

EXECUTIVE BOARD – 18 OCTOBER 2016

Subject:	Church Square, Lenton
Corporate Director(s)/Director(s):	David Bishop, Deputy Chief Executive/Corporate Director for Development and Growth
Portfolio Holder(s):	Councillor Jane Urquhart, Portfolio Holder for Planning and Housing
Report author and contact details:	Mark Lowe, Head of Regeneration & Housing Delivery 0115 876 3532 Mark.lowe@nottinghamcity.gov.uk
Subject to call-in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Key Decision:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Criteria for Key Decision:	
(a) <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision	
and/or	
(b) Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Type of expenditure:	<input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
Total value of the decision:	See exempt Appendix 1
Wards affected:	Lenton
Date of consultation with Portfolio Holder(s):	March 2016
Relevant Council Plan Key Theme:	
Strategic Regeneration and Development	<input checked="" type="checkbox"/>
Schools	<input type="checkbox"/>
Planning and Housing	<input checked="" type="checkbox"/>
Community Services	<input type="checkbox"/>
Energy, Sustainability and Customer	<input type="checkbox"/>
Jobs, Growth and Transport	<input checked="" type="checkbox"/>
Adults, Health and Community Sector	<input type="checkbox"/>
Children, Early Intervention and Early Years	<input type="checkbox"/>
Leisure and Culture	<input type="checkbox"/>
Resources and Neighbourhood Regeneration	<input checked="" type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
<p>This report proposes the sale of land at Church Square, Lenton, for market value to Nottingham City Homes (NCH), who will develop up to 17 houses, which will be owned and managed by NCH in their own right. NCH require a loan from the City Council to finance the purchase of the land and the construction of the houses. This supports the Council's policy to continue to build new social and affordable homes and to bring all social housing up to the Decent Homes Standard.</p> <p>The Council is completing a programme of replacement of existing council housing that is no longer economic to maintain across the city. In the process, the Council is building a mix of new homes that will support the Council's ambition to provide high quality family housing across the city.</p> <p>The existing development at Church Square, Lenton is an inward looking shopping precinct comprising of commercial units with maisonette flats above, and workshops. The 1970's design has minimal potential for improvement other than demolition and new build.</p> <p>Decommissioning of the properties is almost complete, with demolition due to commence by January 2017. A budget of £0.250m for demolition was approved Executive Board on 15 January 2015. This was subsequently increased to £0.300m by delegated authority (reference number 1963).</p> <p>The cleared land will be sold to by the Council to NCH to develop in its own right as a Registered Provider (RP) of social housing for NCH to own and rent out. It will be the responsibility of the</p>	

new build contractor to design a new scheme in full consultation with local residents and other key stakeholders and to secure planning permission.

The layout of the new development will be designed to create an attractive, well designed place where people will want to live. This will transform this run down area of the city, replacing poor quality buildings with a vibrant and attractive neighbourhood.

Following a successful bid to the Homes and Community's "2015–18 Affordable Homes Programme", the Council (with NCH) were awarded grant funding of £0.306 million. The proposition is that the site is transferred to NCH, and for NCH to continue with development and ownership of the scheme. The grant funding can only be secured by NCH if its application to the HCA to become a RP is approved. There are no anticipated issues with this approval process, and confirmation is foreseen in the near future. The value of the scheme is net of the grant funding and reduces the loan required by NCH.

Exempt information:

Appendices to the report are exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose the information because it could prejudice the negotiations for developing the site

Recommendation(s):

1. Approve the sale of the land at Church Square to NCH at market value on the basis of the terms set out in exempt Appendix 2 so that NCH can build, own and rent up to 17 new family homes in their own right.
2. Approve in principle a loan from the City Council to NCH up to the value detailed in exempt Appendix 1, as required to support the purchase of land and construction of 17 new homes.
3. To delegate authority to the Director of Strategic Finance to confirm the interest rate for the loan on the date that the transaction occurs.

1 **REASONS FOR RECOMMENDATIONS**

- 1.1 There is an opportunity on this site for the Council to realise its ambition to provide high quality housing and actively regenerate the neighbourhood. 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 help both reduce crime and the fear of crime.
- 1.2 Developing this site provides a natural expansion to the high quality scheme currently being delivered on the site of the former Lenton tower blocks, and will continue to build on the Council's and NCH's reputation within the community as a provider of good quality housing.
- 1.3 The building and ownership of the 17 new family houses by NCH on the Church Square site would mean that they sit outside of the Housing Revenue Account (HRA), and would support NCH's plan to provide social housing as a RP.
- 1.4 NCH's ownership of these new homes will provide the Council with further opportunities to develop additional houses at other sites in the city. The proposed financial model as detailed in this report relies on NCH borrowing money to finance the build from the Council (general fund borrowing). Providing a loan to NCH to develop housing will:
 - a) increase the amount of quality new affordable homes;
 - b) regenerate additional sites within Nottingham;

- c) 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 managing agent for Council stock.

1.5 A detailed business case has been produced by NCH to support the recommendations in this report, and to be compliant in their own internal governance processes. This report was presented to NCH's Board on 31 March 2016.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1 The Executive Board report "HRA Self Financing Programme-future implications for council housing stock" dated 20 September 2011, outlined the Government proposals for the existing HRA subsidy system and replacing it with a new system that allows councils to keep the rent they collect in return for taking a share of the historic national housing debt.

2.2 In response to the Government proposals, NCH undertook a stock assessment of approximately 29,000 homes which took account of a number of criteria and then consulted on the list of properties identified for demolition. The September 2011 report approved by Executive Board set out the proposals for the decommissioning and demolition of the identified housing stock and highlighted the opportunity to build back new council housing.

2.3 Since September 2011 the Council, in partnership with NCH, has been working to develop plans for other sites (to be delivered by the Council, by a RP partner or by a private sector partner). These plans are being developed on a site by site basis to reflect need and demand, the local market, the local housing type and tenure mix, and opportunities to attract investment.

2.4 The HRA programme of new council housing is part of a much wider programme of (both affordable and market) housing delivery being actively brought forward through council interventions and support. The Council is working with RPs and private sector development partners on a range of sites to bring forward additional housing, both open market and affordable.

2.5 In 2014, the City Council submitted a bid to the Homes and Communities Agency (HCA) for funding via its 2015 – 2018 Affordable Homes Programme. In August 2014, confirmation was received that this bid had been successful. This provided the opportunity to develop sites including Church Square that had been identified as suitable for affordable housing. This would allow the alleviation of anti-social behaviour due to the development of these sites.

2.6 At the site there will be 17 new family homes which will be a mix of 2 and 3 bed houses. All of the properties will meet the HCA's quality standards for internal size to ensure that there is adequate space for families to live. They will be carefully designed to meet the energy efficiency standards equivalent to level 4 of the former Code for Sustainable Homes, meaning a lower carbon footprint and reduced bills for tenants. This will contribute towards the Nottingham Plan – our Sustainable Community Strategy – 2020.

2.7 Development of this site will complement the wider regeneration of the Lenton area, which has seen 5 tower blocks demolished to make way for 142 new homes.

- 2.8 An original funding envelope of £0.250m was approved by Executive Board in January 2015 for the demolition of the existing buildings, which has subsequently been increased to £0.300m.
- 2.9 The development will be built, owned and let by NCH. To enable the construction the council will make a loan to NCH at a commercial rate with a repayment term of 50 years. The loan will include the cost of the land purchase and the construction works to build the new homes, which will be owned and managed by NCH.
- 2.10 The development has been influenced by the local community and will create better connected and safer neighbourhoods by improving the quality of the built environment and through the Secure by Design framework which will help to both reduce crime and the fear of crime.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 Not redeveloping this site was rejected because of the Council's ambition to provide high quality housing and actively regenerate Nottingham's neighbourhoods.
- 3.2 The Council could decide to sell the site for private sector housing development; however, the provision of new social housing in this location will support the Council's aims of regenerating communities and providing a more stable longer term resident base.
- 3.3 The Council could decide to fully develop the site using the HRA funding and retain the ownership of the 17 houses, this option was discounted as it would have reduced the potential resources that were available to deliver the housing regeneration programme.

4 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

- 4.1 See exempt Appendix 1.

5 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND INCLUDING LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

- 5.1 The Council has the ability to dispose of vacant land held within the HRA by virtue of the General Consent for the Disposal of Land held for the purposes of Part II of the Housing Act 1985 – 2013. It is understood from the report that the disposal will be for market value. In all other respects the proposals set out in the report raise no significant legal issues and are supported.

6 STRATEGIC ASSETS & PROPERTY COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)

- 6.1 The land at Church Square extends to 0.47 acres or thereabouts. The site is not straight forward to redevelop as there are significant changes in level across the site that require the construction of retaining walls. An independent valuation of the site has been carried out and this has formed the basis of negotiation between the parties. It is considered that the price agreed between

the parties falls within acceptable tolerances of the Independent Valuation and therefore represents market value.

7 SOCIAL VALUE CONSIDERATIONS

The existing development at Church Square, Lenton is an inward looking shopping precinct comprising of commercial units with maisonette flats above, and workshops. A number of the shop units had become vacant and the redevelopment of this site will enhance the area and remove a potential blight vulnerable to anti-social behaviour.

8 REGARD TO THE NHS CONSTITUTION

Not applicable.

9 EQUALITY IMPACT ASSESSMENT (EIA)

9.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because the report does not contain proposals for new or changing policies, services or functions, or decisions about implementation of policies development outside the Council

Yes

10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

10.1 None

11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

11.1 Executive Board report and minutes, 20 September 2011, "Housing Revenue Account Self Financing Programme – future implications for council housing stock"

11.2 Delegated Decision 1963: Decommissioning and Demolition of Church Square Lenton, 27 April 2015.

12 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT

Philippa Mckenna, Senior Development Manager NCH
Philippa.Mckenna@nottinghamcityhomes.org.uk
0115 8762099

Julie Dorrington, Finance Analyst (Housing)
Julie.dorrington@nottinghamcity.gov.uk
0115 8764617

Malcolm Townroe, Head of Legal Services
Malcolm.townroe@nottinghamcity.gov.uk
0115 8764332

Jason Straw, Accountant/Nottingham City Homes
Jason.straw@nottinghamcityhomes.org.uk
0115 9157372

Rod Martin, Registered Valuer / Development Manager, Strategic Property –
Development Property Plus
Rod.martin@nottinghamcity.gov.uk
0115 8763075