

|                  |  |             |
|------------------|--|-------------|
| <b>Report to</b> | Council  | <b>Item</b> |
|                  | 27 November 2012   |             |
| <b>Report of</b> | Head of city development services  | <b>9</b>    |
| <b>Subject</b>   | Provision of affordable housing on phase 1 of the Threescore, Bowthorpe development. |             |

---

## **Purpose**

To recommend the release of funding in the capital plan to enable the council to undertake the provision of social housing on phase 1 of the Bowthorpe Threescore development.

## **Recommendation**

Council is asked to agree to an additional allocation of £4,728,000 in the housing capital plan, agreed at the 21 February 2012 Council, to enable the council to provide 47 social rented dwellings and 8 shared equity dwellings on phase 1 of the Threescore, Bowthorpe development, subject to planning consent.

## **Corporate and service priorities**

The report helps to meet the corporate priority “Decent housing for all” and the service plan priority to bring forward new build housing development for council.

## **Financial implications**

1. It is estimated that the total cost of the project will be £4,728,000. This will be partially funded through the sale of 8 dwellings as shared equity, the use of “additional” Right To Buy (RTB) receipts up to 30% of the total cost of each dwelling, other capital receipts, borrowing against the rent generated by the new dwellings, and borrowing against existing revenue.
2. The borrowing necessary to fund the acquisition of the new council stock will be contained within the ‘headroom’ below the cap set by government, and therefore reduce the headroom available for other housing investment priorities.
3. New council housing stock will be held within the Housing Revenue Account (HRA). The council’s share of the shared equity dwellings will be held in the general fund
4. The new council dwellings will qualify for RTB sales. The maximum discounts available will be affected by the “cost floor” so that the council’s investment in construction will effectively be protected

**Ward/s:** Bowthorpe

**Cabinet member:** Councillor McDonald – Housing

**Contact officers**

|                  |              |
|------------------|--------------|
| Andrew Turnbull  | 01603 212778 |
| Paul Swanborough | 01603 212388 |
| Andy Watt        | 01603 212691 |

**Background documents**

None

# Report

## Background

1. The recent Housing Revenue Account (HRA) refinancing gives the council 'headroom' to consider developing new council houses for the first time since 1992 as referenced in the separate report on this agenda regarding the housing investment strategy.
2. Taylor Wimpey has been selected as the preferred partner for the delivery of the first phase of development on Threescore, Bowthorpe.
3. The proposal for the first phase is for 187 dwellings of which 30% (55 dwellings) will be affordable housing. The joint core strategy requires a tenure split for affordable housing to be 85% social rent and 15% intermediate tenure.
4. The property mix for the affordable housing dwellings is:-

| Property Type                 | Number |
|-------------------------------|--------|
| 1-bedroom flat                | 6      |
| 2-bedroom flat                | 6      |
| 2-bedroom house               | 16     |
| 3-bedroom house               | 8      |
| 3-bedroom house (2.5 storeys) | 14     |
| 4-bedroom house (2.5 storeys) | 5      |

5. In order to consider all of the delivery options available, representatives from Norwich City Council and Taylor Wimpey met with Development Managers from two different Registered Providers of affordable housing. Officers asked them to provide an assessment of the tenure mix they would propose in order to meet the required receipt for Taylor Wimpey and to meet housing need.
6. In addition officers looked at the option for the council itself to be the provider of the affordable housing on the first phase of development.

## Options

### Registered Provider

7. In order to deliver a policy compliant scheme for the affordable housing the Registered Provider would require a subsidy from the council equating to approximately £19,000 per dwelling.
8. If no grant from the council was available the best offer that could be made was a tenure split of 22 'affordable rented' dwellings and 33 shared ownership dwellings. This would not meet local housing need or the Joint Core Strategy (JCS) policy requirement.

## Council as provider

9. The council is keen to meet the identified housing need and would propose to provide 47 dwellings for social rent and 8 for shared equity which meets the 85 / 15 split required in the JCS.
10. Shared equity housing is affordable housing dwellings which are to be marketed and sold at an agreed percentage of market value, the remaining percentage equity in the property being transferred to the Council. The equity loan will be a second charge on the property and will represent the remaining percentage of the value of the property. For this development the recommended initial sale would be at 75% of market value.
11. The costs relating to the construction of the new council housing can be funded through the use of 'additional' Right to Buy (RTB) receipts (up to 30% of the cost of each dwelling), sales receipts from the shared equity dwellings, HRA borrowing against the rents from the new dwellings, receipts from the disposal of assets uneconomic to maintain, or from a combination of these and additional HRA borrowing.
12. It is anticipated that in total the required council budget for this project will be £4,728,000, to be funded as shown in the following table:

|  |                    |
|--|--------------------|
| <b>Gross cost of 55 new dwellings</b>                              | <b>4,728,000</b>   |
| Proceeds of 8 Shared Equity sales                                  | (667,500)          |
| Additional RTB (max 30% = £1,410k)                                 | (320,000)          |
| Borrowing against net rent after management & maintenance costs    | (668,000)          |
| Non-HRA Equity Share 25% funded from capital receipts              | (222,500)          |
| Borrowing against existing revenues and/or use of capital receipts | (2,850,000)        |
| <b>Total financing</b>   | <b>(4,728,000)</b> |

## **Proposal**

13. The option of the council providing the affordable housing element of the first phase of development on Threescore, Bowthorpe would achieve 30% affordable housing without the need for subsidy to a third party. Cabinet are asked to recommend to full council, subject to planning permission, that the site at Threescore, Bowthorpe is progressed in this financial year with a view to providing new council houses and shared equity houses.
14. As this proposal lies outside the existing capital plan and it is proposed to commence work to develop it during the current financial year it will be necessary for full council to approve the progression of this project. Construction costs will not be incurred in the current financial year, and will be added into the Capital Plan and Capital Programmes for the relevant years. Any inception costs incurred in the current financial year will be met from existing budgets.
15. At their 14 November 2012 meeting, Cabinet agreed to ask full council that funding be committed to enable the Council to provide social housing at phase one of the Bowthorpe Threescore development, subject to planning consent. Cabinet's decision was informed by the report on housing investment priorities also discussed at the same meeting.

## Integrated impact assessment



**NORWICH**  
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with completing the assessment can be found [here](#). Delete this row after completion

### Report author to complete

|                         |  |
|-------------------------|--|
| <b>Committee:</b>       | Cabinet and Council  |
| <b>Committee date:</b>  | 14 and 27 November 2012  |
| <b>Head of service:</b> | Andy Watt  |
| <b>Report subject:</b>  | Provision of affordable housing on phase 1 of the Threescore, Bowthorpe development.   |
| <b>Date assessed:</b>   | 24/10/12   |
| <b>Description:</b>     | To recommend to council, subject to planning consent, that the council becomes the provider of social housing on phase 1 of the Bowthorpe Threescore development |

|  | Impact                              |                                     |                          |   |
|--|-------------------------------------|-------------------------------------|--------------------------|---|
| Economic<br>(please add an 'x' as appropriate)                             | Neutral                             | Positive                            | Negative                 | Comments  |
| Finance (value for money)  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | Provision of more council homes will improve overall affordability of the housing stock. The project represents a prudent use of financial resources to meet corporate priorities   |
| Other departments and services<br>e.g. office facilities, customer contact | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |   |
| ICT services   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |   |
| Economic development   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | This project will provide employment opportunities, opportunities for local contractors and businesses and will generate local spending for the benefit of the wider economy. Providing more housing is important in supporting sustainable economic growth and prosperity. |
| Financial inclusion  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | Providing additional social rented housing will advance financial inclusion by helping to improve housing affordability   |
| Social<br>(please add an 'x' as appropriate)                               | Neutral                             | Positive                            | Negative                 | Comments  |
| Safeguarding children and adults   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | Building more council homes to meet changing needs will help provide accommodation for vulnerable adults and children.  |

|  |                                     |                                     |                          |  |
|--|-------------------------------------|-------------------------------------|--------------------------|--|
|  | Impact                              |                                     |                          |  |
| <u>S17 crime and disorder act 1998</u>                       | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |  |
| Human Rights Act 1998  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |  |
| Health and well being  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The provision of sufficient and decent quality housing is essential to ensuring decent levels of health and well being |
| Equality and diversity<br>(please add an 'x' as appropriate) | Neutral                             | Positive                            | Negative                 | Comments   |
| Relations between groups<br>(cohesion)                       | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |  |
| Eliminating discrimination &<br>harassment                   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |  |
| Advancing equality of opportunity                            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |  |
| Environmental<br>(please add an 'x' as appropriate)          | Neutral                             | Positive                            | Negative                 | Comments   |
| Transportation   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |  |
| Natural and built environment                                | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |  |
| Waste minimisation & resource<br>use                         | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |  |
| Pollution  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |  |

|                                    | Impact                              |                                     |                                     |  |
|------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|
| Sustainable procurement            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |  |
| Energy and climate change          | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The new council homes will be designed to a higher standard of environmental standards than building regulations require |
| (Please add an 'x' as appropriate) | Neutral                             | Positive                            | Negative                            | Comments   |
| Risk management                    | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | The new homes will be subject to the Right to Buy which represents a risk to the council.                                |

### Recommendations from impact assessment

#### Positive

Overall the project will provide more council homes which will improve overall affordability of the housing stock. The investment priorities represent a prudent use of financial resources to meet corporate priorities and will provide local employment opportunities.

#### Negative

The right to buy is a risk that could be mitigated through the council considering the setting up of a special purpose vehicle

#### Neutral



|        |
|--------|
|        |
| Issues |
|        |