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## Report of the Director of Neighbourhoods and Housing and the Director of Development

### Executive Board

**Date:** 4<sup>th</sup> April 2007

**Subject:** East And South East Leeds (Easel) Regeneration Area – Outcome of Additional Negotiation Period

#### Electoral Wards Affected:

Gipton and Harehills

Burmantofts and Richmond Hill

Killingbeck and Seacroft

Temple Newsam

#### Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

## EXECUTIVE SUMMARY

This report seeks approval from Executive Board to appoint Bellway plc (Bellway) as the council's preferred regeneration partner subject to contract. This appointment would end the EASEL project procurement process and marks a major step forward in this ambitious regeneration project.

The report explains the procurement process to date and in particular how progress made during the last negotiation period has given confidence to the council that proposals developed by Bellway for the EASEL regeneration project have merit and that Bellway will make a suitable regeneration partner.

## **1 Purpose Of The Report**

- 1.1 This report seeks to inform Executive Board of the progress achieved during the last negotiation period granted to Bellway. The report explains why the council now has confidence in the approach to the partnership arrangements developed with Bellway, in order to appoint them as preferred regeneration partner subject to contract. The report sets out what is entailed in ending the procurement period for the EASEL project and proposes the next steps required to progress the project.
- 1.2 Executive Board should note that there is significant effort required, on contract documentation and development proposals, before contractual close can be successfully achieved. Executive Board is therefore requested to authorise the negotiations with Bellway to reach agreement on commercial, development and legal issues to the benefit of the council. Approval is sought to delegate responsibility for managing these negotiations to the EASEL project board. Proposals for the terms of the contracts for the eventual joint venture company will be brought to a future Executive Board for approval.

## **2 Background Information**

- 2.1 The overall aim of the EASEL regeneration project is to create sustainable mixed communities in eastern and south eastern parts of the city.
- 2.2 It has two fundamental objectives:
- to make East and South East Leeds a place that people want to live and work; and
  - to tackle existing deprivation and overcome the negative perceptions of the area.
- 2.3 The EASEL project has been designed in a series of inter-connected phases. This involves the development of packages of land for housing, green space, leisure, commercial and other uses. The procurement process assessment has reviewed the proposals from Bellway across all phases. The first phase of the project, based around the development of eight sites in Gipton and Seacroft, will be a direct land transaction contracted using a strategic development agreement. The subsequent phases, represent approximately eighty five percent of the project and will be delivered through a joint venture company. The partners would be the council and Bellway as the private sector partner.
- 2.4 The EASEL regeneration project has been underway since Executive Board gave approval to procure a partner to regenerate the EASEL area in January 2004. A competitive procurement process sought to identify a partner with suitable proposals in response to the council's detailed regeneration brief.
- 2.5 In June 2005 Executive Board agreed the following:
- that Bellway be offered a three month exclusivity period within which to clarify to the council's satisfaction the key areas of concern;
  - should Bellway establish a satisfactory position with the council within that period, they should be recommended as preferred bidder;
  - responsibility for management of this period was delegated to the directors of Neighbourhoods and Housing and of Development;
  - responsibility for the award of preferred bidder status or terminating the procurement process would remain with the Executive Board.

- 2.6 In December 2005 Executive Board considered a report on the outcome of this period with Bellway. This report focused on a key set of financial and commercial issues: guaranteed land payments; funding the joint venture company; distributions to the council; a financial model; and an employment and training strategy. Executive Board approved the appointment of Bellway plc as preferred bidder subject to conditions set out in a preferred bidder letter. In addition Executive Board delegated authority to the EASEL project board, responsibility for managing negotiations with Bellway on the preferred bidder issues and on the appointment of the reserve bidder, Lend Lease. It was agreed that further reports on progress would be brought to Executive Board.
- 2.7 In July 2006 Executive Board reviewed progress made with Bellway in meeting the conditions of the preferred bidder letter. Executive Board approved the offer from Bellway for the sale of the phase one sites subject to resolution of site development costs. It was agreed that final approval of these issue would be dealt with by the Director of Development under existing delegations on disposal of land. The site development costs requiring clarification and approval included a number of outstanding cost items arising from revised site redesigns, ongoing site investigations and clarification of planning gain contributions (s106 contributions). Any significant change to the commercial offer from Bellway on the phase one sites was required to be reported to Executive Board. Executive Board approval of this phase was also subject to satisfactory progress being made on the proposed joint venture partnership.
- 2.8 Executive Board also requested a further report on the progress made in negotiations with Bellway on the joint venture partnership which was considered at their meeting in September 2006. At this time, Executive Board endorsed the decision of the Director of Neighbourhoods and Housing to extend the exclusive negotiation period with Bellway for a 16 week negotiation period. The aim during this period was to confirm that the bidders proposals have sufficient merit to allow the council to propose that it forms a regeneration partnership with Bellway.
- 2.9 The sixteen week additional negotiation period ran from the 8<sup>th</sup> November 2006 to the 28<sup>th</sup> February 2007. The issues which needed to be clarified during this period were: the contractual terms for the strategic development agreement for phase one; detailed technical, financial, commercial and legal matters for the joint venture partnership; and the initial scope of the regeneration investment plan. A summary of the issues dealt with during the negotiations period are set out in confidential appendix A.

### **3 Main Issues**

- 3.1 The Board may decide to exclude the press and public from meetings where information relating to the financial or business affairs of any particular person (including the council) would be disclosed (unless that information has to be registered under various statutes such as the Companies Act 1985), and where in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
- 3.2 The appendices to this report contain a range of financial and business information relating to Bellway and the council, including such key considerations as financial offers for the phase 1 sites and for the joint venture itself, and the commercial and legal terms for the strategic development agreement and the joint venture agreement. To release full details of all of these matters into the public domain would almost certainly prejudice Bellway's commercial interests as there may be interventions by rival developers at this relatively advanced stage of the procurement process. In addition, these kind of interventions would lead to serious prejudice to

the council's commercial interests. The damaging or undermining of the procurement process by rival developers at this stage would put at risk the very considerable financial and other resources expended by the council on this project to date, and would create the risk of incurring additional costs in changing or even renewing the procurement process.

- 3.3 In relation to the public interest test, the EASEL regeneration project is a major project with very significant implications for areas of Leeds and naturally there is a strong public interest in the public knowing what the regeneration proposals are and how they will be carried out. For these reasons, it is recommended that as much information about EASEL is put into the public domain as is consistent with the procurement process. To date, there have been five open reports to the Executive Board. Public consultation events took place last year and further such events and consultation with key stakeholders will now take place.
- 3.4 The council will be legally obliged to publish certain information if a contract is awarded. In addition, it may well be that if legally binding documents are eventually concluded, it would be possible to put still more information into the public domain. However, the requirement to reach contractual close is still on-going, and in addition to the commercial risks of disclosure there is the risk of the EASEL project being delayed, or being jeopardised completely. There is an urgent and pressing social need for the comprehensive regeneration of these areas which only the EASEL project can deliver, and it is considered, that need must, at this point in time outweigh the need for complete disclosure about the whole of these arrangements. Consequently, it is considered that in all the circumstances of the case the public interest in maintaining the exemption mentioned above outweighs the public interest in disclosing the information in the appendices.
- 3.5 EASEL Regeneration Project - Phase 1
- 3.5.1 Phase one of the EASEL regeneration project is to develop eight sites, six in Gipton and two in Seacroft. Detailed planning permission has been submitted by Bellway and the applications are due to be considered by Plans Panel in May. The proposals on these sites will deliver more than seven hundred new homes.. Prices for these houses will be competitive for the area with an average sale price of less than £120k. Overall, properties for sale will be priced in a range between £55k and £165k. The council will seek to maximise the use of the planning gain for affordable housing in the new developments. Options include promoting home ownership through equity share purchase schemes and the provision of social housing for rent.
- 3.5.2 Detailed discussions on phase one of the project have continued since Executive Board last received a report on progress on the September 2006. A number of key issues remained to be agreed at that time. Principal amongst which were, to fix the level of contributions secured through planning gain (s106 or similar contributions), and any further costs identified through detailed site investigations.
- 3.5.3 As a result of the detailed site surveys and confirmation of other site development costs further detailed discussions are continuing with the developer to confirm the eventual capital receipt (the value of the land). Using the current estimates of costs and revenues, the total returns to the council (including affordable housing discount) is in excess of £11m for the eight sites. Detailed validation of the site remediation and other abnormal costs is now ongoing and will be used to ensure that the maximum funding is available to the council to fund future regeneration plans in the EASEL area.
- 3.5.4 Included in the returns to the council are planning gain contributions in excess of £8m. Discussions with the developer have increased this, since last reported to

Executive Board from £3.5m. In addition, the returns available to the council have been adjusted to reflect the increase in the house price market.

- 3.5.5 A summary of the changes in the costs and revenues for the phase one sites since last reported to Executive Board is included in the confidential appendix A.
- 3.5.6 On phase one, the main task set for the additional negotiation period was agreement of the contractual terms in the strategic development agreement. This task was jointly achieved, subject to resolution of the site development costs.
- 3.5.7 As a result of joint working with Bellway, revised house designs, specific to phase one, have been produced. Close working on innovative site layouts, use of materials and designs have combined to offer attractive and desirable residential developments unique in the area. The developments seek to promote safety and security by design while providing a sense of community and having sympathy with their surroundings. They provide the first evidence of the potential residential transformation which the EASEL project offers for the future.
- 3.5.8 The planning applications include a requirement for planning gain (s106) contributions, based on the full requirements of the council's approved planning policies. These include contributions for affordable housing (£4.1m), green space (£1.2m), education (£1.9m) and public transport (£0.3m). In addition allowances under the agreement are made for other related works for example for (s278) highways works (£0.5m) and for utilities infrastructure. Each of these contributions and allowances adds to the level of investment the council is able to make in the EASEL area as a result of phase one of the project.
- 3.5.9 While the detailed site development costs have increased as a result of detailed site investigations the principal commercial terms offered by Bellway on their contractor returns and on the transfer of risk have not changed since Executive Board approved the terms in July 2006. It is proposed therefore that the final terms of the land disposal of the eight sites are still to be dealt with under delegation by the Director of Development and will be subject to best consideration (under section 123 of the Local Government Act 1972 or under the Housing Act 1985).being achieved...
- 3.5.10 The final terms for the strategic development agreement for the phase one sites will be subject to change as a result of the further work on site development costs but is otherwise agreed with Bellway. The agreement includes commitments from Bellway to employment and training including job guarantee apprenticeships.
- 3.5.11 The phase one agreement will contain contractual commitments from both Bellway Homes Ltd. and Bellway plc, and the main terms are explained in the following sections.
- 3.5.12 The council will transfer each of the eight sites to Bellway Homes Ltd who will undertake the residential developments on those sites. Sites one, two, four, five and eight are being sold with vacant possession and sites three, six and seven will be subject to the council securing vacant possession.
- 3.5.13 Use of the sites will be restricted to residential development.
- 3.5.14 The phase one agreement will include the following initial conditions to be satisfied:
- approval of the council as landowner to the scheme of development proposed for each site (already achieved);
  - agreement on a programme of works setting out the timetable and sequence of development of each site;

- agreement as to the advancement process and minimum development criteria permitting advancement from one site to another ;
- conclusion of some joint venture arrangements including incorporation of the joint venture company, completion of a shareholders' agreement, a compulsory purchase order indemnity agreement and a commitment by Bellway to provide initial funding for the joint venture company.

3.5.15 Thereafter Bellway will be entitled to call for the transfer of a site upon meeting the following criteria:

- obtaining a satisfactory planning permission and, where necessary, highway closures;
- vacant possession being achieved by the council;
- Bellway having satisfied the advancement process and the minimum development criteria.

3.5.16 The sites will be developed in two tranches, with three sites in the first tranche and five in the second. The costs and revenues for the second tranche of sites will be reassessed prior to their commencement. This gives the opportunity to reflect any uplift in house price values over time. This will then be reflected in the returns to the council from these sites.

3.5.17 Once the agreement for phase one is signed the council receives, the land value and planning gain contributions for the first tranche sites and ten percent of the current value of the second tranche sites. The council then receives the balance of the returns from the tranche two sites as these sites are drawn down for development. Value added tax is payable on this sale.

3.5.18 The purchase price for each site takes into account all site development costs and other deductible items. These include planning gain contributions, payments for works to highways around the sites, payments for statutory utilities works and for affordable housing. Provision has been made to review these costs once planning permission is granted to reflect any agreed increase or decrease. As a result the initial purchase price will be adjusted (upward or downward) and any underpayment or overpayment by Bellway accounted for in the final figures.

3.5.19 The agreement includes an overage provision to ensure that surplus profit, arising from increases in house prices for example, during development is shared equally between Bellway and the council. The phase one agreement will also contain conditions intended to ensure that the sites are developed in a timely way, and to protect the council's overage payment.

### 3.6 EASEL Regeneration Area – Subsequent Phases

3.6.1 It is proposed to establish a joint venture company, with Bellway as the private sector partner, bringing significant experience and expertise as a regeneration developer to this ambitious project. The company will seek to manage the development of approximately one hundred and five hectares (about two hundred and sixty acres) of council owned land in the EASEL area. Development on this scale provides the opportunity to make a step change towards making communities in the area being attractive places where people want to live and work.

3.6.2 Through redevelopment in the area, plans could provide for more than four and a half thousand new homes. There would be a mix of housing provision offering different types and sizes of property, This includes apartments, family homes, starter homes and provision aimed to allow older people remain the community. The

council will promote an effective blend of tenure in the area offering competitive opportunities for people to own their own homes while ensuring adequate provision for affordable and social rented accommodation.

- 3.6.3 Bellway is seeking to deliver investment in the area in excess of one billion pounds through residential, commercial and mixed use developments across the EASEL area. It is likely that commercial projects would account for ten to twenty percent of the whole package and this would be targeted to attracting additional inward investment to the city, providing new jobs and opportunities for business development and economic growth in the EASEL area.
- 3.6.4 The council will continue to facilitate through the regeneration proposals the creation of sustainable mixed communities, providing a range of affordable and traditional housing market opportunities. The Planning Authority is developing an EASEL area action plan and the council will ensure that proposals match the needs and aspirations of this plan as it is developed. The EASEL programme will help the council to deliver elements of the city wide affordable housing strategy while contributing towards future demands for housing.
- 3.6.5 Given the long term nature of the scheme, the council will ensure that by continuously checking changes in local housing markets, future development will be designed to match people's changing aspirations in the area. This will mean that the project continues to further promote the EASEL area as somewhere people want to live and work by providing the most appropriate mix of tenures to meet demand.
- 3.6.6 During the last negotiation period, Bellway has demonstrated commitment to the regeneration opportunity offered, so that the council now has confidence that their proposals can deliver the expected level of investment and regeneration. Negotiations have allowed the joint development of:
- heads of terms for a joint venture agreement under which the partnership would operate;
  - production of a financial model necessary to plan for the viability of development packages under the regeneration programme;
  - a baseline commercial position from Bellway which underlies the financial model.
- 3.6.7 The heads of terms for the joint venture agreement set out the broad principles for the nature and business of the joint venture vehicle. It outlines how the vehicle will be financed, and the basis on which both parties will provide certain services to the vehicle. The heads of terms also govern how development packages will be brought forward and approved, how payments will be made and land transferred, and on what basis competitive tender processes will be undertaken on specific projects.
- 3.6.8 The joint venture vehicle will be a limited company, with shares owned equally by the council and Bellway. The company board will have five members, with two members appointed by each party and an independent chair appointed by both parties. Each member will have one vote and decisions will be on a simple majority but the chair will not have a casting vote. Bellway will be under contractual obligations to provide the joint venture company with working capital up to £4m for the first five years. If further working capital is required a number of options are agreed as sources including: as a project cost on development packages; from overage; from additional capital from the partners; or from loan financing. Bellway and the council will each provide certain services to the company at no cost, certain management services on a cost basis, and certain additional services at commercial rates.

- 3.6.9 A summary of the commercial issues for the subsequent phases is included in the confidential appendix C.
- 3.6.10 The company will have a strategic role for regeneration and development projects in the EASEL area for twenty years, unless the vehicle is wound up by unanimous agreement. The parties will agree satisfactory exit provisions to cover circumstances where there is an inability to achieve the defined objectives of the project, or where for a long period, no development packages are approved.
- 3.6.11 There will be an agreed regeneration plan as a joint commitment to investments in the area. The council will be able to require Bellway to undertake social projects in order to progress the plan. A programme for the development sites in the EASEL area will be formulated and the delivery of this programme will be the main responsibility for the joint venture company. This development programme will be regularly updated. The company will use business planning to focus the company operations on maximising returns to the partners and meeting the development programme.
- 3.6.12 In planning its operations, the joint venture company will have regard to a range of factors including: company performance; changes in market conditions; changes in relevant policy; consultation with residents and other stakeholders; demand for affordable housing; anticipated returns; and a minimum level of housing and commercial development activity. Bellway is seeking to ensure that at least four sales outlets are available in the EASEL area at any time.
- 3.6.13 Development packages will be approved by the company through a three stage process successively giving greater assurance to the partners on the risks, viability and returns from packages of sites.
- 3.7 In making the decision to end the procurement at this stage the council has considered the merits and risks involved with the three potential options. These were to award the contract to Bellway (subject to contract), to continue to negotiate with Bellway within the procurement process, or to end the procurement without an appointment. During the complex negotiations which have taken place to date, the council has worked closely with Bellway to confirm proposals in all key areas covering commercial, legal, planning, site development and the governance of the joint regeneration company. The council is now content that the correct decision to advance the project at this time is to appoint Bellway as the council's preferred regeneration partner (subject to contract). This proposed course of action is supported by the council's legal advisors Trowers and Hamblins.
- 3.8 While the council is content that proposals from Bellway have real merit, there remain a number of significant issues which will require detailed discussion and negotiation before a recommendation can be made to enter into partnership contracts.

## **4 Risks**

- 4.1.1 For a regeneration project of this scale, involving approximately 120 hectares of development land there are considerable risks to manage. These include: the costs of land assembly; the relocation of current tenants; site remediation costs; and the costs of infrastructure to be provided by statutory undertakers.
- 4.2 The council takes risk management very seriously and has engaged positively with Bellway to establish a joint risk register. This allows a joint assessment of the types and causes of risks to be properly controlled and managed. Many of these risks will continue to be faced once the new company is set up and the management and transfer of risk will be a vital part of the operational responsibility of the company.

- 4.3 The council and Bellway will seek to manage risk by allowing the party best placed to mitigate or carry the risk to own the responsibility, and potential cost of those risks.
- 4.4 A summary assessment of the key risks on the project are included in the confidential appendix D.

## **5 EASEL Regeneration Project - Governance**

### **5.1 Role of the Joint Venture Company**

- 5.1.1 The joint venture company has a strategic role in relation to regeneration and development projects in the EASEL area. The principal aims of the company will be to achieve the regeneration objectives of the EASEL project. The company will operate in accordance with a five year business plan to include the development of sites and complementary regeneration projects. The business plan will be subject to comprehensive strategic review at least every five years.
- 5.1.2 The company will have a number of important commercial objectives including: the effective management of costs and maximisation of returns to the partners; the achievement of best value in managing the costs of construction and development; the use of open competition on specified projects; high standards of health and safety; effective use of quality assurance to ensure continuous improvement; and the efficient management of risk.
- 5.1.3 In addition to its main task of bringing sites forward for development, the company will also commission a range of services and tasks including neighbourhood master plans for the EASEL area in line with the area action plan currently in development.

### **5.2 Governance Framework**

- 5.3 The proposed governance arrangements for the council as a partner in the joint venture company including the respective roles of officers and elected members are set out below.

### **5.4 Executive Board Role**

- 5.4.1 The main issues reserved to Executive Board will be:

- approval of the principal terms of strategic development agreement and joint venture company agreement;
- approval of company governance and the mandate for council nominees as company directors and the role of the Members' steering group;
- approval of the EASEL regeneration plan and comprehensive strategic reviews of the plan at least every five years;
- assessment of reports on annual reviews of joint venture company business plan and progress on the EASEL regeneration plan; and
- to receive reports from Members steering group.

### **5.5 Members Steering Group - Role and Membership**

- 5.5.1 The main responsibilities for the Members steering group will be:

- oversight and executive direction of the EASEL initiative;
- briefings prior to joint venture company board meetings;
- reports on key projects at development stage; and

- an advisory role on emerging issues.

5.5.2 Membership of the Members steering group are proposed as the Leader(s) of Council, the Executive Member for Neighbourhoods and Housing, a nomination from the East and North East Homes Leeds board, the chair of the Inner East Area Committee and two Members from the opposition. It is the intention initially to ensure that the three main political parties are always represented on the steering group.

## 5.6 Joint Venture Board - Role and Membership

5.6.1 The directors of the joint venture company will be bound by their duties and responsibilities under relevant legislation (principally the Companies Act 1985 as amended) and under regulations. The council will seek to enhance the operation of the company by requiring that the following responsibilities are met by the board:

- to meet at least quarterly;
- to agree and operate in accordance with the five year business plan;
- to recognise the requirements of the EASEL regeneration plan;
- to ensure an annual update of the above plans;
- strategic investment management and commercial decisions; and
- agreement of development packages for appraisal and delivery.

5.6.2 The proposed membership of the board is for at least two directors from each of the partners with an independent chair. It is proposed that the council's directors will be the Directors of Neighbourhoods and Housing and of Development or their nominee.

5.7 The table below sets out the membership of each of the bodies within the Council that will have a responsibility for various aspects of the operation of the JV Co.

<b>Body</b>	<b>Responsibilities</b>	<b>Membership</b>
Executive Board	<p>Approval of principal terms of phase one agreement and for the joint venture partnership</p> <p>Approval of joint venture partnership governance arrangement for the council</p> <p>Approval of the council directors' mandate</p> <p>Approval of the terms and membership of the Members steering group</p> <p>Approval of EASEL regeneration plan</p> <p>Comprehensive strategic review of EASEL regeneration plan at least every five years</p> <p>Receive reports on annual reviews of company business plan</p> <p>Receive reports on progress on the EASEL regeneration plan</p>	Executive Board

Body	Responsibilities	Membership
	Receive reports from Members steering group	
Members Steering Group	<p>Oversight and executive Steer of EASEL initiative</p> <p>Receive briefings prior to joint venture company board meetings</p> <p>Receives reports on key projects at development stage</p> <p>Advisory role on emerging issues</p> <p>Reports to Executive Board</p>	<p>Leader(s) of Council and Executive Member for Neighbourhoods and Housing,</p> <p>Nomination from the East and North East Homes Leeds board</p> <p>Chair of Inner EAST Area Committee</p> <p>2 Opposition Reps</p> <p>N.B. All three major parties always to be represented</p>

Body	Responsibilities	Membership
Joint Venture Company Board	<p>Meets minimum of quarterly</p> <p>Agreeing and operating in accordance with a five year Business Plan</p> <p>Operating in accordance with the EASEL regeneration plan</p> <p>Annual update of the above plans</p> <p>Comprehensive strategic review of the business plan every 5 years</p> <p>Strategic investment management and commercial decisions</p> <p>Agreement of development packages for appraisal and delivery</p>	<p>Directors: Development and Neighbourhoods and Housing</p> <p>2 Directors from Bellway</p> <p>Independent Chair</p>

## 6 EASEL Regeneration Plan

6.1 In consultation with service departments and in discussions with Bellway, an initial regeneration plan for the EASEL area has been developed. The initial regeneration plan proposals were agreed by Executive Board in February 2007 and the regeneration plan includes the following objectives:

- creating affordable, attractive and high quality mixed tenure housing;
- increasing housing choice for existing residents and attracting new higher income residents to achieve a diverse and sustainable housing market;
- investing in new and existing assets to transform the image and attractiveness of the area, realising the potential of its high quality green spaces;
- creating lively, busy centres for new neighbourhoods with good schools and local services;
- addressing the underlying social and economic problems of the area focusing on improving attainment and skills, reducing crime and blight and promoting employment and enterprise; and
- capitalising on existing public and private sector investment opportunities in schools, hospitals and the neighbouring Aire Valley.

6.2 The EASEL regeneration plan forms the council's commitment to investment in the area to meet these objectives in the long term. The delivery of the longer term regeneration plan depends on the returns to the council from the joint venture company. Outline objectives have been identified and the options available to deliver these objectives will be subject to appraisal to determine priorities for investment. Early investment in the EASEL area will be targeted to enhance the long term potential for increased returns to the council from future development opportunities.

- 6.3 The potential regeneration investment can be described in three categories:
- fundamental investment, to stimulate regeneration and uplift the local housing market to make the EASEL area a place where people want to live. This would include funding for interventions that seek to improve educational attainment and achievement as well as investment in creating an attractive public realm;
  - social investment, to deal with the problems currently faced in the regeneration area. Examples would include crime reduction and employment initiatives;
  - infrastructure investment, to ensure delivery and enhancement of development opportunities and to encourage other inward investment and including roads, transport and new basic infrastructure.
- 6.4 This framework will help structure consideration of priorities and also the approach to sources of funding.
- 6.5 The EASEL regeneration plan will contain an integrated programme of project proposals which will contribute to meeting the regeneration objectives. Initially priorities for project development are summarised in the following table.

<p><b>Quality of Place</b></p> <p>New housing including remodeling of terraced areas Streetscene and amenities Green space</p>	<p><b>Learning</b></p> <p>School performance Family support</p>
<p><b>Affordable and Social Housing</b></p> <p>Older residents Former tenants Decant need</p>	<p><b>Local Economic Development</b></p> <p>Tackling worklessness Raising incomes Promoting enterprise and inward investment</p>
<p><b>New Neighbourhoods</b></p> <p>Neighbourhood centres providing convenient, high quality retail and services</p>	<p><b>Flagship schemes</b></p> <p>New Leisure, commercial and public open space attractions</p>

- 6.6 All project proposals will be fully developed, costed and subject to individual detailed and appropriate option appraisal processes before they are progressed further. The EASEL regeneration plan will be revised over time reflecting change of need in the area. The plan must be capable of being revised to reflect change in demand and in assessments of the council's priorities.
- 6.7 The EASEL regeneration plan will focus on genuinely additional activity which is needed to achieve the regeneration aims and objectives. It will not replace or duplicate existing or planned investment in the area or the duties and responsibilities of statutory agencies. The regeneration plan has a number of functions. It will include reference to the agreed activities and interventions of the partners and will

provide a public facing document through which the council can communicate its intentions to a wider audience. It will also be a means of engaging the key stakeholders and potential co-investors such as English Partnerships, Housing Corporation, Yorkshire Forward and Government Office for Yorkshire and the Humber.

## **7 Early Interventions and Regeneration Impact**

- 7.1 Whilst the EASEL regeneration plan will address the council's longer term vision for the positive transformation of the area, there are a number of early benefits and targeted interventions planned which will help to kick start regeneration and improve the image, reputation and attractiveness of the area for existing and potential new residents.
- 7.2 The most important early impact will be the investment in more than seven hundred new high quality, well designed homes being built over the next three to four years on the phase one sites. This will be the first major new residential development for many decades and will significantly improve the quality and diversity of the built environment and enhance the image and reputation of the area. In addition to visual and aesthetic impact, all of the new homes will be priced at levels which are by definition affordable in the context of the Leeds housing market. However, a major bonus is also the contribution of fifteen percent of the new properties being available under a form of subsidised low cost arrangement, providing households on modest incomes the opportunity to access home ownership.
- 7.3 As explained above the council will receive planning gain for public realm works as part of the first phase of developments. The first tranche of payments will be available this year and will enable environmental improvements to be carried out in tandem with the residential development.
- 7.4 Priorities for the capital receipt from phase one will include housing for elderly residents and support for the preparation of sites to be included in subsequent phases of development.
- 7.5 In addition to these immediate benefits from the EASEL programme, the council is also targeting other resources to the first phase area to meet a number of early regeneration priorities. These include:

i) Intensive Neighbourhood Management

Over a £1m of funding provided under the Safer Stronger Communities initiative is being invested to improve community safety and tackle eyesores and blight in the area.

ii) Jobs and Families

A further £1.25m is being invested into the new Gipton Access Point which provides a new local facility where families and unemployed residents can access a range of services. This will help to improve family income and welfare and provide local access to advice, training, information technology including the internet, and help people back into work.

iii) Enterprise

Leeds has secured £14m from the government's Local Enterprise and Growth Initiative. The funding is targeted at the most deprived areas of the city. EASEL contains around a half of the city's most disadvantaged neighbourhoods. This new funding is available for the next three years and will bring a significant resource to the EASEL area to support local businesses and encourage new business starts.

## **8 Next Steps In The Process**

- 8.1 It is proposed that Bellway plc is appointed as the council's preferred regeneration development partner subject to contract. This appointment is to be subject to the successful completion of the negotiations on terms for the contractual documentation for the establishment, operation and governance of the joint venture company to the council's benefit. These terms will include agreed determination of the returns to the joint venture partners and the allocation of risk to the partners, or others, for the development of sites or other specific projects. The council will ensure that it is content with the proposals for the joint venture partnership.
- 8.2 The decision will also require that the council notifies all other bidders for the project about the decision to appoint Bellway as the council's preferred regeneration development partner subject to contract and to comply with regulations in this area.

## **9 Conclusions**

- 9.1 Good progress with Bellway has been made in the last four months on outstanding issues identified at the preferred bidder stage of the procurement. It is recognised that it will be necessary to have further detailed discussions and negotiations with Bellway to reach contractual close. However, enough progress has now been made to demonstrate that their proposals for this major investment and development opportunity have sufficient merit. The council now has assurance that Bellway would make an appropriate partner to deliver the ambitious regeneration programme for the area.
- 9.2 The development of the phase one sites marks the start of what is planned to be a long term regeneration programme which seeks to transform the EASEL area. It also sets the benchmark in terms of quality for meeting the strategic objectives of the EASEL project.
- 9.3 Negotiations with Bellway on the details of the development costs on the phase one sites continue and once agreement has been reached approval of the disposal will be made by the Director of Development.
- 9.4 There are still a number of risks involved in dealing with a project of this scale and complexity. Full agreement on how these risks will be contractually managed has yet to be agreed. Achieving a high degree of certainty in managing and transferring risks and liabilities under the joint venture agreements will be fundamental to reaching contractual close. The council will need to be satisfied that the risks and rewards of the project are distributed equitably to the respective joint venture partners.
- 9.5 Once the appointment of Bellway as the preferred regeneration partner subject to contract has been made it will be possible to initiate further consultation with stakeholders to the project particularly with ward Members. A programme of briefings to update Members in their respective roles on the EASEL project will commence as soon as practical.

## **10 Recommendations**

- 10.1 Members are asked to:
- i) note that the final terms for the agreement for the disposal of the EASEL phase one sites will be approved by the Director of Development under existing delegations provided that the Director of Development is satisfied that the terms offered for the disposal of the land represent the best consideration that can reasonably be obtained under section 123 of the Local Government Act 1972 (or under the Housing Act 1985);

- ii) appoint Bellway as the council's preferred regeneration development partner subject to contract with this appointment conditional on the matters set out in 8 above;
- iii) note the baseline commercial offer from Bellway as set out in the confidential appendix c;
- iv) approve the negotiation with Bellway required to reach commercial and legal terms to the benefit of the council as outlined in the confidential appendix c and to request a further report on these terms;
- v) delegate authority to the EASEL project board, through the Deputy Chief Executive in consultation with the Directors of Neighbourhoods and Housing, of Development, of Legal Services and of Corporate Services to manage the negotiation and agreement of the commercial and legal terms to the benefit of the council;
- vi) approve the formal closure of to the procurement process for the EASEL regeneration project, as required under regulations, for the reasons set out in section 3 of this report;
- vii) approve the governance arrangements as set out in section 5 of this report.