

**Leader's Key Decision Form**

REF NO

1907

**Department**

Development

**Subject**

The sale of new build family housing on the Radford site

**Decision**

This is a Key Decision taken by the Leader of the Council.

Subject to call-in: ~~Yes~~ NO

Total value of decision: £6.700m

Revenue or Capital: Capital

Decision taken

1. To approve the sale of the 2 sites comprising 52 new build houses in Radford, shown on the plan in Appendix A, to Nottingham City Homes (NCH) for an estimated £6.700 million subject to final costs being established.
2. To approve the lending of up to £6.700 million to NCH on the terms detailed in the finance advice, and delegate authority to the Director of Strategic Finance to agree the final amount of the loan and the interest rate to be applied to it.

**Other Options Considered**

(with reasons for rejecting options not favoured)

1. The Council could retain ownership of the sites comprising the houses within the Housing Revenue Account (HRA), this option was discounted as it would reduce the opportunity to deliver the housing regeneration programme elsewhere within the city.
2. The Council could sell the houses to a residential provider. This would not necessarily meet the Council's objective of providing high quality social housing and would not support NCH develop its own asset base.

**Reasons for Decision(s)**

The development will create a well connected and safer neighbourhood by improving the quality of the built environment and through the Secure by Design framework, it will therefore help to reduce crime and the fear of crime.

The ownership of 52 family houses on the Radford sites by NCH would mean they sit outside the Housing Revenue Account (HRA), although NCH have confirmed that the new houses would effectively be treated in the same way as traditional council housing and modelled on target social rent. The funding route will provide the Council with further opportunities to develop additional houses at other sites in the city. The proposed financial model relies on NCH borrowing money to finance the purchase from the Council (general fund borrowing). Providing a loan to NCH to purchase this housing will:

1. increase the amount of quality new affordable housing the Council can deliver;
2. enable the regeneration of additional sites within Nottingham;
3. enable NCH to build its own asset base and develop a viable business model for raising capital, developing property and managing assets in its own right, in addition to its role as management agent for Council stock.

**Affected Wards**

Radford and Park

**Advice Sought**

	Yes	No
Legal	x	<input type="checkbox"/>
Finance	x	<input type="checkbox"/>
Human Resources	<input type="checkbox"/>	x
Equality & Community Relations Team	<input type="checkbox"/>	x
Procurement	<input type="checkbox"/>	x
Other (please specify)	x	<input type="checkbox"/>
Property		

**Details of Consultations undertaken**

*Our Parbitt agrees that the decision proposed is reasonable in all the circumstances + that it should be treated as a matter of urgency due to the need to transfer these properties on 1st April + to allow NCH to market them asap.*

	Yes	No	Name and Date
Portfolio Holder	<input type="checkbox"/>	<input type="checkbox"/>	_____
Ward Councillors	<input type="checkbox"/>	<input type="checkbox"/>	_____
Area Committee	<input type="checkbox"/>	<input type="checkbox"/>	_____
Other Council Bodies	<input type="checkbox"/>	<input type="checkbox"/>	_____
Corp. Directors Affected	x	<input type="checkbox"/>	David Bishop date as signed.
Trades Unions	<input type="checkbox"/>	<input type="checkbox"/>	_____
Minority Group	<input type="checkbox"/>	<input type="checkbox"/>	_____
Others (Specify)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>Cliff B Parbitt</u> 27/03/15

Reasons for not consulting

Those not consulted are not directly affected by the decision

**Consultation Outcomes**

N/A

**Background to the decision**

The Executive Board report "Redevelopment of Lenton and Radford sites" dated 19 February 2013 outlined the City Councils proposals to redevelop both the Lenton and Radford sites, and identified the options for funding to be reviewed and the most appropriate route followed. This has led to the 62 family houses on Lenton being developed by NCH.

The report also identified that this was an opportunity to realise the Council's ambition for regenerating these sites. Work has been ongoing in partnership with NCH since September 2011 to develop plans for what would replace the high rise blocks that were previously on this site. Dependent on the circumstances there are two options of delivery and ownership models that could be considered, Council-owned new build or NCH owned.

The 52 houses on Radford are in the final stages of being completed with an anticipated completion in March 2015. These new houses have been designed to meet the code for sustainable homes level 4, meaning a lower carbon footprint and reduced bills for tenants. This will contribute towards the Nottingham Plan – our Sustainable Community Strategy – 2020. All of the properties will meet the Homes and Communities Agency (HCA) quality standards for internal size to ensure that there is adequate space for families to live. A majority will be built to meet lifetime home standards, providing adequate space for wheelchairs and other adaptations that are required as tenants' needs change.

**Declared colleague/ Councillor Interests**

N/A


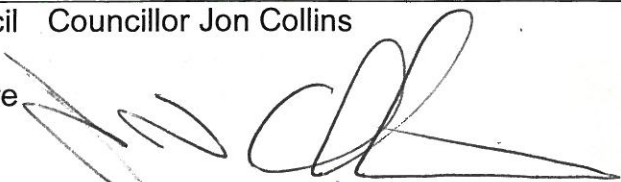
**Dispensation by Standards Committee**

Date: N/A

Dispensation Reference:

<b>Equalities</b>	<p>Has the equality impact of the decision been assessed?</p> <p>NO <input type="checkbox"/></p> <p>YES – equality impact assessment not attached <input type="checkbox"/></p> <p>It has been previously presented as part of the Executive Board report: Redevelopment of Lenton and Radford Sites – 19 February 2013.</p>
<b>Social Value Implications</b>	The contractor and their sub-contractors are required to contact the Nottingham City Employer Hub in relation to any vacancies. Interviews have been offered to all appropriate candidates put forward by the Employer Hub.
<b>Crime and Disorder Implications</b>	The new houses will be Secure by Design and the new layout as a minimum will meet building for life Silver standard 2010. The development will create a well connected and safer neighbourhood by improving the quality of the built environment, helping to both reduce crime and the fear of crime.
<b>Published Documents</b>	Executive Board report and minutes - Redevelopment of Lenton and Radford Sites - 19 February 2013
<b>Background Papers</b>	N/A
<b>Exempt/Confidential report</b>	<p>Appendix B is exempt from publication under paragraph 5 of Schedule 12A to the Local Government Act 1972 because it contains information in respect of which a claim to legal professional privilege could be maintained in legal proceedings and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p> <p>It is not in the public interest to disclose this information because it contains confidential legal advice relating to the proposed transaction.</p>

<b>Contact Person</b>	Robert Caswell – Programme Manager	Contact No. 0115 876 3408 Email: <a href="mailto:Robert.Caswell@nottinghamcity.gov.uk">Robert.Caswell@nottinghamcity.gov.uk</a>
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Corporate Director or authorised colleague (Print name)	David Bishop	Date:	20/03/15
Signature			
Leader of the Council	Councillor Jon Collins	Date:	26/03/15
Signature			
Date Published: 27/03/2015		Last Date for Call-in: N/A	

## Finance Observations

The report proposes the sale of 52 new build houses on the Radford site to NCH for an estimated price of £6.700 million. Executive Board on 19 February 2013 approved the construction of the 52 properties, to be financed by the HRA and the properties are in the final stages of being completed, with anticipated completion being March 2015. The final costs are not yet known and it is proposed that NCH should pay the actual final construction cost to ensure the HRA is not disadvantaged as a result of the transaction. The land is deemed to have no value due to the high level of abnormal costs which have been necessary to develop the site and will be included in the purchase price. In addition to the final cost of the new build, NCH will have to pay Stamp Duty Land Tax on the transaction which will be financed from the company's resources.

NCH will require a loan from the City Council to finance the purchase. It is proposed that a loan estimated to be in the region of £6.700 million (subject to final costs being established) be made to NCH over a 50 year term at a rate equivalent to the Public Works Loan Board (PWLB) annuity rate for borrowing over 50 years plus a premium for the inherent risk taken by the City Council. Modelling has been undertaken assuming a 1% uplift, but is subject to ensuring the final rate is state aid compliant. Based on current rates this would be 4.12% per annum; the actual rate will be fixed by the Director of Strategic Finance on the date the transaction occurs. In addition a one off arrangement fee of 0.25% of the value of loan will be charged to NCH to cover the City Council's costs. Annual repayments based on a loan of £6.700m are estimated to be £0.317m.

### Impact on the Medium Term Financial Plan

The General Fund will benefit from the interest rate premium estimated to be in the region of £33,500pa and the one off set up costs estimated at around £16,750.

The general fund assumes the risk that NCH will be able to repay the loan. Modelling carried out by NCH gives confidence that the company will be able to meet the repayments from the rentals generated from the scheme.

### Impact on the Housing Revenue Account

The sale of the 52 houses to NCH will free up £6.700m of HRA capital resources which will be available to finance further City Council housing new build.

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3 February 2015

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4 February 2015

### **Observations from Property Team**

The aggregate of the market value with vacant possession of each of the 52 properties once construction is complete is £6,526,000. It has, however, been agreed that NCH will pay cleared site land value plus the cost of construction for the properties, currently estimated at £6,700,000. Due to the amount of abnormal development costs the cleared sites had no value for family housing development.

It is proposed that the sale to NCH will include a restriction requiring the properties to be let at social rent. In addition the sale will, if legally permissible, include a first right of refusal for the Council to acquire the development or any part of the development at market value should NCH propose to sell the development or any part thereof at any time in the future.

Rod Martin

Senior Estate Surveyor

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13 February 2015

### **Legal Observations**

Contained in exempt Appendix B.

Appendix A – Site Layout for Radford Houses

