

28 February 2018		ITEM: 11
Council		
Thurrock Regeneration Ltd (TRL)		
Wards and communities affected: All		Key Decision: Key
Report of: Councillor Rob Gledhill, Leader; Councillor Mark Coxshall, Portfolio Holder for Regeneration		
Accountable Assistant Director: Detlev Munster – Assistant Director Property and Development		
Accountable Director: Sean Clark, Director of Finance and IT		
This report is Public.		

Executive Summary

The report sets out an ambitious and exciting vision for the development of new homes in Thurrock through the Council owned company, Thurrock Regeneration Ltd (TRL). Delivery of new homes in the Borough is currently too slow through traditional means such as private development, while the demand for new homes, especially affordable homes, is growing. This paper proposes a significant up-scaling of the role of TRL. It seeks agreement from the Council to provide the necessary finance for TRL to deliver 1,000 homes in the next five years, 35% of which (350) will be affordable and available for residents on the Council's housing needs register. The approach will enable the Council to directly support the delivery of high quality new homes and to support its place making ambitions.

1. Recommendations

That Council:

- 1.1 Financially commits to supporting Thurrock Regeneration Ltd (TRL) in its objective of delivering 1,000 new homes in the Borough by the end of 2022/23;**
- 1.2 That this support be made available on the basis that the conditions set out in the report are met and the governance procedures are followed;**
- 1.3 Agree that any general fund sites designated for release by the Council for housing be offered to TRL in the first instance;**

- 1.4 In line with the investment principles agreed by Council on 25 October 2017, the Director of Finance and IT be delegated the authority to enter into site specific funding agreements with TRL; and**
- 1.5 Asks the Board of TRL to formally consider the Council's offer.**

2. Introduction and Background

- 2.1 The delivery rate of new homes in Thurrock is lower than the level required to meet Thurrock's housing needs as set out in the Strategic Housing Market Assessment, 309 were delivered in 2014/15, 634 in 2015/16 and 603 in 2016/17. While the vast majority of new homes in the Borough will be built by private developers the Council has an important role to play in bringing forward its own land for development, ensuring that brownfield sites are better utilised and that new housing is of high quality and enhances places across the Borough. The Council is reviewing its land assets to identify those that can be released for alternative uses, including housing.
- 2.2 Thurrock Regeneration Ltd (TRL), is the Council's wholly owned housing and regeneration company. In January 2018 the Council agreed to support TRL to build 80 homes at Belmont Road, Grays
- 2.3 The Belmont Road development will see the provision of 28 new affordable homes that will be acquired by the Council for the Housing Revenue Account and be available for those residents on the Housing Needs Register. The approach to creating new council homes by combining capital receipts and Right to Buy receipts is both innovative and ground breaking and one that is replicable through a future pipeline of schemes delivered by TRL.

What is being offered to TRL

- 2.4 This paper is proposing to significantly scale up the activities of TRL to enable it to have a far greater impact in the delivery of new homes in Thurrock, an impact not enabled by the site by site approach of TRL up to now. Through the Council's release, reuse, retain approach to asset management it is proposed that all sites to be released by the Council, which are not identified for another purpose, are offered in the first instance to TRL to acquire for housing purposes.
- 2.5 To support TRL's ability to scale up its activities and provide greater certainty of a development pipeline, it is proposed that the Council agrees to fund the development of schemes and the related construction subject to the principles set out in this paper and meeting the Treasury Management Strategy and Investment principles agreed by the Council on 25 October 2017.

What is expected in return from TRL

- 2.6 In addition to a commitment to the delivery of the high level outcome of c1000 homes in the next 5 years the Council will require 35% (350) of those homes to be affordable and built to a quality and standard consistent with the Council

design standards. In order to maximise the number of affordable homes that can be brought into Council ownership TRL will be required to offer the Council first refusal to acquire those affordable properties in order that they can become part of the HRA stock.

Benefits and Outcomes

- 2.7 There are a number of benefits to the Council, the Borough and TRL from this approach. They include the delivery of new Council homes in the Borough which will be achieved from TRL's first scheme at Belmont Road by combining capital receipts, including those recycled from the TRL pipeline, and HRA right to buy receipts. New Council homes give the Council the direct ability to provide much needed new homes for residents on the housing register.
- 2.8 In addition the financing model established by the Council for TRL will result in a financial return up front through the lending of capital for the development as well as a capital receipt at the end of the scheme. The MTFs anticipates this against the pipeline of development set out over the next five years. The model assumes and requires the future sale of properties by TRL to repay the capital.
- 2.9 Up until now TRL has been operating on a scheme by scheme basis with only one development completed and another now in the pipeline. Providing greater certainty over a longer term commitment by the Council will enable TRL to scale up its activities which has benefits in terms of recruiting specialist staff to deliver homes and as a purchaser of services and materials. It also enables TRL to balance its risks across a number of locations and support the delivery of homes on difficult and costly brownfield sites that private developers show no interest in. This has not been possible through the company up to now.
- 2.10 By maintaining control over the company as its shareholder and through the lending principles set out in this report the Council can ensure sites are brought forward and homes delivered in a way that greatly enhances the place of Thurrock. It also sends a strong signal to the market of the Council intention to invest in its own Borough and to lead by example in setting the aspiration, ambition and standards that it expects of others building in Thurrock.

3 Governance and decision making

- 3.1 It is important that TRL is given the freedom, flexibility and responsibility to deliver against the agreed outcomes with light touch but effective governance from the Council. While the Council will retain its position as the company's shareholder, through the General Services Committee, which will agree TRL's strategic objectives, it is proposed that individual decisions on project lending are taken by the S151 officer in line with all other investment decisions. Those decisions would be guided and informed by periodic updates to the Council Spending Review group. This approach is in line with the principles

within the Treasury and Investment paper agreed by Council on 25 October 2017.

- 3.2 In the event that the outcomes agreed with TRL are not delivered the agreement can be effectively terminated by the refusal of the S151 Officer to lend funding to the company.
- 3.3 If Council agrees to the recommendations in the report a formal approach will be made to TRL to consider and respond in due course.

Financial Projections

- 3.4 Council agreed to support the Belmont Road scheme at its meeting on 31 January 2018. No further spend in 2018/19 is expected as business case development and planning work on the pipeline progresses and so there is unlikely to be any further construction until 2019/20. On assumed expenditure and phasing to build 1,000 homes, the impact on the MTFS is estimated as follows:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
MTFS Budget Pressures	5.90	5.56	4.11	8.07	7.70
Surplus Brought Forward		(2.49)	(3.92)	(3.99)	(0.09)
Known Investments	(7.85)	(3.70)	-		
Thurrock Regeneration Ltd (TRL)	(0.54)	(1.29)	(2.48)	(2.47)	(2.06)
New Investments		(2.00)	(1.70)	(1.70)	(1.70)
Total	(2.49)	(3.92)	(3.99)	(0.09)	3.90

4 Consultation (including Overview and Scrutiny, if applicable)

- 4.1 Consultation has taken place with Group Leaders through the CSR Group, with TRL Shareholders (General Services Committee) at the TRL General Meeting in September 2017 and with TRL Directors.

5 Impact on corporate policies, priorities, performance and community impact

- 5.1 The recommendations deliver directly against the Council's objectives for place making and housing delivery.

6. Implications

6.1 Financial

Implications verified by: **Sean Clark**

Director of Finance and IT

The St Chads development has already contributed significant revenue returns through the interest charges and the MTFS now includes investment projections over the five year MTFS that has gone some way to balancing the budget over this period.

The model assumes that each scheme will also generate receipts for affordable housing and dividends at scheme closure. Where possible, these will be used to secure the affordable housing elements for the Housing Revenue Account.

6.2 Legal

Implications verified by: **David Lawson**
Solicitor, Monitoring Officer, Assistant Director
of Law & Governance

The recommendations as set out in the report are within the Council's powers to approve.

6.3 Diversity and Equality

Implications verified by: **Becky Price**
Community Development Officer

Whilst there are no immediate diversity and equality implications arising from the recommendations outlined in this report, TRL has been designed with the ambition to increase the availability and affordability of high quality new homes including for local residents on the Council's housing register.

6.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

None

7. Background papers used in preparing the report

None

8. Appendices to the report:

None

Report Author:

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