

Report to: Cabinet

Date: 20 September 2023

Title: Housing Delivery and Asset Update

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

Cabinet member: Councillor Peter Diplock, Cabinet member for Housing and Planning

Ward(s): All

Purpose of report: To provide an update on the housing development and delivery programme.

Decision type: Key

Officer recommendation(s):

- (1) To note the progress of the housing development and delivery programme as set out in Appendix 1.
- (2) To support the progression of the initial phase of sites identified within the Housing Revenue Account (HRA) from the internal Asset Review to be taken through the feasibility and due diligence processes, utilising existing budgets and delegations.
- (3) To approve a variation of £150k for the Fort Lane development in accordance with the Financial Procedure Rules, totalling a new scheme budget of £3.15m, financed within the capacity of the existing approved 2023/24 HRA Capital Programme.
- (4) To approve an increase of £2.41m to the existing new build and acquisitions budget within the 2023/24 HRA Capital Programme, totalling a new budget of £10.81m, to facilitate and be funded by new government grants, subject to Full Council approval.
- (5) To approve the disposal of Council-owned garage sites as set out within Appendix 2 (Exempt), subject to a full business case, and with the capital receipts ring-fenced to support the HRA Business Plan and future capital schemes for housing.

(6) To authorise the Director of Regeneration and Planning, in consultation with the Director of Finance and Performance (S151 Officer) and Lead Member for Housing and Planning, to take all necessary actions to progress all recommendations including business cases, budget allocations, negotiation and agreement of terms, award of contract(s), and authorising the formal execution of all related documentation.

Reasons for recommendations:

(1) To provide Cabinet with an update on the growing housing development and delivery programme.

(2) To progress the development of new Council homes across the borough, maximising brownfield sites to enable new affordable housing opportunities.

(3) To ratify HRA Capital Programme budgets to support the delivery and purchase of new homes.

(4) To rationalise the HRA, making best use of assets and resources, and generating income to support future housing schemes.

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1 Introduction

1.1 This report provides Cabinet with an update on the Eastbourne housing development and delivery programme, including:

- Proposals to identify new opportunities to further the pipeline,
- Requirements to revise existing budget allocations to support delivery, and
- Recommendations to dispose of garage sites to generate new income.

2 Background

2.1 The Eastbourne Corporate Plan 2022-2026 (refreshed) sets out clear goals for Council housing to:

- Increase the number of new homes purchased and built.
- Reduce families housed in temporary / emergency accommodation.
- Utilise public sector land and assets, including with other partners.
- Promote sustainable, quality, and affordable homes, including low-cost homeownership.

2.2 The Corporate Plan was originally implemented during a time of unforeseen and unprecedented challenges, including the global Covid-19 pandemic, Brexit, and

Russia's invasion of Ukraine, all of which had a compounded crippling impact on the UK national economy.

2.3 On 13th July 2022, a housing development update to Cabinet set out the implications and consequences of the impact including:

- **Inflation** – significant increases to costs impacting on financial viability.
- **Supply chains** – labour shortages delaying programme delivery.
- **Land and property values** – increases affecting affordability and re-setting “value for money”.
- **Fuel prices** – increases impacting our residents and their household affordability, making running costs just as crucial as rent levels.

Over 12-months later, the Council continues to face financial pressures as set out in the 2023/24 budget papers.

2.4 The Council approved the HRA Revenue Budget and Capital Programme 2023/24 in February 2023. The HRA Business Plan remains under significant financial strain due to increases in costs but also further exacerbated by the social housing rent cap implemented by Government for this financial year. Although the Council recognised the importance of supporting our residents, the cap limits the Council's ability to balance costs with income, and so alternative saving and efficiency measures need to be considered.

2.5 The Council has been actively engaging with the Department for Levelling Up, Housing and Communities (DLUHC) during this time alongside other stock holding local authorities to help the Government understand the implications on services and our residents. This has led to some temporary relaxations as follows:

- A small reduction to Public Works Loan Board (PWLB) borrowing rates for new homes up to the end of 2024/25 Q1.
- An increase in Right to Buy (RTB) receipt retention from sales in 2022/23 and 2023/24, to be spent within 5-years.

Although a welcome relief, the measures are not permanent, and alone will not resolve the extent of the financial pressures faced. Grants from Government remain available for affordable housing (Affordable Homes Programme 2021-26) and brownfield land (Brownfield Land Release Funding), which the Council has successfully secured on its own schemes, but the amount offered has not increased proportionately to costs and the ‘new normal’ we now operate in.

The Government has very recently announced the new Brownfield Infrastructure Land Fund (BILF), which may result in further grant opportunities, and officers are in the early stages of determining how this fund might support the Council's future housing development programme.

2.6 In an effort to maintain and decarbonise our existing homes, whilst also building new homes, the Council is undertaking a “deep dive” of the HRA stock to ensure assets and values are being maximised. Alongside those HRA interventions, the Council will need to look at alternative ways to support truly affordable housing delivery within the borough to ensure supply meets the excess levels of current demand.

3 Programme

- 3.1 However, in spite of the significant challenges, the Council has been able to drive forward a successful and diverse programme of sustainable new build developments and acquisitions as summarised in Appendix 1.
- 3.2 This pipeline includes opportunities to deliver new custom-build accommodation utilising grant funding obtained via SPACES (Strategic Property Asset Collaboration East Sussex), the One Public Estate (OPE) body for East Sussex, which will see increased options for specially adapted homes within the borough.
- 3.3 Since the last update was provided, the status of the following pipeline projects has also changed:
- **Bedfordwell Road** – The Council hosted Homes England earlier in the year to review housing opportunities in Eastbourne, including Bedfordwell Road. This was a positive meeting and Homes England have agreed to re-engage with the Council on the proposals. An independent specialist consultant has also been appointed to undertake a full options appraisal of the site to support those ongoing conversations with Homes England.
 - **Biddenden Close** – The Council previously exchanged contracts with the Eastbourne Community Land Trust (CLT) in February 2022 to bring forward 5 x new affordable homes for the town, with completion subject to securing the required external funding. An extension was agreed to the final funding deadline date and will be reviewed in October 2023.
 - **Law Courts (“MOJ”)** – In line with the Assurance Review, the Council is considering the best approach regarding this asset – assessing the cost / value benefit of sale over direct-delivery. An options assessment will be taken to the Council’s Strategic Property Board (SPB) later in the year for consideration toward a future Cabinet decision.
 - **Rough Sleepers Accommodation Programme (RSAP)** – In 2022/23, the Council once again successfully secured Government funding as a joint bid with other East Sussex authorities to secure managed move-on accommodation in Eastbourne and to help reduce the reliance on temporary / emergency accommodation. The Council successfully acquired a portion of the allocated properties in 2022/23 and Government agreed to carry forward the remaining funding into 2023/24.
 - **Victoria Mansions** – The repair and restoration programme to this key town centre asset, focused on the external, structure, common parts, and residential flats, has now achieved Practical Completion.
- 3.4 The housing pipeline continues to explore different construction methodologies to support corporate objectives, which includes the Modular Housing Framework the Council previously procured in partnership with Lewes District Council (LDC) and awarded to Boutique Modern. The framework is available to all local authorities in the Sussex and Greater Brighton area.

4 Asset Review

4.1 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.

4.2 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 including with Ward Councillors. The sites included in this report are all brownfield garage sites, set out in Table 1.

4.3 **TABLE 1 - Asset Review (Phase 1)**

| Site | Ward |
|--------------------|--------------|
| Cade Street | Hampden Park |
| Otham Road | Hampden Park |
| Off Port Road (1) | Hampden Park |
| Off Port Road (2) | Hampden Park |
| Longstone Road | Devonshire |
| Milfoil Drive | Langney |
| Sorrel Drive | Langney |
| Primrose Close | Langney |
| Foxglove Road | Langney |
| Erica Close | Langney |
| Faversham Road (1) | Langney |
| Faversham Road (2) | Langney |
| Hawkhurst Close | Langney |
| Sidcup Close | Langney |
| Goudhurst Close | Langney |
| Wrotham Close | Langney |
| Timberley Road | Rattan |
| Hamsey Close | Rattan |

| | |
|--------------|--------------|
| Ashgate Road | St Anthony's |
|--------------|--------------|

- 4.4 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 as presented here.
- 4.5 Following a period of managed feasibility, the individual sites will be brought back to Cabinet for approval. Where insurmountable challenges to the financial viability of any potential development are identified, then those sites may be released from the housing delivery programme, and their future use and usefulness re-evaluated.

5 Capital Budget Revisions

5.1 Fort Lane

On 13th July 2022, Cabinet approved a revised allocation within the HRA Capital Programme of up to £3m based on an updated business case. The need for the increase was reflective of the market and economic circumstances at that time.

The main development has now completed, subject to a release of retention funds at the end of the contractual defects period. Since Cabinet considered the scheme progress over 12-months ago, further unforeseen cost pressures have arisen, mainly the additional requirements of meeting Part L of the Building Regulations.

Therefore, an increased total budget of £3.15m is required - a £150k (5%) increase. As further detailed within the Financial Implications section of this report, the increased budget requirement is viable in accordance with HRA Business Plan and original business case approved by Cabinet in July 2022. The scheme budget variation also does not impact on the overall Capital Programme, where the increase will be met from savings made elsewhere.

The scheme replaces redundant and dangerous light industrial units within the Eastbourne Devonshire Ward with 7 x new quality Council houses delivered via the Modular Housing Framework – both supporting the Corporate Plan objectives for new homes and regenerating the local area.

5.2 Acquisitions

The 2023/24 HRA Capital Programme includes a budget for new build and acquisitions of £8,140,800. The budget was set within the capacity of the HRA Business Plan based on known new build schemes and modelled acquisitions, at that time.

The 2022/23 estimated outturn proposes a carry forward to support this programme of £260,000. Therefore, the revised budget for 2023/24 is £8,400,800.

Since the budget was approved, Government have released further grant funding opportunities that the Council has been able to secure as follows:

| | | |
|--|--|--|
| Local Authority Housing Fund (LAHF) | <p>A capital grant fund in financial years 2022/2023 and 2023/2024 to support selected local authorities in England to obtain and refurbish property in order to provide sustainable housing for those unable to secure their own accommodation who are here under the following schemes:</p> <ul style="list-style-type: none"> • Afghan Citizen Resettlement Scheme (ACRS) • Afghan Relocations and Assistance Policy (ARAP) • Ukraine Family Scheme • Homes for Ukraine • Ukraine Extension Scheme | <p>Round 1 - £830,328, to acquire 7 x properties.</p> <p>Round 2 - £1,188,000, to acquire a further 9 x properties.</p> |
| Single Homelessness Persons Accommodation (SHAP) | <p>A capital grant fund in financial years 2023/2024 and 2024/2025 to support selected local authorities in England obtain and refurbish property in order to provide supported accommodation for those rough sleeping and those at risk of rough sleeping.</p> | <p>£976,000, to acquire 1 x property with up to 11 x bedrooms – paid as follows:</p> <ul style="list-style-type: none"> • Acquisition (45%) – 2023/24 • Start on site (50%) – 2024/25 • Practical completion (5%) – 2024/25 |

In obtaining this additional level of external grant, alongside that already in progress (i.e., RSAP), the Council is able to further its acquisitions programme to support in the refugee relocation programme(s) but whilst also contributing to the rising homelessness problem leading resulting in significant cost.

Based on the updated HRA new build and acquisitions pipeline and reprofiled forecast spend in 2023/24, the total increased budget allocation requirement for 2023/24 is £10,811,030. The additional budget requirement of £2,410,230 will be off-set by the external grants secured and is therefore viable within the capacity and tolerances of the HRA Business Plan.

6 HRA Garage Disposals

- 6.1 To achieve the Council's objectives in providing affordable, sustainable, and accessible homes, both new and existing, the Asset Review considered the existing HRA stock to identify land and assets that are inefficient and/or high cost (proportionately) impacting on the HRA Business Plan.
- 6.2 In the circumstances and where such properties are identified, there is a decision to be made about how the Council approaches value for money and making the best use of assets to meet local need. In some instances, it will be more cost effective to dispose of the asset to reduce burdens on the HRA and generate income to support new housing schemes whilst also maintaining the existing social housing stock.
- 6.3 The Asset Review identified a number of garage sites with potential for housing development proposed for further feasibility as above. However, after further review, there are other sites that for various reasons are not appropriate for the Council to develop out itself.
- 6.4 An independent red book valuation has been undertaken of the sites based on their existing use value, which confirms a potential total capital receipt of circa £1.140m. The receipt generated could help to support the viability and sustainable of the HRA in the current highly challenging operating environment. This is further detailed within Appendix 2 (Exempt).
- 6.5 In making a decision on any disposals, the Council will need to consider all factors including future maintenance costs, void rates, and arrears levels against the expected rental income compared with the potential capital receipt value. Also, the capacity of the HRA to repair and maintain existing homes alongside objectives to increase the new homes programme.

Therefore, subject to a full business case demonstrating cost / benefit, it is proposed that the Council approves the sites for disposal, to be taken to public auction in accordance with the Contract Procedure Rules (CPR) in-line with the valuation(s) obtained. Any capital receipts generated would then be ring-fenced within the HRA to support future the HRA.

7 Corporate Plan and Council Policies

- 7.1 These proposals meet the following objectives in accordance with the Eastbourne Corporate Plan 2022-2026:

Housing and Development

- Effective development pipeline.
- Promoting accessible low-cost rental and home ownership initiatives.
- Reducing the environmental impact that council owned homes have on the environment.
- Working with public / private sector partners to deliver new affordable housing.
- Identifying sustainable locations for development.
- Transitioning to the delivery of new carbon neutral and environmentally friendly homes.

Thriving Communities

- Ensuring that new developments and regeneration schemes adhere to 'secure by design' principles.

Generating Social Value

- Responsible procurement practices including through working with partners on efficient procurement routes to market.

7.2 The Council continues to work closely with local education partners, including the East Sussex College Group (ESCG), to ensure opportunities for apprenticeships and work placements are integrated and embedded within the capital development projects delivered including those for new homes.

7.3 Ward Councillors have been consulted on the proposals following the Asset Review, which will continue to be an iterative and ongoing process.

8 Business Case and Financial Appraisal

8.1 The HRA Capital Programme 2023/24 included an allocation for new build housing development and acquisitions across the Medium-Term Financial Plan (MTFP) as follows:

| | 2022/23 (Revised) | 2023/24 | 2024/25 |
|-----------------------------------|--------------------------|----------------|----------------|
| New build and acquisitions | £8,229,000 | £8,140,800 | £4,894,300 |

There is also an identified capital underspend in 2022/23, which has been carried forward into this financial year to support the acquisitions programme of £260k.

8.2 The capital budgets for the following schemes require a review in 2023/24:

Fort Lane

The Council is asked to approve a variation of £150k (5%) to reflect unforeseen cost pressures mainly related to changes in the Building Regulations. The request for approval is in accordance with the Council's Financial Procedure Rules. This results in a total revised scheme budget of £3.15m, where the increase will be met from an underspend within the wider new build programme in 2023/24. This means no overall impact to the MTFP, and the scheme remains viable in the context of the HRA Business Plan and approved business case.

Acquisitions

The additional grant funding secured by the Council from Government requires an increase to the 2023/24 HRA Capital Programme allocation.

The total increased budget allocation requirement for 2023/24 is £10,811,030 based on: a) new schemes, and b) reprofiled budgets in this financial year. The additional budget requirement of £2,410,230 (subject to Full Council approval) is therefore required and will be off set by external grants secured and is viable in accordance with the HRA Business Plan.

It should also be noted that the SHAPs programme is awaiting confirmation. If not taken forward, the budget would decrease and then could result in an underspend showing at year end. It is difficult to guarantee any acquisitions, which are subject to offer conditions to ensure value for money and risk mitigation for the Council.

- 8.3 The HRA Revenue Budget 2023/24 includes an allocation to undertake feasibility work on new potential housing development sites to support business case development up to planning, subject to Cabinet approval. At the point Cabinet approve an individual scheme and capital budget, the relevant feasibility costs are capitalised to that project releasing capacity within the feasibility budget. Subject to approval, this budget will be utilised to further the Asset Review (Phase 1) schemes, subject to further and ongoing consultation.
- 8.4 The disposal of garage sites will be subject to a full business case to ensure outputs support the HRA Business Plan. The production of new capital receipts can further support the Capital Programme, specifically the project finance of new and existing Council housing schemes to generate an overall net gain of available homes.
- 8.5 The recommendations within this report will continue to be subject to financial due diligence, monitoring, and review as part of the Council’s usual budget management and monitoring processes.

9 Legal Implications

9.1 Disposal of 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).

- 9.2 In accepting any grant from central government, the Council will need to enter into legal funding agreements. Those agreements will be subject to legal due diligence and review before being authorised by the Corporate Management Team (CMT) using delegated powers.

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10 Risk Management Implications

- 10.1 The key risks and mitigations at this stage are set out in Table 2:

| TABLE 2 – Risk Management Implications | | |
|---|---|---|
| | 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 inflation and instability of interest rates impacting on development viability. | 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 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 and due diligence will take place on all sites prior to a formal submission. |
| 4 | Abortive costs as a result of sites not taken forward. | The feasibility budgets were 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 of each project. Schemes without sufficient viability and strategic benefit will be aborted to reduce the risk of unnecessary cost exposure. |
| 5 | SHAP grant fund may not be granted. | The SHAP grant funding application is being re-submitted but the date for a decision is currently unknown. This may impact the ability to take the proposed scheme forward due to insufficient funding. |
| 6 | Disposal of garage assets negatively impacts the HRA Business Plan. | The disposal of garage assets shall be subject to a full business case to ensure that any impact due a loss of rent is outweighed by the benefit of capital receipt generation to support the viability and sustainability of the HRA Business Plan. |

11 Equality Analysis

- 11.1 The proposals outlined in this report have no direct impact relating to equality and fairness, but ultimately aim to improve affordability for residents and create new opportunities to meet a range of close needs including for those who may be disabled, of an older demographic, and / or young families.

12 Environmental Sustainability Implications

- 12.1 The proposals within this report adhere to the Council's Sustainability Policy and objectives to deliver quality, affordable, and sustainable homes to meet the demands of the Housing Waiting List and a range of locally identified needs.

- 12.2 All homes continue to be built in accordance with the Council's Employers Requirements (ERs), which includes clear criteria regarding sustainability.
- 12.3 The procurement of works and services are undertaken using the Council's adopted Social Value Charter. The Charter considers and assesses important elements over and above financial cost. The Charter aims to ensure sustainability and value in the community. Appointments of main contractors will continue to utilise the Modular Housing Framework alongside other local partnerships and supply chains as appropriate. The Charter encourages the use of local Small and Medium Enterprises (SME), which in turn increases local employment and training opportunities.

13 Appendices

- Appendix 1 – Housing development pipeline
- Appendix 2 (Exempt) – HRA garage disposals

14 Background Papers

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

- EBC Cabinet – Housing development update – 13th July 2022 ([Eastbourne Borough Council Cabinet agenda, 13th July 2022](#))