

OVERVIEW AND SCRUTINY BOARD

13 NOVEMBER 2012

**FINAL REPORT OF THE ECONOMIC
REGENERATION AND TRANSPORT
SCRUTINY PANEL
– GRESHAM REGENERATION**

PURPOSE OF THE REPORT

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

BACKGROUND

2. A report considered by the Council's Executive in April 2005 highlighted that there was growing and compelling evidence¹ that demand for the town's older terraced properties was declining, and that these houses no longer met the aspirations of most of the increasingly mobile population. Furthermore, the restricted choice of housing was unappealing to many new households.
3. At that time it was considered that, without appropriate interventions, the result for older housing areas in Middlesbrough could be housing market failure. This occurs when the supply of housing in a given area no longer meets the demand or requirements of the local population. The result can be a reduction in property values, an increase in the numbers of void properties and a rise in speculative investment by absentee landlords, who then have difficulty in attracting suitable tenants. Other indicators may be the deterioration in the fabric of properties, due to low maintenance across all tenures, and an overall degradation of the local environment.
4. The process of decline is a long-term phenomenon. If it is not addressed at an early enough stage, a wholesale collapse of wider housing markets can occur with hugely damaging impacts on residents, service providers, and the economy of an area. Associated with the failure of local housing markets is the collapse of the social and economic fabric, high levels of deprivation and usually a situation that is worsening.

¹ Middlesbrough's 2005 House Condition Survey estimated that 5560 private sector dwellings were of a non-decent standard and were, in the main, occupied by vulnerable residents.

5. A further issue at that time related to the high proportion of private rented property across the area (approximately 30% across the town's older housing areas in 2005). While many landlords were managing their properties well, a growth in the buy-to-let market had brought increasing numbers of absentee landlords and a transient population of often poorly behaved neighbours. The highest proportion of private rented properties was in the Gresham area. Anti-social behaviour, a poor environment, restricted housing choice and increasingly deteriorating property were some of the effects that needed to be addressed.
6. As a result, in July 2005, the Executive approved a report that aimed to address the issues associated with the Gresham area and housing market failure. The report proposed up to 1600 properties in Gresham and immediately adjacent areas should be acquired, cleared and replaced by 750 new-build properties as part of the Council's Housing Market Renewal (HMR) Strategy. The HMR strategy was aimed at not just clearance but also, where appropriate, providing improvement/refurbishment of remaining properties. The aim was that a combination of refurbishment of remaining homes with a supply of attractive, new, high quality, mixed tenure homes would:
 - Bring supply and demand of older housing back into balance and restore investment confidence;
 - Stabilise and enhance property values of housing that was retained;
 - Give more people a choice of attractive new build homes, including both owner-occupied or social home-buy schemes;
 - Protect and enhance existing investment in the area by owners, residents, property agents and businesses;
 - Bring about a positive change in the image of the area;
 - Provide a better mix of socio-economic groups in the neighbourhoods; and,
 - Build more, well-designed, attractive homes using less land and thus combating sprawl and outward migration.
7. The project was planned for completion in three phases, with Phase 1 of the acquisition programme commencing in October 2006.
8. In August 2010, following the change of Government, the general worsening economic position and the Coalition Government's Comprehensive Spending Review, it became apparent that the level of resources required to complete the programme would no longer be available from the Government. As a result, the regeneration proposals had been scaled down, with Phase 3 of the proposed clearance area removed from the programme. As a result, current proposals are to acquire and demolish around 700 properties.
9. In view of the changes to the funding regime, and to the original regeneration scheme proposals, the scrutiny panel sought to clarify the current position, investigate progress to date and determine how the scheme is now being taken forward.

TERMS OF REFERENCE

10. The terms of reference of the scrutiny investigation were to examine the current position in terms of the regeneration of Gresham, as follows:

- a. To consider progress made to date.
 - b. To assess the financial implications of the current proposals – in particular how the required funding can be obtained.
 - c. To consider possible timescales associated with the proposals.
 - d. To examine refurbishment plans for remaining properties.
 - e. To consider how future housing requirements for the area will be determined, including residents' involvement in the neighbourhood planning process.
 - f. To examine the role and involvement of the private sector, including marketing of development sites and how development can be encouraged.
11. The panel investigated this topic over the course of four meetings held on 12 July, 23 August, 13 September and 4 October 2012. A panel meeting held on 25 October 2012, 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.
 12. A record of discussions at panel meetings, including agenda, minutes and reports, is available from the Council's Egenda committee management system, which can be accessed via the Council's website at www.middlesbrough.gov.uk
 13. This report has been compiled on the basis of information submitted to the scrutiny panel by the Council's Regeneration Department.
 14. 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

15. 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"*.

16. As has been outlined earlier, the key factor influencing progress on acquiring and demolishing properties in Gresham had been the global economic downturn and the resultant reduction in funding available to the local authority. The result is that Gresham remains a site assembly exercise, with the acquisition of properties in Phases 1, 2A and 2B ongoing.
17. The uncertainty of the financial position has meant that there is currently no master plan in place for the regeneration of Gresham. However, it is a prime location in terms of links to the town centre and the University. In addition, the junction of Borough Road and Union Street can potentially provide a new entrance to the town and reduce traffic on Linthorpe Road.
18. The current position in relation to the three phases is as follows:

- **Phase 1** – Property acquisitions in Phase 1 began in October 2006. Since that time, three hundred and eighty-two properties out of four hundred and eighteen have been acquired. The Council is in negotiation for the acquisition of a further sixteen properties and there are two properties where owners refuse to negotiate with the Council. Two hundred and fifteen properties have been demolished to date, with the areas concerned now grassed over.
 - **Phase 2A** – Fifty-five out of two hundred and ten properties have been acquired. The Council is in negotiation for the acquisition of a further one hundred and thirty-five properties. There are approximately thirty properties where owners refuse to negotiate with the Council.
 - **Phase 2B** – The Council remains committed to the acquisition of Phase 2B, however funding for the acquisitions will be reliant on the disposal of some major Council-owned sites, such as at Hemlington Grange. Future timescales are therefore dependent on the realisation of capital receipts. However, seventeen properties have already been acquired in Phase 2B under exceptional circumstances, such as through residents' illness or where they were moving from the area.
19. It was explained that, while acquiring properties in Phase 1, the Council also acquired properties outside of Phase 1 in exceptional circumstances. A Homeswap scheme has been approved that aims to provide owners of properties in the Gresham clearance area with a package that enables them to purchase a similar property (that is owned by the Council) in the area and the opportunity to access a non-repayable loan to improve the empty dwelling to a high standard.
 20. Homeswap is available to all current owners of properties in the clearance area. However, there is a limited supply of Homeswap properties available and once approved packages outstrip this supply, the scheme will be suspended.
 21. The panel noted no compulsory purchase orders have been made in respect of any of the properties acquired to date, although this could be a possibility for outstanding properties in Phase 1 of the scheme.
 22. It was also explained that it is likely that the remaining property acquisitions will take three to four years to come to fruition and that the most cost-effective way to proceed with future demolitions would be to do so en bloc.
 23. It is considered likely that Phase 1 will comprise residential development only, while Phases 2A and 2B will be mixed use developments. It is thought that Phase 1 will not be undertaken as a stand-alone development but will be linked to developments in Phases 2A and 2B. However, as stated earlier, there is no agreed Master Plan for Gresham and the authority would be prepared to enter into dialogue with any interested developer.

TERMS OF REFERENCE: *“To assess the financial implications of current proposals – in particular how the required funding can be obtained.”*

24. The scrutiny panel heard that in March 2011, the Government had ended its Housing Market Renewal funding seven years into a fifteen-year programme. Government funding to undertake the whole of Phases 2A and 2B will not be forthcoming.

25. The total cost for Phase 1 is £29 million, which is Government funded. The funding required for Phase 2A is £14.78 million and for Phase 2B, £14.46 million, giving a total for Phase 2 of £29.24 million.
26. As a result of the shortfall in Government funding, the Council has approved £14.8 million of borrowing to enable property acquisitions in Phase 2A to commence. In addition, several properties in Borough Road have been brought into the overall acquisition scheme.
27. In November 2011, the Council was awarded £2.4 million from the Government's Housing Market Renewal Transition Fund. The Transition Fund money is to be used to complete distinct areas of acquisition and complete site assembly in Phase 1. The use of Transition Fund resources has enabled the Council to re-allocate existing funding and reduce the £14.8 million borrowed to £12.6 million and is actively trying to reduce the required sum further through property swaps.
28. Phase 2A of the project is funded from the Council's Affordable Borrowing Programme. £4 million has been spent to date and it is anticipated that through the use of home swaps and exchanges, the remaining requirement of £10.7 million will be reduced.
29. The estimated £14.5 million needed for completion of Phase 2B has not yet been sourced. A single Member Executive Report to the Mayor published in September 2011 indicated that Phase 2B of the Gresham Project is dependent on the realisation of capital receipts associated with the disposal of Council owned land, particularly at Hemlington Grange.
30. Estimated capital receipts for the Hemlington Grange land are approximately £34 million over a period of fifteen years. However, as this is dependent on an upturn in the economy and associated demand for housing land, the earliest receipts are not anticipated until 2014.

TERM OF REFERENCE: *"To consider possible timescales associated with the proposals."*

31. The scrutiny panel heard that, given the current economic position, it is difficult to estimate timescales for completion of the Project. However, some projected acquisition figures up to 2016 were submitted to the Panel.
32. In Phase 1, the impact of completing the proposed property exchange with a private developer leaves only twenty-one properties to acquire and will enable a further phase of demolition. It is estimated that all properties will be acquired by 2016.
33. In Phase 2A, property exchanges with several third parties will acquire a further thirty-one properties. Negotiations are underway with ninety-on privately owned properties and it is anticipated that there will be some demolition within the next twelve months. The estimated date for completion of the whole project will be beyond 2016, although this will be very much dependent on the condition of the national and local economy. All development options will be considered, including mixes of residential and commercial development. As no master plan exists for the area, this will allow flexibility in development proposals and all such schemes will be judged on their merits.

TERMS OF REFERENCE: “To examine refurbishment plans for remaining properties.”

34. The scrutiny panel heard that there are several refurbishment schemes currently in place in Gresham. Under the House2Home Scheme a local developer who owns properties in Phases 1 and 2 will exchange these for sixty empty Council-owned properties in Wentworth and Waverley Streets. The developer will then refurbish forty empty properties and bring them back into use. The developer plans to invest £40,000 per unit to bring them back into use and a Letter of Intent has been provided to the Council to that effect. In response to a panel member’s concern, it was indicated that it was envisaged that the scheme would not in any way act as a barrier to further development in that area.
35. By using the developer’s investment in Wentworth and Waverley Streets as match funding, it has been possible to draw down £1.1m from the Homes and Community Agency’s Empty Homes Fund. Up to forty private homeowners will be offered a grant of up to £20,000 to refurbish their property and then lease it to Endeavour Housing for five years. After that time, Endeavour will extend the let or, alternatively, the owner can move back in or sell the property. It is anticipated that this will bring a total of one hundred properties back into use by March 2014.
36. The Council is also negotiating with Erimus to acquire ten properties in Phase 2A via a property transfer as part of a joint venture to complete acquisitions in the Grove Hill area. Negotiations are also ongoing with Endeavour to acquire ten properties in its ownership in Phase 2A via a swap for Council-owned properties in Phase 3.
37. Following the removal of Phase 3 from the Project, the Council has offered grants of up to £5000 to homeowners to enable them to refurbish their properties. This has been necessary because many owner-occupiers have not maintained their properties as they had previously been earmarked for demolition.
38. The scrutiny panel also heard of the involvement of Middlesbrough Community Land Trust (CLT) in the area. The aim of the Trust, which has been established by local residents, is to work with local people, initially in the Gresham and Middlehaven areas of the town, to revitalise communities and ensure that they thrive and remain a significant asset to the town. The Trust plans to help residents develop a community-owned plan for the area that will guide future investment. It intends to deliver its plan by facilitating community ownership of local assets (including housing and other property), develop them, and invest future revenues and capital growth back into the local area. The Land Trust is looking to work with the Council, housing associations and landlords to adopt plans that meet the needs and desires of local communities.
39. The Council is currently working with the Middlesbrough Community Land Trust and, to date, three Phase 3 properties have been transferred to the ownership of the Trust. These properties will be brought back into use for affordable rent using Homes and Communities Agency (HCA) funding.

TERM OF REFERENCE: “To consider how future housing requirements for the area will be determined, including residents’ involvement in the neighbourhood planning process.”

40. The Localism Act 2011 shifts power from central government into the hands of individuals, communities and local authorities. One of its provisions introduces a new way for communities to decide the future of the places where they live and work.
41. New rights will allow local communities to shape new development by coming together to prepare Neighbourhood Plans. The Government’s view is that, as it stands, the planning system does not give local communities enough influence over decisions that make a big difference to their lives. The Localism Act means that local people can decide:
 - Where new homes and businesses should go.
 - What they should look like.
42. Parish and town councils or, where they exist, neighbourhood forums will lead the creation of neighbourhood plans, supported by the local planning authority. Once written, the plan will be independently examined and put to a referendum of local people for approval.
43. In the first instance, local people would need to decide how to work together, apply to the local planning authority and create a Neighbourhood Forum. The Neighbourhood Forum has to consist of at least 21 people who live and work in the relevant area. These people must represent the whole community and could not for example, all come from the same street. It is envisaged that an existing Community Council could be part of a Neighbourhood Forum. It was highlighted that the Gresham area covers two Wards, and therefore representatives would have to come from different areas of both Wards.
44. Stage two of the process involves people collecting ideas and drawing up the Plan. General planning policies can be established for the area by a Neighbourhood Plan or Neighbourhood Development Order. However both have to be drawn up in accordance with local and national planning policies.
45. An independent examiner is then required to check that the Neighbourhood Plan meets the required basic standards. The Council is then required to organise a local referendum on any Plan or Order that meets these standards. People living in the neighbourhood who are registered to vote in local elections will be entitled to vote in the referendum. If more than fifty percent of those voting support the Plan or Order, then the local planning authority is required to bring it into force. The cost of organising and running each referendum has been estimated at approximately £30,000.
46. Any Neighbourhood Plan needs to conform with the Council’s Strategic Plan context, which is provided by the Core Strategy and Regeneration Development Plan Document. Following the independent examination, if a local authority considers that the Plan does not conform with its planning strategy, it can refuse it and prevent it from being the subject of a referendum.

47. The Council is in the process of reviewing the Local Development Framework (LDF), with the revised Plan scheduled to be adopted in April 2014. Ideally, any Neighbourhood Plan needs to be prepared within the revised strategic context, or in tandem with its revision. Whether this could happen in the case of Gresham will depend on whether, and how quickly, a Neighbourhood Plan is to be produced for the area.
48. The scrutiny panel was advised that once a Neighbourhood Plan came into force it would carry real legal weight. Decision makers would be obliged by law to take the plan into account when considering proposals for development. A Neighbourhood Order would grant planning permission for development that complies with the Order and where people had made it clear that they want development of a particular type, it would be easier for the development to go ahead.
49. The Community Land Trust (CLT) formed by residents in Gresham has been referred to earlier. The CLT has indicated that it will pro-actively encourage residents to become involved in planning for the future, although to date, no proposals have been put forward to develop a Neighbourhood Plan for Gresham.

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

50. The Panel originally wished to examine the role and involvement of the private sector, including marketing of development sites and how development could be encouraged. However, it was advised that any discussions with prospective developers were likely to be commercially sensitive. As such, it would not be appropriate for related information to be discussed in the public domain. As a result, the Panel agreed not to examine these issues in detail.
51. In this context, the panel notes the progress that has been made under the House2Home Scheme outlined at paragraph 34, and welcomes that this scheme will assist the Council in drawing down Government match-funding from the Homes and Community Agency (HCA). This funding will enable up to forty additional properties to be brought back into use. It is hoped that the standard of these refurbishments will encourage further investment in the area.
52. The panel queried whether the House2Home refurbishment proposals demonstrate that Gresham housing need not have been demolished but could have been refurbished. In response, it was explained that the Council’s decision to acquire and demolish properties on the scale involved, principally related to an over supply of older terraced housing in Middlesbrough. It is envisaged that the properties that will be refurbished by the private sector developer will be of a very high quality.

Other Issues

53. During the scrutiny panel’s investigation, reference was also made to the following issues:
 - Short-term lets of empty properties.
 - Community Energy Saving Programme.

Short-term lets of empty properties

54. The panel queried the possibility of empty properties owned by the Council in Gresham being let on a short-term basis, either by the Council or by a registered social landlord. Members consider that this could not only improve the appearance, amenity and vitality of the area but would assist with providing accommodation to those in need, such as local families and asylum seekers.
55. The panel was advised that this could have potential implications in respect of issues around the Housing Revenue Account (HRA), although the exact position would need to be clarified. The Council closed its HRA when its housing stock was transferred to Erimus Housing. In addition, some properties have now been empty for some time and would require some refurbishment to bring them back into an acceptable standard for habitation. It was also explained that empty properties are patrolled regularly to protect against vandalism and have net curtains at the windows rather than being boarded up.

Community Energy Saving Programme

56. The Panel also received information about the Community Energy Saving Programme (CESP), which targets households in areas of low income to improve energy efficiency standards and reduce fuel bills. As part of the scheme, ten percent of the most income deprived areas in Great Britain have been identified, including thirty-five of Middlesbrough's Lower Super Output Areas² (LSOA).
57. Potentially over one thousand properties in Gresham will benefit and the owners of over seven hundred properties have signed up to date.
58. The scheme is provided by major energy suppliers who are bound by the Government to meet Co₂ reduction targets through the provision of energy efficiency measures. The main focus of the scheme is to improve solid walled properties with the additional of external wall insulation. This will reduce typical fuel bills by approximately £400 per year. Further measures such as fuel switching, boiler changes, cavity wall and loft insulation, heating controls and draft proofing can also be provided.
59. The CESP will run until December 2012 and is being undertaken by GoWarm in conjunction with Middlesbrough Council.
60. Based on evidence submitted throughout the investigation the Panel concluded that:
 1. The issue of Gresham has dominated the regeneration agenda in Middlesbrough since 2005 and has proved to be the most challenging of housing regeneration projects to deliver. The regeneration scheme comprises three main elements, namely the acquisition and demolition of properties; the improvement/refurbishment of properties; and the provision of attractive, new, high-quality-tenure homes.

²Super Output Areas (SOAs) are geographic areas created by the Office for National Statistics (ONS) for collecting, aggregating and reporting statistics. They enable comparison of areas of a similar size nationally and are used to better identify the pockets of deprivation that are a feature of urban areas.

2. Due to a number of reasons, including the downturn in the national economy since 2008, initial proposals were scaled down to present a more deliverable scheme. The economic position, and associated reductions in public expenditure by central government, have resulted in funding difficulties. Although these have since been resolved through anticipated borrowing and the use of future capital receipts, the position remains that no developers have yet been identified to undertake large-scale redevelopment. However, progress has been made, and continues to be made, in the Council acquiring properties and clearing areas of the site. To date, over 50% of the total number of properties to be demolished have been acquired (approximately 44 properties from a total of 700) and 250 properties have been demolished. Progress has also been made to put in place a number of improvement and refurbishment schemes and the Council is working proactively to make further progress in these areas – for example by working with property developers and other bodies to refurbish, and bring back into use, properties in the area.
3. The scrutiny panel notes that, to date, it has not been necessary to use compulsory purchase orders (CPOs) for property acquisitions. In the event that this proves necessary in future, local ward councillors could also support the process in their community champion role, by advising and supporting residents – for example where a CPO involved a vulnerable resident.
4. Given the difficult economic climate, the reliance on future capital receipts and the need to attract suitable developers, it is not possible to identify a future completion date for the regeneration scheme. The scrutiny panel notes that it is envisaged that remaining property acquisitions will take around three to four years to complete. Only at that time will all outstanding properties be demolished as it is most cost-effective to do so en bloc. It is acknowledged that the regeneration of Gresham remains a major challenge for the Council and that there is still a substantial amount of work to be undertaken. In particular, the reliance on anticipated capital receipts, which cannot be guaranteed, remains a risk to the authority and could potentially delay completion of the overall scheme. In addition there is no guarantee that once the earmarked properties have been acquired/ demolished, and site assembly work is complete, that a developer, or developers, will be interested in developing the sites for mixed residential and other use.
5. Although no agreed Master Plan exists in relation to the regeneration proposals, the Council intends that Phase 1 will comprise residential development, while Phases 2A and 2B will be mixed. As a result, it is anticipated that Phase 1 will not be undertaken as a stand-alone development but will be linked to Phases 2A and 2B. The scrutiny panel is of the view that, given the economic position, there may be a need for flexibility and to consider the viability of any potential development schemes – the Council should not be overly prescriptive in respect of links between phases of development.
6. The Council has acquired a number of properties in the Phase 2B area which are standing empty and which may not be demolished for some time. The scrutiny panel considers that some of these properties could be let on a short-term basis to assist people in need and also to provide income for the authority.

7. The Neighbourhood Planning process introduced by the Localism Act 2011 provides an opportunity for the local community to influence and shape development in the area. Although no proposals have been put forward by the local community in this regard, an opportunity exists to develop a Neighbourhood Plan for Gresham in conjunction with the ongoing review of the Local Development Framework.

RECOMMENDATIONS

61. 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 efforts be continued to progress the Gresham regeneration scheme as swiftly as possible. These should include:
 - a) Adopting a flexible approach to development. While proposals that link the various phases would be preferable, this should not necessarily preclude any developments that do not follow that approach. Any development schemes should be judged on their individual merits and it should be ensured that all approved schemes are achievable and deliverable.
 - b) Continuing to work with all or any interested developers and third party organisations to refurbish and bring back into use properties in the former Phase 3 area.
 2. That given the anticipated long-term timescales involved in acquiring/ demolishing remaining properties, the possibility of letting properties in Council ownership in Phases 2A and 2B of the scheme on a short-term basis be explored.
 3. That if a compulsory purchase order is used to acquire a property, local ward councillors are informed so that, if necessary, they can offer support and advice to individual residents.
 4. That, in the event that proposals to develop a Neighbourhood Plan are put forward by Gresham residents, Council officer support is provided to assist the process and ensure that this is progressed in conjunction with the ongoing review of the Local Development Framework. Local ward councillors should also be involved in the process.
 5. That annual updates are provided to the Economic Regeneration and Transport Scrutiny Panel on progress being made in the delivery of the Gresham regeneration scheme.

ACKNOWLEDGEMENTS

62. The Panel is grateful to the following officers, who presented evidence during the course of this investigation:
 - Andrew Carr, Acting Housing Services Manager, Middlesbrough Council
 - Paul Clarke, Planning Services Manager, Middlesbrough Council

BACKGROUND AND REFERENCE MATERIAL

63. The following sources were consulted or referred to in preparing this report:

- Reports to, and minutes of, the Economic Regeneration and Transport Scrutiny Panel meetings held on 12 July, 23 August, 13 September and 4 October 2012.

COUNCILLOR TRACY HARVEY

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