

Bolton Council

Report to: The Executive

Date: 27 April 2009

Report of: Director of Development & Regeneration

Report No:

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Report Title: **Establishment of New Build Special Purpose Vehicle (SPV)**

Non Confidential: This report does **not** contain information which warrants its consideration in the absence of the press or members of the public

Purpose: To seek approval from the Executive for the Proposed SPV for New Build element of Transforming Estates

Recommendations:

- To develop an early programme of sites for 2009-12 which will be shared with Members during May
- To support the work to establish a Special Purpose Vehicle to deliver the programme, with a further report to Members on the detailed outcome of the SPV development and a proposed programme
- That frequent update reports on progress be presented following consultations and site proposals

Decision:

Background Doc(s): None

Signed:

Leader / Executive Member

Monitoring Officer

Date:

Summary:

An Outline Business Case (OBC) was produced in July 2008 to demonstrate the feasibility of establishing a Special Purpose Vehicle (SPV) in Bolton to deliver the new-build aspect of 'Transforming Estates'. Since then, discussions have been held between Bolton Council, Bolton at Home and HCA (The Homes and Community Agency) to decide on the most appropriate way forward. The TE programme is identified, alongside Church Wharf, as Bolton's current priorities for the HCA and in meeting Bolton's growth point commitment. Specifically work has progressed positively on:

- Potential sites have been identified with the possibility for development of 4,200 (min) new units. These have been cross referenced with other major programmes internally such as Building Schools for the Future and a presentation has been shared with HCA showing the nature and potential of some example sites.
- Legal structure – this has now been confirmed between Legal Services, Trowers and Hamlin and Pinsent Mason working on behalf of HCA.
- RSL engagement – positive discussions have taken place with RSL Chief Executives on the structure of the vehicle, funding requirements and potential delivery programmes
- Financial work has been carried out on an economic appraisal and the assumptions in the OBC.

1. Background Information

- 1.1 Transforming Estates is a large-scale housing regeneration programme, being developed as a partnership between Bolton Council, Bolton at Home (The Council's Arms Length Management Organisation) and Bolton Community Homes (the local strategic housing partnership encompassing key Registered Social Landlords). The programme includes:
- Great Estates – a joined-up approach to improving the environment on council estates to make them safer and more attractive places to live
 - New build – a partnership approach to develop significant numbers of new affordable homes using Council land on or adjacent to housing estates
 - The Socio-economic offer – a programme of activities aimed at 'narrowing the gap' and enabling our customers to take advantage of economic opportunities coming to Bolton over the next 10 years.
- 1.2 There are two distinct pieces of financial work that have been undertaken with HCA. The first is an economic appraisal of the SPV against other potential delivery models such as a Local Housing Company or Joint Venture. The other is to provide HCA with more detailed information in relation to key financial assumptions for the Special Purpose Vehicle. This allows them to develop a greater understanding of Bolton's proposal and make an informed decision on levels of funding from HCA

2. The Proposed Programme

- 2.1 The programme sets out a twelve year programme of delivery, with the aim to develop 4,200 (min) units across the period. A range of unit numbers has been presented to the HCA at this stage, as some sites may not be deliverable following further investigation and community consultation.
- 2.2 The range of proposed properties covers a wide range of property types of mainly houses but with bungalows and a limited number of apartments
- 2.3 It is likely that the firm approval by HCA would be for an allocation of funding for a 3 year period 2009 – 2012 to deliver approximately 500 affordable units and in principle agreement to the full programme. The original proposal was to start the programme from April 2010, but following funding advice from the HCA the programme would start during 2009/10, using the existing BCH arrangements for the first sites, until the SPV has been legally established.
- 2.4 The programme is projected to deliver 50% affordable rented properties, and 50% for private ownership. The properties for private ownership would not start until 2012/13 to allow for a period of housing market recovery.
- 2.5 The programme aims to bring in a total of £110m in Affordable Housing Grant over the full 12 year programme, and around £18m of investment from HCA across the programme, with the key benefit to the Council being a significant impact in meeting housing need within the borough.
- 2.6 The programme would be delivered in three year tranches, which allows flexibility in delivery, and the opportunity to manage any risks or delivery issues.

3. Site Identification

- 3.1 Possible sites have been identified and shared with officers across the Council for comment and included in the proposed Local Development Framework. Work is under way to identify suitable sites for the initial stage of the programme and these are currently being investigated in terms of viability and strategic fit with other Council Priorities.
- 3.2 Proposed sites will then be shared with Members for comment and a firm programme will be established.
- 3.3 The programme assumes the sites for affordable rented properties will be transferred at nil value for social housing, in line with previous BCH arrangements and national good practice, as the sites are currently within or adjacent to existing social housing estates and the Secretary of State's approval for this will be obtained. The sites for private ownership will be transferred at market value. When the Council receives the return for the land the principle is that it passes it back to the SPV by way of Section 25 grant for further investment into affordable housing.

4. Legal Structure of the New Build Programme

- 4.1 An SPV would be set up to deliver the new build programme. The SPV would procure the construction of the residential units and related services, such as site remediation and master planning, with the Council in accordance with the EU procurement rules. This process of delivery has now been confirmed between Legal Services, Trowers and Hamlin and Pinsent Mason working on behalf of HCA.
- 4.2 The SPV would be a company limited by guarantee with charitable status. It would have an independent Board of Trustees comprising representatives of Bolton Council, Bolton at Home and RSL Partners that would make decisions on programming and monitor delivery. The Council (and Bolton at Home) would have a minority interest in the SPV. The SPV would be overseen through the Stronger Communities Partnership and LSP.
- 4.3 The SPV will agree a priority programme for new build development based on:
- Deliverability and feasibility of schemes
 - Views of Area Regeneration Groups/customers
 - Housing need, demand and priorities
- 4.4 The new build programme will dovetail with the Great Estates programme to ensure that both elements add value to each other.

5. Recommendations

- 5.1 To develop an early programme of sites for 2009-12 which will be shared with Members during May.

- 5.2 To support the work to establish a Special Purpose Vehicle to deliver the programme, with a further report to Members on the detailed outcome of the SPV development and a proposed programme.
- 5.3 That frequent update reports on progress be presented following consultations and site proposals.