work which will help bidders understand the requirements and the aspirations of the Council and residents. It will also enable the bids to be assessed on a like for like basis
2. Additional surveys to test site conditions and updated urban design input to ensure deliverability of final scheme.
3. Member agreement and sign off of the development brief
4. Procurement of developer /partner – this will be as per OJEU and could be through a direct competition run by the Council, or through the use of OJEU approved panel at the HCA.

High Level Plan



Preparing for Procurement

- Information brief
- Procure advisors
- Resident/member consultation
- Legal and procurement advice
- Heads of term and specification/employers' requirements
- Establish evaluation panel

Procurement process

- OJEU route/HCA panel

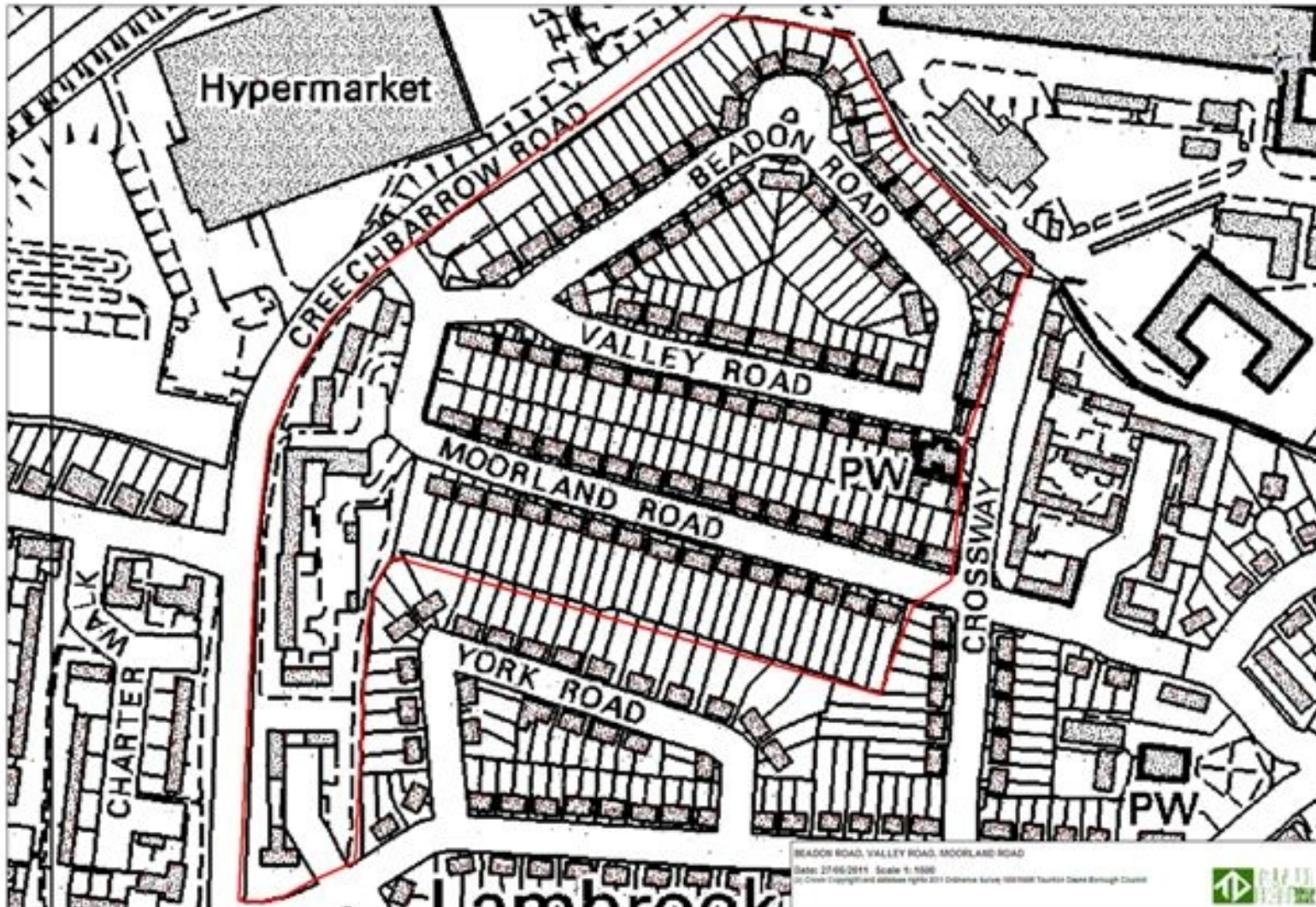
Can be shortened to 4 months if run in a single stage through HCA panel

Planning and Development Agreement

c8 years

Appendices:

- Appendix A - Map of Halcon
- Appendix B - Delivery Options Risk Analysis
- Appendix C - Equalities Impact Assessment



Halcon North regeneration - Vacant Transfer (option A)

16-Jun-11

Risk No.	Risk & descriptions	Risk Owner	Consequences	Existing Control Measures	Assessment		Score
					Impact	Probability	
A	FINANCIAL RISKS						
A1	TDBC may be unable to recover upfront costs (min £5m)		Detrimental impact on TDBC finances		Critical	Feasible	15
A2	Loss of rental income if local authority housing stock not replaced through the new housing provision (c£700k p.a)		Less income available to repay settlement debt and invest in stock maintenance.		Significant	Very Likely	15
A3	HRA Self Financing debt settlement could assume TDBC retains income potential from these properties? (£19.5k per property = approx £3.6m of debt repayment + interest)		HRA liable for settlement debt on properties no longer owned by the Council. Potentially reduced debt cap restricting opportunity for investing in new houses & other investment priorities		Significant	Very Likely	15
A4	New rents nearer market levels		Increased Housing Benefit payments. Reduced number of social lets / increase in need for temporary accommodation		Minor	Very Likely	10
A5	Interest rates increase leading to higher than anticipated capital financing costs		Capital financing costs in the General Fund are unaffordable reducing availability of funding for direct service costs		Significant	Feasible	9
A6	Capital investment costs exceed Prudential Borrowing limits (dependent on overall costs and other Council investment plans)		Council may not be able to afford capital financing costs, placing the business case at risk		Significant	Slight	6
A7	Additional maintenance costs may be incurred		Repairs & maintenance investment not efficient. Funds would need to be directed away from other properties		Minor	Very Likely	10
B	TIMESCALE						
B1	Project initiation stage could be time and resource intensive		Diversion from other corporate projects and workloads.		Significant	Very Likely	15
B2	Project demands generally are difficult to implement to required quality within a reasonable timescale		Loss of momentum in project and fatigue in project team		Significant	Feasible	9
C	RISKS TO RESIDENTS						
C1	May not be able to meet tenants' rehousing expectations		Reputational damage / stress to tenants		Significant	Feasible	9
C2	Owner-occupiers are disgruntled		Reputational damage		Significant	Feasible	9
C3	Tenant/Resident support diminishes		Tenant/Resident dissatisfaction		Minor	Slight	4
C4	Increased feeling of vulnerability after decamp starts (those 'left behind')		Tenant/Resident dissatisfaction/fear of crime etc		Significant	Very Likely	15
D	TDBC OPERATIONAL RISKS						
D1	Failure to achieve OJEU compliance (European procurement legislation)		Legal challenge and reputational damage		Major	Very Unlikely	4
D2	Managing the complexities of a development appraisal and matching this with the project vision		Decisions not informed / Project objectives not met		Major	Feasible	12
D3	Partner selection is not objective		Potentially Self-limiting in terms of delivery of aspirations. Lack of interest from potential partner(s) and/or poor quality bids		Significant	Feasible	9
D4	Insufficient funding from Homes and Communities Agency for this project to achieve outcomes & vision		Vision & outcomes not achieved		Critical	Feasible	15
D5	Partner(s) fails to deliver council's objectives		Opportunities from scheme not realised		Significant	Slight	6

Halcon North regeneration - Tenanted Transfer (option B)

16-Jun-11

Risk No.	Risk & descriptions	Risk Owner	Consequences	Existing Control Measures	Assessment		Score
					Impact	Probability	
A	FINANCIAL RISKS						
A1	TDBC may be unable to recover upfront costs (£?)		Detrimental impact on TDBC finances		Major	Feasible	12
A2	Loss of rental income if local authority housing stock not replaced through the new housing provision (c£700k p.a)		Less income available to repay settlement debt and invest in stock maintenance.		Significant	Very Likely	15
A3	HRA Self Financing debt settlement could assume TDBC retains income potential from these properties? (£19.5k per property = approx £3.6m of debt repayment + interest)		HRA liable for settlement debt on properties no longer owned by the Council. Potentially reduced debt cap restricting opportunity for investing in new houses & other investment priorities		Significant	Very Likely	15
A4	New rents nearer market levels		Increased Housing Benefit payments. Reduced number of social lets / increase in need for temporary accommodation		Minor	Very Likely	10
A5	TDBC may have to pay recipient Housing Association (need to determine if a revenue or capital item)		HRA would need probably need to borrow funds or use HRA working balances		Significant	Very Likely	15
B	TIMESCALE						
B1	Project initiation stage could be time and resource intensive		Diversion from other corporate projects and workloads		Significant	Very Likely	15
B2	Project demands generally are difficult to implement to required quality on time		Compromise on strength of transfer proposal offer to tenants		Significant	Feasible	9
C	RISKS TO RESIDENTS						
C1	May not be able to meet tenants' rehousing expectations		Reputational damage		Significant	Feasible	9
C2	Owner-occupiers are disgruntled		Reputational damage		Significant	Feasible	9
C3	Tenant/Resident support diminishes		Tenant/Resident dissatisfaction		Significant	Feasible	9
D	TDBC OPERATIONAL RISKS						
D1	Failure to achieve OJEU compliance (European procurement legislation)		Legal challenge and reputational damage		Major	Very Unlikely	4
D2	Managing the complexities of a development appraisal and matching this with the project vision		Decisions not informed / Project objectives not met		Major	Feasible	12
D3	Partner selection is not objective		Potentially Self-limiting in terms of delivery of aspirations. Lack of interest from potential partner(s) and/or poor quality bids		Significant	Feasible	9
D4	Insufficient funding from Homes and Communities Agency for this project to achieve outcomes & vision		Vision & outcomes not achieved		Critical	Feasible	15
D5	Partner(s) fails to deliver council's objectives		Opportunities from scheme not realised		Significant	Slight	6

Equality Impact Assessment – pro-forma

Responsible person	<i>Tim Burton & Lesley Webb</i>	Job Title North Halcon Project Lead & Housing Enabling Officer
Why are you completing the Equality Impact Assessment? (Please mark as appropriate)	Proposed project	North Halcon Regeneration
	Change to Policy or Service	n/a
	Budget/Financial decision – MTFP	n/a
	Part of timetable	Project Plan requirements
What are you completing the Equality Impact Assessment on (which policy, service, MTFP proposal)	The impact of recommended delivery option of vacant transfer	
Section One – Scope of the assessment		
What are the main purposes/aims of the policy?	<i>The vision is to regenerate Halcon North by a change in its physical and social environment. The means to do this is through a vacant transfer – where the Council transfers ownership of a vacant site to one or more housing association partners who then redevelop the site. This requires the Council to move its own tenants and acquire any properties that have been purchased under Right to Buy before transferring ownership of the whole site on a vacant possession basis to the partner(s), so that regeneration on a vacant site can take place. The housing association partner(s) subsequently demolish empty properties, rebuild and manage the site in accordance with the regeneration vision set by the Council.</i>	
Which protected groups are targeted by the policy?	<i>General community of North Halcon and all protected groups</i>	
What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used The information can be found on....	Resident consultation Idiocies of multiple deprivation PAS survey results PAS Bench marking report Front line staff	

Section two – Conclusion drawn about the impact of service/policy/function/change on different groups highlighting negative impact, unequal outcomes or missed opportunities for promoting equality

People who could be affected by the Regeneration of Halcon North.

- Disabled individuals, family members
- Mental Health suffers
- Single parent/s
- Unemployed
- Ethnic minorities
- Low income households
- Schooling
- Alcohol/drug dependency
- Elderly
- Overcrowded households
- Community interdependent
- Hard to reach groups – young.

How we propose addressing these issues:

Communication has a major role. To keep people well informed through regular news letters, phone calls, visits to residents homes and consultations. All communication should be delivered in Braille or large text for those partially sighted or with sight impairment. Induction loop system to be available to assist the hard of hearing, and the provision of interpreter on visits or at consultations where appropriate.

To ensure that no one is disadvantaged by their disability, all new builds should incorporate level access, life time homes, hand rails, heat regulator on taps or water systems for those people with sensory loss. Provision for adjustable working levels in the kitchen to assist those with disability, but also for convenience to other family members.

Tenants with a disability should be identified at an early stage so that the correct or most suitable adaptations can be built in at construction time. This will help to keep costs down.

Personal interviews have been held with Mental Health sufferers, this will continue.

Support workers, carers and family members, where appropriate, will always be included in these meetings. Plenty of time should be allowed and careful explanations are essential.

For single parents, the unemployed and low income households could have similar issues. Personal meetings and interviews should be arranged where requested. Careful discussion regarding compensation payments, costs associated with the move to be explained clearly.

Worry over future schooling should be alleviated at all times where possible. We should explain we will do everything possible to keep children at the same school or as close to their school as possible. We will also give consideration to future housing when there is a change of school on the horizon. Explaining the cost of new school uniforms can be included in the displacement compensation.

Many elderly residents see change, especially moving house, as a great source of worry. Every effort should be made to dispel this. Regular contact is paramount. Support to be given at all times. This could include packing and unpacking. Help with letters to utility companies, change of GP etc. Keeping family and friends informed where appropriate. Provision of an information pack.

To assist ethnic minority groups information should be available advising the location of religious establishments, specialised food shops, schooling and GP centres.

It is necessary to be proactive when other minority groups of people present themselves. We should look carefully at how we can provide the relevant support in line with the best practice.

The introduction of a 'site' office situated close to Halcon North as soon as possible will help to provide hands on assistance and relevant information and guidance to all the residents and also to any other groups which may not be immediately obvious. Many minor worries can be alleviated by friendly talks over

tea or coffee.

I have concluded that there is/should be:

No major change - no adverse equality impact identified	
Adjust the policy	
Continue with the policy	We have identified actions to mitigate identified impacts
Stop and remove the policy	

Reasons and documentation to support conclusions

Section four – Implementation – timescale for implementation

Take out

Section Five – Sign off

Responsible officer Tim to sign
Date

Management Team
Date

Section six – Publication and monitoring

Published on website and public report. Will be monitored

Next review date

Date logged on Covalent

Action Planning

The table should be completed with all actions identified to mitigate the effects concluded.

Actions table					
Service area				Date	
Identified issue drawn from your conclusions	Actions needed	Who is responsible?	By when?	How will this be monitored?	Expected outcomes from carrying out actions