

 Executive 5th January 2017		Agenda Item No. 7
Title	Cloister Way affordable housing	
For further information about this report please contact	Ken Bruno ken.bruno@warwickdc.gov.uk (01926) 456044	
Wards of the District directly affected	Manor	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	None	
Background Papers	None	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	No
Equality Impact Assessment Undertaken	No (If No state why below)

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	12.12.2016	Chris Elliott
Head of Service	12.12.2016	Bill Hunt
CMT	12.12.2016	
Section 151 Officer	12.12.2016	Mike Snow
Monitoring Officer	12.12.2016	Andrew Jones
Finance	12.12.2016	Mike Snow
Portfolio Holder(s)	12.12.2016	CLlr P Phillips
Consultation & Community Engagement		
None		
Final Decision?		No.
Suggested next steps (if not final decision please set out below)		
The budget impact will be recommended to full Council.		

1. **Summary**

- 1.1 This paper recommends that the council purchases five affordable housing units on the Cloister Way development for retention as Housing Revenue Account assets.

2. **Recommendation**

- 2.1 That Executive notes the position with regard to the affordable housing units on the site at Cloister Way.
- 2.2 That Executive gives approval in principle for officers to conclude negotiations with Spitfire Properties for the purchase of five affordable housing units, two of which will be made available as social rent and three of which will be for shared ownership at a cost of £776,501 and stamp duty at 1% (£7,765).
- 2.3 Subject to recommendation 2.2 that Executive recommends to council that:
- A budget of £784,266 be made available for the purchase, from Right To Buy receipts, HRA capital reserves and potentially section 106 affordable housing funding.
 - A budget of £16,000 be allocated for administrative and legal costs for the administration of the purchase and the sale of the shared ownership dwellings.
 - A contingency budget of £5,000 per property, £25,000 in total, be set aside for any improvements that may be considered necessary over and above Spitfire Properties' house type specification.
- 2.4 That Executive delegates the financing arrangements to the Head of Finance in consultation with the Finance Portfolio Holder as part of reviewing the financing of the overall Housing Investment Programme.

3. **Reasons for the Recommendation**

- 3.1 The site of the former North Leamington School was partially developed a few years ago. A later phase of development was recently approved by Planning Committee on 13th September 2016.
- 3.2 The approval includes an affordable housing requirement of five homes: two three-bedroom houses for social rent and three two-bedroom flats for shared ownership.
- 3.3 This was subsequently secured by a section 106 agreement, concluded on 8th November 2016, which also includes "cascade provisions" setting out the process to be followed in the event of lack of interest from Registered Providers (RP aka housing associations).
- 3.4 Briefly this requires the developer to try to find a RP and to conclude negotiations within three months. If they cannot do this they may serve a "First Affordable Housing Notice" (FAHN) on the Council, who may, within two months of receipt, nominate another RP. The developer then has a further three months to try to agree a deal with the nominated RP. If the Council does not nominate another RP, or if the developer cannot conclude a deal with a nominated RP in the timescales, then the developer must offer the properties to the Council for the price of £776,501. The Council must then confirm within 14 days whether it wishes to purchase them.

- 3.5 Negotiations over the reserved matters planning application and the subsequent section 106 agreement were lengthy and the developer was taking soundings from prospective social landlords while these were ongoing.
- 3.6 Consequently, very quickly after signing the section 106 agreement, the developer's agent contacted the Housing Strategy & Development Team to advise that none of the partner RPs was interested in taking the properties because of the relatively small numbers. They are therefore requesting that they be allowed to serve the FAHN early.
- 3.7 It will be difficult to find an alternative RP because of the small number of units involved. This would also be undesirable given that all the RPs with a current management presence in the district have declined to buy them so any other RP would not have local facilities for the tenants and shared owners.
- 3.8 It is therefore highly likely that the next stage of the cascade will be triggered and the dwellings offered to the Council. A decision in principle is therefore required so that we can respond quickly at the time when such an offer is made.
- 3.9 The council has the statutory power to buy housing for rent or sale under Section 17 Housing Act 1985.

4. **Policy Framework**

- 4.1 The Council's Sustainable Community Strategy has 5 key thematic areas of which Housing is one.
- 4.2 The Council's Housing Strategy has as one of its key aims "Meeting the need for housing across the district" and includes action point 2.1.6: Investigating the best way of using the new financial freedoms to build council housing".
- 4.3 The circumstances at Cloister Way present an opportunity for the Council to build on the acquisition of 21 homes provided under planning obligations at Great Field Drive, Warwick in 2015 and is fully complementary to this policy direction.

5. **Budgetary Framework**

- 5.1 Pursuing this project will have an impact of more than £50,000 and is therefore a key decision. It was not on the Forward Plan because it is a "windfall" opportunity that has arisen at very short notice as indicated above.
- 5.2 The price is £776,501, fixed by the section 106 agreement and is therefore non-negotiable. However some reassurance can be taken from the fact that it was appraised for the Council by independent consultants JLL during the viability negotiations and was assessed to be reasonable. The individual plot prices are as follows:
- Plot 11 £156,500
 - Plot 12 £210,000
 - Plot 13 £210,000
 - Plot 34 £100,000
 - Plot 35 £100,001
- 5.3 Stamp duty of 1% will be payable on the purchase price.

- 5.4 As the properties are being purchased “off the shelf” with no opportunity to negotiate over the standards and specification it is considered appropriate to allocate a capital budget of £5,000 per property in case some modifications prove to be desirable.
- 5.5 It is also recommended that a budget of £16,000 be set aside for the administration costs of the purchase and legal costs of the sale of the shared ownership units. This will need to be met from the Housing Revenue Account.

6. Risks

- 6.1 The principal risks are those associated with buying property such as building risks and defects. Assurances will be sought through the contract negotiations that there will be a 12 months defects liability period and a standard ten-year National House Building Council guarantee for new homes.
- 6.2 There is the risk of the building company going into liquidation or failing to complete the dwellings. This can be managed by appropriate contractual clauses regarding clawback of deposit and a long-stop completion date.
- 6.3 There are also general risks associated with managing these properties: void losses; relet repairs; long-term maintenance and improvement costs; rent arrears; anti-social behaviour etc. However these are no different to the day-to-day risks associated with managing the existing housing stock and as the number of new properties is very small relative to the current housing stock this can be managed within existing resources.
- 6.4 The possibility that the properties are not built to a specification acceptable to the council is being mitigated by the proposal of a small budget for enhancements to be carried out.
- 6.5 As three of the properties are for shared ownership there is a risk that it may not be possible to find buyers. The fall-back position in that case would be to rent out the properties to generate rental income until the market picked up again.

7. Alternative Option(s) considered

- 7.1 There are two other options available.
- 7.2 Alternative option one would be for the Council to seek to nominate another RP to take on the properties. As indicated at paragraph 3.7 this would be both difficult to achieve and, in any event, undesirable.
- 7.3 The other alternative is for the Council to decide not to purchase the properties. This would then result in the Council receiving a financial contribution equal to the build costs of the five affordable housing units. This would be available to the Council for up to five years to spend on affordable housing elsewhere in the district. If it wasn't spent after five years it would be repayable to the developer. This is a less attractive option because of the difficulty in finding somewhere to spend the money: onsite provision is always preferable.