

The logo for Aspire Housing, featuring the word "aspire" in a white, lowercase, sans-serif font above the word "housing" in a smaller, lowercase, sans-serif font, both contained within an orange circle.

aspire
housing



Newcastle-under-Lyme Borough Council
& Aspire Housing Partnership Proposal

Development & Regeneration



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Introduction

Further to the Prospectus for Joint Working adopted by Newcastle under Lyme Borough Council and Aspire Housing in November 2019, and building on a long and successful history of partnership working, the Council and Aspire have agreed areas where there is clear alignment of interest and opportunities for joint working to deliver further benefits for the Borough. The five areas identified in the Prospectus include Development and Regeneration. This paper explores next steps for bringing that to fruition and considers two types of scenario – discrete housing development sites and strategic regeneration projects.

Discrete housing development sites

Shared objectives

Including but not limited to:

- 1) Sustained increase in supply of new housing for sale or rent across all tenure types.
- 2) Kick-start new schemes without expensive development vehicles needing to be established.
- 3) The Council and Aspire to realise the best overall return for their assets from sites with development potential, delivering on their corporate plans in compliance with vires.
- 4) Scope for the Council to take some commercial risk on development in order to realise enhanced return on value or income stream where that would be attractive.
- 5) Solutions for delivery of difficult sites where enabling costs reduce value to nil or negative land value/where not viable for commercial housebuilder.

Aspire's offer

- 1) Aspire's offer includes a range of financial and non-financial benefits as part of the overall package.
- 2) Options for the financial offer for housing development sites on the Council's land include:
 - Land value only at point of sale – the traditional approach where the Council receives a one-off premium at the point of sale based on an open market valuation.
 - Deferred land payment – the price is based on an open market valuation at the point of sale, but payment would be deferred until end of the build/sale to end purchaser(s) and the Council would receive an increased payment reflecting finance cost savings.
 - Overage - the price payable to the Council is based on a residual valuation at the point of sale, but if profit/sales exceed expectations the surplus would be shared with the Council.

- Risk sharing on sale - the Council would 'invest' its land value in the scheme so there is risk and return for the Council – the Council's receipt could go up or down subject to a threshold depending on the level of risk and return proposed.

3) Additional benefits alongside the financial offer may include:

- Enhanced design and quality of housing offer.
- Increased affordable housing delivery and quality above local planning requirements.
- Sustainability outcomes over and above Building Regulations requirements.
- Measurable social value outputs in line with the National Housing Federation's Local Economic Impact Calculator.
- Employment and training deliverables that Aspire would deliver through PM Training.

Partnering framework

1) For discrete sites, where speed and simplicity are important, a Memorandum of Understanding would serve as a framework under which Aspire and the Council can work together to bring these forward. An illustration of how this could work is set out in Appendix 1.

2) Next steps for moving this forward would involve:

- Agreeing the sites to which a Memorandum could apply and any specific parameters.
- Drawing up a Memorandum incorporating these sites.

Strategic regeneration projects

Shared objectives

- 1) Sustained increase in supply of new housing for sale or rent across all tenure types.
- 2) Revitalisation of neighbourhoods and communities where market-led solutions have been unviable.
- 3) Tackling obsolete stock through remodelling or demolition and re-build.
- 4) Releasing land for development and to address the shortage of housing.
- 5) Collaboration with other stakeholders including Staffordshire County Council and 3rd party landowners.
- 6) Additionality through social value capture and increased viability of housing delivery.
- 7) Long term partnering developing trust and understanding to deliver strategic objectives.

Partnering with Aspire

- 1) Aspire's role as development partner would include:
 - Working with the Council on masterplanning and viability assessment of selected regeneration sites and initiatives.
 - Engaging with other stakeholders and providing a united approach with the Council.
 - Leading negotiations with 3rd parties
 - Access to funding through its own treasury arrangements and external grant providers.
 - Project managing discrete development schemes for the partnership.
 - Sharing in the risks and the returns.
- 2) As a development partner, Aspire brings:
 - Strong financial stability and capacity.
 - High governance standards.
 - Aligned expertise in housing, regeneration and building communities – Aspire is not just seeking to make a commercial return.

- Extensive knowledge of the local property market.
- A history of collaborating with the Council across a range of projects including Knutton and Cross Heath Masterplan, with an understanding of the Council and the environment within which it operates.
- An experienced development management team.
- A reputation for delivering excellent building standards and housing supply.
- Mature and successful experience in community engagement and consultation.
- The resources and track record of Aspire's in-house employment and training subsidiary, PM Training.

Partnering framework

A formal collaboration between the Council and Aspire may sit within a contractual agreement or a corporate vehicle set up specifically to deliver the shared objectives. An illustration of these types of arrangement is set out in Appendix 2.

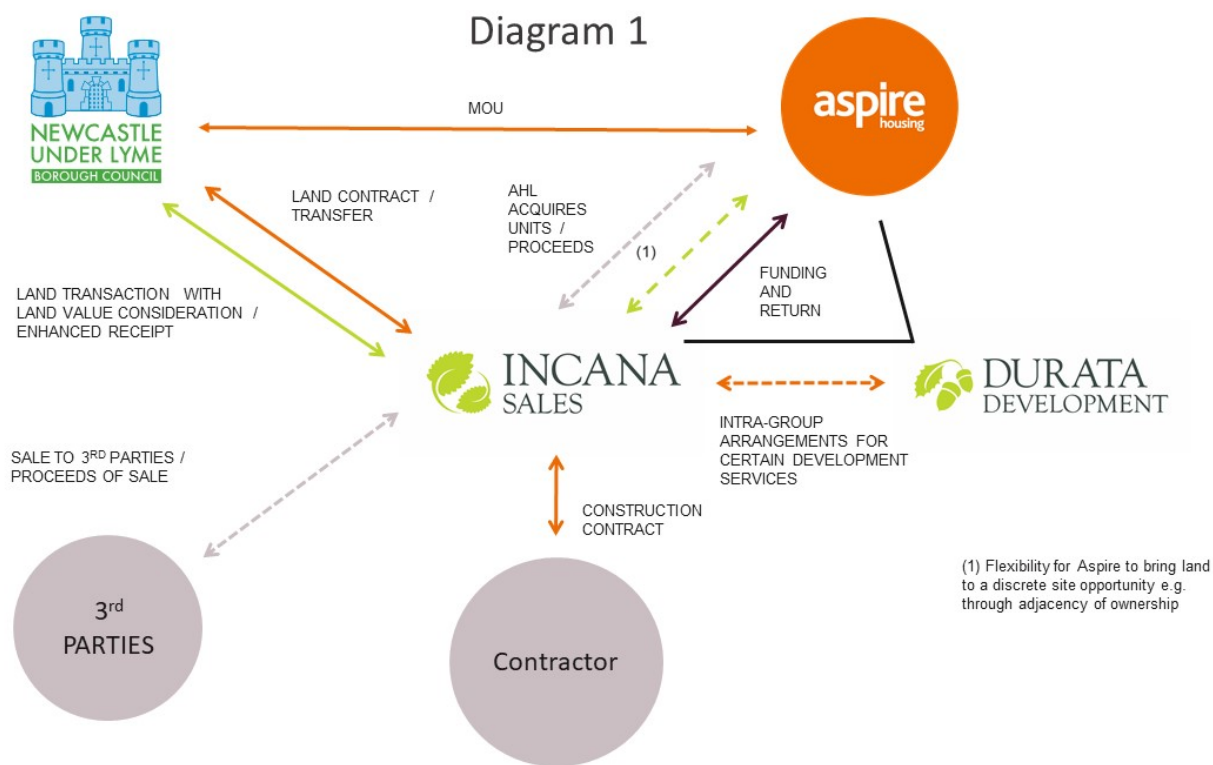
Next steps for moving this forward would include:

- 1) Identifying a geographical scope that the parties would wish the collaboration to cover and specific areas of focus.
- 2) Discussing the roles of the parties, what each can bring and individual objectives.

Appendix 1

Legal framework for discrete sites

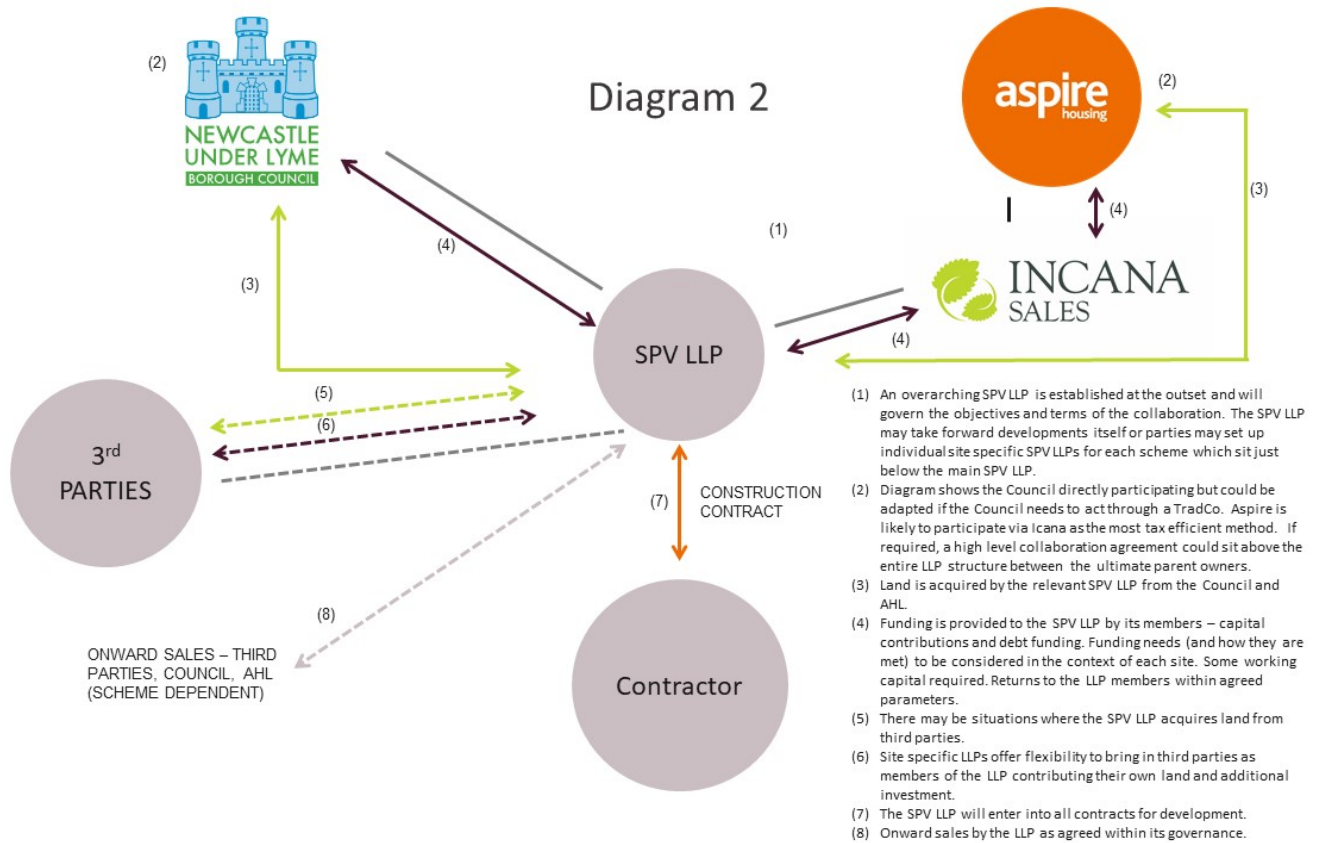
1. The Memorandum of Understanding could cover:
 - The specific sites which have been identified for delivery and the desired outcomes to be achieved.
 - Aspire will put forward development proposals with relevant supporting documents (scheme appraisals, etc).
 - The parties will review the proposals and agree a methodology for delivering the financial outputs for the Council/Aspire and an appropriate mechanism for sharing the cost of due diligence.
 - If proposals are agreed, the parties will enter into formal legal agreements for the sale of the site.
2. This option is designed on the basis that the Council will only ever be entering into a land transaction and will not be entering into a public works contract (and is therefore not subject to EU procurement requirements).
3. The Council will ensure that it meets its duties to obtain best consideration when considering the terms of any offer.
4. The acquisition and development by Aspire Housing and/or its subsidiaries Incana Sales/Durata Development provides maximum flexibility for the range of tenure types that can be delivered on the site.
5. Diagram 1 on the following page illustrates the above.



Appendix 2

Legal framework for strategic regeneration projects

1. **Option 1:** A contractual collaboration agreement between the Council and Aspire to set out the framework for delivering regeneration sites including:
 - the joint objectives of Aspire and the Council which may cover a whole geographical area;
 - a process for how the Council and Aspire will generate proposals for regeneration;
 - the criteria to determine whether a proposal is taken forward;
 - the parameters for the parties (and third party) inputs into any proposal, including how funding might be made available;
 - the roles of the parties for entering into contracts/ownership of assets;
 - the approach of the parties to determine returns (financial and non-financial) in any proposal;
 - Individual sites could be taken forward by a specific special purpose vehicle (**SPV**).
2. **Option 2:** Alternatively, the Council and Aspire could establish an SPV at the outset that would either develop all/most sites or establish further SPVs (including with third parties to develop sites):
 - The governance of the SPV would contain all of the elements outlined above in respect of a collaboration agreement.
 - The masterplan for each scheme would be developed by the Council and Aspire and would then be implemented by the SPV.
 - The SPV would acquire all sites and enter all contracts. It would not be a contracting authority. That means it will be free to let contracts outside of the public procurement rules. However, the framework for developing proposals should build in appropriate safeguards to ensure that value for money is being achieved in purchasing.
 - Acknowledging both the Council and Aspire are bound by statutory and regulatory requirements concerning the disposal of assets, Aspire anticipates that a starting point would be for any assets/funding put into the SPV to be provided on market evidenced terms.
 - A limited liability partnership (**LLP**) may be the most appropriate vehicle for any overarching SPV. It has greater governance and operational flexibility than a company limited by shares and would more easily allow the parties to build the framework set out above. However, Aspire appreciates that this is subject to detailed discussions including tax and legal advice.
3. Diagram 2 on the following page illustrates how an SPV model could work.





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