

**Report to** Cabinet

13 July 2016

**Report of** Executive head of regeneration and development

**Subject** Norwich Regeneration Ltd- business plan 2016-17

**Item**

**15**

## **KEY DECISION**

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### **Purpose**

To consider the business plan of Norwich Regeneration Ltd.

### **Recommendations**

To approve the:

1. business plan for 2016-17 for Norwich Regeneration Ltd.;
2. business plan for the Norwich and Homes and Communities Agency (HCA) strategic partnership.

### **Corporate and service priorities**

The report helps to meet the corporate priority of a prosperous city.

### **Financial implications**

Under the proposed development model the council will transfer the land at full market value to the proposed housing company in exchange for equity investment and will provide a loan to cover development and other costs. The council will receive an income stream for the general fund through dividends and interest on loans.

The budgeted capital programme for this project for the period from 2016-17 to 2019-20 is currently £13,121,901. The cost of the development and rolled up interest is within the approved capital programme.

**Ward/s:** All

### **Cabinet member:**

Cllr Waters- Leader.

### **Contact officers**

Gwyn Jones, city growth and development manager 01603 212364

Philippa Dransfield, chief accountant 01603 212562

## Background documents

None

# Report

## Background

1. In July 2015 cabinet resolved to approve the establishment of a local housing development company to build, sell and manage houses for sale and rent. The company (Norwich Regeneration Ltd) was incorporated in November 2015 as a company limited by shares, wholly owned by Norwich city council. The articles of association of the company require and the business plan is approved by the council. The company then carries out its business within the parameters of the business plan. The business plan for 2015/16 was approved by Cabinet in January 2016. This report seeks approval for the business plan for 2016-17, which was approved by the board of Norwich Regeneration Ltd at its meeting on 28 June 2016.

## Progress by the company to date

2. The company is currently taking forward one project- Three Score phase 2. This is a 172 dwelling development, of which 112 dwellings will be built to passivhaus standards. The development is intended to include 33% affordable housing (85% social rent, 15% shared equity) with the remainder of the units being private dwellings to be sold or rented on the private market by the company. RG Carter were selected as the contractor under a 2 stage design and build contract. The contract is divided into 4 sections with a break clause between each section. The council has entered into a development agreement to buy the social housing units (18 units) in section 1 and to-date a payment has been made by the council to the company to cover 40% of the build costs.
3. The company has considered programme options for the contract and has selected the programme which provides greatest cost certainty for section 1 of the contract. The company has entered into the pre- construction services agreement with RG Carter and design and other pre construction work is now underway. The contract price will be provided by RG Carter in October and the board will make a decision to proceed to the full construction contract at that point. Subject to that decision, construction is due to start on site by early December 2016, with the show homes and sales office complete by June 2017 and the first homes completed by July 2017.
4. The council agreed in January 2016 to transfer the Three Score phase 2 site to Norwich Regeneration Ltd. The land transfer has been signed by both the council and the company. Registration is awaited, pending removal of a deed of covenant relating to infrastructure at the adjacent Norsecare development which has now been completed.
5. A brief has been issued to procure an agent to deal with the sales and marketing of private homes for sale and rent and for the ongoing management of private rented properties.
6. An updated Business Plan for 2016-17 has been prepared and is attached as a confidential appendix which can be found at item \*17 in this cabinet

agenda. The plan rolls forward programme and budget details for Three Score phase 2 and the operation of the company to 2016-17, covering the lifetime of the Three Score project to 2020. In particular there are the following key elements to note in the revised plan:

- Consideration of future projects- whilst no new projects are included in the plan at this stage, other sites may be included in future (including phase 3 at Three Score) subject to full business cases and if new projects are agreed, an updated version of the business plan will be produced for approval by the council.
- Clarification of the parameters within which the board operates for future projects. This includes the target level of return in site appraisals or viability assessments, and the impact on affordable housing, design and quality standards;
- A scheme of delegation to help to streamline company decision making together with terms of reference for the company governance.

### **Norwich and Homes and Communities Agency (HCA) strategic partnership.**

7. The development at Three Score is inextricably linked with the Norwich and HCA strategic partnership. The partnership brought £8M HCA investment to Norwich. As part of this, the HCA provided funding towards the cost of the construction of the road/ infrastructure to serve the whole development at Three Score. This will serve 1000 homes, care village, open space, community facilities and at least one shop. The road and infrastructure was completed in June 2016.
8. The council donated land for the 172 bed care village, which also levered in a further £4.2m HCA funding through the Care and Support Fund. This was completed in March 2016.
9. The majority of HCA funding has now been spent (with the exception of a payment of £47,500 for fees related to the removal of the 132kv overhead powerlines crossing the Three Score site, which will be completed at the end of 2016).
10. In addition to the Three Score projects, described above. the council has delivered the following projects, since 2009, over the lifetime of the Norwich and HCA strategic partnership:
  - Restoration of the memorial gardens (including a contribution towards the cost of the restoration and relocation of the Lutyens Roll of Honour).
  - Eco retrofit of over 800 council homes
  - 108 new affordable homes on former council owned garage sites
  - A new skate park at Eaton Park
  - Grants for Open 24/7 youth venue and the Narthex (roman catholic cathedral visitor centre).
11. The HCA is now working with the council to bring forward development at Three Score. with phase 2 being the first phase of general needs housing, following completion of the care village (phase1). The HCA have been

invited to be an adviser to the board of Norwich Regeneration Ltd, although the partnership board meeting will continue to meet on an annual basis to report on delivery of housing outcomes at Three Score. The partnership is required to have a business plan in place. This was approved by the strategic board of the partnership at its meeting on 28 June 2016. The outcomes mirror those in the business plan of Norwich Regeneration Ltd. The business plan of the partnership is attached as Appendix 1 to this report.

## Integrated impact assessment



**NORWICH**  
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with completing the assessment can be found [here](#). Delete this row after completion

### Report author to complete

|                  |   |
|------------------|---|
| Committee:       | Cabinet   |
| Committee date:  | 13 July 2016  |
| Head of service: | Andy Watt   |
| Report subject:  | Development company business plan                         |
| Date assessed:   | 20/06/2016  |
| Description:     | To approve the business plan of Norwich Regeneration Ltd. |

|   | Impact                              |                                     |                          |  |
|---|-------------------------------------|-------------------------------------|--------------------------|--|
| Economic<br>(please add an 'x' as appropriate)                                | Neutral                             | Positive                            | Negative                 | Comments   |
| Finance (value for money)   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | Will generate an income stream for the council's general fund  |
| Other departments and services<br>e.g. office facilities, customer<br>contact | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The company will purchase services from the council  |
| ICT services  | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> |  |
| Economic development  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | Will deliver construction jobs   |
| Financial inclusion   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | Will deliver affordable housing  |
| Social<br>(please add an 'x' as appropriate)                                  | Neutral                             | Positive                            | Negative                 | Comments   |
| Safeguarding children and adults  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |  |
| <u>S17 crime and disorder act 1998</u>  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |  |
| Human Rights Act 1998   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |  |
| Health and well being   | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | Will create high quality new housing development which encourages a healthy lifestyle (emphasis on walking and cycling)and provides homes which provide a healthy environment (passivhaus) |

|  | Impact                              |                                     |                                     |   |
|--|-------------------------------------|-------------------------------------|-------------------------------------|---|
| Equality and diversity<br>(please add an 'x' as appropriate) | Neutral                             | Positive                            | Negative                            | Comments  |
| Relations between groups<br>(cohesion)                       | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |   |
| Eliminating discrimination and harassment                    | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |   |
| Advancing equality of opportunity                            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | Delivers new affordable housing   |
| Environmental<br>(please add an 'x' as appropriate)          | Neutral                             | Positive                            | Negative                            | Comments  |
| Transportation   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Whilst the report results in new development , it will be taken forward in a way that reduces the impact on the envoronment |
| Natural and built environment                                | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | As above  |
| Waste minimisation and resource use                          | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | As above  |
| Pollution  | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | As above  |
| Sustainable procurement                                      | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | As above  |
| Energy and climate change                                    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | As above  |
| (Please add an 'x' as appropriate)                           | Neutral                             | Positive                            | Negative                            | Comments  |



|                 |                          |                          |                          |  |
|-----------------|--------------------------|--------------------------|--------------------------|--|
|                 | Impact                   |                          |                          |  |
| Risk management | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |  |

| Recommendations from impact assessment  |  |  |  |  |
|---|--|--|--|--|
| Positive  |  |  |  |  |
| The report will result in positive economic benefits for the council and the city                                       |  |  |  |  |
| Negative  |  |  |  |  |
| Whilst there are some negative impacts from development, the quality of development will minimise environmental impacts |  |  |  |  |
| Neutral   |  |  |  |  |
|   |  |  |  |  |
| Issues  |  |  |  |  |
|   |  |  |  |  |



**Business plan for the Norwich City Council and Homes and  
Communities Agency strategic partnership**

**April 2016 to March 2017**

## **Foreword – NCC and HCA**

## **Table of Contents**

## **Overview**

1. In September 2009, Norwich City Council (NCC) and the Homes and Communities Agency (HCA) entered into a collaboration and investment agreement (CIA), which established the Norwich and HCA strategic partnership (NAHCASP). The CIA sets out the formal legal basis for the partnership and the objectives that would be achieved over its 10 year life. The original business plan forms part of the CIA and sets out the short-term outputs and outcomes that were to be achieved. The CIA requires the business plan to be updated at least annually and that any variation to the business plan requires the prior consent of NAHCASP strategic board.
2. This business plan covers the financial year 2016-7.
3. The NAHCASP is based on the combination of assets from NCC and investment from the HCA. The initial £8m investment from HCA has now been fully spent and outputs/ outcomes delivered. The approach to development at Three Score phase 2 is via a company (Norwich Regeneration Ltd) wholly owned by Norwich city council. There will be housing outcomes attributable to the HCA investment in the road/ infrastructure which now need to be monitored.

## **Partnership vision**

4. The partnership's vision and over-arching objective is to deliver and strengthen sustainable communities through innovative approaches to joint working.

## **Strategic objectives**

5. The strategic objectives for the partnership are to:
  - accelerate the delivery of affordable homes
  - increase the supply of private homes
  - improve the quality of existing homes
  - maximise the opportunities for local employment
  - deliver early outputs
  - create sustainable communities

- deliver strategic regeneration projects within Norwich such as eco retrofit programme or estate renewal.

### **Performance management**

6. Performance is monitored on an annual basis by the implementation board and strategic board, following changes to the CIA governance made through a deed of variation.

### **Risk management**

7. Individual project risk and issues registers are maintained by the individual project managers. A risk register is maintained for Three Score phase 2 for Norwich city council and Norwich Regeneration Ltd and any other partnership specific risks will be logged on a separate register. Risks are reported to the implementation board and strategic board on an annual basis so that appropriate steps can be taken to manage and mitigate these.

### **Partnership governance**

8. The partnership governance structure is established through the CIA and is shown in appendix one. The strategic board and implementation board are now well established and are now intended to meet on an annual basis to monitor high level outcomes.

### **Cost control and reporting**

9. The financing of phase 2 is via a loan from Norwich city council to Norwich Regeneration Ltd. Reporting is dealt with through the company board and Norwich city council's normal reporting arrangements.
10. According to the terms of the CIA, (paras 8.1(d) and (e) and para 8.30), the partnership is required to agree how the proceeds of the joint venture account should be used. There is currently no outstanding funding in the joint venture account. The council has purchased 22,000 shares at £100 each in Norwich Regeneration Ltd to allow the company to purchase the Three Score phase 2 site. The strategic board has agreed that the phase 2 development should take place according to the model outlined in

paragraph 18 of this business plan. There are therefore no proceeds of land disposal on which any decision is required at this stage. This may change for future phases of development at Three Score.

## **Delivery in 2015-16**

### ***Budget and expenditure in 2015-16***

11. The following table shows the total allocation of funds for 2015-6 along with the actual year-end expenditure.

| <b><u>NAHCASP Workstreams</u></b> | <b><u>Budget</u></b> | <b><u>Actual</u></b> | <b><u>Variance</u></b> |
|-----------------------------------|----------------------|----------------------|------------------------|
| Programme Management              | £59,012              | £34,155              | (£24,857)              |
| Strategic Priorities (Bowthorpe)  | £1,435,510           | £1,460,367           | £24,857                |
| <b>TOTAL NAHCASP</b>              | <b>£1,494,522</b>    | <b>£1,494,521</b>    | <b>(£0)</b>            |

12. The above “programme management” expenditure can be analysed as follows:

| <b><u>Programme Management</u></b>   |                      |                      |                        |
|--|----------------------|----------------------|------------------------|
| <b>Budget as at 01/04/2015</b>   | <b>£59,012</b>       |                      |                        |
| <b><u>Allocations</u></b>  | <b><u>Budget</u></b> | <b><u>Actual</u></b> | <b><u>Variance</u></b> |
| Project Direction  | £17,000              | £2,860               | (£14,140)              |
| Project Director Contingency   | £1,512               | £6                   | (£1,506)               |
| <i>Other</i>   |                      | £0                   |                        |
| Bowthorpe Programme Management   | £35,000              | £31,289              | (£3,711)               |
| Bowthorpe Transportation Advice  | £5,000               | £0                   | (£5,000)               |
| Bowthorpe Community Engagement Advice  | £500                 | £0                   | (£500)                 |
| Remaining Programme Management HCA funding - used to fund Strategic priorities | £0                   | £24,857              | £24,857                |
| <b>TOTAL PROGRAMME MANAGEMENT</b>  | <b>£59,012</b>       | <b>£59,012</b>       | <b>(£0)</b>            |
| <b><i>Programme Management Balance</i></b>                                     | <b>£0</b>            |                      |                        |

13. The “strategic priorities” expenditure can be further analysed as follows:

| <b><u>Strategic Priorities</u></b>  |                       |                      |                        |
|---|-----------------------|----------------------|------------------------|
| <b>Approved Budget as at 01/04/2015</b>   | <b>£1,483,010</b>     |                      |                        |
| <b><u>Allocations (Bowthorpe)</u></b>   | <b><u>Budget</u></b>  | <b><u>Actual</u></b> | <b><u>Variance</u></b> |
| Bowthorpe Overhead Line   | £0                    | £0                   | £0                     |
| Bowthorpe Infrastructure Strategy & Brief   | £0                    | £0                   | £0                     |
| Contingency   | £0                    | £0                   | £0                     |
| Construction of Road/Infrastructure - <i>HCA Funding</i>                          | £1,433,391            | £1,433,391           | £0                     |
|   |                       | <i>NCC Funding</i>   |                        |
|   |                       | £1,012,794           |                        |
| Remaining Programme Management HCA funding -<br>used to fund Strategic priorities |                       | £24,857              |                        |
| Memorial Gardens  | £2,119                | £2,119               | £0                     |
| <b>TOTAL</b>  | <b>£1,435,510</b>     | <b>£2,473,161</b>    | <b>£0</b>              |
| <b><i>Strategic Priorities Balance</i></b>  | <b><i>£47,500</i></b> |                      |                        |

The variance shown against the construction of the road/infrastructure represents expenditure to be funded from the Norwich city council contribution.

£47,500 remains as a commitment to be spent in 2016-17 on completion of the undergrounding of the overhead electricity lines.



## **Progress in 2015-16**

14. The NAHCASP has made considerable progress over the last year. The partnership focused its attention on the development of Three Score:

- Infrastructure to serve the whole development
- Housing with care and dementia care facility
- Phase 2 housing
- Memorial gardens project- final element involving the restoration and relocation of the Lutyens roll of honour
- The employment and skills supply side package, “Building Futures in Norwich”, is an integral part of the construction projects.

### ***Infrastructure to serve the whole development***

15. The road/ infrastructure was completed by Tarmac in May 2016. The northern stretch of the road is already in use to serve the housing with care/ dementia care facility.

16. HCA funds were fully spent and the council is funding the balance of costs. There are still some negotiations over the final price for the contract.

17. Work commenced on the undergrounding of the 132kv overhead lines crossing the Three Score site.

### ***Housing with care and dementia care facility***

18. The care village facility was completed in March 2016 and opened to residents in April 2016.

### ***Phase 2 housing***

19. During 2015-16, it became clear that rather than the council taking forward phase 2 as direct developer, a wholly owned council company would need to be set up. Norwich Regeneration Ltd was incorporated on 13 November 2015 and is now responsible for carrying out the development of phase 2 at Three Score. The development is based on the following model:

- The council transfers the development site to the company at full market value
- The council takes out an equity investment in the company to allow the company to acquire the site
- The council loans funds to the company to build the houses and pay for services from the council
- The company lets a construction contract, builds the houses and then sells and rents houses on the private market
- The council buys the social housing units from the company at build cost via the HRA (subject to funding)
- The council provides services to the company via a Service Level Agreement
- The council receives income for the general fund through the repayment of the loan and any dividends.

20. Planning consent was granted for phase 2 in June 2015. The scheme consists of 172 dwellings, of which 112 are to be to passivhaus standards. This makes it the largest development of its kind anywhere in the UK. 33% affordable housing will be provided.

21. RG Carter were appointed as contractor for phase 2 under a 2 stage design and build contract. Design work has commenced.

***The employment and skills supply side package, Building Futures in Norwich.***

22. Building Futures in Norwich has not been rigorously adhered to in the road/ infrastructure project and care village project. The wording of the requirements has been made for explicit so under phase 2, this is now a contractual requirement.

**Memorial Gardens project.**

HCA funds have been spent. Fund raising has been successful and the £2,110 HCA funding has levered in a further £44,980 from the following sources:

- Carters- £5,000
- War Memorials Trust London- £22,490
- Geoffrey Watling Foundation- £7,500
- Town Close Estates- £10,000

The restoration has commenced and the project will be completed by November 2016 for Remembrance Day.

### **Priorities for April 2016 to March 2017**

23. The main priorities for the coming year are:

- The commencement of the development of Three Score phase 2 housing. The partnership will monitor the delivery of housing outcomes delivered as a consequence of the HCA investment in the road/ infrastructure ;
- Completion of the undergrounding of the 132kv overhead lines crossing the Three Score site. (£47,500 remains as a budget commitment in 2016-17 to be paid on completion of these works);
- The employment and skills supply side package, “Building Futures in Norwich”, will form an integral part of the project.
- The Memorial gardens project will be monitored to ensure the opening of the roll of honour in November 2016.
- Consideration will be given to the next phase of development at Three Score – to form phase 3.

### ***Phase 2 housing***

24. Detailed reporting of phase 2 housing will be via the board of Norwich Regeneration Ltd. HCA has been invited to be an adviser to the board of the company. NAHCASP will monitor progress on the delivery of housing outputs and outcomes against key milestones set out in Table 1.

25. Key dates include:

- Start on site- December 2016
- First homes available for sale-July 2017

### ***Completion of the undergrounding of the 132kv overhead lines crossing the Three Score site;***

26. The undergrounding of the 132kv overhead lines crossing the Three Score site should be completed by December 2016. (£47,500 remains as

a budget commitment in 2016-17 to be paid on completion of these works).

***The employment and skills supply side package, Building Futures in Norwich.***

27. This is now a contractual requirement of phase 2 and outputs will be monitored by the board of Norwich Regeneration Ltd.

***Future phases of development at Three score.***

28. The council will fund initial feasibility for development of Three Score phase 3 to be carried out by Hamson Barron Smith. During the course of 2016-7, the partnership will consider how this development should be taken forward. Any issues e.g. land disposal which under the terms of the CIA require a decision of the strategic board will be dealt with via e-mail.

***Memorial gardens***

29. Completion of the project is expected in November 2016 so progress will be monitored.

**Other resources for delivery**

***Programme management***

30. The £500,000 programme management budget, which was established in the original business plan in 2009 to cover the costs of project management relating to the original regeneration projects to be delivered by March 2011, has now been spent. Norwich city council will continue to provide the project director role at no cost to the partnership.

**Communications plan and activities**

31. The CIA requires a communications plan to be developed for the partnership. This was approved initially by the strategic board in November 2009. The document is a living document and is updated regularly to respond to changing circumstances and specific communications activities.

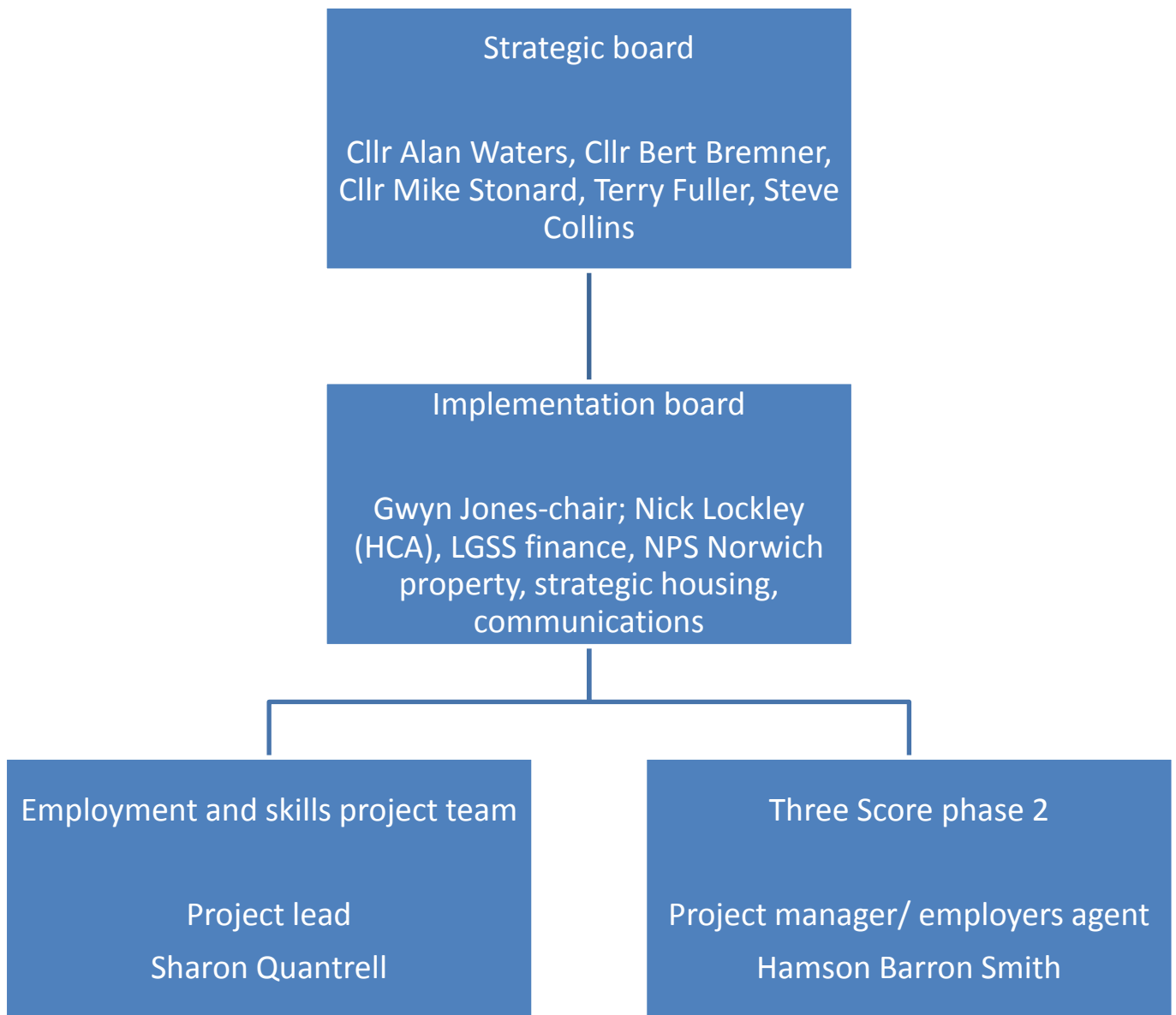
32. A communications protocol has also been agreed which ensures that there is an agreed process (between HCA and NCC) for agreeing press releases and handling media enquiries.

### **Case studies and awards**

33. The HCA has developed a case study about the partnership for its website and its skills and knowledge directorate has developed a case study on the learning aspects of the partnership's activity. There is a general presumption that the partnership welcomes showcasing activity where there is no cost to the partnership.

34. The partnership will continue to promote its achievements through future awards.

## Appendix 1- Governance structure – June 2016



**Table 1 Project outputs, outcomes, milestones etc.**

| Project     | Outputs/ Outcomes  | Key milestones 2016/17 (and 2017/18)   |
|-------------|--|--|
| Three Score | <p>Completion of construction of road/ infrastructure to serve whole development</p> <p>Phase 2 start on site (section 1 plus infrastructure)</p> <p>Completion of the undergrounding of the 132kv overhead lines crossing the Three Score site</p> <p>Completion of show homes.</p> <p>Completion of blocks 1-5 (41 dwellings)- 29 private, x12 affordable as detailed below:</p> <ul style="list-style-type: none"> <li>• Completion of Block 1 = 5 dwellings</li> <li>• Completion of Block 2 = 9 dwellings</li> <li>• Completion of Block 3 = 7dwellings of which 3 are affordable</li> <li>• Completion of Block 4 = 8 dwellings</li> <li>• Completion of Block 5 = 12 dwellings of which 9 are affordable</li> </ul> <p>10% new entrant target achieved through building</p> | <p>May 2016</p> <p>December 2016</p> <p>December 2016.</p> <p>July 2017</p> <p>End of March 2018</p> <p>End of July 2017</p> <p>End of Aug 2017</p> <p>End of Oct 2017</p> <p>End of Dec 2017</p> <p>End of Feb 2018</p> <p>March 2017</p> |

|                  |   |                         |
|------------------|---|-------------------------|
|                  | futures in Norwich<br>Phase 3 feasibility commenced<br>Approach to delivery of phase 3 agreed | July 2016<br>March 2017 |
| Memorial Gardens | Restoration of roll of honour complete  | November 2016           |