

NOT FOR PUBLICATION

Appendix 1 of this report contain exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (information relating to the financial and business affairs of the Council)

Report to: **Hub Committee**

Date: **16 March 2021**

Title: **Community Housing – Brentor & Lamerton**

Portfolio Area: **Lead Member for Homes – Cllr Debo Sellis.**

Wards Affected: **All**

Urgent Decision: **Y** Approval and **Y**
clearance obtained:

Date next steps can be taken: **Immediately**

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RECOMMENDATIONS

That the Hub Committee:

- 1. Note the revised management structure of the community housing programme, jointly between the Head of Housing, Revenues & Benefits (community and housing need) and the Head of Assets (delivery);**
- 2. Consider and approve the principles of the community housing scheme as set out in section 3 below;**
- 3. Note the update on Brentor and Lamerton scheme and at that Lamerton scheme is not proceedable at this time; and**
- 4. RECOMMEND to Council to approve the expenditure of £85k from the Innovation Fund (Invest to Earn) earmarked reserve to undertake detailed design, specification and tendering of the Brentor scheme, subject to a successful planning decision.**

1 Executive summary

- 1.1 Aligned to the Council's current and emerging corporate strategy, is the delivery of housing in the Borough that is substantially affordable, high quality and low carbon.
- 1.2 The community housing programme forms part of that work and this report updates Members on the programme and crucially sets out the recommend approach to:
 - Underlying principles; S3.5
 - Governance; S3.6 - S3.9
 - Budget and funding including staff cost, design costs and borrowing; S4
 - Housing need; S5
- 1.3 Section 6 updates Members on the Brentor and Lamerton projects, highlighting opportunities but also challenges.
- 1.4 It provides details of the costs and work required to take the Brentor scheme from its current position of a planning submission, through to having a tendered build price (at a cost of C. £85k).

2 Background

- 2.1 Homes, and in particular, enabling homes that meet the needs of all, is one of the six strategic themes in the Council's Corporate Strategy. The Housing Strategy sets out many aspirations, which include the direct delivery of housing by the Council, where market forces do not address housing need. The emerging corporate strategy also highlights the need for place based Council activity that improves the housing outcomes for the residents of West Devon and as such it is proposed to re-state this priority for the life of that strategy (3 years).
- 2.2 In March 2017 the Council was awarded £247,620 from the Government's Community Housing Fund. The Fund was aimed at community-led housing projects and could be used by local housing authorities to acquire suitable sites; capacity building; providing direct development support or gap funding.
- 2.3 As a result of being awarded the funding, the Council agreed a Community Housing Strategy. That strategy set out that while affordable rented homes provided a safety net for those in greatest housing need, a wider range of options was required to help people into home ownership in areas where house prices were beyond an affordable level for those on low and medium incomes. To that end, it was said that the funding would be used to reduce the risks of the development process and help deliver more projects. It was to do this by creating internal capacity to manage a community housing

programme, commission feasibility, design and planning work and if required, buying land. This would then lead on to direct delivery of discount sale housing by the Council.

- 2.4 The fundamental principles behind the community housing programme have evolved since inception to include the Council's Climate Change declaration, as well as the inclusion of rented housing on sites, not just discount sale. These are set out below for consideration and to ensure that they align with the Council's emerging corporate plan.
- a. Schemes that address evidence of housing need in a community.
 - b. Community support. Whilst development is a divisive issue, schemes should be endorsed with support in principle from a community land trust (CLT) or Town / Parish Council in their absence, ahead of detailed consideration through the Planning Committee.
 - c. A programme predicated on the delivery of substantially affordable homes to remain so in perpetuity. As such, the tenure of property, scheme constraints and availability of grant funding must be considered on a site by site basis.
 - d. Quality of homes. Seek to construct homes to a standard in excess of building regulations, so as to reduce the financial and carbon cost of ownership.
 - e. Embodied carbon – construction techniques and materials that reduce the embodied carbon in the construction process should be utilised.
 - f. The cost of delivery should be neutral so as to remain a viable programme across the Borough, unless by exception with Council approval: The Council's cost recovery at the end of development should cover the costs of staff resources, design and construction.
- 2.5 As detailed above, it is recognised that the programme has evolved and, as with any new area of work, some elements have worked better than others. In view of this a Governance Review is to be undertaken by the Director of Governance and Assurance. The purpose of the Review is to look at the Governance arrangements in broad terms and to recommend changes and improvements to the Programme as a whole.
- 2.6 Pending the outcome of the review there are a number of improvements that can be made in the interim and are set out below.
- 2.7 The overarching programme should have an annual delivery plan, setting out the targets for the year and in to the future as

appropriate. Having said that, there is only one live project at the current time in Brentor and reporting should reflect that.

- 2.8 The management lead will rest jointly with the Head of Housing, Revenues and Benefits and Head of Assets, with oversight from senior officers including, Head of Paid Service, Section 151 Officer, Monitoring Officer and Director for Place and Enterprise.
- 2.9 The programme will form part of the Portfolio for Housing, the Lead Member for which is currently Cllr Debo Sellis. Regular reports will be brought to the HUB Committee, with performance review via the Overview and Scrutiny Committee.

3 Programme Funding

- 3.1 Since the programme inception, the available grant money has funded the feasibility and scheme design of Brentor and Lamerton sites. This includes, the housing design and specification, infrastructure design, site investigation work, ecology, project management and community work. It has also funded the staffing cost associated with these two projects. Section 4 sets out more detail on these two projects.
- 3.2 The budget of £247,620 (the Community Housing Earmarked Reserve) has now been spent, and looking forward, should the Council wish to continue to support community housing activity it will need to consider how it funds the staffing cost, design work and may also wish to consider how it improves viability for housing schemes.
- 3.3 Staffing Cost. The programme is supported by two staff posts, on a ratio of 15:85 basis with South Hams. The cost per annum to West Devon is £10,176. This cost can be met from underspends within the existing staffing budget in West Devon.
- 3.4 Design work. The cost to get a typical housing scheme through planning and to construction is £200k-£300k. This cost is at risk until the houses are completed at the end of the project, albeit the intention is for each scheme to be cost neutral.
- 3.5 Future scheme work would therefore need to be funded from the Innovation Fund, (Invest to Earn) earmarked reserve, which has an uncommitted allocation of £215k, until such time as it can be recouped from scheme delivery.
- 3.6 Viability. The work to date has shown that for small schemes, with challenging infrastructure, delivering substantially affordable homes that are to a high quality is extremely challenging. This key risk will

need to be managed throughout the programme and it should be expected that some sites will fail as a result. Ultimately, work is needed to be undertaken before this risk crystallises and project development costs are likely to be abortive in some cases.

4 Housing Need

- 4.1 The lack of affordable housing has a significant impact on the underlying viability and sustainability of local communities.
- 4.2 There are 371 households in Bands A-D (High to low housing need) registered on the Council's housing register (Devon Home Choice) and a further 411 households in Band E (no housing need). Of all those applicants registered on the West Devon register, 70% earn less than £20,000 and will predominantly be looking for affordable rental properties.
- 4.3 Of the 129 households seeking shared ownership on the Help to Buy register in West Devon the average earnings are £28,000 and have on average £26,000 in savings, so may not be able to afford an open-market home, but would be able to meet the costs of owning an intermediate home.
- 4.4 Establishing housing need is an essential part of any community housing proposal and should be done through a recent, robustly prepared housing needs assessment. The housing team are well placed to provide interpretation and wider need advice to underpin the evidence.

5 Brentor Site – Background

- 5.1 The Brentor scheme seeks to deliver 12 dwellings, with a mixture of shared ownership and rented properties. This is made up of:
 - 2 x 3 bed & 2 x 2 bed shared ownership properties,
 - 5 x 2 bed rental properties and
 - 3 x 3 bed open market properties.
- 5.2 The cost of the scheme is currently estimated at £2.8m as set out in exempt Appendix D – Business Case. This shows the viability for the scheme is challenging. At the current time it remains acceptable and delivers the ambition of high-quality, low carbon, low cost homes which are substantially affordable.
- 5.3 The project and the business case have been reviewed by SLT and the project is in principle, one which the Council may wish to support, whilst recognising the inherent risks set out below.

- 5.4 To date, the Council has spent £146k getting the scheme ready for the submission of a planning application.

Housing Need

- 5.5 There is clear evidence of housing need in Brentor:

| | 1 Bed |
|--------|-------|
| Band B | 1 |
| Band D | 2 |
| Band E | 2 |
| Total | 5 |

- 5.6 Although the housing need indicates a need for 1 bedroom accommodation, it is important to consider future arising housing need which is in accordance with the strategic housing market needs assessment 2018. The scheme design reflects this.
- 5.7 As well as the housing needs assessment undertaken in 2018 by Devon Communities Together, there has been some community consultation. This indicates a need for 11¹ affordable homes and 6 open market homes.
- 5.8 A housing needs survey and a series of community events assist with understanding the local need. This is particularly pertinent in rural areas with low numbers of existing affordable housing stock, where there have been no vacancies for a number of years and as a consequence people do not look to Devon Home Choice to resolve their housing difficulties. At these events they are encouraged to register on Devon Home Choice so we are aware of them. Although in practice this does not always filter through until a site board has been erected on the proposed site.

Community

- 5.9 The project team have a regular meeting in the diary with the Parish Council, to make sure communication is good and the community are kept informed.
- 5.10 Recently a short update was provided for the parish newsletter and the website, which has been published here: <https://www.brentorvillage.org/?p=9695> and is in Appendix 2 at the end of this report.

¹ Taken from Brentor website: [Community Housing | Brentor Village – A Dartmoor Community](#)

- 5.11 Should the scheme progress beyond planning the need to keep the dialogue with the community and Parish active will remain paramount.

Planning

- 5.12 The Brentor scheme has been a long time in the pipeline and there has been significant design evolution following engagement with the community and Dartmoor National Park (DNP) planning team.
- 5.13 Following an internal review of the planning application, it will be submitted to Dartmoor National Park planning authority for consideration. It is unknown how quickly it will be determined, but as a minimum would be 13 weeks, assuming the committee cycles align. The legal agreement which forms part of the planning permission will probably take longer.
- 5.14 An Option Agreement is in place with the landowner, which can be exercised by the Council in order to purchase the land if required (subject to planning) for the amount shown in the business case. The Council is not required to exercise this option agreement should it not wish to proceed.

Next steps

- 5.15 Should the planning application be successful, the officer team will conduct a gateway review of the scheme at that time. This will include reviewing any changes (and therefore risks / costs) that have emerged through the planning process, inflation cost pressure, deliverability issues and other viability risks.
- 5.16 Subject to a positive planning outcome and gateway review, the Council must consider if it wishes to proceed through the detailed design, specification and tender stage. The cost of continuing through those stages is estimated to be £85,000.
- 5.17 This funding could come from the Innovation (Invest to Earn) reserve, which has a current unallocated balance of £215k. The money would be at risk, as with all development projects, there is no certainty that they will progress to completion.
- 5.18 Approval to move forward would culminate in the Council having cost certainty (except for some construction risks) of the price to build the houses and the infrastructure associated with it. A final business case could then be modelled and brought back to the HUB for consideration.

- 5.19 At that point, a decision to borrow an estimated £2.9m from the Public Works Loan Board (PWLB) would come to HUB and on to Council. If Council approved the borrowing at that time, construction would be able to start.

Timeline

- 5.20 Should the recommendations of this report be supported and the planning application be positively determined by DNP, the detailed design phase would commence. It is anticipated this would be undertaken by our existing supply chain.
- 5.21 Once the detailed design is complete, the construction contract would be tendered and construction costs established. It is estimated the detailed design and tender elements of the project will take circa 6 months.

Risk

- 5.22 As previously set out, there are inherent risks associated with all development, including planning, viability, cashflow at risk, community expectations and reputation.
- 5.23 The community has been working towards this site being delivered for at least 10 years. They have a real hope the Council will be able to facilitate their aspirations through the community housing programme.
- 5.24 They have an expectation the Council will continue to support them on the journey, given the previous decision to approve the principle of the scheme including funding the construction of the houses in June 2019, minute reference HC8 refers.
- 5.25 If we are to meet these expectations the Council must draw upon funds from outside the original grant funding (as they are depleted) to other reserves. The funding (£85k) would be at risk, and therefore the expenditure of the money represents at best a short term opportunity cost (as it cannot be used for other investments) and at worst, an actual cost if the project does not materialise.
- 5.26 It is a political decision as to how to spend the reserves available to the Council. Expenditure would align to the housing strategy, recognising the housing need in Brentor, and it does align to the principles of the community housing programme, set out in section 3 of the report.

6 Lamerton

- 6.1 The final RIBA Stage 3 design for the Lamerton project was priced in November 2020 and a business case undertaken with the benefit of the design work to that point, including infrastructure design.
- 6.2 An internal review of the project, business case and housing need was then conducted and reviewed by SLT. This review concluded whilst there was some evidence of housing need and the design of the scheme should be deliverable in planning terms, the viability of the scheme was not acceptable.
- 6.3 The scheme viability had always been particularly challenging, relating to the housing values in Lamerton and the cost of build on the site, albeit initially acceptable. As the project progressed and more due diligence, surveys and site investigation work was undertaken, the infrastructure costs were able to be forecast with greater accuracy.
- 6.4 The cost of the infrastructure had increased from ~£390k in April 2019 (based on Quantity Surveyors costing) to over £1.1m in November 2020.
- 6.5 Even with Homes England grant of £450k towards the cost of build, which the team were successful in getting in principle agreement for, the viability of the scheme remained negative, by over £50k, with insufficient risk allowance. The total build cost had risen from just under £2.9m in early 2019 to £4.5m by November 2020.
- 6.6 The cost of delivery of the scheme, limited contingencies, negative viability and disproportionate infrastructure costs prevent a positive recommendation coming forward to Council for this scheme.

Community

- 6.7 The Greenhill site, upon which the scheme was designed, was originally proposed and supported by the neighbourhood plan group and supported by the Parish Council.
- 6.8 Unfortunately, over a period of time a strong local opposition to the site has developed, which has impacted the neighbourhood plan and parish support. It is unclear if the site will remain in the neighbourhood plan in the future as it evolves.

Spend to date

- 6.9 The scheme had progressed considerably, since the last Council approval in 2019, and had a scheme that was ready for a planning application. This included:
- 6.9.1 Land option negotiation
 - 6.9.2 Topo surveys
 - 6.9.3 Ecology surveys
 - 6.9.4 Drainage investigation work
 - 6.9.5 Infrastructure design
 - 6.9.6 Housing design
- 6.10 The spend for this project, against the original £247k awarded to the Council for the wider programme, stands at £139k. This money has been spent at risk and will not be reimbursed as the scheme will not proceed to delivery.

7 Proposed Way Forward

- 7.1 To align the management of the community housing programme jointly to the Head of Housing, Revenues & Benefits (community and housing need) and the Head of Assets (delivery).
- 7.2 To ensure the programme is centred to the Portfolio Holder for Housing, with regular update reports to the Hub Committee.
- 7.3 To approve the spend of up to £85k from the Innovation (Invest to Earn) Reserve to support the next phase of the Brentor scheme, subject to a successful planning application.
- 7.4 Subject to 8.3, bring back a report to HUB and Council setting out the final Brentor Business Case and viability ahead of a decision to proceed to the delivery phase.

8. Implications

| Implications | Relevant to proposals Y/N | Details and proposed measures to address |
|------------------|---------------------------|--|
| Legal/Governance | Y | The Council is a local housing authority under the Housing Act 1985 and as such it has the power to acquire land for the purpose of building houses on the land. |

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|--|--|---|
| | | Appendix B contains some information relating to the financial or business affairs of any particular person which in accordance with paragraph 3 of Schedule 12A of the Local Government Act 1972 is exempt information and the public interest in its disclosure is not outweighed by the public interest in maintaining the exemption. |
| Financial implications to include reference to value for money | | <p>The Council has spent £146k to date working up the design of the Brentor scheme for planning. The Council has spent £139k on the Lamerton scheme. This has been spent from the Community Housing Earmarked Reserve (a revenue reserve), funded from the original government grant of £247,620. There is an overspend linked to the Lamerton and Brentor schemes estimated to be C. £40k. It is proposed that this overspend will be met from underspends in existing housing budgets.</p> <p>Funding the scheme delivery (including construction) will be through Public Works Loan Board borrowing. At this point all costs incurred in the planning stage of the project will be recouped such that it can be rolled into other community housing projects, in accordance with the strategy.</p> |
| Risk | | There is a risk that the Council's roles as local housing authority and local planning authority may be perceived as giving rise to a conflict of interest. However, the breadth of the Council's functions make this inevitable. The issue is how the Council deals with the conflict. Dealing with the conflict openly and transparently, mitigates the risks. Accordingly, this report sets out the Council's position and aspirations as a local housing authority. The decision to proceed should be taken on this basis. Any planning considerations will be matters for the Development Management and Licensing Committee should approval be given by the Hub Committee to submit a planning application. |
| Supporting Corporate Strategy | | This is set out in paragraph 3 of the report. |
| Climate Change - Carbon / Biodiversity Impact | | These are set out in section 3. |
| Comprehensive Impact Assessment Implications | | |
| Equality and Diversity | | These are set out in paragraph 3 of the report |

| | | |
|--------------------------------------|--|---|
| Safeguarding | | There are no direct implications arising out of the report. |
| Community Safety, Crime and Disorder | | There are no direct implications arising out of the report. |
| Health, Safety and Wellbeing | | There are no direct implications arising out of the report. |
| Other implications | | |

Supporting Information

Appendices:

Appendix 1 – Business case for Brentor scheme (Exempt)

Appendix 2 – Brentor Parish news article