

RECOMMENDATIONS TO CABINET – 6TH DECEMBER 2011 FROM THE REGENERATION, ENVIRONMENT AND COMMUNITY PANEL MEETING HELD ON 30TH NOVEMBER 2011

REC38: HOUSING INVESTMENT – PROMOTING ECONOMIC GROWTH IN WEST NORFOLK

The Strategic Housing and Community Safety Manager presented the report which dealt with two separate proposals relating to housing investment. He apologised for any confusion as a result of references to the proposals regarding the Local Authority Mortgage Scheme remaining in the report and advised that these proposals would be brought forward in the future as a separate report.

The report covered proposals to adopt a new approach to investing in affordable housing and a specific proposal with Freebridge Community Housing to utilise affordable housing funds.

The Strategic Housing and Community Safety Manager explained that Freebridge Community Housing had identified a number of new sites for the development of new affordable housing in the Borough, but they could not consider developing the sites because of the requirement to pay the Council, on each site, a sum equivalent to half of the value of the uplift in value due to the change in use following the grant of planning permission to development land. This 'claw back' arrangement had been put in place at the time of the Housing Stock transfer.

The Panel was informed that it was proposed to use funding from the Council's existing available capital resources for affordable housing to fund the schemes to a value equal to the sum that would be owed to the Council under the 'claw back' arrangement thus making the scheme cost neutral.

The Strategic Housing and Community Safety Manager explained that the second part of the report dealt with investment approaches to affordable housing to move away from 'gifted' resources. He explained that opportunities were being looked at to invest in affordable housing capital so that the Council saw a return in the long term, rather than taking a public funding role.

The Panel was informed that in April 2012 considerable changes would be implemented to the affordable housing scheme which would see a defaulted five year tenancy agreement and various changes relating to the rent regime. It was therefore essential for the Council to adopt a 'something for something' approach. The Council currently 'pump primed' investment by providing small levels of direct subsidy to reduce the level of Homes and Communities Agency grant required, so making the grant bid more attractive. However, the Council did not benefit from any return or capital growth.

The Chairman invited questions from the Panel, some of which are summarised below:

Councillor Collop asked for examples of the type of investment opportunities that would be looked at. The Strategic Housing and Community Safety Manager explained that various investment opportunities would be looked at and he referred to Appendix B of the report which was a model established by the Homes and Communities Agency. Councillor Collop explained that it was important to bear in mind the fluid market conditions and asked that the Panel be kept informed of progress and made aware of specific investment opportunities in advance. The Strategic Housing and Community Safety Manager explained that the specific proposals would be brought back to the Panel and Cabinet for consideration in due course. This report was merely a 'heads up' to inform Members that the Council needed to look at a new approach to Housing investment. He confirmed that stakeholders and the Council's registered providers and development partners would be consulted and included in any development work or specialist advice which may be required.

The Chief Executive drew the Panel's attention to the key principles as set out in the report at point 3.4 and suggested that if Members were in agreement with these, any models for potential investment would fit in line with these principles.

In response to a question from Councillor Pitcher, the Strategic Housing and Community Safety Manager explained that funding sources for affordable housing could take many forms and it would be dependent on what was available at the time. He reminded those present that cash via commuted sums in lieu of onsite affordable housing provision was currently obtained via Section 106 agreements, but in the future it could possibly be available through the Community Infrastructure Levy instead.

Councillor Langwade referred to one of the key principles which related to committing funding to sustainable affordable housing, whilst retaining an interest and benefitting from some form of return. He questioned if the return was anticipated to be in the short or long term. The Strategic Housing and Community Safety Manager explained that it could be both, and would be dependent on the models used for investment.

Councillor Chenery of Horsburgh referred to the second key principle which explained that the Council would follow a 'something for something' approach to investment and queried what the approach would be. The Strategic Housing and Community Safety Manager explained that it would simply be that if the Council subsidised schemes they would receive a stake or return, the Council would no longer gift resources.

Councillor Crofts referred to the development proposals relating to Freebridge Community Housing and asked for clarification on the garage sites which had been identified by Freebridge for the provision of affordable housing. The Strategic Housing and Community Safety Manager explained that he was unaware of the specific sites available, but could confirm that the largest development on one site would be no more than seven affordable homes and all sites were owned by Freebridge Community Housing. Councillor Pitcher explained that he was aware of an area within his ward that would be ideal for development, but was owned by the Council

and agreed to liaise with the Strategic Housing and Community Safety Manager on the issue.

In response to a question from Councillor Collop on the criteria for applying for affordable housing, the Strategic Housing and Community Safety Manager explained that the Council had set criteria which people had to meet to qualify for affordable housing and this would remain in place.

Councillor Lovett referred to the Council's Affordable Housing Policy and asked if this would need to be revised in light of the proposals. The Strategic Housing and Community Safety Manager explained that it would be revisited and Members would have the opportunity to view any changes to the Policy. He confirmed that work was also ongoing to bring an updated Housing Allocations Scheme to fruition which was required as part of the Localism Bill.

RESOLVED: That Cabinet be informed that the Regeneration, Environment and Community Panel support the recommendations to Cabinet as follows:

That Cabinet:

1. Approve the first phase of the scheme to allocate £213,645 of S106 affordable housing funds to Freebridge Community Housing (FCH) for the initiative outlined in section 1 of the report, and to delegate authority to the Executive Director Environmental Health & Housing in consultation with Portfolio Holder Community to authorise payments on a scheme by scheme basis.
2. Endorse the principles of a new approach to investing in affordable housing subject to further work on examining alternative approaches to investment.

REC39: **HILLINGTON SQUARE**

The Chief Executive presented the report which considered a request from Freebridge Community Housing Association, for the Council to formally approve its inclusion within the VAT shelter enhancement scheme which had been developed for Hillington Square. The Council were also requested to agree that the Borough Council's share arising from the extension of the scheme be directly reinvested into the enhancement scheme itself.

The Chief Executive explained that Hillington Square was built in the late 1960's. It was of slab block construction and was the Town's only deck access estate. He explained that work was required on the properties to bring them up to the Decent Homes Standard, however, the external fabric, services and communal space also required significant investment in order to bring the buildings and general environment up to a secure and modern condition.

The Panel was informed that the Decent Homes Standard work was estimated at £5.1m. The additional cost for wider improvements was £15.4m. Freebridge Community Housing could fund £9.9m towards the scheme through cost savings and the Council's share of the VAT shelter, but would still be left with a £5.5m gap. Freebridge Community Housing had

investigated meeting the funding gap through the sale of properties, but both Freebridge Community Housing Board and its regulator saw this as high risk in terms of the likelihood of sales and the timing of income received. The Chief Executive explained that it was feasible to extend the VAT agreement with Freebridge Community Housing to incorporate most of the additional improvement costs.

The Chief Executive explained how the VAT Shelter worked and explained that if the scheme went ahead it would be on the basis that the Council reinvested the gains made from the extension of the VAT shelter, resulting in no financial implications for the Council. If the Council did not agree to reinvestment of the VAT then the scheme would not proceed and the £2m from extending the Vat Shelter would not be available.

The Chief Executive felt that it was important for the Town Centre, and West Norfolk as a whole, for the improvements to go ahead and hoped that the scheme would increase value in the surrounding area and improve this important location, which was one of the main approaches to the Town Centre.

The Chairman invited questions from the Panel, some of which are summarised below:

Councillor Langwade noted that, even with the provision of the VAT Shelter extension there would still be a slight funding gap. The Finance and Resources Manager explained that Freebridge Community Housing would be responsible for bridging the funding gap, which could be accomplished by around eleven house sales.

Councillor Chenery of Horsbrugh commended the scheme and explained that he had met a lot of people who lived at Hillington Square and felt that they deserved the redevelopment. He also drew attention to the historic church in the centre of Hillington Square and hoped that the proposals would open up the 'hidden gem'.

Councillor Collop agreed with Councillor Chenery of Horsbrugh and hoped that the scheme would proceed as he felt it had been a long time coming for the residents. He felt that it was important for the work to bring homes up to the Decent Homes Standard to be carried out in tandem with redevelopment work, not after it. The Finance and Resources Manager confirmed that work would be carried out in tandem and would involve some residents temporarily de-cantering to other properties as the work would involve some demolition.

Councillor Beales, Portfolio Holder for Regeneration and Commercial Services informed the Panel that he had viewed the redevelopment plans for the area and commented that they were very inspiring. He explained that Freebridge Community Housing had worked very closely with residents of Hillington Square to ensure that the proposals accommodated their needs. He felt that it would be beneficial for all Members to have the opportunity to view the redevelopment plans at a pre-Council briefing.

The Chief Executive agreed to liaise with the Chief Executive of Freebridge Community Housing to arrange a pre-Council briefing on the plans for Hillington Square.

RESOLVED: That Cabinet be informed that the Regeneration, Environment and Community Panel support the recommendations to Cabinet as follows:

That Cabinet:

1. Endorse and support the proposals produced by Freebridge Community Housing to regenerate the Hillington Square estate.
2. To work with Freebridge Community Housing to secure the inclusion of the comprehensive scheme for Hillington Square within the VAT shelter.
3. To reinvest the Borough Council's share of the additional VAT released directly into the Hillington Square Regeneration Scheme.

REC40: **UPDATE ON PROGRESS CONCERNING NORA JOINT HOUSING VENTURE FOLLOWING NORFOLK COUNTY COUNCIL'S DECISION TO SUSPEND ITS CONTRIBUTION TO THE SCHEME**

The Finance and Resources Manager presented the report which informed Members of the current position in relation to Norfolk County Council funding for the project and sought permission to complete the works outlined in the report to bring the site to a position where it could be fully developed.

He explained that on 10th November 2011 the Council received an email from Norfolk County Council, suspending all works on the NORA site with immediate effect.

The Chairman invited questions from the Panel, some of which are summarised below:

Councillor Collop asked how long Norfolk County Council would be given before they had to make a decision on whether to continue with the Joint Venture or not. The Finance and Resources Manager explained that he had recently met with Norfolk County Council officers on this issue, who had explained that a decision was expected in January 2012 on whether they would be able to continue with NORA works. The Finance and Resources Manager confirmed that Norfolk County Council was aware that in the meantime the Council would be looking for a new developer to take forward the required work.

The Finance and Resources Manager confirmed that if Norfolk County Council choose not to continue to be a part of the Joint Venture and the Council either goes it alone or finds other partners to develop the site, then Norfolk County Council would not be entitled to their share back from any of the other partners.

The Portfolio Holder for Regeneration and Commercial Services commented that it was reasonable for Norfolk County Council to conduct a review in their spending, but it was disappointing that it was at such a late stage. He hoped that the Council could work with them again in the future.

In response to a question from Councillor Langwade, the Finance and Resources Manager explained that tenders to build the first phase of development had been received and based on the tendered figures and other associated costs it was hoped that the first phase of development would make a small profit of £168,150. He explained that the profit could be higher dependent on land value. Specific figures would be presented to the Cabinet in due course.

RESOLVED: That Cabinet be informed that the Regeneration, Environment and Community Panel support the recommendations to Cabinet as follows:

That Cabinet:

1. Approves the continuation of the works described in paragraph 5.3 estimated to be £108,660.
2. Instructs officers to investigate other methods of bringing the site forward.
3. Requires a further report which updates the project plan for phase 1a together with any progress on alternative methods of bringing the site forward, before a contract is let to build the first 19 housing units.

REC42: **LOCAL AUTHORITY LEISURE COMPANY**

The Chief Executive presented the report which provided Members with a progress report on the feasibility work which had been undertaken to examine ways of reducing the cost to the Council on the delivery of its cultural services, without compromising the quality or range of services offered to the public.

He referred to the Government Grant settlement anticipated for 2013/14 and 2014/15. Although the figures had not yet been announced, the Council had assumed that it was likely to have an estimated shortfall of approximately £2.2m. The Chief Executive referred to cost saving measures such as the changes to the refuse and recycling contract and the proposals for the shared Revenues and Benefits Contract which would all assist in meeting the shortfall. The Chief Executive explained that the Council was of the view that further attempts to revisit service reviews would not be productive as there was no slack left in the Authority and capacity was tight. He referred to the Performance Indicators which had been presented to the Resources and Performance Panel the previous evening, and showed that the Council had continued to deliver the same level of performance as it had prior to the reviews a year ago, and he felt that further service reviews would start to have an impact on the services delivered by the Council.

The Panel was informed that the feasibility work had focussed upon the development of a linked Local Authority Company/Independent Trust model which was designed to best meet the Council's objectives and would secure Non Domestic Rates savings of approximately £300,000 per annum and VAT savings of approximately £200,000 per annum.

The Council had been working with both their VAT advisers and legal advisers who had assisted with the creation of the Arts Trust along with the

Borough Council's employment advisers to bring forward a model that would work.

The proposed model was to create an independent trust, with Council representation, which would lease the buildings. The trust would pay a 'peppercorn' rent for the premises. The Council would then commission the provision of charitable activities from the Trust for which it would be paid a management fee by the Council. Separately a local authority company would be established to actually run the facilities on behalf of the trust and staff would be jointly employed by both entities.

Work was being carried out in liaison with the Borough Council's employment advisers to ensure that the joint employment arrangements satisfied the requirements of HMRC.

The Chief Executive recognised that there was still a lot of work to be carried out on the proposals to take them forward to fruition, and he explained that the reason for bringing a report forward at this stage was so that Members were kept well informed and so that work could continue behind the scenes. He explained that he was keen to move the proposals forward as the possible introduction of the localisation of business rates, which would most probably come into effect within the next financial year, would have an impact on the savings that could be achieved.

The Chief Executive drew the Panel's attention to the amended recommendations which had been circulated in advance of the meeting and highlighted the amendments from the original recommendations included within the report.

With regards to recommendation 4, the Chief Executive explained that figures for consultancy support would be capped and details of the amounts would be presented to the Panel and the Cabinet once available.

He realised that recommendation 5, which authorised the Chief Executive, in consultation with the Leader, to set up the trust, did present a slight risk, but he stressed the importance of the need to get things moving. He informed the Panel that they would receive updates as appropriate on progress.

The Chairman invited questions from the Panel as summarised below:

In response to a question from Councillor Langwade, the Chief Executive confirmed that it would be more VAT efficient for the Council to retain responsibility for maintenance and repairs to the buildings and major items of equipment as they would be leased to the Trust on a 'peppercorn' rent.

Councillor Crofts commented that he understood the reasoning for bringing the report forward at an early stage as he knew how long it could take to put the necessary arrangements in place. He asked how many other Local Authorities had gone down the route of establishing a Trust/Company to achieve VAT savings and whether this was something the Government could put a stop to in the future. The Chief Executive explained that two thirds of Local Authorities had already gone down this route, and the

Council's VAT advisers had confirmed that there were no plans for the Government to revisit the arrangements for charitable status.

In response to a question from Councillor Collop, the Chief Executive explained that the following leisure facilities would be included in the proposals:

- Lynnsport
- St James Swimming and Fitness Centre
- Hunstanton Oasis
- Downham Market Sports Centre
- Corn Exchange

Other facilities could be transferred over in the future if required.

Councillor Collop queried if the Princess Theatre and the Arts Centre would be included and the Chief Executive confirmed that negotiations were ongoing with a private operator regarding the Princess Theatre, so it was unlikely that this facility would be included. The Arts Centre was already in the process of being established as a Trust.

Councillor Collop stressed the importance of involving all political group leaders, not just Cabinet members, in the process and keeping them up to date on progress. The Chief Executive explained that as things progressed a further report would be presented to the Panel and Cabinet for consideration and all Members of the Council were welcome to attend those meetings. The Chief Executive drew the Panel's attention to recommendation 3 which explained that a further report on the project implementation and timetable would be presented to the Panel and Cabinet and this would include all key dates.

Councillor Pope, Portfolio Holder for Leisure and Operational Assets commented that he fully supported the proposals and the savings they would achieve.

RESOLVED: That Cabinet be informed that the Regeneration, Environment and Community Panel support the recommendations to Cabinet as follows:

That Cabinet:

1. Endorse the Objectives set out in Section 1.
2. Endorse the model described in Section 2.2 incorporating the creation of an independent charitable Trust and a Local Authority Company.
3. To receive a further report upon the final completion of the feasibility work to include the following:
 - Outline business case
 - More detailed examination of the model proposed
 - Project implementation timetable/plan
4. In light of the need to make early progress on the project to agree to waive Contract Standing Order 8.7 with respect to the procurement of consultancy support.
5. To authorise the Chief Executive in consultation with the Council Leader to set up the Trust.

6. To approve the budget provision as set out in 4.2 of the report.

REC43: **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED: That under Section 100(a)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 1,8,9 and 11 of Part 1 of Schedule 12A to the Act.

REC44: **ST JAMES SWIMMING AND FITNESS CENTRE**

The Executive Director, Leisure and Public Space presented the report which detailed work required at St James' Swimming and Fitness Centre.

The Chairman invited questions from the Panel, some of which are summarised below:

Councillor Bubb queried how the press knew about the proposals as set out within the report, even though the report was exempt. The Executive Director, Leisure and Public Space explained that he had held media briefings with the press to inform them of the proposals. The report was exempt as it contained financial information relating to the tender process.

Councillor Pope, Portfolio Holder for Leisure and Operational Assets congratulated the Executive Director, Leisure and Public Space on how he had dealt with the media.

RESOLVED: That Cabinet be informed that the Regeneration, Environment and Community Panel support the recommendations to Cabinet as set out in the report.