

## **CABINET**

<b>DATE</b>	08/09/2021
<b>REPORT OF</b>	Councillor Procter - Portfolio Holder for Economic Development, Housing and Tourism
<b>RESPONSIBLE OFFICER</b>	Sharon Wroot Executive Director for Environment, Economy and Resources
<b>SUBJECT</b>	Housing Delivery Model
<b>STATUS</b>	Open
<b>FORWARD PLAN REF NO.</b>	CB 09/21/05

### **CONTRIBUTION TO OUR AIMS**

The recommendations within this report support the delivery of the Council's priorities "stronger economy and stronger community". The Council have ambitious plans to meet the housing needs of local people, providing quality homes for households, looking to live, work and stay in the borough, as well as creating employment opportunities within the construction sector, generating economic growth and economic prosperity.

### **EXECUTIVE SUMMARY**

Cabinet approved a decision in July 2019, to deliver housing on former, now redundant, school and playing field sites. This was supported by a £2.1m Accelerated Construction Fund Grant with Homes England, to provide outline planning and enabling works on the Former Western School and Playing Field site. In 2021, the Council entered into a similar agreement, to accept £490,000 to deliver works on the former Matthew Humberstone Playing Field.

There are several conditions within the grant funding agreements which the Council must continue to meet. These relate to pace of delivery and type of construction, including modern methods of construction. In addition, the Council received approval to dispose of the land through an overarching agreement and a building lease, which is a contractual agreement, whereby the Council can novate grant funding conditions to the developer, who can access a deferred payment mechanism for the land, which removes financial barriers and reduces risk to potential developers. This methodology also enables a more diverse range of developers to work with the Council.

Since Covid -19 the economy and the financial outlook both locally and nationally has altered. This has provided the Council the opportunity to review its proposed housing delivery model, agreed in July 2019.

Supported by independent external legal and procurement advice underpinned by observations in the local housing market this report seeks approval to revoke and replace the proposed delivery model within the previous Cabinet report, whilst retaining existing timescales and quality for delivery.

The recommendation in this report seeks Cabinet approval to procure and enter into

an agreement with a developer(s). The agreement would include conditions identified in the Homes England grant funding agreement, deliver value for money for the Council, promote economic growth and include the opportunity to open the proposal out to all developers, including SME's. A Limited Liability Partnership (Joint Venture) is deemed restrictive, as Investment Partners are likely to have a preferred development partner and / or their own building company, or a preferred developer framework, which could limit options including, control over supporting the local supply chain, increasing local apprenticeships and employment opportunities.

An outline planning permission was secured for the Western site in April 2021. A planning application is due to be submitted for Matthew Humberstone during 2021, with enabling works, which will open up access to the site, being completed by March 2022.

In addition, the report seeks approval to dispose of a parcel of land at each site to North East Lincolnshire Clinical Commissioning Group (CCG) preferred Extra Care development partner enabling the CCG to look to ensure that Extra Care provision to be developed on the sites.

## **RECOMMENDATIONS**

It is recommended that Cabinet.

1. Revoke the Cabinet decision of 10th July 2019 to select an Investment Partner and enter into a Limited Liability Partnership.
2. Delegates authority to the Executive Director Environment, Economy and Resources in consultation with the Portfolio Holder for Economic Development, Housing and Tourism to commence a procurement exercise to procure and award to a developer(s), to deliver housing on the Western and Matthew Humberstone sites by mutually beneficial means having regard to prevailing direction of funders.
3. Delegates authority to the Executive Director Environment, Economy and Resources in consultation with the Portfolio Holder for Economic Development, Housing and Tourism to implement full delivery of the sites and to deal with all ancillary matters. Such delivery to include extra care provision as anticipated by the masterplan on both Western and Matthew Humberstone sites.
4. Authorises the Assistant Director Law, Governance and Assets (Monitoring Officer) to execute and complete all requisite legal documentation.

## **REASONS FOR DECISION**

The Council has taken the opportunity to respond to impacts from Covid-19 and has subsequently reviewed the existing housing delivery model.

In Spring 2021, NELC Housing Team, led a multiple disciplined team, through several workshops supported by independent legal and procurement expertise. The purpose was to review and re-validate the process of identifying the most appropriate delivery model due to changes in economic climate, based on the

Council's priorities.

Independent advice supports procuring a developer direct which will open the market to both national and small, medium enterprises, developers and provide more flexibility for the Council to support the local supply chain and employment market. The proposal gives clarity to potential developers who may be interested in the site, to deliver a development to meet the needs and requirements of the Council. This Cabinet report supports the recommendations identified.

The tendering process would seek a preferred developer to enter into an agreement with the Council adopting the Homes England Grant Funding Agreement Conditions, to ensure the sites successful and timely delivery. Disposal of land to provide Extra Care accommodation, will assist the Council to meet unmet housing need, identified in the 2018 Housing Older Peoples study. The Council will not enter into any enforceable conditions with the CCG but understands that the CCG is keen to see an Extra Care facility on both sites.

## **1. BACKGROUND AND ISSUES**

1.1 The Local Plan sets out ambitious growth targets for the Council, to increase the number of jobs and homes in the borough. The plan allocated these and several unused Council Assets for new Housing. The two sites identified in this report will provide over 500 new homes, when built out.

1.2 In July 2019, Cabinet approved a decision to seek and enter into a joint venture with an Investment Partner, in the form of a Limited Liability Partnership (LLP).

During 2020, the country entered the worst health crisis in a century, forcing the country into lockdown. The Office for National Statistics (ONS) data reflects that unemployment had risen by 5.1%, with North East Lincolnshire rates rising to 6.9% (based on claimants accessing job seekers allowance or universal credit). These facts strengthened the focus of the Council, which was keen to do more, to promote and create jobs locally, potentially lost during the post pandemic. The review was required to ensure the Council maximised the opportunity to promote local growth and development, creating jobs and employment, whilst delivering a place where people want and choose to live.

1.3 Developing housing provides an opportunity for the Council to act as a catalyst to the local economy. It is considered that the new proposal will allow the Council to have flexibility in any decision making, to ensure we can support local jobs and local supply chains, through to SME businesses through these challenging times.

1.4 A review was conducted of the financial implications and viability of a host of delivery models, including a Build Lease arrangement. This approach included independent professional advice. The project will have robust mechanisms in place to support opportunities for training, education, and apprenticeships in construction, to maximise new jobs and the local supply chain benefits.

1.5 Several workshops were held with Legal, Finance and Procurement colleagues, where all options were reviewed and scrutinised. Options included, site disposal, development agreement/build lease, Joint Venture, and direct delivery.

1.6 The options provided in the report are as follows.

- Development Agreement/Build Lease and,
- Joint Venture
- Self-Delivery
- Direct Sale

The options were analysed against the aims and objectives of the Council. The results of this analysis led to the development agreement delivery option being the most suitable, providing sufficient control to meet the Council's grant funding conditions with Homes England, deliver quality homes, and support the green agenda. These are explored in Section 3 of this report.

## **PROJECT OBJECTIVES**

1.7 Cabinet's stated objectives to:

- i) Create a high-quality development with a sense of space – a local exemplar of best practice.
- ii) Provide a higher level of Affordable Housing than the market is delivering, meeting a cross range of different residents' needs.
- iii) Create skills and training opportunities focussed on local people.
- iv) Create a flexible delivery vehicle which can adapt to changing market conditions.
- v) Maintain an effective element of control to ensure pace of delivery and other outcomes.
- vi) Effectively manage and reduce reputational and financial risk.

The above recommendation will meet the overall objectives and will generate a capital receipt. Terms will include an overage arrangement where, in certain circumstances, the Council will participate in any profits made in the subsequent site disposal (as opposed to individual plot disposals). The site will also provide long-term revenue streams, through an increase in Council Tax receipts. In addition, the Government are currently reviewing the way they calculate the new homes bonus, which could mean the Council receive new homes bonus for every new home built.

## **2. RISKS AND OPPORTUNITIES**

2.1 The programme is complex and there are a range of elements that pose risks to the Council, these include reputational and financial risk.

2.2 Risks include:

- i) Allocating resources with the necessary skills, expertise, and capacity to effectively manage and drive forward the procurement and selection of a

- developer.
- ii) Selecting a suitable developer who will work collaboratively with the Council to achieve both agreed objectives and requirements.
- iii) Allocating resources with the necessary skills, expertise, and capacity to effectively enter a contractual arrangement with a developer.
- iv) Enter into an agreement that obligates the developer to deliver within the Homes England grant funding agreement criteria.
- v) Ensure appropriate resource in terms of capacity and capability are in place to manage the site and contract on an on-going basis.
- vi) Ensure all risks are identified and agreed governance procedures are in place

### 2.3 Opportunities include:

- i) This programme will generate capital receipt through the phased sale of the land/plots.
- ii) This programme will generate revenue income through Council Tax
- iii) Provides an opportunity to increase delivery of affordable housing.
- iv) Deliver outcomes for the green agenda.
- v) Support the local economy during challenging economic times, by creating local jobs growth, apprenticeships, and training Opportunities.
- vi) Deliver a strong communication plan ensuring residents are kept fully informed on progress

## 3. OTHER OPTIONS CONSIDERED

3.1 A Limited Liability Partnership (Joint Venture) is deemed restrictive, as Investment Partners are likely to have a preferred development partner and / or their own building company, or a preferred developer framework, which could limit options including, control over supporting the local supply chain, increasing local apprenticeships and employment opportunities.

3.2 Direct delivery could give the Council the greatest level of control and financial return, however it also has the greatest level of risk. This option was discounted due to an acknowledgement, the Council does not have the resource or experience to do this. Direct delivery could give the Council the greatest level of control and financial return, however it also has the greatest level of risk. Therefore, this option is not recommended.

3.3 The Council could market these sites on the open market. This option would incur minimal cost but would give the lowest level of return and provide no control over quality and pace of delivery, putting the Council at risk of breaching its grant conditions agreed with Homes England, which could lead to the Council repaying the grants with a combined total of £2.6m. Therefore, this option is not recommended.

3.4 Do nothing and just allow the sites to appreciate but risk claw back from Homes England for the Accelerated Construction Funding, putting the Council at risk of significant reputational damage with professional partners and the public. Housing need would not be met. Therefore, this option is not

recommended.

#### **4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS**

- 4.1 There are potential positive reputational implications for the Council resulting from the decision, as it will provide assurance that progress is being made to deliver new homes on these housing sites, and that the Council are keen to adapt to the changing local economy by creating new jobs, apprenticeships, and training.

#### **5. FINANCIAL CONSIDERATIONS**

- 5.1 The recommendation to dispose of land for the purpose of developing Extra Care Facilities, would see an early capital receipt of the anticipated disposal.
- 5.2 Based on independent professional advice, the recommended delivery option proposed has minimal direct financial implications for the Council as the developer will be required to fund construction on site.
- 5.3 Entering an agreement with a Developer will see the Council receive a capital receipt with the potential of an overage should the developer make a super/abnormal profit.
- 5.4 The report also assumes a deferred payment, with an upfront capital receipt, and remaining capital received during the development of the site.
- 5.5 Whilst the recommendation does not provide the highest level of capital receipt, it carries less risk for the authority, whilst retaining a strong element of control, and enables the Council to work with the successful housing developer, creating exemplar sites, and meeting the Council's grant funding obligations with Homes England.

#### **6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

- 6.1 This recommendation supports the green agenda, providing a design guide requesting developers build quality homes which are energy efficient, and explore opportunities for renewable energy innovation. For example, air source/ground source heating, solar/photovoltaics and insulation. The site has sufficient grid capacity, to allow for onsite electric vehicle charging points to properties.

#### **7. CONSULTATION WITH SCRUTINY**

- 7.1 Scrutiny will be consulted on the 31 August 2021.

#### **8. FINANCIAL IMPLICATIONS**

- 8.1 The recommended option would generate a capital receipt for the sale of land either up front or through deferred payment arrangements. The receipt can then be reinvested into the Council's Investment Programme or be used to reduce borrowing.

- 8.2 Any overage agreement could result in the Council receiving a share of profits should the level of profit be deemed to be profits over and above those agreed in the contract.
- 8.3 Increased housing would generate additional council tax receipts, though also likely to increase demand for Council services.

## **9. LEGAL IMPLICATIONS**

- 9.1 The procurement exercise will be conducted so as to comply with the Council's policy and legal obligations, specifically in compliance with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015 and supported by relevant officers.
- 9.2 The delegations sought are consistent with an exercise of this nature.
- 9.3 Officers should note that an award constitutes a further decision and will be subject to completion of an Officer Decision Record and be subject to call in. Award and implementation timelines should accommodate this.

## **10. HUMAN RESOURCES IMPLICATIONS**

11. There are no direct implications.

## **12. WARD IMPLICATIONS**

Matthew Humberstone is in Croft Baker ward, while Western is in the South Ward.

## **13. BACKGROUND PAPERS**

Copies of the Background Papers can be obtained by contacting the officers below or Democratic Services.

- Cabinet Report March 2020 – Accelerated Construction Funding - Former Matthew Humberstone Playing Field Site
- Cabinet Report July 2019 – Delivery of Council-Owned Housing Sites
- Cabinet Report March 2019 – Accelerated Construction Funding for Land at Former Western School and Former Lindsey Lower Playing Fields
- Cabinet Report January 2018 – Procurement of a Long-Term Delivery Partner for the Housing Zone sites via the HCA Delivery Partner Panel 3 Process.

## **14. CONTACT OFFICER(S)**

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