

Report to: Cabinet

Date: 17 July 2024

Title: Bedfordwell Road Project Update

Report of: Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning

Cabinet member: Councillor Peter Diplock, Cabinet member for housing and homelessness

Ward(s): Upperton

Purpose of report: To provide an update on the Bedfordwell Road Project and obtain the necessary approvals to progress delivery.

Decision type: Key decision

Officer recommendation(s):

- (1) To approve the updated Bedfordwell Road business case in accordance with Appendix 1 (Exempt), subject to securing the necessary funding to meet the remaining financial viability gap and the capacity of the 30-Year HRA Business Plan.**
- (2) To approve a pre-contract capital budget allocation within the Housing Revenue Account (HRA) of up to £100k to allow limited enabling works and surveys to be undertaken, mitigating the risk of delays to programme as/when full funding has been secured.**
- (3) To delegate authority to the Assistant Director – Property and Development, in consultation with the Director of Finance and Performance (S151 Officer) and the Lead Member for Housing and Homelessness, to make the necessary allocations within the HRA Capital Programme, and to take all necessary actions to deliver the project, including development, lettings, and sales, as well as determining and executing all leases, contracts, funding agreements and other related documentation.**

Reasons for recommendations: To provide the required approvals toward the delivery of the Bedfordwell Road housing development project in readiness for future government grant funding announcements.

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1 Introduction

- 1.1 This report provides Cabinet with an update on progress relating to the project known as Bedfordwell Road to deliver new affordable homes.
- 1.2 The report provides a summary of the history and works complete, an update on funding, and the proposed approach for delivery.

2 Background

- 2.1 The Bedfordwell Road site has a rather lengthy and chequered history. Having become vacant after being last used as an operational depot, several external Registered Providers (RP) sought to develop the site for housing unsuccessfully. The council acquired the land in 2017 in an effort to protect and futureproof this rare opportunity for increased affordable housing within the town.
- 2.2 In 2020/21, the council entered into a Pre-Construction Service Agreement (PCSA) with a main contractor via the SCAPE (public sector) framework to take forward a new cabinet approved scheme. This led to achieving a significant milestone in the life of the project up to that point, with Planning Committee approval secured in August 2021 for 100 new homes.
- 2.3 However, following the national economic downturn and unprecedented impacts of BREXIT, the Covid-19 pandemic, and Russia's invasion of Ukraine, the Housing Revenue Account (HRA) became under significant pressure. As such, additional external funding would be required to ensure a viable business case. At that time, Homes England were unable to support the council's request for additional funding and so the project was put on hold.
- 2.4 In recent years, where there is a greater emphasis on the re-use of brownfield land, the government has released increased levels of funding alongside the core Affordable Homes Programme (AHP) including the Brownfield Land Release Fund (BLRF) and Brownfield Infrastructure Land (BIL) Fund. This has enabled the council to resurrect discussions with Homes England, One Public Estate (OPE), and the Department of Levelling Up, Housing and Communities (DLUHC).
- 2.5 In July 2022, the council entered into a partnership with Lewes District Council (LDC) to develop a Modular Housing Framework awarded to Boutique Modern based in East Sussex to call-off development contracts for off-site manufactured housing in-line with the council's commitment to sustainability and net zero carbon.

3 Progress

3.1 Since the last update to cabinet in September 2023, the council has:

- Agreed the Section 106 Agreement linked to the planning approval
- Received conditional funding of £7.6m from Homes England under the AHP
- Applied for £2.2m of BLRF grant via OPE
- Developed proposals with Boutique Modern for the delivery of the project through the Modular Housing Framework.

3.2 The Homes England AHP offer will be contractually committed once the associated conditions are met as follows:

- The remaining funding gap is resolved
- The scheme is delivered by March 2026
- Regular scheme updates are provided
- The council continues to meet all Programme / Investment Partner eligibility criteria
- There is sufficient funding remaining within the AHP at the point of meeting the above criteria

The council is unable to meet the remaining funding gap from the Capital Programme due to insufficient capacity within the HRA 30-Year Business Plan. As such, the council is reliant on a successful response to the BLRF application expected to be announced by the end of summer 2024 (subject to the outcomes of the General Election).

3.3 The Grade II listed Victorian Pump House continues to be a complex piece of infrastructure but integral to the regeneration of the wider site and creation of new communities. Given the very brownfield nature of this part of the site, a positive response to the BLRF would significantly help to unlock this challenging asset.

3.4 Subject to the grant funding confirmation, the scheme is effectively 'shovel ready' with the following works already completed through the previous PCSA:

- Ground investigations
- Site wide remediation
- Fill and capping of the well in the Pump House
- Initial ecology surveys
- Structural surveys of the Pump House

3.5 The current approved scheme and tenure mix is as follows:

Type	Size	Quantity
<u>Affordable Rent</u>		
House	2 Bed 3 person	8
House	2 Bed 4 person	21
House	3 Bed 4 person	14
House	3 Bed 5 person	15

House (Accessible)	3 Bed 4 person	1
Flat	1 Bed 2 person	2
Flat	2 Bed 3 person	7
Flat	2 Bed 4 person	12
<u>Shared Ownership</u>		
Flat (Pump House)	1 Bed 2 person	5
Flat (Pump House)	2 Bed 3 person	6
Flat (Pump House)	2 Bed 4 person	9
<u>Community Space</u>		
Unit in Pump House	129 sqm	1

The broad range of unit types and affordable housing options will help to meet a range of housing needs within the town, fundamentally supporting the council to reduce the rising pressures of homelessness and associated costs of emergency / temporary accommodation.

4 Programme

4.1 The current estimated timeline for the project through to completion is:

- Q2 2024/25 – Carry out ecology works, updated reports and appoint an Employers Agent (subject to approval of the pre-contract capital allocation)
- Q2 2024/25 – Finalise the business case, subject to the BLRF announcement later in the year
- Q2-Q3 2024/25 – Appoint Boutique Modern for delivery via the Modular Housing Framework
- Q3-Q4 2024/25 – Works start on site and housing modules start production
- Q4 2025/26 – Completion of new affordable rented housing
- Q1-Q2 2026/27 – Completion of shared ownership units (Pump House)

4.2 To support the programme and ensure delivery can be accommodated within the timescales of the grant awarded, initial ecology works, and updated reports are needed and must progress immediately. Therefore, a new pre-contract allocation of up to £100k within the HRA Capital Programme, prior to the award of the main construction contract, will enable the required works to continue whilst waiting for the announcement of the BLRF.

This amount will however be allocated at risk as the main development cannot commence without the remaining funding being confirmed. However, without undertaking the pre-contract works, it is unlikely the development will complete by the AHP funding deadline and puts the largest proportion of funding at risk. Therefore, on balance, it is sensible for the council to undertake those works.

4.3 The Pump House has been secured for 18-months due to safety concerns. Access will need to be re-established to finalise prices and the delivery strategy. Reasonable provision has been made for this area but will remain a risk until updated surveys can be carried out as part of the pre-contract works above.

5 Consultation

- 5.1 The council established a Project Board for Bedfordwell Road prior to the scheme being paused to ensure cross-party oversight. Upon approval of the recommendations within this report, the Project Board shall be reconvened to consider any implications in more detail and discuss next steps with officers.
- 5.2 Public consultation was carried out as part of the planning process. A more detailed consultation and communications plan is being developed to ensure engagement with local residents and businesses continues throughout the development, subject to resolving the remaining fund gap.

6 Corporate plan and council policies

- 6.1 The Corporate Plan 2024-2028 has recently been updated to reflect the housing and cost of living crisis seen within the borough. Pressures on the Council have increased since the pandemic as a result of higher levels of homelessness and need to use temporary and emergency accommodation.
- 6.2 The proposed development and delivery of 100 affordable homes will directly support the following key objectives of the Corporate Plan:
- Reduce the reliance on temporary and emergency accommodation and improve prevention measures for those experiencing homelessness
 - Delivering the new Local Plan to support the provision of more social, affordable, sustainable, energy and resource efficient, climate resilient housing, delivering for our tenants and residents more effectively
 - Support independent living, including providing accessible housing for those with physical and additional support needs
 - Develop a pipeline of directly delivered homes by the council to support priority housing objectives

7 Business case & financial appraisal

- 7.1 To date, the acquisition of the site and works carried out through the PSCA have been supported by a mix of external grant, Right to Buy (RTB) receipts, and borrowing.
- 7.2 The PSCA has enabled initial site remediation and developed detailed strategies to deliver the below ground services and utilities on site. The strategy for the Pump House will need updating, once access and updated surveys have been carried out.
- 7.3 A fully priced scheme has been provided by Boutique Modern for delivery and is included in the business case as outlined in Appendix 1 (exempt). The Modular Housing Framework has fixed build rates, which has resulted in all above ground works being accurately priced (excluding Pump House, where provisional sums have been allowed), with assumptions where needed. The below ground works have been priced against designs undertaken as part of the PSCA.

- 7.4 The award of the £7.6m AHP has bridged the majority of the current viability gap. However, the allocation of these funds is subject still to the allocation of the £2.2m BLRF bid submitted in February. Subject to the outcomes of the General Election, an announcement on this is expected this summer.

If there are any delays in the announcement of the BLRF, this poses a significant risk to the biggest (AHP) allocation. The programme is already tight to meet a completion of associated works by March 2026.

- 7.5 The additional affordable rented homes will reduce the council's reliance on emergency / temporary accommodation. This will not only reduce accommodation costs but also vastly improve tenant living conditions.
- 7.6 The main development contract will not be entered into until all finances are in place and external grant secured to make a fully viable business case.
- 7.7 The updated capital allocation has been tested and modelled within the existing 30-Year HRA Business Plan and is viable, subject to the grant allocations. This will continue to be monitored up until the main contract award to ensure all assumptions being made are reasonably and aligned with the latest data.
- 7.8 The initial £100k capital allocation requested will allow time sensitive works (ecology, utility engagement etc.) to commence and further de-risk areas with further investigations, where provisional sums have been allowed for in the costs. If the full grant requests are not awarded and/or costs cannot meet budget requirements, there is the risk of abortive (write-off) costs. However, without these works, there is a greater risk to the programme and delivery.

8 Legal implications

- 8.1 Legal advice will be taken in respect of any funding agreements that Homes England and any other funders might require in respect of funding granted. The legal advice will include in relation to any implications of the Subsidy Control Act 2022 to ensure that subsidy is used in compliance with that Act.
- 8.2 The Council will comply with public procurement rules where applicable and will act in compliance with its Contract Procedure Rules (CPR) in respect of all agreements for works and services.
- 8.3 In relation to the shared ownership properties, the council can rely on section 9 of the Housing Act 1985 to undertake the development. The sale of property held in the council's HRA requires Secretary of State consent under Section 32 of the 1985 Act. However, in the case of the grant of shared ownership leases, the council may rely on the March 2013 General Consent (the 2013 General Consent), which permits the disposal of unoccupied dwellings to individuals for use as their only or principal home. The 2013 General Consent also sets out specific requirements in relation the level of discount and rights of alienation and pre-emption which the council must observe with respect to shared ownership leases.
- 8.4 In relation to the affordable rent properties, the council can rely on section 9 of the Housing Act 1985 to undertake the development.

The development will take into account all title matters.

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9 Risk management

9.1 The works undertaken through the PCSA have enabled more accurate pricing and highlighted additional survey work to de-risk the project further. The design and build contract through the Modular Housing Framework will also provide a fixed price for all known works, reducing the risk of cost increases once in contract.

9.2 The following table highlights key risks and mitigation:

	Risk	Mitigations
1	Pre-contract capital allocation	<ul style="list-style-type: none"> • Until the full funding gap has been closed, any additional expenditure is spent at risk. • However, on balance with consideration of the timescales associated with the largest amount of grant already secured, it is a calculated risk to move the scheme forward.
2	Build cost increases	<ul style="list-style-type: none"> • A reasonable contingency has been built into the current appraisal. • The Design & Build (D&B) contract will provide a fixed price for the works. • The proposed £100k of pre-contract surveys/work (above) will help to de-risk the level of provisional sums.
3	Funding	<ul style="list-style-type: none"> • The conditional AHP grant award has met the majority of the funding gap. • The BLRF is still required to meet the remaining gap. As such, the main development cannot progress until those funds are confirmed and in place. • Delays in the BLRF announcement may jeopardise the delivery programme and allocation of the AHP grant.
3	Borrowing	<ul style="list-style-type: none"> • The recent fluctuations in interest rates have made it harder to predict long term borrowing rates. • The business case is based on best information/assumptions now and over the lifecycle of the development. This will continue to be monitored.
4	Sales risk (Shared Ownership)	<ul style="list-style-type: none"> • The latest tenure model has reduced the number of shared ownership units. • The increase in affordable rented homes (managed by the council) reduces the risk and

		helps to directly meet the rising pressures associated with homelessness.
5	Long term viability	<ul style="list-style-type: none"> • The demand for affordable rent and first-time buyer (linked to shared ownership) homes have only increased in recent years, as a result of the lack of development coming forward from the private sector. • As such, there is a greater chance of increased demand and higher returns, compared to the current viability assessment.

9.3 An Employers Agent (EA) will be appointed to manage the contract and monitor/report on development risks throughout the project. The proposed £100k allocation will cover the first phase of the EA's appointment, to support with developing the final contract with Boutique Modern via the Modular Housing Framework.

9.4 The initial £100k capital budget request to progress works now, whilst awaiting confirmation of all grants, presents a risk. However, this risk has been considered against a greater risk to the programme (and costs to the council of homelessness) if we delay works, which could result in the loss of AHP grant with strict spending deadlines. We also expect that further information on the award of the BLRF will follow the General Election, which will mitigate the risk proportionately as the spend of the budget allocation will be spread over several months.

10 Equality analysis

10.1 The proposals outlined in this report will have a positive impact, creating new housing opportunities for current and/or new tenants, of which some may be disabled, of an older demographic, or young families. It will also create new housing opportunities for people who are homeless, in temporary or emergency accommodation, or vulnerably housed.

11 Environmental sustainability implications

11.1 The proposed development has been designed with a 'fabric first' approach, which has set the main fabric elements to a very high standard. These passive design measures will reduce heat loss and gain, reducing the energy demand, and significantly lowering the running costs to the tenants. In addition to the upgraded building fabric, the development has been designed to use all electric heating as well as solar PV and a hot-water-tank mounted Air Source Heat Pump (ASHP) system to considerably reduce energy consumption.

11.2 Where possible, the property foundations will be built of micro-piles, reducing the needed for soil removal and ground works associated with traditional strip concrete foundations and ground floor slabs. This also reduces the need for concrete and the imbedded Co2 in the construction process.

11.3 The proposed delivery through the Modular Housing Framework through Boutique Modern will also significantly reduce waste in the construction of the properties to circa 5% compared to much higher levels through traditional forms of construction.

12 Appendices

- Exempt Appendix 1 – Business Case

13 Background papers

- September 2019 – Housing Delivery Update: Bedfordwell Road
- March 2020 – Housing Revenue Account Capital Budget Allocation
- December 2021 – Bedfordwell Road – Development Proposal
- July 2022 – Housing Development Update
- September 2023 – Housing Delivery and Asset Update