

**Report to** Cabinet  
13 September 2017  
**Report of** Director of regeneration and development  
**Subject** Affordable housing at Three Score phase 2

**Item**

18

## KEY DECISION

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### Purpose

To consider the development agreement for the provision of affordable housing at Three Score phase 2, sections 2, 3 and 4.

### Recommendation

To:

- a) agree to enter into development agreement with Norwich Regeneration Ltd to acquire the social housing units within sections 2, 3 and 4 of phase 2 at Three Score as outlined in paras 7-12 of this report and paras 5-16 of the exempt appendix.
- b) delegate the precise amount of funding required from the HRA, timing of payments and the detailed wording of the agreement to the director of neighbourhoods in consultation with the deputy leader and portfolio holder for social housing.

### Corporate and service priorities

The report helps to meet the corporate priority a healthy city with good housing

### Financial implications

The financial implications are reported in the exempt appendix to this report.

**Ward/s:** Bowthorpe

**Cabinet member:** Councillor Harris - deputy leader and social housing

### Contact officers

Gwyn Jones – city growth and development manager	01603 212364
Andrew Turnbull – senior development officer	01603 212778
Shaun Flaxman – group accountant	01603 212805

### Background documents

None



# Report

## Background

1. In July 2015 cabinet agreed to establish a local housing development company to build, sell and manage houses for sale and rent.
2. The company is wholly owned by the city council and has now been incorporated. The company is registered as Norwich Regeneration Ltd (NRL). The company is required to seek approval from the council for its business plan. The company is then able to carry out its activities within the parameters of the business plan.
3. The first development being taken forward by the company is Three Score phase 2. This is a 172 dwelling development, of which it is planned to build 112 dwellings to passivhaus standards. The development includes 33% affordable housing (85% social rent, 15% shared equity) with the remainder of the units being private dwellings to be sold or rented on the private market by the company. The design and build contract for development has now been let to RG Carter.
4. In January 2016, the Council approved the business plan for the company and subsequently entered into a development agreement with Norwich Regeneration Ltd to acquire the social housing units within section 1 of phase 2 at Three Score.
5. The construction of phase 2 is divided into 4 sections, with section 1 currently under construction and provisional sums within the contract for sections 2, 3 and 4. The company has the ability within the contract to not proceed to future sections but must instruct RG Carter of this 6 months prior to that section commencing. If the company does not instruct future sections in a timely manner then re-mobilisation costs of £50,000 could be incurred for each section.
6. Section 2 is required to be instructed by January 2018 in order to not incur any re-mobilisation costs. NRL requires certainty that the council will purchase the social rented dwellings in section 2 now as otherwise would need to select a registered provider partner or seek a deed of variation to the planning permission to reduce the number of affordable dwellings prior to the January deadline.

## Affordable housing scheme and development agreement

7. An affordable housing scheme for the whole of Phase 2 has been submitted by NRL to the council, as local planning authority to comply with the requirements of the Section 106 agreement (dated 4 July 2013) which accompanied the original outline planning application (12/00703/O) for the Three Score site. This required an affordable housing scheme (covering the provision and long term management of affordable housing) for each phase of development to be submitted to and approved by the council prior to the commencement of development. The scheme included the location and tenure type of the affordable units. This demonstrated that the development will comply with planning policy.
8. The affordable housing mix and layout is set out below in Table 1:-

**Table 1- Three Score phase 2- Size, type and standards of affordable housing**

Property type	Section 1		Section 2		Section 3		Section 4	
	Passivhaus	Building Regs	Passivhaus	Building Regs	Passivhaus	Building Regs	Passivhaus	Building Regs
1-bed flat		2					10	
2-bed flat	2	1					4	
3-bed flat	1							
2-bed house	2	3		7				3
3-bed house				1		1		
4-bed house	6			2		1		
5-bed house		1		1				
<b>Total</b>	<b>18</b>		<b>11</b>		<b>2</b>		<b>17</b>	

9. The above mix was agreed, in consultation with the housing options manager, to reflect the high need in particular for 1-bedroom flats, 2-bedroom houses and for larger family accommodation. The mix has also taken into account management of dwellings, for example having complete blocks of flats as a single tenure, and the level of HRA funding available.
10. Where possible social dwellings meet the passivhaus standard, however in section 2 there are few units meeting this standard due to the orientation of the dwellings. In section 3 the passivhaus units have additional service charges due to semi-private garden space and so this would not be appropriate for the social rented dwellings.
11. The Council needs to enter into a Development Agreement with the company so that there is certainty about the precise units which the company will build and sell to the council as social housing, the amount to be paid and the timescale for payments.
12. The exact schedule of payments to be made by the council for the affordable housing units will be part of the development agreement delegation but for modelling purposes a standard industry approach has been used:
  - a) Signing of development agreement (40%)
  - b) Completion of foundations (10%)
  - c) First floor completed (10%)
  - d) Roof completed (10%)
  - e) First Fix (mechanical and electrical services installed) (10%)
  - f) Second Fix (plasterwork complete) (10%)
  - g) Building Complete (10%)
13. The construction contract with RG Carter Ltd includes clauses requiring instruction for each section of the development, so whilst the council is being asked to commit to purchase the social housing for the remainder of phase 2 there will be opportunities to review this at the end of each section. This allows an opportunity to update the HRA business plan at each section and any issues can be reported back to cabinet for approval.
14. There are potential risks to the HRA business plan including the proposed implementation of a high value voids levy, changes in national rent policy, increases in RPI not reflected in CPI, and changes to welfare causing significant increases in rent arrears. The council will need to retain the ability to reconsider the decision to proceed with future sections should any major risks be realised.

15. The proposed layout, mix and timings for payments still provides a viable development for the company and will generate a return to the council's general fund. The expenditure required (for the council to purchase the social units from the company) from the council's housing revenue account (HRA) is currently viable for the HRA Business Plan. The purchase of the affordable units will be 30% funded from retained Right to Buy (RTB) receipts. It is worth noting that whilst the new homes will be subject to RTB any monies spent on developing or maintaining these properties is deducted from the discount available for a period of 15 years.
16. As the detailed programme and final costs for the remaining sections are still to be agreed with the contractor, the precise price paid for the social housing units and timing of payments by the council to the company will need to be agreed in due course. The detailed financial information related to this report is included in a confidential appendix at item \*20.

### **Conclusions and Next steps**

17. Cabinet is asked to agree the social housing mix, layout and approach to payments so that this can be incorporated into the development agreement between the council and Norwich Regeneration Ltd. Once detailed design and a contract sum have been received for each section we will seek approval for the final budget in line with the delegation in recommendation b.



## 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
<b>Committee date:</b>	13 September 2017
<b>Director / Head of service</b>	Dave Moorcroft
<b>Report subject:</b>	Affordable housing at Three Score phase 2
<b>Date assessed:</b>	29 August 2017
<b>Description:</b>	To consider the development agreement for the provision of affordable housing at Three Score phase 2, sections 2, 3 and 4.

	Impact			
Economic (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. This represents a prudent use of financial resources to meet corporate priorities including the use of RTB receipts under the one for one replacement scheme. Overall the development of private rent and market sale by the company will provide a return to the council's genreal fund.
Other departments and services 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 (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.
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
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 (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & 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 (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 use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Energy and climate change	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	A number of the new homes have been designed and will be built to a higher environmental standard than building regulations, which will bring benefits to both the environment and tenants, when compared with standard build types.
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Recommendations from impact assessment
Positive
Negative
Neutral
Issues

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