

**REPORT TO:** CABINET

**DATE:** 24 MARCH 2022

**TITLE:** NEW HOUSE BUILDING PROGRAMME (NHBP)

**PORTFOLIO HOLDER:** COUNCILLOR DAN SWORDS, PORTFOLIO HOLDER FOR REGENERATION

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**This is a Key Decision**

**It is on the Forward Plan as Decision Number I013556**

**Call-in procedures may apply**

**This decision will affect all wards**

**RECOMMENDED that:**

- A** Cabinet notes the Scrutiny Committee review of council house building and the Action Plan from that report, as set out in Appendix A to the report, as part of the delivery of the New House Building Programme.
- B** Cabinet endorses the aims of the New House Building Programme (NHBP) set out in paragraph 11 of this report.
- C** Cabinet endorses the themes of the New House Building Programme set out in paragraphs 12 to 31 of this report and in particular the principles of achieving appropriate tenure mixes, securing Section 106 funds to contribute to the housebuilding programme and of delivering new homes to carbon net zero standards.
- D** Cabinet endorses the Phase 1 schedule of projects of the New House Building Programme identified in paragraphs 45-47 and Appendix B of this report.

- E** Cabinet notes that, before commencement, each individual scheme will be reported back to Cabinet showing viability and affordability in the context of the General Fund or Housing Revenue Account as appropriate (as set out in paragraphs 32-42).

## **REASON FOR DECISION**

- A** Both the Council's Housing Strategy and Local Plan identify an affordable housing need of 3,400 dwellings between 2011 and 2033. Much of this will be provided on-site by developers, particularly on the large strategic sites. But there is also a requirement for the Council to deliver more social housing for residents on the Council's housing register.
- B** The Council's Corporate Strategy has set out a bold ambition to build an increased amount of Council housing for rent to local residents. This report sets out a programme for delivering that over the next five years, which will be updated and reported back to Cabinet on an annual basis, including an update on the Scrutiny Committee Action Plan.

## **BACKGROUND**

1. As evidenced in the Council's new Housing Strategy 2022-2027, housing need continues to increase in Harlow as house prices continue to climb. As at 7 January 2022, there were 5209 applications on our Housing Register with the highest need for 2 and 3 bedroom houses.
2. This report outlines the review of council house building delivery in recent years along with our plans to accelerate this in the coming years. In 2015, the Council successfully delivered a scheme for social rent let to those on the Council housing register. This scheme delivered 18 x 2 and 3 bedroom houses through the Pathfinder programme.
3. In 2021, work started on site at Bushey Croft. This scheme utilised a redundant parking area and will provide 16 x 2 and 3 bedroom houses for social rent ready to let in April 2022. A smaller site at 4 The Hill will deliver a further 2 homes for social rent also in April. Funding was gained for Bushey Croft through Homes England's Affordable Housing Programme 21/26 whilst 4 The Hill was funded via the Council's borrowing capacity.
4. These developments have all been designed to meet the highest priority needs on the housing register. However, they only provide housing for a very small number and our programme needs to be accelerated and over the next five years new housing delivery will be measured in hundreds of new homes. The New House Building Programme, however, also represents more than just accelerated delivery it also represents a change of approach and an expansion in the ways in which the Council will seek to develop new housing.

5. As these schemes near completion, a review has taken place as to how to take forward a new programme. The review follows the February 2022 Scrutiny Report recommendations on council housebuilding and the existing schemes at Bushey Croft and The Hill. There are clear lessons to be learnt and these are set out in paragraph 11 and Appendix A.

Following the review, a New House Building Programme has been designed setting out some overarching aims along with a number of themes and principles as well as Phase 1 and Phase 2 of the delivery programme.

## **ISSUES/PROPOSALS**

### **Review of council house building and implementation of Scrutiny Report recommendations**

6. The Council has undertaken an internal review following the commencement of schemes at 4 The Hill and Bushey Croft, as set out in paragraph 2, 3 and 4. The review has focussed on what lessons can be learnt from the process of delivering those schemes and what needed to be done to massively scale up the council's house building programme.
7. Lessons learnt from existing schemes: Key critical success factors are the early establishment of the objectives of each development in terms of customer need, completion of all survey work at an early stage to identify suitable sites and the early engagement of utility providers. All of these are issues that are built into the process for site identification, validation and delivery. Additionally, experience has shown the complexities of delivering very small projects. Therefore, consideration will now be given to packaging up smaller sites into larger projects to secure economies of scale and to create efficiencies in the project management process.
8. Scrutiny report recommendations and subsequent action: In March 2021 the Scrutiny Committee recommended to Cabinet that the recommendations set out in the Delivery of Council House Building programme scrutiny report presented by appointed consultants be adopted. There are a total of 20 recommendations contained within the report covering both strategic and operational aspects. Since the adoption of the report, the Regeneration, Housing and Planning teams have worked together on progressing the recommendations to help support creation of the New House Building Programme. Appendix A highlights the progress made on each of the recommendations.
9. Key recommendations from the Scrutiny Committee report focus on ensuring a better understanding of housing need, the development of annual targets, a clear process for identifying suitable sites, consideration of non-Council owned sites, increased staffing capacity and project management expertise, earlier discussions with Planning colleagues and reviewing good practice schemes from elsewhere. All these points are addressed in the New Housebuilding Programme and have been or are in the process of being implemented.

10. Outcomes: The lessons learnt as part of the internal review have been reflected in the New House Building Programme, as have all 20 recommendations from the Scrutiny Committee report. These measures are considered to have significantly strengthened the New House Building Programme and to ensure that the new programme both meets the Council's Corporate Strategy ambitions and does so in the most efficient and effective ways.

### **Aims and targets of the New House Building Programme**

11. In order to ensure that the NHBP does not drift and that the Council is delivering on its Corporate Strategy ambitions, a clear set of aims and targets have been set out for the NHBP.

#### **Aims**

- a) To significantly increase the number of new homes built by the Council over the next five years;
- b) To restore pride in the town through renewal and the development of new housing to meet local needs;
- c) To build a range of housing types and tenures that will meet local needs, which will include Council housing at social rent, housing for sale, shared ownership and housing for affordable rent, ensuring new developments meet Gibberd's original principles;
- d) To build housing at the highest quality levels achieving carbon net zero and seeking to exceed the standards set out in the Harlow Design Guide;
- e) To ensure value for money with every project in line with industry norms and in line with the funding constraints within which the Council has to operate.
- f) To improve social value for Harlow residents and businesses through the provision of employment and apprenticeship positions through the housebuilding programme and the utilisation of local SMEs.

#### **Targets**

- a) 99 new socially-rented Council houses to be built over the next two financial years with an aspiration to be at Stage 3 of the development process, as outlined in paragraph 12, within the next financial year.
- b) The production of a detailed Phase 2 programme by March 2023 identifying plans for more than 200 additional homes

### **New House Building Programme themes and principles**

12. Property types: Historically, the Council has only built social rented housing to let to those on Harlow Council's housing register. All the Phase 1 schemes of the NHBP identified in this report will deliver to this tenure. The NHBP will seek to deliver a range of unit types that are appropriate for the nature of the need that exists in the town. Predominantly, this will see the delivery of 2 and 3 bedroom houses. However, other specialist needs will also be identified according to the nature of the site. For example, the scheme at The Yorkes is to be developed as a collection of seven 1 and 2 bedroom bungalows.

13. Tenure types: The move to offering Shared Ownership properties, in addition to the rented portfolio, is to be explored and could be through the use of a Registered Provider to act as our day-to-day management arm, as well as other options. The purchase of Shared Ownership properties has become extremely popular with First Time Buyers as this allows a relatively affordable step on to the property ladder with a much-reduced deposit, typically 5% of the first equity purchased which is typically 25%. However, this varies and can be negotiated at offer stage, with the remaining equity covered by rental payments. This would offer much needed housing for those that would otherwise not qualify for social or affordable rented properties but who are not able to purchase on the usual open market.
14. Future phases of the Programme will also look at opportunities for mixed tenure development, including market sale. Equally, the potential development of some schemes at affordable rent levels will also be explored where this is required to ensure viability. In itself, particularly on larger sites, this is a desirable outcome in terms of creating mixed communities. However, it also creates the opportunity to generate income from private sales that can then be recycled into subsidising further social rented properties. Also, the development of some properties at affordable, as opposed to social, rented levels may enable more schemes to come forward since this will improve viability.
15. A further proposal will be developed and brought to Cabinet for a future discussion on this issue.

### **Net Zero and best practice developments**

16. The NHBP will support the Council's carbon reduction targets by adopting low carbon, low energy and water efficient standards. This is in support of Objective 2 of the Council's current Climate Change Position Statement which states "To achieve Net Zero emissions from all homes and the built environment within Harlow." The provision of energy efficient/low carbon homes will reduce the running costs for tenants, which will help reduce fuel poverty, enable tenants to have more money to pay for other essentials, potentially resulting in reduced levels of rent arrears and supporting the Council's aim of social inclusion.
17. Delivering new Council homes to Net Zero standards will immediately create additional social value since these homes will be cheaper to heat for their tenants. This will also have a long-term impact since any new homes that is built to Net Zero standards now will mean few homes having to be retrofitted, at a likely much higher cost, by the Government target of 2050.
18. Delivering carbon neutral housing does add additional costs to the development, typically 5%-10% above construction costs, and this needs to be explored as the programme progresses. Cabinet is asked to endorse the principle that it recognises that costs may be higher in the short to medium term to develop carbon neutral housing, but that this is offset by the contribution that this makes to achieving the goals of the Council's emerging Climate Change Strategy.

19. To achieve carbon neutrality the Council will explore best practise examples for spatial use, accommodation quality, modern methods of construction and amenity provision. These lessons will be incorporated within future Harlow schemes to ensure that the Council is benefiting from innovation within the construction and design industries. The Council will also seek to include Electric Vehicle charging points in all new developments as standard.
20. It is believed that by leading with best practice, the standards in private development will also improve in line with the Council's own standards as set out in the Housing Strategy 2022-27.
21. Examples of best practise in varying forms can be found nationwide including:

- Agar Grove – Camden - <https://cip.camden.gov.uk/agar-grove>

Largest Passivhaus scheme in the country and biggest project in the Community Investment Programme. The development includes:

216 council homes  
37 homes at Camden Living rent  
Communal gardens  
New play areas  
Shops, a café and a community hall

- Goldsmith Street – Norwich - <http://www.mikhailriches.com/project/goldsmith-street/#text>

Passivhaus scheme being delivered by Norwich City Council as to produce 100% social housing to include 48 houses and 48 apartments.

- Kidbrooke Park Road – Greenwich - <https://www.hta.co.uk/project/kidbrooke-park-road>

Kidbrooke Park Road is the regeneration of a brownfield site to create 117 well designed homes with public realm and a nursery that caters to both residents and public. The proposed scheme will be 100% affordable and achieve net zero carbon.

- Z-Pods – Bromley - <https://www.zedpods.com/bromley>

In partnership with the London Borough of Bromley, construction will soon commence for a full turnkey project for 25 homes for tenants currently in temporary accommodation. The scheme is an exemplar for the benefits of using a volumetric build system on constrained sites, enabling a town-centre car park to be developed whilst preserving nearly 80% of the existing parking spaces, which would not have been possible using a traditional construction approach.

- Wingfield Road – Derbyshire - [https://hdawards.org/scheme/16356\\_scheme-2/](https://hdawards.org/scheme/16356_scheme-2/)

This development provides 11 family houses for affordable rent in a mix of two and three bedroom units in the village of Grassmoor, Derbyshire. These timber frame houses are located on the eastern edge of the village on a rural exemption site within greenbelt.

- Poole Park Road – Plymouth - [https://hdawards.org/scheme/14807\\_scheme/?sf\\_data=all&sf\\_paged=3](https://hdawards.org/scheme/14807_scheme/?sf_data=all&sf_paged=3)

The overarching objective of the project is to transform the estate from all flats to a mixture of flats, houses and community spaces that create a sustainable and vibrant place to live. The scheme will produce 32 x 1 bed flats: 70 x 2 bed flats: 55 x 2 bed houses: 47 x 3 bed houses.

- Branch Place – Hackney - [https://hdawards.org/scheme/7724\\_scheme-2/?sf\\_data=all&sf\\_paged=5](https://hdawards.org/scheme/7724_scheme-2/?sf_data=all&sf_paged=5)

The project is a sustainable mixed-tenure neighbourhood of high-quality homes across two buildings, significant public realm improvements, undercroft car parking, playable landscaping and community areas. The scheme will produce 70 x Social Rent, 11 x Intermediate Rent & 35 x Private Sale dwellings.

## **Value for money**

22. The Council is committed to delivering value for money in every stage of the scheme. Much of this is focussed on ensuring that unnecessary spending is not authorised. For example, all relevant Council departments are engaged at every stage of the process to ensure that every scheme is in keeping with planning guidance and budget constraints, whether HRA or General Fund. This picks up a key recommendation from the Scrutiny Committee that there is appropriate dialogue between Planning and Regeneration officers to ensure that money is not spent on designs that are not in keeping with planning guidance, resulting in abortive costs.
23. Value for money will clearly be a central issue in the decision to proceed with any given project. This will be measured against industry benchmarks for the delivery of new housing with each development subject to the production of a detailed cost plan by an independent Quantity Surveyor. Value for money assessments will be undertaken at two stages in the process in accordance with the staged approach to project delivery set out in paragraphs 32-42 below. The first assessment at Stage 1 will enable a decision to be made as to whether or not a project should proceed to detailed design. The Stage 2 assessment will then follow the design process and will be part of any submission to Cabinet to give formal approval to proceed to contract.

## **Funding models**

24. Harlow Council has been successful in obtaining substantial grant funding through the *Affordable Homes Programme 2021-26* via Homes England for

Bushey Croft. Further funding will be applied for to develop the Council's future programme.

25. Right-to-Buy receipts can also be used towards scheme costs, however, these are capped at 40% and cannot be used alongside Homes England Funding. The most appropriate funding mechanism will be used according to the nature of each development.
26. The Council also has access to funding from S106 commuted sums. These can be paid by developers in lieu of affordable housing on a development site, where it is felt that it is not appropriate or feasible to provide on-site affordable housing. This can cover the full cost of a scheme providing it is delivering appropriate tenure housing within the Harlow area.
27. It is proposed that the Council now actively pursue a policy of seeking to secure further commuted sums via S106 negotiations for private developments. Where prudent to do so, funds of this type could replace fully or in part, the delivery requirement of specific tenure accommodation within these schemes. This will not be appropriate in all cases since on larger scale developments it is desirable to have an on-site mix of housing, including affordable housing, to ensure a balanced community. However, on some developments, e.g. standalone flat block developments, it is difficult to obtain registered providers to manage the affordable housing component. In these cases, it is now proposed that the Council will increasingly seek cash contributions to support the Council's Council Housebuilding programme. In line with Local Plan policy and the Council's Affordable Housing Supplementary Planning Document, developers will need to agree with the Council that the right circumstances exist for off-site contributions.
28. Negotiations for commuted sums of this type would be predicated on a benefit comparison, where such funding would facilitate significant delivery within the Council House Building Programme to positively off-set the loss of alternative tenure delivery within the site.
29. Site viability and cost/value assessments will be used to ensure negotiations return the most advantageous outcome available to Harlow Council and its residents.
30. Additionally, funding for new housebuilding is secured through borrowing via the Public Works Loan Board in dialogue with the Council's Finance team who review the best use of funding at the time of approval.
31. Other funding models are being explored for Phase 2 of the NHBP. These include Joint Venture Partnerships and other Government grant programmes.

### **Process of delivery**

32. A clear three-staged process of delivery will be developed for each scheme that is brought forward.

### **Stage 1: Site Validation**

33. A Site Validation process is used to score each site/opportunity to evaluate if it is feasible/viable for development. Each potential site is visited by officers to obtain general principles of what could be built on each site subject to constraints and visible conditions. Each site is then subject to consideration for location, delivery level, topology, ground conditions/utilities and the impact on wildlife/nature as well as conducting local resident consultation.
34. Each potential scheme is then discussed with both Planning and Housing officers to ensure that initial thoughts for the site are at appropriate levels of development, in keeping with the local area, and will meet housing need before they are progressed. At this stage, initial financial viability and technical survey work will be done to ensure that no scheme progresses to the detailed design stage unless there is confidence that it is viable.
35. A Stage 1 report is produced, encompassing these considerations for presentation to the Director of Strategic Growth and Regeneration and the Portfolio Holder for Regeneration, in consultation with Housing and Finance officers, to decide whether to progress the scheme to stage 2.

### **Stage 2: Value for money, funding and approval**

36. Based on Site Validation report approval, officers from the relevant departments apply a value for money test and identify the most suitable funding method for the scheme. Following a procurement process, a contractor is selected, and a further Stage 2 report is presented to the Director of Strategic Growth and Regeneration, and Portfolio Holder for Regeneration with the proposed funding method, final design, proposed contractor and a clear demonstration of viability and value for money. It will be important during this process to ensure that the drive to deliver value for money does not compromise on quality.
37. The Stage 2 report is approved by the Director of Strategic Growth and Regeneration, and Portfolio Holder for Regeneration and is presented to Cabinet to change the use of the Council asset (where relevant) and approve the delivery of the scheme in line with the approved General Fund or HRA budgets.

### **Stage 3: Construction and delivery**

38. The process of building homes is complex and diverse, with many stages of design and approvals prior to construction and, ultimately, residents moving in.
39. The Council has experienced officers that can lead this process working alongside multi-disciplinary companies who, having been procured through the Council's contracting process, undertake the design work, submit planning applications and provide professional advice where needed.
40. The Council has an aspiration to procure a small number of local firms that can assist in designing and building new homes, understanding the local housing market and opportunities available along with helping the local economy. The

housebuilding programme will actively seek to support local procurement opportunities.

41. The Council is now actively working to establish new options and approaches for housing development and delivery within the town and provide more cost effective and sustainable homes for our residents, meeting the tenure and dwelling types of need. This may include opportunities for partnerships and joint ventures where this will provide added value for the Council and local residents.
42. New project management and reporting systems, in line with construction industry norms, to increase effectiveness are now being introduced to provide appropriate monitoring processes. All developments will be subject to robust project management utilising all contractual mechanisms where necessary. Relevant project management training courses are being put in place to enhance and strengthen the officer team for the future as market and industry approaches change and adapt. This is in line with one of the Scrutiny Committee recommendations and it is intended to expand the size of the Council's housebuilding team during the course of 2022/23.

### **New House Building Programme**

43. The NHBP seeks to massively scale up the Council's housebuilding. It will use the new process set out, with the industry best practice to deliver homes for Harlow families, in the right places and of the highest standards. The Programme will actively seek to increase the range of housing types and to move beyond the delivery of 'standard' houses.
44. The NHBP has been broken down into two phases to reflect the Council's desire to meet the scale of ambition set out in the Council's Corporate Strategy. Whilst they do represent a different time scale, other differences between phase 1 and phase 2 include potential tenure types, potential funding methods, the requirement to purchase land and the scale of schemes.

### **New House Building Programme Phase 1 (Appendix B)**

45. In December 2020 Harlow's Local Development Plan was adopted. One of its main aims is to ensure a sufficient supply of sustainable, high-quality homes across a range of tenures and types in the district to exceed Harlow's Objectively Assessed Housing Need and to help tackle affordability along with regenerating the town. The plan identified a number of Council owned sites that could deliver affordable housing.
46. All phase 1 schemes (as set out in Appendix B) are planned to be at stage 3 of the NHBP within the 2022-23 financial year. This means all schemes in phase 1 will be on site under construction in the 2022-23 financial year or early in 2023-24.
47. Phase 1 is planned to deliver 99 new homes all for social rent. It includes a number of different property types including bungalows, flats and houses in order to meet value for money and local housing need.

## **New House Building Programme Phase 2 (Appendix C)**

48. Phase 2 of the NHBP is aimed at meeting the housing need for Harlow over the next five years. Work on phase 2 is being developed to identify additional potential sites, underutilised buildings and areas of land owned by the Council that would be suitable for new home developments. This work will continually review the needs defined by the current housing register and ensure scheme deliveries meet active requirements. An indicative phase 2 list is shown at Appendix C. This is not the limit of phase 2, but rather an indicative list of what has been identified to date. It is envisaged that a much larger number of sites will be identified, and it is possible that some of those on the list will not progress beyond outline feasibility.
49. Phase 2 will also identify estates and larger growth areas that provide renewal opportunities and broad redevelopment options. These schemes will require significant consultation and engagement with residents, Ward Councillors and other stakeholder groups. Such activities would also allow for the exploration of partnership opportunities with Landowners, Registered Providers and Developers where commercially prudent to do so to ensure successful delivery. Specific proposals will be brought back to Cabinet for approval as and when opportunities are developed and as part of the annual updated report to Cabinet.
50. Phase 2 will also explore the acquisition of land through the open market, auction or other opportunities in order to develop new Council housing.
51. These measures will provide a long-term programme for Council house delivery over the remainder of the Local Plan period to 2033.

## **NEXT STEPS**

52. Phase 1 of the NHBP is progressing at speed and individual schemes are expected to be presented to Cabinet in the coming months.
53. In line with one of the Scrutiny Committee recommendations a workshop event will be held in June 2022 for Members and Officers to better understand the site development process.
54. An annual report to Cabinet on the progress of the NHBP will be presented in March of each year to set out the detailed programme for the next two years as well as to report on progress.

## **IMPLICATIONS**

### **Strategic Growth and Regeneration**

The New House Building Programme will make a significant contribution towards the Council meeting its housing need and achieving growth targets. It will deliver regeneration of the town by providing greater opportunity for local residents and also enabling physical renewal. It will be delivered within a clear corporate governance framework ensuring value for money criteria are met.

**Author: Andrew Bramidge, Director of Strategic Growth and Regeneration**

### **Finance**

As set out within the report. Specific scheme viability will be assessed through the site validation process including bids for capital and revenue resources as required through the normal annual processes.

**Author: Simon Freeman, Deputy to the Chief Executive and Director of Finance**

### **Housing**

As outlined in the report.

**Author: Andrew Murray, Director of Housing**

### **Communities and Environment**

The provision of additional affordable homes may reduce the waiting time those on the housing register and may have a positive impact on the health and wellbeing for those households assisted.

**Author: Jane Greer, Director of Communities and Environment**

### **Governance and Corporate Services**

None specific.

**Author: Simon Hill, Director of Governance and Corporate Services**

### **Appendices**

Appendix A – Scrutiny Committee Recommendations

Appendix B – House Building Programme – Phase 1

Appendix C - House Building Programme – Indicative Phase 2

### **Glossary of terms/abbreviations used**

HRA - Housing Revenue Account

NHBP - New House Building Programme