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Report of the Directors of Environment and Neighbourhoods and City Development

Executive Board

Date: 5th November 2008

Subject: EASEL Joint Venture Partnership

Electoral Wards Affected:

Temple Newsam
Killingbeck and Seacroft
Gipton and Harehills
Burmantofts and Richmond Hill

Ward Members consulted
(referred to in report)

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 for the council to go into partnership with Bellway by setting up a Joint Venture Company (JVCo) to deliver regeneration in East and South East Leeds. The council will offer development sites to the JVCo which Bellway will develop and the money from the developments will be used by the council to fund investments in the area.

While the JVCo will operate as a private limited company, every effort has been made to ensure that local people have an opportunity to see what the JVCo is planning. For example, the JVCo will develop neighbourhood masterplans which will involve a range of community engagements to ensure that the voice of local people is listened to. In addition, the council will examine proposals from the JVCo and this information will normally be available for people to review.

Despite the current economic conditions, it is recommended that the council proceeds with the JVCo because it allows the council to look at the big picture for regenerating EASEL, to get communities involved with planning future changes and to make the best use of government money which may be available to invest in the area. It will also mean that the JVCo will be ready to build new homes when money is available and people can afford mortgages. Long term the council's ambition is still to deliver some 5,000 new homes and 2,000 jobs across the EASEL area.

Setting up the JVCo will allow the council to do things which will contribute to each of the council's priorities (as set out in the Leeds Strategic Plan), particularly those for thriving places and harmonious communities. These things will help to improve the economic, social and environmental well-being of the communities in the EASEL area.

Once the JVCo is set up it will work on neighbourhood masterplans for the EASEL area. These masterplans will set out what should be done with development sites currently available, identify future development sites and help to identify priorities for investment spending in each of the communities. It will be very important for the JVCo to ensure that local leaders and local communities are involved in these masterplans.

There are sixteen sites in the EASEL area which have been identified as priority sites for development. Eight of these sites are proposed to initially pass to the JVCo which will then work up development proposals which for example would set out the design of new homes, how many and what types would be built and whether there should be improvements to local roads, transport and green spaces. Once these proposals are approved, Bellway will act as developer on the sites, building out the residential or commercial properties or completing landscape, highways or other works which are required.

It is intended that the JVCo will last for twenty years but Bellway and the council can review every five years whether the company is effective or still needed. To run the company, Bellway will provide £4m and this will be used for example to pay for the neighbourhood plans and to gain approval for development proposals. Bellway and the council will be equal shareholders of the JVCo and will make joint decisions through a board of directors.

To assist with ensuring that houses in the EASEL area are affordable to local people this report also seeks approval to set up an equity loan based scheme similar to the successful scheme operated on the Amberton Park site in Gipton. As there is some money remaining on that scheme it is proposed that the unused money is used on the new EASEL equity loan scheme.

1 Purpose Of This Report

- 1.1 This report seeks the necessary approvals and delegations from Executive Board to set up and operate a joint venture partnership through a private limited company with Bellway to help deliver the council's regeneration objectives in east and south east Leeds and to secure the economic, social and environmental well-being of the EASEL area and its residents.

2 Background Information

- 2.1 Executive Board members gave approval to the appointment of Bellway as the council's preferred regeneration development partner at their meeting of April 2007, subject to Executive Board agreeing the final terms of the partnership. This report, and its confidential appendices, sets out the main terms, contained in the shareholder agreement, which will establish the JVCo and seeks Executive Board approval for these terms.
- 2.2 Members should note the sale to Bellway of eight sites in Gipton and Seacroft, which formed phase one of the EASEL project, was concluded under the delegations granted at the April 2007 meeting of the Executive Board. The terms of this contract was substantially as reported to Executive Board in the confidential appendices in April 2007 and the decision to approve the sale was made by the Director of City Development with the contracts completed on the 10th March 2008. The contract allows for the transfer of the sites in two tranches with three sites being transferred initially. Two sites from tranche one (one each in Gipton and Seacroft) have now transferred to Bellway and work has commenced on these sites. The phase one contract will see the development of some 743 new houses across Gipton and Seacroft representing in excess of £70m in private sector investment by Bellway.

3 Main Issues

- 3.1 The proposals in this report revolve around setting up a joint venture partnership company with Bellway to provide the primary delivery vehicle under the council's EASEL regeneration initiative. This JVCo will deliver neighbourhood masterplans and subsequent developments across the EASEL area.
- 3.2 Bellway is one of the largest house builders in the country with a proven track record on major regeneration schemes. Bellway has worked with a number of local authorities and English Partnerships delivering housing and mixed use regeneration schemes. Bellway has retained the confidence of the market during volatile market conditions and has the capacity and ability to deliver the scale of development envisaged to make transformational change in the EASEL area.
- 3.3 Bellway offers a range of products for homes and other developments. They bring a number of different house types and styles and a willingness to amend these to create strong design solutions, in the housing units and in the layouts of new developments.
- 3.4 The proposed partnership with Bellway provides the council with a flexible and sustainable vehicle to bring in private sector investment to deliver on its objectives in the area. The agreements ensure that there is clear risk transfer to the developer and for commercial decisions to be made in an open and robust manner. In addition, the agreements allow the council to retain a flexible approach to how developments take place and when and how money generated through the JVCo is spent.

- 3.5 The EASEL initiative was envisaged as a way of maximising the use of the council's assets (mainly its land) within the EASEL area, to attract investment and to deliver substantive change to areas which have not previously benefited from the growth of the city. The council set out the following overriding objectives for the initiative and these form the objectives of the JVCo. The company aims:
- to create sustainable mixed use communities in the EASEL area;
 - to make the EASEL area a place that people want to live and work and to tackle existing deprivation and overcome the negative perceptions of the EASEL Area; and
 - to secure the economic social and environmental well-being of the EASEL area.
- 3.6 In addition to these objectives it is proposed that to maximise the benefit of increased well-being of the area and its residents, the company will target a number of key areas as detailed in the following sections. The EASEL initiative aims to deliver some 5,000 new homes and 2,000 jobs and provide a comprehensive approach to regeneration to deliver on a range of key issues affecting communities in the EASEL area.
- 3.7 The JVCo will aim to create affordable, attractive and high quality mixed tenure housing by assessing, on a neighbourhood basis, the appropriate type and mix of units required. The JVCo will be developing neighbourhood plans to set out where new housing can go, what types of housing is needed, how they will be designed and what options are used to ensure that there is an appropriate mix of affordable housing.
- 3.8 The JVCo will seek to increase housing choice for existing residents and attract new working residents into the area to achieve a diverse and sustainable housing market. Key to delivering on sustainable mixed communities, the intention here is to be able to offer existing residents affordable homes to buy and rent and to provide greater diversity of house types for families in different circumstances.
- 3.9 To attract new residents into the area will require investment not just in housing but also in learning and training, by improving the neighbourhood environment and by investing in neighbourhood centres and green spaces. The JVCo will have objectives in these areas in order to transform the image and attractiveness of the area and to create lively, busy centres for new neighbourhoods with good schools and local services making the areas places where people want to live and work.
- 3.10 The JVCo will address the underlying social and economic problems of the area and will support work focused on improving attainment and skills, reducing crime and promoting employment and enterprise. Initial work in this area has already led to the new training and catalyst centre in Seacroft (Rise) being promoted by Bellway to enhance construction training in the community and promote business start up opportunities.
- 3.11 The JVCo will also seek to capitalise on existing public and private sector investment opportunities in schools, hospitals and in the neighbouring Aire Valley Leeds by working with partners to promote developments which will contribute to the wider EASEL objectives and will complement its own developments. It will also ensure that in planning developments or in promoting investment, that there is ease of movement within and to and from the EASEL Area.

Options

- 3.12 In considering approval to proceed with the JVCo Members will be aware that there are other options which could be pursued at this stage. However, it is recommended that the JVCo still provides the council with the best route: to plan and deliver comprehensive regeneration; to attract public and private sector investment while retaining maximum flexibility on where regeneration investment should take place and where alternative disposal or development routes should be used. A summary of the other options is provided in the following sections.
- 3.13 The council could promote piecemeal disposal on a site by site basis through the council's normal disposal routes. This route would be market driven, probably by a combination of auction sales or forms of negotiated disposal. Some sites could be attractive to be sold in this way. The agreements proposed in this report allows the council to make disposals on this basis but there are a number of limitations to this approach. This route does not maximise any potential the council has to deliver a comprehensive regeneration solution in the area. The council would have limited opportunity to influence development proposals on sites and this approach would probably limit the leverage of third party investment funding.
- 3.14 The council could look at contracting arrangements with developers without utilising a JVCo. This could for example take the form of a framework agreement with developers and would require a separate procurement exercise. This method could allow a measure of competitive bids for sites and could allow the council an influence on development proposals. In current market conditions it is uncertain how attractive this option would be in the market. This method would also be likely to limit the amount of third party funding which could be attracted and would have a limited emphasis on a comprehensive approach to regeneration in the area.
- 3.15 An emerging option to the council would be the establishment of a local authority housing company. This is a new model promoted by Communities and Local Government and it's Homes and Communities Agency. The option would require a new procurement process and the ideas are currently being trialled by a number of local authorities. The model is similar to the JVCo proposal in this report but would delay the implementation of the scheme and for example does not place the same emphasis on the overarching regeneration benefits promoted by the EASEL JVCo or the requirement to deliver the neighbourhood masterplans.
- 3.16 The agreement with Bellway is recommended as it provides a developed delivery vehicle, despite the prevailing economic conditions. The company allows regeneration planning to take place and developments to be planned and ready for when market conditions allow construction to commence. It also provides the council with a flexible tool where it can make informed decision on the effectiveness of the JVCo over the long term, can pursue a strategic and comprehensive approach to regeneration and can determine priorities for attracting public sector support and for regeneration spend.
- 3.17 In summary therefore, while there are options available for the council to consider at this stage, the recommendation of this report is that the establishment of the JVCo still offers the council the best route to help deliver its regeneration objectives for the EASEL area.

4 Company Background

- 4.1 This report seeks approval for the establishment of the JVCo and explains the type of company proposed and how the contractual relationships will operate between the council, the JVCo and Bellway.
- 4.2 The JVCo will be a company limited by shares with two shareholders, the council and Bellway. As a private limited company, the JVCo is required to satisfy the requirements of the companies legislation. The shareholders will each hold equal share capital, which in the first instance will be a total of £2 of shares. Although the company will have the power to make distributions of profit to its members or directors, subject to shareholder approval, it is not proposed that the company is run on a profit making basis and no distribution of dividends is planned. It is proposed that operational decisions on behalf of the council in relation to shares, dividends and related company matters are managed through the delegations set out in appendix 3.
- 4.3 The company will not have direct employees. Support for the company directors will be provided mainly by the shareholders including specialist functions such as finance, audit and the company secretary.
- 4.4 The company is a deadlock company and all company decisions, whether by shareholders or directors must therefore be agreed between the council and Bellway. As agreed by Executive Board in April 2007 there will be four company directors. Each shareholder has two directors and may nominate deputies. Executive Board is asked to approve the initial nominations for the council's directors as the Directors of City Development and of Environment and Neighbourhoods. In addition, Executive Board is asked to approve the directors mandate (see appendix 5) for the council's directors and that the council provides the necessary indemnity insurances to allow them to discharge their duties on behalf of the council. There is provision to appoint an independent non voting chair to the board but this is not considered appropriate at this time.
- 4.5 To facilitate the operation of the company in future, Executive Board is asked to approve delegations for the arrangements for future appointments of directors and their deputies as set out in appendix 3.
- 4.6 The joint venture between the council and Bellway is structured on the basis of a Shareholders' Agreement (SHA). For Bellway, this will be Bellway Homes Ltd and Bellway plc and with the benefit of guarantees through the parent company Bellway plc. The SHA incorporates the key company documents required to set up the company (the memorandum and articles of association) and sets out the rights and obligations of the shareholders. The SHA sets out the obligations of the council and Bellway in relation both to the running and funding of the JVCo, and the approval of development proposals (projects) within the EASEL area.
- 4.7 The company will operate on the basis of its business plan. This report seeks Executive Board approval on behalf of the council as shareholder for the initial draft business plan included as Appendix 4. The business plan will be subject to a major review every five years at which point further Executive Board approval of the business case will be sought. Executive Board approval is also sought for the delegations to manage the business plan on behalf of the council to the Chief Regeneration Officer as set out in appendix 3.
- 4.8 The purpose of the joint venture is to deliver regeneration investment in the EASEL area. To do this it will firstly deliver five neighbourhood plans (identifying for example

investment priorities and future development opportunities in an area). It is proposed to commence the neighbourhood plans for Killingbeck and Seacroft and for Halton Moor and Osmondthorpe once the company is established. It is proposed that final approval of each neighbourhood plan will be brought to Executive Board. This report seeks approval for the Chief Regeneration Officer to be delegated responsibility to work with the JVCo to develop the neighbourhood plans on behalf of the council.

- 4.9 Once the neighbourhood plans have been approved, the company will bring forward development proposals through a business case process for project approvals. These may include housing, commercial, mixed use or community use developments.
- 4.10 The SHA is for a period of 20 years with reviews every five years. Either shareholder could terminate the agreement at the five year review point having considered whether material progress has been made towards achievement of the objectives of the company, market conditions, the approval of business cases and the actual rate of development achieved by the company for example.
- 4.11 In addition, the SHA terminates if the JVCo becomes insolvent, or if Bellway fails to pay instalments of working capital as required under the SHA. The SHA can also terminate if there is a deadlock between the council and Bellway. Both parties are required to use all reasonable endeavours to resolve disagreements or disputes, and there is an escalation process to respective chief executives or managing directors. However, if this process fails, the SHA can be terminated. If a termination occurs (including where the SHA runs the full 20 years), the JVCo will be placed into voluntary liquidation, and after payment of liabilities JVCo assets will be distributed in proportion to shareholdings.
- 4.12 Generally, disputes between the council and Bellway will have to be referred to an independent expert for a binding determination, but this dispute resolution process will not apply to disputes arising from certain key provisions of the SHA, including termination, agreement of business plans and budgets, and approval of development packages, through the business case approval process.
- 4.13 The SHA provides for certain warranties to be given by Bellway Homes and Bellway plc to the council, and vice versa. These include warranties that there are no claims or proceedings in progress, or threatened, which might have a material adverse effect on performing the SHA, and (in the case of Bellway and Bellway plc) that certain insolvency events have not occurred.
- 4.14 The SHA provides for Bellway plc to guarantee Bellway's obligations under the SHA to the council to the JVCo, and to indemnify the council and the JVCo against all losses, damages etc suffered by the council or the JVCo by reason of any default by Bellway.

5 Phase Plan and Business Case Approval

- 5.1 Regeneration development proposals will be identified and promoted by the JVCo but must receive approval from the respective shareholders before they proceed. The first stage of the process is the identification of priority sites for regeneration which are included in the EASEL phase plan.
- 5.2 The council has identified sixteen sites in the EASEL area which are a priority for regeneration. These are all vacant sites or sites which are being cleared by East North East Homes Ltd under its Decent Homes programme. The phase plan provides a focus for the JVCo for future development opportunities but does not

guarantee that the sites will pass to the JVCo or Bellway for development. A detailed explanation of the use of the phase plan is included in appendix 7. Executive Board is asked to approve the sites included in the phase plan which is included as appendix 1.

- 5.3 Due to the long term commitment which Bellway is making to the council, it is proposed that eight of the initial phase plan sites are offered to Bellway upon the start of the agreement subject to Bellway achieving full business case approval within an appropriate timescale. Approval from Executive Board is requested to the eight sites initially to be offered to Bellway. These sites are detailed in appendix 1.
- 5.4 The SHA enables the council to determine the most appropriate route for disposal or development of all sites in the EASEL area including those in the phase plan. Once it has been approved that a site will pass to the JVCo for it to develop a business case, the council's freedom to determine the disposal options for a site are reduced.
- 5.5 The SHA allows that the JVCo can identify and seek approval from the council to add additional sites to the phase plan. Executive Board is asked to approve the arrangements for the management of the phase plan under delegations as set out in appendix 3.
- 5.6 Sites in the phase plan should be prioritised by the JVCo as development opportunities. The JVCo is required to demonstrate that the sites are viable by developing and seeking approval for a business case for sites. Only once a business case is fully approved will the site pass to Bellway for development. The business case and development process will be subject to the results of the neighbourhood planning process. A detailed explanation of the role of the phase plan is provided in appendix 7.
- 5.7 Executive Board are asked to note the contractual basis of the business case process, to approve its use and agree the arrangements for the management of the business case process on behalf of the council under delegations as set out in appendix 3.

6 Contractual Position

- 6.1 This report confirms that all of the key terms, clauses and obligations in the SHA are agreed between Bellway and the council. This report sets out for Executive Board the substantive legal and commercial issues included in the agreements and seeks Executive Board approval to the SHA and to the establishment of JVCo.
- 6.2 To enable the final legal agreements to be completed Executive Board is requested to approve delegations to the Directors on Environment and Neighbourhoods, City Development and the council's Assistant Chief Executive (Corporate Governance) to allow the SHA to be finalised and executed provided that they are finalised substantially in the form as reported to and approved by Executive Board in this report.

7 Financial issues

- 7.1 The JVCo as a limited company will operate under company legislation and in particular under the requirements of the Companies Acts and of Companies House. In addition, the SHA sets out requirements for the JVCo for audit, budgeting and accounting, budget delegations, and for the dividend policy and distributions mechanism for the company.

- 7.2 The company will comply with legal requirements for companies relating to financial statements and will retain appropriate external auditors in support of the certification of these accounts. The company will prepare accounts in compliance with the generally agreed accounting practice standards (GAAP). Reporting to its board it will use budget and financial management techniques to ensure this is effective.
- 7.3 As part of the bid requirements for this project Bellway has offered to pay an entry premium of £4m. It is proposed that this entry premium is used to finance the working capital of the company and it is estimated that this will provide resources for at least the first five years of the company. Executive Board are asked to approve the use of the entry premium in this way subject to their approving the draft company business plan (appendix 4) and budget (appendix 8).
- 7.4 The company will set an annual budget to deliver its business plan. This budget will pay for the delivery of the neighbourhood plans and for services provided by the shareholders, and others, directly supporting the company. Additional resources to deal with site assembly, business case approvals and planning approvals will be sourced initially from Bellway or the council. It is proposed that a single, multidisciplinary team provided by both shareholders, is established to be co-located within the EASEL area initially in the offices of the area regeneration team. Further details on commercial issues relating to the SHA are included in the confidential appendices 7 and 8.
- 7.5 It is anticipated that the entry premium will provide sufficient working capital for the company to operate for a number of years. Once the entry premium is expended future working capital for the company will be met jointly by the shareholders. Under current market conditions it is not possible to accurately predict when this will occur but at that time the council will be required to determine the most appropriate source of funding to ensure the continued effective operation of the joint venture.

Equity Loan Arrangements

- 7.6 The equity loan scheme which has been delivered at Amberton Park in Gipton has been effective in attracting local people into home ownership and it is proposed that this approach is extended to EASEL phase one sites. The scheme will work on the basis of the council providing purchasers with loans of up to 50% of the value of the property they are buying. There would be no repayments during the life of the loan, instead, the purchaser repays the loan when they sell the property, with the council receiving a percentage of the value of the property.
- 7.7 The EASEL phase one scheme was approved by Plans Panel East on the basis of the current policy on affordable housing. This requires (through the use of section 106 of the Town and Country Planning Act 1990) that 15% of the units are provided as affordable housing. Generally the policy anticipates the delivery of affordable housing via a Registered Social Landlord (RSL).
- 7.8 It is proposed in the case of EASEL phase one scheme that the delivery of affordable housing is facilitated using the conventional route where a number of the units are sold at a discounted rate to an RSL and through an equity loan scheme.
- 7.9 The value of the affordable housing discount has been estimated at £5.228m (based on all the eight phase 1 sites being transferred to Bellway Homes Limited). This is the amount of sales revenues lost in providing affordable housing in accordance with planning policy. It is proposed that a proportion of the units will be sold to an RSL in the normal way and the council will use the balance of the £5.228m as a commuted sum in order to fund the equity loan scheme.

- 7.10 It is proposed that the detailed development of the scheme and eligibility criteria is delegated to the Chief Housing Services Officer. Bellway has contributed to the development of this approach and have indicated their agreement in principle to the equity loan scheme. A report will be required for Plans Panel outlining the approach once agreed by Executive Board.
- 7.11 The Amberton Park and EASEL equity loan scheme have the common objective of delivering affordable housing. The Amberton Park scheme had a total budget of £1.31m which was funded from the land receipt for the site. Currently approximately £0.25m remains unused on the scheme although most of the units on the site are now sold. The underspend could be returned to fund the council's capital programme. However, due to the shared objectives of the schemes and their close geographical location, it is proposed that the residual funds available from the Amberton Park scheme is transferred to the EASEL equity loan scheme. This will help to maintain the momentum for delivering affordable housing in the area, which is in danger of suffering due to the housing market slump and postponement or cancellation of developments.
- 7.12 Executive Board should note that the Council's equity stake will be affected by movement in the housing market. This would mean that since the financial institution used to finance the remainder of the purchase would want a first charge on the property, there is a risk to the council if any sale proceeds are insufficient to discharge this as well as the council's stake. It is difficult to predict with any certainty the pattern of house price fluctuation in the short term. However given the underlying shortage of supply the medium to longer term position is likely to be one of continuing increases in value.

8 EASEL Regeneration Investment Programme

- 8.1 The SHA is drafted so that the council is free to determine the most appropriate use of all of the returns to the council from the developments through the JVCo. However, as investment in the EASEL area is key to achieving the council's objectives the SHA agreement includes a draft investment programme which outlines the potential for the council's commitment to reinvest in its priorities across the EASEL area.
- 8.2 In response to market conditions, the regeneration investment programme included in the SHA is indicative and is scaled to match the resources currently available. The initial regeneration investment programme included in the SHA is attached to this report as appendix 6. The plan has been developed in consultation with service departments and in discussions with Bellway and represents an initial funded regeneration plan for the EASEL area.
- 8.3 Executive Board is requested to approve the regeneration investment programme as part of the SHA and to note that approval of individual schemes in the regeneration investment programme will be subject to the usual delegation and financial approvals as set out in the council's constitution. It is expected that Bellway will propose and promote priority areas for investment to assist in the delivery of comprehensive regeneration.
- 8.4 Individual projects in each of these areas will be subject to appraisal to determine priorities for investment. Early investment in the EASEL area will be assessed for their ability to enhance the long term potential for increased returns to the council from future development opportunities.

- 8.5 A key aspect of regeneration activity will be to address worklessness and low skills in the EASEL communities to enhance the economic well-being of the EASEL area. The SHA (and the phase one development agreement already signed) include commitments to deliver construction apprenticeships and an intention to use local labour where possible. Measures to develop the supply chain locally will include looking at the potential to develop modern methods of construction to support the development programme. This approach is augmented by the development of an integrated approach to employment and skills between council services and partner agencies.
- 8.6 The EASEL programme is the council's most significant area based regeneration programme commitment to date. All available resources, including most importantly mainstream funding will be maximised and co-ordinated to achieve the outcomes of the Regeneration Investment Programme; alongside the return to the Council from the development process. The Council is developing responses to challenges in the EASEL area to deliver a 'One Council' approach to the work of its own services building on existing achievements in neighbourhood management and Children's Services. The contributions of partners in the public, private and voluntary sectors are being, and will continue to be deployed through well established partnership working arrangements. External funding opportunities will be maximised through a co-ordinated resource procurement programme aimed at securing investment for the Regeneration programme priorities. The EASEL team and partners have achieved considerable resource procurement success to date. Current external investment streams include:
- Local Enterprise and Growth Initiative: Rise, the construction training and catalyst centre in Seacroft and Shine, the catalyst centre in Harehills
 - Safer Stronger Communities Fund: Neighbourhood management, public realm improvements and building family wealth project
 - Neighbourhood Renewal Fund: Environmental improvements, Signpost project
 - Action For Employment: Tackling worklessness
 - Regional Housing Board: Private sector renewal programme in Cross Green and Harehills
 - Building Schools for the Future
 - LIFT Programme: Osmondthorpe Lane Health Centre
- 8.7 In addition the EASEL Team are in discussion with the Homes and Communities Agency, to secure their support for infrastructure and site assembly investment; and with Natural England for major investment into the improvement of the Wykebeck Valley Green Corridor.

9 Implications For Council Policy And Governance

- 9.1 The council promotes high standards of corporate governance and has adopted a framework which sets the minimum governance requirements for significant partnerships. The governance and decision making for the EASEL partnership has been subject to review by the council's Corporate Governance and Audit Committee. The committee was concerned to ensure that there is clarity regarding which decisions will no longer be subject to the council's constitutional arrangements. They asked that this report made it clear what arrangements will be in place to ensure that decisions are taken in an informed, transparent way which is open to the scrutiny of the public and Members.

- 9.2 At the April 2007 meeting, Executive Board approved the overarching decision making arrangements for the EASEL project (appendix 2). It approved the respective roles of the JVCo and the responsibilities Executive Board reserved to itself. The shareholder agreement incorporates the governance principles established by Executive Board in April 2007 by establishing that a range of issues which are subject to prior approval by each shareholder before a decision can be made by the company board. A summary of the shareholder consents are included in appendix 3. Wherever decisions are reserved for the consent of the council as a shareholder, the council will be under an obligation to exercise its voting rights “so as to give full effect to” the SHA, and to use “reasonable endeavours” to promote the business and the interests of the JVCo. However, subject to this the council will be able to make these decisions independently through its usual decision-making arrangements.
- 9.3 The shareholder consents mainly ensure that the council, through Executive Board or under delegations, will approve the regeneration plan for the EASEL area and that significant decisions which would normally made under constitutional delegations can be made by the council as normal. These decisions would be subject to the council’s decision registration and scrutiny regime.
- 9.4 The Executive Board is asked to consider the regeneration plan and mandate its directors on the JVCo Board to vote and make decisions consistently. The council directors therefore will act in accordance with the mandate given to them and also within the scope of shareholders consent, and in accordance with the council's wishes.
- 9.5 This report identifies the role of the JVCo and the safeguards incorporated into the agreement to allow decision making to be open and robust. The SHA obliges the shareholders to be open and transparent in the way they report to the company board so for example the minutes from the board of the JVCo will be publically available. The SHA also allow that the council can review and make key decision affecting the regeneration of the EASEL area through its normal constitutional arrangements. The decisions and who will make them are set out in appendix 3 and the report clearly requests the necessary delegations for these arrangements. It is intended to continue to work with the Members of the Corporate Governance and Audit Committee to ensure that the highest standards of corporate governance are adopted by the JVCo.
- 9.6 In April 2007 Executive Board agreed the main terms of reference for an EASEL steering group. This group, with cross party and independent representation was approved to acts as a principal consultee to give an overview of the JVCo and the regeneration investment programme.
- 9.7 The EASEL steering group is proposed to have equal representation from each of the three main political parties and independent representatives from East North East Homes Leeds Ltd and the Homes and Communities Agency.
- 9.8 The EASEL steering group will be consulted on the four key areas of work for the JVCo. These are: the delivery of the five neighbourhood plans; which land is considered for development through the company; what development is proposed; and on the regeneration investment in the area. Their main focus is on reviewing proposals, consultation and community engagement issues, performance review and facilitating the delivery of regeneration across the EASEL area.

- 9.9 Formal consultation at the local level will operate through the Area Committee structures already in place and well established. Area Committees will also have responsibility for the engagement of partners in consultation.
- 9.10 To support the overarching governance arrangements, following detailed consultation with ward Members, it is proposed that, to assist with community engagement in the neighbourhood plans, neighbourhood panels will be set up. Representatives from existing community groups, tenants and residents associations will be invited onto the panels. In addition, ward Members and other leaders in the community, for example from schools and business, will be sought to contribute to the neighbourhood plans.
- 9.11 The joint venture approach to EASEL will require a fit for purpose, robust, adaptable, accountable and inclusive governance arrangements to ensure that it delivers the ambitious regeneration outcomes set in the EASEL prospectus, through effective partnership working, in which all stakeholders, particularly the communities affected, are fully engaged. The decision making arrangements described in this report and included in the JVCo agreements are all designed to address these requirements by providing open reporting, clear decision making and appropriate opportunities to scrutiny on key decisions.

10 Legal And Resource Implications

- 10.1 The council is relying on the well-being powers in section 2 of the Local Government Act 2000 to enter into the EASEL JVCo. These powers provide that every local authority has the power to do anything which they consider is likely to achieve the promotion or improvement of the economic, or social, or environmental well-being of their area. This power may be exercised in relation to, or for the benefit of the whole or any part of an authority's area, or all or any persons resident or present in that area and in determining whether or how to exercise this power, the council must have regard to its sustainable community strategy, which is the Vision for Leeds.
- 10.2 The well-being powers include the power to incur expenditure, to give financial assistance to any person, to enter into arrangements or agreements with any person, to cooperate with or facilitate or co-ordinate the activities of any person, to exercise on behalf of any person any functions of that person, and to provide staff, goods, services or accommodation to any person. There are certain limits on these powers, in particular an authority is not thereby able to do anything which they are unable to do due to a prohibition, restriction or limitation on their powers which is contained in another statute, whether passed before or after the 2000 Act. In addition, this power does not enable an authority to raise money by precepts, borrowing or otherwise.
- 10.3 There is no comprehensive legal definition of social, economic and environmental well-being, nor of what actions would be taken to constitute the promotion or improvement of well-being. The government's final guidance on the powers, dated 14th May 2001, provides that "it is for the Local Authority itself to decide whether any particular action would promote or improve well-being, taking account of their local circumstances and the wishes and needs of their communities". In addition the courts have confirmed that the scope of the powers given by section 2 should not be narrowly construed, and that authorities are to be given a wide discretion to exercise their powers to promote well-being, and that section 2 should be given a sensible and liberal interpretation, and applied generously.
- 10.4 The government's final guidance suggests that the well-being power is sufficient to "enable Local Authorities to form or participate in companies, trusts, or charities,

including joint venture companies, provided that they are satisfied that the formation of, or participation in, a particular company is likely to achieve the promotion or improvement of the economic, social or environmental well-being of the Authority's area". Likewise, entering into the SHA and ancillary agreements in the SHA schedules will fall within the power to "enter into arrangements or agreements with any person". Again, if the practical arrangements for running the JVCo will involve making staff, services or accommodation available to the JVCo or to Bellway this will be covered by the power to "provide staff, goods, services or accommodation to any person".

- 10.5 However, in relation to each aspect of the proposed arrangements, it is essential that Members should consider whether well-being is thereby likely to be improved or promoted, in the manner specified above. In order to assist with this consideration, Members attention is drawn specifically to:
- 10.5.1 the report of the Director of Neighbourhoods & Housing and the Director of Development to Executive Board, dated 4th April 2007. In particular, this report confirmed "[Bellway] will seek to manage the development of approximately 105 hectares (about 260 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. Through redevelopment in the area, plans could provide for more than 4,500 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 to remain in 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. Bellway is seeking to deliver investment in the area in excess of £1billion through residential, commercial and mixed use developments across the EASEL Area. It is likely that commercial projects would account for 10-20% 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. 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.Given the long term nature of the scheme, the Council will ensure that by continuously checking changes in local housing markets, future developments 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 demands;" and
- 10.5.2 the report of the Director of Neighbourhoods and Housing to Executive Board, dated 9th February 2007 where it was reported "EASEL is fundamentally a market-driven regeneration programme. Its primary aim is to create a successful housing market where increasing values will realise the financial return needed by the Council and the Joint Venture to fund regeneration investment. Of course the key to market uplift is improvement to the existing state and image of the area..... The Regeneration Plan will be a formal agreement and commitment to regeneration activities to be delivered by the Council and Bellway". Members attention is also drawn to the headline objectives for the EASEL Regeneration Plan set out in the report and the proposed project areas.
- 10.6 The Council's regeneration objectives are reflected in the legal documentation in a number of key ways, as follows:

- 10.6.1 The SHA provides that the business of the JVCo shall be "to procure regeneration and development projects in the EASEL area with a view to securing the economic, social, and environmental well-being of the EASEL area" and also "to work towards delivering the regeneration objectives of the EASEL Regeneration Project as set out in the Plans".
- 10.6.2 The SHA provides that "the parties each agree and commit themselves to achieving the [EASEL Regeneration Project Objectives]".....and "to increasing the life opportunities of those living in the EASEL Area".
- 10.6.3 The SHA requires the JVCo Board to consider "community projects, such as infrastructure projects, public rail works and services, community facilities and other strategic development sites" for inclusion within the Plans.
- 10.6.4 The SHA sets out the general duties of the JVCo Board in relation to taking forward the EASEL Regeneration Project.
- 10.6.5 The SHA provides for 5 yearly reviews of the SHA by reference to development within the EASEL Area to achieve the regeneration objectives of the EASEL Regeneration Project.
- 10.7 Members should be aware that the courts have found that the powers in section 2 do not authorise an authority to do whatever it considers likely to promote its own economic well-being, and as noted above, these powers could not be used if the council's primary purpose was to raise money. However, it is suggested that the reports referred to above and the fact that the council has gone through a lengthy and comprehensive public procurement process, demonstrate that the council's primary objective is the regeneration of the EASEL area, by the improvement of the economic, social and environmental well-being of those living and working in the EASEL area, and Members are asked specifically to reaffirm this purpose.
- 10.8 It seems unlikely that the disposal of assets, in this case council owned land, could be regarded as raising money, (and so fall outside the well-being powers) as this would seem to require an exercise of powers to tax or to borrow, for which there are separate statutory codes. However, even if the disposal of land could amount to raising money, it seems clear that land disposals can be regarded as the necessary consequence of the council's objectives in these circumstances, rather than amounting to a separate objective or purpose in themselves. In any event, the council has separate and additional powers in sec 32 of the Housing Act 1985, and in sec 123 of the Local Government Act 1972 to dispose of its land-holdings, and plainly its purposes for exercising those powers could legitimately include converting those land-holdings into capital receipts. Indeed, absent reliance upon a general or specific consent from the Secretary of State, under these other powers the council would be obliged legally to obtain the highest value it could for its land. For these reasons it is considered that those aspects of the proposed arrangements relating to the disposal of council land in the EASEL area fall within the well-being powers, or alternatively within the council's other powers mentioned above'.
- 10.9 The information contained in appendices 7 and 8 attached to this report relates to the financial or business affairs of Bellway Homes Ltd, Bellway PLC, and the council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that it is not in the public interest to disclose this information at this point in time as this could prejudice the commercial interests of the parties to the SHA. In particular, if Bellway or the Council wished to negotiate terms with other potential developers of a phase or part of a phase, those developers might gain an advantage in those negotiations

by knowing the full commercial terms agreed in respect of exclusivity, competition and incentivisation, and how costs are met in respect of the phase approval process.

- 10.10 It is considered that whilst there may be a public interest in disclosure, the council's statutory obligations under sec 123 of the Local Government Act 1972, and under sec 32 of the Housing Act 1985 and the General Housing Consents 2005 to achieve the best consideration that can reasonably be obtained are unaffected by these arrangements, and indeed the phase approval process provides for this to be demonstrated at the initial stage of the process. In addition, much information about the terms of particular land transactions between the parties will be publicly available from the Land Registry following completion and registration. Consequently it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. It is therefore considered that this element of the report should be treated as exempt under Rule 10.4.3 of the Access to Information Procedure Rules.

11 Conclusions

- 11.1 Following Executive Board approval to the appointment of Bellway as the council's regeneration development partner in April 2007, terms and plans for the establishment of the partnership company have progressed successfully. Executive Board is therefore asked to consider the issues set out in this report covering the major terms of the company documentation, the conduct of the company and the associated governance arrangements.

12 Recommendations

- 12.1 Executive Board is asked to:
- 12.2 Approve the terms of the SHA for the JVCo as set out in this report and approve the establishment of the JVCo. with Bellway having considered and approved that the primary objective of the EASEL initiative is to secure the economic, social and environmental well-being of the EASEL area and its residents.
- 12.3 Approve the first EASEL phase plan, which shows the sixteen sites considered as priority for development in the EASEL area.
- 12.4 Approve the initial eight sites to developed through the JVCo.
- 12.5 Approve delegation to the Director of City Development to make amendments to the phase plan to ensure the effective operation of the JVCo. as set out in appendix 3.
- 12.6 Approve the proposed delegations to Directors of City Development and Environment and Neighbourhoods and Assistant Chief Executive (Corporate Governance) to conclude and execute the SHA on behalf of the council as set out in this report.
- 12.7 Approve the development, by the JVCo, of the five neighbourhood plans and to delegate to the Chief Regeneration Officer authority to manage the production of the neighbourhood plans with the JVCo. subject to the completed plans being brought to the Executive Board for final approval.
- 12.8 Approve the use of the business case for project development to be operated by the JVCo subject to final approval of a project by Executive Board.

- 12.9 Approve the delegations to the Chief Regeneration Officer and Director of City Development for the development of projects as set out in appendix 3.
- 12.10 Approve as prospective shareholder the initial draft business plan and draft budget for the JVCo. and approve the delegations to officers to manage the JVCo as set out in appendix 3.
- 12.11 Approve the use of entry premium to fund the working capital of the company subject to approval of the JVCo draft business plan and draft budget.
- 12.12 Note the arrangements for providing additional working capital to the company once the entry premium is spent.
- 12.13 Approve the company dividends policy and delegate responsibility on these issues to the Director of Resources as set out in appendix 3.
- 12.14 Approve the development of an equity loan scheme on the first phase of the EASEL development sites using a commuted sum mechanism.
- 12.15 Approve the delegations to the Chief Housing Services Officer on the details of the scheme.
- 12.16 Approve the transfer of the remaining funds from the Amberton Park equity loan scheme to the EASEL equity loan scheme.
- 12.17 Approve the nomination of the council's initial directors to the company as the Directors of City Development and of Environment and Neighbourhoods as unpaid directors subject to their acceptance of office and of the directors mandate.
- 12.18 Approve the director's mandate for the council's directors and the provision by the council of the necessary indemnity insurance for the council's directors.
- 12.19 Approve the arrangements for the appointment of future directors and deputies as set out in appendix 3.

Background Papers

Executive Board report April 2007 "East And South East Leeds (Easel) Regeneration Area – Outcome of Additional Negotiation Period"

Executive Board report February 2007 "East and South East Leeds Regeneration Area"

EASEL Phase Plan

Site No	Site Reference	To JVCo
1	Asket Drive North	
2	Asket Drive South	Y
3	Ex Asket Hill PS (school footprint)	Y
4	Ex Asket Hill PS (playing fields)	Y
5	Central Seacroft East 1	Y
6	Central Seacroft East 2	Y
7	Central Seacroft West 1	
8	Central Seacroft West 2	
9	Halton Moor East	
10	Halton Moor South 1	Y
11	Halton Moor South 2	Y
12	Halton Moor West	
13	Osmondthorpe 1	Y
14	Ex Primrose HS	
15	Ramshead Approach	
16	Ex Whitebridge PS	

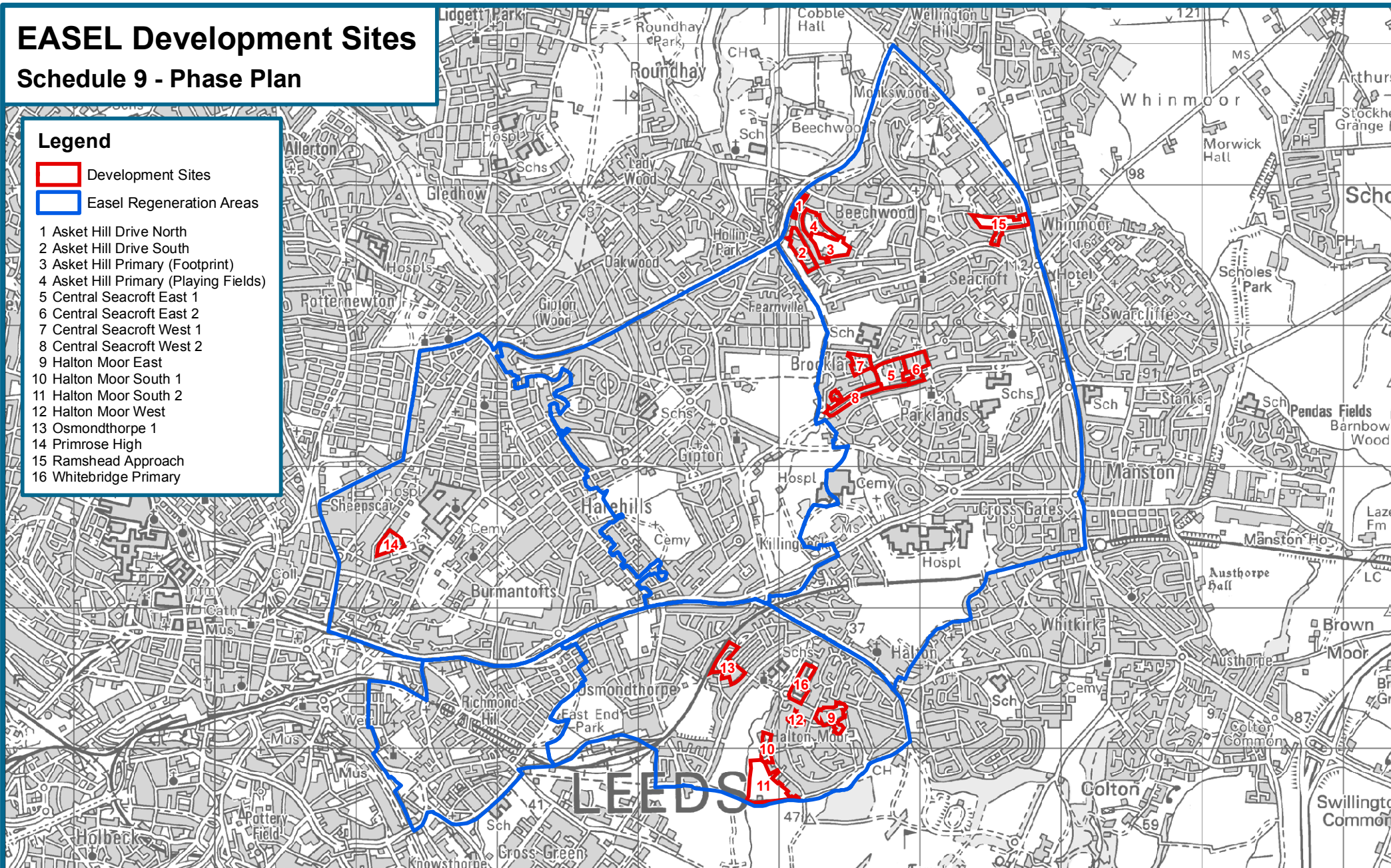
EASEL Development Sites

Schedule 9 - Phase Plan

Legend

- Development Sites
- Easel Regeneration Areas

- 1 Asket Hill Drive North
- 2 Asket Hill Drive South
- 3 Asket Hill Primary (Footprint)
- 4 Asket Hill Primary (Playing Fields)
- 5 Central Seacroft East 1
- 6 Central Seacroft East 2
- 7 Central Seacroft West 1
- 8 Central Seacroft West 2
- 9 Halton Moor East
- 10 Halton Moor South 1
- 11 Halton Moor South 2
- 12 Halton Moor West
- 13 Osmondthorpe 1
- 14 Primrose High
- 15 Ramshead Approach
- 16 Whitebridge Primary



EASEL Governance

Executive Board at its meeting in April 2007 approved the overarching governance arrangements for the EASEL project including those for the partnership company. The Executive Board agreed that issues would be dealt in the following way:

Executive Board	Partnership company
Approval of principal terms of phase one agreement and for the joint venture partnership	Meets minimum of quarterly
Approval of joint venture partnership governance arrangement for the council	Agreeing and operating in accordance with a five year business plan
Approval of the council directors' mandate	Operating in accordance with the EASEL regeneration plan
Approval of the terms and membership of the EASEL steering group	Annual update of the above plans
Approval of EASEL regeneration plan	Comprehensive strategic review of the business plan every 5 years
Comprehensive strategic review of EASEL regeneration plan at least every five years	Strategic investment management and commercial decisions
Receive reports on annual reviews of company business plan	Agreement of development packages for appraisal and delivery
Receive reports on progress on the EASEL regeneration plan	
Receive reports from EASEL steering group	

Substantive changes to these roles would need to be ratified by Executive Board.

EASEL steering group

Executive Board also approved the establishment of an EASEL steering group which would: provide oversight, monitoring and review of the EASEL initiative; receive briefings prior to joint venture company board meetings; receives reports on key projects at development stage; provide an advisory role on emerging issues and provide reports to Executive Board where necessary.

The EASEL steering group will provide monitor and assess proposals to support Executive Board in its areas of responsibility. The EASEL steering group should therefore provide advice and assessment of all key proposals relating to EASEL. Proposals may originate from the council, its key partners and stakeholders, from community representatives or from the partnership company.

The EASEL steering group will also need to be involved in the business of setting the overarching framework for what the council wants to deliver in the EASEL area. This will be done partly through the proposed neighbourhood planning (or masterplanning) programme and partly through the delivering of the investment in the area (by developing sites and through the regeneration spend). The EASEL steering group would then also be responsible for monitoring the performance of the partnership company as it delivers development proposals.

1 Delegations to officers

1.1 This appendix shows how decisions will be made by the council and shows which decisions will be retained by Executive Board and where it is proposed that decisions are delegated to officers to be actioned within the officer delegation scheme.

2 Shareholder consents

2.1 The shareholder agreement uses a mechanism known as shareholder consent to allow decisions which will be made by the JVCo directors, to be considered by the partners in advance. This allows Bellway and the council to consider and refer decisions to wider review, to relevant officers and where necessary to involve Members in the assessment and approval of the proposals.

2.2 The shareholder agreement allows that the following issues will require shareholder consent.

Financial, the Plans and Development Packages	Approved by
The approval of each business plan	Executive Board Delegations to Chief Regeneration Officer to changes required for the efficient conduct of the company subject to substantive changes being reported to Executive Board
The approval of each phase plan	Executive Board Delegations to Director of City Development to manage changes to the phase plan required for the efficient conduct of the company subject to substantive changes being reported to Executive Board
The approval of a proposed phase being considered for development by Bellway	Business cases stage 1 and 2 to be approved under delegation to the Chief Regeneration Officer and Director of City Development subject to their being included in the phase plan and business plan approved by Executive Board Final approval of a business case by Executive Board
The approval of and any change to the company's dividend policy	Executive Board Operation of the dividend policy and minor changes for the efficient conduct of the company delegated to the Director of Resources subject to substantive changes being reported to EB

<p>The declaration and/or payment of any dividends by the company save where such declaration and distribution is made in accordance with the company's dividend policy.</p>	<p>Executive Board Operation of the dividend policy and minor changes for the efficient conduct of the company delegated to the Director of Resources subject to substantive changes being reported to Executive Board</p>
<p>The approval of the budget, and any in financial year changes over £50k in any one amendment and over £250,000 in aggregate in any one Financial Year.</p>	<p>Director of Resources</p>
<p>The increase in any indebtedness of the Company other than in accordance with the Business Plan.</p>	<p>Director of Resources</p>
<p>The commencement by the Company of any new business not being ancillary to or in connection with the Business or making any material change to the nature of the Business.</p>	<p>Executive Board</p>
<p>The Company participating in any activity which is detrimental to and/or incompatible with the Business.</p>	<p>Executive Board</p>
<p>The making of any political or charitable donation.</p>	<p>Chief Regeneration Officer in consultation with the council's Monitoring Officer</p>
<p>The making of any material acquisition or disposal by the Company of or relating to any Intellectual Property Rights other than in accordance with the Business Plan and Budget.</p>	<p>Chief Regeneration Officer</p>
<p>Shares and constitutional matters</p>	
<p>Any amendment to the Memorandum or Articles of the Company.</p>	<p>Executive Board and minor changes for the efficient conduct of the company delegated to the Chief Regeneration Officer subject to substantive changes being reported to EB</p>

Any variation of any rights, including class rights, attaching to any Shares.	Executive Board and minor changes for the efficient conduct of the company delegated to the Director of Resources subject to substantive changes being reported to EB
The repurchase or cancellation by the Company of any shares, or the reduction of the amount (if any) standing to the credit of its share premium account or capital redemption reserve (if any) or any other reserve of the Company.	Director of Resources
The capitalisation of profits or reserves of the Company.	Director of Resources
A change of name of the Company or registered office	Chief Regeneration Officer
A change in the status of the Company from a limited company to a public limited company or from a company limited by shares to any other form of legal entity.	Executive Board
A listing of the Company's share capital.	Director of Resources
Management, control, directors and employees	
The devolution or transfer of management control of the Company to persons outside the Board and, if approved, the terms of such devolution.	Executive Board
The appointment or removal of any non-executive Director and/or Chairman of the Company.	Chief Executive
The making of loans or advances in excess of £5,000 by the Company to any Associate of a Shareholder or the Company other than in the ordinary course	Director of Resources

of business.	
The engagement of (and terms of engagement of) any individual person as a consultant (but excluding for such purposes any firm/professional advisers) or employee whose annual remuneration (including benefits) exceeds £[●] where not in accordance with the Business Plan and Budget.	Director of Resources
Any change to the terms of employment/engagement and/or remuneration of a person referred to in the SHA	Director of Resources
The disposal or transfer of any Shares or assets by the Company to any Shareholder or Associate of a Shareholder.	Director of Resources
Insolvency and related proceedings	
The commencement of any winding-up or dissolution or of the appointment of any liquidator, administrator or administrative receiver of the Company or any of its assets unless it shall have become insolvent, and no Shareholder shall present or cause to be presented or allow any act which would result in the winding up or the presentation of any petition for the winding up of the Company.	Director of Resources

3 Other approval and delegations

Land transactions including issues relating to best consideration	Director of City Development according to the constitutional officer delegations
Neighbourhood plans	Full approval Executive Board

	Development and preparation on behalf of the council to be delegated to the Chief Regeneration Officer
Nomination of directors Nomination of deputies	Executive Board/Chief Executive Directors of City Development and Environment and Neighbourhoods

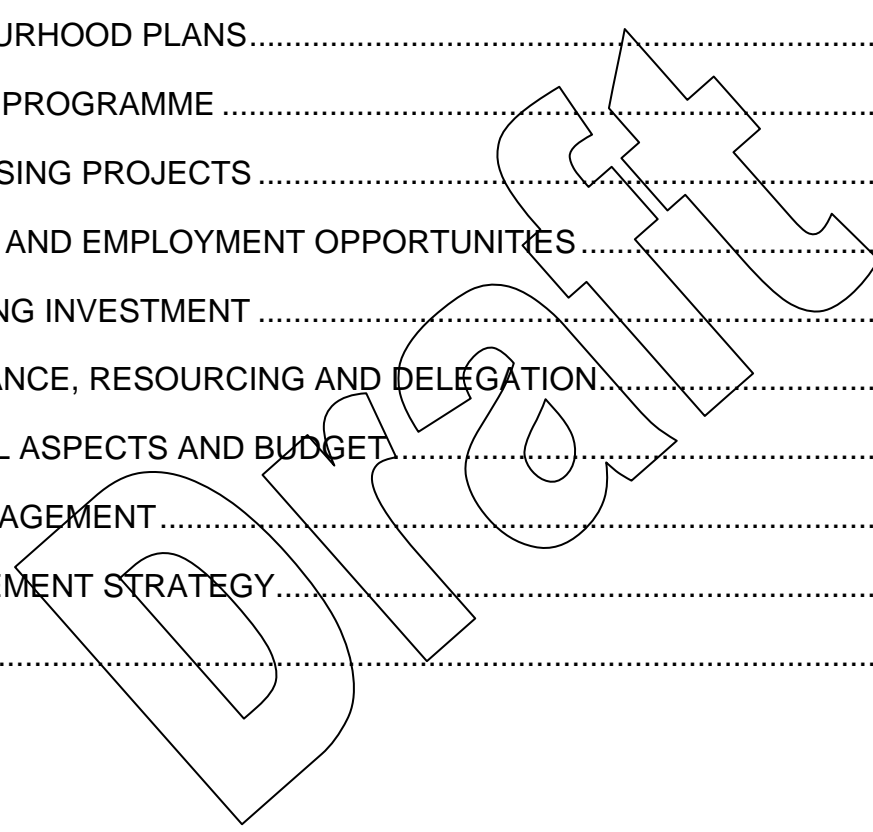


**EASEL JOINT VENTURE COMPANY
OUTLINE BUSINESS PLAN YEARS 1-10**

DRAFT

EASEL JOINT VENTURE COMPANY
OUTLINE BUSINESS PLAN YEARS 1-10

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EASEL JOINT VENTURE COMPANY

OUTLINE BUSINESS PLAN YEARS 1-10

1.0 INTRODUCTION

- 1.1 This is the Years 1-10 Business Plan (Business Plan) for the East and South East Leeds (EASEL) Joint Venture Company (JVCo) whose shareholding is controlled equally by Leeds City Council (LCC) and Bellway plc (Bellway). It seeks to make clear the key objectives of the JVCo, as well as anticipating the project programme, the first annual budget, governance arrangements and management structures which will characterise the early years of its operation.
- 1.2 The key 20 year regeneration objectives for the EASEL area are set out in full at [Appendix A](#). This Business Plan begins with a clear statement of how the company will seek to respond to these longer term objectives within the first period of its operation. It is important for the JVCo to set up an operational framework which will enable it to contribute towards the delivery of long term and lasting social, physical and economic transformation for East and South East Leeds.
- 1.3 This Business Plan will, as a consequence, allow the Board of the JVCo (the Board) to take decisions which are in the long term interests of the local housing market and the community it serves. Nevertheless, EASEL has been long-awaited and this first Business Plan will also seek to make up for lost time engendering a real sense of immediate urgency in those contributing to its delivery.
- 1.4 It is intended that this Business Plan and its attendant budgets and programmes will be reviewed by the Board on an annual basis. This will allow the Board to review performance, consider housing market aspects and to make any adjustments which they jointly agree will be necessary towards the achievement of the 10 year Objectives. The Board will establish a protocol which will assist it in managing the process of annual review.
- 1.5 As at the date of incorporation of the JV company, world markets are in turmoil following the unprecedented credit squeeze in the United States and the resulting banking crisis, therefore it is imperative that business decisions reflect this and a severe decline in the housebuilding sector and availability of housing finance. In the short term and until such time as world markets improve, the budget and business plan will be reviewed on a bi-monthly basis with a view to keeping day to day expenditure to a minimum.

EASEL JOINT VENTURE COMPANY

OUTLINE BUSINESS PLAN YEARS 1-10

2.0 OBJECTIVES

- 2.1 It is vital for the JVCo to quickly establish a series of key positive relationships which will form a bedrock of support for its proposals. It is also vital that the investment intentions of the company make sense and are legible to local people as the majority of JVCo projects will take place in neighbourhood settings where people will continue to live. Whilst the cumulative intended scale of the EASEL initiative is huge, its effects will be felt at a local level affecting the day to day lives of many residents, businesses and service providers.
- 2.2 The early objectives are therefore related to the planning phase which will establish in an inclusive manner what is to be done, how it is to be delivered and who will be involved.
- 2.3 The Board will aim to prepare plans which will secure maximum investment in new homes construction, optimise values generated and seek to secure support for any future clearance.
- 2.4 The Objectives set out below therefore seek to blend ambition with realism, to allow time and funds to be deployed in building support for a transformation of the housing offer in the EASEL area.
- 2.5 The key Objectives for years 1-10 therefore are:
- To prepare and keep updated 5 Neighbourhood Plans (NPs) which will have been produced via an inclusive process of meaningful engagement and which will show the land use, social and economic vision for the constituent parts of EASEL. These NPs will:
 - Achieve local community and political involvement, support and approval.
 - Be led by highly regarded firms of urban designers.
 - Be facilitated by local service providers and community groups.
 - Identify and support community networks.
 - Specify a phased programme of housing, mixed use, social and environmental projects which will ensure that a new sense of individual place will be established, integrating all aspects of local community life.
 - Stimulate focussed investment from a wide range of sources into EASEL neighbourhoods.
 - Engage service providers and inform future service needs.
 - In conjunction with the emerging AAP, be recognised as material policy statements for development control purposes.
 - Facilitate planning applications for JVCo and other investment.
 - Establish a shared, certain and supported vision for change at the local level.
 - To help facilitate the development of sustainable mixed communities through the delivery of high quality new homes in Seacroft, Halton Moor, Osmondthorpe and Gipton in a series of mixed tenure projects. These projects will:

EASEL JOINT VENTURE COMPANY

OUTLINE BUSINESS PLAN YEARS 1-10

- Optimise sales rates in order to maximise investment.
 - Control sales prices to maximise choice and affordability.
 - Promote the development of a positive image of these neighbourhoods.
 - Offer wide tenure choice in a tenure blind configuration.
 - Increase land values by offering a combination of quality and price which will compare favourably within the wider Leeds housing market.
- To optimise the training and employment opportunities arising from the EASEL house building programme to the particular benefit of local residents. This means:
 - Bellway and other developers maximising job opportunities for local people in all aspects of the development process.
 - Utilising supply chain relationships to spread local benefits.
 - Encouraging the delivery of community based learning facilities and individualised support.
 - Exploring the feasibility of a Modern Methods of Construction (MMC) field factory and the establishment of EASEL as a National Skills Academy for construction.
 - To respect the objectives of the Shareholders to manage working capital in a responsible and market responsive manner, commensurate with the agreed phases of housing development, via an annual budget review process.

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EASEL JOINT VENTURE COMPANY

OUTLINE BUSINESS PLAN YEARS 1-10

3.0 NEIGHBOURHOOD PLANS

- 3.1 A series of 5 Neighbourhood Plans will be commissioned by the JVCo beginning with Seacroft/Killingbeck and Halton Moor/Osmondthorpe. It is then intended to progress to Richmond Hill/Cross Green, Harehills and Gipton.
- 3.2 There is a dual purpose to progressing EASEL in a plan led approach:
- To devise a clear and distinct physical, social and economic vision for each neighbourhood that has community support.
 - To use the plan making process to identify and expand the capacity of local community networks.
- 3.3 Each Plan will take roughly 12 months to mobilise and complete, although it is recognised that each community may vary in terms of the pace at which it prefers to engage in the process. It is intended that all 5 Plans will be completed early in this initial Business Plan period.
- 3.4 The extent to which the joint house building programme might extend beyond cleared land into areas requiring clearance will be established via the Neighbourhood Plans process. The annual Business Plan review process will pick up these outcomes as Neighbourhood Plans reach completion, with attendant revision of JVCo phase plans, budgets and programmes appropriate to any new situation.
- 3.5 The methodology for the Neighbourhood Plans will be in 2 parts:
- Consultant led element: physical land use, social, economic and environmental masterplan vision, programme and delivery.
 - Local community agency element: Community Engagement Plan (CEP).
- 3.6 It is intended that all 5 Plans will respect this combined approach, although the first 2 NPs will be treated as pilots from which lessons will be drawn for later Plans. The delivery of the CEP by a combination of outreach workers, community agency personnel, partner organisations and LCC Officers (rather than by consultants who have no long term stake in the community) is challenging but is designed to ensure that relationships are lasting, consultation is meaningful and capacity is built.
- 3.7 The Board will consider the need for any updating of completed Neighbourhood Plans during the 10 year Business Plan period.

EASEL JOINT VENTURE COMPANY

OUTLINE BUSINESS PLAN YEARS 1-10

4.0 HOUSING PROGRAMME

4.1 This Business Plan recognises that the core rationale for the establishment of the JVCo is the realisation of a successful housing market in this sector of Leeds. At the heart is a challenge to diversify the mono tenure of the expansive LCC estates of Gipton, Seacroft, Halton Moor and Osmondthorpe by establishing sustainable mixed tenure communities and at the same time to generate investment which can be used in these areas as well as in the terraced zones of Harehills, Richmond Hill and East End Park.

4.2 This Business Plan respects a number of jointly agreed factors which are implicit within the objectives set out above namely:

- That the residential development programme should start on land which is cleared (or about to be cleared) to allow time for confidence to be raised and values to increase. Clearance is expensive and requires community support. Underused open spaces and former school sites will be a critical land resource in this Business Plan period.
- That quality of product is an essential pre-requisite of success in increasing land values.
- That a whole range of measures are necessary to attract in new families, beyond the immediate responsibilities of the JVCo.
- That the shareholders are in a position to control house prices to allow for a new and sustainable market to become established.
- That a carefully managed decant programme will be needed to underpin any future clearance.
- That building local family wealth will be essential if existing residents are to fully participate in and benefit from this process of change.

4.3 The JVCo has already secured detailed planning permission for 743 high quality new homes in Gipton and Seacroft on 8 sites, known as the Phase One sites. The construction start on these projects has played a significant part in increasing the credibility of the EASEL initiative with local people and their representatives. The Phase One sites will also demonstrate:

- The quality of the homes and the surrounding on site open areas (home zones).
- The positive impact of Bellway's considerate constructor scheme.
- Direct training and employment benefits.
- How local schools can participate in the programme.

4.4 The housing programme for years 1-10 beyond the Phase One sites will be informed by the Neighbourhood Plans and be influenced by features of the wider housing market. It will concentrate on sites in North and South Seacroft, Halton Moor and Osmondthorpe where the Arms Length Management Organisation (ALMO) has already cleared, or is currently clearing, unsustainable housing stock to make way for the EASEL programme or where schools have been closed leaving vacant land or where there are areas of underused open space. Plans showing the years 1-10 sites

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are attached at [Appendix B](#). This shows a total of 16 sites divided into Phase 1 and Phase 2.

4.5 This plan represents an initial portfolio of sites. The Neighbourhood Plans will identify additional areas which can come into future JVCo programmes and as such this plan should be regarded as the starting point for the JVCo.

4.6 The specifics of phasing the housing programme must be hinged around decisions which prevent unhelpful internal sales competition between EASEL projects, as this would otherwise undermine prices and sales rates. Bellway has advised that sales outlets in each of the following locations represent different markets and as such could operate consecutively:

- North Seacroft, orientated around the Wetherby Road, Wykebeck Valley and The Rein.
- South Seacroft, orientated around South Parkway.
- Osmonthorpe and Halton Moor.
- Gipton.

4.7 Judgements of this nature will rely on Bellway's assessment of levels of market demand at any one time as advised to the JVCo Board. The Phase One sites have now established sales outlets in Gipton and South Seacroft. This Business Plan shows how the Phase 2 sites extend the programme into additional neighbourhoods within EASEL.

4.8 It is intended that high quality sales outlets will be set up to operate in each market. They can become the focal point for a programme of projects and initiatives involving local schools to support the curriculum, contribute to the positive image of EASEL and to encourage employment and training place take-up by local young people.

4.9 The initial list of Phase 2 cleared or soon to be cleared sites in this Business Plan is:

4.9.1 North Seacroft

- Asket Garth, Drive, Gardens and Drive (part).
- Former Asket Hill primary school site and part of Kentmere Approach.

4.9.2 Halton Moor

- Sites at Cartmell Drive.

4.9.3 South Seacroft

- Area between South Parkway and Brooklands Avenue.
- Area between South Parkway and Brooklands Drive fronting on the open area at the approach to the ELFLC site.

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- 4.10 The land area of Phase 1 and 2 comprises approximately 37 hectares which together will deliver an estimated 1850 new homes, of which some 1600 are anticipated to be built in years 1-10 of the JVCo's programme, based on assumptions that the housing market improves beyond the exceptional circumstances of late 2008. Bellway will advise the Board of actual sales rates achieved on a regular basis so that these and other assumptions can be adjusted.
- 4.11 The clearance programme for this combined Phase 1 and Phase 2 area is well advanced and it is estimated that a further 40 LCC tenants and 31 owner occupiers remain to be relocated. The programme attached at [Appendix C](#) has been produced in conjunction with the ALMO and Strategic Landlord function of LCC and is regarded as deliverable, bearing in mind the current rates of re-housing.
- 4.12 Fourteen new house types have been developed by Bellway for the Phase One sites, ranging from 2 bed room flats to 3-4 bed room semi detached homes. This range will be the starting point for consideration of new schemes particularly in Osmondthorpe and Halton Moor where these products are not currently on offer via the Phase One programme. In North Seacroft which is considered to be potentially one of the most attractive parts of the EASEL area, new house types will be devised to capitalise on this opportunity.
- 4.13 Variety of design, particularly with respect to external elevations, will be vital in terms of delivering distinctive local neighbourhoods as well as to maximising values and volume of sales. The housing programme will concentrate on delivering distinctive places with safer streets and play areas, which represent best practice examples of urban design as well as incorporating contemporary architecture. The merits of commissioning an EASEL Design Guide will be considered by the Board during the early years of this Business Plan period which will aim to control the quality of new investment facilitated by the JVCo and others.
- 4.14 Choice in terms of tenure and price will also be a feature of the housing development programme. The Phase One sites provide 2 basic tenure choices; full market sales and discounted shared equity homes. As the JVCo expands its programme, it is intended that other products could be offered potentially including:
- Shared ownership homes offered either by a Registered Social Landlords (RSL) or the Bellway Housing Trust (BHT).
 - New build social housing on behalf of the Council.
 - Sub-market rented housing offered by an RSL or BHT.
- 4.15 It is intended that investment by the JVCo will encourage the delivery of specialist housing for the elderly and other target groups as part of any sub-market rented element. This provision will address an identified local need as well as helping to accelerate the decant programme and encouraging community support for the EASEL programme.
- 4.16 Most homes will be provided on a freehold basis either to owner-occupiers or to managing agencies. However the JVCo will consider the merits of long leasehold

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structures which do not affect marketability or value in order to create revenue income streams in support of local community initiatives. The Board will consider ways in which financial structures could be introduced into the terms of conveyance for new homes to ensure that maintenance of open spaces, home zones, playgrounds and other landscaped areas are properly maintained in perpetuity. The Board will also explore innovative structures to try to ensure that all residents, irrespective of tenure, share a responsibility for the up-keep of new residential areas.

4.17 The attached programme shows the potential sequencing of schemes which could be delivered utilising this initial list of sites. The anticipated outputs arising from delivery of these schemes are set out below. The Board will look to introduce efficiencies into the process for project appraisal, planning application and construction phases to streamline the process by which an optimal number of new homes can be built in the first 10 years (up to the end of 2019) of JVCo operation, with pace of investment being dictated ultimately by market demand.

Gipton:

Approximate number of new homes sold	440
Brownfield land reclaimed approximately	9 ha
Number of sites	4

South Seacroft:

Approximate number of new homes sold	435
Brownfield land reclaimed approximately	10 ha
Number of sites	4

Halton Moor/Osmondthorpe:

Approximate number of new homes sold	350
Brownfield land reclaimed approximately	7 ha
Number of sites	2

North Seacroft

Number of new homes sold	385
Brownfield land reclaimed approximately	8 ha
Number of sites	3

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4.18 Sustainable Homes:

- 4.18.1 All new homes to be built will meet the requirements of the Code for Sustainable Homes. The Board recognise the need to plan and agree a process by which EASEL housing schemes progress from Category 3 in 2009 towards the goal of carbon neutral homes by 2016 in line with statutory regulations. This plan will be interpreted in the context of each housing scheme to be appraised, so that the JVCo Board can appreciate the cost/value implications.
- 4.18.2 Two specific initiatives will be pursued which may assist the realisation of carbon neutral homes in EASEL:
- 4.18.3 The potential establishment of a multi-service utility company (MUSCo) will be explored, based around the model under consideration by English Partnerships and Bellway at Barking Riverside. The early feasibility work at Barking could be used as a springboard for East Leeds to enable cost effective consideration of the potential to establish a company who will provide private finance to replace obsolete utility services media and potentially establish a local energy source (e.g. combined heat and power plant using green fuels) in exchange for access to the householder customer base.
- 4.18.4 The potential establishment of a modern methods of construction (MMC) field factory, a production facility which can produce standardised and high quality component parts of new homes. This facility could have the capacity to deliver product to house builder customers beyond the EASEL programme. It would allow for sustainable technologies to be tested and incorporated in a controlled environment. The feasibility study relating to the field factory should include how offsite technologies can support the requirements of the Code for Sustainable Homes (minimum Level 3) and other performance demands set by the JVCo Board and test whether EASEL might provide the basis for a viable MMC facility in Leeds.
- 4.18.5 Beyond these initiatives, the JVCo Board will ensure, via the Neighbourhood Plans process and the EASEL Design Code, that solutions around sustainable drainage and environmentally responsible designs are incorporated at each stage of investment.

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5.0 NON HOUSING PROJECTS

5.1 The JVCo Shareholder Agreement recognises that the Council may chose to invite Bellway to bid for the delivery of a number of key non-housing projects throughout the first 10 years of operation and beyond. Such projects might include:

- Submarket rented housing provision
- Physical infrastructure such as roads and parks
- Mixed use community hubs

5.2 Additionally and outside this Business Plan, the Council will progress the delivery of a number of key projects in the EASEL area including:

5.2.1 Redevelopment of the East Leeds Family Learning Centre Site

This Council owned property is at the heart of Seacroft and this project could seek to exploit this land resource and its flexible boundaries with adjacent housing areas, to help attract investment from the education sector to establish a learning campus. This could become an inspiring new complex of buildings delivering learning to all age groups from early years, through FE and skills for adult learners, capitalising on its close proximity to the David Young Academy. The potential may exist to incorporate space for new enterprises, as well as for ancillary activities such as café/restaurant and library. Footloose office requirements from Council services could also be targeted for occupation here.

5.2.2 Seacroft Gateway Retail Centre

The Preferred Option of the Draft AAP identifies potential for this centre to be expanded to provide additional retail units and other mixed use activities, subject to an evidence base justifying this approach. The land is in private ownership. The potential in this location might be explored with a view to strengthening physical linkages to the residential areas of Seacroft to the rear of the Tesco store, together with a review of the role of Council owned sites and buildings in this vicinity. The future for the historic village of Seacroft should also be considered and respected.

5.2.3 Arcadia Site and Torres Estate

The Preferred Option of the Draft AAP identifies this area for a comprehensive mixed use development capitalising on the pre-dominant dual ownership of the Arcadia Group and the Council. The scale of this combined land area means that this is an important prospect for significant investment in family homes and space for small businesses close to the rim of the city centre. Ways to secure the development of a relatively high density (but not high rise) urban mixed use quarter in this location might be explored.

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5.2.4 The Wykebeck Valley

The valley is the single feature which has the capacity to link all the remade LCC estates Gipton, Seacroft, Halton Moor and Osmonthorpe. It should be an acclaimed asset and be the structural element which connects a whole series of new spaces throughout the adjacent residential neighbourhoods. It provides a unique opportunity for a new linear park for Leeds incorporating sustainable drainage solutions, social enterprise, education, recreation and sports, spanning both EASEL and the Aire Valley.

5.2.5 Lincoln Green

This Council owned site adjoining the Teaching Hospital at St James' presents a unique economic development prospect for the city of Leeds. The site could exploit co-location benefits for third-arm research and applied technologies that would benefit from proximity with the Teaching Hospital. The scheme could comprise a high density urban scale mixed use development with a core of R&D space for direct occupation by the University, the Trust and sector specific corporates, especially medical appliance companies who are well represented across Yorkshire. A comprehensive scheme might also incorporate a medi-sector incubator, local retail centre (replacement for the existing poor quality Lincoln Green facility) a multi-storey car park, GP walk-in centre, residential accommodation for key workers, health and fitness provision and a new facility for the Ambulance Service. A sensitive approach to decanting the existing residential community will need to be achieved as a pre-requisite.

5.2.6 Great Clothes and Marsh Lane Area

This area is presently in multiple private ownerships with local property developer interest in speculative site assembly. This investment needs to be encouraged to help facilitate the delivery of further consolidation of ownerships so that family homes and new commercial floor space can be delivered, helping to bridge between the EASEL area and the edge of the city centre, as well as improving local shopping provision for the existing residents of East End Park.

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6.0 TRAINING AND EMPLOYMENT OPPORTUNITIES

6.1 The EASEL area is characterised by schools with relatively low levels of educational attainment and by high levels of unemployment. There are localised areas where a deep-seated culture of worklessness has taken root. Those in employment are in relatively low paid jobs and the skills needed to progress are often lacking. The JVCo has the opportunity to play a significant part in transforming this situation in a variety of ways.

6.2 The JVCo will seek to:

- Provide mixed tenure housing which will inevitably broaden the social mix to help dilute the existing dependency culture, increasing local levels of aspiration.
- Provide a whole range of training and employment opportunities arising out of the EASEL construction programme which can be targeted towards local residents.
- Via the Neighbourhood Plans, will seek to unify the ambitions of service agencies that are active in this sector, improving cooperation and efficiencies.
- Encourage the development of non-housing projects which provide accommodation for companies and agencies who can recruit locally.

6.3 Each individual JVCo project will contain training and employment targets which must be met by the developer and supply chain. A policy of recruiting locally will be pursued, targeting those living locally to each construction project and focusing on post codes in the EASEL area.

6.4 MMC field factory as a training centre specialising in off-site processes.

6.4.1 This local manufacturing capability could provide a 'back-to-work' route for the many unemployed people living in East Leeds, and thus create a more sustainable sense of local community. A major benefit of offsite manufacturing, in common with many labour intensive factory activities, is that the factory processes rarely require high levels of trade skills which are becoming increasingly difficult to resource in number. It is entirely feasible to train unskilled operatives in basic factory skills and produce acceptable offsite products relatively quickly. There is clearly a compelling need to create higher levels skills and expertise to improve average incomes within the EASEL communities and this desire is not inconsistent with offsite manufacturing. The basic production skills required in most offsite factories could form the basis to launch careers and apprenticeships in a range of highly regarded construction trade skills including plumbing, electrical installations, joinery, tiling, plastering and general finishing trades. Thus offsite factories could be viewed as part of an employment and training continuum for the local community, providing a structured opportunity to reinforce the work ethic and bring people back into the income generating, local economy. Whilst all of these potential benefits are clear, the Board recognise that delivery of the MMC field factory will be reliant on a compelling business plan and the identification of willing third party investors.

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6.4.2 EASEL as a National Skills Academy for construction ensuring that all construction projects are delivered alongside a workforce development plan:

The feasibility of this approach will be developed alongside Construction Skills, the Sector Skills Council for construction in the UK. This approach will help plan, establish and support project based learning centres on all major construction projects in the EASEL programme. This will mean that all on site operatives irrespective of trade or skills level will be offered the opportunity to progress, helping to develop a training culture throughout the supply chain. It will also enable the monitoring of all EASEL training achievements. As a first stage in this process, a local training facility and enterprise catalyst centre, has already been established in Seacroft to provide:

- Local training facilities for the David Young Community Academy, Leeds College of Building, Construction Skills Learning Centre, Bellway and their sub-contractors.
- Catalyst Centre for the LEGI programme
- A physical base and training centre for establishing the National Skills Academy.

6.5 Delivery of the non-housing projects will additionally contribute to the economic development objectives of EASEL by providing space for employers, by expanding the magnitude of the construction programme and by developing buildings from which learning can be delivered.

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7.0 MAXIMISING INVESTMENT

7.1 It is the intention of the Council to dedicate its land receipts and developer contributions accumulated in the EASEL area into a regeneration programme devised and managed by its Regeneration Team East Area Office which will:

- Support the realisation of the EASEL Objectives.
- Fill gaps left after mainstream funds have been exploited.

7.2 It is the Council's intention to fund a Regeneration Plan which it will review annually and which will complement the activities of the JVCo Board.

7.3 In the first years of operation, the projects which will call on this funding are likely to be those emanating from the Neighbourhood Plans.

7.4 The extent of funds flowing into the Regeneration Plan will inevitably depend on the scale and throughput of the approved house building programme, as well as other property development schemes secured by the Council outside the operation of this JVCo. It is intended that annual reviews of this Business Plan will equip the Council with reliable estimates of funding which could be dedicated to the EASEL Regeneration Programme for the coming 12 months and this programme will arise out of actual funds available as well as forecasted incomes.

7.5 The preparation of the Neighbourhood Plans will provide the key opportunity to secure additional investment into EASEL beyond those funds directly raised via the JV programme itself. All service departments of LCC will be consulted during the preparation of these Plans and the Council could take this opportunity to align Council policies and budgets.

7.6 This Business Plan highlights a series of EASEL projects which have a role to play in attracting investment from a range of third party sources. Obvious sources include the LSC, Regional Housing Board, the new Homes and Communities Agency, Yorkshire Forward and third party property developers and institutions.

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8.0 GOVERNANCE, RESOURCING AND DELEGATION

8.1 The Shareholders will establish a Board who may have powers and authority delegated to it from the Shareholders.

8.1.1 The Council's representatives on the Board may have been given delegated authority to make decisions on the following matters on the Council's behalf:

- Whether of not the Council will pursue a CPO.
- Approval of a JVCo Business Plan.
- Entering into a Project Agreement for disposal of land to Bellway.

8.1.2 Bellway's representatives on the Board may have been given delegated authority to make decisions on the following matters on Bellway's behalf:

- Approval of a JVCo Business Plan.
- Entering into a Project Agreement for the purchase of land from the Council.

8.2 Otherwise, it is intended that the Board will monitor and report progress on the delivery of a Business Plan to the Shareholders.

8.3 The Shareholders intend that once a Business Plan has been approved by them, the Board will have the necessary delegated authority to:

- Alter the sequence and timing of individual site draw down in accordance with reviews of the JVCo's development programme.
- Set budgets for working capital which reflect the resource requirements of the JVCo's programme, provided they are within the limits for spend approved by the Shareholders.
- Adjust the resource base to ensure best fit with the programme.
- Make external consultant appointments to support agreed activities.

8.4 The Board will delegate or nominate an Operations Group to undertake specific tasks on its behalf. The Operations Group will comprise appropriate members of the Shareholders staff who have a technical expertise relevant to the delivery of projects within the Business Plan. The Operations Group will:

- Monitor the preparation of and act as client for the EASEL Neighbourhood Plans.
- Day to day implementation, administration and responsibility for the JVCo Business Plan.
- Managing and implementing the staged project appraisal procedure.
- Discussing and implementing any minor changes to the agreed Business Plan – which do not have any material financial or operational impact on either of the Shareholders.
- Reporting to the Board.
- Preparing Business Plan, budget and programme reviews.

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- 8.5 Membership of the Operations Group will be flexible and responsive to the particular challenges of the Business Plan.
- 8.6 As the momentum of JVCo business builds, the Board will give consideration to the establishment of a wider resource base within the Operations Group (or sub groups) suited to deal with the intended scale of the JVCo programme. These resources may cover the following key aspects:
- Valuation of properties for acquisition and site assembly.
 - Re-housing and decant programme.
 - Conveyancing and Planning Agreements.
 - Construction cost scrutiny.
 - Development control.
 - Design.
- 8.7 It will be important for resources directed via the Operations Group to be distinct from the resources deployed by the Council in fulfilling its statutory functions, especially in relation to S123 and matters relating to the Local Planning Authority.
- 8.8 The Operations Group will have the ability to draw in consultant support where this is necessary, subject to Board approval.
- 8.9 Resourcing will need to be kept under review by the Board.

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9.0 FINANCIAL ASPECTS AND BUDGET

- 9.1 A years 1-3 budget is attached at [Appendix D](#). It shows a draft proposal for spend which will need to be reviewed by the Board in order to agree the draw down of working capital to be provided by Bellway. Decisions as to the commencement of this budget period and the nature of annual reviews will particularly take account of conditions in the housing market.
- 9.2 A JVCo financial model has been prepared for the 20 year partnership period during the procurement phase. This is a fully functional model which shows the extent of anticipated investment by Bellway in the housing programme, together with other key investment in infrastructure and regeneration programmes. There is a separate financial model relating to the Phase One sites programme.
- 9.3 This historic work, together with the information emanating from the Phase One programme will be used to produce a workable financial model geared to the management requirements of the Shareholders and JVCo Board. A revised version of this model will be produced on completion of the first Neighbourhood Plan.
- 9.4 This bespoke functional financial model will be a key management tool for the Board and the Operations Group in terms of monitoring the delivery of this and subsequent Business Plans.
- 9.5 The key financial factors within this model will be incorporated into this Business Plan at its first annual review. At that stage it will be possible to incorporate cash flow forecasts, timing of land payments, estimates of S106 sums and total investment by Bellway in the development programme. This information will assist the Council in devising its regeneration programme for the EASEL area reflecting local needs and priorities highlighted during the Neighbourhood Plans process, which are not otherwise met by mainstream LCC budgets.

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10.0 RISK MANAGEMENT

- 10.1 A risk management approach will be operated by the company and appropriate risk analysis and control of risk will be conducted to inform decision making by the Board. A main risk register will be developed and will be used by the Board and Operations Group when assessing proposals for individual sites or projects. It will be used by the Board to inform general actions, behaviours and strategies to try to minimise risks which could adversely affect the delivery of this Business Plan.
- 10.2 The Board expect to consider additional strategies which could be incorporated into the day to day operation of the JVCo which will reduce exposure to risk.

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11.0 PROCUREMENT STRATEGY

- 11.1 The JVCo Board intends that open competition should apply when goods and services are procured to assist the delivery of its Business Plans. The Board will require the Operations Group to respect the following procedure which is aimed to ensure both value for money and quality of service.
- 11.1.2 A Brief will be prepared and agreed within the Operations Group for approval by the Board.
- 11.1.3 The Operations Group will advise on an appropriate budget estimate for the works or services.
- 11.1.4 The Board will decide whether funds from working capital or from other sources can be allocated for this purpose.
- 11.1.5 Evaluation criteria will be devised and competitive bids sought from at least 3 suitably qualified firms or organisations. If Bellway nominate a party for an exclusive appointment from with the Bellway EASEL bid team, evidence of market testing both price and quality of service must be provided to the Board's satisfaction.
- 11.1.6 Wherever possible a firm timescale and fixed maximum fee or price must be obtained for the works of services contained in the Brief. The Board must approve any departure from this approach.
- 11.1.7 The Board will decide how best to organise the contractual basis of appointments.

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APPENDIX A EASEL 20 YEAR REGENERATION OBJECTIVES

EAST AND SOUTH EAST LEEDS (EASEL) REGENERATION PROJECT OBJECTIVES

Fundamental Objectives

- To create sustainable mixed use communities in the EASEL area.
- To make the EASEL area a place that people want to live and work and to tackle existing deprivation and overcome the negative perceptions of the EASEL area.

Detailed Objectives

- To create affordable, attractive and high quality mixed tenure housing.
- To increase housing choice for existing residents and attract new higher income residents to achieve a diverse and sustainable housing market.
- To invest in new and existing assets to transform the image and attractiveness of the area, realising the potential of its high quality green spaces.
- To create lively busy centres for new neighbourhoods with good schools and local services.
- To address the underlying social and economic problems of the area focusing on improving attainment and skills, reducing crime and promoting employment and enterprise.
- To capitalise on existing public and private sector investment opportunities in schools, hospitals and the neighbouring Aire Valley.
- The following regeneration objectives are designed to help achieve the overall aim of the EASEL regeneration project:
 - Housing
H1: To create new mixed tenure neighbourhoods.
 - Economy
EC1: To create new mixed income neighbourhoods.
 - Access and Connectivity
AC1: To ensure there is ease of movement within and to and from the EASEL area.
 - Environment
En1: To create a distinct character and sense of identity for the EASEL area and its constituent neighbourhoods that is safe.
 - Engagement and Involvement
E1: To increase aspirations and choice for people living in the EASEL area.
 - Investment

In1: To target investment in new and existing assets within the area to transform the image and attraction of the EASEL area.

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APPENDIX B

[refers to Executive Board report Appendix 1 Phase Plan]

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APPENDIX C CLEARANCE PROGRAMME YEARS 1-10

The years 1-10 programme indicates the dates by which vacant possession must have been achieved for projects to progress in line with the Business Plan. The Almo advise that their current activities match this programme or indeed are ahead of it. In detail, the Almo clearance programme is:

Clearances already approved and in progress:

Site Name	Date VP Required	No. Owner /Occupiers	No LCC Tenants
North Seacroft Asket Hill sites 3+4*	clear	nil	nil
North Seacroft Asket Hill site 2	November 2014	9	5
Halton Moor sites 10 + 11	clear	nil	nil
South Seacroft site 6	August 2012	4	5
South Seacroft site 5	July 2015	3	4
South Seacroft site 8	June 2018	13	22

* project would benefit from additional clearance along Asket Drive – possibilities to be tested as part of Neighbourhood Plan process.

**EASEL JOINT VENTURE COMPANY
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APPENDIX D YEARS 1-3 BUDGET

[Refers to confidential appendix 7 to the Executive Board Report]

Draft



dated 15th September 2008

Draft

Leeds City Council

Directors' Mandate – EASEL Regeneration Project

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draft 1 dated 15th September 2008

1

1 Introduction

- 1.1 You have been appointed at the nomination of Leeds City Council to be a Director on the board of the EASEL Regeneration Company (the **Company**).
- 1.2 With a view to guide your conduct as a director of the Company we set out below, the General (Part A) and Specific (Part B) directors' mandate for the Company.
- 1.3 This briefing paper acts as an introductory briefing guide for newly appointed directors and sets out the core duties of a director as provided in the Companies Act 2006 (the **Act**), and the common law. It may be necessary for the Company to arrange training for newly appointed directors to ensure that they are familiar with their powers and duties in their role as directors.

PART A – GENERAL MANDATE

- 1.1 The Act contains a new duty on company directors which is far more wide-ranging and onerous than the previous duty. The Act incorporates for the first time a statutory statement of directors' duties and this operates alongside the existing common law rules.
- 1.2 At common law the following directors' duties exist:
- a duty to exercise skill and care,
 - b duty to act in good faith and in the best interests of the company,
 - c duty to act within the powers conferred by the company's memorandum and articles of association and to exercise powers for proper purposes,
 - d duty to avoid conflicting interests and conflicting duties, and
 - e duty to not make a secret profit.

2 The general duties under the Act

The general duties set out in the Act are detailed in paragraph 2.1 to 2.7 below. Directors will have to comply with the duties set out at paragraphs 2.1-2.4 and 2.6-2.7 from 1 October 2007. The duty to avoid conflicts of interest set out at 2.5 below, will not apply until 1 October 2008 but should be applied, in any event, as good practice.

2.1 Duty to act within powers

- 2.1.1 A director must act in accordance with the company's constitution and must only exercise his powers for their proper purpose. The 2006 Act defines a company's constitution, for the purposes of the general duties, as the company's Articles and Memorandum of Association and directors will need to review the company's constitution in order to ensure that decisions are taken in accordance with them.

2.2 Duty to promote the success of the Company

- 2.2.1 A director must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole.

- 2.2.2 In fulfilling this duty, a director must have regard to (amongst other matters):
- a the likely consequences of any decision in the long term,
 - b the interests of the company's employees,
 - c the need to foster the company's business relationships with suppliers, customer and others,
 - d the impact of the company's operations on the community and the environment,
 - e the desirability of the company maintaining a reputation for high standards of business conduct, and
 - f the need to act fairly as between the members of the company.
- 2.2.3 In having regard to the factors listed in paragraph 2.2.2 above, the general duty to exercise reasonable care and skill when acting as a director will apply.
- 2.2.4 The meaning of "success for the benefit of the company's members as a whole" is unclear. Department of Trade and Industry (**DTI**) guidance states that "success" in this context will usually mean "long-term increase in value" for commercial companies. The DTI has also said that the decision as to what will promote the success of the company, and what constitutes such success, is one for the director's judgement taken in good faith. It is for the director to evaluate business decisions utilising his judgement exercised in good faith.
- 2.2.5 The Act recognises that the duty to promote the success of the company will be overridden in an insolvency situation by the interests of the creditors of the company.
- 2.3 **Duty to exercise independent judgment**
- 2.3.1 A director must act independently and without undue influence from third parties. This duty is not infringed by a director acting in accordance with an agreement entered into by the company that restricts the future exercise of the directors' discretion or in a way authorised by the company's constitution. The duty also does not prevent the directors from exercising a power to delegate as granted by the company's constitution.
- 2.4 **Duty to exercise reasonable care, skill and diligence**
- 2.4.1 A director must exercise the care, skill and diligence which would be exercised by a reasonably diligent person with both the general knowledge, skill and experience that may be reasonably expected of a person carrying out the functions carried out by the director in relation to the company combined with the general knowledge, skill and experience that the director actually has.
- 2.4.2 In applying the test, regard must be had to the functions of the particular director, including his specific responsibilities, as well as the circumstances of the company. This means that directors will have different levels of responsibility dependent on their experience and other such matters.

2.5 **Duty to avoid conflicts of interest**

- 2.5.1 A director must avoid situations in which he has or could have a direct or indirect interest that conflicts with or may conflict with the company's interests. This applies in particular to the exploitation of property, information or opportunity by the director (whether or not the company could take advantage of the property, information or opportunity).
- 2.5.2 This duty does not apply to a conflict of interest arising in relation to a transaction or arrangement with the company, which should instead be declared (see paragraph 2.7 below).
- 2.5.3 The duty is not infringed if the situation cannot reasonably be regarded as likely to give rise to a conflict of interest, or if the matter in question is authorised by the directors. Board authorisation is only effective if the required quorum is met without counting the director in question or any other interested director and if the conflicted directors have not participated in the taking of the decision or if the decision would have been made without the participation of the conflicted directors.

2.6 **Duty not to accept benefits from third parties**

- 2.6.1 Directors must not accept any benefit (including a bribe) from a third party which is conferred because of his being a director or his doing or not doing anything as a director. This duty is not infringed if the acceptance of the benefit cannot reasonably be regarded as likely to give rise to a conflict of interest. Benefits granted by the company, its holding company or subsidiaries and benefits given by the director's service contract are excluded.
- 2.6.2 This duty has been categorised separately from the general duty to avoid conflicts of interest, so that a director obtaining a benefit from a third party can only be authorised to accept a benefit by the members of the company, rather than by the board.

2.7 **Duty to declare interest in a proposed transaction or arrangement**

- 2.7.1 A company's constitution will set out whether it is acceptable to enter into contracts where a director of the company has an interest. If the company's constitution allows a contract then the directors must confirm that the contract entered into is one which is both required by the company for the supply of goods or services and the nature and level of consideration provided for the same is reasonable in relation to its value.
- 2.7.2 The director must declare to the other directors the nature and extent of any interest, direct or indirect in a proposed transaction or arrangement with the company.
- 2.7.3 The declaration of interest must take place prior to the commencement of the company meeting and the director must withdraw from the meeting when the relevant item is being discussed by the board. The director must not participate in the meeting for the purposes of quorum or indeed, when the voting of the board takes place.
- 2.7.4 A director need not be a party to the transactions for the duty to apply, for example the firm of which the director is a partner is a party to the contract with the company.

2.7.5 Under common law, no declaration of interest is required where the director is not aware of his interest or where the director is not aware of the transaction or arrangement in question – for these purposes directors are treated as being aware of matters of which they ought reasonably to be aware.

3 Additional points to note

3.1 The duties as set out in the Act are owed by the directors to the company. Accordingly, it will be the company who will have an action against the directors for breach of any of the duties. However, please note that the Act introduces a new statutory derivative action (similar to the existing common law action) permitting shareholders to bring an action against a director on behalf of the company.

3.2 The Act includes other provisions imposing a "duty" on directors, such as the duty to deliver accounts and reports to the Registrar.

3.3 Companies may provide more onerous duties in their articles but the articles may not dilute the statutory duties except to the extent expressly allowed by the Act.

3.4 More than one of the general duties may apply in any given case. The cumulative effect of the duties means that where more than one duty applies, the directors must comply with each applicable duty, and the duties must be read in this context. For example, the duty to promote the success of the company will not authorise the director to breach his duty to act within his powers, even if he considers that it would be most likely to promote the success of the company. As well as complying with all the duties, the directors must continue to comply with all other applicable laws. The duties do not require or authorise a director to breach any other prohibition or requirement imposed on him by law.

PART B - SPECIFIC MANDATE – (EASEL Regeneration Company)

1 Shareholders Agreement

1.1 Directors should make themselves aware of the provisions of the Shareholders Agreement executed on behalf of the Council. Directors' specific attention is drawn to the following sections:

- a. The business and aims and objectives of the joint venture (see clause [•] and Schedule [•])
- b. The obligations of shareholders (see clause [•])
- c. The shareholder consent matters (Schedule [•])
- d. The project approval procedure (see clause [•])
- e. The deadlock provisions (see clause [•])
- f. The Memorandum and Articles of Association (Schedule [•] and [•] of the Shareholders Agreement)

2 Council appointee

- 2.1 The Council directors' must always act and respect their status as "Council appointees" and should not act independently of an instruction or a requirement communicated to you by the Council through its authorised representatives.

3 Decision making

- 3.1 In the unlikely event that a director of the Company is also a member of the Council planning committee, or sub-committee or working group dealing with the Council's local development framework you should not compromise your position as a director on the Company by being part of an adjudication of a planning application dealing with a project approved by the project approval procedure of the Company, and should otherwise take all steps reasonably possible to ensure that you comply with the Council's standing orders.

- 3.2 You should refrain from discussing that planning application, being involved in a debate upon the adjudication of that application, or otherwise taking part in a planning committee decision which influences the approval of that project.

4 Shareholder Consent Matters

- 4.1 You will, as a director of the Company, take all reasonable steps to ensure that you do not act or decide upon a matter before the Company, which conflicts with the need to ensure the Shareholder Consent Matters are preserved.

- 4.2 You will not vote to approve the variation and amendment to the Shareholder Consent Matters which at all times cannot be decided upon in a board meeting unless they have full consent of the Council as the shareholder in the Company, and unless you were given an express mandate on behalf of the Council varying the Shareholder Consent Matters you will not vote for a proposal to do so, or in connection with a project which is consistent with those Shareholder Consent Matters, or otherwise waive the Shareholder Consent Matters.

- 4.3 If you have any doubts as to any action you are required to take or matter you are required to vote on as board director, you should take legal advice independently or in the first instance for clarification from the legal adviser to the Council in relation to your position as a Council officer if appropriate.

5 Insurance

- 5.1 The Council has agreed to indemnify you and take out insurance, in respect of your duties as a director of the Company and you should make yourself familiar with these requirements and the provision of that cover and any conditions attached to it.

- 5.2 Generally, however, you will not act in order to prejudice that insurance by acting unreasonably, negligently or recklessly so as to incur liability on behalf of the Council. Should you do so you may qualify the extent of the indemnity which the Council has given to you in terms of you accepting this office and therefore reasonable conduct should be maintained at all times.

6 Term of appointment as director

6.1 The Council has the right at any time to remove you from this office at its absolute discretion, where it is no longer in the interests of the Council for you to act as a board director or in the case of the director being an officer employed by the Council that employment has ceased for whatever reason.

7 Alternate Directors

7.1 The appointment, or their replacement, of an alternate director, as set out in clause [•] of the Shareholders Agreement can only take place with the approval of the Council.

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Appendix 6

Priority	LCC - s106 funded programme	£m	Joint Venture Company	£m	Bellway	£m	Complimentary programmes	£m (indicative)	
Quality of Place remodelling of terraced areas streetscene & amenities greenspace	Greenspace improvements	1.30	Neighbourhood plans JVCo set up contribution	4.00			Housing Decency (ALMO) 2008/9	33.00	
							Clearance & remodelling Harehills & Cross Green terraced housing (RHB)	4.80	
							Intensive Neighbourhood Management (NRF 2008/10)	0.85	
							Play provision (lottery)	0.42	
Learning school performance family support	School provision	1.90					Additional targeted funding for EASEL schools (primary and secondary) 2008/9	5.19	
							Children's Centres north & south Gipton (LCC)	0.30	
Affordable & Social Housing new housing	Affordable Housing	5.20			Housebuilding programme	77.00	Halton Moor new build housing (William Sutton Trust)	6.30	
							Gipton Equity Share (ALMO)	1.30	
Local Economic Development worklessness raising incomes enterprise & inward investment	Public Transport contribution Local transport infrastructure Travel plan	0.30 0.20 0.30			Construction employment & apprenticeships		Job Centre Plus (ESF programme)	1.50	
							Leeds Ahead (LEGI)	0.30	
							Enterprise Island challenge (LEGI)	0.09	
							Care 4 All (LSC)	0.50	
							Building Family Wealth (NRF/OBJ2 until March 08)	0.04	
							Access to Employment (Obj2)	0.60	
							Gipton Access Point (SSCF cap)	0.06	
							Shine Enterprise Centre (Camberwell/LEGI/ERDF)	5.50	
							Rise (Seacroft) Training & Catalyst Centre (LEGI)	1.79	
Youth Employment Network	0.20								
New Neighbourhoods neighbourhood centres							Osmondthorpe Health Centre (PCT/LIFT)	6.70	
		<u>9.20</u>			<u>4.00</u>			<u>77.00</u>	<u>69.43</u>

The Complimentary programmes column shows the range of key activities undertaken by the Council and key partners in support of the EASEL area. Costs are indicative and intended to illustrate the level of investment taking place.