

Report to:	Cabinet	6 February 2023
Lead Cabinet Member:	Councillor John Batchelor, Lead Cabinet Member for Housing	
Lead Officer:	Peter Campbell, Head of Housing	

New Build Council Housing Strategy 2020-25 Update

Executive Summary

1. Since the New Build Council Housing Strategy was published in July 2020, SCDC have successfully met their target to double the number of new homes they deliver.
2. Furthermore, the economic landscape has changed considerably during the period since publication: the successive crises of Covid-19, the War in Ukraine, and rising inflation have had a considerable impact on the cost of development.
3. This paper proposes a mid-term update of the New Build Council Housing Strategy 2020-25 which acknowledges the achievement of the previous target, and sets targets for the next two years in light of changed economic circumstances.

Key Decision

4. No

Recommendations

5. It is recommended that Cabinet approves the updates to the New Build Council Housing Strategy 2020-25, including
 - i) Setting the target annual completions for 2023-24 and 2024-25 at 75 homes per year; and
 - ii) Increasing the modelling period for payback from 35 to 45 years

Reasons for Recommendations

6. SCDC successfully met their published target of doubling the number of new homes they deliver from 35 to 70 in 2021-22, a year ahead of target. They have also exceeded the published target (74) for 2022-23. In recognition of this, it is appropriate to reset targets for the remaining 2 years of the current strategy.
7. It is recommended that the target is set at 75 new homes per year in recognition of the increased costs of delivery associated with macro-economic factors and increased building performance.
8. It is recommended that the modelling period for payback is increased from 35 to 45 years. This is to provide greater flexibility in viability modelling in light of increased costs associated with macro-economic factors and increased building performance.

Details

9. The New Build Council Housing Strategy 2020-2025 was published in July 2020, and was largely based on a pre-pandemic, pre-War in Ukraine, pre-recession economic outlook.
10. While based on a considerably different economic picture, our existing strategy has been sufficiently robust to absorb the economic fallout of the above situations; namely rising costs associated with both material production and availability, inflation, shortage of skilled workforce, and costs associated with changes in policy (Building Regulations Part L).
11. This paper proposes minor revisions to that New Build Strategy 2020-25 as opposed to a wholesale review, which it is proposed should remain scheduled for 2025, by which point we expect the economic outlook to have stabilised.
12. The changes listed below give the paragraph reference in the Strategy as amended:
 - a) Paragraph 2.4 updated to include reference to Building Regulations Part L published June 2022;
 - b) Paragraph 3.3 added to acknowledge previous target achieved, table included which shows completions, Right to Buy losses, and net increase;
 - c) Paragraph 3.4 updated to present current challenges: cost inflation; rent cap; increased costs associated with delivering higher energy performance (Part L);
 - d) Paragraph 3.12 added to provide details of Building Regulations Part L (June 2022) namely 31% reduction in carbon emissions for new build homes;
 - e) Paragraph 3.14 updated to include a change to the proposed payback modelling period for viability purposes, increasing period from 35 to 45 years to reflect economic outlook, higher build quality, and to bring Council in line with competing providers in s106 tenders. Reference to specific appraisal software removed as this is inappropriate without competitive tender process;
 - f) Paragraph 4.2 updated to reflect current borrowing position;
 - g) Paragraph 4.3 updated to set a renewed target for financial years 2023-24 and 2024-25. Removed commentary on greening existing stock as this is out of scope of new build strategy and is addressed in other strategies (Asset Management Strategy 2022). Table updated to reflect actual and projected spending to 2024-24;
 - h) Paragraph 4.4 updated: Cambridgeshire and Peterborough Combined Authority no longer have funding available for this work;
 - i) Paragraph 4.5 added to outline current economic landscape – post-pandemic, War in Ukraine, inflation and cost of living crises – and their impacts on this Strategy;
 - j) Paragraph 5.1 updated to reflect current SCDC Housing Asset figures;
 - k) Paragraph 5.2 updated to reflect Asset Management Strategy is now adopted;
 - l) Paragraph 5.4 updated to removed Right to Buy commentary from this section. Risk of Right to Buy and mitigation is moved to 9.2 Risk Management;

- m) Paragraph 6.1 updated to reflect changes to the New Build Team;
- n) Paragraph 6.3 updated to reflect Investment Partnerships position: these partnerships are no longer in their “early stages”. Commentary removed re: SCDC not being selected as the Registered Provider on IP schemes – this would be a commercial decision and not a matter for this Strategy;
- o) Paragraph 6.4 updated to clarify that Ermine Street Housing is out of scope of this Strategy;
- p) Paragraph 7.1 updated to reflect proposed changes re: financial modelling period;
- q) Paragraph 9.2 added to address how SCDC will mitigate the risk associated with the Right to Buy

Options

1. Members could approve all of the suggested amendments to the New Build Council Housing Strategy 2020-25 (2023 Amended) including
 - i) Setting the target for delivery in 2023-24 and 2024-25 at 75 per year; and
 - ii) Increasing the payback modelling period from 35 to 45 years; or
2. Members could approve some of the changes, and reject others, providing details; and/or
3. Members could set a different delivery target; or
4. Members could reject all suggested amendments.

Implications

13. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

Financial

14. Full financial appraisals are undertaken on all new build acquisitions and developments. While this report proposes extending the modelling period from 35 to 45 years this is to allow for flexibility. When negotiating an acquisition the Service Manager – Acquisitions and Development will always seek to reduce the payback period as far as possible while remaining competitive. All acquisitions need to “payback” in order to be deemed financially viable. All developments and acquisitions are signed-off by the Lead Accountant for Housing to confirm financial viability before presentation to members for decision.

Climate Change

15. The introduction of the Building Regulations Part L (June 2022) has had the effect of reducing new build carbon emissions by 31% per property.

Alignment with Council Priority Areas

Housing that is truly affordable for everyone to live in

16. This paper proposes continuing SCDC's commitment to delivering high-quality new affordable homes for rent and shared ownership. The targets set represent an increase on the initial target set in 2020 (now achieved), while exercising some caution to allow for current economic challenges and focussing on further improvements in build quality and energy performance.

Being green to our core

17. The paper proposes that wherever possible/financially viable SCDC will seek to deliver new build homes that exceed planning policies for carbon reduction/energy generation.

Background Papers

"Refreshed New Build Council Housing Strategy 2020 – 2025", Council, 14 July 2020
[New Build Housing Strategy.pdf](#)

Appendices

Appendix A: New Build Council Housing Strategy 2020- 2025 (Amended 2023)

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