

Briefing Note Newcastle City Council Delivery Mechanisms

Report by: Housing Capital Programme Manager

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1	Background
1.1	The following note provides an explanation of alternative delivery mechanisms that are used by Newcastle City Council to deliver new homes across the city in addition to standard marketing of sites or normal tender processes. All mechanisms established are compliant with European Procurement rules and regulations.
2	Annuity Lease Back Model (ALBM)
2.1	The ALBM is based on a lease model. The Council procures partners through a competitive tender process on a Finance, Design and Build basis. Partners tend to be consortia bids from a Private Investment firm and a contract firm.
2.2	Under the ALBM the Council enters 3 legal documents: <u>Agreement to lease:</u> this sets out what is expected to be delivered on each scheme and obliges the partner to seek planning approval for the scheme. <u>Head Lease:</u> Once the condition of the agreement for lease are met the Head Lease is enacted. This is the transfer of land from the Council to the investment partner. <u>Sub Lease:</u> once the buildings are completed they are handed back to the Council under the "Sub Lease".
2.3	The construction contract is between the investment company and the contractor. This is strictly between them and the Council has no obligation or accountability for this. This ensure that the construction risks removed from the Council's perspective.
3.	Joint Ventures (JVs)
3.1	There are two JV's that the Council are currently utilising to deliver new homes. New Tyne West Development Company (Dev-Co) this is a partnership between Barrett, Keepmoat and the City Council that is delivering the new homes as part of the Scotswood Regeneration. The second JV is Tynexe. A partnership between the Council and Dysart Development Ltd, delivering the new homes on the site at Beaumont Street in Elswick

3.2	The JVs work on a partnership basis with shared risk and reward. This can mean that the returns for the council are over a longer period rather than an immediate financial gain through the sale of land.
4.	Newcastle Housing Delivery Partnership Framework
4.1	Newcastle Housing Delivery Partnership Framework was procured to enable sites to be brought forward more efficiently. Through the framework the council seeks offers from the partners for to develop new homes on sites that are in Council ownership. 14 companies have been appointed across the three lots. (Some partners were appointed to multiple lots).
	<p>The Lot structure is as follows:</p> <ol style="list-style-type: none"> 1. Registered Provider Lot: established to enable Registered Providers (and their partners) to deliver general needs family homes that will be at affordable or intermediate market rent levels; along with specialist and supported housing where necessary, including mixed tenure developments. The new homes will be delivered through land or assets owned by the Council being released to the “Partner” for development via mini competitions. This may include a transfer of land for development of housing by the Registered Provider and their Partner/s, with affordable or specialist housing incorporated within a wider development scheme. To gain admission to this lot on the framework you must be a Registered Provider or be in consortia with a Registered Provider. 2. Developer Lot: established to enable Developers of new homes to deliver market sale and mixed tenure developments. The new homes will be delivered through land or assets owned by the Council being released to the “Partner” for development via mini competitions. This may include a transfer of land for development of housing by the Registered Provider for affordable or specialist housing incorporated within a wider development scheme. It will be the responsibility of the Developer to partner with a Registered Provider when and if necessary. 3. Developer / Contractor Lot established to enable the delivery of new affordable homes including market housing with affordable or intermediate housing products; along with specialist and supported housing on sites owned by the Council, including mixed tenure development. The new homes will be delivered through land or assets owned by the Council being released to the “Partner” for development via mini competitions. Or a requirement to deliver units on behalf of, and will be retained by, the Council on part of (or all of) the site that is being progressed through a particular call off through this lot. Partners on this lot

	(or at least one member of a consortia bid) must be able to enter into a JCT design and build contract with the Council
5.	Strategic Partnership Agreement (SPA)
5.1	The Council entered into a partnering agreement with Places for People (PfP), to develop new homes in Walker, to support a sustainable mix of development across the area. The SPA allocates several sites to PfP. At an appropriate time, the Council asks PfP to “drawdown” the site for development. PfP have a set time to respond to the drawdown request. If PfP do not respond in the required time or choose not to progress the scheme, the Council is then free to seek alternative delivery options.
5.2	To date PfP have delivered homes at Riversgate on Walker Road, for sale, shared ownership and affordable rent are currently on-site with one, two and three bed homes for affordable rent at Chalfont Road, with expected completion January 2020. Proposals for further homes across two sites in central Walker will be considered at Planning Committee in spring (1243-1293 Walker Road, Former Wharrier St. school).
6.	Housing Revenue Account
6.1	In addition to the above we are also utilising the HRA to deliver new homes. When delivering through the HRA procurements are either done using Lot 3 of the Housing Delivery Partnership Framework or individual procurements are carried out.
6.2	When using the HRA we can seek to use a 30 year cash flow investment model that allows us to progress schemes that may be unviable for market housing due to lower value areas.
6.3	We are progressing a number of schemes using HRA including a number of pilot schemes to further our knowledge and understanding of Modern Methods of Construction (MMC) and technologies available to help reduce the energy usage of each property. On the pilot schemes we will carry out a 5-year Post Occupancy Monitoring and Evaluation process that will initially Consider project delivery performance followed by completion analysis (using pressure testing and thermal imaging to identify any design gaps). Following this we will gather information on a quarterly basis on energy usage and costs.