

Cabinet

7th January 2014

**Name of Cabinet Member:**

Cabinet Member (Business, Enterprise and Employment) - Councillor Kelly  
Cabinet Member (Housing and Heritage) Councillor Ruane

**Director Approving Submission of the report:**

Executive Directors – Place & Resources

**Ward(s) affected:**

All Council wards

**Title: Whitefriars Housing Group - Proposed changes to enable new investment in Coventry homes, a viable Spirit Quarters development to proceed and for the Council to implement service change proposals**

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**Is this a key decision?**

Yes – The proposals contained in the report, in particular the refinancing of Whitefriars Housing Group will affect all wards in the City because of the intention to reinvest in their housing stock and have potential financial implications in excess of £500k per annum. The changes in respect of the Spirit Quarters masterplan will have implications for Henley Ward.

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**Executive Summary:**

This report brings together a number of initiatives with Whitefriars Housing Group (Whitefriars) requiring the Councils formal approval.

The Councils approval is sought to Whitefriars debt refinancing which will see £50 million invested in refurbishing and improving 7,500 homes in Coventry over five years and £34 million invested in providing an extra 340 homes in Coventry. To enable the refinancing arrangements to be concluded the Council is required to forego Right to Buy receipts. In return Whitefriars will reinvest an equivalent sum, together with the Whitefriars' own share of net Right to Buy Receipts into a shared fund for improvements to roads and footpaths on Whitefriars estates that have transferred back under case law to the Council as a result of the 'Gulixsen' ruling. The Council in partnership with Whitefriars will manage this fund. It is also proposed to release two small sites for new house building to Whitefriars to build 18 dwellings to rent.

Whitefriars are the lead partner in bringing forward the Spirit Quarters redevelopment in the former NDC area of Wood End, Henley and Manor Farm. The Council, Moat House Community Trust, the Homes and Community Agency (HCA) and Bovis, Keepmoat and Westbury Homes (BKW) are the other partners and stakeholders. The current phase of development is selling very well and the build programme has been accelerated to cope with demand. However, given the scale of the proposed redevelopment, the timescale it will take to deliver the whole scheme and the availability of the additional funding released by refinancing, the viability of the proposals has been reassessed by the partners and revised proposals put forward to conclude work in the area earlier but on a lesser scale.

Elsewhere on your agenda today is a report on the outcome of consultation on service changes on the Bolder Community Services proposals which recommends that care is ceased at Jack Ball and George Rowley House and the relocation of day care services for Adults with Learning Difficulties to Frank Walsh House. The Council occupies a small annex of each of these 'Houses' by way of long lease from Whitefriars. Whitefriars have agreed, subject to Board Approval to accept a surrender of the leases of the annexes to Jack Ball and George Rowley House and any necessary change of use for the Frank Walsh House proposals to proceed at no cost to the Council.

### **Recommendations:**

Cabinet is recommended to

- (1) Approve the Council foregoing Right to Buy receipts receivable as part of the original stock transfer agreement, to enable Whitefriars to refinance its debt thus releasing new resources for investment in Coventry homes.
- (2) Approve receiving a sum equivalent to 'Right to Buy' receipts from Whitefriars, together with Whitefriars own share of net Right to Buy receipts, in order to meet highway repair obligations that have transferred to the Council as a result of the 'Guliksen' ruling and that these resources form a shared fund within the annual highway maintenance programme to address neighbourhood priorities, prioritised in conjunction with Whitefriars on the same basis (worst first) as the allocation of existing highway repair resources.
- (3) Approve a reduced Spirit Quarters scheme for consultation with local residents and delegate authority to the Spirit Quarters Project Board, in consultation with the Cabinet Members (Business, Enterprise and Employment) and (Housing and Heritage), to agree the level of investment and support in the Manor Farm estate and to approve homes no longer being redeveloped.
- (4) Subject to Whitefriars Board approval, approve the surrender of leases at Jack Ball House and George Rowley House and any necessary changes to the lease at Frank Walsh House at no cost to the Council to enable the Council to implement its proposals for service change contained in the Bolder Community Services report elsewhere on your agenda.
- (5) Delegate authority to the Executive Director, Resources to complete any necessary changes to existing legal agreements and any new legal agreements necessary to give force to the changes above and to achieve this in a tax efficient manner.
- (6) Subject to recommendation (1) and (2), approve the addition of the works to the Council's capital programme for the purposes described, delegating authority to the Executive Director, Resources and Executive Director, Place in consultation with the relevant Cabinet Members to determine the exact value of joint Council and Whitefriars investment in 2013/14.

### **List of Appendices included:**

Appendix 1: Structure of the Legal Agreements (Spirit Quarters)

Appendix 2: Revised Masterplan Proposals

**Other useful background papers:**

Cabinet report- Wood End, Henley Green and Manor Farm – New Deal for Communities (WEHM –NDC) Regeneartion proposals – Henley Ward 20 March 2007 I:\ProjectChampions\02 Projects\NDC WEHM\Masterplanning\Cabinet Report

Cabinet report –WEHM NDC Masterplan Development Phase – Henley Ward 15 December 2009. I:\ProjectChampions\02 Projects\NDC WEHM\Masterplanning\Cabinet Report

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

No

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

No

**Will this report go to Council?**

No

## **Whitefriars Housing Group - Proposed changes to enable new investment in Coventry homes, a viable Spirit Quarters development to proceed and for the Council to implement service change proposals**

### **1. Context (or background)**

- 1.1 This report brings together a number of initiatives with Whitefriars Housing Group (Whitefriars) requiring the Council's formal approval.
- 1.2 The Council transferred its social housing stock to Whitefriars in September 2000. In early 2013 Whitefriars refinanced their group debt and in so doing secured £100 million of additional funds for reinvestment in existing and new stock in Coventry and Solihull. The refinancing requires the Council's formal approval because it amends one of the financial conditions of the transfer, that a proportion of Right to Buy receipts received by Whitefriars are paid to the Council. In addition, since the 'Guliksen' ruling, the Council have had the legal responsibility for maintaining roads and footpaths in the stock transfer area, where responsibility had transferred to Whitefriars because these roads and footpaths were not adopted. Formal approval is required to achieve a financial settlement with Whitefriars to fund these maintenance responsibilities ongoing. As part of the funds released the Council has worked with Whitefriars to identify sites for some new social housing and approval is sought to transfer two sites to Whitefriars for new social housing construction.
- 1.3 As part of their development responsibilities at the Spirit Quarters (NDC) area, Whitefriars have led all parties in a review of the development proposals, to a revised and smaller scheme for implementation. The Council's approval to these changes is required because it is a contractual partner to the delivery of the scheme.
- 1.4 Finally, as part of the Bolder Community Services programme that the Council is progressing and is reported elsewhere on your agenda, it is proposed to vacate building annexes leased to the Council and forming part of housing blocks owned by Whitefriars. Council approval is sought to secure options to surrender these annexes to Whitefriars and vary the terms of one lease so that it is consistent with the proposed service delivery model.

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

#### **2.1 Whitefriars refinancing.**

- 2.2 Only one option is proposed in respect of Whitefriars refinancing and that is set out in paras 2.3 – 2.4 below as this provides new significant investment into the City for the benefit of Coventry residents.
- 2.3 When the Council transferred its social housing stock to Whitefriars in 2000, one of the terms of transfer, was that a percentage of future Right to Buy (RTB) receipts were paid to the Council. In Early 2013 Whitefriars refinanced their group debt to release further funds of £100 million for developing and improving their housing stock in Coventry and Solihull. The refinancing agreement requires the Council to forgo RTB receipts from 2012/13 onwards. The Council's share of RTB receipts has averaged £0.5 million per annum over the past three years. This was provisionally agreed with Whitefriars ahead of the refinancing on the basis that Whitefriars contribute a sum equivalent to the Council's RTB receipts forgone, together with Whitefriars own net annual disposal proceeds into a shared fund for the purposes of repair and maintenance of previously unadopted roads and footpaths that had transferred to Whitefriars but were subsequently affected by the

'Guliksen' ruling. This ruling made the Highway Authority responsible for maintaining those roads and footpaths that were public rights of way. The Council also wanted to ensure that the additional bond finance would significantly benefit Coventry since it was mainly, but not exclusively, raised against housing stock in Coventry.

2.4 Whitefriars have agreed to contribute a sum equivalent to the Council's share of RTB receipts to fund the new highway and footpath responsibilities transferring as a result of the Guliksen ruling. The Council as Highway Authority and Whitefriars are working through each area transferred to identify and agree those footpaths and highways where responsibility has transferred. Whitefriars will make a payment each year based on the RTB receipts foregone by the Council, together with their own share of net RTB disposal receipts into this fund. The Council will prepare a maintenance programme based on its current policy of 'worst first' and the anticipated joint funds available. If resources allow a greater programme this will be directed to estates where Whitefriars are undertaking improvements to ensure maximum benefit on those estates and a joined up approach to the programme in order to achieve value for money.

2.5 Whitefriars have also agreed to fund a £50 million investment programme in refurbishing and improving existing housing stock in Coventry. This will be phased over 5 years and add £10million per annum to Whitefriars existing programme of £14 million per annum in estate improvement. Whitefriars priorities for this additional investment which will benefit 7,500 homes directly is to

- Make homes warmer by addressing fuel poverty through external wall insulation
- Improvements to Tower Blocks
- Environmental improvements to estates
- Improving bathing facilities at sheltered accommodation
- Investment in refurbishment at Wood End and Henley Green
- Improvement to Manor Farm (see Spirit Quarters below)

2.6 Whitefriars are also directing £50 million into the provision of 500 new residential accommodation units to rent, and expect 68% of these new units (342 units and £34million of investment) to be in Coventry. Council officers have been working with Whitefriars to identify possible sites for development and sites at Kele Road and Whitworth Avenue have been identified. These sites have capacity for 18 new family homes and it is proposed to transfer the sites at nil value in this case.

## **2.7 Spirit Quarters (NDC)**

2.8 The consortium developer, Bovis, Keepmoat and Westbury Homes (BKW), were contracted in 2007 to deliver the outputs of the Master Development Agreement covering the areas of Wood End, Henley Green and Manor Farm. Outputs included the following:

- Delivery of 3,328 new homes – 2,198 open market sale and 1,130 affordable
- Improved public realm and open space including 7 play areas
- Improved retail provision
- Improved transport links
- Increased employment and training opportunities for local people and businesses
- Creation of a mixed tenure and sustainable community

2.9 By 2010 the economy had declined significantly making Phase 1 of the development unviable. To progress the scheme and reduce the risk to the developer it was agreed to develop on a sectional basis and legal agreements were exchanged in March 2010 for the first section of development which delivered 154 new homes (known as Phase 1A1). A further sectional development was agreed and the developer is currently building out a

further 230 homes due for completion by March 2015 (Phase 1A2). The final section of Phase 1A is being negotiated currently and subject to the discharge of reserved planning matters will commence on site in the autumn of 2014 to deliver a further 238 new homes and, subject to successful negotiation with existing retailers, a new retail offer. In association with the build programme improvements have been made to the Sowe valley and new play areas developed as set out in the S106 agreement. The scheme has benefited from significant amounts of Homes and Communities Agency funding, which given the pressure on public finances will not continue into the future.

- 2.10 It is recognised by all stakeholders that the current economic market remains challenging and the remainder of Phase 1 and Phase 2 as defined in the Master Development agreement remain unviable. Despite the housing market recovering to some extent over the last 12 months the housing development programme has suffered from the impact of falling prices and the difficulty potential buyers had getting mortgages. These factors have contributed to a lower level of new housing provision than envisaged and this is a situation which is replicated across the country. Other aspects of the regeneration programme have been successfully delivered, such as Moat House and Castlewood schools and the Moat House Leisure & Neighbourhood Centre all of which have made a major contribution to the area and its citizens. In addition the developer consortium have provided training and employment opportunities through a construction apprenticeship scheme.
- 2.11 The Coventry partners (CCC, Whitefriars and Moat House Community Trust) and the Homes and Community Agency who are party to the Stakeholder Agreement, know that despite the success of the current phase of development, the developers will not be in a position to build out the projected number of houses within the original masterplan timescale.
- 2.12 To enable the continuation of the build programme, and provide clarity for residents it is necessary to reassess the scale of development going forward on the basis of viability and practicality. Consequently changes to the masterplan will affect residents living within the regeneration area.
- 2.13 The options considered in response to this change in viability is to do nothing or revise the masterplan development area and agree a sectional development approach.
- 2.14 Do nothing:**  
If the Coventry Partners choose to do nothing the developer consortium (BKW) will continue to have the right to develop land defined by the 'redline' in the Master Development Agreement to deliver the original objectives. BKW can choose to develop on a section by section basis at a minimum build out rate of 50 units per annum, until such time the whole of Phase 1 or Phase 2 is deemed viable. As such it could take between 30-40 years to complete the scheme. This would result in residents being left with no assurances of if and when their properties would be required for the scheme.
- 2.15 Revise the masterplan development area and agree a sectional development approach:**

To look at the viability of the remaining areas of development on a section by section basis to allow the current positive momentum of the development to continue and to seek to increase the financial viability of the scheme by including some areas of refurbishment rather than demolition and rebuild. The development to date has noticeably changed the visual appearance and 'feel' of the Wood End neighbourhood. The reputation of the area has been lifted and people are actively looking to relocate there. The project team wish to see this positive approach continued and to that effect have looked at creating potential

development areas, based on viability, practicality and buildability. Areas which have already benefited from the Carbon Emissions Saving Programme works (CESP), mainly Whitefriars stock, are recommended to be removed from the development. Whitefriars have committed to utilising a proportion of their £50m refurbishment bond money to refurbish the existing stock in Manor Farm. The scale and content of this refurbishment scheme will be determined after consultation with local residents. It is proposed to delegate to the Spirit Quarters Project Board in consultation with Cabinet Members (Business, Enterprise and Employment, and Housing and Heritage) agreement of this scheme of refurbishment. Whitefriars have also agreed a further investment of £3m into the Wood End and Henley Green areas to improve the standard of homes to be retained, including thermal insulation, and associated environmental improvement works from the resources released by the bond. The mixed tenure nature of the scheme will continue to ensure delivery of a sustainable community in line with the outline planning permission.

Approval to the revised masterplan will result in the following key changes to the scheme outputs:

<b>Key elements</b>	<b>Original masterplan</b>	<b>Proposed masterplan</b>
<b>Land for redevelopment</b> (figures approximate.)	CCC -27% of land to be redeveloped Whitefriars – 73% of land to be redeveloped	CCC- 23% of land to be redeveloped Whitefriars – 77% of land to be redeveloped
<b>Homes to be demolished</b>	1722 homes	688 homes
<b>New homes</b>	3328 homes	1382 homes
<b>Tenure mix</b> (prior to regeneration 18% private, 82% rented)	58% private; 42% rented	41% private; 59% rented
<b>Retail</b>	New retail in Wood End; Refurb of Broad Park shops	New retail in Wood End
<b>Planning contribution</b>	£600 per unit (x 3328)	£600 per unit (x1382)

To enable material changes to the scheme whilst ensuring the governing principles of the regeneration scheme are adhered to, and risk to the Council is reduced, it is proposed to vary the legal documentation for the purposes of:

- Obligating BKW to use best endeavours to provide new retail provision within Wood End
- To remove any obligation on the Council to provide any land for development outside of that identified within the revised masterplan including the provision of land to offset the value of the land within the boundary of phase 2 as identified in the original masterplan, which was designated as village green.

It is this option which is recommended to progress the scheme.

## **2.16 A Bolder Community Services**

2.17 The Council has been out to consultation on its Bolder Community Services package (Cabinet 13<sup>th</sup> August) and is due to report back its recommendations for approval. Part of these proposals involve the Council withdrawing care services from 2 buildings (George Rowley House and Jack Ball House) and consolidating some, day services for Adults with Learning Difficulties into a third, (Frank Walsh House), all of which are leased from Whitefriars for the residue of 150 year leases granted in 2000. The buildings are integral to and comprise small annexes of larger Whitefriars residential buildings.

- 2.18 Subject to the Council agreeing to withdraw and consolidate services from these buildings, Whitefriars have agreed that the Council can include an option to surrender their interests in the buildings and vary the user so that they reflect the proposed uses.
- 2.19 The alternative option would be to seek to dispose of parts of a building that is intrinsically linked to a larger site used for residential purposes by Whitefriars with restricted user clauses. This is not considered viable and could frustrate subsequent development of the larger Whitefriars buildings and sites at a later date by introducing a third party into ownership.

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

#### **3.1 Whitefriars refinancing**

- 3.2 In principle support was given to the Whitefriars proposal to refinance its debt with the Council relinquishing its RTB receipts in return for an equivalent contribution to Highway and footpath maintenance arising because of the Guliksen findings. Whitefriars have committed to spending a significant proportion of the new bond financed proceeds raised for investment in Coventry and have concluded the refinancing.

#### **3.3 Spirit Quarters (NDC)**

- 3.4 The Spirit Quarters Strategic Core team, made up of representatives from the City Council, Whitefriars Housing Group, HCA, Moat House Trust, Bovis, Keepmoat and Westbury Homes have worked in partnership to agree the proposals as set out in this report. The proposals have been agreed in principal by the Spirit Quarters Board (March 2013), by Whitefriars Housing Board of Management (Sept 2013) and by Moat House Community Trust (May 2013). BKW have also confirmed that they have secured their own internal approvals to the proposals.
- 3.5 On approval of the recommendations the Project Director, in association with the developer consortium, will consult and engage residents to make them aware of the changes and the impact that arises from them. As well as utilising the residents group which is already active, a special newsletter will be produced to detail the plans early in the New Year.

#### **3.6 A Bolder Community Services**

- 3.7 The service proposals contained in the Bolder Community Services proposals have been subject to a separate extensive consultation exercise. The proposals contained here allow the proposals to be implemented and for the Council to exit its property responsibilities, should Council accept recommendations to implement these proposals.

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

#### **4.1 Whitefriars Refinancing**

- 4.2 The Council and Whitefriars will need to complete agreed legal documents to reflect these change proposals. Both parties intend to have these completed by the end of the Current Financial year.

#### **4.3 Spirit Quarters (NDC)**

- 4.4 Residents within the masterplan area will be engaged with as soon as recommendations are approved to make them aware of the proposed changes. Whitefriars Housing Group

have committed to investing £3m into refurbishing retained housing stock within the Wood End and Henley Green areas and will seek to start works to improve the thermal insulation of the properties during 2014/15. Similarly architects are being commissioned to draw up proposals for Manor Farm, and subject to approvals being in place, will start work by the end of February 2014.

- 4.5 Coventry partners will seek to draw up any required legal and planning alterations required to vary the masterplan with a view to having all negotiations completed by April 2014.

#### **4.6 A Bolder Community Services**

- 4.7 The Council and Whitefriars will need to complete agreed legal documents to reflect these change proposals. Both parties intend to have these completed by the end of the Current Financial year.

### **5. Comments from Executive Director, Resources**

- 5.1 Financial implications

#### **5.2 Whitefriars Refinancing**

- 5.2.1 The level of Right to Buy receipts have been diminishing in recent years and have been a capital resource used in the overall funding of the Council's Capital programme. The Council will need to ringfence these resources going forward for the purposes of addressing highway maintenance issues for which the Council has responsibility. Over the past 3 years the Council's share of RTB receipts has averaged £0.5 million per annum.
- 5.2.2 The Guliksen ruling places an additional liability and financial pressure on the Council for the ongoing maintenance of unadopted roads and footpaths in the stock transfer area. This pressure is a continuing obligation that the Council would have had to resource and will be a pressure on the wider Highway maintenance budget as and when receipts dwindle below the obligations inherited.
- 5.4 This new pressure will be mitigated by Whitefriars agreeing to make a revenue contribution towards the costs incurred by the Council as Highway Authority, equivalent to the sum that would have been received by the Council under the previous arrangement for Right to Buy sales. In addition, Whitefriars will also contribute its share of future annual net 'Right to Buy' receipts into a shared fund for the purpose of improving and maintaining roads and footpaths previously in the stock transfer plus Whitefriar's obligations, thus ensuring a joined up approach to works and optimum value for money.
- 5.5 The level of Coventry receipts that will have accumulated for 12/13 and 13/14 is c£1.1 million, This, together with Whitefriars own share of accumulated receipts of around £0.75 million, will result in a shared fund of up to £1.85m to help fund this liability and the capital programme up to 2013/14. Further annual contributions will be made by Whitefriars to reflect levels of actual RTB receipts. It is possible that some of this funding could be spent during 2013/14 once the programme has been finalised and therefore this report recommends adding this to the Council's capital programme. In future years, the budget setting process will include the implications of the programme arising from this report.
- 5.6 The tax position of the proposed future transaction is currently being investigated to determine whether, in Value Added Tax (VAT) terms, it constitutes a 'taxable supply' to Whitefriars. Should this be the case, the overall level of resources available for the

purposes of investment in such works would need to be reduced, to reflect the level of VAT payable to HMRC.

### **5.7 Spirit Quarters (NDC)**

- 5.8 There are no new specific financial implications associated with the proposal to revise the masterplan. As previously endorsed the Council will be expected to continue to commit to a level of project management cost as a contribution to Whitefriars management of the programme on an annual basis. The current level of contribution budgeted for is £104k for 2013/14 dropping to £85k in 2014/15, £87k in 2015/16 and £88k in 2016/17.
- 5.9 There is still a desire to develop a new retail provision within the Wood End area as originally envisaged within the masterplan and ultimately this will replace the Dr Phillips Centre. As previously agreed this will mean the loss of approximately £15k in rental per annum.
- 5.10 The S106 agreement associated with the outline planning application obligates the developer to deliver elements of environmental works as part of the housing development. Similarly the developer is obligated to pay a commuted sum of £600 per property developed. The revised masterplan will deliver approximately 1382 new homes and a significantly reduced associated commuted sum of £829,200 which will be utilised for the maintenance of the open spaces within the neighbourhoods.

### **5.9 A Bolder Community Services**

- 5.10 The proposals will limit the Councils on going liabilities for Property it no longer requires in service delivery. Annual property savings are minimal and any identified will contribute to the Strategic Property Review target.

### **5.11 Legal implications**

- 5.12 The refinancing proposals require the existing stock transfer agreement to be amended and the agreement on funding highway responsibilities documenting.
- 5.13 The Council has legal powers under the General Consent Order 2003 made pursuant to the Local Government Act 1972 to release land at Kele Road and Whitworth Avenue at less than best consideration. The value of the land is in the region of £250,000 and does fall within the provisions of the General Consent Order as it is less than £2 million in value.
- 5.14 The Spirit Quarters proposals require the existing documents to which the Council is party amending to reflect the proposals after consultation with local residents. Amendments will also be required to remove the obligation on the Council to provide any land outside of the newly defined masterplan area to offset land designated as village green.
- 5.15 The existing leases of the 'Houses' are for 150 years from the 25<sup>th</sup> September 2000 and restricted in use to residential accommodation with ancillary office and communal space and formal transfer or surrender back to Whitefriars will be put in place in order to obtain a release from the lease obligations.
- 5.16 The Council as part of the stock transfer intended that the responsibility for all the roads and footpaths that were not adopted to transfer to Whitefriars. The case of Guliksen v Pembrokeshire County Council (2002) is a Court of Appeal Decision which has established that where an Authority has constructed a housing estate under the Housing Act 1957 or the Housing Act 1985 (which is the case here in Coventry) and which

includes roads and footpaths, then these roads and footpaths (i.e. which the Council believed were private) under common law are classed as highways by deemed dedication. This means that those highways fall within the Highways Act 1980 and are highways maintainable at the public expense. This meant the stock transfer did not achieve the release of responsibility for those housing roads and footpaths. Work has been undertaken to establish that those footpaths and roads which only provide access to property within a development such as a house or garage will remain the responsibility of Whitefriars as was intended by the stock transfer. The Council will take responsibility for those roads and footpaths that are clearly for public access to property or to the public highway network so that a member of the public on foot or driving a car would not have to walk or drive over land that is privately owned

## **6 Other implications**

### **6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?**

The Whitefriars refinancing agreement will facilitate housing refurbishment, estate improvement and new housing in Coventry. The benefits of the refinancing agreement is an estimated additional £84 million investment in Coventry's housing stock benefitting approximately 7500 existing homes and some 342 new homes for rent. Undertaking thermal insulation works to housing stock which is to be retained will have a positive impact on the environment and reduce energy, heat and maintenance costs for tenants and address issues of fuel poverty. Some of the reinvestment resources will be made available to improve Manor Farm, Henley Green and Wood End as a result of the proposal to scale back the investment in the Spirit Quarters project. In addition resources will be released to meet new responsibilities for maintaining footpaths and highways on Whitefriars estates thought to have transferred with the stock transfer.

The Spirit Quarters project was designed to 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 housing development in the area has been supported by the Homes and Community Agency. By March 2015, 384 new homes will have been delivered, with a further 248 planned for commencement by September 2014. Work will continue to take place to improve the local environment with the creation of new shops, green spaces and play areas although the scale will be reduced from that envisaged through the original masterplan. As originally devised the scheme will still provide a mix of social, affordable and privately owned housing stock however the number of new units built will reduce from approximately 3328 to 1382 consisting of 303 homes for rent, 16 local cost ownership, 39 guaranteed purchase, 20 shared ownership and 1004 private. The investment in new and refurbished housing is alongside the two schools (Moat House and Castlewood) and the Moat House Leisure and Neighbourhood Centre that were part of the social infrastructure of the masterplan and largely funded by New Deal for Communities (predecessor to Moat House Community Trust).

The Bolder Community Services proposals will enable the Council to concentrate its services on the most vulnerable residents in Coventry.

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

The most significant risk with the refinancing agreement is to agree the responsibilities for footpaths and roads transferring to the Council. A joint working group is working through the estate plans to agree which responsibilities transfer to the Council.

On the Spirit Quarters project a programme wide risk register is held and monitored by the Project Director in Whitefriars on behalf of the Coventry partners. Exceptions are reported to the Project Board comprising strategic representatives from CCC, MHCT, Whitefriars and the Homes and Communities Agency.

*The most pertinent risks to the delivery of the proposed masterplan are as follows:*

- To date each section of development has required additional funding from the partners to ensure viability. At this time no further funding is identified to subsidise any future sections of development past the build out of phase 1A3.
- The proposals as financially appraised in March 2013 may still prove to be unviable in the future if market conditions do not improve as predicted.
- Agreement to the proposed amendments to the legal documents is not forthcoming from the developer consortium
- There is a risk that despite a commitment to invest in improving the structural and aesthetic condition of the properties within Manor Farm that the issues associated with the radbourne layout of the estate remain.
- Residents expectations will require careful management. Regular resident meetings are held to keep the community abreast of progress and issues and a newsletter is regularly produced to provide news and updates.

The Bolder Community Services programme is managed by the People Directorate. The monitoring of risks and actions to mitigate takes place through the ABCS Programme Board.

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

The main impact on the organisation resulting from the Whitefriars refinancing is the loss of future Right to Buy Receipts rebates to the Council to fund general capital activities of the Council, and the provision of equivalent resources to discharge new maintenance responsibilities under the Guliksen case. Future repair and maintenance responsibilities for Guliksen highways on Whitefriars estates will be prepared on a worst first basis as part of the annual programme of Highways repairs.

The main impact on the organisation of the Spirit Quarters proposals is the reduced land input into the scheme by the Council, the reduced expenditure available to the Council through the section 106 agreement for environmental improvements; the commitment by BKW to provide retail provision to replace the Dr Philips Centre; the removal of the intention to refurbish Broad Park shops and the release back to the Council of buildings originally included in the Masterplan and now no longer required (2-12 Honiley Way and Binswood Close flats)

The Bolder Community Services proposals impact on the organisation is covered in the report elsewhere on the agenda.

### **6.4 Equalities / EIA**

The Spirit Quarters regeneration scheme aims to provide a sustainable mixed community in an area of deprivation. Although it is the intention to scale back the level of development the principals behind the scheme remain. Extensive community engagement has been undertaken to date and will continue throughout the life of the project. Where areas are proposed for removal from the overall development alternative treatments will be considered to ensure that properties are improved and that fuel poverty is addressed. In relation to homeowners Whitefriars will ensure that they can access and benefit from the Energy Company Obligation deals that will be put into place. No equality impact

assessment has been undertaken as the recommendations do not constitute a change in policy or service.

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

The identification of resources for the repair and maintenance of highways on housing estates will provide a new resource for a new responsibility. This will lead to an annual programme of repair and maintenance on Housing estates which should improve local environments.

The release of refurbishment funds will improve the local environment through appearance and reduced energy consumption. Part of these improvement funds will be targeted at the Spirit Quarters project to mitigate the scaling back of investment on this scheme. In particular £3m has been identified for investment in the Wood End and Henley Green areas which will include funds to improve the general environment around properties to be retained. Works will include investment in front gardens, boundary treatments, communal areas and open spaces.

Overall 7500 homes are expected to benefit from the investment in refurbishment which subject to continued availability of ECO grant, includes external wall insulation to a further 2500 homes across the City by April 2005 to help reduce fuel poverty including 443 homes in the Henley Green and Wood End area.

The Spirit Quarters outline planning permission obligates the developer to improve the local environment and contribute £600 for each new home built and these obligations will remain. The commuted sum has been identified for maintenance of the improved green spaces within the Sowe Valley and open spaces developed as part of the new housing layout. The proposed masterplan will result in a commuted sum of £829,200 being received by CCC against an original expectation of £1.99m. Greenspace improvements will be reduced in scale to match the available budget.

Individual impacts on the environment arising from the refinancing funds available for new development will be assessed as part of the planning applications brought forward by Whitefriars at the time.

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

The proposals contained in this report impact on Whitefriars as described throughout the report.

With regard to the Spirit Quarters development, where Whitefriars is the lead partner, other partners are affected. All partners to the scheme are in agreement with the proposals to downsize the development and remove Manor Farm from the Regeneration Area. Whitefriars are committed to investing in the area but as yet the level of, and nature of the investment is not yet known. Architects are being commissioned to look at options, in consultation with the community, to find sustainable solutions to address the poor property construction and estate layout issues.

The developers, BKW, will be required to consult with residents through the forum of the established Resident Action Team which meet on a regular basis. Whitefriars have underwritten to repay if required monies provided by Moat House Community Trust for advanced demolitions on elements of the project which are not going ahead.

To enable the continuation of the build programme, it is necessary to reassess the scale of development going forward on the basis of viability and practicality and this affects the number of units to be delivered and any associated environmental improvements. Consequently changes to the masterplan will affect residents living within the regeneration area who are expecting wholesale redevelopment.

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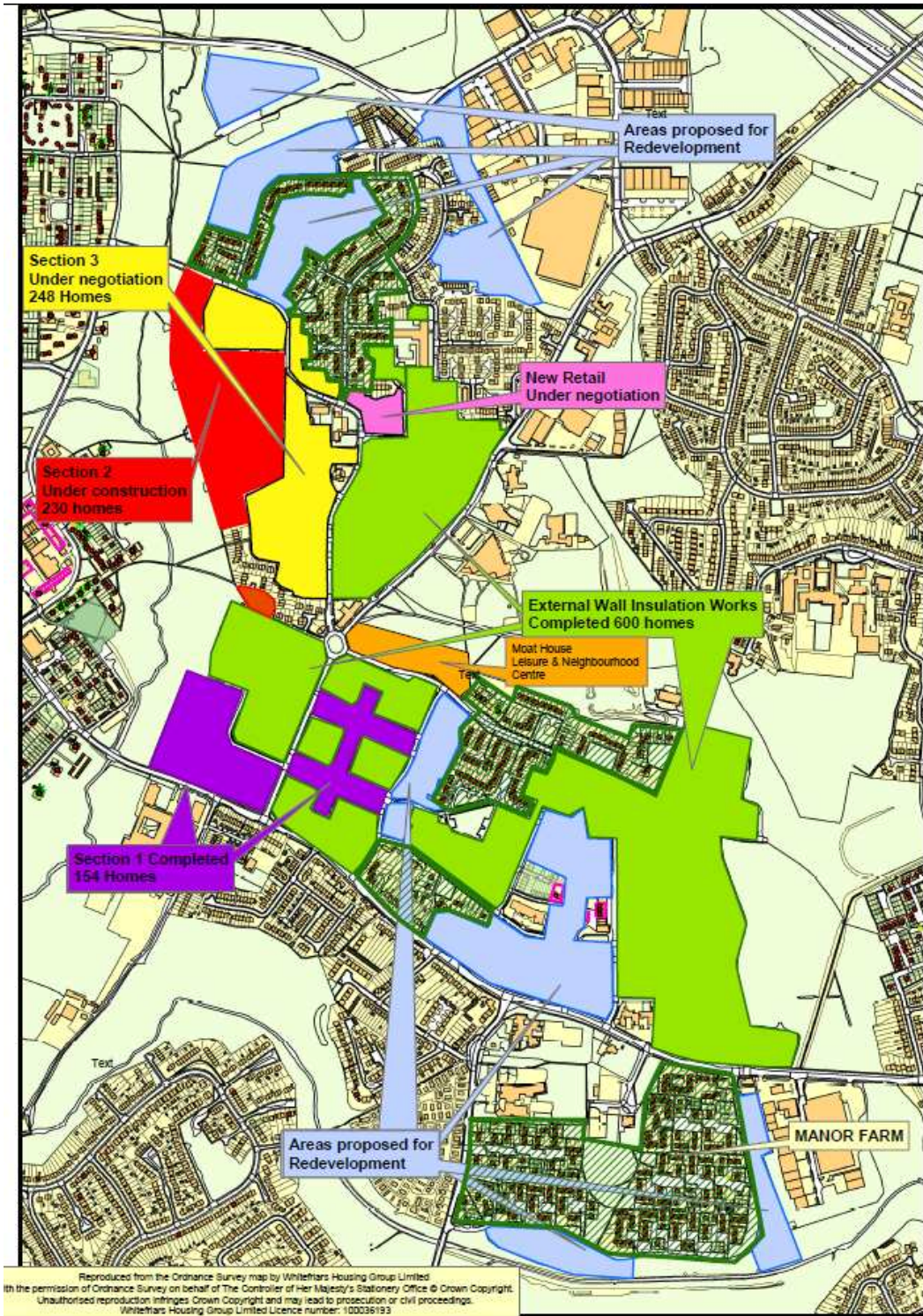
Enquiries should be directed to the above person.

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## Appendix 1: Structure of the Legal Agreements (Spirit Quarters)

- 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 CCC, Whitefriars, NDC (predecessor to Moat House Community Trust) and the HCA, 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.

Appendix 2 Revised Masterplan Proposals



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