

**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 17 DECEMBER 2013**

**REPORT OF: MR TONY SAMUELS, CABINET MEMBER FOR ASSETS AND REGENERATION PROGRAMMES**

**LEAD OFFICER: JOHN STEBBINGS, CHIEF PROPERTY OFFICER**

**SUBJECT: MERSTHAM REGENERATION PROJECT**



#### **SUMMARY OF ISSUE:**

This report is seeking approval to enter into a Memorandum of Understanding between Surrey County Council, Reigate and Banstead Borough Council and Raven Housing Trust to facilitate the regeneration of Merstham.

Previous Cabinet decisions in 2010 confirmed support for a new community hub, subject to a full business case. In 2012 the potential disposal of the existing Merstham library site to the Diocese of Southwark at market value in exchange for the proposed Battlebridge school site was also agreed in principle. The need to re-provide Merstham library in the community hub has been identified in the Medium Term Financial Plan capital programme since 2010 at an estimated cost of £1.2m.

The proposal is to seek approval to include a new youth service facility in the community hub, subject to a full business case that identifies the revised total capital costs.

#### **RECOMMENDATIONS:**

It is recommended that:

1. The Cabinet approves, in principle, entering into a Memorandum of Understanding with Raven Housing Trust and Reigate and Banstead Borough Council to progress the Merstham Regeneration Project as outlined in the report. Delegated authority is sought for the Strategic Director for Business Services in consultation with the Leader to sign the final Memorandum of Understanding.
2. The Cabinet approves the estimated total capital expenditure of no more than £2.3m and gives delegated authority to the Strategic Director for Business Services in consultation with the Leader to approve expenditure in relation to this project, subject to full business case approval.

#### **REASON FOR RECOMMENDATIONS:**

The Merstham estate is one of the most deprived areas in Surrey with comparatively high levels of poverty, some poor housing and significant health needs. It remains an area with a high concentration of young people not in education, employment or training. The inclusion of youth services and library services within an integrated community hub in Merstham will significantly enhance the facilities available to young

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people and the local community.

## **DETAILS:**

### **Background**

1. The Merstham estate is one of the most deprived areas in Surrey with comparatively high levels of poverty, poor housing and significant health needs.
2. A range of activities by the partners who include Surrey County Council and Reigate and Banstead Borough Council have been under way for a number of years and these are starting to have an impact. However it has long been recognised that the area would benefit from:
  - A modern integrated community hub from which a range of services, both new and existing, can be delivered;
  - The removal of the Portland Drive block of shops and flats which has provided a focus for antisocial behaviour and served to affect peoples perception of the area; and,
  - The provision of new retail shops, managed by Reigate and Banstead Borough Council, which will increase the availability of fresh food.
3. The Merstham Regeneration Project will deliver a new integrated community hub, an improved retail offer, the removal of existing shops and, the demolition of existing social housing homes of poor quality replaced with 50 new homes as follows:
  - 10 shared ownership flats at the Iron Horse Site
  - 11 social/affordable rented units
  - 19 Shared equity units
  - 10 open market units

An additional 110 new open market homes are proposed for future redevelopment on the Portland Drive site by Raven Housing Trust.
4. The proposed new community Hub will include a library, community café, youth services, supported IT facilities, office space and a range of training and community rooms available for hire. The Hub will also have space for local agencies such as the Police, Raven Housing Trust and Reigate and Banstead Borough Council to provide services at a local level. It will provide a base for a range of community services including: training, IT 'drop in', job clubs, benefits advice and for Raven Housing Trust to operate a contact centre.
5. The existing youth facility in Merstham that was sited at the Oakley (Merstham) had to close due to structural problems in 2011. Since then a reduced Youth Service offer has been operating out of temporary premises in the locality but this is not sustainable in the medium term as Merstham is a key area of need for young people not in employment, education or training.
6. Given the current commitment to Merstham, there is now an opportunity to integrate modern facilities to develop young people's skills alongside the community facilities in a more central position. Further work is being

undertaken to ensure that the design allows for flexible future use by the community while still ensuring young people have a dedicated space. The flexible design of the building will enable officers to progress opportunities to be explored with Adult Social Care and Health colleagues for improving and integrating services within the hub.

7. The market and affordable housing led residential development will, together with, the new retail and community hub, seek to change the core area of the Merstham estate providing it with new opportunities that will lead to a far more vibrant and integrated community.
8. In summary the key elements that will be delivered are as follows:
  - The provision of an integrated community hub, comprising of a café, library and youth facility designed to benefit the entire community.
  - The provision of a 'mainstream' convenience store and 6 other shops which will improve access to fresh food and improve the quality of the 'retail offer' on the estate.
  - The demolition of the Portland Drive shops and flats
  - The provision of shared ownership housing to encourage first time buyers including key workers who would support current infrastructure provision.
9. This Regeneration Project relies on retaining a common vision across the whole area. Each of the main partners has a key role to play. These include: funding the schemes; designing new facilities and infrastructure; managing construction and managing the ultimate assets/services.
10. It is important that there is a shared understanding at the outset of each partner's contribution. It is therefore proposed to agree a Memorandum of Understanding that will set out the following:
  - Scope of development, timescales and outcomes for each site
  - Financial contributions of each partner to Merstham regeneration
  - Details of property exchanges
  - Construction and purchase agreement between Reigate and Banstead Borough Council and Raven Housing Trust for the shared equity flats on Iron Horse site
  - Construction and property agreements between Reigate and Banstead Borough Council and Surrey County Council for the new community facilities including associated management arrangements
  - Standard S106 funding clause covering requirements for shared equity housing
  - Contingency arrangements covering major risks
11. The proposed Memorandum of Understanding which has been agreed in principle by the partner organisations is included as Annex 1. At this stage the costs to Surrey County Council in delivering library and youth facilities within the proposed community hub are still being developed, once agreed these will be finalised in the Annexes to the Memorandum. The Annexes to the Memorandum of Understanding have not been included at this stage and

the Memorandum should be seen as indicative until the full business case is agreed.

12. Reigate and Banstead Borough Council is leading on the delivery of the building project and it was originally envisaged that they would maintain the freehold with Surrey County Council facilities operated on a leasehold basis. The inclusion of youth facilities increases the proportion of the building funded by Surrey County Council and the option of acquiring the freehold of the building can be actively pursued once the inclusion of the Youth Services is agreed.
13. Merstham Community Facility Trust will be actively involved in delivering community services within the Hub, with lettings from activities supporting their income stream. Merstham Community Facility Trust is in a good position to engage actively with the local community and support sections of the community with limited ability to access public services. Discussions are ongoing in relation to the future management arrangements for the Hub in terms of facilities management and room bookings going forward and the management arrangements will form part of the business case.
14. The detailed funding of this Regeneration Project is still being developed amongst the partners; to date Reigate and Banstead Borough Council have identified funding of £2.02m to invest alongside S106 Contributions of £570,000. Raven Housing Trust are investing £4m to deliver the affordable housing and they will contribute the land for the new community hub.
15. It should be noted that a request for funding from Raven Housing Trust may be made to Surrey County Council in the future to assist with the wider regeneration of Merstham. Any request will need to be considered as part of the business case.

#### **CONSULTATION:**

16. Partner organisations have been consulted on the proposed Memorandum of Understanding. The proposals form part of Reigate and Banstead Borough Council's local development plans for the area which have been the subject of local community consultation.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

17. Good cost control of the building design and effective redevelopment of the surplus sites will be key to minimising financial risks. While Reigate and Banstead Borough Council will lead on the procurement and build of the community hub, Surrey County Council will need to put in place resource to ensure costs are appropriate and the project is delivered within the agreed estimates.
18. Delivery: The development of the sites as individual opportunities reduces the risk of trying to secure and rely on a single provider. However the partners will need to secure providers who can deliver the projects within agreed budget envelopes.
19. Reputation: The project has been the subject of discussion for a number of years. If Surrey County Council withdraws its support for the project it will have a negative impact on its reputation with partners and more importantly

the residents of Merstham. While this project cannot in isolation resolve all the local challenges it is a visible commitment to residents and will help to raise community aspirations and skills.

**Financial and Value for Money Implications**

- 20. The estimated costs in relation to including youth services in the integrated community hub are still being developed and will be subject to a full business case. It is intended that the partners work to an affordable design which provides flexible accommodation for the longer term and that these designs should result in a capital spend that is substantially less than the £2.3m estimate. Furthermore, it is expected that full business case approval will be subject to clarification of the type of tenure being offered to the County Council.

**Section 151 Officer Commentary**

- 21. The Section 151 Officer notes that the in principle agreement being sought in the recommendations does not commit the council to further expenditure at this stage. The in principle agreement to revise the scope of the project to include Youth Services provision is subject to a full business case which should aim to produce an affordable solution for less than the estimated spend of £2.3m.
- 22. The full business case for the capital expenditure requested will be agreed by the Strategic Director for Business Services in consultation with the Leader and following establishment of the intended ownership structure and a full financial appraisal which has been validated by the Section 151 Officer.

**Legal Implications – Monitoring Officer**

- 23. A Memorandum of Understanding does not create a contractual relationship between the parties, but it may give rise to a legitimate expectation that it will be honoured. This is of particular relevance when the parties are committing resources based on that expectation. The Council has power to enter into such a Memorandum of Understanding to secure improvement and economic benefits for the area.
- 24. The report is not clear as to the interests in land that the Council will either acquire or dispose of but the circumstances described in the report would suggest that Local Government Act powers are sufficient for the purposes identified.

**Equalities and Diversity**

- 25. The new community hub will be open to the local community to access and no adverse impact in respect of protected characteristics of staff or residents is anticipated. An Equalities Impact Assessment is therefore not necessary.

**Safeguarding responsibilities for vulnerable children and adults implications**

- 26. The provision of the community facility will provide opportunities for preventative services to support vulnerable children and adults in the local community and reduce social isolation.

### **Public Health implications**

27. Reigate and Banstead Borough Council's provision of improved retail sites as part of the scheme is intended to help increase the availability of fresh food to the local community.

### **Climate change/carbon emissions implications**

28. The provision of a new community facility and retail units should help to reduce the need for residents to travel outside the local area. The demolition of the existing library and youth centre and re-provision in a new shared use building will improve energy efficiency and reduce the overall carbon footprint of Surrey County Council services.

### **WHAT HAPPENS NEXT:**

29. A business case including arrangements for ownership, management and project delivery arrangements for the hub will be drawn up in consultation with partners.
30. Once the Memorandum of Understanding has been finalised the project will proceed to tendering.

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#### **Contact Officer:**

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#### **Consulted:**

Local member: Councillor Bob Gardner  
Reigate and Banstead  
Raven Housing Association  
Community consultation on local development by Reigate & Banstead  
Strategic Director Business Services – Julie Fisher  
Assistant Director for Young People – Garath Symonds  
Head of Cultural Services – Peter Milton

#### **Annexes:**

Annex 1: Draft Memorandum of Understanding  
Annex 2: Location and Site plan

#### **Sources/background papers:**

Cabinet decision 5.1.2010  
Cabinet decision 25.9.2012

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