

NOTTINGHAM CITY HOMES

**REPORT OF REPORT OF THE DIRECTOR OF
PROPERTY SERVICES**

**THE BOARD
18 SEPTEMBER 2008**

NOTTINGHAM CITY COUNCIL - STRATEGIC REGENERATION INITIATIVES

1 SUMMARY

- 1.1 The purpose of this report is to provide the Board with information on the current regeneration initiatives being undertaken by Nottingham City Council (NCC) and to outline their relevance to Nottingham City Homes (NCH)

2 RECOMMENDATIONS

It is recommended that the Board:

- 2.1 Note the contents of this report and the information contained within;
- Appendix 1 - Housing Strategic Partnership Board Report September 08 – Current Housing PFI Round,
 - Appendix 2 - Transforming Neighbourhoods Working Group Report Sept 08 - Update on the process of developing Strategic Regeneration Frameworks (SRFs) for Nottingham
 - Appendix 3 - Transforming Neighbourhoods Working Group Report Sept 08 - The Establishment of Local Housing Company for Nottingham

3 REPORT

- 3.1 Nottingham City Council is committed to improving its neighbourhoods through major transformation. The appendices enclosed outline three of the current approaches being undertaken by the Council. NCH are providing support and expertise to all of these projects which have the potential to have a real and lasting impact upon Nottingham.
- 3.2 The 6th round of Housing PFI (Private Finance Initiative) was announced on 2 July 2008 requesting expressions of interest in both HRA (Housing Revenue Account) and non-HRA schemes to use up to £1.875bn of PFI credits. The City Council, supported by NCH is currently investigating

the use of Housing PFI as one of the potential funding streams to support the Neighbourhood Transformation Programme.

- 3.3 The Strategic Regeneration Frameworks programme for North West Nottingham is progressing and the 2nd draft is now in consultation . A third draft of the SRF will be produced in September and a final draft on 13th October 2008.
- 3.4 Nottingham City Council is in the first wave of LA's to establish a Local Housing Company (LHC). Nottingham's LHC will be a key tool for the City Council to use to deliver up to new housing on its land and to redevelop to provide more appropriate housing some of which will be managed by NCH.

4 OTHER OPTIONS

- 4.1 None

5 FINANCIAL & RISK IMPLICATIONS

- 5.1 NCH will be receiving funds to deliver Decent Homes for all current properties; any potential reductions through a PFI bid could reduce the sum available. Discussions with the CLG have however indicated that if Nottingham were successful with an HRA PFI bid they would not reduce any of the funding already agreed for NCH.
- 5.2 Any delay to the progress of the SRF's could have negative implications for the NCH 5 year investment strategy contained within the Asset Management Strategy.
- 5.3 While housing market conditions remain volatile, there is a possibility of financial pressures causing some schemes to be high risk.

6 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

- 6.1 Potentially any PFI bid could reduce the numbers of homes managed by NCH and therefore reduce income into the company. There is the potential for the homes to be managed by NCH however If the homes were transferred from NCH then there could be TUPE implications.
- 6.2 The Strategic Regeneration Frameworks programme for North West Nottingham has the potential to positively transform the area and to contribute to NCH's goals and vision.
- 6.3 Nottingham City Council has set a target of delivering 5000 affordable homes owned by the City Council over the next ten years. It is likely that

up to 25% of these will be managed by NCH.

7 VALUE FOR MONEY & EFFICIENCY ISSUES

- 7.1 These projects are currently in the planning and development phase and will be subject to major procurement exercises in due course.

8 EQUALITY & DIVERSITY IMPLICATIONS

- 8.1 These programmes will advance the cause of the communities of interest within Nottingham

9 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 9.1 Housing Strategic Partnership Board Report September 08 – Current Housing PFI Round, Transforming Neighbourhoods Working Group Report Sept 08 - Update on the process of developing Strategic Regeneration Frameworks (SRFs) for Nottingham, Transforming Neighbourhoods Working Group Report Sept 08 - The Establishment of Local Housing Company for Nottingham

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Appendix 1

Housing Strategic Partnership Board September 2008

Current Housing PFI Round

Summary

This report is to advise the Housing Strategic Partnership Board about the current round of Housing Private Finance Initiative (PFI).

The City Council is currently investigating the use of Housing PFI as one of the potential funding streams to support the Neighbourhood Transformation Programme, and would welcome the views of its partners regarding the suitability of Housing PFI in Nottingham.

Background

The 6th round of Housing PFI (Private Finance Initiative) was announced on 2 July 2008 requesting expressions of interest in both HRA (Housing Revenue Account) and non-HRA schemes to use up to £1.875bn of PFI credits. The bids will be assessed on a nationally competitive basis. Communities and Local Government (CLG) are expecting bids in excess of £100 million+ capital value to provide scale, drive value for money and gain market response.

CLG state that priority will be give to projects that deliver a range of outputs contributing to regeneration and the creation of sustainable communities; proposals are encouraged that demonstrate more than one of the following:

- A re-positioning of estates and their neighbourhoods in terms of quality and diversity of housing, reputation and demand
- A comprehensive approach to a broad policy agenda which includes tackling worklessness, community empowerment, and enhanced design and quality
- A recognition of service led solutions must complement bricks and mortar ones
- A “thematic” approach to stock needs (e.g. addressing problems with sheltered housing)
- An increase in affordable rented housing particularly where this addresses the needs of specific client groups, especially those socially excluded.

What is an HRA PFI?

PFI is used by both central and local government. In the case of HRA PFI, which is procured by Local Authorities, the funding of the capital cost of regenerating council estates is given by central government in the form of PFI credits. These

credits pay for the necessary cost of capital borrowing over the 25/30 year life of the scheme. Work is carried out by a PFI provider to the Councils specification and payments are based on their performance.

HRA PFI is one of three options available to Local Authorities to improve their own Housing Stock (others are ALMO and stock transfer). Nottingham already has approval for additional funding for Nottingham City Homes (ALMO) subject to them achieving 2 stars in their upcoming inspection later this year.

Early discussions with the CLG have indicated that if Nottingham were successful with an HRA PFI bid they would not reduce any of the funding already agreed for NCH (Nottingham City Homes). Therefore any approved PFI credits would be additional funding. In a HRA PFI the:

- Properties remain in City Council ownership.
- Tenants will remain City Council tenants with the same rights and responsibilities.
- Nottingham City Council will set the rents, practices, policies and procedures.
- Tenants still have the right to buy their homes.

Key issues for HRA Private Finance Initiative projects

PFI projects have traditionally been able to deliver significant amounts of capital for estates that require substantial intervention such as:

- Extensive remodelling including introducing traditional street patterns, turning houses around to face the road etc.
- Capital investment will be used to substantially improve and maintain the properties over a 25/30 year period.
- Typically all homes would receive new kitchen, new bathroom, rewired, reroofed new windows and environmental works in vicinity, including new walls and railings.
- Demolition of unpopular housing.
- Development of all necessary infrastructures.
- New build council housing to replace any lost homes for tenants who wish to stay in the area.
- Tying in works to homes bought under the Right to Buy scheme.

Appendix 2

TRANSFORMING NEIGHBOURHOODS WORKING GROUP 3rd September 2008

UPDATE ON THE PROGRESS OF DEVELOPING STRATEGIC REGENERATION FRAMEWORKS (SRFs) FOR NOTTINGHAM

The development of the SRF for North West Nottingham (Areas 1, 2 and West) has progressed as follows:

- The **first draft SRF** for North West Nottingham was produced in June 2008. This provided a vision with key objectives and a suggested route to achieving them. A range of options were explored on a continuum from the moderate to the transformational, addressing the interlinked themes of community and residential, access to employment and neighbourhood 'hearts'.
- Consultation in a variety of forms with key stakeholders and residents took place on this first draft.
- A **second draft** which takes on board the consultation was produced in August 2008. The key messages for the North West SRF are outlined in Appendix 1.
- Consultation on the second draft is currently taking place. Consultation with residents will take a variety of forms.
- A third draft of the SRF will be produced in September and a final draft on 13th October to coincide with local democracy week.
- It is intended to report to Area Committees in November and to Executive Board by the latest December 2008.
- If you would like a copy of the full or Executive Summary of the 2nd draft (August 08) of the Strategic Regeneration Framework. Please e-mail joanna.barchet@nottinghamcity.gov.uk. The full document is also available on the nomad plus website but has restricted access. Please e-mail Joanna Barchet for more details.

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Appendix One: Second Draft Strategic Regeneration Framework North West Nottingham – Aug 08

- The key messages of the second draft are:
 - Create a new sense of pride for all: some parts of the North West suffer from a poor image, which affects the opportunities of residents and can discourage people from moving to the area.
 - Aim higher: help everyone to achieve their potential through education, learning the right skills (at any time in life) - building on recent investment in new secondary and primary schools and Children's Centres.
 - Destinations: develop the attractions, services and access to attract visitors to places in the North West, and develop real 'hearts' for communities in the North West.
 - Jobs: develop new, forward-looking, better-connected employment and enterprise opportunities; strengthen connections between local job opportunities and local schools and colleges.
 - Green and open spaces: the North West has lots of green space, but some isn't used as much as it might be, so the aim is to improve the quality and make it easier to enjoy by improving connections.
 - Choice of housing: the aim is offer a wider choice of housing, attractive to newcomers and giving current residents access to a better choice in a better environment
 - Safer communities: reducing crime and the fear of crime, which involves improving the lay-out of some estates. Parks and open spaces should be easily visible, well lit and secure.
 - Better transport links: connections to the city centre are good, but travelling between places across the area (to schools, jobs, shopping, leisure) can be inconvenient. Quality public transport will connect the key areas of North West Nottingham to allow easier access to services and job opportunities.
- North West Nottingham has been broken down into four distinct localities which represent the building blocks of the Vision for the area and the realisation of the thematic priorities for transformation.
- Separate Visions for each locality have been developed alongside the overall North West Vision in order to capture the distinct nature of these localities and the individual roles they will play in delivering against the objectives for change set within the SRF. The 4 areas are:
 - Bulwell and Bulwell Forest
 - Top Valley and Bestwood
 - Cinderhill, Old Basford and Leen Valley
 - Aspley, Broxtowe and Bilborough.

- The draft includes a preferred spatial framework plan, which was based on a more transformational option (as favoured by consultees) for the area. This is the physical manifestation of change for North West Nottingham and is broken down into three key layers:
 - New hearts and links: the creation of new vibrant “beating hearts” for each locality, which will connect communities and be the centre for delivering a critical mass of services, leisure and retail. The 4 hearts will be connected through convenient and accessible transport links.
 - The physical delivery of sustainable communities: Provide a choice of housing which meets the needs of current and future residents to ensure that residents choose to stay within the area. Create new job opportunities and support investment in educational facilities.
 - Green space network: Creating attractive natural green routes which will connect new or improved green spaces. Ensure that all residents are within easy reach of such facilities.
- The next stages of the planning process, which represent a key delivery mechanism for the SRF will include Area Action Plans, Neighbourhood Plans and Masterplans.

Appendix 3

TRANSFORMING NEIGHBOURHOODS WORKING GROUP 3rd September 2008

The Establishment of Local Housing Company for Nottingham

Background

It has been announced by the Government that Nottingham City Council is in the first wave of LAs to establish a Local Housing Company (LHC).

Nottingham's LHC will be a key tool for the City Council to use to deliver new housing on its land and to redevelop to provide more appropriate housing.

Nottingham's LHC will deliver the following types of housing:

- Affordable housing owned by the City Council and managed by our Arms Length Company (Nottingham City Homes).
- Homes for Sale on the Open Market.
- Shared equity affordable homes for first time buyers for low cost sale.

The LHC project is a joint effort between ASHH and E&R, with Neighbourhood Regeneration taking the lead role. A cross-departmental project group has been set up. English Partnerships will act for the Government on LHCs until the new Homes and Communities Agency takes over the responsibility.

Draft LHC proposals

The 2007 Housing Green Paper introduced Local Housing Companies (LHCs) to get Councils to use their surplus land for new housing and to speed up the supply and quality of new homes. This matched our aspirations and we are one of the first four pilot LAs.

Nottingham City Council's Local Housing Company will be a leader in the development of high quality residential housing. Nottingham City Council has set an ambitious target of delivering 5000 homes over the next ten years. Our aim is to use the LHC model to deliver on the housing elements of our SRFs. New and re-provision of housing is an agreed component of the delivering our SRFs.

Nottingham's Local Housing Company Model Overview

Nottingham's LHC will be defined by the following:

- A company formed by the Council and Private Sector Partners to build homes
- The Council will invest surplus land as well as freeing up existing residential land
- Private sector will match this by financial investment into the model
- The LHC will build new homes including affordable homes, social rented managed by NCH and homes sold on the open market.
- The type and range of homes will be agreed with the Council.
- LHC to be a special vehicle for regeneration and development schemes.
- Development partners will take most of the risk of development and take commensurate reward.

Nottingham's LHC Board will have representation from the Council, developers and independents (please refer appended structure diagram). Private sector partners could be from a number of sectors:

- Investors (such as bank, or property development company)
- Housebuilders
- Building contractors or hybrid contractor/developers
- Nottingham City Homes

Partners for the LHCs will be procured through the EU procurement process.

English Partnerships (EP) is providing technical support to the Council and it is providing the Council with consultancy support through Partnerships UK. EP as indicated that it will support the Council with land investment where this fits with its national/regional priorities.

The Council is assembling its potential land sites. Land for 1000 homes has already been identified. The Council will employ a full time planner and architectural support to help the LHC in bringing the developments on quickly.

Strategic Business Case

The benefits of Nottingham's LHC could include the following:

- Increased supply of new homes, including affordable.
- Land investment enabling new homes of a high quality that meet our strategic needs.
- As a partner, the Council will control on site development, e.g. the type of homes built.
- Creating quality schemes with wider choice of quality and tenure options.
- Assist with regeneration of priority areas.
- Market testing shows private sector profit margins reduce when risk is shared with the public sector and a reservoir of land exists.
- LHCs could deliver schemes faster than usual development routes.
- Wider involvement of the local community and stakeholders in major schemes.
- The ability to address broader Council strategies such as mixed use, employment and wider economic and social regeneration objectives.

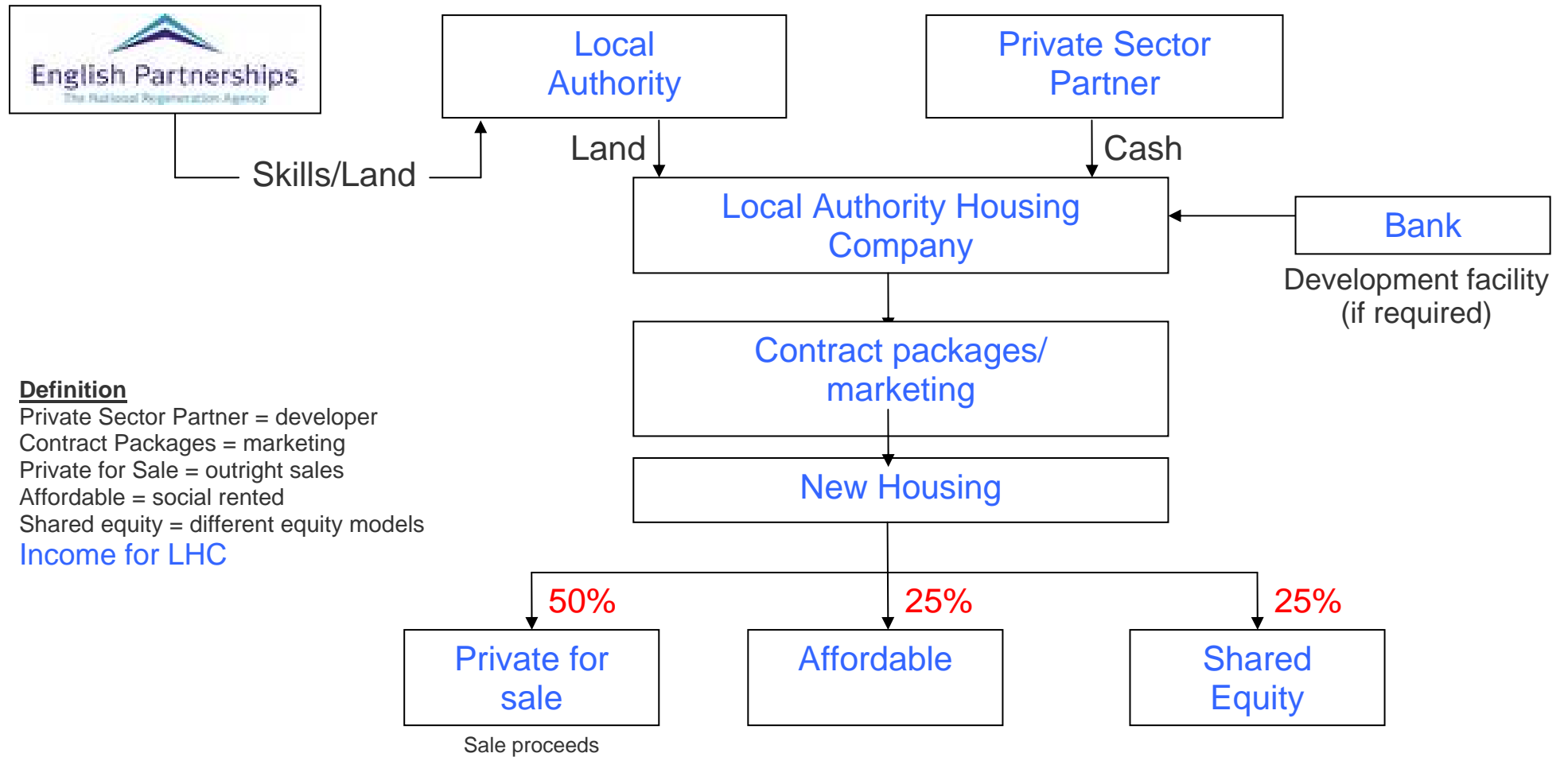
Overall the LHC will deliver the following new homes:

- Affordable housing managed by Nottingham City Homes (25%).
- Homes for sale on the open market (50%).
- Extra shared equity affordable homes for first time buyers for low cost sale. LHCs would retain unsold equity in these homes (25%).

The financial model is being refined at the moment and there may have to be compromises made between aspirations and commercially reality, in order to ensure the company is viable. This may be especially relevant whilst the present housing market conditions remain.

Each site will be assessed on its merit to maximise benefits for the LHC and the City.

Nottingham's Local Housing Company – Proposed Model



Definition

- Private Sector Partner = developer
- Contract Packages = marketing
- Private for Sale = outright sales
- Affordable = social rented
- Shared equity = different equity models
- Income for LHC