

Report to Cabinet
14 November 2012
Report of Head of city development services
Subject Provision of affordable housing on phase 1 of the
Threescore, Bowthorpe development.

Item

14

Purpose

To recommend to council, subject to planning consent, that the council undertakes the provision of social housing on phase 1 of the Bowthorpe Threescore development.

Recommendation

To:

1. Agree to the council becoming the provider of 47 social rented dwellings and 8 shared equity dwellings on phase 1 of the Threescore, Bowthorpe development subject to planning consent; and
2. Ask council to agree to an additional allocation of £4,728,000 in the housing capital programme.

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

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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. We 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:

Gross cost of 55 new dwellings	4,728,000
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)
Total financing	(4,728,000)

Conclusion

13. The option of the council providing the affordable housing element of the first phase of development on Threescore, Bowthorpe would meet policy requirements without the need for subsidy. Cabinet are asked to recommend to full council, subject to planning permission, that the site at Pointers Field is progressed in this financial year with a view to constructing council houses and self build houses on land at Pointers Field.
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.

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:	14 November 2012
Head of service:	Andy Watt
Report subject:	Provision of affordable housing on phase 1 of the Threescore, Bowthorpe development.
Date assessed:	24.10.12
Description:	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 (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 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.

	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 (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"/>	

	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