

Report to Cabinet

Item

13 January 2016

Report of Executive head of regeneration and development

Subject Development company- business plan

12

Purpose

To consider the business plan of The Regeneration Company Ltd.

Recommendations

To:

- a) approve the business plan for The Regeneration Company Ltd.;
- b) agree the following elements (as detailed in the confidential appendix to this report):
 - the value of the loan to the company;
 - the value of the land (the “best consideration”) to be transferred to the company;
 - the value of the equity investment to allow the land to be transferred to the company;
 - the scope and value of the service level agreement between the council and the company;
 - to purchase the social units at build cost the cost in section 1 of phase 2 at Three Score; (currently assumed to be 25 units).
- c) agree to enter into a development agreement with The Regeneration Company to acquire the social housing units within section 1 of phase 2 at Three Score by the end of March 2016 (or such later date as is agreed with The Regeneration Company Ltd) so as not to delay a start on site;
- d) delegate any further changes to the business plan to the executive head of regeneration and development in consultation with the section 151 officer and the portfolio holder for resources and income generation.

Corporate and service priorities

The report helps to meet the corporate priority of a prosperous city.

Financial implications

None.

Ward/s: All

Cabinet member:

Cllr Stonard - Resources and income generation.

Contact officers

Gwyn Jones, city growth and development manager 01603 212364

Philippa Dransfield, chief accountant 01603 212562

Background documents

None

Report

Background

1. In July 2015 cabinet resolved to:
 - approve the establishment of a local housing development company to build, sell and manage houses for sale and rent; and,
 - delegate the detailed arrangements to allow the establishment of the company to the executive head of regeneration and development in consultation with the portfolio holders for resources and income generation and environment and sustainable development.
2. The first development to be taken forward by the company is Three Score phase 2. This is a 172 dwelling development, of which 112 dwellings will be built to passivhaus standards. The development is intended to include 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 intention is that the council will acquire the social units from the company at build cost. The company needs a commitment from the Council to do so before it can enter into a construction contract.
3. In October 2015, cabinet resolved to transfer the land for Three Score phase 2 to the housing development company, to loan funds to the company to carry out the development and to enter into a service level agreement (SLA) with the company to enable the council to provide services to the company.
4. The company is wholly owned by the city council has now been incorporated. The company board has agreed the name for the company: The Regeneration Company Ltd. 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.
5. The board of the company held its first meeting on 21 October 2015 and agreed in principle to enter into the necessary agreements with the council to allow it to take forward the development of Three Score phase 2. At this first meeting, the board also approved the company business plan, subject to further detailed information being provided.
6. In order to minimise the risk to the Council and the company, the construction contract for Phase 2 is divided into 4 sections with a break clause between each to allow the development company to determine whether to continue with the contract at each break point. The decision on whether to proceed to the next section needs to be made 6 months from the end of construction of the previous section.

Affordable housing

7. The publication of the Housing and Planning Bill led to some uncertainty about the ability of the council to purchase the social housing included in the development through the Housing Revenue Account (HRA). The approval of the business plan was therefore put on hold to allow some modelling of options for the delivery of affordable housing to be carried out.
8. The options below were considered:
 - (a) Proceed as planned (the baseline);
 - (b) reduce the cost to the HRA- this was tested in 2 ways:
 - i) Provide 0% affordable housing in phase 2, (phase 1 includes 100% affordable housing in the housing with care element, so the development of Three Score a a whole could still be be policy compliant);
 - ii) Change the mix of units of social housing in Section 1 (more 1 and 2 bedroom units rather than 4 bedroom);
 - (c) affordable housing provision by a registered provider (RP);
 - (d) Deliver the affordable housing units at discounted market rent (via the development company);
 - (e) Dispose of the site.
9. The baseline, which consists of 112 pasivhaus units continues to represent a viable option for the company and the council. Options ii a) and ii b) are also viable whereas options iii) and iv) are not viable. Option v) provides for a future exit strategy. (Details are included in the confidential appendix to the report).
10. The recommended approach is to proceed initially on the basis of option ii b). It allows the delivery of a policy compliant affordable housing scheme but at this stage the Council would need to commit to buying the social units in Section 1 only. A decision would need to be made by the end of March 2016 about the precise mix of housing to be included in the affordable housing scheme to be submitted to planning for approval and the development agreement between the council and the company. Approval of the affordable housing scheme is required before a start on site, which is currently programmed for June 2016. Further work can be undertaken over the coming months with the contractor, sales and marketing agent and the council's housing service to determine the most appropriate mix of dwelling sizes, types and tenures to balance housing need, cost to the HRA and financial return whilst complying with planning policy.
11. The commitment by the council relating to the social housing units for section 2 of phase 2 would not be needed until around May 2017. By this time the position on the HRA business plan should be clearer.

The Regeneration Company Business Plan

12. The board of The Regeneration Company met again on 17 December 2015 to approve an amended business plan, based on affordable housing option iib) above. The business plan includes the loan agreement between the council and the company and details of the equity investment that the council needs to take out to allow the company to buy the land. It also includes the service level agreement between the council and the company. This plan now needs to be approved by cabinet.
13. The business plan covers the remainder of 2015-6 and the lifetime of the development of Three Score phase 2. The plan will be reviewed at the start of the 2016-7 financial year and thereafter on an annual basis. In future other development sites may be considered for inclusion within the company business plan. Future reviews will be reported to cabinet for approval.
14. The business plan itself is a confidential appendix which can be found at item *14 in this cabinet agenda.

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

Committee:	Cabinet
Committee date:	13 January 2016
Head of service:	Andy Watt
Report subject:	Development company business plan
Date assessed:	10/12/2015
Description:	To approve the business plan of the development company.

	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"/>	Will generate an income stream for the council's general fund
Other departments and services e.g. office facilities, customer contact	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The company will purchase services from the council
ICT services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Will deliver construction jobs
Financial inclusion	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Will deliver affordable housing
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<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 checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Will create high quality new housing development which encourages a healthy lifestyle (emphasis on walking and cycling)and provides homes which provide a healthy environment (passivhaus)

	Impact			
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 and harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Delivers new affordable housing
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Whilst the report results in new development , it will be taken forward in a way that reduces the impact on the envoronment
Natural and built environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	As above
Waste minimisation and resource use	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	As above
Pollution	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	As above
Sustainable procurement	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	As above
Energy and climate change	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	As above
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments

	Impact			
Risk management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Recommendations from impact assessment	
Positive	
The report will result in positive economic benefits for the council and the city	
Negative	
Whilst there are some negative impacts from development, the quality of development will minimise environmental impacts	
Neutral	
Issues	