

Report to: Cabinet

Date: 23 September 2021

Title: Housing Development Update

Exempt reason: This report contains exempt information as defined in Schedule 12A of the Local Government Act 1972.

Appendices 1 and 2 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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

Cabinet member: Councillor William Meyer, Lead Cabinet Member for Housing

Ward(s): Newhaven South, Lewes Castle

Purpose of report: To provide regular updates on key housing developments

Decision type: Key Decision

Officer recommendation(s):

- (1) To approve the project known as the Former Newhaven Police Station, making an allocation within the Housing Revenue Account (HRA) Capital Programme of up to £6.2m, in accordance with the business case as set-out in Appendix 1 (Exempt).
- (2) To approve the Council entering into a construction contract with the preferred bidder to build out the Former Newhaven Police Station, subject to the business case, demolishing the existing buildings and developing 21 new Council homes.
- (3) To approve the disposal of the two HRA assets identified, in accordance with the business case as set-out in Appendix 2 (Exempt), including a policy to ring-fence the capital receipts generated within the annual budget to support in the financing of other Council-led housing developments in Lewes town, enabling the re-allocation of retained Right to Buy (RTB) receipts.

(4) To authorise the Director of Regeneration and Planning, in consultation with the Portfolio Holders for Housing, Finance, and Assets, also the Chief Finance Officer, to carry out all necessary actions to facilitate the recommendations including feasibility, financing, appointment of professional services, development, sales, lettings, and determining the terms of, and authorising the execution of, all necessary documentation, in accordance with the business case(s).

Reasons for recommendations: To provide updates and secure the necessary approvals to bring forward ongoing key housing development projects within the district, utilising existing assets to deliver highly sustainable Council homes to meet corporate objectives.

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1. Introduction

1.1. This paper provides an update on the new Council housing development at the Former Newhaven Police Station, South Road, Newhaven BN9 9QJ.

It also makes recommendations to dispose of two known high cost, vacant Housing Revenue Account (HRA) assets to support financially in the delivery of a highly sustainable Council house building programme.

2. Background

2.1. On 10th February 2020, Lewes District Council (LDC) Cabinet considered a report from officers on the Former Newhaven Police Station, approved the site acquisition from Sussex Police, and authorised the development of a scheme as part of the capital programme up to the construction phase.

The HRA Capital Programme approved for 2021/22, at the start of the financial year, includes budget allocations to both acquire properties and build new homes.

A report presented to Cabinet on 8th July 2021 set out the housing development pipeline in the context of the approved budgets, which included this site.

2.2. Homes First have been progressing condition surveys of the Council housing stock to inform the residential Asset Management Plan. In this early stage, the

outcomes have identified two properties in Lewes town that have become vacant in the last year and require costly repair works to enable re-letting. There is however an opportunity to consider alternative options, maximising local land and property values to support the delivery of new Council homes.

3. Newhaven Police Station

3.1. The Former Police Station is in a prominent location in the centre of Newhaven and, having been vacant for several years, its development will contribute to the strategic regeneration plans for the town. It is in a highly sustainable location, being very close to both the main town centre and public transport routes, with links to both bus and rail. The site was identified in the Newhaven Neighbourhood Plan as having potential for a minimum of 15 homes on a site of approximately 0.15 hectares.

3.2. Following the exchange of conditional land contracts with Sussex Police, officers progressed scheme designs towards a planning application submission. A Planning Committee resolution to grant planning permission was approved in July 2021 for a new Council housing scheme, consisting of 21 new homes, including adaptable units on the ground floor, as follows:

Unit Type	Persons	Size (m2)	Total Units
1 bed Flat	2	53	4
2 bed Flat	4	72	14
2 bed Flat	4	77	1
3 bed House	5	99	2

The properties will be built in excess of Nationally Described Technical Space Standards, to ensure that the homes not only meet local housing need but also provide quality and spacious living environments.

The car-lite design will make best use of the central location, public transport links, and promotion of sustainable transport methods. The homes will be subject to a Local Lettings Plan that will prioritise allocations to households who do not have a car and who will make best use of its location.

However, to minimise any potential negative impacts on the surrounding area, the Council will also be supporting the scheme with a parking permit system, utilising nearby car parks to ensure the development does not add to any existing parking concerns. The permit system proposed will help to mitigate parking issues both during and post-development, including in the ongoing housing management. The nearby Council-owned car parks are being reviewed to consider what works may be required to support to deliver these proposals. The measures outlined seek to directly respond to the comments raised at the Planning Committee and shall be subject to continued consultation with Ward Councillors and the Newhaven Town Council.

3.3. The scheme will also include the following key sustainability features:

- Taking a fabric first approach using passive design measures, reducing heat loss and air permeability.
- Full electric including 100% energy efficient lighting.
- Mechanical ventilation and heat recovery (MVHR) systems.
- PV solar panels.
- Increased biodiversity.
- Storage space for up to 39 bikes.

The existing structures on the site had already been assessed as not suitable for re-use. Therefore, demolition works will be involved, however this will be managed to reduce carbon outputs using the same methodology as adopted for the Palmerston House development, where 97% of the materials from the building were recycled.

The energy strategy for the proposed development scheme has been assessed using the following Energy Hierarchy:

1. **Be Lean** – Use less energy
2. **Be Clean** – Supply energy efficiently
3. **Be Green** – Use renewable energy

This results in a scheme that has significant improvements in U-values, air tightness, and overall building performance standards, including an increase to the national average for CO2 reductions. This meets the requirements of the sustainability strategy and Full Council motion to adopt the healthy homes principles, ensuring residents have quality places to live.

3.4. The homes will be developed, held, and managed within the HRA by Homes First. The Local Lettings Plan, in addition to supporting the objectives of a car-lite scheme, will help to meet priority local needs, producing homes let at truly affordable rents nearer to social rent levels (circa 60% of the market rent).

3.5. The project may now progress into the construction delivery stage. Following a competitive procurement exercise in accordance with the Council's Contract Procedure Rules (CPRs), using the new Social Value Charter in the assessment process, Sunninghill Construction Ltd is the preferred bidder based on price and quality, including social value. Further details are included in Appendix 1 (Exempt).

Although based outside of the district, the preferred bidder operates within East Sussex already and will be utilising local SME's and supply chains for a significant majority of the development.

The programme will continue to be progressed on award of a contract, however, development commencement is planned currently for early 2022, to be completed in one phase, and with an expected 18-month on-site construction programme.

3.6. The tendered costs have been impacted by current market challenges, as a result of Covid-19, including a significant increase in the costs of materials. However, following an open and competitive tender exercise, the Council's appointed

Employers Agent has deemed the costs to be reasonable and value for money, especially when factoring the high sustainable elements.

- 3.7. Following a successful tender, the overall projected capital project costs will be up to £6.2m, utilising borrowing, RTB receipts or external grant funding opportunities, incorporating the cost of the land, construction, on-costs, contingency, risk provisions, and project management fees. The Council continues to work closely with Homes England to maximise any grant funding opportunities available to deliver affordable housing.
- 3.8. The financial assessment and supporting business case underpinning the proposals are included in Appendix 1 (Exempt).

4. HRA Asset Disposals

- 4.1. As part of the stock condition survey programme, the following properties have been identified in a prominent location within the district where land values and demand are high:
- 33 Paddock Road, Lewes BN7 1UU - a freehold double fronted 3 bed two storey cottage.
 - 15 Talbot Terrace, Lewes BN7 2DS - a freehold 2 bed two storey end of terrace house built circa 1900.

Both properties are currently vacant and deemed uneconomic to repair. The properties cannot be re-let until significant modernisation and remediation works have been undertaken. The Council therefore has few options but to consider alternatives to the automatic re-letting of these void properties.

- 4.2. The Council's objectives to increase housing supply across the district includes a dual priority to a) deliver more sustainable homes towards net zero carbon, and b) to offer truly affordable rents, closer to 60% of the market compared to the standard 80% as defined by government. Without additional methods of capital finance to off-set borrowing, it becomes challenging to maintain financial viability. Although the Council could take a holistic approach across its wider housing portfolio, delivering too many schemes on that basis, and that do not have a standalone viable business case, will impact on the HRA Business Plan, restricting the Council's ability to build more homes in the long-term.
- 4.3. Initial advice in relation to the market and potential values presents an opportunity for the Council to dispose of these assets, as set out in the business case, to generate capital receipts that can be ring-fenced within the HRA to support Lewes town based new development schemes.
- 4.4. Due to the commercial sensitivity, the full financial assessment and business case are included in Appendix 2 (Exempt).

5. Outcomes expected and performance management

- 5.1. The overall outcomes of the recommendations are:

- the continued delivery of the HRA Capital Programme to bring forward more homes that meet local needs in line with the Corporate Plan.
- the strategic management of Council assets, utilised and maximised to support driving district-wide objectives to meet long-term housing growth.
- the ability to raise additional forms of funding, here to generate capital receipts through the disposal of high-cost assets, used to finance the housing pipeline and when supported by a viable business case.

6. Consultation

- 6.1. Statutory consultation was undertaken on the Former Newhaven Police Station as part of the planning process. This was also supported by local consultation with the public and Ward Councillors, before, during, and after the planning decision process, and will include the continued engagement with both Newhaven Town Council and neighbouring residents as the scheme moves toward on-site works commencing.

7. Corporate plan and council policies

- 7.1. These proposals meet the following objectives in accordance with the 'Reimagining Lewes District' Corporate Plan 2020-2024:

Sustainability and Climate Change

- Building energy efficient homes, including low carbon heating technologies, to ensure homes are not only cheap to rent but also affordable to live in.
- Encouraging sustainable transport methods and promoting other travel options including walking, cycling, and the use of public transport links.
- Use of renewable technology to increase energy re-use and efficiency.
- Increased site biodiversity.

Building Community Wealth

- Leading on the best use of public sector land and property assets.
- Through procurement, using established contractors to support the use of local sub-contractors and supply chains to increase local spending, employment, and training opportunities.
- Inclusion of new skills, training, and apprenticeships.

Delivering Homes

- Form's part of the 200 new additional council houses target.
- Adds to more sustainable and energy efficient homes across the district.
- Increases the availability of quality homes for low rents.
- Inclusion of adaptable units to provide accessible homes.
- Supports households directly from the housing register and reduces the reliance on temporary and emergency accommodation.

The development demonstrates the added benefits of acting as One Public Estate (OPE), making the best use of public sector land and property assets to drive forward local regeneration, delivery, and growth objectives.

- 7.2. The scheme shall also be subject to an Employment and Training Plan (ETP), in accordance with the Newhaven Local Employment and Training Technical Guidance note, that will help support local labour markets, create new employment opportunities, and enable new skills and training, to be secured in the form of a Section 106 Agreement.

8. Next Steps

- 8.1. Following approval of the recommendations in relation to the Former Newhaven Police Station, a contractor shall be appointed via an industry standard form construction contract, and the technical design work commenced (RIBA Stage 4), with on-site works expected to start by the end of the financial year 2021/22.
- 8.2. The two HRA properties identified, 15 Talbot Terrace and 33 Paddock Road, shall be subject to further legal, financial, and valuation advice before being put out to the market for sale in accordance with the Council's CPRs. This will include a minimum reserve, with the receipts generated from the sale used to off-set the sale costs, before then being ring-fenced to support new Lewes town-based housing developments.

9. Financial implications

- 9.1. The proposals outlined within this report are in accordance with the HRA Business Plan and Capital Programme for 2021/22, which includes allocations for residential acquisitions and new build homes. All new development projects must be approved by Cabinet, supported by a business case, to enter into a construction contract and added into the capital programme.
- 9.2. Any investment requiring a capital outlay presents an element of risk. The risk here is however considered as acceptable based on the business case as set-out in Appendix 1. Any other risks can be mitigated and managed through careful construction management and continued technical due diligence.
- 9.3. The disposal of HRA assets shall have an impact on the Business Plan, however, in this context, the properties are vacant, and the production of capital receipts fundamentally supports in the project finance of new schemes as part of the capital programme. The impact is therefore assessed as acceptable.

10. Legal implications

- 10.1. The Council can rely on section 9 of the Housing Act 1985 (HA 1985) to undertake the development of the former Newhaven Police station. This is a power to provide sub-market rented housing for its area i.e., to address a gap in the housing market and meet the needs of the local community. The RTB will apply to these properties but, in summary, any discount to which anyone exercising the RTB is entitled will be limited with the effect that the discount cannot take the price paid by them to less than the cost price of the property.

Section 32 of the HA 1985 will permit the Council to let the accommodation on the former Newhaven Police Station on secure tenancies without the requirement for Secretary of State consent.

The Council will take full advice on any title issues associated with the development of the former Newhaven Police station and in respect of appropriate ways to address any issues revealed.

In respect of the proposed disposals of the two HRA assets, Section 32 of the HA 1985 requires the Secretary of State's consent for the disposal of land held for the purposes of that Act (i.e., HRA land). The Secretary of State has issued a general consent (A3.1.1 of the General Housing Consents 2013) for the disposal of such land for a consideration equal to its market value (subject to certain exceptions which are not relevant here).

[010350-LDC-PB 31 August 2021]

11. Risk management implications

11.1. The key risks and mitigations are set out in the following table:

Ref	Risk	Mitigations
1	Increasing costs and programme delays due to COVID-19 and BREXIT.	The market continues to be monitored closely. External market advice will be taken if/where required and fixed price construction contracts will be used wherever possible. Entering into a contract during the tender fixed price period will also reduce the risk of increasing costs.
2	Project viability impacting on the HRA Business Plan.	The scheme has been tested within the context of the HRA Business Plan. With the use of either RTB receipts or external grant (blended funding is not an option due to Homes England criteria), the business case as set-out in the appendices are viable. The budget allocation includes contingencies and risk provisions on both the Council's and contractors' side, with further value engineering to be discussed during the detailed design stage.
3	Housing management issues related to car-lite scheme.	The central location, transport links, and proximity to the town centre support a car-lite scheme. However, a parking permit system shall also support the development, through both the construction phase and in the operation of the scheme, that will

		utilise Council-owned car parks in the surrounding area, mitigating any potential impacts on the already limited parking.
4	Disposal of HRA assets do not achieve market value.	The properties shall be subject to an independent red book valuation. The Council has a requirement to obtain fair value and will set a minimum level to be realised to trigger a sale.
5	The capital receipts from the disposals are not used toward priority developments.	The receipts shall be ring-fenced within the HRA and set-aside with the budget to support only new housing developments in Lewes town.

12. Equality analysis

- 12.1. An equality analysis has been undertaken and has not identified any related impacts to the recommendations contained in this report.

13. Environmental impact analysis

- 13.1. The design of the Former Newhaven Police Station has been subject to a full review of the sustainability features and in accordance with the Council's corporate priorities, including the healthy homes principles, and with consideration of financial viability. The site is also being developed on a brownfield site and, where appropriate, full ecology and environmental impact surveys have been undertaken.
- 13.2. There are no environmental impacts to report regarding the recommendations relating to the HRA asset disposals.

14. Contribution to Community Wealth Building

- 14.1. The development of brownfield sites, specifically the re-use of public sector land and property assets, supports the principles of OPE ensuring that public sector partners work collaboratively to bring forward district-wide benefits.
- 14.2. The construction contract has been advertised and assessed using the Council's Social Value Charter that has been designed around the Corporate Plan objectives, including those focused on Community Wealth Building. This will include:
- Use of local SME's
 - Engagement with local supply chains
 - Increased local employment
 - New training and apprenticeship opportunities

15. Appendices

- 15.1.
 - Appendix 1 (Exempt) – Former Newhaven Police Station Business Case
 - Appendix 2 (Exempt) – HRA Asset Disposals Business Case

16. Background papers

- 16.1. The background papers used in compiling this report are as follows:
 - LDC Cabinet report - 10th February 2020 – ‘Former Police and Fire Station Sites, Newhaven’
 - LDC Cabinet report - 8th July 2021 – ‘Housing Development Update’