



Coventry City Council

**Customer and Workforce Services  
Directorate**

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To the Chair and Members of  
Scrutiny Co-ordination Committee

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3<sup>rd</sup> December 2009  
Our ref: C/MAS

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Dear Member of Scrutiny Co-ordination Committee,

**Meeting of Scrutiny Co-ordination Committee – 9th December, 2009**

The agenda for the above meeting was despatched earlier this week. The purpose of this letter is to inform you that, in accordance with the report writing protocol, as set out in part 5.4 of the City Council's Constitution, the following late item of business will also be considered at the meeting:-

**Public Business**

**11 WEHM – NDC Masterplan Development Phase**

The Chair of Scrutiny Co-ordination Committee, or his nominee, has been requested to agree that this matter should be dealt with on the grounds of urgency and that call-in should not apply. The reason for urgency is to enable development to progress and to mitigate any risk of losing additional funding.

Report of the Director of City Services and Development (attached)

Any inconvenience caused is regretted.

Yours sincerely,

Michelle Salmon  
**Governance Services Officer**

**Membership:** Councillors Arrowsmith, Charley, Clifford, Crookes (Deputy Chair), Duggins, Maton, Mutton, Ridge (Chair)



INVESTOR IN PEOPLE

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Scrutiny Co-ordination Committee  
Cabinet

9<sup>th</sup> December 2009  
15<sup>th</sup> December 2009

**Name of Cabinet Member:**

Cabinet Member (City Development) - Councillor Ridley

**Director approving the report:**

Director of City Services and Development, Director of Community Services; and Director of Finance and Legal Services

**Ward(s) affected:**

Henley

**Title:**

*WEHM – NDC Masterplan Development Phase*

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**Is this a key decision?**

**No**

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**Executive summary:**

The report refers to the major regeneration proposals for the Wood End, Henley Green, and Manor Farm area of the City – New Deal for Communities (WEHM-NDC). Outline planning permission was granted in January 2009 and the stakeholders, namely Coventry City Council, Whitefriars Housing Group, Homes & Communities Agency, Advantage West Midlands and the NDC, along with the preferred developer BKW (a consortium of housing developers) are now focused on ensuring the scheme can be delivered within a challenging global housing market.

This report is brought to Cabinet because it concerns some proposed changes to the recommendations agreed previously around the sale of the site of the former Deedmore School and changes to elements of the legal agreements between the stakeholder partners, which are required because of the current financial downturn in housing regeneration.

These changes are required to make the initial Phase 1A1 of the whole project viable, through financial support from the stakeholders and key government regeneration agencies, namely Advantage West Midlands (AWM) and the Homes and Communities Agency (HCA).

The report presents the outcome of negotiations between the stakeholders and the preferred developer (Bovis, Keepmoat and Westbury (now Persimmon Homes) – BKW). It presents a proposed scheme of development and regeneration, along with associated contractual, commercial, and financial implications.

## **Recommendations:**

Cabinet is recommended to:

- (1) Approve contractual variations to allow PH 1A1 to proceed as detailed in this report.
- (2) Delegate to the Director of Finance and Legal Services, in consultation with the Director of City Services and Development, the following authorities:
  - a) Subject to Secretary of State consent, to approve the transfer to Whitefriars or at their direction to BKW of the site of the former Deedmore School for nil consideration in support of the regeneration objective of the phased development project under the well being powers and the Local Government Act 1988 as detailed in this report.
  - b) Authorise Coventry City Council to grant to BKW and EON a licence to undertake works on the land designated as Ph 1A1 (Appendix 2)
  - c) Authorise Coventry City Council to enter into a grant agreement with the Homes and Communities Agency for the provision of Green Stimulus grant funding of £1.6m for the purpose of introducing combined heat and power (CHP) infrastructure to the project and for the grant funding of £1.5m to Castlewood school, subject to acceptable grant conditions, affordability and project timescale considerations.
  - d) Authorise Coventry City Council to enter into a grant agreement with BKW and EON to obligate them to install and maintain the CHP infrastructure.
  - e) The completion of the necessary changes to the existing documents set out in Appendix 1 to which Coventry City Council was a party exchanged on the 12<sup>th</sup> September 2007 to cover the funding and other changes set out in this report.

## **List of Appendices included:**

Appendix 1: Structure of the Legal Agreements  
Appendix 2: WEHM Masterplan Phasing Plan.  
Appendix 3: Former Deedmore School location plan.

## **Other useful background papers:**

Cabinet report – Wood End, Henley Green and Manor Farm – New Deal for Communities (WEHM-NDC) Regeneration Proposals – Henley Ward. 20 March 2007.

## **Has it or will it be considered by Scrutiny?**

*Yes*

## **Has it, or will it be considered by any other Council Committee, Advisory Panel or other body?**

*No*

## **Will this report go to Council?**

*No*

**Report title:**

**WEHM – NDC Masterplan; Development Phase**

**1. Context (or background)**

- 1.1 NDC was established in 2000 to improve the neglected and disadvantaged estates of Wood End, Henley Green, Manor Farm and Deedmore (WEHM) in north east Coventry. The majority of the housing stock and land within these estates is rented affordable housing belonging to Whitefriars Housing Group (WHG). The former Deedmore School site is owned by Coventry City Council (CCC). Collectively, these three organisations are known as the Coventry Partners.
- 1.2 The key to sustainable regeneration of the WEHM area is to complement the significant improvements in educational attainment, increased numbers of residents into work, falling crime levels and the provision of new educational and community facilities by redeveloping and refurbishing significant areas of housing and providing new homes for sale and rent over a period of some 15 – 20 years to create a mixed community.
- 1.3 The 20 March 2007 Cabinet report approved the proposed scheme for development, land disposals, legal agreements (see Appendix 1) and financial implications for CCC.
- 1.4 The agreements state that "viability tests" need to be satisfied at key milestones. The scheme had a nil deficit in September 2007 when the developers signed the Master Development Agreement (MDA), which set out the rationale and business plan for the scheme. The current financial climate and its effect on the value of land and property nationally has seen housing developments grinding to a halt. This has now resulted in a pre-construction gap which has undermined the viability of the scheme.
- 1.5 It is recognised that the former Deedmore school site, as a natural gateway to the area, is critical to the success of the redevelopment scheme.
- 1.6 The Stakeholders continue to work closely together to realise the next tasks of the redevelopment process but it has not been possible to close the financial deficit needed to undertake the next stage without seeking additional public funding. BKW's investment to deliver the redevelopment to date is £2.1m but BKW are now unable to commit further funding themselves to seek reserved matters applications and start on site without a revised viable business plan. BKW are no longer in a position to purchase the Deedmore site for a minimum of £3m as agreed in the current documentation. To try and enable the regeneration scheme and prevent it from stalling Coventry Partners have secured additional funding, in principle, from the HCA and AWM as funders of last resort to close the financial 'gap'. Other streams of funding have also been agreed in principle with the Stakeholders and these are detailed in paragraph 5.1. HCA Growth money and grant is being directed towards Castlewood School to compensate for the City Council being unable to secure a receipt for the Deedmore site. .
- 1.7 Because Phase 1A1 is a mixture of affordable housing and private housing the Council can demonstrate the disposal of the Deedmore site in the current market would realise a receipt of £1.5 million. As phase 1A1 will only commence if the disposal is at nil cost, the Council needs consent under section 25 of the Local Government Act 1988 from the Secretary of State. Officers have started that process in order to meet the timetable but if

the application is successful it would not be implemented until Member approval, via this report, is obtained

- 1.8 The redevelopment scheme is seen as a priority by the HCA, and by AWM as it is one of the top Regional 20 Investment Impact locations and CLG who have identified this project as a Mixed Communities pilot.

## **2. Options considered and recommended proposal**

2.1 Cabinet has 3 options to consider.

2.1.1 Do nothing and wait for the housing market to recover. This approach may result in the former Deedmore Site having an increased land value in years to come but is recommended by officers to be discounted as it will severely delay the regeneration scheme. This will lead to a loss in community confidence and support. In addition it will result in anticipated capital receipts from the sale of the site not being realised as a contribution towards the construction costs of Castlewood School for the foreseeable future. Additional substantial funding, as detailed in paragraph 5.1, would also be put at risk.

2.1.2 Testing the market. This option of testing the market with new developers would also cause further delays in starting on site with tendering and negotiation lead in times and significant additional costs to Coventry partners incurred from the tendering process. Currently there are no funds available to pay for further procurement. In addition the financial investment (£3m+) by Coventry partners to date would become largely abortive. The additional funding secured for the redevelopment would also be at risk if the start of the redevelopment were to be delayed. Officers recommend discounting this option.

2.1.3 The option to seek public sector funding is preferred. This option, assuming viability, will enable house building to commence, provide a financial contribution to Castlewood School to discharge our Section 77 Disposal of School Playing Fields obligations and deliver the infrastructure for the first section of a combined heat and power scheme.

2.1.4 The changes to the legal and financial arrangements that arise from the recovery of the scheme are conditional on final approval from HCA and AWM of the funding streams and final due diligence on the BKW financial model and contractual documents. The key changes from CCC's perspective are:

- Stakeholders Agreement (SHA) – HCA require a share in the future potential overage returns from the scheme (overage) that would have originally accrued solely to CCC, WHG and NDC up to the first £9m and equally to WHG and CCC thereafter. It has been agreed in principle that the existing Stakeholder Agreement remains intact and that HCA will receive overage to reflect their actual investment level
- Direct Agreement (DA) –It had previously been agreed that all CCC land in the WEHM area would be put into the scheme at nil value, except the former Deedmore school site. This particular piece of land was valued at £3m in 2007. BKW, due to the current housing market, are unable to purchase the land in accordance with the Direct Agreement. A valuation, undertaken in May 2009 suggested that the value of the site had reduced to is £1.5m. The District Valuer has been asked to carry out a new valuation for inclusion with the application for Government consent. In order for CCC to discharge its Section 77 Disposal of school playing fields obligations proceeds from the sale of Deedmore must go towards educational and sports

facilities. Therefore to enable CCC to dispose of the Deedmore site at nil consideration and still discharge its S.77 obligations, HCA have made a proposal to give grant funding to the Council towards Castlewood School. A further £1.5m from the HCA Growth Fund, will also be made available.

- The requirement to enter into grant agreements with the HCA in relation to Castlewood School funding and the Green Stimulus funding.

### **3. Results of consultation undertaken**

- 3.1 The local community and other interested parties have been extensively consulted during the masterplan development process and continue to be so involved.

### **4. Timetable for implementing this decision**

- |     |  |          |
|-----|--|----------|
| 4.1 | Scrutiny Consultation completed                | 14/12/09 |
|     | Cabinet approval                               | 15/12/09 |
|     | Cabinet approval effective                     | 15/12/09 |
|     | Ph 1A1 Reserved matters approval               | 21/12/09 |
|     | Ph 1A2-4 Reserved matters application approval | 2/10     |
|     | Financial viability assessment of PH 1A1       | 12/09    |
|     | Licence to undertake works on Ph 1A1           | 1/10     |
|     | On site infrastructure works begin             | 1/10     |
|     | House building commences                       | 5/10     |
|     | First phase occupancy begins                   | 10/10    |
- 4.2 BKW, utilising the funding streams identified, are continuing to work on the detail design and layouts for Phase1 of the development. To ensure that the £1.6m Green Stimulus funding, for combined heat and power infrastructure, can be spent productively, prior to year end, it has been necessary to bring forward the reserved matters application submission for Ph 1A1 from December to October 2009. Getting approval is on the critical path as it is necessary to be on site installing the necessary CHP infrastructure by mid January 2010. Concurrent with this piece of work BKW will need to produce a financial appraisal of the viability of Ph 1A1 by December 2009 for the Coventry partners to assess by undertaking a due diligence exercise. Whether the scheme progresses hinges on the viability, as assessed, and at this time Coventry Partners will seek for BKW to commit to the first tranche of house building.
- 4.3 It is anticipated that the CHP infrastructure works will be completed between January and May 2010, subject to sign off of the grant from HCA which is expected on approval of this Cabinet report, and that the first sub phase of house building (Ph 1A1), of approximately 154 units, will commence in May 2010.

### **5. Comments from Director of Finance and Legal Services**

#### **5.1 Financial implications**

The recommendations made in this report will ensure the redevelopment remains viable by bridging a funding gap which would otherwise result in the redevelopment stalling. As a direct result of the funding requested, the partners will be able to determine reserved

planning matters thus allowing commencement on site in May 2010 and the subsequent delivery the first tranche of homes.

The provisional funding package includes a variety of streams:

- Funding totalling £1.3m to pay for reserved matters – HCA £0.4m, CCC Growth Fund £0.2m, AWM £0.5m, NDC £0.2m
- £30m National Affordable Housing funding for social housing grant and the guaranteed purchase scheme and an additional £7.97m for infrastructure works – this and the HCA contribution towards reserved matters will be formalised between WF and HCA in late 2009/10 with an annual agreement on future funding drawdowns.
- Green Stimulus funding of £1.6m that will be provided to the Council by HCA and will deliver, via BKW, CHP infrastructure in the Ph 1A1 area. The parties need to ensure that the delivery of this infrastructure does not jeopardise the delivery timescales for the wider project and this report delegates authority to lead Directors to consider these factors and affordability implications/grant conditions prior to the final decision to take up the Green Stimulus funding.
- HCA funding towards Castlewood School – HCA have committed to provide the Council with £700k in 2009/10 and £800k in 2010/11 (the latter to be confirmed in February 2010). The Council will provide £800k in 2009/10 and £700k in 2010/11 from its capital Growth Fund allocation (this has already been approved as part of the 2009/10 budget setting report). The revised funding arrangements therefore will allow a receipt of £3m to be realised as a contribution towards Castlewood School. This in turn will enable an equivalent capital sum to be released corporately.

CCC will also need to satisfy grant conditions in relation to the Green Stimulus funding for CHP infrastructure and Castlewood School funding.

The costs of professional advice during the recovery of the scheme have been met from existing resources provided by Coventry City Council and New Deal for Communities annually to Whitefriars Housing Group, along with contributions from BKW and Homes and Communities Agency.

## 5.2 Legal implications

CCC is obliged to secure best consideration for any disposal unless it can justify using the well being power under the General Consent order 2003 where a disposal is less than £2million. The current valuation for the Deedmore site is £1.5m but a disposal at nil consideration can be justified under section 25 of the Local Government Act 1988 where the undervalue is intended to provide financial assistance in order to achieve the promotion and improvement of the economic social or environmental well being in respect of the whole or any part of its area.

In order to ensure the project gets started there is justification for the Deedmore site to go into phase 1A1 and whilst there is no guarantee that the remainder of phase 1A will be delivered there will be in place planning consent for phase 1A and WHG have an in principle funding agreement for phase 1A.

## **6. Other implications**

### **6.1 How will this contribute to achievement of the council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?**

The project will facilitate economic growth in Coventry by enabling the transformation of one of the City's most deprived areas. Coventry is an identified Growth Point for the region and taking pro-active measures now will ensure that the planning and detailed design stage of the redevelopment will be completed in time to allow commencement on site in Spring 2010. The initial phase of building will deliver the first 154 new homes from a scheme which will see up to 3328 new homes built over a period of 12-15 years.

Work will also take place to improve the local environment. New roads, shops, green spaces and play areas are planned.

The scheme will provide a mix of social, affordable and privately owned housing stock and community facilities which will result in a general uplift of the area, help to connect residents to employment, training and development and create a balanced and sustainable community.

Combined heat and power and higher codes for sustainable homes will contribute towards the City's target of reducing carbon dioxide emissions. The proposed district heating scheme(s) will reduce energy, heat and maintenance costs for new and existing home owners, tenants, businesses on the local industrial estates and shopping areas as well as a range of public buildings (Schools, leisure centre, Henley College, offices etc).

### **6.2 How is risk being managed?**

A programme wide risk register is held and monitored by the Project Director on behalf of the Coventry partners and exceptions are reported to the Project Board comprising strategic representatives from CCC, NDC and WHG.

The most pertinent risks to the delivery of Ph 1A1 are detailed as follows:

- HCA funding is agreed in principle but will be subject to annual review. To mitigate this risk Coventry Partners are maintaining strong and consistent links with our partners and maintaining an open dialogue. In addition other funding streams are being applied for to supplement the scheme should any of the in principle funding fall away.
- Any delays to the combined heat and power infrastructure works will have a detrimental effect to the house building programme and may evoke clawback of funding from the HCA as the fund is time limited. To mitigate this risk the planning application for Ph 1A1 has been brought forward to allow a start on site in January 2010.
- The scheme when financially appraised in December 2009 may prove to be unviable due to an increase in deficit since additional funding has been secured. In anticipation it has been agreed that BKW must make a decision as to whether to continue with the scheme in December 2009. If they decide not to progress then there is agreement in place that Coventry Partners can freely market Ph 1A1 to other interested developers with the benefit of planning permission.
- Risk that future phases of the scheme will not be viable without further financial intervention. BKW will continue to provide financial appraisals and discussions are



- Due to the need for government funding to support the scheme and the provision of a guarantee scheme it is possible that the early phase of the scheme will not deliver a mixed community. To mitigate this it has been agreed that the guarantee purchase company will rent out any units bought at an intermediate rent with the aim of bringing back to the open market for sale in years to come.
- Should the scheme not be delivered residents expectations will require careful management. Regular resident meetings are held to keep the community abreast of progress and issues.

### **6.3 What is the impact on the organisation?**

If cabinet chooses to accept the recommendations HCA will provide guaranteed funding of £700k towards Castlewood School and a further £800k in 2010/11 to be confirmed. £1.5m of CCC Growth funds will also be made available to the new school. This is predicated on agreeing that BKW can acquire the former Deedmore School site at nil consideration subject to contractual obligation to deliver Ph 1A1

The City Council will be required to enter into a legal agreement with HCA if it accepts the Green Stimulus package and this along with changes to the Direct Agreement and Stakeholder Agreement will require some staff resource.

### **6.4 Equalities / EIA**

The regeneration scheme aims to provide a sustainable mixed community in an area of deprivation. The Green stimulus funding will contribute to addressing the issues of fuel poverty in the area by reducing the cost of fuel delivered to the new housing units.

### **6.5 Implications for (or impact on) the environment**

Specific funding has been made available to the project to enable low carbon technology to be incorporated as detailed in paragraph 6.1 .

Associated with the housing redevelopment are environmental improvements to the surrounding Sowe valley area which will include enhanced walkways and cycleways, better pedestrian links to the retail area of Riley Square, new planting, improved wildlife habitats and the provision of play areas for a range of ages. In addition sustainable drainage will be incorporated and swales incorporated into the landscape.

### **6.6 Implications for partner organisations?**

The development scheme is being progressed in partnership with Whitefriars Housing Group. They are signatories to the Master Development Agreement and the Stakeholder Agreement and as such need to understand any impact of changes to the agreements which are already in place. In addition the scheme provides new units for Whitefriars and the build programme is critical for them as they need to decant existing residents.

The local community have been heavily involved in the design and development of the scheme and their expectations must be carefully managed. Any delays would undermine the commitments made to the community and the confidence they have in the Coventry Partners.

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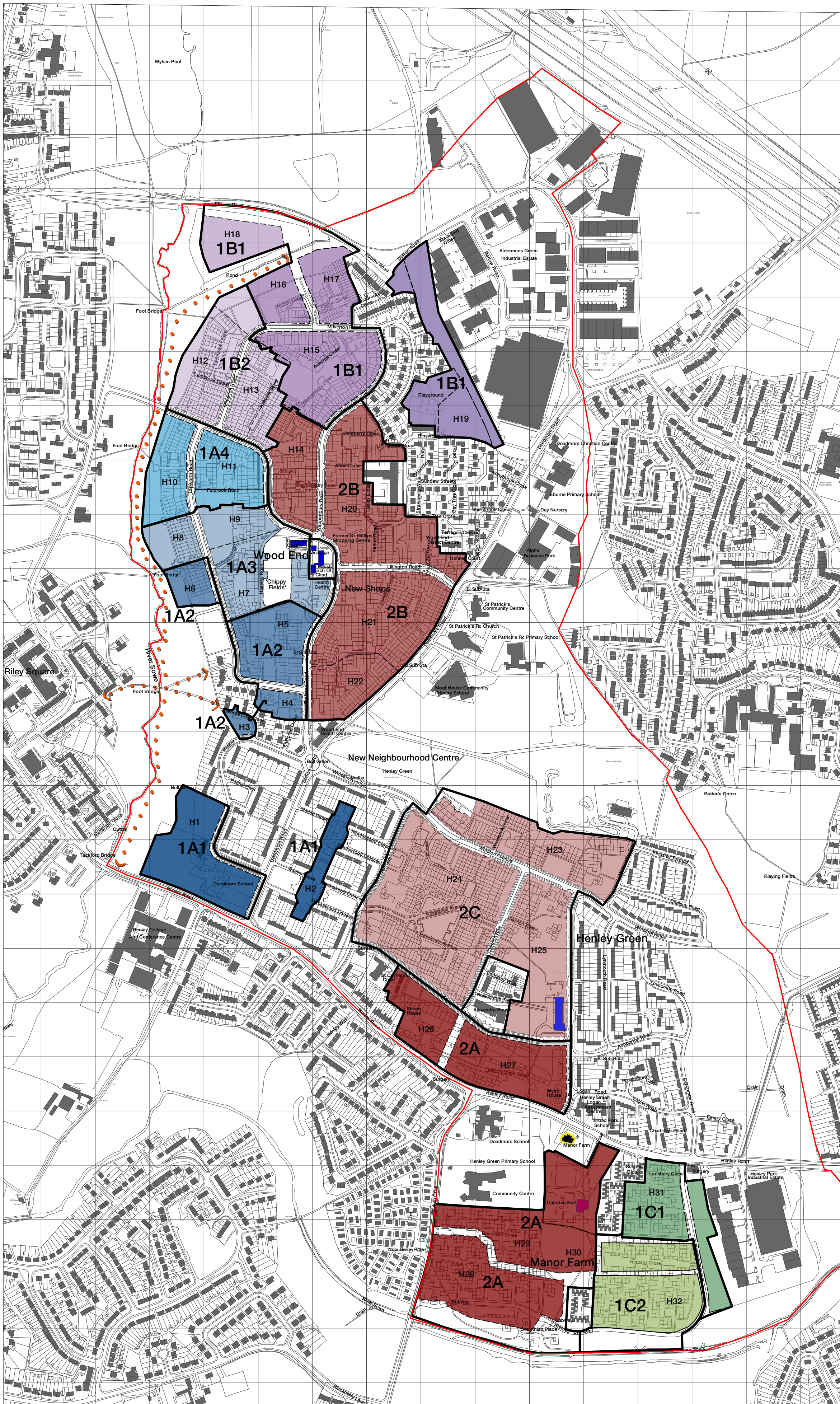
Enquiries should be directed to the above person.

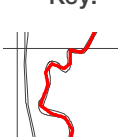
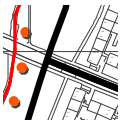


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Director: Brian Walsh	Director of Community Services	Community Services	2/10/09	6 /10/09 and 25/11/09
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## Appendix 1: Structure of the Legal Agreements

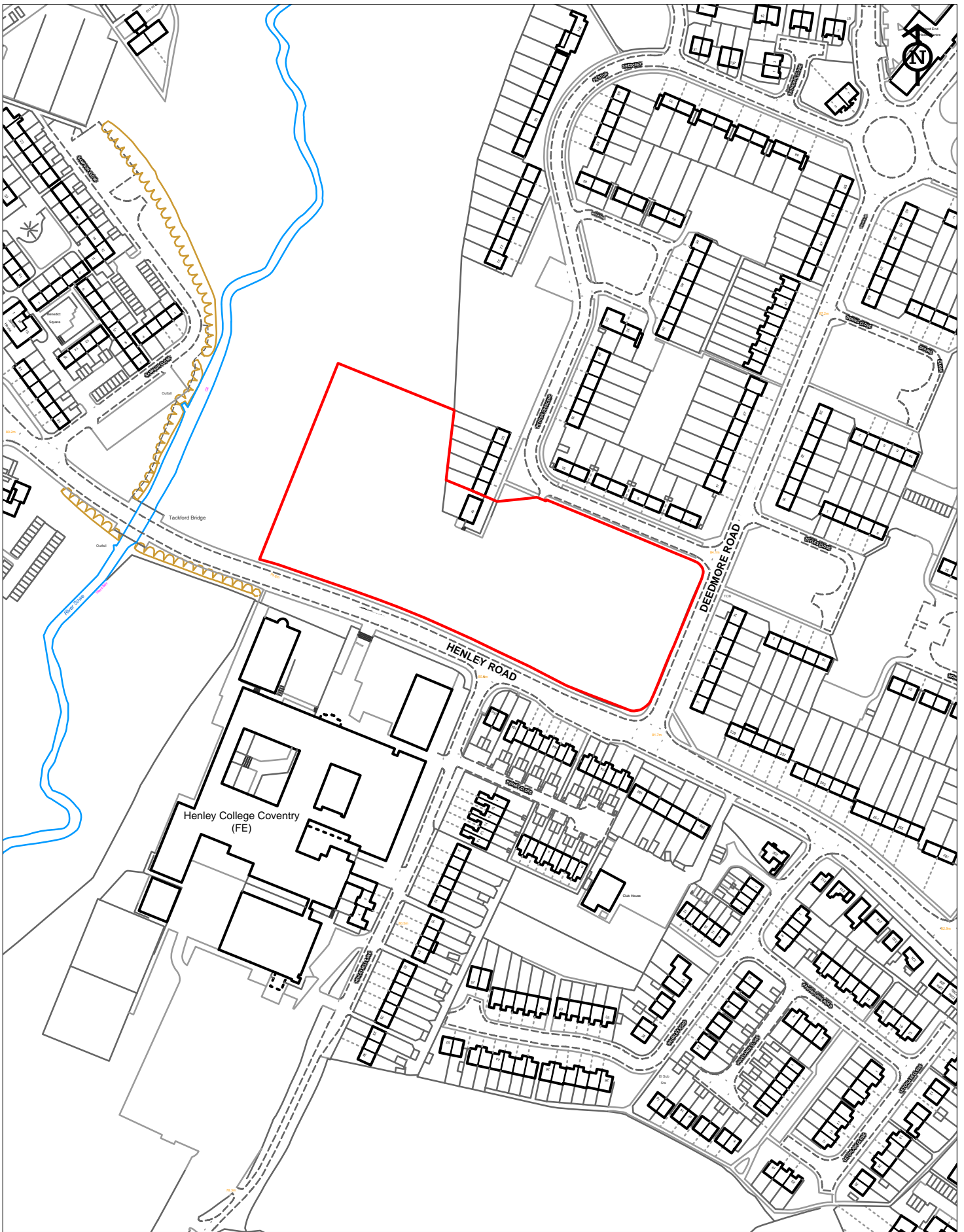
- 1.1 **Master Development Agreement (MDA)** between Whitefriars and BKW is the overarching agreement, which sets out the conditions to be satisfied and the terms upon which the phased construction takes place followed by the land transfers – the conditions relate to planning and compulsory purchase to achieve vacant possession.
- 1.2 **Phased Development Agreement (PDA)** between Whitefriars and BKW is the agreement will be entered into for the particular phase once the conditions are satisfied.
- 1.3 **Stakeholders Agreement (SHA)** between the CCCI, Whitefriars and the NDC contains the obligations of CCC and Whitefriars for the transfer of land to BKW as and when the affordable housing units are constructed, the decanting of tenants by Whitefriars, approval of any changes to the agreed scheme and management of the project by Whitefriars. It also includes the overages provisions between the three parties.
- 1.4 **Direct Agreement (DA)** between the CCCI and BKW contains the obligations to comply with the MDA and SHA, the transfer of land and the sale of Deedmore Site, the Wyken Slough flood plain solution and the obligation to obtain approval to make a Compulsory Purchase Order for Phase 1.
- 1.5 **Compulsory Purchase Agreement Indemnity Deed (CPO deed)** between CCC and BKW is a conditional agreement to make a compulsory purchase order for Phase 1. The agreement obliges BKW to pay the administration costs up to a cap of £250,000 and all the acquisition costs for the properties involved, including any Blight arising from the CPO.
- 1.6 **Section 106 Agreement (s106agmt)** between the CCC Whitefriars and BKW will be the subject of a report to Planning Committee following submission of an application for planning permission for the whole development from BKW. Initial discussions on planning have identified that there will be contributions required from BKW for the future maintenance of open space after it has been laid out to an agreed specification by BKW and possibly for off-site highways works.



- Key:
-  WEHM project boundary
  -  Phasing boundaries
  -  Phasing reference
  -  Development parcels

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**DRAFT**



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## Former Deedmore School Site

Scale 1: 2500

O.S. Ref. No: 3681 NW

Drawn by :LPL

LPR- 882 - 2009

Date

06/10/2009

Martin Yardley - Director of City Services and Development  
 Head of Property Management - Nigel Clews

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