

## Rother District Council

**Report to:** Cabinet

**Date:** 17 July 2023

**Title:** Council Led Development Old Lydd Road - Delivery Route

**Report of:** Joe Powell, Head of Housing and Regeneration

**Cabinet Member:** Councillor McCourt

**Ward(s):** Eastern Rother

**Purpose of Report:** To facilitate the development of 100% affordable housing at Old Lydd Road Council Led Development Site through a development partner via disposal.

**Decision Type:** Non-Key

### Officer

**Recommendation(s):** It be **RESOLVED**: That the:

- 1) Director – Place and Climate Change be granted delegated authority to dispose of land at Old Lydd Road, Camber (as outlined at Appendix A) with a preference for 100% affordable homes on the site subject to planning, recovering the costs incurred in preparing the site, on terms to be agreed with the chosen purchaser, in consultation with the Cabinet Portfolio Holder for Housing and Section 151 officer; and
- 2) Director – Place and Climate Change, in consultation with the Section 151 officer be granted delegated authority to proceed with a procurement process to appoint a development partner to purchase the site with conditions.

### Reasons for

**Recommendations:** To enable the delivery of new affordable homes in Camber.

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### Introduction

1. The site is a small car park to the north side of Old Lydd Road. The site is sometimes known as the former putting green on Old Lydd Road.
2. The land has been allocated for housing since its designation in the Camber Village SPD in 2016. The site allocation is also included in the Design and Site Allocations Local Plan (DASA) 2019, stating that: *“it is proposed the redevelopment of this site should be wholly residential ... some 10 dwellings are provided, of which 40% are affordable”*.
3. In 2022, officers at Rother District Council (RDC) completed a successful bid for Brown Field Land Release Fund (BLRF) Round 2 alongside our One Public Estate (OPE) partner SPACES (Strategic Property Asset Collaboration in East Sussex). This bid was for £185,000 to help bring forward housing on the

complicated and unique site just behind Camber Sands, Sites of Special Scientific Interest (SSSI) and RAMSAR Beach.

4. In February 2023 (Minute CB22/68 refers), Old Lydd Road Council Led Development was taken to Cabinet with a recommendation to Council that was subsequently approved, that:  
*“The Old Lydd Road, Council Led Housing Development be included in the Council’s Capital Programme with a budget provided partially from Brownfield Land Release Fund Round 2 subject to planning permission being granted.”*
5. At Planning Committee on the 16 March 2023, the amended planning submission for the site [RR/2021/2947/P](#) was approved subject to a Section 106 Agreement.
6. Camber is a nationally known holiday destination and like much of the south coast and district of Rother, suffers from an under supply of housing caused, in part, by a high proportion of holiday lets and second homes. In Camber, the issue of housing supply is acute; currently 67% of the habitable dwellings in Camber are holiday homes, second homes or empty homes. This causes strain on the already difficult housing market in the area, pricing out locals who want to buy and renters who want to stay in the area.
7. RDC therefore proposes that the homes at Old Lydd Road be safeguarded from these market forces. Following discussions at both Cabinet and Planning Committee, officers have confirmed the best way to guarantee this is by securing the delivery of these units as wholly affordable housing.

### **Delivery Route Analysis**

8. Since approval was granted by Cabinet and Council to proceed officers have worked to explore all potential delivery routes. This has included exploration into Modern Methods of Construction Development utilising off-site modular building systems.
9. Officers have conducted a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis on various options for developing the site within the timeframes required by the BFLRF that was awarded in 2022. The SWOT analysis summary can be found at Appendix B. The option to sell the site, with the conditions detailed in the recommendation of the report, is considered the most advantageous for the Council to maximise affordable housing and meet the timeframes of the BFLRF.
10. The other options considered were a joint venture model, direct council delivery and to leave the site as it is for use as a car park. A development appraisal has been conducted to explore the viability of the Council directly delivering the site. The site is small scale and there will be the need to buy-in external consultants to deliver the scheme within the BFLRF timeframes, making it unviable financially. The joint venture option considered was also considered too high risk. Members should also note that the Rother DC Housing Company is engaged in the Blackfriars scheme and cannot accommodate the timeframes of the BFLRF and so was discounted from the SWOT analysis.

## Disposal

11. It is proposed that the housing land at this site will be sold through an open and transparent tendered disposal. The land must still be sold in a manner that demonstrates good value. Due to RDC's preference for 100% affordable housing to be delivered on the site, its disposal is considered a public sector works contract and subject to the Public Contract Regulations 2015 and the Council's Procurement Procedure Rules.
12. RDC has approved capital borrowing (Minute CB22/68 refers) to facilitate the remediation and delivery of the site for housing which is to be reimbursed by eventual capital receipt that arises from the recommended route of land disposal.
13. The site's present value is based on its existing use as a car park. The site is currently being re-valued as a development site. The final development value will be based on specialist advice and a procurement process undertaken with our procurement partner, the East Sussex Procurement Hub. It is expected that the minimum price for the disposal of the site should not be less than the costs incurred by the Council in making this scheme 'build-ready', while considering the BFLRF grant allocation of £185,000. In addition, the revised development valuation will consider the planning permission secured, as well as the preference that a 100% affordable housing is delivered.
14. An expression of interest (EOI) has been circulated to local developers and registered providers to establish the appetite to purchase the land with the conditions described. The responses to this confirmed that whilst there are challenges within the current market, due to increases in the cost of borrowing, there is still a market appetite for the site. The EOI has enabled officers to get a better understanding of the market and refine the process for disposal, and the conditions attached, to get the best value possible for the land.
15. In the financial year 2022/2023, the car park generated circa £40k of income, net of maintenance and management costs. However, it should be noted that 50% of the income at Old Lydd Rd is generated in the off-season, meaning alternative car parking spaces are readily available elsewhere in Camber. Therefore, this income (£20k) will simply transfer to these sites in the off-season. There is a risk car park income will be lost during the peak season, from the removal of the car park at Old Lydd Road. In order to offset this loss, the Neighbourhood Services team has increased the capacity of Western Car Park by 110 spaces (at a cost of £30k), partly to compensate for the loss of the 80 spaces at Old Lydd Rd.

## Conclusion

16. The land has been allocated for housing in the Design and Site Allocations Local Plan (DASA) 2019. RDC plays an essential role in the delivery of affordable housing, and it is a key strategic objective of the Council to deliver more homes for the district as well as deliver more affordable tenure homes on council-held land. The approval of the recommendations will allow for Old Lydd Road to be delivered with 100% affordable housing to meet an acute housing need in the Eastern Rother Ward and specifically in Camber with the issue of holidays lets and second homes. The risk of loss of car park revenue has been minimised through the extension of Camber Western Car Park.

17. The Senior Leadership team will undertake a final review of the approach to the disposal of the land once the expressions of interest received have been considered. Given the complexities of the Tendered Disposal and following sale, it is also recommended that authority be delegated to the Director – Place and Climate Change to agree the terms of the sale between the Council and chosen purchaser in terms agreeable to them in consultation with the Cabinet Portfolio Holder for Housing and the Section 151 officer.

## **Risk**

18. There is a risk that the Council is unable to sell the land while achieving the development valuation and with the condition that it recoups the funds it has invested to date. The funds invested to date have provided the present design, planning permission and minor remediation works. In the event the risk is realised, it is possible that the site will be kept as a car park and the viability for development revisited once market conditions have improved. In addition, no further funds will be invested into the site unless a route to disposal that reimburses the investment to date is identified, in consultation with the Section 151 officer.
19. In addition, if the market were to take further downturn the purchaser may be unable to meet the conditions of sale (to deliver the housing). All development risk will fall on the purchaser, so the Council will not be financially affected.
20. There is a risk that the Council will be forced to hand back its BLRF award if it is not able to find a route to delivery detailed within the report recommendation. To mitigate the risk, no BLRF will be spent until a route to disposal that reimburses the investment is identified, in consultation with the Section 151 officer.

## **Financial Implications**

21. The loss of some car parking income from Old Lydd Rd Car Park, and the measures that have been taken to minimise and off-set these losses, are described within the report.
22. The Council will receive a Capital receipt for the sale of this land that can be invested into the Capital Programme or offset against future Public Works Loan Board borrowing.
23. The Council has a requirement to enable and deliver more affordable housing across the district. RDC has an ever-increasing bill for Temporary Accommodation that could have wide reaching financial implications for the Council. Any steps that can be taken as a Council to reduce this bill, such as conditions on a disposal of its own land of 100% affordable housing, will mitigate the risk of this financial impact.
24. Old Lydd Road car park was valued as an asset for its current use in March 2022 by independent valuation consultants. This valuation was based on current use income. A development valuation is currently underway and will be considered prior to any tendered disposal to confirm the Council is getting value for money with the disposal of the site. Any final disposal figure will consider the social value of increased affordable housing and the impact that will have on the residents of Camber and the Eastern Rother Ward.

## Legal Implications

25. Once a procurement route is completed and a vendee is chosen for the acquisition a legal process will be completed for the disposal of the land.

## Sustainability Implications

26. The current planning application is set to deliver a sustainable scheme, this is assisted by the Brown Field Land Release Funding which will pay for sustainable drainage systems to be implemented on the site.
27. This project will help to demonstrate RDC's commitment to our Environmental Strategy and Core Plan in every piece of work we do. Showing that any contract should be upheld to high environmental ambition and aim to be a carbon neutral district.
28. Each vendee will have to submit sustainability approach as part of Rother's in draft updated Procurement Procedures when they are implemented.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

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Appendices:	A	Existing Site Plan and Title Documents	
	B	SWOT Analysis Summary Table	
Relevant Previous Minutes:	CB22/68 CB18/73		
Background Papers:	cb190211 - 7.6 - development of council owned sites cb230206 - 10 - Old Lydd Road Council Led Housing Development		
Reference Documents:	List any published documents you want to reference.		

**EXISTING SITE PLAN AND TITLE DOCUMENTS**

Figure 2 – Existing Site Plan (from planning application RR/2021/2947/P)

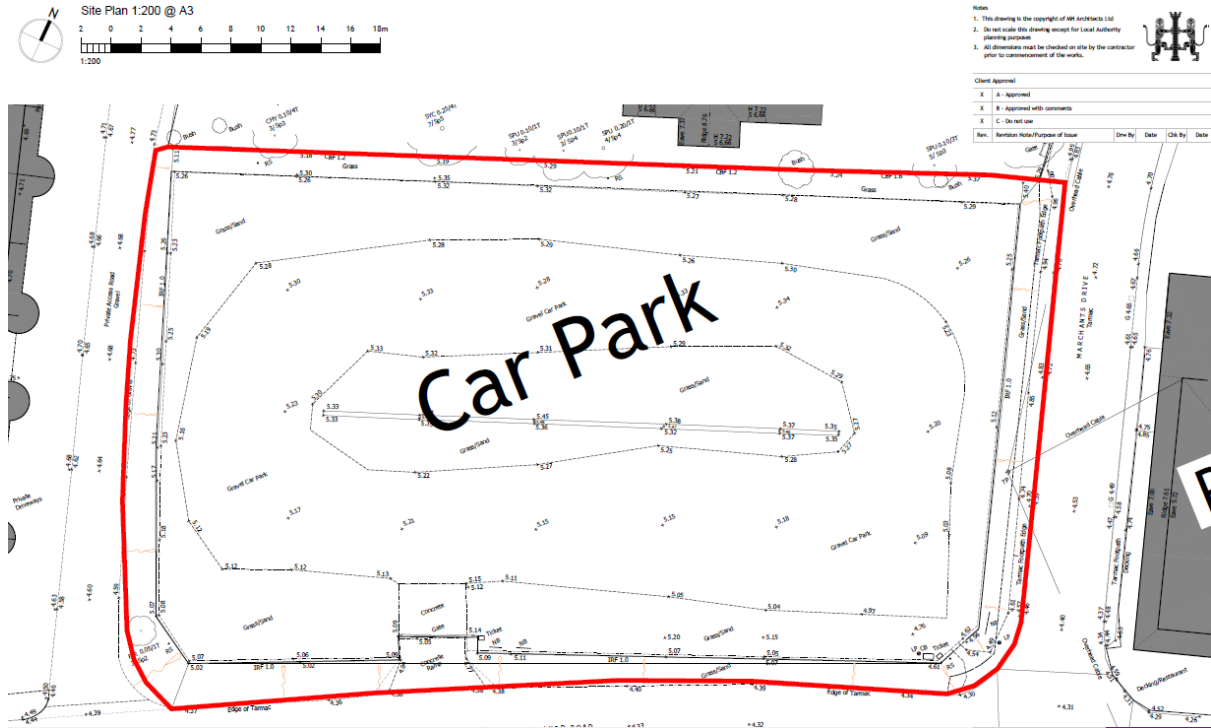


Figure 3 – Land Registry Titles Table

Title	ESX277955	ESX275074
	Freehold: Rother District Council	Freehold: Rother District Council
Date	Registered: 21 <sup>st</sup> July 2004	Registered: 19 <sup>th</sup> March 2004
Plan	<p>ESX277955 EAST SUSSEX: ROTHER</p>	<p>ESX275074 EAST SUSSEX: ROTHER</p>

**OLD LYDD ROAD – DELIVERY ROUTE SWOT ANALYSIS SUMMARY**

ROUTE	DETAIL	RAG	REASON	FINANCE
Do Nothing	Leave as Carpark, receive ongoing rental revenue income.	AMBER	No new homes. Have to give back BLRF £185,000. Future costs of bringing the site forward for development is unlikely to vary further than grant funding available in the short/medium term.	Circa £100k Already invested in preparing the site. Carpark revenue income sustained, no impact on Land Value. Return £185,000 BLRF funding
Joint Venture	Joint Venture to deliver affordable rented homes, utilising 40 year rents and selling the equity. 100% affordable rented homes.	RED	Creation of Joint Venture too onerous for 10 Homes, financial risk too high in the current market.	Circa £100k spent, no impact on land value. Cost of setting up JV unknown. Financial Risk sat with the JV.
Direct Delivery MMC	MMC Company direct delivery with Sale to RP once completed 100% Affordable homes.	AMBER	Complicated to fit existing project into MMC template. Costs too onerous for development value of scheme, financial risk considered too high.	Potential £3.9m build cost does not stack up with potential £2.5-£3million value of development.
Direct Delivery Traditional Build and RDC property management	Direct Delivery, RDC utilising local developer/contractors for construction of 100% affordable homes with RDC management of property	AMBER	Development viability currently not stacking up due to current development financial landscape, high financial risk. Difficult to manage long term in location but land stays within ownership.	Potential £3.5m building cost does not stack up with potential £2.5 - £3m value for development, financial risk of circa £3.6m.
Development Sale - RDC broker	Sale as development land utilising officer connections, RDC to broker	GREEN	Lower current financial risk. Delivery of homes to come forward sooner with 100% affordable, utilising successful delivery partners within the district to counteract loss of land.	Current and forecasted spend of circa £120k to be recovered, potential adjustment of current use value to a lower value. (Awaiting Development Appraisal) Financial risk of current committed spend circa £120k plus land value.

ROUTE	DETAIL	RAG	REASON	FINANCE
Development Sale - Agent	Sale as development land through external agent	AMBER	Land delivered for housing. Additional cost to sale-agent as opposed to doing in-house. Loss of control over disposal.	Current and forecasted spend of £120,000 to be re-imbursed, with additional agent fees of circa £70,000. Financial risk at Circa £190k plus land value.
Packaged Sale	Sale as development land alongside King Offa Development (50 units)	RED	(more detailed analysis required) Potential for Old Lydd Road to inhibit King Offa meeting its full potential. Delivery route for King Offa unconfirmed.	(more detailed analysis required) Current spend of both schemes to be taken into account, financial risk at circa £1.7m plus land value to include King Offa Spend

The above is a summary of the SWOT analysis a copy with full details can be provided upon request.