

Report to Cabinet
9 March 2016
Report of Interim executive head of neighbourhoods
Subject Three Score Phase 2 Development Agreement

Item

14

KEY DECISION

Purpose

To consider the development agreement for the provision of affordable housing at Three Score phase 2.

Recommendations

To:

1. agree to enter into development agreement with Norwich Regeneration Ltd to acquire the social housing units within section 1 of phase 2 at Three Score as outlined in paragraphs 5-9 of this report and paras 2-12 of the exempt appendix; and,
2. delegate the precise amount of funding required from the HRA, timing of payments and the detailed wording of the agreement to the interim executive head of neighbourhoods in consultation with the portfolio holder for housing and well being.

Corporate and service priorities

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

Financial implications

The total cost of the social units in Phase 2 is less than the provision in the HRA business plan. At this stage the council is only committing to purchase units in section 1.

Ward: Bowthorpe

Cabinet member:

Cllr Harris- Deputy Leader and portfolio holder for housing and well being.

Contact officers

Gwyn Jones, city growth and development manager	01603 212364
Andrew Turnbull, senior housing development officer	01603 212778
Philippa Dransfield, chief accountant	01603 212562

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 currently registered as Norwich Regeneration 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.
3. The first development to be 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 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 design and build contract for development has now been let to RG Carter. The construction phase is divided into 4 sections, with a break clause between each section.
4. In January 2016, the Council approved the business plan for the company and agreed to enter into a development agreement with Norwich Regeneration Ltd 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 Norwich Regeneration Ltd) so as not to delay a start on site.

Affordable housing scheme and development agreement

5. An affordable housing scheme for the whole of phase 2 needs to be submitted by The Norwich Regeneration Ltd 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 requires 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 needs to include the location and tenure type of the affordable units. This will demonstrate that the development will comply with planning policy.
6. An affordable housing mix and layout has been developed taking account of:
 - a. housing need;
 - b. market demand;
 - c. management issues; and
 - d. the level of HRA funding committed by Cabinet in January 2016.
7. The proposed affordable housing mix is shown on Plan 1 and is set out in Table 1 (on the next page)

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

	m2	Section 1 Social Rent	Section 2 Social Rent	Section 3		Section 4 Social Rent	Total
				Social Rent	Shared Equity		
Studio Flat	38						0
IBF	49	4				10	14
2BF	70	2				4	6
2BH	79	5			4	3	12
2BH	88		7				7
3BH	89		1	1	4		6
3BH	110						0
4BH	122	6	2	1	1		10
4BH	127						0
5BH	127	1	1				2
Total Units		18	11	2	9	17	57

8. The Council also 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. It is proposed to include break clauses in the Development Agreement, which will mirror the construction contract so that at this stage the council is only committed to purchase the social housing in section 1.
9. 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 (10%)
 - b. Completion of foundations (20%)
 - c. First floor completed (18%)
 - d. Roof completed (12%)
 - e. First Fix (mechanical and electrical services installed) (12%)
 - f. Second Fix (plasterwork complete) (14%)
 - g. Building Complete (14%)
10. 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) falls within the agreed 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.
11. As the detailed programme and final costs for the development 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 16.

Conclusions and next steps

12. 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. The affordable housing scheme needs to be approved for planning purposes before development can start on site. RG Carter are currently working the completion of the design, a detailed programme for the development and agreement on price. This will determine the timetable for a start on site and date at which the first homes will be available for sale and rent.

[illegible]

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:	9 March 2016
Head of service:	Andy Watt
Report subject:	Development company business plan
Date assessed:	16/02/2016
Description:	To approve the development agreement for Three Score phase 2.

	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 income for the HRA and 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	