

# Southend-on-Sea City Council

Agenda  
Item No.

Report of Executive Director (Growth & Housing)

To

Cabinet

On

21st February 2023

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## Housing Pipeline Update

Relevant Scrutiny Committee(s)  
Cabinet Member: Councillor Ian Gilbert  
Part 1 (Public Agenda Item)

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### 1. Purpose of Report

- 1.1 To update members on the work of the Housing Pipeline to date, detail future housing development opportunities across the city and set out recommendations for the proposed way forward.

### 2. Recommendations

- 2.1 To note the progress made on the Housing Pipeline to date (paragraph 3.3)
- 2.2 Agree that the council undertakes due diligence regarding the potential allocation of capital funds for Afghan and Ukrainian resettlement purposes from the Department of Levelling Up, Housing and Communities' (DLUHC) Local Authority Housing Fund (LAHF) and that authority is delegated to the Executive Directors of Finance and Resources (s.151) & Growth and Housing in consultation with the Cabinet Member for Economic Recovery, Regeneration and Housing to reach agreement about any bid decisions and to pursue actions as set out in 3.10 (paragraphs 3.7-3.10)
- 2.3 To agree to the use of both the Denton Avenue site & Bradford Bury garage site for the development of Passivhaus pilot projects utilising existing Section 106 (S106) funds and Right to Buy (RTB) funds (paragraphs 3.11-3.14)
- 2.4 To agree the next steps for the Housing Pipeline:
- The development of a revolving investment fund to deliver the pipeline opportunities. The investment fund would work alongside other financing sources to deliver housing pipeline projects.
  - Sale of the Thorpedene Campus site via auction to secure full, quick capital receipt and mitigate holding and demolition costs, with the capital receipt ringfenced to help fund future Housing Pipeline development opportunities.

- **Sale of the Shorefield Gardens site via auction to secure a full, quick capital receipt with the capital receipt to be ringfenced to help fund future Housing Pipeline development opportunities. (paragraphs 3.15-3.24)**
- **Use existing funds or funds received from site sales for detailed feasibility works, cost planning and design works for the Hamlet Court Road, the Cattery and Civic 2 sites.**

### 3. Background

**3.1** On 25th June 2019, Cabinet resolved to progress with developing a pipeline of housing and regeneration projects and proceed with the Acquisitions Programme for council housing.

**3.2** Cabinet also received further reports on 5th November 2019, 16th January 2020 and 25th February 2020 providing further updates on the progress of the Acquisitions Programme and PSP LLP resetting and rebranding.

### Completed Housing Pipeline Schemes

**3.3** Since the establishment of the Housing Pipeline following the completion of the Hinguar School and Saxon Lodge developments (47 homes including 15 affordable homes), the Council has successfully delivered a range of housing development and acquisitions projects as detailed in the table below:

Project Name	Outcomes	Benefits
<b>Project Outcomes 20-21</b>		
Acquisitions Programme (including Next Steps Accommodation Programme (NSAP))	18 homes purchased from the private market to be converted to Council Housing  Use of Right to Buy for acquisitions to avoid repayment of 1-4-1 receipts back to Treasury.	<ul style="list-style-type: none"> <li>• c.£152k per year in rent to the Housing Revenue Account (HRA)</li> <li>• c.£27k of Council Tax per year</li> <li>• 5 NSAP homes used for Housing First for complex clients</li> </ul>
PSP Southend LLP - Friars Development	Development of 9 x private family homes completed as part of the PSP development in Shoeburyness	<ul style="list-style-type: none"> <li>• c.£20k of additional Council Tax per year &amp; c£24,500 of Rent and Rates</li> <li>• Regeneration of local area and provision of new 50-place nursery</li> </ul>
<b>Project Outcomes 21-22</b>		
Acquisitions Programme (including NSAP)	23 homes purchased from the private market to be converted to Council Housing	<ul style="list-style-type: none"> <li>• c.£170k in yearly rent to the HRA</li> <li>• c.£47k of Council Tax per year</li> <li>• 13 NSAP homes used for Housing First for complex clients</li> </ul>
Saxon Gardens Modern Methods of Construction (MMC) Pilot	Completion of 4 x Council homes via Pilot MMC at Saxon Gardens	<ul style="list-style-type: none"> <li>• c.£50k in yearly rent to the HRA</li> </ul>

	Highly commended at the Essex Housing Awards	<ul style="list-style-type: none"> <li>c.£6k of additional Council Tax per year</li> <li>Built using timber frame, increased insulation, PV &amp; solar inverters with 2 homes meeting Carbon Net Zero standards.</li> </ul>
<b>Project Outcomes 22-23</b>		
Acquisitions Programme (including Land Acquisitions Programme)	Estimated 17 homes to be purchased from the private market to be converted to Council Housing	<ul style="list-style-type: none"> <li>c.£153k in yearly rent to the HRA</li> <li>c.£25k Council Tax per year</li> </ul>
Salt Reach Close MMC Project	Partnership Project with Hill Foundation, Salvation Army and SCC  6 x Solohaus MMC single occupancy pods gifted to the Salvation Army and former garage site leased to SA on peppercorn rent.	<ul style="list-style-type: none"> <li>c.£7k of Additional Council Tax income per year</li> <li>6 homes to be used for low and medium support needs clients</li> <li>Better utilisation of underused garage site and reduced anti-social behaviour.</li> </ul>
<b>Total</b>	<ul style="list-style-type: none"> <li>58 homes purchased by the Acquisition Programme</li> <li>19 homes developed (9 for private sale and 4 for Council housing and 6 in partnership with the Salvation Army)</li> </ul>	<ul style="list-style-type: none"> <li>c.£525k in yearly rent to the Housing Revenue Account</li> <li>c.£199k in yearly Council Tax income</li> <li>c.£33k of yearly additional Council Tax Income</li> <li>c.£24,500 in Rent and Rates (nursery)</li> </ul>

## Future Schemes

- 3.4** Following previous agreement through Cabinet in January 2019, planning permission has been secured for 38 new council homes to be developed on council land at Eagle Way & Anson Chase, Shoeburyness and Lundy Close, Eastwood. This work is now moving forwards to the procurement of contractor stage. The homes will be developed to surpass Future Homes Standard, using high levels of insulation and will incorporate renewable technology, including photovoltaic solar panels (PV) and heat pumps. Seven of the properties will also be built to Adapted property M4(3) standards.
- 3.5** A contractor has been secured to deliver a new shared accommodation scheme using Modern Methods of Construction (MMC) in Archer Avenue, Southchurch. The unit has been designed to be Net Zero Carbon in Operation, fully electric and to use solar PV to offset carbon. A planning application will shortly be submitted by the contractor for this scheme.
- 3.6** **2023/24 Acquisitions Programme** – Officers are actively pursuing opportunities for the 2023/24 Acquisitions Programme with 4 homes already with solicitors for completion next year. A number of other opportunities are also being actively

investigated including work with Adult's and Children's Services for a more targeted approach to acquisitions, such as the need for different types of specialist accommodation, in order to provide bespoke accommodation at reduced cost.

**3.7 Local Authority Housing Fund (LAHF)** – DLUHC has confirmed that the council is eligible for capital grant funding via the LAHF. This is a £500m capital fund to ensure arrivals on Afghan and Ukraine schemes are provided with sufficient longer-term accommodation whilst mitigating the expected increased pressures on local authority homelessness and housing services and reducing emergency, temporary and bridging accommodation costs. It is intended that the fund will also create a lasting legacy of a new permanent supply of accommodation to help address local housing and homelessness pressures.

3.8 The council has been notified of the following indicative allocation from the fund:

- Main element: £1,392,000 in funding to provide a minimum of 12 homes for Ukrainian households living here as part of one of the official visa schemes establishing in 2022 following the Russian invasion of Ukraine.
- Bridging element: £463,336 in additional funding to provide a minimum of 2 larger 4+ bed homes to be allocated to Afghan households currently residing in bridging accommodation.

3.9 At the time of writing, this opportunity is still being investigated and the conditions of the available grant considered. The grant received would require match funding by the council. Further funding for property refurbishment be required and this element cannot to be used for acquisitions. Match funding by local authorities cannot include RTB receipts or S106 contributions. Should the Council agree to pursue the full amounts indicated in 3.8, this would require match funding for the main element and the bridging element. There is a significant pace to this recently announced opportunity, with DLUHC requiring acquisitions to be completed in November 2023.

3.10 It is recommended that the council submits the required validation paperwork for the funding and continues its due diligence of this programme. In order to meet the deadlines set by DLUHC, it is requested that authority to reach decision on whether to pursue this opportunity, and to what degree, is delegated to the Executive Directors of Finance & Resources (s.151) and Growth & Housing in consultation with the Cabinet Member for Economic Recovery, Regeneration and Housing. Should the decision be reached to pursue this in part or full, a full business case for the LAHF bid will be presented to the Investment Board for a funding request from the Housing Revenue Account (HRA).

### **Passivhaus Pilot Schemes**

3.11 The Strategic Housing team have identified that future council housebuilding programmes via the HRA Land Review project should aim, where possible, to achieve Passivhaus standard. This seeks to reduce the space heating requirements to a very low level by increasing insulation with minimal thermal bridging, ensuring high levels of airtightness and maximising solar gains.

3.12 Two sites have been identified for pilots of Passivhaus council housing. Denton Avenue is a section of unused garden land in St Laurence ward and the site at Bradford Bury is an underutilised garage site in Belfairs ward.

- 3.13 Initial feasibility, undertaken with the council's in-house architects, has indicated that 1 council home (1x 2 bed) could be built in Denton Avenue and 2 homes (2 x 3 bed) could be built in Bradford Bury. This is subject to planning permission being received. Initial cost plans indicate overall costs (including 10% contingency) of £1.068m for both sites, with Denton Avenue estimated at a cost of £300k and Bradford Bury estimated at £768k. Costs are to be met from S106 monies (60%) and RTB receipts (40%) and the final build costs will be subject to full, usual tendering procedures.



- 3.14 It is proposed that the council's architectural team will act as employer's agent for the project and this proposal offers a good opportunity to utilise and review the council's new Passivhaus specification and provide team members with important experience and assist with proof of concept prior to rolling out this construction standard more widely in future phases of the pipeline. The tenants of the new council homes will benefit from reduced energy bills and the council will benefit from additional council tax and additional rent to the HRA.

### **Housing Pipeline – Investment Fund**

- 3.15 It is proposed that the council adopts a portfolio approach to delivering housing pipeline projects which provides the opportunity to use the income from early projects to subsidise the funding of later projects within the portfolio. This revolving investment fund approach has been used by other local authorities to fund housing and regeneration programmes and is currently being explored as an option for delivering Southend's housing and regeneration portfolio.
- 3.16 It is anticipated that where sites are not considered suitable for in-house development, they could be sold at auction or on the open market or potentially to Registered Providers inline with the ASELA<sup>1</sup> Housing work and any funds received be identified for future housing pipeline development opportunities. Other funds will be considered for use towards the development of sites within the pipeline including RTB receipts, S106 funds, PSP Southend LLP surplus, Homes England funding and other fund in options as available and appropriate.

### **Housing Pipeline – Future Opportunities**

<sup>1</sup> Association of South Essex Local Authorities

- 3.17 The housing pipeline team has representation from across the council including commercial property and assets, housing, finance and strategic planning. Work on the pipeline has been ongoing since 2019, with the development of feasibility studies, often with associated specialist surveys, now completed on over 40 sites across the council's stock and land portfolio. On 8<sup>th</sup> November & 21<sup>st</sup> November 2022, the pipeline team met with cabinet members to discuss the progress and feasibility of initial batches of schemes within the pipeline. This consultation has informed the work on the first batch of sites that are recommended to be brought forward as part of the pipeline as detailed below.
- 3.18 **Thorpedene Campus** - The site is located to the east of Maplin Way in Shoebury. The site consists of 3 existing buildings - Delaware House, a council owned bungalow and a former library. Delaware House and the library are now in council possession, and housing officers are progressing the vacant possession of the bungalow in close liaison with the tenant. In partnership with the NHS, the site was proposed as one of the options for the new Shoebury Health Centre however did not progress past the consultation stage as the NHS found that the site did not fully meet their needs, particularly in relation to location for the catchment. For future use, the site would require extensive demolition and has a number of constraints including proximity to the railway lines, road access, underground services and ecological consideration. The council is also incurring significant holding costs. The site presents a good option for a capital receipt to unlock the investment fund approach outlined above as it is only possible to deliver new housing with capital identified for that purpose. Due to the above factors and to ensure the financial feasibility of future delivery opportunities, the pipeline team is recommending the site to be sold via auction (subject to financial due diligence) with the funds received being used to support the revolving investment fund for future pipeline development. Registered Providers will also be alerted to this opportunity inline with the ASELA work.



- 3.19 **Hamlet Court Car park** – This site is located to the north of London Road in Westcliff. The proposed development site is the northern part of the car park and is approximately 0.14ha. Initial feasibility works indicate that the proposal options for the site could include 6 traditional homes (4 x 2 bed, 2 x 3 bed) or 8 single occupancy MMC pods. Both proposals could include the provision of a pocket park at the north corner of the site (dependent on consultation). Subject to further work with the Traffic & Highways team to confirm current car park demand and capacity utilisation, the pipeline team is recommending that existing feasibility funds be utilised for detailed feasibility works including the traffic and parking data required for planning, cost planning and design works for the in-house

development of the site. It is further proposed that 100% of units developed would be council housing.



- 3.20 **Shorefield Gardens** - The site is located at the eastern end of end of Shorefield Gardens in Milton ward. The site is vacant land was previously developed but is now laid to grass. Shorefield Gardens is an unmade road which slopes up to the West. The site is approx. 0.06ha. Any proposal would require the developer of the land to make improvements to the unmade road and the preservation of access rights for the other residents of Shorefield Gardens. The site has been investigated for additional car parking but is considered to not be financially beneficial. An application for housing was submitted to planning in 2018 but was withdrawn prior to the committee. In order to be able to fund future housing pipeline development opportunities and due to the nature of the site and the opportunity it presents, the pipeline team is recommending that the site is sold via auction (subject to financial due diligence) with the funds received ringfenced for future housing pipeline sites. The site provides an uniquely located development opportunity.



- 3.21 **The Cattery** - This site is located south of Prince Avenue (A127) in Westcliff (Prittlewell ward) and was previously used as a cattery which has now closed. The current temporary use of the site is as a machinery store by a local contractor (maintaining security). Initial feasibility work indicates that 28 homes could be built on the site (mixture of 2/3/4 homes). Discussions have been held with Essex County Council in relation to covenants on the land. Subject to these discussions being satisfactorily concluded (and they have been positive), the pipeline team is recommending that existing funds be utilised for detailed feasibility works, cost planning and design works for the in-house development of the site. It is further proposed that the site would be at least policy compliant in terms of affordable housing and this would equate to 9 affordable homes (on the basis of a 28 home development). Following completion, it is anticipated that some homes will be retained, including the affordable homes) and some sold with funds being

recycled into the investment fund – the actual mix would need to be determined much later in the process.



- 3.22 **Civic 2** – This site is located to the rear of Civic Centre, formerly known as Margaret Thatcher House. The site was built as a temporary structure in 1980's for administration of the Poll Tax. There is a right of access on part of the land which will require some further discussion with affected parties. Currently the building is being utilised by the council and part rented to probation services on a short-term lease. Cabinet has recently taken a decision to relocate from the Civic campus and this is part of the feasibility work for the existing site. The pipeline team is recommending that existing funds be used for detailed feasibility work, cost planning and design works for the development of the site as part of the overall feasibility. This feasibility work will establish the opportunities to deliver stand-alone housing or be part of larger development which may include adjacent sites.



- 3.23 Subject to planning, it is anticipated that the first phase of the Housing Pipeline (including the Passivhaus Pilots) will see the development of 37 new homes, of which 18 will be affordable housing. The opportunity in relation to Civic 2 outlined in 3.22, and subject to planning is in addition to this and could provide c.40-60 further homes.
- 3.24 Work is underway on further phases of the housing pipeline and further detailed study is required to identify the most effective route for these opportunities, but all are demonstrating the potential to provide significant development. The outputs from this work will be the subject of future cabinet reports.

#### 4. Other Options

- 4.1 Alternate options, open to the council regarding the development of an investment fund and the council developing a housing pipeline, have been evaluated and are detailed below:



- Sell all sites within the Pipeline – Taking an approach of selling all sites would relinquish all control to third parties which may result in housing being built that would not meet the aspirations of the council and may not guarantee the timely delivery of housing. The sale of selected sites will however be an important enabler.
- Council to develop all sites – Due to the identified constraints of the sites, sale will be a better option for some sites and the funds are required for the purpose of the investment fund to assist the financing of future development opportunities.
- RP Partner/JV – Due to the scale of the sites included in Batch 1 of the housing pipeline, it has been determined that council now has an enhanced development team skillset and can undertake the development in-house and a JV or partner approach is not necessary although closer working with local housing associations is being discussed at a regional level through ASELA and this may will provide some interesting partnering and/or joint delivery opportunities.
- Do Nothing – This option would not result in future housing being built (including affordable housing) and therefore would not assist in the council housing pressures and would not improve the council’s financial position. It would also leave the council with the residual liabilities and costs.

## **5. Reasons for Recommendations**

- 5.1** The need for housing of all sizes and tenures across the city is increasing as detailed in the South Essex Housing Needs Assessment, published in June 2022. The delivery and acceleration of the delivery of housing are key ASELA priority areas and the pipeline opportunities will contribute to the wider regional delivery and assist with future funding opportunities. The work of the housing pipeline including the acquisition of homes to be used for council housing and the development of new housing (including affordable housing) will look to alleviate some of this housing and homelessness pressure. The development of new housing in the city will also look to assist the council financially with increased council tax income and additional rent roll to the council’s HRA.
- 5.2** The proposed development of Passivhaus pilots will be an opportunity for the council to lead the delivery of sustainable housing in the city and contribute the ambitions of the council’s Green City Action Plan and pledge to the Climate Emergency and help with progress towards net zero by 2030 through the development of new sustainable housing which will use significantly less energy and encourage more environmentally sustainable and healthy lifestyles.
- 5.3** The council proceeding with capital grant allocation from DLUHC’s LAHF will ensure arrivals on Afghan and Ukraine schemes are provided with sufficient longer-term accommodation whilst mitigating the expected increased pressures on council homelessness and housing services (subject to the financial due diligence and match funding considerations referenced above).

## **6. Corporate Implications**

### **6.1 Contribution to the Southend 2050 Road Map**

The development of the housing pipeline and the acquisition of property to be utilised for Council housing in the city both work towards the Southend 2050 Safe

and Well outcome of *Everyone has a good quality, sustainable home that meets their needs*.

The development of Passivhaus Pilots would contribute to the Southend 2050 Pride & Joy outcome of *We act as a sustainable and green city embracing the challenges of the Climate Emergency Declaration made in 2019*.

The Council has very clearly articulated commitments in the Corporate Plan for a city that is strong and prosperous, a city with a good quality of life, a city rising to the climate change challenge and a city delivering genuinely affordable housing - the proposals in this report contribute to all these priorities.

## **6.2 Financial Implications**

Finance colleagues have formed part of the housing pipeline team and regular consultation with the finance team will be required as the projects progress.

The proposed capital budget for the Acquisition Programme is funded by a combination of retained RTB receipts (40%) and HRA Capital Reserves (60%).

The development of the two sites Passivhaus pilot projects will utilise £1.068m of Section 106 (S106) funds and Right to Buy (RTB) receipts.

The Council will ensure that best consideration is secured for any land sales as required by section 123 Local Government Act 1972.

## **6.3 Legal Implications**

The Council's Legal team will be engaged on all sites as they progress including on the necessary checks as part of site investigation works. For the Acquisitions Programme, it is anticipated that legal searches and conveyancing services will be continue to be required throughout the programme.

Work is underway with Essex County Council in relation to the covenants on the Cattery land.

## **6.4 People Implications**

No staffing implications are currently anticipated although there may be resource requirements as the sites proceed into development delivery which will need to be considered at the relevant time, such resource implications would be capitalised to the relevant projects.

## **6.5 Property Implications**

The acquisition of additional council housing units within the HRA provides housing required for households on the council's Homeseeker's Register. Rents would need to be set at a level which is locally affordable and in line with statutory guidance. Any properties purchased will be brought up to at least decent homes standards prior to being let. Any properties purchased will be used for the provision of locally affordable secure tenancies within the HRA. Proposed properties purchased utilising the Local Authority Housing Fund would be let in accordance with the funding guidelines outlined by the DLUHC and would be utilised for the resettlement of Ukrainian and Afghan households.

The main purpose of the pipeline work is to review and develop a strategic approach for the council's forthcoming or latent development opportunities and this

will of course generate many strategic and details property implications as the work progresses.

## **6.6 Consultation**

Necessary consultation with commercial property and assets, strategic planning & finance colleagues has been undertaken throughout the housing pipeline's site evaluation process to jointly assess and prioritise opportunities to ensure a robust, corporate approach.

Local resident and ward member consultation will be ongoing throughout all the development opportunities of the housing pipeline.

## **6.7 Equalities and Diversity Implications**

Equalities and Diversity implications are a consideration of all decisions made in the housing pipeline and full equality analysis documents will be worked up for each individual project where necessary and the accessibility requirements will be thoroughly considered as part of the planning process. There are no service implications which would give rise to the need for a specific equalities impact assessment at this time.

## **6.8 Risk Assessment**

Assessment of risk has been a consideration throughout the site evaluation process of the housing pipeline and risk register and issue logs will be used as part of the management of all schemes detailed.

## **6.9 Value for Money**

Value for money assessments have been undertaken by the pipeline team of representatives from the council's commercial property and asset management team, housing and finance teams on site-by-site basis. Financial due diligence will be carried on sites proposed for sale and reserves set appropriately for sites sold via auction to ensure value for money and equal opportunity for people to access the opportunities in an open market.

Value for money assessments are carried out on all acquisitions in the programme and any acquired properties will be incorporated into the council's HRA and valued on a rolling basis with the rest of the housing stock.

## **6.10 Community Safety Implications**

Future pipeline developments will meet with Secured by Design standards where necessary, and it is anticipated that the development of the underutilised garage site proposed for Bradford Bury may benefit from reductions in antisocial behaviour.

## **6.11 Environmental Impact**

The development of future council homes to both the Future Homes+ and Passivhaus standards will reduce the environmental impact of the proposed housing developments as well as the need to retrofit these properties in the foreseeable future. Any loss of trees due will be kept to a minimum and will be mitigated with a replacement policy in excess of any potential loss.

## **7. Background Papers**

Cabinet report, Future Phases of Affordable Housing Development Programme, 17th January 2019

Cabinet report, *Housing Update*, 25<sup>th</sup> June 2019

Cabinet report, *Housing and Development Pipeline Update*, 5th November 2019

Cabinet report, *Housing and Development Pipeline Update*, 16th January 2020

Cabinet report, *Housing and Development Pipeline Update*, 25th February 2020

## **8. Appendices**

N/A