

Council House Delivery Programme Update

Overview and Scrutiny Economy and Enterprise

12 January 2024



Agenda

- Background
- Objectives of the council house delivery programme
- Approach to delivery
- Sites
- Key challenges
- Next steps

Objective/Purpose:

- Members of the Economy and Enterprise Overview and Scrutiny Committee are asked to note and comment on the information provided within this report and the associated presentation

Background



Background

- In October 2020, the council agreed to begin a council house delivery programme of up to 500 homes by 2026
- Cabinet reports in February 2021 and December 2021 agreed Phase 1 and Phase 2 sites for the programme.
- Since this point, work has commenced on sites and delivery approaches, including market engagement.

Progression of the programme

- Progression of the council house delivery programme has been impacted by a series of macro-economic factors:
 - Covid 19
 - War in Ukraine
 - The global energy crisis
- These global events occurred since the development of the original business plan and have resulted in high inflation and interest rates.
- This has impacted on both the construction industry and the council's own budgetary position.

July 2023 business case

- On the 12 July 2023, Cabinet approved an updated business case for the council house delivery programme, including a revised financial model.
- The July 2023 updated business case responded to three challenges for the programme:
 - a) macro-economic changes had seen both inflation and interest rates rise significantly since the first business case was prepared.
 - b) the opportunity to revisit both the delivery approach and assumptions, to support viability considerations within the programme.
 - c) to understand how the programme could support a reduction in the cost of using temporary accommodation.
- Updated financial model forecast HRA is financially viable, without capital investment from the council.

Objectives of the council house delivery programme

Objectives of the programme

- The objective of the council house delivery programme is to deliver homes to meet housing needs, specifically:
 - Affordable housing.
 - Homes for older people.
 - To reduce the cost of the provision of temporary accommodation via provision of 'move on' accommodation managed by the council.

Affordable housing needs

- There is a shortfall in the delivery of affordable housing to meet needs:

	2017/18	2018/19	2019/20	2020/21	2021/22	Total
Affordable Homes Delivered	473	532	628	478	536	2,647
Affordable Homes Needed (annual average)	836	836	836	836	836	4,180
Gap	-363	-304	-208	-358	-300	-1,533 (-36.7%)

- The council house delivery programme provides an additional source of supply to meet affordable housing needs.

Older persons housing

- A 'demographic shift' in County Durham with the number (and proportion) of older people increasing:
 - Between 2016 to 2035 the number of people aged over 65 will increase from 105,200 to 146,300 (a 39% increase)
 - Those aged 75 and over will increase from 45,700 to 75,700 (a 65.6% increase) over the same period.
- The council house delivery programme can provide house types to meet older person's needs (bungalows).

Temporary accommodation

- The council's cost of providing temporary accommodation has increased from £10,343 in 2016/17 to £806,179 in 2022/23.
- This is a result of a number of factors including:
 - The Council no longer has a property portfolio to directly deal with those requiring accommodation.
 - The extension of duties under the Homelessness Reduction Act 2017.
 - The impact of policies introduced during Covid.
 - People are presenting as homeless with increasingly complex needs.
- The council house delivery programme can provide 'move on' to reduce the cost of the provision of temporary accommodation.

Approach to delivery



Approach to delivery

- The July 2023 cabinet report set out an approach to delivery to overcome challenges within the programme. This includes:
 - An updated financial model based on revised assumptions.
 - Delivering bungalow accommodation alongside a range of house types to meet needs.
 - Moving towards a ‘design and build’ approach to development.

Sites

Phase 1 and Phase 2 sites

- In February 2021 and December 2021 DCC Cabinet agreed sites for Phase 1 and Phase 2 for the programme.
- All sites within the programme have been identified from land held within the council's ownership
- The July 2023 Cabinet report identified that for the initial stage of the programme, three sites would be identified for delivery:
 - Greenwood Avenue, Burnhope (22 dwellings).
 - Portland Avenue, Seaham. (20 dwellings).
 - Merrington View, Spennymoor. (9 dwellings).
- Other Phase 1 and 2 sites to be progressed subject to viability considerations.

Rural delivery

- The council does not have suitable land holdings in the rural west of the County for the council house delivery programme.
- Three distinct model delivery approaches to provide for council homes in rural areas have been identified, as follows:
 - Identify suitable land to purchase or for a land swap.
 - Make use of existing buildings.
 - Purchase of s.106 units where there is no interest from Registered Providers.

Acquisition

- Alongside development, a programme of acquisitions is being undertaken to deliver homes to meet housing needs.
- Suitable properties can be acquired where it is recognised that the property can meet housing needs.
- Consideration is given to the size, location, type of the property as well as any repairs required to bring the property up to a suitable standard.

Key challenges



Key challenges

- The key challenge to the council house delivery programme is the viability of development.
- Some of the allocated sites within the programme have proven to be challenging in a viability context owing to site topography factors / the scale of the sites,
- The council will work with the appointed contractor to consider the most appropriate form of development to best support viability considerations

Next steps



Procurement of main contractor

- The next milestone for the programme is the appointment of a main contractor to build council houses.
- The procurement exercise is underway and is programmed to conclude in first quarter of 2024.
- Greenwood Avenue and Portland Avenue identified as 'first schemes' for the programme.
- Following appointment, working with the main contractor to develop a delivery pipeline of sites.

Modern Methods of Construction

- Modern Methods of Construction (MMC) providers use offsite manufacturing approaches to deliver homes.
- The first MMC scheme to be delivered as part of the council house delivery programme will be Merrington View, Spennymoor.
- The appointment of a MMC provider requires its own procurement process owing to the separation in the market between the traditional build construction sector and MMC providers.
- Procurement process to engage a MMC provider to commence early 2024.

Operational and management considerations

- Work underway in respect of operational and management considerations including:
 - Repairs and maintenance of properties.
 - Tenant communications.
 - Wider communications associated with the programme.
- This work will be presented to Cabinet for consideration in 2024.

Discussion