

**Report to:** Cabinet

**Date:** 14 March 2024

**Title:** Housing Development and Property Update

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

**Cabinet member:** Councillor Zoe Nicholson, Leader of the Council and Cabinet member for Finance, Assets and Community Wealth Building

**Ward(s):** All

**Purpose of report:**

- To provide an update on the housing delivery programme, and
- To provide brief context to the current challenges in maintaining the existing social housing stock.

**Decision type:** Key

**Officer recommendation(s):**

- (1) To note the progress of the housing delivery programme, as set out in Appendix 1, and evolving New Homes Principles.
- (2) To note the pressures on budgets in maintaining the existing social housing stock in this current market economy.
- (3) To approve an increase to the total budget allocation within the capacity of the existing HRA Capital Programme of up to £4.7m for the purchase and development of land and assets at Peacehaven Golf and Fitness in accordance with Appendix 2 (Exempt), subject to planning, contract, valuation, and full due diligence.
- (4) To approve a new budget allocation within the capacity of the existing HRA Capital Programme of up to £1.6m for the development of land and assets at Broyle Close, Ringmer, to be taken through the Modular Housing Framework, in accordance with Appendix 3 (Exempt), subject to contract, valuation, and full due diligence.
- (5) To approve £150k within the capacity of the existing HRA Capital Programme (2023/24) in order to capitalise costs associated with securing planning permission for the Phase 1 Garage Infills Programme.

**(6) To authorise the Assistant Director – Property and Development, in consultation with the Director of Finance and Performance (S151 Officer) and Lead Member for Finance, Assets and Community Wealth Building, to progress recommendations (3), (4) and (5) in this report and to conclude them including the approval and implementation of all processes and procedures, negotiation and agreement of terms, award of contract(s), and authorising the execution of all related documentation.**

**Reasons for recommendations:**

- (1) To provide Cabinet with an update on the growing housing delivery programme, in the context of the Corporate Plan.**
- (2) To support HRA finances in the context of current pressures and further the Council’s objectives to build and maintain quality, affordable, and sustainable homes.**

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**(3) To update on the challenges and financial pressures in maintaining the existing social housing stock, in the context of national cost increases and limitations in generating new income streams within the HRA.**

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## **1 Introduction**

- 1.1 This report provides Cabinet with an update on the housing delivery programme across Lewes District. This includes opportunities for s106 affordable housing acquisitions, increasing the number of new homes directly accessible to meet the demands of the Housing Waiting List, whilst also ensuring those affordable housing allocations are not lost where there is no interest from other Registered Providers (RP).
- 1.2 The report also introduces the New Homes Principles (Building Better Council Housing): a set of key principles underpinning the delivery of future Council housing that meets the aspirations of the administration.
- 1.3 Lastly, the report sets the scene on the current economic circumstances, which continues to impact on the Council’s ability to both: a) deliver new homes, and b) maintain our existing stock.

## **2 Background**

2.1 The Reimagining Lewes District Corporate Plan 2020-2024 set out clear goals for Council housing over a 4-year period:

- 200 new additional council houses.
- More sustainable and energy efficient homes across the district.
- Opening up access to quality housing options for low-middle income residents.
- Accessible housing for those with physical and additional support needs.

This also included building more homes in our villages and rural locations across the district, reducing our reliance on temporary and emergency accommodation, finding solutions for smaller brownfield and infill sites, and increasing the use of modular construction.

2.2 The Corporate Plan was 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. The last two updates provided (June 2022 and July 2023) have set out the implications and consequences of these events on the housing delivery programme.

The Housing Revenue Account (HRA) Business Plan remains under significant financial strain, mainly due to a combination of cost increases impacted by inflation, changes to the Public Works Loan Board (PWLB) borrowing rates, and limited other options to proportionately increase income streams.

2.3 In addition, those same implications impact on other areas of the Housing Revenue Account (HRA) including the Council's ability to afford the maintenance of homes within the existing stock to a decent (and sustainable) level.

2.4 The HRA 30-Year Business Plan however continues to include provision for the continued development and acquisition of new homes over the next 4 years. This programme helps support the Business Plan and balance the financial challenges, through an increased portfolio and creation of additional revenue streams. The Council also continues to strive to deliver quality, sustainable, and affordable homes for our residents and so is developing a set of key principles to support in the delivery of new homes during this next Corporate Plan period.

2.5 The Re-imagining Lewes District: Delivering the Vision 2024 – 2028 Corporate Plan was approved by Full Council including:

- Delivering 200 additional council houses
- Directly delivering more council housing for rent
- More sustainable and energy efficient homes across the district
- Accessible housing for those with additional support needs

## **3 New Homes Principles (Building Better Council Housing)**

3.1 To ensure that the housing delivery programme continues to achieve core corporate objectives, officers have been working with Lead Members and the Tenants of Lewes District (TOLD) to develop principles for new homes.

3.2 As such, the New Homes Principles will seek to put those objectives into a single context for housing development and against core values:

- **Accountability**– the Council will make ethical, transparent, and well-intentioned decisions in relation to the use of land, specifically targeting brownfield sites, and with consideration of corporate climate change objectives.
- **Accessibility** – the pipeline will reflect the different needs of our residents and those on the Council’s housing waiting list, taking into consideration factors such as location, individual design needs, adaptations, and the importance of community.
- **Affordability** – all new Council homes will be affordable to live in, taking into consideration household running costs as well as rent levels.

3.3 The principles will also look to address key areas across design, place-making, build quality, sustainability and environment impact, social value, and local community benefit to ensure new homes delivered by the Council remain to the highest standard. In addition, the principles will help to shape priorities in the context of the current financial challenges and budget pressures as follows:

- Build quality, including achieving fabric first, adopting Healthy Homes principles, and implementing carbon reduction measures, shall not be compromised on new homes in the context of increasing costs. This also includes objectives for achieving high levels of biodiversity net gain wherever possible.
- To balance viability if/where challenged, rents may need to be aligned to the current Local Housing Allowance (LHA). However, by futureproofing and investing in sustainable construction methodologies, the rent levels will be balanced with reduced household running costs. Business case viability on future schemes for approval will therefore focus on the overall household costs and not rents alone.
- In the assessment of scheme viability, options appraisals will be undertaken that also considers (where appropriate) the benefit of introducing mixed-tenure schemes (including potential home ownership options) to both support finances and to create balanced communities.
- Where a developer reasonably cannot identify a suitable RP to take on the affordable housing allocation on private development sites, the Council will prioritise protecting those provisions through direct intervention and, where possible, seek to influence at an early stage the build quality through using our own Employers Requirements (ERs).

In partnership with TOLD, a survey will be undertaken shortly with a cross-reference of Council tenants within the existing social housing stock to capture average annual household running costs to help benchmark against on future new build schemes in the development of business cases.

3.4 The principles will also be drafted in the context of a wider policy framework – both nationally and locally – picking up on changes in regulations and standards

since previous decisions were made, as well as those we wait to see realised (e.g., the Future Homes Standard).

As such, if a past Council decision (for example, a motion) is eventually superseded by wider changes in national regulations and/or policy, then the Council's New Homes Principles will "reset" to the new minimum standards.

- 3.5 The New Homes Principles continue to be developed in consultation with TOLD and will be presented in their final form to Cabinet in the near future.

## 4 Programme

- 4.1 In spite of the significant challenges, the Council has been able to drive forward a successful and diverse programme of sustainable new build developments, acquisitions, s106 schemes, and supported community-led housing solutions as summarised in Appendix 1.

- 4.2 The evolving pipeline for the new Corporate Plan includes opportunities to deliver new housing on redundant brownfield sites that will be ready to start in 2024/25. Opportunities have also arisen to secure affordable housing on s106 sites in the district where, without the Council's intervention on these sites, there is a high probability that the direct provision of affordable housing would be lost.

- 4.3 Since the last update was provided, the status of the following pipeline projects has also changed:

- **Local Authority Housing Fund (LAHF) 2023/24** – the Council secured funding to deliver up to 13 units over two rounds of funding. This increased the acquisitions programme for 2023/24 up to 21 new homes.

**Peacehaven Golf & Fitness** – in July 2023, Cabinet approved the business case and capital budget allocation to deliver 16 units within a £3.1m budget. The contractor has developed the proposals and, to achieve the Council's high levels of sustainability in the construction, is now seeking planning approval to deliver up to 24 units based on a new build scheme.

The increased number of units (+50%) will be delivered utilising the existing building footprint and overall height. To meet the Council's ERs, the contractor will seek to demolish the existing clubhouse, improving the build quality and layout. Therefore, in addition to more homes, these changes will also help to ensure the proposed development meets the Council's high performing thermal standards ("fabric first") and energy performance requirements to reduce running costs for tenants. Appendix 2 (Exempt) sets out an updated business case to support the increased capital budget allocation of up to £4.7m, a proportionate increase based on the increased number of new homes.

- **Castelmer Fruit Farm, Kingston** – Negotiations remain ongoing with the developer and the Heads of Terms (HoT) are still to be agreed. As such, the scheme is therefore not currently showing in the pipeline presented.

- **Broyle Close, Ringmer** – As previously reported, the existing brownfield garage site in Ringmer has planning permission for 3 x 3-bed houses. Boutique Modern have assessed the site and provided costs for delivery through the Council’s Modular Housing Framework. These properties will provide a high performing specification, including a Solar PV system to generate electricity and hot water system with heat recovery/air source. This targets a 60% improvement over current Building Regulations in relation to energy usage, resulting in lower running costs to our tenants. Appendix 3 (Exempt) provides the business case to support the recommended capital budget allocation.

4.4 The Council continues to review assets, including a number of General Fund sites (e.g., car parks), that could form part of the growing Council housing pipeline toward future Corporate Plan objectives. Further work still needs to be undertaken to assess feasibility and viability but will be subject to further consultation with Ward Councillors and other key stakeholders before being presented to Cabinet.

4.5 The housing pipeline continues to explore different construction methodologies to support corporate objectives, which includes the Modular Housing Framework the Council previously procured and awarded to Boutique Modern based in Newhaven. The framework is available to all local authorities in the Sussex and Greater Brighton area.

## 5 Asset Review – Garage Sites

5.1 In June 2022, Cabinet approved the feasibility of 12 sites across Lewes District. These were listed as:

| <b>Asset Review (Phase 1 – HRA)</b> |                 |
|-------------------------------------|-----------------|
| <b>Site</b>                         | <b>Location</b> |
| 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        |

5.2 Following initial review stages, The Course, Lewes and South View, Ditchling have been discounted for development and are now being reconsidered in the context of the HRA Asset Management Strategy. The Lynchets, Lewes, has also since been added to the list making a new total of 11 sites. Plans have been developed through to planning for all 11 sites, that could result in up to 45 new homes being delivered between 2024/25-2025/26, subject to planning approval and a final business case.

- 5.3 The homes have been developed in consultation with Boutique Modern to ensure they are capable of being delivered through the Modular Housing Framework. As with other sites, these homes will target high thermal performance and low energy usage, reducing tenant running costs and without compromising on the quality and sustainability of the overall build.
- 5.4 Due to the location of the different sites across the district, a programme approach is considered the best approach at this stage, grouping smaller sites together and reducing development costs through greater economies of scale. Once planning permission has been secured on all sites, business cases will be presented to Cabinet for approval.
- 5.5 Two of the sites have already secured grant through the government Self & Custom Build programme: Buckwell Court and Waldshut Road. Both sites will look to provide fully wheelchair accessible homes. To support the programme further, Brownfield Land Release Funding (BLRF) has also been applied for via the One Public Estate (OPE) and Affordable Homes Grant applications are being developed with Homes England.
- 5.6 The recommendation for a £150k capital budget allocation within the capacity of the existing 2023/24 HRA Capital Programme will ensure all feasibility spend to date can be capitalised to the sites, reflecting the future uplift in land values expected through obtaining planning permission(s).

## 6 s106 Affordable Homes

- 6.1 The HRA Capital Programme includes capacity for four s106 developments across the district, which will secure a further 66 homes to toward the direct needs of the Council's growing Housing Waiting List.

The below table provides a breakdown of the s106 sites and the split between affordable rent (AR) and shared ownership (SO) as determined by the planning permission(s):

| Location                            | AR | SO           | Total     | Target Completion |
|-------------------------------------|----|--------------|-----------|-------------------|
| All Saints Church<br>Plumpton Green | 5  | 3            | 8         | May 2024          |
| Broyle & Round House<br>Ringmer     | 12 | 4            | 16        | Dec 2025          |
| Nolands Farm<br>Plumpton Green      | 24 | 10           | 34        | Oct 2026          |
| Oxbottom Lane<br>Newick             | 6  | 2            | 8         | Jun 2027          |
|                                     |    | <b>Total</b> | <b>66</b> |                   |

- 6.2 Although s106 sites do provide additional housing options, they are within private development schemes that may not have been on the whole supported by the Council, including in its capacity as the Local Planning Authority (if applicable). However, in the event a development is approved on planning appeal and

outside of our direct control, the Council will at least want to see the affordable housing allocation come forward.

- 6.3 Due to the level of affordable housing on some of these sites, developers can struggle to secure interest from other RPs, especially in this current market. In-line with the above and evolving New Homes Principles, the Council will therefore strive to at least ensure that these sites deliver the direct provision of affordable housing as intended and required – intervening if necessary to ensure the provision is not lost altogether.
- 6.4 The four proposed sites have been built into the updated HRA Capital Programme and are in-line with budgets approved in February 2024. The programme will be supported using available Right to Buy (RTB) receipts.
- 6.5 Delegations to officers as approved by Cabinet in June 2020 are in place for the delivery of s106 sites. Therefore, Cabinet is only being asked to note the proposals, which will be subject to the usual due diligence.

## **7 Repairs and Maintenance**

- 7.1 The Council's ability to sufficiently maintain homes within the existing social housing stock, both in terms of day-to-day maintenance and in the repair of void properties for re-let, remains challenged in the context of current financial pressures and the constraints on the HRA.
- 7.2 The priority is to our residents, both existing and new, but without other funding options it is becoming increasingly difficult to balance the varying needs of the HRA. The Council continues to deliver a capital programme of planned preventative and cyclical maintenance works however will only be able to do as much as the HRA can afford and also subject to grant and policy decisions made by central government.
- 7.3 Cabinet previously considered a need to undertake more intensive management of the stock through the Council's Asset Management Strategy, making the best use of assets in the context of available finances, toward ultimately delivering more homes within the district – even as we see annual losses through the statutory RTB. This will remain an important factor as we move into the next Corporate Plan period whilst discussions with government continue about more appropriate ways to help fund the sector in meeting these statutory obligations.
- 7.4 In the meantime, four disproportionately high-cost void HRA assets have since been identified and are being consulted on with TOLD about best use.

## **8 Corporate Plan and Council Policies**

- 8.1 These proposals meet the following objectives in accordance with the Corporate Plan:

### 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.



- 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

- Forms part of the 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 / emergency accommodation.

8.2 Ward Councillors, Lead Members, and TOLD have all been consulted on the pipeline schemes. This will continue to be an iterative and ongoing process.

## **9 Business Case and Financial Appraisal**

9.1 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:

|                                     | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> |
|-------------------------------------|----------------|----------------|----------------|
| <b>New build &amp; Acquisitions</b> | £12,444,000    | £8,200,000     | £27,017,000    |

Those schemes in progress already approved by Cabinet are in accordance with the budget allocations within the MTFP.

9.2 As reported in July 2023, the HRA Revenue Budget 2023/24 includes an allocation of £189k to undertake feasibility work on new potential housing development sites to support business case development up to planning. This budget has been utilised to further the Asset Review (Phase 1 – Garage Infills) schemes as previously considered by Cabinet in 2022/23. As per the above recommendation, the proposed £150k allocation within the existing HRA Capital Budget 2023/24 will ensure all relevant costs are now capitalised.

9.3 Cabinet is asked to approve an increased project budget of up to £4.7m to progress the purchase and development of land at Peacehaven Golf & Fitness, subject to contract.

Cabinet is also asked to approve a project budget of up to £1.6m to progress the development at Broyle Close, Ringmer. Both sites are subject to valuation and the usual due diligence. The HRA Business Plan as approved in February 2024, subject to Full Council approval, has sufficient capacity to develop these sites

and can be met from existing approved budgets within the Capital Programme as set out above.

Appendix 2 (Exempt) and Appendix 3 (Exempt) set out the detailed business cases.

- 9.4 The proposed s106 development schemes have also been built into the MTFP and included in the HRA Capital Programme as approved in February 2024. The homes will be supported with the use of available RTB receipts, which have been confirmed for those set out.

## 10 Legal Implications

### 10.1 Purchase and development of land and assets at Peacehaven Golf & Fitness and s106 Development Sites

The Council can rely on Section 9 of the Housing Act 1985 (HA 1985) to acquire land and undertake 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. RTB 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 any development and in respect of appropriate ways to address any issues revealed.

### 10.2 Broyle Close, Ringmer & Phase 1 Garage Infill programme

Legal advice has been sought to date on the development of these sites and the Council will continue to take advice on any title issues associated with any development and in respect of appropriate ways to address any issues revealed.

## 11 Risk Management Implications

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

|   | <b>Risk</b>   | <b>Mitigations</b>   |
|---|---|--|
| 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 options. |
| 2 | Increasing construction costs due to inflation and instability of interest rates 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 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 | S106 sites not being taken forward                    | There is a potential risk that the developer does not take the affordable housing scheme elements forward, impacting the Council's ability to meet the rising demands of the Housing Waiting List.  |

## 12 Equality Analysis

12.1 The proposals outlined in this report have no direct impacts 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.

12.2 The proposed developments at Broyle Close and Phase 1 Garage Infills Programme have been through the planning process, or are currently in the process, and surrounding residents have been consulted. As these are brownfield sites, formally used as garages, there are no existing residents that are affected or need to be relocated.

The designs proposed are for high quality specification and sustainable homes, to reduce running costs for tenants. Properties will also be designed to current Building Regulations and associated standards, to ensure access and facilities at ground floor meet the needs of those visiting who may have disabilities. Those designated as wheelchair user units will be designed to current Building Regulations and once the end user has been identified, any specific adaptations will be made.

## 13 Environmental Sustainability Implications

13.1 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.

13.2 All homes continue to be built in accordance with the Council's Employers Requirements (ERs), which includes clear criteria regarding sustainability, lower

running costs, as well as the requirement to adhere to the 'Healthy Homes Principles' as per a previously approved Council Motion. The development of the New Homes Principles (Building Better Council Housing) will also be underpinned by the Council's objectives for high quality, sustainable, and affordable to live-in homes.

- 13.3 The garage infills are being developed on brownfield sites to reduce the impact of developing on green spaces. The proposals will also see ecological improvements and full landscape proposals will be agreed with the Local Planning Authority prior to tenant occupation.

## **14 Contribution to Community Wealth Building**

- 14.1 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 local partnerships and supply chains as appropriate. The Charter encourages the use of local Small & Medium Enterprises (SME), which in turn increases local employment and training opportunities.
- 14.2 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 housing delivery programme.
- 14.3 As above, the delivery of new Council homes will utilise the latest Employers Requirements (ERs), encompassing the current thinking on sustainable house building, 'Healthy Homes', social housing decarbonisation, and upcoming New Homes Principles (Building Better Council Housing).
- 14.4 The housing delivery programme also priorities the building on brownfield sites, which are typically ignored by the private sector due to the additional challenges and costs, which helps to promote local regeneration and place-making improvements. If the Local Authority did not use its position in the community to intervene and make best use of these sites, then they would be unlikely to come forward for new homes and to support local priorities.

## **15 Appendices**

- Appendix 1 – Housing delivery programme
- Appendix 2 (Exempt) – Peacehaven Golf & Fitness updated business case
- Appendix 3 (Exempt) – Broyle Close, Ringmer business case

## **16 Background Papers**

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

- LDC Cabinet – Housing Development Update – June 2022
- LDC Cabinet – Housing Development Update – July 2023