

Report to:	Cabinet
Date:	9 June 2022
Title:	Housing development update
Report of:	Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning
Cabinet member:	Councillor William Meyer, Cabinet member for housing
Ward(s):	All
Purpose of report:	To provide an update on the progress of the Council’s housing delivery programme.
Decision type:	Non-Key Decision
Officer recommendation(s):	<p>(1) To note the progress of the Council’s housing delivery programme as set out in Appendix 1.</p> <p>(2) To support the progression of the initial phase of sites identified within the HRA from the internal Asset Review to be taken through the feasibility and due diligence processes, utilising existing budgets and delegations.</p> <p>(3) To endorse the formation of an Affordable Housing Design Standard for all future Council housing developments within the district.</p>
Reasons for recommendations:	To progress the development of new Council homes across the district, maximising brownfield sites to enable new housing affordable housing opportunities.
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1 Introduction

- 1.1. The Council continues to progress its housing delivery programme, driving forward approved schemes and identifying new opportunities to increase the supply of sustainable homes across the district in a highly challenging market.
- 1.2. This report provides an update on the progress of the programme to meet the objectives of the Corporate Plan 2020-2024 – Reimagining Lewes District and in the context of the current operating environment.

2 Background

- 2.1. The Corporate Plan sets out to deliver 200 new Council houses across the district that are accessible, sustainable, and energy efficient. The programme seeks to identify new opportunities across the whole district, including the villages and more rural areas, to increase housing options that meet a range of locally defined needs and reduces reliance on temporary/emergency accommodation.
- 2.2. The Council has been able to successfully bring forward new homes and build upon a pipeline for ongoing future delivery. However, since the Corporate Plan was adopted, changes in the world globally cannot be ignored. The implications of the Covid-19 pandemic, Brexit, and Russia's invasion of Ukraine have shown unprecedented impacts on the economy. In March 2022, the Consumer Prices Index (CPI) increased by 6.2%, with the latest predictions reportedly showing expected levels up to a staggering 10% by the end of the year.
- 2.3. These factors have a direct impact on the cost of construction and building new homes, specifically within a financially sustainable funding envelope. Therefore, the Council's ability to directly deliver viable housing schemes, within the tolerances of the Housing Revenue Account (HRA) Business Plan and as a result of the current economic circumstances, has undoubtedly been made even more challenging.
- 2.4. The Council's social housing stock continues to reduce as a consequence of the government Right to Buy (RTB) scheme and as the demands on the Housing Waiting List continue to remain significant. Prior to the statutory reforms from 1st April 2021, the Council also had the additional pressure of having to spend previously built up 1-4-1 RTB receipts by strict government deadlines. Although the receipts helped to support the development of new homes, they do not cover the whole cost (30% at that time) and have now all been committed to schemes in progress within the programme. The Council will therefore need to secure other sources of supporting finance and will rely significantly on central government to provide grant funding to keep Council rents as low as possible.
- 2.5. In February 2022, Cabinet approved its annual HRA Budget for 2022/23 and Capital Programme. Although the HRA is now uncapped, it is not unlimited, and the Council must continue to carefully balance available headroom capacity to increase, maintain, and decarbonise the housing stock. This reinforces the significance of obtaining government funding, such as through the Affordable Homes Programme 2021-26 and also the impending £1.8bn of brownfield funding announced in the Levelling Up White Paper, to help reduce reliance solely on borrowing for new build developments. The Business Plan will need to be closely monitored and, in addition to external grants, alternative delivery options considered such as the joint venture partnership with Eastbourne Borough Council (EBC) – Aspiration Homes Limited Liability Partnership (AHLLP).
- 2.6. In recognising and responding to these challenges, the Council has been undertaking its own internal Asset Review of the property estate across the HRA and General Fund to identify further opportunities for new Council homes. The review assesses brownfield land that is redundant, under-utilised, and/or no longer fit-for-purpose, with the potential to be maximised to meet the rising demands of the Housing Waiting List and pending government funding. Phase 1 focuses on the initial outcomes identified

from the HRA, with the General Fund still in progress and subject to review by the Council's Strategic Property Board (SPB).

3 Construction and Property Market

- 3.1. In the context of the current economy, the construction industry and property market have (and continue to be) increasingly volatile. In the height of the global pandemic, material costs increased by up to 70% and delays, shortages, and labour pressures created a 'perfect storm' the likes of which had not been seen for over 40-years. With the predictions for rising inflation, it is expected that costs within the building industry will also continue to increase and with no clear indication of when they will return back to previous levels (if ever). The Council will therefore be operating within a 'new normal' and will need to consider how it approaches value for money and measures financial viability in its efforts to deliver sustainable affordable homes.
- 3.2. In addition, the value of land and property nationally has increased since 2020. In the Southeast specifically this increased over the last 12 months up to February 2022 by 12%. In already high value areas, such as Lewes town and those others within the South Downs National Park, it makes affordability even more difficult. Equally, outside of those areas, new entrants to the market generally (e.g., first time buyers) will continue to look to the public sector for support. This will have an impact on the Council's ability to acquire street properties and buy (external) land for new development, within the capacity and constraints of the HRA.
- 3.3. The rising inflation, specifically when considering fuel, food, and energy prices, will have detrimental impacts on our residents and especially those who are deemed as vulnerable and/or most in need. It is therefore critical now more than ever that new homes are built sustainably and affordably, with the carbon reduction agenda at the core, creating homes that are both affordable to rent and live in.

4 Housing Delivery Programme

- 4.1. In the face of these multiple and complex market pressures, the Property and Development team have continued to grow the housing programme, building a pipeline of Council rented and low-cost homeownership schemes to support the rising local demand. These homes have also been built in-line with the Council's strategy for sustainability and carbon reduction targets, driving forward modern methods of construction (MMC) such as modular, using new renewable technologies, and taking an overall "fabric first" approach to new development.
- 4.2. Appendix 1 enclosed sets out the current programme position across the Council and its entities, categorised by project stage. Showing a combination of completed homes, schemes in construction, projects at the pre-build stage, and others in the growing pipeline, the Council will have identified, advanced, and completed up to 189 homes to meet local affordable housing requirements. In order to maintain these levels, the Council will need to continue to identify new opportunities for maximising its own land/property estate, reflected in the proposals from the Asset Review.
- 4.3. The programme reflects a number of successes, with schemes completed in recent years delivering over 60 new mixed tenure Council homes:
 - Danforth Way (Anchorfield), Ringmer

- Oakfield Lane, Plumpton
- Palmerston House (20 Fort Road), Newhaven
- Saxonbury House, Lewes
- 24-27 Western Road (Gray's Infants School), Newhaven
- Woodland View (Old Hamsey Lakes), Chailey
- Meadow Way (Old Hamsey Lakes), Chailey

There are also a number of other schemes showing in Appendix 1 well into the design and planning stages, such as the Former Newhaven Fire Station, and others such as the Former Newhaven Police Station about to enter into a construction contract following securing previous Cabinet approval.

- 4.4. The spread of development reflects the Corporate Plan ambition to deliver new Council homes across the whole district. The new homes in Plumpton and Chailey, for example, will be the first new Council properties in those areas for decades. The programme has also been diversified by using both the HRA and AHLLP, as well as taking a mixed approach to delivery through S106 purchases, asset conversions, and new build development to find the best solutions to land, assets, and partnerships.
- 4.5. The Council's approach to development, taking a strong fabric first approach - focusing on insulation, heating, and cooling, has helped to shape the housing delivery programme to meet carbon reduction objectives. The Healthy Homes principles now form part of the Council's Employers Requirements (ERs) for new build developments and incorporate a "checklist" to ensure homes are as sustainable as possible within the context of the available budgets.

This has included the use of new technologies (e.g., PV, batteries, and heat pumps), increased biodiversity, and a new perspective on the re-use of existing structures to reduce carbon outputs where physically and economically possible. The Property and Development team continue to also explore new opportunities, especially in a constantly changing and evolving part of the market, including green roofs, green living walls, and other approaches to sustainable development.

- 4.6. Taking the knowledge and experience from the programme already, driving forward new schemes and supporting in the decision-making processes, the creation of an Affordable Homes Design Standard will help to consolidate sustainable development practices for new Council homes. It is proposed that the Standard is developed by officers and in partnership with the Lead Members for Housing and Sustainability, and also the Tenants of Lewes District (TOLD) and other key stakeholder groups.
- 4.7. The sites in the programme pre-construction phases have been subject to a number of changes since the last update to Cabinet, most notably:
- **Rough Sleepers Accommodation Programme (RSAP)** – a county-wide bid has been submitted, which includes up to 4 x new move-on units to be provided within the district to meet the national homelessness agenda. The funding will either be utilised towards existing pipeline developments or in the purchase of new street properties using delegated powers. This will directly respond to the Corporate Plan target to reduce emergency accommodation.

- **2-6 Fort Road, Newhaven** – initial feasibility has positively identified opportunity for redevelopment of the site to bring forward 3 x new family homes. This will now be progressed to the planning stage.
- **Former Fire Station, Newhaven** – following feedback in the pre-application process, the scheme has been reduced from 7 homes to 6, improving the on-site parking provision and building sightlines. A new planning application is due to be submitted imminently.
- **Kiln Road, Ringmer** – forming part of a local infills sub-programme, the site will not be taken any further at this time. The Council will instead focus on Mill Road (adapted bungalow) and Broyle Close (3 x new family homes).
- **Lewes Acquisitions** – the sale of long-term vacant and high-cost assets previously approved by Cabinet (13 Paddock Road and 15 Talbot Terrace) has generated capital receipts above the expected independent valuation, now ring-fenced within the HRA to support the purchase up to 5 x new homes within the town.
- **The Lynchets, Lewes** – after careful consideration, assessing the site constraints and financial viability, the development (with capacity for much needed 6 x smaller units) will now be delivered via the HRA. The Council will continue to work with the Lewes Community Land Trust (CLT) to identify other community development opportunities within the district.
- **Rusbridge Cottage, Lewes** - initial feasibility has positively identified opportunity for redevelopment of the site to bring forward 3 x new family homes. This will now be progressed to the planning stage.

4.8. The Council is also exploring opportunities to improve older person's accommodation within the district. An on-site consultation process was recently undertaken with the residents of Meridian Court in Peacehaven to better understand their specific and ongoing needs. This provided valuable insights, highlighting the benefits of communal / community spaces and outdoor amenities and, as a result, the Council will be actively looking for any new government funding opportunities to support a new programme for retirement living.

5 Asset Review

5.1. The first stage of the review focuses on the HRA estate, forming part of the overall stock condition survey and Asset Management Plan (AMP), considering the assessment and balance of existing asset condition, energy performance, and future maintenance costs as set out in the 30-Year Business Plan.

5.2. An initial list of brownfield sites has been identified with potential capacity to deliver new Council homes. The sites will be subject to more detailed feasibility and due diligence up to the pre-planning stage, including further site investigations, concept designs, and local consultation. The sites included in this report are all brownfield garage sites, set out in the table below.

5.3.

Asset Review (Phase 1 – HRA)	
Site	Location
Buckwell Court	Lewes
Waldshut Road	Lewes
Crisp Road	Lewes
Landport Road	Lewes
Kingsley Road	Lewes
The Course	Lewes
Queens Road	Lewes
Prince Charles Road	Lewes
Chandlers Mead	Cooksbridge
South View	Ditchling
Valley Road	Newhaven
Western Road (2)	Newhaven

- 5.4. The Asset Review process included assessing each HRA site first from a technical perspective, incorporating the views of Homes First and Planning First, to identify where there were clear constraints, limitations, and/or policy restrictions that minimised the true development potential. The review also had to consider the capacity of each site, impacts on existing and surrounding residents, and deliverability within the Medium-Term Financial Plan (MTFP). This reduced a long list to a much shorter list, in consultation with the Lead Member for Housing, and is as presented here. The review could generate more homes and it is expected that the outcomes of the General Fund assessment will result in more potential outcomes.
- 5.5. The capacity of existing brownfield HRA sites in the district are limited in some circumstances (for example, Seaford) and as such, the internal review will be extended to include other suitable sites, particularly targeting brownfield sites. It will also be necessary for the Council to continue to explore external development opportunities in order to increase affordable homes in those areas.
- 5.6. Following a period of managed feasibility, the sites will be brought back to Cabinet for approval. Where insurmountable challenges to the financial viability of any development are identified, then those sites may be released from the housing delivery programme, and their future use and usefulness reconsidered.

6 Outcomes expected and performance management

- 6.1. This report provides an update on the progress of the Council's housing delivery programme and in the context of the Corporate Plan 2020-2024 – Reimagining Lewes District. In the face of highly challenging external factors and variables, the Council has been able to build a programme and pipeline to bring forward more affordable and sustainable homes using both the HRA and AHLLP toward the Plan target.
- 6.2. Furthering the knowledge and experience of sustainable development, it is proposed that an Affordable Homes Design Standard for Council homes will help to consolidate, focus, and drive forward delivery in the future.
- 6.3. The initial outcomes of the Asset Review will see the continued delivery of the programme using brownfield land, first utilising the capacity of the HRA estate. The sites will form part of the growing pipeline and future updates will be presented to Cabinet once a period of feasibility and due diligence has been completed. Cabinet will then be updated on which sites present a viable opportunity to progress to a planning submission, subject to consultation and engagement. The outcomes of the General Fund review will be presented following consultation with SPB.

7 Consultation

- 7.1. The programme remains subject to robust consultation with Portfolio Holders, Members, Ward Councillors, the Tenants of Lewes District (TOLD), residents and other key stakeholders. Any new sites identified (in addition to the programme in this report) will also be presented to Cabinet in the usual way.
- 7.2. The proposed Affordable Homes Design Standard for Council housing shall be developed in consultation with the Lead Members for Housing and Sustainability, as well as TOLD and other key stakeholder groups, to ensure design continues to meet the requirements of the Corporate Plan and local housing needs.

8 Corporate plan and council policies

- 8.1. The Corporate Plan 2020-2024 – Reimagining Lewes District sets out clear priorities and objectives to provide more Council homes in the area that are both highly sustainable and truly affordable.
- 8.2. The housing delivery programme as set out directly and positively contributes to the Plan objectives, increasing supply using new and innovative construction methods to help reduce the cost of living and positively contribute to the carbon reduction agenda. This has been achieved against an unprecedented shift in the construction industry as the cost of materials and labour reach a 40-year high.
- 8.3. The ability to also identify new opportunities from brownfield sites within the wider property estate, not only helps to support financial viability and the HRA Business Plan, but ensures the Council is maximising its assets to deliver more homes and anticipating pending government grant funding opportunities to support viability.

9 Financial implications

- 9.1. The housing delivery programme is being progressed in the context of the approved HRA Capital Programme and, where applicable, AHLLP Business Plan. The capacity and tolerances of the HRA will continue to be monitored and tested through the Business Plan and any variances be highlighted to Cabinet accordingly.
- 9.2. The HRA Revenue Budget 2022/23 continues to include a housing development feasibility budget, as increased by Cabinet in June 2020 to manage the growing pipeline. The budget and delegations in place will be used to work up the next phase of sites following the Asset Review. When Cabinet approves a business case and project capital budget, the associated feasibility costs will be capitalised into the Capital Programme, releasing revenue funds to support future opportunities.
- 9.3. As is the nature of feasibility, sites and schemes may not move ahead for different reasons. The use of the feasibility budget may therefore present an element of risk. However, this is minimised and monitored by Finance and the Property and Development team during the pre-planning stage to reduce the risk of abortive costs.
- 9.4. Further financial assessments shall be provided on each scheme as they are worked up and presented to Cabinet in the future, supported by a full business case.

10 Legal implications

- 10.1. The feasibility work undertaken on all sites shall be subject to full legal due diligence, including work to resolve any legal restrictions, including title issues, that may impact upon the development of those sites.
- 10.2. Any proposed works, services, and supplies will have to be procured in accordance with the Council's Contract Procedure Rules and the Public Contract Regulations 2015.

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11 Risk management implications

- 11.1. The key risks and mitigations at this stage are set out in the following table:

	Risk	Mitigations
1	Costs for developing small sites may prove too high to be viable	By selecting small local firms to deliver sites, overheads can be kept to a minimum. Some sites can be delivered as part of a wider agreement by a modular house builder. Consideration is also being given to available government grant funding.
2	Increasing construction costs due to Covid-19 and Brexit impacting on	The market continues to be monitored closely and the viability of each scheme in the pipeline will be assessed on their own merits, with reference to the Business Plan(s). Specialist / external advice will also be taken from

	development viability	independent agencies and the Council will look to enter into fixed price contracts wherever possible.
3	Planning may be refused on some sites	Extensive pre-application discussions are taking place on all sites prior to a formal submission.
4	Abortive costs as a result of sites not taken forward	The feasibility budget was approved on this basis, understanding there is a risk element to exploring scheme capacity, which will be managed, monitored, and minimised in the early stages. Schemes without sufficient viability and strategic benefit will be abandoned to reduce the risk of unnecessary cost exposure.

12 Equality analysis

- 12.1. An equality impact assessment identifies that the loss of garages has the potential to specifically impact upon disabled residents should they park a dependant vehicle in a garage close to their home. This impact shall be further assessed through the development consultation process and as part of the day-to-day tenancy management by Homes First. If required, appropriate alternative parking options will be considered on any impacted site.

13 Environmental impact analysis

- 13.1. The design of the proposals will undergo a full review of the sustainability features (both for the construction and usage of future residents) in accordance with Council corporate priorities and in consideration of the overall financial viability.
- 13.2. The programme is being developed on brownfield sites to reduce the impact of developing on green spaces. As part of the feasibility process, full ecology, environmental impact, and biodiversity surveys will be undertaken with individual impact analyses carried out as part of the ongoing Asset Review.

14 Contribution to Community Wealth Building

- 14.1. The Asset Review seeks to make best use of the Council's assets, identifying any potential to maximise land/estate opportunities to promote socially productive alternative uses to both local and community benefit. In this case, the increase of new Council homes to meet priority housing need. However, as the review continues, other opportunities for new community-led schemes, growing spaces, and other socially economic projects may also arise.
- 14.2. The procurement of works/services will also be undertaken using the Social Value Charter. The Charter will assess and consider those other important elements, in addition to cost alone, to ensure sustainability and social value objectives remain leading factors in contracts. Also, the appointment of a main contractor will utilise the growing network of local partnerships and supply chains, including the Modular Housing Framework where appropriate. If/when a site is presented with a viable business case, the most appropriate delivery vehicle will then also be considered.

- 14.3. The delivery of new Council homes will also utilise the latest Employers Requirements (ERs), encompassing the current thinking on sustainable house building, healthy homes principles, and social housing decarbonisation.

15 Appendices

Appendix 1 – Housing Delivery Programme

16 Background papers

The background papers used in compiling this report were as follows:

- LDC Cabinet – Housing development update – 23rd September 2021