

## PERTH AND KINROSS COUNCIL

## Housing and Health Committee – 6 February 2013

## MUIRTON REGENERATION

## Report by Executive Director (Housing and Community Care)

**ABSTRACT**

This report seeks approval for a Partnering Agreement for the continued delivery of the Muirton regeneration project. It also seeks approval in principle for the disposal of the remaining Perth and Kinross Council land at Muirton to Caledonia Housing Association.

**1. RECOMMENDATIONS**

It is recommended that the Housing and Health Committee:

- 1.1 Approve the Partnering Agreement between Caledonia Housing Association (CHA), Fairfield Housing Co-operative and Perth and Kinross Council (PKC) (Appendix 1).
- 1.2 Approve that a Project Board be established as set out in Appendix 1.
- 1.3 Approve in principle the disposal of the remaining PKC land at Muirton to CHA through an agreement which puts in place a deferred receipt for the site.
- 1.4 Note that the Executive Director (Housing and Community Care) shall bring forward recommendations, from the Project Board on future proposals to a future Housing and Health Committee.
- 1.5 Note that a further report will be brought to the Property Sub-Committee providing more detail on the proposed disposal and the Muirton regeneration project and that the disposal of the land will be subject to terms and conditions to the satisfaction of the Head of Planning and Regeneration and the Head of Legal Services.
- 1.6 Note that, as the land is held on the Housing Revenue Account, the disposals will be subject to securing Scottish Ministers' consent as required in terms of the Housing (Scotland) Act 1987.

**2. BACKGROUND**

- 2.1 Housing and Health Committee on 25 February 2004 (report no. 04/95) approved proposals for the regeneration of Muirton in line with the first Master Plan which was prepared in 2003.
- 2.2 Perthshire Housing Association was appointed as lead developer for the regeneration of Muirton in 2004 and a Development Agreement was put in place in consultation with all interested parties. Perthshire Housing Association later merged with Servite Housing Association to form CHA.

- 2.3 The Plan for the area included the demolition of all existing Council owned flats in Muirton and replacing them with a mix of affordable housing for rent provided by Perthshire HA, (now CHA), and Fairfield Housing Co-operative alongside low cost home ownership and housing for private sale. The Master Plan was subsequently updated in 2009.
- 2.4 The housing mix was designed to move away from the mono (entirely Council social rented tenement flats) tenure that had been part of Muirton's historic problem and to give choice of landlord and tenure. The agreed overall Master Plan housing numbers and mix are as follows:

**Table1: Muirton Master Plan Housing Numbers and Mix**

	Ph 1	Ph 2	Ph 3	Ph 4	Ph 5	Ph 6	Ph 7	Total
CHA Rent	57	57	0	24	0	24	33	195 (46%)
FHC Rent	0	13	27	0	25	0	0	65 (16%)
LCHO	0	0	0	16	0	32	32	80 (19%)
Sale	0	0	0	0		40	40	80 (19%)
Total	57	70	27	40	25	96	105	420
Total	194				226			420

CHA – Caledonia HA; FHC – Fairfield Cooperative; LCHO – Low Cost Home Ownership

### **Progress to Date**

- 2.5 Phase 1 was completed in 2007 with phase 2 completed in 2009. Phase 3 was completed in 2011. All existing Muirton tenants were re-housed in phases 1-3.

Phase 4 was split into two phases:

- Phase 4a consisted of 4 units for social rent and 16 units for low cost home ownership. This was completed and occupied recently.
- Phase 4b provides a further 20 houses for rent by CHA and is due to be complete by March 2013.

- 2.6 This leaves 226 units for phases 5-7 including:-

- 82 affordable housing units for rent
- 64 Low Cost Home Ownership units
- 80 units of private housing to be built and sold.

### **Housing for Sale**

- 2.7 When the regeneration of the area was initiated, infrastructure costs to enable the redevelopment of the entire site were met through a payment from the

Scottish Government. As part of the overall Master Plan funding package, the Council agreed that a payment from the income from the sale of the land would be used to re-imburse the infrastructure costs invested by the Scottish Government in earlier phases. Agreement has been reached with the Scottish Government that these costs do not need to be repaid as long as it can demonstrate that the funding which was to be repaid is reinvested in the area. This sum amounts to just under £360,000 and these funds would require to be identified from the receipt for the sale of the land for private housing and reinvested in the affordable housing still to be developed.

### **3. PROPOSALS**

- 3.1 It is proposed that that Housing and Health Committee approve the Partnering Agreement between CHA, Fairfield Housing Co-operative and PKC (Appendix 1).
- 3.2 It is further proposed that that Housing and Health Committee approve that a Partnership Board be established as set out in Appendix 1. The Board shall have representatives of CHA, PKC and Fairfield Housing Co-operative to oversee the project governance and further legal agreements will be entered into if required to ensure good governance. The Project Board will oversee the project and will prepare reports for Housing and Health Committee for decisions relating to the regeneration. Responsibility for delivery of the project (the remaining redevelopment of Muirton Park) will be delegated to CHA.
- 3.3 The aim of the project is to complete the Muirton Park Regeneration. The objectives to be met in delivery of this are to:
- Maximise the potential land receipt through a competitive bid process.
  - Procure a private developer partner to assist with the delivery of the remainder of the regeneration.
  - Deliver the partners' combined development programme.
  - Maximise the provision of private housing in the remaining phases to ensure an appropriate tenure mix over the whole regeneration area.
  - Introduce alternative tenures to the development.
  - Prepare potential options for the existing commercial units on Dunkeld Road.
  - Improve the quality of final product.
  - Improve the environmental performance of the procurement process and final product.
  - Realise improved social and community benefits arising from the procurement activity, including potential employment initiatives.
- 3.4 It is also proposed that the Housing and Health Committee approve in principle the disposal of the remaining PKC land at Muirton to CHA through an agreement which puts in place a deferred receipt for the site.

- 3.5 A further report will be brought to the Property Sub-Committee providing more detail on the proposed disposal and the Muirton regeneration project.
- 3.6 The disposal will provide options to the Council on whether the shops and flats on Dunkeld Road are to be part of the package to be marketed, (with options to include or exclude these from the developer's proposals).
- 3.7 It is additionally proposed that the Housing and Health Committee note that the Executive Director (Housing and Community Care) shall bring forward recommendations from the Project Board on future proposals to a future Housing and Health Committee later in 2013.
- 3.8 CHA will identify and work closely with a private developer who will principally be responsible for providing the housing for sale element of the regeneration along with some of the low cost home ownership (or comparable tenure if this is agreed to be appropriate). They will also construct the affordable housing, (for CHA, Fairfield Cooperative and PKC where appropriate), and advise on the delivery of the commercial element of the development on Dunkeld Road.
- 3.9 CHA will work closely with the developer to identify, market and trial limited numbers of alternative tenure housing (e.g. mid market rent).
- 3.10 Surplus receipts generated from land sales could be recycled through the provision of affordable housing in Muirton or returned to the Council to provide affordable housing elsewhere. This will be decided on the basis of the option which represents best value to the Council.
- 3.11 From the **perspective of the community** the proposals have a number of **advantages**:-
- A holistic approach to the delivery of the remainder of the development may mean that redevelopment of the area will be completed more quickly than through a 'piecemeal' approach
  - Resident involvement may be invigorated in that a holistic approach will give greater certainty of timescales for future development
  - There may be greater potential for an increase in local employment opportunities through longer term larger contract with a developer
- 3.12 From the **Council's** perspective the proposals have a number of **advantages** and these are:
- Delivering the Master Plan by 2016/17 through a more holistic strategic approach, rather than piece by piece, which is time consuming, costly and increases uncertainty in the whole process.
  - Developer input to revise Master Plan will provide a more accurate plan reflecting market conditions, which can be presented to officials and Elected Members.
  - The Developer and CHA could test alternative tenure/funding models on a limited scale, with agreed exit strategy if they become unsustainable.

- The Developer and CHA will work closely with the Council to identify the best solution for the commercial units and flats on Dunkeld Road.
- Capital funding required from the Council for the remainder of regeneration will be minimised.
- Additional options could include the Council receiving completed units in place of a capital receipt.
- The risk is passed on to CHA to deliver the final stage of the regeneration of the area.

### 3.13 From **CHA's perspective**:

- Best opportunity to complete the regeneration economically, through obtaining competitive proposals from developers
- Ability to fund capital investment through strategic borrowing (made possible through controlling the timescale of development).
- Early Developer input to an updated Master Plan, in terms of location and phasing of housing for sale and commercial zone, will obtain optimal value for the different tenures.
- Ability to work with the Developer to identify and provide innovative forms of tenure.
- Potential to minimise capital costs through developer front funding construction costs using "turnkey" contracts.
- Developer input to marketing of low cost home ownership and alternative tenure properties.
- Developer expertise used to plan best solution to commercial zone
- Ability to tie developer into contribution to infrastructure costs

### 3.14 From the **developer's perspective**:

- Early appointment will enable developer to input to the strategy terms of master planning, design and timescales.
- Efficiencies gained through pairing procurement of affordable housing with private housing.
- Potential returns on housing for sale and commercial element.
- Certainty of work over medium term to completion of regeneration.

## 4. **BEST VALUE AND DISPOSAL OF LAND REGULATIONS**

- 4.1 In terms of section 74 of the Local Government (Scotland) Act 1973, the Council is obliged to achieve the best consideration that can reasonably be obtained when it disposes of land and buildings. However, this obligation is qualified by the Disposal of Land by Local Authorities (Scotland) Regulations 2010 (The Regulations) which enable the Council to dispose of property at less than best consideration when it has carried out an appraisal and compared the costs and disadvantages with the advantages of the proposal.
- 4.2 The Local Government in Scotland Act 2003 requires the Council to make the best use of public resources, including land and property, and to be open and transparent in transactions. The Council is required to demonstrate

responsiveness to the needs of communities, citizens, customers and other stakeholders where relevant in its assessment of best value.

- 4.3 In order to meet the statutory requirements for the disposal of land and buildings, the Council must be satisfied that any disposal at less than best consideration is reasonable and is likely to contribute to any of the purposes set out in the Regulations in respect of the whole or any part of Perth and Kinross or any person resident or present in Perth and Kinross. These purposes are the promotion of: (i) economic development or regeneration; (ii) health; (iii) social well-being; or (iv) environmental well-being
- 4.4 The proposed disposal of land to CHA is based on a proposal that the development will be concluded in line with the tenure mix adopted in the Master Plan for the regeneration of the Muirton area. As the Master Plan envisages a higher proportion of social/affordable housing than would be required under a straightforward sale in line with the Council's affordable housing policies, the potential capital receipt is likely to be less than would be achievable if the site was simply to be marketed for sale for development by a private developer.
- 4.5 The proposed disposal contributes to the regeneration of the Muirton area and the social well-being of residents. The proposals contained within this report are therefore likely to be consistent with the requirements placed on the Council in terms of The 2003 Act to secure best value and the 1973 Act to achieve the best consideration, as qualified by the 2010 Regulations which enable the Council to dispose of property at less than best consideration.
- 4.6 Once the proposal has been exposed to the market an appraisal comparing the costs and disadvantages with the advantages of the proposals brought forward will be undertaken by the Board to ensure compliance with best value and best consideration requirements placed upon the Council.
- 4.7 Scottish Ministers consent to dispose of assets on the Housing Revenue Account will be required. Given the potential complexity of any disposal and the likely phasing of receipts, it is proposed that the Scottish Government's advice will be sought prior to finalising any proposals to ensure that they are satisfied that the Council's approach and justifications comply with the requirement for granting consent.

## **5. CONSULTATION**

- 5.1 The Heads of Legal Services, Democratic Services and Finance have been consulted in the preparation of this report.
- 5.2 Throughout the remainder of the development CHA will work in partnership with the Council and Fairfield Housing Co-operative by seeking the agreement of the Board for all strategic decisions taken throughout the progress with the redevelopment.

- 5.3 CHA is committed to consulting with their tenants and the tenants of Fairfield Housing Cooperative already living in the area and community development will be incorporated into their plans as the development progresses.

## **6. RESOURCE IMPLICATIONS**

### **Capital**

- 6.1 The land will be transferred to CHA based on a value which will be assessed by an independent valuer based upon the split in tenure set out in the Master Plan.
- 6.2 It is anticipated deferred payments for the land will be accepted, (perhaps deferred until units are completed and sold). This will reduce financing costs and thereby improve the cost effectiveness of the completed regeneration.
- 6.3 It will be considered during negotiations whether or not the value of the land could be subject to “clawback” clauses. For example if higher receipts are realised when the land is sold onto developers, (or when developers sell the properties), that the difference will be returned to the Council either in cash or completed housing units.
- 6.4 The disposal will result in either a capital receipt to the Housing Revenue Account or the provision of additional Council Housing stock.

## **7. COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012**

The Council's Corporate Plan 2009-2012 lays out five objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. The following are relevant to this report:

- (i) A Safe, Secure and Welcoming Environment.
- (ii) Healthy, Caring Communities.
- (iii) A Prosperous, Sustainable and Inclusive Economy.
- (v) Confident, Active and Inclusive Communities.

## **8. EQUALITIES ASSESSMENT**

- 8.1 An equality impact assessment needs to be carried out for functions, policies, procedures or strategies in relation to race, gender and disability and other relevant protected characteristics. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new and existing policies.
- 8.2 The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:
- it will support the health and wellbeing of individuals and the local community.

## **9. STRATEGIC ENVIRONMENTAL ASSESSMENT**

- 9.1 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS).
- 9.2 The matters presented in this report were considered under the Environmental Assessment (Scotland) Act 2005 and no further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

## **10. CONCLUSION**

The purpose of this report is to seek approval for a Partnering Agreement for the continued delivery of the Muirton regeneration project. It also seeks approval in principle for the disposal of the remaining PKC land at Muirton to CHA.

**DAVID BURKE**

**Executive Director (Housing and Community Care)**

**Note:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

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If you or someone you know would like a copy of this document in another language or format, (on occasion only, a summary of the document will be provided in translation), this can be arranged by contacting Norma Robson



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# **Muirton Park Regeneration**

## **Partnering Agreement**

**between**

**Caledonia Housing Association  
Perth and Kinross Council  
Fairfield Housing Co-operative**

**February 2013**

## **1.0 INTRODUCTION**

### **1.1 Project Proposal**

The proposal is that Caledonia Housing Association purchase the remainder of the land relating to the Muirton Park Regeneration from Perth and Kinross Council.

Caledonia Housing Association will then take responsibility for completing the regeneration through strategic procurement of a private developer. The developer will deliver the private housing, the remaining affordable housing, and all other works required to complete the physical regeneration as set out in an updated Master Plan for Muirton Park.

All land transaction costs will be payable by Caledonia Housing Association to Perth and Kinross Council at a value to be agreed by the District Valuer, with payment being deferred until completion of the respective units.

The proposal could also lay the foundations for exploring other potential areas of partnership working through the same arrangement in the future.

### **1.2 Partners**

The key strategic partners involved in the regeneration and this proposal are:

- Caledonia Housing Association.
- Perth and Kinross Council.
- Fairfield Housing Co-op.

### **1.3 Purpose of this Document**

This document sets out the key principles of the proposals and the main operational procedures to be followed by the project team in its implementation. It also establishes the framework for the partners involved in the project, clarifying respective roles and responsibilities and the relationships between the partners. This will ensure that there is effective implementation, management and control of the project.

## **2. AIMS AND OBJECTIVES**

2.1 The Aim of this project is to complete the Muirton Park Regeneration in accordance with the principles of the original Master Plan through collaborative working of the project partners. The current Master Plan was agreed in 2004, and revised in 2009, but it is likely that this will require further revision as this proposal is progressed, to take account of changes in the current operating environment.

2.2 The Objectives to be met in delivery of this are to:

- Maximise the potential land receipt through a competitive bid process.

- Procure a private developer partner to assist with the delivery of the remainder of the regeneration.
- Deliver the partners' combined development programme.
- Maximise the provision of private housing in the remaining phases to ensure an appropriate tenure mix over the whole regeneration area.
- Introduce alternative tenures to the development such as Low Cost Home Ownership, Intermediate Rent and possible leasing options.
- Prepare potential options for the existing commercial units on Dunkeld Road.
- Increase efficiency of delivery.
- Improve the quality of final product.
- Improve the environmental performance of the procurement process and final product.
- Realise improved social and community benefits arising from the procurement activity, including potential employment initiatives.

2.3 To achieve these objectives the partners will, amongst other things:

- Establish a Project Board with an agreed remit to take strategic decisions in relation to the delivery of the Master Plan.
- Establish a Project Team with an agreed remit to deliver the Master Plan to pre-agreed outcomes.
- Monitor delivery against the proposed outcomes and key milestones
- Commit all necessary resources to both service the project board. and team, and to deliver their respective portions of the Master Plan.
- Establish a system of collaborative working with the successful developer.
- Ensure effective community consultation.

2.4 The partners will prepare an updated Master Plan that will encapsulate what the partners wish to achieve, by when, and how; and this will form the operational basis for the relationship going forward.

### **3. PROJECT ORGANISATION**

#### **3.1 The Project Board**

The Project Board will have overall responsibility for establishing and achieving the expected outcomes of an updated Master Plan, including:

- Agreeing the updated Master Plan to bring it fully up to date, and establish expected outcomes.
- Agreeing budgets/costs for the completion of the regeneration, including land receipts.
- Identifying the Preferred Developer.
- Managing and controlling delivery of the updated Master Plan through the Project Team.
- Monitoring progress against milestones set out in the updated Master Plan.

The Project Board will consist of:

- The Chief Executive of Caledonia Housing Association.
- The Chief Executive of Fairfield Housing C-op.
- The Convenor of Housing and Health Committee, Perth and Kinross Council.
- The Executive Director of Housing and Community Care, Perth and Kinross Council.
- The Chief Executive (or other nominated representative) of the successful Developer, when appointed.
- A community representative or local elected member (to be agreed).

Each member of the Project Board will be responsible for:

- Ensuring that their respective Management Committees or Governing Bodies are kept informed.
- Obtaining the necessary level of delegated authority to act on behalf of their organisation in serving on the Project Board, and delivering the Master Plan.
- Ensuring that the necessary resources are allocated by their respective organisations to deliver the outcomes expected of the updated Master Plan.
- Designating an appropriate replacement where they are unable to attend a meeting.

### 3.2 **ProjectTeam**

The Project Team will have responsibility for the delivery of the updated Master Plan, including

- Preparing a detailed action plan, including all capital and revenue costs, funding arrangements and proposed timescales to achieve the outcomes expected of the Master Plan.
- Progressing all actions in accordance with the action plan.
- Monitoring and reporting on progress against outcomes to the Project Board.
- Producing the necessary documents and reports to ensure that the Project Board can make decisions timeously.
- Working with key stakeholders to progress delivery of the Master Plan.

The Project Team will consist of:

- Development Manager, Caledonia Housing Association.
- Development Officer, Caledonia Housing Association.
- Senior Maintenance Officer, Fairfield Housing C-op.
- Head of Housing and Strategic Commissioning, Perth and Kinross Council.
- Planning and Commissioning Manager, Perth and Kinross Council.
- Team Leader (Planning and Policy), Perth and Kinross Council.
- Estates and Infrastructure Project team Leader, Perth and Kinross Council.
- Representative of Developer (once appointed).

- Community Representative.
- Representation from any other body or Council department as required and agreed by the Project Team.

Each member of the Project Team will be responsible for:

- Ensuring delivery of the updated Master Plan and providing regular updates against programme.
- Liaising with other departments within their organisation to ensure delivery of the Master Plan.
- Ensuring compliance with all relevant legislation and guidance relating to the delivery of the Master plan.
- Seeking independent advice, and appointment of consultants where necessary.

### **3.3 Project Sponsor**

The Project Sponsor will take responsibility for acting as the principal point of contact with external stakeholders, such as Scottish Government, local community organisations and others. The Project Sponsor will co-ordinate the Project Team to achieve compliance with the project timetable and actions. The Project Sponsor will also be responsible for setting progress meetings, agendas, taking minutes etc, and organising workshops and information sessions for key stakeholders.

The Project Sponsor will be the Asset Management Director, Caledonia Housing Association.

## **4. ADDITIONAL STAKEHOLDERS**

The key additional stakeholders in taking forward this proposal are the Scottish Government and the local community.

## **5. TIMETABLE**

5.1 The target date for completing the Master Plan is July 2018.

5.2 Key Milestones:

- Formation of Project Board – February 2013.
- Formation of Project Team – February 2013.
- Completion of Developer Procurement Documentation – May 2013.
- Appointment of Preferred Developer – July 2013.
- Consultation with Stakeholders – September 2013.
- Revision of Master Plan – October 2013.
- Commencement of Phase 5 – December 2013.
- Commencement of Phase 6 – July 2015.
- Commencement of Phase 7 – July 2016.
- Commencement of Phase 8 – July 2017.
- Completion of Muirton Park Regeneration – July 2018.

## **6. PROGRESS MANAGEMENT**

### **6.1 Communications**

Communication with external stakeholders will be co-ordinated by the Project Sponsor in consultation with the Project Board. Each partner will take responsibility for communicating progress within their respective organisations. The Project Sponsor will also take responsibility for communicating between the Project team and the Project Board.

### **6.2 Meetings**

The Project Board will meet on a quarterly basis, or more frequently as required to meet the project timetable.

The Project Team will meet on a monthly basis, or more frequently as required to meet the project timetable.

### **6.3 Reporting**

The Project Team will be responsible for ensuring that the actions assigned are completed and reported to the next Project Board Meeting. All necessary reports will be prepared and issued to the Project Board at least 7 days prior to next meeting.