

**TITLE OF REPORT:** Gateshead Regeneration Partnership - Delegated Decision taken by Officers

**REPORT OF:** Darren Collins Strategic Director, Corporate Resources and Digital

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### **Purpose of the Report**

1. This report asks Cabinet to note delegated decision taken by officers in accordance with:
  - Urgency procedures under the executive delegations to managers.

### **Background**

2. Gateshead Regeneration LLP (GRP), the housing joint venture partnership between the Council, Evolution Gateshead Developments LLP (EG) is legally required to provide a building warranty to benefit the purchasers of all new homes. The warranty is a legal requirement because all mortgage lenders will make it a condition of mortgage that a form of builder's warranty is in place.
3. The form of warranty to be used is the National Housebuilding Council's (NHBC) Buildmark Choice Warranty. This provides a 10-year warranty cover for private homes and a 12-year warranty for social housing.
4. Previously, under the joint venture arrangements, GRP were able to provide the necessary warranty relying on the NHBC registration of Vistry Partnerships Limited (50% member of EG). NHBC have recently changed their arrangements for joint ventures and now require registration in the name of GRP.
5. As a condition of the registration, NHBC have insisted on a form of Guarantee and Indemnity from both member organisations of GRP, namely EG and the Council. Without a form of warranty being in place, it would be impossible for homes to achieve legal completion.
6. Both member organisations were left with no alternative but to provide the Guarantee and Indemnity and due to the fact that purchasers were completing on GRP homes on the 11<sup>th</sup> December 2020, an urgent decision had to be made to provide the required Guarantee and Indemnity to ensure NHBC registration was in place.
7. Provision is made within the constitution for managers to take necessary urgent action subject to the action being reported to the next meeting of the Cabinet (Part 3, Schedule 5 of the Council's constitution – General Delegations to Managers).

## **Proposal**

8. A decision has been made by the Strategic Director, Corporate Resources and Digital in consultation with the Service Director Legal and Democratic Services to provide the necessary Guarantee and Indemnity in accordance with the provision set out in paragraph 7 above to enable GRP to register with NHBC.
9. There are no direct financial implications arising from this decision on the Council's budgets, and it will facilitate the continued construction and sale of new family homes within the borough. Further detail is set out in Appendix 1.
10. The Cabinet is asked to note the delegated decisions taken by officers.

## **Recommendations**

11. Cabinet is asked to note the delegated decisions taken by officers as set out in Appendix 1.

For the following reason:

To ensure openness and transparency with the decisions made by officers.

## APPENDIX 1

### Policy Context

1. The delegated decisions taken by officers below supports the Council's Thrive Agenda.

### Background

2. Gateshead Regeneration LLP (GRP), the housing joint venture partnership between the Council, Evolution Gateshead Developments LLP (EG) is legally required to provide a building warranty for all new homes to give protection to the purchaser. The warranty is a legal requirement because all mortgage lenders will make it a condition of mortgage that a form of builder's warranty is in place.
3. The form of warranty to be used is the National Housebuilding Council's (NHBC) Buildmark Choice Warranty. This provides a 10-year warranty for private homes and a 12-year warranty for social housing.
4. Once a property is built the warranty is split into two periods – the defects insurance period, which covers the first two years, and the structural insurance period which covers years three to 10.
5. During the purchasers first two years in the home, if there are issues with the work the builder has done, the builder is obliged to come and fix them. During the structural insurance period, the builder is only responsible for major problems with the structure of the house. This includes foundations, the external render, roofs, ceilings, chimneys and load-bearing parts of the floors.
6. Previously, under the joint venture arrangements, GRP were able to provide the necessary warranty relying on the NHBC registration of Vistry Partnerships Limited (50% member of EG). NHBC have recently changed their arrangements for joint ventures and now require registration in the name of GRP.
7. As a condition of the registration, NHBC have insisted on a form of Guarantee and Indemnity from both member organisations of GRP, namely EG and the Council. Without a form of warranty being in place, it would be impossible for homes to achieve legal completion. Responsibility still rests with GRP as Developer; however the Guarantee and Indemnity enables NHBC to pursue either of GRP's member organisations during the term of the warranty should this be necessary.
8. NHBC have allowed GRP to be registered with an A1 rating which is the highest quality rating that can be given, by relying on the Vistry Group rating, due to its involvement in GRP. This ensures that the warranty can be provided on the most competitive terms.
9. Both member organisations were left with no alternative but to provide the Guarantee and Indemnity and due to the fact that purchasers were completing on GRP homes on the 11th December 2020, an urgent decision had to be made to provide the required Guarantee and Indemnity.
10. The following decision has been made under this delegation on the 2<sup>nd</sup> December 2020 by the Strategic Director, Resources and Digital in consultation with the

Service Director, Legal and Democratic Services in light of the Strategic Director, Corporate Services and Governance being a member of the GRP Board.

11. The Leader of the Council has been consulted in the preparation of this report.
12. Provision is made within the constitution for managers to take necessary urgent action subject to it being reported to the next meeting of the Cabinet (Part 3, Schedule 5 of the Council's constitution – General Delegations to Managers). The following decision has been made under that delegation.

### **Alternative Options**

13. Alternatives options were taken into account before the above decisions were taken. There are other warranty providers on the market but it is likely they would have insisted on a similar form of guarantee and potentially GRP would not have benefited from the same level of warranty rating as provided by NHBC which could result in a higher warranty fee.

### **Implications of Recommended Option**

#### 14. **Resources**

- a) **Financial Implications** – The Strategic Director, Resources and Digital confirms that there are no direct financial implications arising from this report.

Any issues arising relating to the NHBC requirements will be managed through the existing GRP Board arrangements.

- b) **Human Resources Implications** – There are no direct human resources implications arising from this report.

- c) **Property Implications** – The property implications were considered in making the delegated decisions and it was acknowledged that without the NHBC registration being in place, it would be difficult to sell the GRP properties.

15. **Risk Management Implications** – The risk management implications were considered in making the delegated decisions. The guarantee and indemnity would only be called upon in the event that GRP did not comply with NHBC requirements. Under the various GRP legal agreements, the Council is able to monitor performance and any issues of non-compliance would be reported to GRP Board in the first instance to resolve.

16. **Equality and Diversity Implications** – There are no direct equality and diversity implications arising from this report.

17. **Crime and Disorder Implications** – There are no direct crime and disorder implications arising from this report.

18. **Climate Emergency and Sustainability Implications** – There are no direct climate emergency and sustainability implications arising from this report.

19. **Human Rights Implications** – There are no direct human rights implications arising from this report.
20. **Health Implications** – There are no direct health implications arising from this report.
21. **Ward Implications** - There are no ward implications arising directly from this report.
22. **Background Information** – None.