

<b>18 July 2017</b>		<b>ITEM: 5</b>
<b>Housing Overview &amp; Scrutiny Committee</b>		
<b>Gloriana Thurrock Ltd Update</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Report of:</b> Helen McCabe, Gloriana Development Manager		
<b>Accountable Head of Service:</b> Duncan Blackie, Interim Head of Property		
<b>Accountable Director:</b> Steve Cox, Corporate Director of Environment and Place		
<b>This report is Public</b>		

### **Executive Summary**

Gloriana's principle aim is to help deliver the Council's growth agenda by developing new housing to stimulate market confidence within the Borough and to provide quality housing to meet housing needs and improve the lives of Thurrock residents.

Within this context, it is anticipated that Gloriana will take on a more prominent role in continuing to supply good quality housing across the Borough whilst generating a return to the Council which could be used to support wider service and/or housing delivery. The first development St Chad's, is progressing well and is nearing completion. The second anticipated Gloriana scheme, Belmont Road in Grays, has been submitted to planning and is awaiting a decision.

Gloriana has established a series of controls put in place to govern the development and delivery of projects and set the parameters within which Gloriana would gain approvals from Thurrock Council in respect of scheme selection, property transfers and finance.

Gloriana will ensure effective communication of its business with its shareholders and others through, for example, newsletters, Annual Report and Information updates.

Gloriana Thurrock Ltd had set up a subsidiary company to separate the strategic development and sales aims of the parent company from the operational management of its assets through the subsidiary.

## **1. Recommendation(s)**

### **1.1 That the Housing Overview and Scrutiny Committee note the information provided on the progress of the Company.**

## **2. Introduction and Background**

- 2.1 Thurrock Council has ambitious growth plans. Proximity to London and connectivity to the capital and wider south east provides the context for strong housing demand. The Council has a focus on delivering real change within the Growth Hubs of Purfleet, Grays and Tilbury. There is a target to provide 18,500 new homes to support 26,000 new jobs (2001-2021). Historically however, housing development has not kept pace with targets and was increasingly in the green belt, diluting the ambition for town centre growth and regeneration. It is recognised securing a range of good quality housing was critical to supporting aspiration for more high value jobs and the wellbeing of the community.
- 2.2 The Government's recent White Paper on Housing 'Fixing our Broken Housing Market' highlights the need for further growth in housing supply.
- 2.3 The Government asks local authorities to be as ambitious and innovative as possible to get homes built in their area. All local authorities should develop an up-to-date Local Plans with their communities that meet their housing requirement, decide applications for development promptly and ensure the homes they have planned for are built out on time. To help ensure these actions happen, Local Authorities can charge higher fees, new capacity funding is available to develop planning departments, together with more funding for infrastructure and action against those who do not build out once permissions have been granted.
- 2.4 Where Local authorities are not making sufficient progress on producing or reviewing their plans, the Government will intervene. And where the number of homes being built is below expectations, the new housing delivery test will ensure that action is taken.
- 2.5 Many Councils' want to improve the quality of their local housing markets, so they are now taking a lead on new housing delivery as an ideal way of addressing these issues. The financial strength of Local Authorities provides a platform to both improve the supply and quality of housing markets, and to generate a significant revenue return. This is particularly the case if the Council has land to invest in the proposition.
- 2.6 The most common route to implement these proposals is to hold new housing in a wholly owned company, which (for simplicity and value for money purposes) would probably be funded by the Council. More than 100 Local Authorities are exploring this route, with companies already set up or in the pipeline. In financial terms, over the next five years it is estimated these companies will have invested in or developed around 25,000 homes, at a cost

of some £6 billion. On a similar basis, Thurrock's set up its own regeneration company, Gloriana and was one of the first to do so.

- 2.7 Gloriana Thurrock Ltd is a wholly owned subsidiary of Thurrock Council. The principle focus of the company is to support the achievement of the Council's wider regeneration goals through the delivery specific schemes which support the economic development of the borough.
- 2.8 The Welfare Reform and Work Act 2016 requires registered providers of social housing in England to reduce social housing rents by 1% a year for 4 years from a frozen 2015/16 baseline and to comply with maximum rent requirements for new tenancies. This is likely to reduce the ability of the Council to bring forward further affordable housing schemes through the Housing Revenue Account and has necessitated a review of the wider development and estate regeneration programmes.
- 2.9 Within this context, it is anticipated that Gloriana will take on a more prominent role in continuing to supply good quality housing across the Borough whilst generating a return to the Council which could be used to support wider service and/or housing delivery.
- 2.10 This report provides an information update to Members on the Gloriana Thurrock Ltd.

### **3. Issues, Options and Analysis of Options – Information Update**

#### **3.1 Gloriana Thurrock Ltd**

- 3.1.1 Cabinet agreed in March 2014 the proposal for Gloriana to develop up to 350 properties. At present, Gloriana is developing one site at St Chads, Tilbury of 128 units and has another development subject to planning permission of 80 units.
- 3.1.2 Gloriana's principle aim is to help deliver the Council's growth agenda by developing new housing to stimulate market confidence within the Borough and to provide quality housing to meet housing needs and improve the lives of Thurrock residents.

#### **3.2 Governance Gateways**

- 3.2.1 Gloriana has established a series of controls put in place to govern the development and delivery of projects and set the parameters within which Gloriana would gain approvals from Thurrock Council in respect of scheme selection, property transfers and finance.
- 3.2.2 The current arrangements see five Gateway Stages taking in all elements of the life cycle of a project.

3.2.3 Full Council approval is required at Gateway 2 with decisions regarding land transfer and financial funding. Further Full Council approval may be required at Gateway 3 and 5, if additional funding is required:

<b>Gateway zero</b>	<ul style="list-style-type: none"> <li>• Opportunity Identification, capacity, feasibility and viability assessment</li> </ul>
<b>Gateway 1</b>	<ul style="list-style-type: none"> <li>• Assess opportunity, select delivery route - decision to be taken by the Property Board</li> </ul>
<b>Gateway 2</b>	<ul style="list-style-type: none"> <li>• Full Council approval to confirm land availability, funding availability – costs to be underwritten by the Council and confirms provisional offer to Gloriana</li> <li>• Gloriana Board approval - consideration of viability, desirability, approval to undertake outline design up to planning</li> </ul>
<b>Gateway 3</b>	<ul style="list-style-type: none"> <li>• Gloriana Board – consider changes from Gateway 2, approval for submission to planning and procurement of contractor (and fix costs)</li> <li>• Refer back to Full Council if project is outside financial tolerance</li> </ul>
<b>Gateway 4</b>	<ul style="list-style-type: none"> <li>• Consideration of any changes from Gateway 3</li> <li>• Approval of completion of s.106</li> <li>• Approves appointment of contractor</li> </ul>
<b>Gateway 5</b>	<ul style="list-style-type: none"> <li>• Change control – reviews changes, assesses financial impact on the Council</li> <li>• If additional funding is required, seek approval through Full Council</li> </ul>

### 3.3 Communications

3.3.1 Gloriana Thurrock Ltd will communicate its business to its shareholders and others through:

- Quarterly newsletters
- Annual Report
- Business Plan
- Housing Overview and Scrutiny Ctte (Information Updates)
- GTL General meeting with shareholders

### 3.4 Update on Petitions and Motions – Full Council

3.4.1 In order to demonstrate transparency on its policies, implementation of its policies and overall performance and further to Gloriana Limited willingness to

co-operate with such scrutiny from Members, Thurrock Council believes that Gloriana Limited should: provide an Annual Report to the Council; provide regular quarterly updates to our General Services Committee, voluntarily submit to the full democratic scrutiny of Full Council and General Services Committee on the thoroughness of its Business Plan and funding requirements. This is not to seek to inappropriately discuss the specific merits of any material planning considerations or predetermine the quasi-judicial decision properly within the remit of our Planning Committee on the current part heard planning application.

- 3.4.2 “The motion agreed by Council has been raised and discussed with Gloriana Thurrock Ltd (GTL). GTL welcomes the continued scrutiny of its activities, business planning and funding requirements by Council, including producing an annual report and quarterly reports to its shareholders forming part of the General Services Committee. GTL is working with the Council to formalise how this will be implemented at the next Gloriana Board meeting and ahead of a report to the next general meeting of GTL Shareholders planned for June 2017. GTL welcomes the reassurance provided in the motion with regard to Members of the Council which also form part of the Planning Committee”.

### **3.5 Gloriana Thurrock Homes Ltd**

- 3.5.1 Gloriana Thurrock Ltd (GTL) is wholly owned by the Council and can provide a range and mix of quality homes / commercial property with the objective of stimulating inward investment. GTL is an investment company – building a range of property across various tenures.
- 3.5.2 Gloriana will seek to recycle investment to maximise the impact of borrowing until such time as the Company is self-financing.
- 3.5.3 Gloriana Thurrock Homes Ltd is an operational subsidiary of GTL. The company will be wholly owned by GTL, keeping separate the strategic development and sales aims of the parent company from the operational management of its assets through the subsidiary.
- 3.5.4 Net rental income after the cost of operating the new Company and properties will be used to service and repay the debt. However, over time, the new Company will sell properties, again to repay the debt.
- 3.5.5 Gloriana Thurrock Homes Ltd, by providing rental housing under assured short hold properties will help meet different housing needs not currently provided for by the market.

### **3.6 St Chads, Tilbury Update**

- 3.6.1 The St Chads housing development has 128 homes a mix of 2, 3, and 4 bed houses. The scheme is split into 4 phases with Phase 1 and Phase 2 completed. Phase 3 and 4 are due for completion by the end of July 2017.

- 3.6.2 The first residents have moved in to the completed homes with 40% being let to residents in the Borough.
- 3.6.3 The development has 20% (26 units) affordable housing. The homes have been marketed with Housing Associations.
- 3.6.4 The site has had several apprentices on site (providing 92 weeks of experience). Through the construction of the properties many apprentices have gained permanent employment. 25.4% of the work force resides in a 10 mile radius of the site.
- 3.6.5 The contractors have also undertaken many workshops with local schools and colleges to provide an insight into the construction industry.
- 3.6.6 The contractors have continued to attend monthly resident community meetings and undertaken community projects e.g. re-painting the local nursery.
- 3.6.7 The scheme is, against the original forecasting on target on budget, despite £3.5m spent on remediation costs.

### **3.7 Pipeline of Schemes**

- 3.7.1 The current Gloriana Investment Strategy seeks to establish a development pipeline of 150 homes per annum. However there will be no lending and no land transfer without Council approval.
- 3.7.2 There is currently, one scheme on site, St Chads, Tilbury of 128 units with a further development, Belmont Road Grays, 80 units in Planning.
- 3.7.3 It is appropriate to identify future opportunities to offer to Gloriana, following the Company's Governance Framework and Investment Strategy, to ensure there is a continuing pipeline of development.
- 3.7.4 A number of sites have been identified through reviews of the Council's asset portfolio and the various studies looking at development potential in Purfleet, Grays, South Ockendon and Tilbury. The sites are on General Fund Land however further analysis is required for suitability, viability, restrictions on the land e.g. green belt / amenity green, etc. Further sites are available, with strategic site and land asset discussions are ongoing.
- 3.7.5 The Grays Planning Framework, currently being reviewed, includes a number of sites identified as being appropriate for residential led development that had the capacity to generate the funding to support wider initiatives in Grays including the development of the boulevard underpass in place of the existing level crossing and options for a new Theatre to replace the existing Thameside Theatre.
- 3.7.6 There is potential pipeline for approx. 3,000 additional homes to be developed if all current identified sites and areas of land are utilised.

#### **4. Reasons for Recommendation**

- 4.1 Providing a genuine choice of quality housing stock across the Borough is central to achieving the aims of the Corporate Plan and critical to the regeneration/growth ambitions in areas like Purfleet, Grays and Tilbury. Gloriana can contribute towards this vision as well as gaining social value for local residents through its contracts and providing a financial return to the Council through interest payments and profits.

#### **5. Consultation (including Overview and Scrutiny, if applicable)**

- 5.1 Resident and community consultation has taken place on the site proposals, together with updates for members, officers and stakeholders.
- 5.2 Our programme of consultation with all relevant stakeholders associated with all proposed housing developments and regeneration proposals are on-going. Local support and influence is critically important for all housing development and regeneration.

#### **6. Impact on corporate policies, priorities, performance and community impact**

- 6.1 Regenerating areas of the Borough and providing quality homes together with creating a sense of place is a key priority and part of the Council's overall growth targets and corporate objectives - helping to deliver improved health and wellbeing, build pride in our communities and their environment and promote skills development and job creation.

#### **7. Implications**

##### **7.1 Financial**

Implications verified by: **Julie Curtis**  
**HRA and Development Accountant**

- 7.1.1 As the report sets out, through the Governance gateways each scheme is assessed through a financial viability model that has been based on industry standard figures for construction, rents, sales, etc tested against known development etc within Thurrock.
- 7.1.2 The model will need to demonstrate that any development is both viable for the Company and the Council. Having been developed, any development request put forward from the company will now be tested against the model and officers will only be able to recommend approval if these tests are passed.
- 7.1.3 The approach is for the General Fund to borrow the finance and onward lend to the Company at a premium. There is of course risk associated with this

activity and officers, with their advisers, have tried to mitigate this wherever possible through building sensitivity analysis into the model. However, should costs spiral for any reason or sales at the required price not be forthcoming, the Council could make a financial loss. This is why the review of any business case and financial model will be robust to lessen this possibility.

## 7.2 Legal

Implications verified by: **Assaf Chaudry**  
**Major Projects Solicitor**

7.2.1 Gloriana Thurrock Ltd is a wholly owned Company of Thurrock Council which was set up under section 95 of the Local Government Act 2003 and section 1 and 4 of the Localism Act 2011. The Council now wishes to embark on the regeneration programme of which the Final Business Case is being put forward for approval. The these activities contemplated in this report are within the Council's powers under, of the Localism Act 2011, section 95 of the Local Government Act 2003, section 123 of the Local Government Act 1972, sections 9 and 32 of the Housing Act 1985, sections 2 and 3 of the Local Authorities (Land) Act 1963 and section 24 of the Local Government Act 1988 subject (where required) to obtaining any consent of the Secretary of State. However the transfer of any sites to Gloriana and the loan requirements will require further Full Council approval.

Apart from ensuring that any procurement process contemplated within this report may need to comply with, if appropriate the EU procurement rules and legislation, other than that, there should be no direct legal implications arising from this report.

## 7.3 Diversity and Equality

Implications verified by: **Natalie Warren**  
**Community Development & Equalities Manager**

7.3.1 All of the projects identified within the report have been subject to extensive public consultation and are seeking to respond to the identified housing needs by providing a mix of types of property. Continuing to provide a diverse range of homes and tenure types is critical to building sustainable communities.

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

- None



**8. Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None

**9. Appendices to the report**

- None

**Report Author:**

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