

MIDDLESBROUGH COUNCIL

GROVE HILL REGENERATION SCHEME – FINAL REPORT OF THE ECONOMIC REGENERATION & TRANSPORT SCRUTINY PANEL

PURPOSE OF THE REPORT

1. To present the Economic Regeneration and Transport Scrutiny Panel's findings, conclusions and recommendations following its investigation of the Grove Hill Regeneration scheme.

BACKGROUND

2. Grove Hill is located 2km south of Middlesbrough town centre and covers approximately 2000 properties across an area of 76 hectares. Originally developed in the 1920s and 30s, Grove Hill comprised an estate of dwellings made up almost entirely of socially rented stock, owned by the Council. During the 1980s and 90s, the tenure mix altered with a number of residents exercising their right to buy.
3. Over the past 25 years Grove Hill has been subject to a number of regeneration schemes to address low demand housing, unemployment, crime, anti-social behaviour and population loss that have adversely affected the area. However, none of these measures including selective housing redevelopment and a range of social, environmental and economic initiatives have resulted in any long lasting change. Historically the area has suffered from;
 - concentrations of multiple deprivation – currently ranked within the worst 1 per cent in the country;
 - an imbalance in the housing stock, with a high concentration of social housing and low levels of owner-occupation;
 - crime levels significantly higher than the rest of Middlesbrough;
 - above average proportion of residents considering themselves to be in bad health; and
 - educational attainment well below regional and national averages with 50 per cent of children leaving school with no qualifications
4. In August 2009 a report submitted to the Council's Executive Member for Regeneration and Economic Development stated that without intervention to significantly improve the situation in Grove Hill, there would be little incentive for people to move to and remain in the area. The area would continue to decline and it seemed likely that Grove Hill would become even more marginalized as new, high quality and more diverse housing schemes were delivered and other areas were successfully regenerated. Moreover, unless the current problems of the area are addressed it would be have a detrimental impact on the town as a whole.

5. Given the depth of socio-economic problems affecting Grove Hill it was advised that a comprehensive and holistic approach to the regeneration of the area was needed if long lasting change was to be achieved. In 2010 the Council adopted a masterplan for the area with the guiding principle of transforming Grove Hill into a sustainable, vibrant and liveable neighbourhood. In undertaking this review the panel has sought to examine the progress that has been made in advancing the regeneration of Grove Hill in recent years, as well as the challenges that lie ahead.

TERMS OF REFERENCE

6. The terms of reference of the scrutiny investigation were to examine the current position in terms of the regeneration of Grove Hill as follows:
 - a. To consider progress made to date and future plans, including associated timescales.
 - b. To assess funding and financial implications of redevelopment proposals, including Joint Venture funding and how this will be utilised.
 - c. To examine the role and involvement of Erimus Housing.
 - d. To examine the role and involvement of the private sector, including marketing of development sites, how development can be encouraged and opportunities to improve commercial development.
 - e. To examine the proposals to develop a linear park as part of the regeneration scheme.
7. The panel investigated this topic over the course of five meetings held on 25 October, 21 November, 6 December 2012, 24 January and 13 February 2013. A panel meeting held on 7 March 2013, considered a draft final report. A Scrutiny Support Officer from Legal and Democratic Services co-ordinated and arranged the submission of written and oral evidence and arranged witnesses for the investigation. Meetings administration, including preparation of agenda and minutes, was undertaken by a Governance Officer from Legal and Democratic Services.
8. A record of discussions at panel meetings, including agenda, minutes and reports, is available from the Council's Eagenda committee management system, which can be accessed via the Council's website at www.middlesbrough.gov.uk.
9. This report has been compiled on the basis of information submitted to the scrutiny panel by the Council's Department of Neighbourhoods and Communities and Erimus Housing.
10. The membership of the scrutiny panel is as follows:

Councillors Harvey (Chair), Taylor (Vice Chair), Arundale, Biswas, Brady, Davison, P Khan, Lowes and Williams.

THE SCRUTINY PANEL'S FINDINGS

11. The scrutiny panel's findings in respect of each of the terms of reference are set out below.

TERM OF REFERENCE: *"To consider progress made to date and future plans including associated timescales."*

12. Since November 2004, Erimus Housing has owned and managed the Council's

former housing stock. During the period 2005-08 Erimus, in consultation with the Council, undertook a series of measures aimed at addressing many of the deep-seated and socio-economic problems in Grove Hill. Progress was made in a number of areas including:-

- the relocation of 130 tenants;
 - the purchase of 17 privately owned properties in Bishopton Road and Pinewood Avenue;
 - selective clearance of empty properties (200 properties cleared in the period August 2008-09) ;
 - the selection of a development partner;
 - a programme of selective housing investment; and
 - consultation with residents and stakeholders on a preferred option and way forward for the regeneration of Grove Hill
13. In August 2008 a report was presented to the Council's Executive Member for Regeneration and Economic Development, which concluded that a new and comprehensive approach to regeneration was required if long lasting sustainable improvements were to be made. It was proposed that a masterplan (Area Regeneration Framework) be developed to provide a vision for the area.
14. In the period 2009-10 there was extensive consultation with residents and in March 2010 the Council adopted a masterplan for Grove Hill. The masterplan was supported by the local community and proposed;
- the clearance of an additional 334 homes and replacement with up to 700 new, modern, high quality homes for rent and sale;
 - the clearance of the former Kwiksave block and Palladium Buildings, to be replaced with a new, purpose built community facility;
 - the creation of a linear park and a range of improvements to the existing beck; and,
 - a new improved, safer, pedestrian friendly junction at Eastbourne Road local centre.
15. In April 2010 the relocation programme commenced and since then progress has been in a number of areas, as follows;
- Bishopton Road and Pinewood Avenue have been cleared
 - 144 from 146 Erimus tenants have been relocated
 - 17 out of 39 privately owned properties have been acquired
 - a total of 320 properties have been cleared, with an ongoing demolition programme in place.
 - A first stage study has been completed on the proposed beck enhancements (funded by the Council and Environment Agency) and a second stage study has been commissioned, with a possibility of capital funding in 2013/14.
 - Early drawings for the new junction at Eastbourne Road have been completed with some indicative costings.
16. Despite these developments for a period of 18 months the regeneration scheme was at a standstill. This was due to a number of factors including the impact of the recession, collapse in the property market, withdrawal of the preferred developer and reduction in Government funding.
17. In September 2011 there were 28 privately owned properties still to be acquired,

42 tenants to be relocated and 266 properties still to be demolished, and no earmarked resources.

18. During this same period it became evident that central Government would not be providing any Housing Market Renewal (HMR) funding or Regional Growth Funding for the project. The Homes and Communities Agency (HCA), which had previously offered to help fund site assembly cost was no longer in a position to do so as a result of Government cuts. Ultimately the responsibility to find the necessary resources to progress the project fell to the Council and Erimus. Site assembly in Grove Hill was so far advanced that it was impractical not to complete the acquisition and demolition programme. The Council and Erimus also had a moral commitment to the remaining households in the area and could not leave people isolated in part demolished streets for an indefinite period of time.
19. In September 2011 it was proposed that a Joint Venture Agreement between the Council and Erimus be entered into in order to realise the capital funding required to complete the acquisition of private properties, the relocation of Erimus tenants and to clear the site for redevelopment.
20. In October 2012 the Joint Venture Agreement (JV) was signed and an investment fund of £5.4million has been generated. The funding will be used to complete acquisitions and demolitions as a first priority, as well as other priorities to be determined by the JV Board.

Present position

21. There are currently two Erimus tenants remaining in the development area, one is awaiting the right property and the other is a large family of eleven. There are 20 private properties still to be acquired for demolition. Once these properties are acquired approximately 115 further properties can be demolished. In total 500-600 properties in Grove Hill will have been demolished upon completion of site assembly work. The panel queried what efforts are being made to acquire the remaining properties, as these are preventing the remainder of the site from being cleared. It was advised that every effort is being made to complete the purchases as quickly as possible and negotiations with owner-occupiers to agree a purchase price are taking place. However, until the Joint Venture agreement was signed in October 2012 there were no funds available to acquire the remaining owner-occupied properties.
22. It was acknowledged that ultimately there may be a need for the Council to make use of a Compulsory Purchase Order (CPO) to acquire some of the remaining properties. All owners will get full market value for their house with an additional grant of up to £15,000 to assist with re-location in bridging the gap between the value of their current property and the relocation property.
23. In response to a query from a Member of the panel it was advised that approximately 70 per cent of the people directly affected by the regeneration scheme have chosen to remain within half a mile boundary of the redevelopment area. It was queried as to when re-branding the area how the challenges associated with crime, anti-social behaviour and problem families, from which Grove Hill has suffered in the past, can be prevented. It was advised that this is about management of the properties and ensuring that tenants keep to their tenancy agreements. In addition it was noted that it is likely that 80 per cent of the properties developed in the 'new' Grove Hill would be for sale and 20 per cent for rent, which would help alter the social mix of the area. There would also be shared

ownership schemes to help residents get onto the property ladder and restrictions on the wholesale purchase of properties by private sector landlords.

24. Members queried what action can be taken if a developer were to purchase the site and then the site is either left undeveloped or only partially developed. It was advised that a buy-back clause can be included in the sale contract to ensure that development on the site goes ahead quickly. Members queried whether any private sector developers have expressed an interest in the site since the withdrawal of the preferred developer partner. It was advised that at present no private sector developer has committed to developing the site.
25. In terms of the current development activity taking place in Grove Hill it was noted that the following schemes are underway: -

Castle Gardens

Erimus has secured funding from the Homes and Communities Agency (HCA) to develop 20 new homes for rent and 10 for sale with the first completions expected in early 2013. A local lettings policy is in place for these properties.

Former Marton Grove School Site

Erimus has secured planning permission for 44 predominately elderly persons' accommodation units to be developed on the site and work is due to start late 2012 / early 2013.

Community Facilities

The former Grove Hill Youth Centre site had been cleared and is available for development. The Library has also been re-located, again providing potential for development on this site.

26. Reference was made to the proposal within the masterplan for the the creation of a linear park and a range of improvements to the existing beck. It was explained that at the point where a preferred developer was in place the plan was for the developer to contribute funding to the provision of the linear park through a section 106 agreement. In the current economic climate that plan is no longer feasible. Instead the Council and Erimus will finance the development of the linear park in an effort to attract a new developer to the site. The Environment Agency is also involved in assisting in the proposed improvements to the beck (subject to funding).
27. Members expressed the view that since the approval of the masterplan for Grove Hill it is evident that the goalposts have been changed significantly in terms of both how housing regeneration schemes are funded, as well as the offer that the private sector is able to provide. As a result the delivery of housing regeneration schemes has become even more challenging.

TERM OF REFERENCE: “To assess funding and financial implications of the redevelopment proposals, including Joint Venture funding and how this will be utilised.”

28. In contrast to the position faced in 2011 it is clear that the Council and Erimus are now in a much stronger position to move forward with the project. The panel was therefore keen to gain some further information in respect of the Joint Venture

Agreement and to assess how the £5.4million investment fund will be utilised to progress the redevelopment of Grove Hill.

29. As outlined above the Joint Venture Agreement was signed in October 2012, with a view to providing the necessary capital, to progress the redevelopment of Grove Hill and to enable the remaining residents in the clearance area to move on with their lives.
30. It was advised that in establishing the Joint Venture agreement the Council's contribution to the Investment Fund has been funded through an upfront payment by Erimus, which releases the organisation from its Stock Transfer obligations. Erimus has then match funded this payment from its own resources.

The make up of the Investment Fund is as follows: -

Right to Buy:	£1,154,631
VAT Shelter	£597,000
Disposal Clawback	£981,570
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Council Contribution	£2,733,572
Erimus Contribution	£2,733,572
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Total Investment Fund	£5,467,144

31. In terms of the Right to Buy element the panel heard that as part of the 2004 Stock Transfer Agreement the Council receives a share of the sale proceeds when Erimus sells any properties through the Right to Buy Scheme. Similarly a Disposal Clawback mechanism is in place for when larger commercial / residential properties are sold. The VAT Shelter element relates to the tax break given to housing associations when undertaking housing repairs. Under the Stock Transfer Agreement there was a requirement for Erimus to pay a proportion of its VAT Shelter savings to the Council. Erimus has therefore, in effect, bought itself out of its long-term Stock Transfer agreement commitments upfront and the Council has used the money received as the Council's contribution to the Joint Venture fund. Erimus has match funded this figure thereby generating a total investment fund of over £5.4 million.
32. The panel heard that in agreeing the above figures the process has been fully audited and the Council is confident that the upfront figure agreed is in line with what the Council would have received over the duration of the Stock Transfer agreement. It was noted that the Joint Venture agreement would also facilitate the transfer of assets between the Council and Erimus, where properties owned by the Council in Grove Hill will be transferred into Erimus ownership and properties owned by Erimus in Gresham will be transferred into the Council's ownership.
33. In terms of how the Joint Investment Fund will be utilised in Grove Hill it is proposed that the money will be used to complete residential acquisitions and demolitions as the first priority. It is estimated that £1.4 million will be required to complete this aspect of the project. In addition there are a number of other priorities that will be considered for investment. These include:
 - The acquisition and demolition of Palladium Buildings
 - The provision of the new linear park and beck re-alignment
 - The provision of a new junction at Eastbourne Road

- Public realm improvements to the existing retail centre
34. There is also the potential to acquire 33 Home Housing properties on Ashfield Avenue. A request has been submitted to Home Housing's Board in an effort to buy the properties for the amount of funding available within the Joint Venture fund.
 35. In terms of the establishment of the Joint Venture agreement it is clear that this has been a real positive step forward for the project, although it was acknowledged that it has taken a considerable amount of time to calculate the figures and reach a final agreement. However, now that the funding contributions have been agreed work is underway on calculating the full cost of completing the priority works outlined above. The Council is hopeful that the £5.4 million fund will be sufficient to undertake all of the priorities identified including the purchase of the 33 Home Housing properties. The Council is confident that the completion of the above priorities will attract a developer to the site. The overriding objective remains to stimulate private sector investment in Grove Hill in a reasonable timescale. It was stated that the work proposed for completion through the Investment Fund will de-risk the site and result in it being ready for development.

The provision of a new T-junction at Eastbourne Road

36. The panel was interested to learn more about the proposal for the provision of a new T-junction at Eastbourne Road and the reason as to why this element is considered a priority. It was advised that feedback from local people and prospective developers identified the roundabout as a barrier and within the masterplan it is proposed to re-brand the area and provide improved access to Eastbourne Road. The creation of a new T-junction also offers an opportunity to show the developer a better gateway into the proposed new housing area, which will encompass both social and private housing.
37. The panel was advised that the roundabout in question is located at the junction of Eastbourne Road, Valley Road and Marton Burn Road. The existing layout of the roundabout is complicated by the fact that it is in very close proximity to the junctions of Bishopton Road and York Road and there is also vehicular access to Palladium Buildings and Eastbourne Parade car parks and the former petrol filling station.
38. Around 1,000 vehicles use the roundabout during the morning and evening peak hours. The traffic flow on the three main approaches is well balanced throughout the day therefore congestion and delays are minimal. There is also a steady flow of pedestrians across each approach to the roundabout. The roundabout is situated on a 'core' bus route and is used by 28 buses per hour between the hours of 8am and 6pm, Monday - Saturday. There have been four recorded injury accidents in the last five years, all of which resulted in slight injuries.
39. The panel was shown a number of photographs showing the layout of the current roundabout from the different access roads, together with a plan of the proposed layout for the T-Junction. In response to a query as to why the decision had been taken to include a T-Junction, Members were advised that a T-junction provides a much safer option than the current roundabout.
40. The T-Junction will provide a simplified layout, which will be easier for drivers and pedestrians to understand. A signalised T-Junction also reduces the potential for vehicle/vehicle conflicts and the controlled crossing facility at the junction with

improved sight lines will make pedestrian and cycle crossing movements safer. The initial estimate for the cost of the T-Junction, which will be funded from the Joint Venture Fund, is in the region of £620,000 inclusive of £75,000 for service diversions. However, more work is required to refine the design and firm up the estimated cost.

41. It was advised that a signalled controlled crossing will also give the Council, as Highway Authority, more control over the operation of the junction, as the sequence of the lights can be amended should vehicle, pedestrian and cycle flows change in the future. It was noted that consideration will need to be given as to whether to install a detection facility on the approaches to the signalised T-Junction to assist with the flow of buses on the 'core' route. In response to a query with regard to why the T-Junction could not be funded through the Tees Valley Bus Network Improvement (TVBNI) scheme, the panel was advised that funding from that scheme is used to tackle congestion 'blackspots' on bus routes within the sub-region. Due to the fact that congestion and delays are not an issue at this location, TVBNI funding cannot be used.
42. It was queried as to where the 'beautification' of the land freed up by the installation of the T-Junction would occur, given that there was no detail of this included in the proposals presented. It was advised that public realm works are to be undertaken in the area and designs are currently being finalised. It is anticipated that the final scheme will go out for consultation later in the year followed by procurement of a contractor.
43. The issue of the former fuel station site was raised and it was queried what impact the proposed development of this site would have on the proposed T-junction given its location. It was noted that the former fuel station site does have approved planning permission and consideration will need to be given to this issue when those plans are implemented.

The provision of community facilities

44. The panel queried whether there would be any communal facilities developed in Grove Hill, as proposed within the masterplan, or whether this is entirely dependent on what is offered by the developer. It was emphasised by Members of the panel that community buildings, such as a village hall, are so important in cementing the social fabric of an area and that it would be worth asking for such a facility to be provided when a developer comes forward. Reference was made to the way in which Linthorpe Community Centre operates and the fact that no one is employed to run the facility. It was suggested that something similar could be developed in Grove Hill. It was advised that efforts are made to secure this type of investment from developers and that the option of asking developers to enhance or retain existing facilities is also considered. It was noted that this is certainly something that can be explored with prospective developers at the appropriate time.
45. With regard to the acquisition and demolition of Palladium Buildings it was confirmed that the building has several different owners and that it will be a very complex and expensive acquisition. However, it remains a priority in terms of the site assembly work.
46. The panel queried whether the agreed investment fund would be sufficient to complete all the identified priorities. It was stated that costs are currently being finalised and it is a case of having to make a choice about what is considered to be

the most important aspects. It was acknowledged, however, that if there were insufficient funds to achieve the objectives it would be a case of looking at what can be provided for a reasonable cost. By means of an example, although some amendments have been made to the original linear park proposals the Council is confident that a good linear park can still be developed for the funding available.

47. Reference was made to the Home Housing properties and the panel queried whether the properties are currently occupied. It was noted that 16 properties are occupied and 17 are unoccupied. Members of the panel queried what would happen if Home Housing's Board declines the Council's offer to purchase the properties for the sum proposed. It was advised that the purchase of the properties is considered important. However, if the Board declined the Council's offer other alternatives, for example the acquisition / demolition of a proportion of the properties and renovation of others would need to be considered.
48. In terms of capital receipts for the Grove Hill site it was stated that prior to the Joint Venture agreement the Council and Erimus have both committed expenditure on site assembly and clearance works at Grove Hill. Under the terms of the JV it has been agreed that the proceeds of the sale of the land will be distributed in the same ratio as the parties' evidenced expenditure. The ratio of expenditure is 75% for Erimus and 25% for the Council. It was confirmed that although the Council is currently investing in site assembly at Grove Hill there is a chance that the Council will receive some of that money back upon the sale of the site.
49. Members of the panel queried how long it would take to complete the various priorities outlined above. It was advised that the Council has recently received the first of four Investment Fund payments from Erimus. The Council therefore has the funds available to negotiate with owner-occupiers in Grove Hill and negotiate a purchase price for their properties. It was accepted that there is a general pressure for action to be taken sooner rather than later, although it was stated that it is difficult to quantify timescales. The panel expressed the view that there is a need for the Council to give an indication of when the various works will be completed. Residents in Grove Hill deserve to be given some degree of certainty about the action the Council is taking and what is to be expected to be achieved and by when.
50. Members of the panel were reassured to hear that the Joint Venture funding has been agreed and that the Council and Erimus are in a position to progress the project.

TERM OF REFERENCE: *"To examine the role and involvement of Erimus Housing."*

51. Given the challenges involved in regenerating Grove Hill the panel was keen to gain a view from Erimus on its role and involvement in the regeneration scheme. The Managing Director of Erimus attended a meeting of the panel to present her views on this aspect of the review.
52. The panel was advised that since the stock transfer in November 2004 the regeneration of Grove Hill has always been a key priority for Erimus. Since that time, Erimus has worked collaboratively with the Council to bring about regeneration of the area and much progress has been made in terms of decanting and clearing the site. It was stated that the vision for Grove Hill is to develop a mixed community, providing new homes for affordable rent and home ownership, improving the infrastructure and retail offer and enhancing the local environment.

53. Reference was made to the Joint Venture agreement and it was stated that the agreement represents an innovative partnership approach to regeneration in response to the economic downturn and private sector developers becoming more risk adverse. Essentially, Erimus has capitalised all its revenue commitments through the stock transfer agreement into a one off payment of £2,733,572 to the Council. Erimus has then match funded this amount thereby creating a regeneration fund of £5,467,144.
54. A Project Board consisting of the Chair of Erimus Housing and the Executive Portfolio holder for Neighbourhoods and Communities, the Managing Director of Erimus and the Assistant Director of Development and Planning Services at the Council has been established to agree how the funding will be spent.
55. In terms of timescales for completion of the regeneration scheme it was stated that there is no definitive answer at this stage. Grove Hill remains an ongoing development project. With regard to why the previous developer withdrew from the scheme it was explained that in 2006 Erimus had secured a private sector developer for the site following a comprehensive procurement exercise. The intention was to introduce a greater proportion of owner occupied properties into the area and to break up the monolithic provision of housing for social rent. The development agreement was, however, never signed and with the onset of recession and collapse in the housing market the developer expressed the view that the Grove Hill site had a negative value. Given that Erimus had already invested significantly in Grove Hill the organisation was keen to recoup some of that investment through the sale of the site and so parted ways with the developer.
56. It is important to note that upon the selection of the preferred development partner the intention had also been for the development agreement to include a site at Roworth Road in addition to Grove Hill. The Roworth Road site was scheduled to commence construction before Grove Hill and Erimus had proposed to use the land receipt from Roworth Road to fund the acquisition of properties and relocation of residents in Grove Hill. When the agreement failed to materialise one of the ways in which site assembly costs at Grove Hill were due to be funded was no longer viable. The way in which site assembly costs were to be funded had be reconsidered.
57. It was explained that in the intervening period Erimus continued to rehouse tenants and as much progress was made as possible in Grove Hill. Erimus also continued to bid to the HCA to develop new affordable housing in the area. However, both the Council and Erimus acknowledged that without private sector investment there was a significant gap in funding and approximately £10 million was needed to undertake all the work required to realise the vision for Grove Hill, as is set out in the adopted masterplan.
58. The idea to put together a Joint Venture agreement was formulated and although it is accepted that it has taken some time to negotiate the sums involved a £5.4 million pound investment fund has now been agreed to enable some of the infrastructure work to be undertaken.
59. With reference to the 33 properties owned by Home Housing the panel heard that negotiations to purchase the properties have been difficult, as there has been a number of changes in personnel at Home Housing in recent years. The intention initially had been to purchase and demolish all 33 properties but unfortunately the sum requested by Home Housing is significantly more than is available in the Joint Venture fund. The Council and Erimus continue to negotiate with Home Housing

for the acquisition of its stock and it is hoped that an agreement can be reached in the near future.

60. In response to the most frequently asked question of why is there very little development taking place in Grove Hill the Managing Director of Erimus stated that development is taking place, albeit affordable homes. Erimus has secured over £12 million investment for the development of new homes in Grove Hill, which includes direct investment by Erimus and grants secured through the Homes and Communities Agency (HCA).

Castle Gardens

61. Reference was made to the development scheme at Castleway, where 20 homes are being built for affordable rent. It was advised that when Erimus selected the contractor, Southdale, the company offered to build a further 10 properties for outright sale / owner occupation. The 20 properties for affordable rent are now nearing completion and are currently advertised on the Choice Based Lettings (CBL) system. The view was expressed that the properties are an attractive offer and will be very popular.
62. Of the 10 homes on Castle Way offered for sale, 2 have been completed and are currently being marketed. In the six months the completed homes have been on the market, there have only been 2 expressions of interest, one of which was from an owner/occupier who needs to be relocated from Grove Hill. The relatively low level of interest is no doubt an indication of both the challenge posed by the current economic climate, as well as the appeal of private sector properties in Grove Hill whilst it remains a redevelopment area. On a positive note, one resident who is directly affected by the regeneration proposals has agreed to buy one of the new homes, with some financial assistance from Erimus Housing (via the shared equity scheme) and is due to move into her home later in the year. It was noted that all of the properties for sale are 3/4 bedroom properties.

Former Marton Grove School Site

63. The former Marton Grove School Site will accommodate 44 homes for affordable rent, including bungalows and apartments. Work started on site in November 2012 and it is anticipated that work will be completed by December 2013.

Bishopton Road area

64. Various sites in the Bishopton Road area will provide a further 56 affordable homes and a planning application is due to be submitted to the Local Authority in the very near future. These homes need to be completed by March 2015, as stipulated by the HCA and work is ongoing to meet this deadline.

TERM OF REFERENCE: “To examine the role and involvement of the private sector, including marketing of development sites, how development can be encouraged and opportunities to improve commercial development.”

65. The panel was particularly keen to gain an insight into how Grove Hill is perceived by private sector developers in the current economic climate and this question was put to the Managing Director of Erimus. The view was expressed that in the current climate private sector developers are extremely risk averse and inevitably reluctant to take on regeneration projects. The prospect of developing a green field site at Hemlington or Coulby Newham, for example, is a much more attractive offer

for a developer. There are numerous sites available within Middlesbrough, which are allocated for housing development, that present much less of a risk for a developer.

66. It was advised that a key part of the regeneration scheme for Grove Hill has always involved attracting a private sector development partner. Not least to try and recoup some of the investment that Erimus and the Council has made in Grove Hill in the form of a capital receipt for the land. It was advised that in an effort to gauge the current degree of private sector interest in Grove Hill a soft market testing exercise was undertaken by Erimus in December 2012. In total 29 developers, private sector companies and people in the development industry were contacted and asked to complete a short questionnaire about the site and their potential level of interest.
67. Unfortunately the response rate was poor. Some of the larger developers advised that they would not be interested in the site. Another developer advised that they would be prepared to develop the site for market rent but such a proposal is not of interest to Erimus or the Council. The general consensus from developers at present is that Grove Hill is a difficult site and there are better sites on the market in Middlesbrough. It was acknowledged that the Council and Erimus will need to work hard to secure a private sector developer for the site.
68. Members expressed the view that as a panel it very much welcomes the Joint Venture agreement as a means of progressing the regeneration of Grove Hill, as without this agreement there was no way of moving forward with the project. It was emphasised however that when looking at the future development of Grove Hill there remains a need to try and eliminate some of the design problems associated with the old Grove Hill and to create as many cul-de-sacs as possible. The view was expressed that the design principles employed in Coulby Newham should be adopted in Grove Hill.
69. Reference was also made to the fact that the whole reason for redeveloping Grove Hill is due to social structure failure rather than housing failure. It was queried whether there is any degree of certainty that the Council and Erimus can improve the social structure of Grove Hill through the provision of new housing. It was acknowledged that Erimus is having difficulty in marketing the site at present, although it was felt that this task will become easier once the right type of tenants have moved into the newly developed properties and the linear park has been developed. It was emphasised that there is a need for the social structure of Grove Hill to be defined by a much more mixed community.
70. The Managing Director of Erimus confirmed that the vision is very much to alter the social structure of Grove Hill and the formal masterplanning document cements that vision. The new Grove Hill needs to attract people to the area and an improved retail offer and works to the linear park will be an important part of that offer. Work to progress the project is ongoing and the Council and Erimus have worked in partnership to move this agenda forward. Erimus is not waiting for a private developer to appear and solve all the problems associated with the area. It is the responsibility of the Council and Erimus to regenerate Grove Hill.
71. The panel queried that given the fact the majority of new homes currently being developed in Grove Hill will be for affordable rent how will the social structure of the area be altered. It was advised that this can partly be achieved through the local letting policy, which can be used to attract a different type of tenant. The local letting policy gives priority to working people on lower wages thereby helping to

change the social mix of the area. It was emphasised that this is only part of the way in which the area can be altered and making it more attractive will go a long way in helping to change people's perceptions about Grove Hill.

72. The panel acknowledged the comments made but also recognised how difficult a task it is to change the social structure of an area. It was queried how the mistakes made in previous efforts to regenerate areas such as St Hilda's can be avoided.
73. It was again emphasised that when housing tenants Erimus do undertake screen checks / financial checks and local letting policies are in place. However, there can never be any guarantees. The view was expressed that as a social landlord it is much easier to control the type of tenants moving into properties than if private properties are developed, purchased by private sector landlords and rented on the open market. It was again emphasised that the redevelopment of Grove Hill is about achieving a balance / mix of housing and that the vision remains to develop housing for both rent and sale in Grove Hill.
74. Reference was made for the need to break down the barriers between Grove Hill and Linthorpe, which again the panel recognised, is not an easy task. It was acknowledged that how the process is managed and the type of tenants that move into Grove Hill will be important factors in bridging the divide.
75. In terms of the most difficult obstacle to overcome in redeveloping Grove Hill it was advised that attracting a private sector developer to commit to redeveloping the area remains nebulous and is entirely dependent on the market. Efforts at present are focused upon acquiring the remaining owner occupied properties and trying to clear the site to make it more attractive to developers. The housing market is particularly challenging in the current economic climate. It was again emphasised that a great deal of progress has been made to date in acquiring and demolishing properties and now that the funding is in place to purchase the remaining owner-occupied properties the remainder of the site can be cleared for development.
76. The Managing Director of Erimus confirmed that every effort will be made to re-market the site. However, a full procurement exercise would need to be undertaken and inevitably there are costs involved. At present all efforts are concentrated on investing the Joint Venture funding in Grove Hill in order to make the area more attractive.

Bishopton Road site

77. The panel was advised that in respect of the Bishopton Road site it is evident that the site has been vacant for some time, and although the initial intention was for the whole site to be redeveloped for housing, this did not materialise. The Bishopton Road site is of key significance as the gateway into the 'new' Grove Hill and development here is deemed crucial to kickstart the remaining sites and to provide some confidence in the area. The panel heard that following an option appraisal, and initial discussion with stakeholders, part of the cleared Bishopton Road site has been identified as a possible location for mixed-use development. The remainder of the site will provide new housing units.
78. The view was expressed that if a new food store were to be developed on the Bishopton Road site it would enhance the offer available in Grove Hill. It was emphasised, however, that there is a need to look at a number of options on how the site can be utilised to best effect. Members of the panel expressed the view that they would certainly be supportive of the idea of a new food store being

developed on the Bishopton Road site, as long as it sought to enhance the retail offer available at Eastbourne Road shops.

Kwiksave block and Palladium Buildings

In the initial masterplan the former Kwiksave block and Palladium Buildings were highlighted for clearance and redevelopment. It was advised, however, that given the financial constraints the priority is the acquisition of Palladium Buildings. It is proposed that a proportion of the Joint Venture funding is released to acquire Palladium Buildings and although some contact has been made with owners over the past few years when updating them on proposals it is envisaged that formal negotiation will shortly commence. Given the complex nature of the freehold and leasehold interests, it is more than likely the Council may have to invoke its Compulsory Purchase Order (CPO) as part of this process.

79. It was again emphasised that the regeneration project has come along way in recent years and although it has taken a long time to get to this point it is important not to disregard what has happened to date. Most of the people affected by the regeneration scheme in Grove Hill have been very satisfied with their new housing arrangements and there are very few tenants / owner-occupiers remaining in the area. Erimus and the Council remain firmly committed to the redevelopment of Grove Hill.
80. It was advised that a finite pot of money is available and although there have been some fantastic ideas, with consultants suggesting costings of between £2m-£4.8m for the creation of a linear park, there is a need to be realistic about what can be achieved.
81. In addition although the Council and Erimus are keen to recoup some of the investment made in Grove Hill the partners are realistic about the potential land value of the site and any future capital receipt that may be received. Ultimately it depends on the market and at present private sector developers remain very cautious.
82. It was acknowledged that the development of private sector homes in Grove Hill maybe more protracted than would have been the case 5 to 10 years ago, as developers are no longer willing to take the risks they would have taken previously. Yet despite the difficulties faced it was emphasised that any future development in Grove Hill needs to be of the right quality and in line with the vision outlined in the masterplan for the area.
83. With regard to the Joint Venture agreement it was advised that this is the first of its type in the country and as a result the agreement has attracted substantial interest. This innovative partnership agreement is enabling progress to be made and will help kickstart the regeneration of Grove Hill.

TERM OF REFERENCE: *“To examine the proposals to develop a linear park as part of the regeneration scheme.”*

84. The development of the linear park has been described as the single most important aspect of the Grove Hill regeneration scheme. In light of this fact the panel was keen to gain further details on the proposals.
85. As referenced above the masterplan for Grove Hill proposes the creation of a linear park and a range of improvements to the existing beck. It was advised that

the provision of the park is an integral part of the vision for Grove Hill and will provide a natural, permeable and well-designed space for the use of residents. Its open nature will ensure that key views are created across the beck into the Linthorpe area, creating an important and visual connection between both new and existing communities, as opposed to its current condition, which is banked by trees and edged with rear garden fencing. It was stated that the park will provide a high quality and shared resource for many people. Essentially the park comprises two elements: green space and a beck improvement programme.

86. It was noted that a significant amount of money has been invested in Grove Hill over the last 10-20 years but that this investment has always been focused on changing the physical perception of housing in the area. One of the key assets of Grove Hill is its proximity to Linthorpe and prior to the recession developers were interested in the site because of this factor. In creating a linear park between Grove Hill and Linthorpe and opening up the beck it is envisaged that a high quality shared space can be developed.

River Skerne restoration project Darlington

87. Reference was made to a similar but larger scale beck improvement scheme in Darlington (the River Skerne) where an attractive, naturalised space has been created to provide a highly valued visual amenity. Photographs of the scheme were provided and it was noted that, as is the case currently in Grove Hill, the river in Darlington operated on a purely functional basis, carrying water in a straight line. However, there were issues in respect of flooding and the river did not offer any benefit to residents.
88. The River Skerne was restored as part of the Environment Agency's River Restoration Programme and as part of the restoration the floodplain land was lowered to store water when in flood. Following the restoration work, the River Skerne is now classified as flood neutral, which means that the flow of water, in times of flooding, does not have an impact either upstream or downstream. It was highlighted that the restoration of the beck, as part of the Grove Hill regeneration scheme, would impact most on the southern end of the beck and also result in the beck becoming flood neutral. At the present time, the beck flows in a straight line. However, as part of the beck works it is proposed that the beck will be opened up through the removal of the concrete river channel and re-grading of the banks to allow informal access to the water's edge. A new footpath and cycleway would also run through this area.
89. It was stated that the creation of the linear park and incorporation of the beck improvement programme in Grove Hill is seen as a fundamental aspect of the regeneration scheme. The panel acknowledged that the creation of the linear park is ambitious and ultimately the Council will be responsible for adopting and maintaining the park. It was noted that initial discussions have been held with Streetscene staff regarding the level of maintenance work required for the proposed park and beck. The panel expressed the view that the proposals must be affordable and workable for those involved in maintaining and managing the park.
90. In terms of developing initial proposals for the park it was advised that in the spring / summer of 2011 a range of consultants undertook some assessment work and costed up the park, with cost estimates ranging between £2m-£4.8m for the works. At that time discussions were ongoing with the HCA regarding the possibility of securing funding to develop the park. However, following significant government cuts in the HCA's budget it became apparent that this funding would no longer be

forthcoming and the proposed works would need to be reconsidered. An internal project team worked on developing a preferred option for the park and as a result the proposed cost has been reduced to less than £500,000. It was advised that for this level of investment a quality green space can be provided along with some elements of the beck works.

91. The panel was provided with a copy of the preferred option for the linear park and reference was made for the need to create a high quality and safe green space. In order to achieve this vision it was noted that the preferred option includes an indicative proposal for Beech Grove Road and Sycamore Road to be closed off to traffic and the tarmac surfaces removed. A "Grasscrete" route for emergency vehicles would then be created with the remaining area grassed over. It was advised that the Council would be required to issue a Traffic Regulation Order to introduce such a proposal and Members expressed the view that they would be supportive of this proposal.
92. The panel acknowledged the work undertaken in reducing the costs of the proposed scheme to below £500,000. However, a Member of the panel expressed his disappointment that there did not appear to be much planned access to the park from the Grove Hill side of the scheme, in particular The Vale. It was advised that The Vale is a key route and to re-route services would be expensive. It was highlighted that a feature entrance would be created on the Bishopton Road side of the park to encourage people to access the park via this entrance. It was emphasised that there is a real need to ensure that residents in Grove Hill and Linthorpe view the park as a shared resource. In developing the park it will be important to involve both communities to ensure that a feeling of equal ownership is developed. Young people will also have a key role to play in helping to make the park a success.
93. Members of the panel expressed the view that it is imperative that a well-designed and safe space is provided in Grove Hill and that the park and beck do not become a magnet for anti-social behaviour and fly tipping. Reference was made to some of the problems experienced at blue bell beck, with regard to anti social behaviour and motorbikes. The panel expressed the view that consideration needs to be given to these issues when finalising the designs for the linear park. The panel was reassured to hear that in drawing up the preferred option a great deal of consideration has been given to designing out crime and anti-social behaviour and that the planting of shrubs and trees will be critical in this regard. A member of the panel also expressed the view that the possibility of approaching private sector companies to sponsor the park should be considered and that any potential developer who comes forward to redevelop Grove Hill should be asked to make a financial contribution to the maintenance of the park.
94. It was advised that in the autumn of 2011 discussions were also started with the Environment Agency in respect of the beck works and the potential to secure a funding contribution. In December 2011 a feasibility study on the beck, which was jointly funded by the Environment Agency, Erimus and the Council, at a cost of £13.5k was commissioned. The outcome of the study was received in March 2012 and a second stage feasibility study was subsequently commissioned. It was advised that the results of the study have been used by the Environment Agency to assist in their 2013/14 bid for capital funding for the scheme, which was submitted in December 2012.
95. It is envisaged that the cost of the beck improvement programme will be in the region of £300k circa. The Environment Agency has indicated that it would be

willing to fund 50 per cent of the cost of the beck works, subject to a successful funding bid. Once the outcome of this bid is known, the Joint Venture Board will need to make a decision as to whether to match fund the Environment Agency's contribution. The Council and Erimus will then be in a position to finalise the scheme and commission the works. It was noted that if the Environment Agency's capital bid for funding is unsuccessful only minimal works to the beck can be completed.

96. In terms of next steps it was noted that the Council would continue to acquire properties along the Vale, to ensure site assembly and free up land for the park, as well as finalise the linear park design and cost up the final scheme. There would also be further consultation with the community in respect of the linear park proposals, in particular with Grove Hill and Linthorpe residents. From April 2013 onwards, and subject to a successful capital bid by the Environment Agency, the park and beck works can be commissioned.

CONCLUSIONS

97. Based on evidence submitted throughout the investigation the panel concluded that:
1. In developing a masterplan and comprehensive approach to the redevelopment of Grove Hill the Council and Erimus is seeking to bring about whole scale change; redefining the area and creating a place where people want to live. The introduction of a more balanced mix of housing, the provision of a linear park, opening up of the beck, enhanced retail provision and the improvement of key gateways all form part of this vision. Yet delivering whole scale change in an area that has suffered from multiple issues of deprivation for a sustained period, is a challenging task even in the good times. In the current economic climate the financing and delivery of regeneration projects is not only an issue affecting Grove Hill and Middlesbrough. It is an issue that is impacting on projects throughout the country.
 2. In respect of the Grove Hill regeneration scheme it is evident that prior to the withdrawal of the developer and cuts in national funding for regeneration schemes a great deal of progress had been made. A masterplan had been prepared for the area, a preferred developer had been selected, the majority of tenants had been relocated and numerous properties had been acquired and demolished. A significant amount of public sector investment had been required in order to reach this point. However, as the national picture changed the repercussions have been acutely felt in Grove Hill. For a period of 18 months uncertainty surrounded the project - leaving residents living in part acquired, boarded up and demolished streets. Efforts to secure funding from central Government to assist in the completion of the acquisition and demolition programme have been unsuccessful and the Council and Erimus have, as a result, had to find the necessary resources to progress the project.
 3. In establishing the Joint Venture funding agreement and generating an investment fund of £5.4 million to complete the acquisition and demolition programme, as well undertake some of the infrastructure work, including the provision of the linear park and creation of a new T-junction the panel is extremely complementary. Based on the evidence received it is clear that this is an innovative agreement, formed between the Council and Erimus, and as the first of its type in the country has generated much interest. There is also the possibility that although the agreement involves a significant level of public sector investment in Grove Hill, by both the Council and Erimus, there is the potential that a proportion of the sum being invested will be recouped upon the sale of the site.

4. The only issue in respect of the Joint Venture funding agreement has been the time taken for the sums involved to be agreed by both partners. In September 2011 Executive approved the proposal for a Joint Venture fund to be established and yet the agreement was not signed until October 2012, at which point the funds were released by Erimus and the process of acquiring the remaining owner-occupied properties commenced. The panel appreciates the complexities involved in agreeing the figures. However, given that Executive approved the proposal for a Joint Venture agreement to be established in September 2011 the panel would have liked to have seen progress made on this matter in a shorter time frame.
5. In respect of the proposals for how the Joint Venture funding will be spent and prioritised the panel is fully supportive of the proposals. The panel shares the view that the first priority must be the acquisition and demolition of the remaining owner-occupied properties, including Palladium Buildings, in order to prepare the site for redevelopment. The panel also fully supports the proposal for the Joint Venture funding to be invested in the development of the linear park, re-alignment of the beck and provision of a new T-junction at Eastbourne Road, along with public realm improvements to the existing retail centre. The panel is of the view that given the funding is now in place to undertake these elements of the project there is very little preventing progress from being made on these matters. The panel acknowledges that the Joint Venture Board will make the final decision about how the Joint Venture funding will be utilised.
6. The panel is, however, mindful that in order to facilitate the delivery of the linear park and provision of a new T-junction it is probable that a CPO will be required to acquire and demolish Palladium Buildings. Given that it can take on average 18 months to secure a CPO, from the point at which the process is instigated, the panel is of the view that immediate action is required to initiate this process if it is felt that a CPO will ultimately be required. It is clear that the creation of the linear park, completion of the beck works and provision of a new T- junction will collectively signal a dramatic and positive change for Grove Hill and the panel is keen to see these elements delivered as soon as possible.
7. One element of the original masterplan, which is not currently proposed to receive any funding from the Joint Venture pot, is the provision of community facilities. The panel acknowledges the fact that this is due to the limitations of the fund but is equally of the view that given the importance of community facilities in cementing the social fabric of an area there is a need to support the development of community facilities in Grove Hill. The panel is keen to see a degree of funding committed to delivering this element of the masterplan. The panel is therefore proposing that a number of options be explored in an effort to generate the necessary funding for the provision of community facilities in Grove Hill.
8. In terms of the new affordable homes currently being delivered the panel is pleased to see that Erimus has been successful in securing funding from the HCA to deliver 120 new affordable homes in Grove Hill. The panel is impressed with the standard of properties developed at Castle Gardens and wishes to see the remainder of the affordable homes planned for Grove Hill developed to this standard. In an effort to ensure that there is a change in the social mix of residents living in Grove Hill the panel is also keen ensure that appropriate tenancies are awarded when allocating tenancies for the properties and that the return of troubled families to Grove Hill is avoided.

9. The panel is acutely aware of the need to change the reputation of Grove Hill and the stigma associated with the area, as well as to break down the existing barriers between Linthorpe and Grove Hill, neither of which is an easy task. It is recognised that at present Marton West beck is viewed by many as a natural barrier between the two communities and that the proposal to create a linear park and open-up the beck will involve the removal of this physical barrier. The panel is of the view that it is extremely important to ensure that the concerns of Linthorpe residents are therefore fully addressed in delivering the regeneration of Grove Hill. The panel believes that an innovative approach to community engagement is required and that it is imperative to ensure that both Grove Hill and Linthorpe residents are fully engaged in the consultation process when finalising the linear park and T-junction proposals.
10. Finally it is recognised that the overall vision is to transform Grove Hill into a sustainable, vibrant and liveable neighbourhood. A key component of this vision involves the delivery of a more balanced mix of housing. It is proposed that the 80 per cent of the new properties developed in Grove Hill will be for private sale and 20 per cent for rent. The delivery of this vision will require a private sector developer to commit to investing in the site and it is evident that in the current market climate this poses a real challenge. At present all of the new homes in Grove Hill, with the exception of the 10 for sale currently being developed by Southdale, are for rent. The panel acknowledges that there is still a long way to go to deliver a more balanced mix of housing in Grove Hill and bring about whole scale change. The panel is, however, hopeful that through the investment of the Joint Venture funding and successful delivery of the linear park, new T-junction and public realm improvements a private sector developer can be secured for the site.

RECOMMENDATIONS

98. Following the submitted evidence, and based on the conclusions above, the scrutiny panel's recommendations for consideration by the Overview and Scrutiny Board and the Executive are as follows:
 1. That in order to create a positive local identity for the 'new' Grove Hill and support the social transformation of the area, as well as help attract private sector investors and new residents a competition be launched to rename / rebrand the area. The panel has put forward the suggestion that a possible new name for the regenerated area could be "Eastbourne Park", given that the regeneration intention is for the new T-junction to make the Eastbourne Road shops a focal point for the new housing, with a new linear park alongside. The panel requests that this suggestion be considered alongside the other entries received.
 2. That local letting policies are in place when awarding tenancies for all new affordable homes developed for rent in Grove Hill to ensure that a more balanced community is achieved and anti-social behaviour prevented.
 3. That the affordable housing developed in Grove Hill be indistinguishable from the houses sold on the open market. When securing affordable housing through a private sector planning application for the site a 'pepper pot' approach be adopted to help create a mixed sustainable community.
 4. That action is taken to initiate the Compulsory Purchase Order (CPO) process if it is felt that a CPO will ultimately be required for the acquisition of Palladium Buildings and the remaining owner-occupied properties in Grove Hill.

5. That a consultation exercise on the preferred option proposals for the linear park and new T-junction at Eastbourne Road shops be undertaken with Grove Hill and Linthorpe residents at the earliest opportunity. As part of the consultation process careful consideration should be given as to whether the inclusion of play areas in the development of the linear park is deemed appropriate and is widely supported by local residents. Private sector companies / funding providers should also be approached to secure sponsorship for the park / children's play facilities.
6. That a number of options be explored in an effort to generate the necessary funding for the provision of community facilities in Grove Hill. Including the possibility of securing investment through a section 106 agreement, reinvesting a proportion of the capital receipt from the sale of the site or setting aside any funds that may remain from the Joint Venture pot for this purpose.
7. Given the likelihood that it will be some time before a preferred developer is secured to develop private sector housing in Grove Hill that the Bishopton Road site be approved for mixed-use development and that the department continues to work with any third party organisations interested in developing the site for retail provision etc.
8. That a financial contribution is sought from a private sector developer to assist in the ongoing maintenance work associated with the upkeep of the linear park at the appropriate point.
9. That a revised delivery and implementation plan for the regeneration of Grove Hill, which sets out in detail the objectives that the department aims to achieve within the short, medium and long term be presented to Executive to enable progress against this plan to be monitored by the panel. The plan should include a timescale, which sets out specifically how the Joint Venture funding is to be invested and what the Council / Erimus is aiming to achieve and by when for the benefit of the residents of Grove Hill.

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 - Nasreen Younis, Principal Project Officer, Middlesbrough Council
 - Rob Farnham, Principal Engineer, Middlesbrough Council
 - Peter Small, Principal Landscape Architect, Middlesbrough Council
 - Chris Smith, Managing Director, Erimus Housing

BACKGROUND AND REFERENCE MATERIAL

100. The following sources were consulted or referred to in preparing this report:
 - Grove Hill Regeneration, Report to the Executive Member for Regeneration and Economic Development, 19 August 2008
 - Grove Hill Regeneration, Options Report, Executive Member for Regeneration and Economic Development, 3 August 2009
 - Middlesbrough Local Development Framework – Grove Hill Supplementary Planning Document, March 2010
 - Housing Market Renewal – The Way Forward, Report to Executive, 2 September 2011
 - Middlesbrough Housing Horizons – Joint Venture Agreement, Executive

- Member for Regeneration and Economic Development, 6 December 2011
- Reports to, and minutes of, the Economic Regeneration and Transport Scrutiny Panel meetings held on 25 October, 21 November, 6 December 2012, 24 January and 13 February 2013.

COUNCILLOR TRACY HARVEY

CHAIR OF THE ECONOMIC REGENERATION AND TRANSPORT SCRUTINY PANEL

27 February 2013

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