



## SCRUTINY COMMITTEE

Thursday, 16 September 2021

<b>Subject</b>	Housing Development Programme Update
<b>Report by</b>	Councillor Richard Kerry, Cabinet Member with responsibility for Housing
<b>Supporting Officer</b>	Bridget Law Housing Development Programme Manager <a href="mailto:Bridget.law@eastsoffolk.gov.uk">Bridget.law@eastsoffolk.gov.uk</a> 07824 456011

Is the report Open or Exempt?	OPEN
-------------------------------	------

Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	n/a
<b>Wards Affected:</b>	All Wards

## Purpose and high-level overview

### Purpose of Report:

Arising from the meeting of the Scrutiny Committee held on 24th September 2020, and having received report ES/0504, on the Housing Development Strategy, the Committee made recommendation to Cabinet.

*“That the Scrutiny Committee welcomed and encouraged the Housing portfolio’s ambition to build 50 council houses per annum. The Committee, mindful of the limited resources available, recommended to Cabinet that it explore the potential for modular construction, carbon neutral where possible, on appropriate sites at the earliest and most realistic opportunity”.*

The Scrutiny Committee asked that an update be provided to the Committee in one year (16<sup>th</sup> September 2021) to review overall progress and, if necessary, the implications of staffing resources on the attainment of the ambition.

### Options:

n/a

### Recommendation/s:

That Scrutiny Committee, having considered the report will make any further recommendations to Cabinet as required.

## Corporate Impact Assessment

### Governance:

In response to the Scrutiny Committee recommendation to Cabinet in September 2020 this report offers an update on the progress of the Housing Development Programme and give details of the projected development pipeline.

### ESC policies and strategies that directly apply to the proposal:

The Housing Development Programme, which this report is updating on, proactively contributes to the Council’s Strategic Plan with primary and secondary priorities in 3 of the 5 key theme areas including *“Building the right environment for East Suffolk”* ‘Enabling our Communities’, ‘Caring for our Environment’ and ‘Maintaining financial Stability’. The work undertaken within the programme also aligns with the following strategy documents:

[We are East Suffolk Strategic Plan 2020-24](#)

[East Suffolk Housing Strategy 2017-23](#)

[ESC Housing Development Strategy 2020-24](#)

[ESC HRA Business Plan 2018-2048](#)

### Environmental:

The Council's Housing Development Strategy 2020-2024 identifies 'Environmental Sustainability' as an essential element in the creation of homes and communities in which people want to live and work. It notes that lowering the whole-life carbon footprint of properties will help tenants save money and deliver lasting environmental, social, and economic benefits.

Housing, both our existing stock and new build programme, has a huge role to play in the current environmental challenges we are facing. The team are developing a revised 'new build design guide' which outlines our minimum requirements in terms of energy standards and environmental impact.

Extensive research into greener development was outlined within the previous report. The report concluded that the Council is committed to leading by example in a movement towards delivering more sustainable housing as standard. Following a period of market research and stakeholder engagement, it was recommended this could be achieved initially by progressing pilot 'green' build schemes utilising fabric first principles. Research and learning from these projects would then be used to inform the future development proposals within the programme.

A number of innovative design solutions across several projects recognise the benefit of fabric first principles and the value of carbon neutral design, some examples of this work are outlined below:

1. Since September 2020, the Former Deben High School site in Felixstowe has obtained planning permission for 61 homes and is progressing with an anticipated completion of 2022/23. This scheme aims to provide all homes as PassiveHouse certified and over 68% will be retained within the Council's HRA portfolio.
2. The first modular site has been tendered and successfully awarded, a scheme of 6 units is due to start on site in Spring 2022 and will complete later that year. The project uses a panelised system, manufactured off-site to ensure an airtight envelope and speed of delivery.
3. Planning permission is being sought for a single dwelling that will be part of an EU-funded project for a new generation of eco homes. Following an approach from a local Architectural firm investigating '*energy efficient alternatives*' to traditional bricks and mortar, ESC agreed to host a pilot project. Co-funded by the European Regional Development Fund and led by University of Plymouth, the project runs until 2023. Once built and occupied, the home will feed back information to assist with the research project and give real life data.
4. Planning permission has been submitted for the redevelopment of a currently unoccupied building within Lowestoft town centre. The project goes beyond the minimum specification and proposes an enhanced refurbishment / extension which will meet current Building Regulations. Whilst the level of refurbishment does not go as far as the 'zero carbon standard' in this project the quality of the accommodation provided goes beyond a basic refurbishment aiding the longer-term sustainability of the Council's own

Housing stock. This level of refurbishment pays particular attention to the environmental aspirations of the council and seeks to set the standard for other empty property refurbishments within the town.

A full summary of development numbers can be seen in section 2 of this report.

Alongside the Council's new build and redevelopment programme, it is recognised that the Council's existing HRA portfolio has a significant role to play in reducing the Council's carbon footprint. In line with ESC's ambition to reach carbon neutrality by 2030, the wider housing team are assessing the council's existing housing assets. Data driven decision making is assisting in preparing detailed programmes of work to ensure Council homes positively contribute towards this ambition whilst also provide truly sustainable and affordable homes for our tenants.

### **Equalities and Diversity:**

Increasing the number of affordable homes is the development programme's main priority. The success of the programme is measured in numbers delivered; however, the success could also be measured through.

- Improvements in the health and wellbeing of our tenants.
- The reduction in rent arrears due to homes being more affordable to live in
- Reduction in void periods through the creation of more desirable properties, tenant turnover is reduced thus reducing void income losses.
- Cost savings within the repairs and maintenance teams due to better quality homes being delivered.
- Reduction in customer services enquiries due to the installation of smart tech within new homes.
- A reduction in anti-social behaviour and criminal activities in areas where redevelopment intervention takes place.

The supply of new build properties from our development programme must deliver to the housing needs of residents in the district. We use evidence-based data to support the building of the right homes regarding mix and tenure in the right locations. We know the demand for housing is high and prioritising what and where to build has previously been driven by planning policy and insights from our Housing Needs Officers, who manage our Housing Register and our Choice Based Lettings Scheme.

The Housing Team are currently working with the East Suffolk Data Analyst to develop a more data-led approach. Our aspiration is to understand and measure the demand for properties from Applicants on our Register, who are searching for properties using our Choice Based Lettings scheme. We hope to use new software to visualise and analyse historical data (2016-2021) and identify locations and property types which have a high level of unmet demand.

This work has developed a new metric called 'bid ratio'. If this ratio is high, then a high number of applicants have bid for the available properties (and if the ratio is low then only a small number of applicants have bid for the available properties). Analysis of these bid ratios will identify specific locations and property types (eg number of bedrooms) for which there is a high demand, and this information can inform our

development programme. This data, along with other internal analysis of Housing Needs information, will help us to define key areas for development.

If this data-led approach proves to be successful it will be shared with the Suffolk Office of Data Analytics (SODA), who will share the learning with other stock-holding Councils in Suffolk to rollout a data-led approach. SODA is a collaboration of all local authorities, Suffolk police and other public sector organisations to share valuable data about the communities within Suffolk.

The previously mentioned design guide also identifies what 'good development' looks like in a post Covid world. Access to private external amenity space and space to work from home comfortably are defined as minimum requirements within the new build design guide and acquisitions criteria.

### **Financial:**

Following legal changes to the HRA, the Council took on £68 million of council housing debt in exchange for not paying future Housing Subsidy to Central Government. This has allowed the Council to retain its housing rental income and undertake housing investments based on local decisions.

The HRA had £10 million of existing debt before going self-financing in 2012, giving it a total debt of £78 million. To date, £7 million of this debt has been repaid, with a further £10.7 million due to be repaid during 2021-22, bringing the debt down to just over £60 million as at 31.03.2022. This is due to be repaid in full by 2041-42.

As of 31.03.2021 the HRA has 4,459 properties with a market value of £585.7 million, demonstrating a £60 million debt position is relatively low and could be increased if required.

The HRA has approximately £21 million in income per annum, with fixed expenditure of £16 million. Leaving £5 million per annum to contribute to debt repayments and invest in the HRA Capital Programme.

The HRA Capital Programme approved at Full Council on the 27 January 2021 included £7.725 million for redevelopment projects and £42.121 million for new build development from 2021-22 to 2024-25. All of which are to be funded by existing HRA income, reserves and balances, with no requirement to increase borrowing.

A 30-year financial business model is used to support the delivery of the HRA objectives, and this business plan ensures our targets and aspirations are achievable and affordable. It uses assumptions about the level of income available and the key risks facing the housing service over the next 30 years. The current HRA capital programme is financially sustainable within the 30-year financial business plan, however the costs associated with achieving a carbon neutral status on the HRA's existing housing stock has yet to be identified. If grant funding cannot be secured, then decisions will be needed on where budget is allocated, to new build or to sustainability improvements. Alternatively, consideration could be given to additional borrowing for the HRA in order to deliver on both objectives.

Working to achieve an average payback across the programme of 30 years, there are a number of projects which secure a much lower payback which then enables projects with wider reaching benefits, and therefore longer payback periods, to be undertaken. This can include projects with regeneration or economic benefit, embarking on development opportunities which the private sector would consider unviable from a purely financial perspective. The average payback for completed projects across the programme is currently 24.8 years and ranges from 15 to 39 years.

To help achieve the best value for money on each housing development, a financial appraisal is carried out. Depending on the housing tenure being provided either Right to Buy (RTB) receipts, Homes England (HE) grant funding and/or S106 commuted sums will be used to contribute to the cost of the development.

RTB receipts held by the HRA will always be the first choice if possible, as generally they can contribute more than HE grant funding. Following the RTB consultation held in 2018 the government has recently announced changes to the way in which RTB receipts can be used. These changes are positive for the HRA. The main changes include:

- i) The time frame in which they must be spent has been increased from 3 years to 5. If not spent in this time frame they must be returned to central government with a 4% interest charge for the period held.
- ii) RTB receipts can now fund up to 40% of the capital costs of a development, previously this was 30%. However, both will calculate to more than Homes England grant funding.
- iii) RTB receipts can now be used to fund shared ownership properties where previously this was not possible.
- iv) A percentage cap will be in place on the use of RTB receipts on acquisitions.

The HRA has never had to repay any RTB receipts to central government, however due to delays caused by COVID this was becoming increasingly likely. However, these changes mean there is no expectation of any RTB receipts needing to be repaid.

With the current development programme, of the £2.3 million RTB receipts held, it is anticipated these will be used in their entirety by 2023-24. Future receipts will be used for developments but cannot be relied on until received.

In addition to the Council's own HRA capital funding and RTB receipts, external sources of grant funding are explored for schemes which can be delivered in accordance with grant requirements. Early engagement with Homes England regarding the Affordable Homes Programme 2021-2026 has seen a positive response in relation to one of the proposed new build schemes. Enhanced environmental credentials within the proposed specification allow the scheme to be eligible for funding under the programme.

**Human Resources:**

As mentioned within Housing Strategies and the 2020 Scrutiny report, investment in staffing is recognised as key requirement in relation to our capacity to deliver the development targets as well as expanding upon the capabilities within our workforce.

We recognised that the Council needed to make a long-term commitment to development and enabling to ensure objectives of building more homes is achieved.

In March 2020 the team recruited two new Housing Development Officers and a Housing Enabling Manager. Over the past 12 months the additional resource within the Development Team has helped to assess development opportunities creating a strong development pipeline and enabling the year-on-year projected completions to increase. In May 2021 we recruited a further Assistant Development Officer in response to the increase in workload.

Traditionally the Council's support services have been in place to assist individual service area with specialist expertise in the field of Legal, Procurement, Finance etc. The current infrastructure works well to support the activity that has been delivered to date, however with the growth of the Housing Development Programme alongside the scale and nature of projects the team are now embarking upon requires further specialisms in areas such a development contracting, construction law and commercial procurement. We are currently recruiting for a HRA Estates Surveyor to help fulfil duties which are often outsourced and also to enable the team to appraise new development opportunities more efficiently.

In response to the current growth within the Housing Development Programme and with support from our in house Legal and Procurement teams, Housing has sought both external Legal and Procurement advice on particularly complex projects which require construction sector expertise.

**ICT:**

Over the past 12 months we have begun to formalise the Development Programme enabling the team to evaluate where the majority of Officer time is being spent and where efficiencies can be made. Recording this information also enables the team to quickly identify potential challenges and where projects are stalling. Formally recording the programme and identifying initiation, milestone and completion dates provides valuable information on the number of projects identified, explored and progressed even if these do not result in additional new homes.

The recent purchase of ARGUS Developer software will help the team to manage complex, multi-staged development projects with confidence. The software provides a far more robust appraisal system than has previously been used and will allow the Council to take a more commercial view and bring transparency to risks.

The recent migration to MS Teams has also allowed the team to work more efficiently, utilising the software's capability has enabled the team to collaborate on projects and engage efficiently with stakeholders.

Assistive technology is becoming more common within homes and the innovation within this sector enables occupants to make the most of the buildings whilst relying less on external sources for energy. Studies show that people who are aware of their energy consumption are more likely to make reductions and minimise their environmental impact. These monitoring systems will not only help tenants understand their homes better but also providing the Council with valuable data about our stocks energy requirements.

The Housing Team are currently working with the East Suffolk data analyst to enable more detailed analysis of Housing Needs information to ensure the direction of the programme is catering accurately to the needs of the local communities within East Suffolk.

**Legal:**

The team have sought external legal advice on a number of projects to ensure the Councils interest are protected and project risks are minimised wherever possible. Discussions are currently being held with the Head of Legal and Democratic Services concerning future specialised construction and development legal support for the HRA.

**Risk:**

All development programmes contain an element of risk. Failure to deliver the Housing Development Programme is identified on the Councils corporate Risk register and monitored through this process.

All projects within the programme have a project specific risk assessment carried out at the commencement of the project. This seeks to identify potential risks to the delivery and provides mitigation recommendations.

Traditionally the most common risks to development projects are not being able to successfully deliver the project brief within budget and on time. Within all projects there will be many identified risks that threaten the successful completion of a project in terms of time, cost, or quality. These project specific risks will be monitored and managed using project specific risk registers which are maintained throughout the duration of the project.

Wider programme risks which have potential to impact on multiple projects would include non-project specific factors such as changes in the housing market, skills shortages or economic and political changes impacting the construction sector directly. Currently we are seeing an emerging risk with the availability of raw materials and imported goods for use within construction. A risk of this nature, depending on the outcome and any mitigation we can be put in place, has potential to impact on multiple projects within the programme.



--

<b>External Consultees:</b>	n/a
-----------------------------	-----

## Strategic Plan Priorities

Select the priorities of the <a href="#">Strategic Plan</a> which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
P01	Build the right environment for East Suffolk	<input checked="" type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T02</b>	<b>Enabling our Communities</b>		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
<b>XXX</b>	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input type="checkbox"/>	<input type="checkbox"/>
<b>How does this proposal support the priorities selected?</b>			
<p>The primary objective of the East Suffolk Housing Development Programme is to meet housing need by providing high quality sustainable housing at affordable rents or sale values and to develop appropriate housing solutions in all areas of East Suffolk which are</p>			

effective and cost efficient.

As a direct response to the primary priority of *“Building the right environment for East Suffolk”* The current and future development programme seeks to directly provide, good quality affordable housing which meets the current and future needs of local communities throughout East Suffolk.

Secondary priorities such as *‘Enabling our Communities’* and *‘Caring for our Environment’* shape the projects undertaken within this programme ensuring we priorities those which have the most social and environmental benefit to East Suffolk and its residents.

Investing in capital development projects, both new build and redevelopment of existing assets is facilitating the drive for carbon reductions and demonstrates the Council is delivering projects which make best use of our land and property assets. Maintaining housing numbers and a strong pipeline is essential in maintaining income for the HRA and remain financially sustainable.

## Background and Justification for Recommendation

1 Background facts	
1.1	<p>Since the Council commenced its own house building programme, 99 new homes have been added to the HRA portfolio. These have been delivered through the new build development programme, redevelopment of HRA assets and S106 acquisitions.</p> <p>Early new build development opportunities were progressed with assistance from the E2 Consortium with Orwell Housing Association which enabled ESC to quickly make use of HRA land and begin developing. Following the success of initial schemes, further opportunities were explored however challenges from Planning and legal covenants on HRA owned land proved the land to be unsuitable for development. This, alongside delays caused by COVID and the associated social distancing measures, saw a dip in housing numbers delivered in 2020/21. However, following the easing of restrictions, delayed developments were able to recommence albeit with a delay to planned completions dates. A proactive decision to explore development opportunities on land in 3<sup>rd</sup> party ownership and actively pursuing s106 opportunities where the Registered Provider market was failing to deliver saw the numbers begin to climb again in 2021/22. Further growth of the team and positive collaboration with internal colleagues and external stakeholders saw the projections for 2022 onwards progress in line with numbers identified within the Housing Development Strategy and the HRA (Housing Revenue Account) Business Plan.</p>
1.2	<p><b>Key updates:</b></p> <p>The first shared ownership properties were built in 2020 and all 6 are now sold and occupied.</p>

Following recommendations made by Scrutiny committee in September 2020 that Cabinet “*explore the potential for modular construction, carbon neutral where possible, on appropriate sites at the earliest and most realistic opportunity*” The first modular site has been tendered and successfully awarded, a scheme of 6 units is due start on site in Spring 2022 and will complete later that year. The project uses a panelised system, manufactured off-site to ensure an airtight envelope and speed of delivery.

East Suffolk Council’s first PassiveHaus scheme received planning permission in May 2021. This will also be the first Council led housing development scheme in the former SCDC area of East Suffolk.

The Council’s second high quality House in Multiple Occupation (HMO) was completed in June 2021, the property provides a home for some of the most vulnerable residents within the district and is supported by funding from the MHCLG Next Steps Accommodation Programme.

## 2 Current position

2.1 Following recruitment in March 2020 and a further Officer appointment in May 2021, the team is growing its capability and the development programme is building momentum.

The impact of social distancing and site closures in 2020 resulted in some delays to the housing delivery programme. Access to materials and on-going social distancing is still a risk to the programme however projections show Council led housing delivery is increasing and will continue to do so subject to the availability of land and funding.

The projected number of units delivered in this financial year (2021/22) is 24, 100% of these are affordable homes. This increases to 66 in 2022/23 with 68% of these units already having planning permission or positive Pre-Application feedback. In 2023/24 this increases further to 86 units with 47 of these being a direct provision for the HRA portfolio.

Year	Target	No. units	Affordable provision	New Build S106 purchase or ESC delivered	Redevelopment Refurbishment / conversions of existing assets or acquisitions.	Percentage Certainty Planning permission obtained
2016/17	50+	11	11	9	2	100%
2017/18	50+	5	5	5	0	100%
2018/19	50+	33	33	24	9	100%
2019/20	50+	38	38	36	2	100%
2020/21	50+	12	12	9	3	100%
2021/22	50+	24	24	10	14	100%
2022/23	50+	66	44	64	2	68% 42 - Planning approval 3 - Positive Pre App
2023/24	50+	86	47	81	5	48% 31 - Planning approval 10 Positive Pre App

In order to secure development sites to feed this pipeline the council has embarked on a number of 'mixed tenure' sites. This approach allows the proceeds from a small number of open market sale units to cross subsidise and facilitate the delivery of affordable dwellings at a higher ratio than is required by Planning Policy. Projections for 2022/23 and 2023/24 show the number of affordable units due to be delivered reaching 44 and 47 respectively.

### 3 How to address current situation

3.1 Good progress has been made with the Housing Development Programme recently, with target projections for 2022/23 and 2023/24 far exceeding the 50+ target. Whilst the current projections demonstrate the Council is on target to meet and exceed development targets, there are a number of challenges the programme is facing, *and will continue to face*, in achieving and sustaining the 50+ units a year as outlined within the Councils strategy documents.

#### **Land**

Currently the programme targets opportunities on Council owned land / property with some acquisitions adding to the development portfolio. As HRA and GF land is developed these opportunities are becoming less viable as the less challenging sites have been developed first. Many of the remaining land assets are more difficult to progress with restrictions such as covenants, 3<sup>rd</sup> party ownership or environmental challenges such as risk of flooding. These sites are still being considered and progressed, however, by their nature will take longer and potentially less beneficial to the Council.

The benefit of using Council owned land is the land value is essentially removed from the development appraisal meaning the cost of the development is the only consideration for the HRA. With the reduction in Council owned land opportunities, the team will be required to purchase land on the open market to continue with the programme at its current level. This is likely to result in an increase in budget required to deliver the same number of units. Other potential challenges of purchasing land on the open market include the Councils ability to move at a pace which is competitive and subsequently delivering schemes which meet our strategic objectives.

#### **Funding**

The HRA has a number of competing priorities, all of which have an associated budget. Whilst the HRA portfolio has been maintained to a good standard over the years the drive for carbon neutrality adds a significant strain to the existing maintenance programme. Much of the work required to decarbonise the existing HRA stock goes beyond the planned maintenance which has traditionally been done to ensure the homes are in a good condition and comfortable to live in. These interventions will give the properties a longer life span, reduce running cost for tenants and most importantly reduce the properties reliance on non-renewable sources of energy. Whilst this work is extremely beneficial for the longer-term sustainability of the HRA portfolio it will not generate additional affordable homes. The cost of these works can, at times, be significant and this

will need to be considered when reviewing budget priorities.

### **Capacity and Capability**

To maintain the programme at its current level, just short of the affordable target, Cabinet may wish to consider delivering commercially competitive schemes on open market land opportunities. This will require more in-house expertise and further Development Officer resource to project manage the increased level of speculative work required.

## **4 Reason/s for recommendation**

4.1 The Scrutiny Committee asked that an update be provided to the Committee in one year (16<sup>th</sup> September 2021) to review overall progress of the Housing Development Programme and, if necessary, the implications of staffing resources on the attainment of the ambition.

The report requests Scrutiny Committee, having considered the report, to make any further recommendations to Cabinet as required.

## **Appendices**

### **Appendices:**

n/a

### **Background reference papers:**

<b>Date</b>	<b>Type</b>	<b>Available From</b>
24 <sup>th</sup> September 2020	ES/0504 - Housing Development Strategy Report to Scrutiny	