

Report to: Cabinet

Date: 10 November 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): Newhaven South

Purpose of report: To provide an update on the progress of the housing delivery programme and key projects.

Decision type: Key Decision

Officer recommendation(s):

- (1) To approve the business case (Appendix 1 - Exempt) and capital budget allocation (up to £3.1m), including the release of the available commuted sums collected for affordable housing purposes, for the project known as the Former Newhaven Fire Station within the capacity of the HRA Capital Programme.
- (2) To authorise the Director of Regeneration and Planning, in consultation with the Portfolio Holder for Housing, Portfolio Holder for Finance and Assets, and Chief Finance Officer, to carry out all necessary actions to facilitate the project including financing, feasibility, development and determining the terms of, and authorising the execution of, all necessary documentation.

Reasons for recommendations: To provide progress updates and secure the necessary approvals to bring forward ongoing key housing development projects within the district.

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1 Introduction

- 1.1 This paper provides an update on the Council's housing development programme, specifically the market context and updates on schemes now requiring decisions.
- 1.2 This update focuses on the progression of new Council housing at the Former Newhaven Fire Station.

2 Background

- 2.1 In February 2020, Cabinet approved the acquisition of the Former Fire Station in Newhaven to create 7 x new affordable 3-bed houses with high sustainable features, including fabric first and a zero gas (all electric) approach.
- 2.2 In June 2022, a report was presented to Cabinet ('Housing Development Update') that provided an update that the scheme using modular construction was being reduced from 7 to 6 homes following feedback from the planning department. This paper also set out the economic environment and specific inflationary impacts on the construction sector nationally at that time. These unprecedented challenges, which have only increased, will continue to have significant implications to projects not already in contract and will require an ongoing review to ensure viability.
- 2.3 Negotiations have taken place and a reduced purchase price has been agreed with the fire service that reflects the reduced number of units now being proposed in-conjunction with an independent red book valuation. Subject to Cabinet approval, the Council is now ready to complete on the purchase and progress the development.
- 2.4 As brownfield land, there are higher challenges with associated costs impacting the site, which will need to be addressed prior to starting on site, including:
 - Demolition of existing structures
 - Ground contamination and remediation
 - Retaining walls and strengthening/support works
 - Buried services and infrastructure adjustments

These impacts would typically limit interest from private developers and/or other Registered Providers without changes to the tenure, most commonly introducing market sale. Without LDC intervention, this site will likely remain vacant and unused to the benefit of the town and in-line with corporate objectives.

3 Market Update

- 3.1 The update provided to Cabinet in June 2022 set the context for the operating environment within which new homes are being delivered. Since that update, further pressures have since arisen in the current economic climate and that will further challenge the Council's ability to deliver new affordable homes without additional financial support:

- **Costs** – inflation continues to rise and impact on project capital costs, with increases of up to 20% in some instances.
- **Interest** – a rise in PWLB borrowing rates and since the lifting of the 1% reduction for housing impacts on project revenue costs.
- **Rents** – the government consultation on the proposals for social housing rent caps in 2023/24 will limit revenue income to support development in the medium-long term.

3.2 The HRA Capital Programme is being reviewed in the context of these significant external pressures and the viability of the housing delivery programme considered, seeking to utilise the limited resources available to the Council where possible but also recognising the compromises that might need to be made.

4 Former Newhaven Fire Station

4.1 In September 2022, the updated scheme to provide 6 x modular 3-bed houses was approved at Planning Committee. The development meets the Council's Employers Requirements for a fabric first approach and is also all electric (no gas), supported through PV solar panels on each property. Electric vehicle charging will also be provided as required and in line with the updated Building Regulations.

4.2 The scheme will be delivered through the Lewes District Council (LDC) Modular Housing Framework. Boutique Modern have submitted their latest costs to deliver the scheme as set out in Appendix 1 (exempt). These costs include the site-specific remedial and enabling works required to make this redundant public sector brownfield land suitable for re-use. Although the total budget allocation is higher than it would have been only 6 months ago, in the current environment and with context to the brownfield agenda, the costs are comparable to traditional construction and present value for money at this time.

4.3 The use of a lightweight modular structure will limit the level of groundworks required (less trenches, foundations & concrete) through the use of helical piles. This will also help to reduce the amount of spoil/material needing to be taken off site and lessen the impact of construction waste in-line with corporate carbon reduction objectives. Boutique Modern are also finalising options to negate any impact to Fort Road during the delivery of the house modules, with on-site local disruption limited through the off-site manufacturing process.

4.4 The use of modular "off-site" construction also reduces the delivery programme by up to 50% compared to traditional construction, where ground & enabling works on site can run in conjunction with the modules being constructed. Delays as a result of bad weather are also limited, as works can continue within the controlled factory conditions.

4.5 Final detailed design will be complete in the next phase and options to provide more solar panels and/or air source heat pump(s) are being explored and within the capacity of the recommended budget, subject to viability. These additional "above and beyond" improvements (in excess of Building Control requirements)

will help support residents with lower energy bills when considering total annual household costs alongside tenancy rent levels.

- 4.6 As set out in Appendix 1 (exempt), the business case will be supported with the use of commuted sums collected within the district to support affordable housing purposes alongside capital receipts and external grant(s) secured from government. The use of resources in addition to borrowing is crucial, now more than ever, to support affordable housing viability given the current significant economic pressures.
- 4.7 All the homes will continue to be developed and owned within the Housing Revenue Account (HRA), rented as affordable housing, and managed internally by Homes First. The completed homes will support 6 x households from the Council's Housing Register and further support in the strategic reduction of costs to the organisation associated with increasing local housing pressures, including the uses of emergency / temporary accommodation.

5 Outcome expected and performance management

- 5.1 The overall outcomes of the recommendations will be the continued delivery of the Council's HRA Capital Programme to meet corporate objectives to bring forward more Council homes that meet local housing need.
- 5.2 The homes will continue to meet local housing needs and reduce the Council's reliance on temporary / emergency accommodation where homelessness pressures increase, especially in this cost-of-living crisis.
- 5.3 These new homes will also be built to high performance and quality standards through the modular construction methods proposed, including the use of additional renewable sustainable technologies, which will make the properties efficient to heat and run. As such, when considering the cost-of-living crisis impacts, will in turn help to keep total annual household costs low when considering both rent levels and operating costs.
- 5.4 The business case considers the current economic and financial pressures, which will continue to be reviewed leading up to (and thereafter) entering into a fixed price contract with Boutique Modern under the LDC Modular Housing Framework.

6 Consultation

- 6.1 Local consultation has been undertaken on site prior to the planning application being submitted, as well during the statutory consultation process. Additional consultation has also been carried out with Ward Councillors, the Town Council and Tenants of Lewes District (TOLD), which will continue as the scheme moves toward on-site works commencing.
- 6.2 A formal response has been issued by LDC to the government consultation on social housing rents, which sets out the pressures on the capital programme and the Council's ability to deliver without additional support and taking into consideration the additional impacts of inflation and rising PWLB rates.

7 Corporate plan and council policies

- 7.1 The new housing delivered will contribute to the housing targets as set-out in the Corporate Plan 2020-2024 – Reimagining Lewes District. The programme will increase the number of affordable rented homes directly accessible to the Council and increase sustainable development within the district.
- 7.2 The proposals will also utilise modern methods of construction (MMC) through the Council's established Modular Housing Framework alongside Eastbourne Borough Council (EBC). The use of MMC and modular considerably reduces waste by up to 20% in the construction process compared to traditional methods. Site traffic and vehicle movements are also reduced, as a large proportion of the works are complete off site with in-house operatives
- 7.3 The proposals will also make best use of a redundant brownfield site within the public sector for continued public benefit. The site presents a number of challenges, especially when considering its previous use as a fire station, which will need to be addressed at cost as part of the proposals. However, the site is in a key location within the district and the Council, considering its corporate and community wealth objectives, has the ability to re-repurpose the site to support local housing need. In addition, the homes will be constructed to a high standard and using renewable technologies to support households and keep household costs low in this cost-of-living crisis.

8 Next Steps

- 8.1 Following approval of this report, the formal appointment of Boutique Modern through the Modular Housing Framework will be made and the demolition of the existing buildings carried out. A target completion of the development works has been programmed for 2024/25 Q1, subject to ongoing programme monitoring.
- 8.2 Throughout the development, further resources that may become available will continue to be reviewed that could support the development finance and help to further reduce rent levels. Equally, the estimations for household energy levels and costs will continue to be firmed up as part of the overall project sustainability and carbon reduction strategy.

9 Financial implications

- 9.1 The proposals outlined within this report are in accordance with the HRA Business Plan and capital programme allocations.
- 9.2 The HRA Revenue Budget and Rent Setting 2022/23 and HRA Capital Programme 2020-24 includes the overall allocation for new acquisitions and new build construction. The outline plan for projects being covered by this allocation is covered in the July 2021 Cabinet report entitled 'Housing Development Update' and includes an allocation for the Former Newhaven Fire Station Site.
- 9.3 The current financial pressures remain significant and will continue to be reviewed in the context of this scheme alongside the usual financial due diligence.

10 Legal implications

- 10.1 The Council can rely on section 9 of the Housing Act 1985 (HA 1985) to undertake the development. 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. Right to Buy will apply to these properties.

In disposing of properties, Section 32 of the HA 1985 permits the Council to let 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 and in respect of appropriate ways to address any issues revealed.

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11 Risk management implications

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

Ref	Risk	Mitigations
1	External/world pressures (CV-19, war in Ukraine, Brexit) increasing construction/fuel costs, inflation, borrowing rates, and impacts on development viability	Entering into a fixed price contract now will secure the development cost and enable the council to monitor spend moving forward. The use of other Council resources (commuted sums, capital receipts etc.) helps to reduce the costs of borrowing that impact on scheme viability in the current economic circumstances.
2	Security risk and vandalism to an empty Council own building	The former Newhaven fire station is now empty and as soon as the purchase is complete, within LDCs ownership, works will be progressed quickly to ensure the building is demolished and secured.

12 Equality analysis

- 12.1 The proposed development has been through the statutory planning process and surrounding residents have been consulted throughout that process. As this is a brownfield site, formally used as a fire station, there are no existing residents that are affected by the proposals.

- 12.2 The design proposed is for high quality/specification sustainable units, to reduce running costs for residents. Properties will also be designed to current Building Regulation standards to ensure access and facilities at ground floor meet the needs of those visiting who may have disabilities.

13 Environmental impact analysis

- 13.1 The design will undergo a full detailed 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 proposal is being developed on a brownfield site to reduce the impact of developing on green spaces and promote more Council housing in the process. The proposal will also see ecological improvements and a full landscape proposal will be agreed with planning prior to occupation

14 Contribution to Community Wealth Building

- 14.1 The Council's Community Wealth Building strategy includes a focus on the socially productive use of land and assets. The former Newhaven Fire Station is a public sector asset that will be utilised and repurposed to provide much needed housing in the town for local people. This is a clear demonstration of the benefits of operating as 'One Public Estate' (OPE) and ensuring that the public sector makes the best use of its combined estate.
- 14.2 The appointment of Boutique Modern will utilise the growing network of local partnerships and supply chains, as set out in the Modular Housing Framework, which was procured using the Council's Social Value Charter.
- 14.3 The 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, to deliver the most affordable homes financially possible when considering both rents and household costs.

15 Appendices

- 15.1
- Appendix 1 (Exempt) – Former Newhaven Fire Station Business Case.

16 Background papers

- 16.1 The background papers used in compiling this report were as follows:
- LDC Cabinet Report (10th February 2020) - Former Police and Fire Station Sites, Newhaven
<https://democracy.lewes-eastbourne.gov.uk/documents/g2973/Public%20reports%20pack%2010th-Feb-2020%2014.30%20Lewes%20District%20Council%20Cabinet.pdf?T=10>
 - LDC Cabinet Report (8th July 2021) – Housing Development Update
<https://democracy.lewes-eastbourne.gov.uk/documents/g3381/Public%20reports%20pack%2008th-Jul-2021%2014.30%20Lewes%20District%20Council%20Cabinet.pdf?T=10>
 - LDC Cabinet Report (23rd June 2022) – Housing Development Update

<https://democracy.lewes-eastbourne.gov.uk/documents/g3570/Public%20reports%20pack%2009th-Jun-2022%2014.30%20Lewes%20District%20Council%20Cabinet.pdf?T=10>