

Subject:	New Homes For Neighbourhoods – Rotherfield Crescent – Scheme Approval	
Date of Meeting:	15 November 2017 30 November 2017 - Policy, Resources & Growth Committee	
Report of:	Executive Director Economy, Environment & Culture	
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Ward(s) affected:	Patcham	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 Building new homes on council land is a council priority and essential if City Plan housing targets are to be met and the city's housing crisis tackled. The council's New Homes for Neighbourhoods (NHFN) programme addresses this undersupply by identifying suitable vacant land and infill sites to develop new homes across the city. To date, 34 council homes for affordable rent have been completed under the New Homes for Neighbourhoods programme, 131 are on site and will be completed in this financial year, another 12 have planning permission and over 100 more are in the pipeline.
- 1.2 The Royal Institute of British Architects (RIBA) Design Competition held in 2015/16 was one of a number of innovative pilot projects identified in the Small Site Strategy (agreed by Housing Committee, March 2014) to deliver housing units on the smaller sites within the NHFN programme. The Rotherfield Crescent scheme on the former garages site is one of four winning designs which have been taken forward for further design development work. This report focuses on the development proposals for the site at Rotherfield Crescent put forward by the successful architects, Innes Associates, which the Estate Regeneration team wishes to progress through to planning and construction stage.

2. RECOMMENDATIONS:

Housing & New Homes Committee

- 2.1 That the Housing and New Homes Committee approve:
 - i. The proposed scheme of four new council homes at Rotherfield Crescent, Brighton under the New Homes for Neighbourhoods programme;

- ii. The procurement of a development partner and professional services for the delivery of the project and give delegated authority to the Executive Director, Environment, Economy and Culture in consultation with the Executive Director, Finance and Resources to award the contract following completion of the procurement process;
 - iii. The scheme rent levels are set in line with the proposed New Homes Rent Policy;
- 2.2 That the Housing and New Homes Committee recommend to Policy, Resources & Growth Committee to:
- iv. Appropriate the Rotherfield Crescent former garages site for planning purposes and delegate authority to the Executive Director of Environment, Economy and Culture to appropriate for housing once the development is complete.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 At its meeting on 15 June 2016, Housing & New Homes Committee agreed that the Estate Regeneration team, in conjunction with the winning architects, Innes Associates, undertake further site investigation and surveys prior to undertaking more detailed design work on the scheme. A Geotechnical survey and Ecology survey of the site were commissioned in September 2016. The results of these surveys have been used to inform the detailed design of the scheme and to achieve greater cost certainty.

The site

- 3.2 The site is located on Housing Revenue Account (HRA) land at the centre of a ring of houses on the Hollingbury Estate and comprises an area of approximately 1,175 sq m (see Appendix 1). It slopes significantly from the highest point in the south-eastern corner to the lowest in the north-western, a difference of approximately 3.5 m. The elevated position and separation of properties provides attractive views over the A27 towards Saddlescomb and the wider landscape of the South Downs National Park. Access to the site is along a 40 m track currently surfaced with a loose topping from an existing junction with Rotherfield Crescent between nos. 59 and 61 Rotherfield Crescent.
- 3.3 There are 10 garages on the site which are owned by the council, the majority of which are in a dilapidated state and are unused. The site also provides access to nine privately-owned garages at the rear of some of the surrounding properties. Consultation with garage owners has revealed that these are principally used for general storage purposes rather than for cars. Due to its unkempt appearance and hidden away location, the site has attracted anti-social behaviour such as fly tipping in the past.

Proposed new homes and construction

- 3.4 As the Lead Consultant, Innes Associates will procure the main building contractor on behalf of the council and in adherence to the council's Contract Standing Orders.

- 3.5 The proposed development is for the demolition of the existing council-owned garages and construction of four family houses, of which three are 3-bedroom and one is 2-bedroom (see Appendix 2). The houses are arranged so that they face onto a central, communal garden space which is enclosed with a low brick wall. A new communal pergola and store to the west of the communal garden will provide a covered area sufficient to seat all residents, a barbeque with sink and secured storage for cycles and gardening equipment. The concept behind the shared space and facilities is to create a child-friendly “home zone” where people can grow plants and vegetables, socialise with each other and children can play safely.
- 3.6 The existing access road will be completely renewed using a low maintenance, resin bound gravel and will be lit by solar-powered lighting. The scheme’s landscape has been designed with low maintenance in mind, since it is anticipated that residents will look after the communal garden themselves using tools/ equipment from the garden store. Small private pocket gardens and terraces have also been provided for each of the houses, to provide private amenity spaces for residents to enjoy.
- 3.7 Each house is a two-storey structure which has been designed to create a balance of attractive living spaces which combine privacy with communal living. Key influences in the design strategy are as follows:
- Dual aspect living;
 - Dining space with views over the central communal garden;
 - Direct access from kitchen to the private garden terrace;
 - Porch to front door with coat and/ or boot storage to make it easy to go in and out while gardening; and
 - Roof light to the kitchen spaces provides excellent levels of daylight while keeping the walls free for storage and equipment.
- 3.8 All homes meet the Nationally Described Space Standard as specified in the council’s Affordable Housing Brief. All would also achieve the Building Regulations standard for ‘accessible and adaptable’ housing (Part M4(2)) which replaced Lifetime Homes Standard. The development is intended to be highly sustainable and comply fully with relevant BHCC planning policies. Simple engineering strategies have been deployed to reduce the demands on non-renewable energy sources and on the main drainage systems. Strategies include:
- building fabric insulation increased to level above Building Regulations to reduce heat loss, photovoltaic panels provided to roof of each unit to achieve renewables contribution to the equivalent of Level 4 of Code for Sustainable Homes;
 - use of soakaways for stormwater drainage (both roof and landscape run-off).

Schedule of accommodation:

- 3.9 4 new houses comprising:
- 3 x 3 bedroom houses (for 4/ 5 persons) – Gross Internal Area (approx. 90 sq m)

1 x 2 bedroom house (for 3 persons) – Gross Internal Area (approx. 70 sq m)

The Gross Internal Area (GIA) being achieved for the 3 bedroom units is approximately 90 sq m and 70 sq m for the 2 bedroom unit.

Meeting housing need

- 3.10 The scheme will provide 100% affordable/ sub-market rented homes for people on the council's housing register. The proposal meets the strategic objectives within the council's Housing Strategy 2015 and Affordable Housing Brief. The mix of residential units (see para 3.8) addresses the need for family accommodation in the city.

Financial modelling

- 3.11 Financial modelling of the latest design has been undertaken and the rent levels should be decided by Members in line with the New Homes Rent Policy report which is also being considered at November's Housing & New Homes committee.
- 3.12 The size and mix of the houses at Rotherfield Crescent, Brighton is based on the council's Affordable Housing Brief. The modelling includes an allowance for achieving equivalent of Code for Sustainable Homes Level 4 for energy and water, site abnormalities, infrastructure and external works.
- 3.13 The development costs modelled have been estimated by Innes Associates Quantity Surveyor and are still subject to planning approval, therefore costs and funding are indicative at this stage. Any significant variations to the proposed capital scheme and funding will be reported back to Policy, Resources & Growth Committee in accordance with council's standard financial procedures.
- 3.14 The following table provides a summary of the viability modelling results for each of the rent options considered for Rotherfield Crescent. This demonstrates that the greatest return is provided by the LHA rents whilst a significant subsidy would be required if social rents were to be considered. Living Wage rents would result in a small surplus and would be sensitive to any changes in the cost of development, as detailed in the financial implications.

Rent option	LHA	Living Wage	Social
2 Bed weekly rent	£192.48	£167.34	£88.23
3 Bed weekly rent	£230.28	£195.23	£99.74
Net Present Value (NPV) of cash flows Subsidy / (Surplus)	(£0.199m)	(£0.016m)	£0.496m
Pay back period	37.8 years	57.0 years	Beyond 60 years

Note: actual rent figures would be set according to the rates or valuation prevailing close to letting of the homes concerned.

Appropriation

- 3.15 Land appropriation in this context means transferring the use of land from one purpose to another. Under S122 of the Local Government Act 1972, the council has the power to appropriate land for planning purposes. Under Section 203 of the Housing and Planning Act 2016 where land is held for planning purposes and work is done in accordance with planning permission, third party rights are overridden. The benefit of appropriating this site for planning purposes is to protect the council from the risk of the development process being stopped once it has started. The rights of third parties whose private interests may be affected by development are protected to the extent that they have a right to compensation against the local authority.
- 3.16 The appropriation for planning will take place immediately if the recommendation at 2.2 iv is approved.
- 3.17 Once the site has been developed, the council will need to appropriate the site for housing and it therefore proposed that authority is granted to the Executive Director Economy, Environment & Culture. That second appropriation will take place when the Executive Director Economy, Environment & Culture executes an "Appropriation Memo". The site will then be held in the HRA and will be available for housing use.

Procurement

- 3.18 The original procurement strategy for these sites aimed to appoint a single development partner to take them forward. However, extensive soft-market testing, in early 2013, revealed a lack of interest amongst potential partners (including Registered Providers, developers and large construction firms) in some of the smaller sites that often had specific issues and site constraints to overcome.
- 3.19 Informal discussions with smaller builders and architect practices, revealed an interest amongst these companies in working with the council to deliver housing on these smaller sites. The RIBA Design Competition was felt to offer the best opportunity for the engagement of these smaller practices in bringing forward these sites for development. The conclusion of the RIBA Competition in June 2016, led directly to the selection of two winning architectural practices to take forward their design proposals for four sites, including Rotherfield Crescent.
- 3.20 Now that the detailed design for the Rotherfield Crescent site is nearing completion, procurement options are being reviewed for the delivery of the homes. One option is for the winning architects (Innes Associates) to lead on the procurement of the main building contractor on behalf of the council and in adherence to the council's Contract Standing Orders. Prior to this, an independent Cost Consultant/ Clerk of Works would be appointed to oversee all stages of the project's delivery. A significant part of their role will be to scrutinise the scheme costs both at the design and construction stages in order to identify cost savings and ensure value for money is achieved, whilst still meeting the council's required standards.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 A 'do nothing' option would leave the land underutilised with potential for fly-tipping and anti-social behaviour etc. The existing garages, which are already in a state of disrepair, would become even more dilapidated and structurally dangerous. Doing nothing would also reduce the council's ability to meet its strategic objectives, specifically the council's commitment to meet increased housing need in the City. The development of this garage site by Innes Associates for four new houses therefore represents the most efficient use of the existing land.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 A wide range of communication and consultation has taken place with residents and other stakeholders for sites included in the New Homes for Neighbourhoods programme including:

- Briefings and updates for ward councillors
- Presentations and Q&A at local resident association meetings

In addition, information has been made available on the New Homes for Neighbourhoods page of the council's website and in the council tenants' and leaseholders' newsletter Homing In.

- 5.2 Local ward councillors for the four sites included in the Design Competition, were informed of these potential sites for housing before the Competition was launched. Since then, they have received regular briefings updating them on progress in relation to the different stages of the project. The five shortlisted design proposals for each site which made it through the technical assessment were displayed at four public exhibitions held in venues close to the sites. Local residents were asked to score and comment on the design proposals either at the public exhibitions or online through the council's consultation portal. The results of this consultation were analysed by officers and RIBA Competitions and formed a percentage of the overall marks. These scores, together with those of the expert Panel, were used to select the winning designs for each of the sites.
- 5.3 Since then, the winning architects (Innes Associates) for the Rotherfield Crescent site have been working on a more detailed design in preparation for the submission of a planning application in early 2018. As part of the pre-planning application process, the proposal was submitted for formal pre-application advice from the Local Planning Authority (LPA). Feedback from the LPA was broadly positive on the detailed design of the scheme. In addition to this consultation, the council's Project Manager and architects decided to consult all of the neighbours whose garages are adjacent to the boundary of the site, in order to establish their views on the latest emerging designs. In total, seven visits to garage owners were undertaken in their own homes. The results of this consultation are summarised below:

Positive comments from garage owners

- Liked the design and felt it responded well to its context;

- Felt that the landscape proposals were creative and would vastly improve their outlook;
- The choice of materials (i.e. brick, wood, resin bound gravel etc.) were sympathetic to the environment;
- Liked the sustainability measures that had been integrated within the design i.e. brown roofs, photovoltaic panels, water butts etc.
- Surveillance would be enhanced by bringing development into an area which was run down and overgrown;
- Tidying up of the area would reduce the likelihood of rodents which are currently a problem in the locality;
- Proposed development would deter anti-social behaviour i.e. fly-tipping, young people gathering behind garages to drink, take drugs etc.
- Access to their garages would be improved by the proposal; and
- Good choice of low maintenance materials for the access road and turning area.

Negative comments from garage owners

- The proposal would partially obscure views of the South Downs and city;
- Greater potential for noise generated by new neighbours i.e. from children playing outside etc.
- Development would exacerbate parking problems in the area; and
- Concerned that there may be potential for some overlooking into their gardens.

Suggestions for improvements to the scheme

- Remove the grass strips integrated within the design of the access road i.e. which would become overgrown over time.
- Introduce some demarcation of the access road which would indicate pedestrians have priority;
- Introduce more lighting around existing garages to improve security;
- Consider replacing the existing fencing on one side of the access road with a brick wall to mitigate against strong winds (access road is a bit of a wind tunnel); and
- Replace the proposed trees with shrubs or dwarf varieties to reduce the impact on key views of the South Downs and the city.

5.4 The results of this consultation with garage owners are currently being used to inform some small amendments to the design of the scheme. Once this exercise has been completed, the architects (Innes Associates) will be holding a Public Exhibition prior to Christmas to consult on the latest design with all residents in the locality. Feedback from the Exhibition will enable them to make any final adjustments to the scheme ahead of the submission of a planning application anticipated in early 2018.

6. CONCLUSION

6.1 If approved, this proposal will deliver four family homes (3 x 3 bed and 1 x 2 bed) for the council to let within affordable rent levels to applicants from the

Homemove register. This fits with the council's Housing Strategy 2015 objectives to increase housing supply and prioritise support for new housing development that delivers a housing mix the city needs, with a particular emphasis on family and affordable rented housing. This scheme will also help to achieve the council's aim to deliver at least 500 new homes on council land under the New Homes for Neighbourhoods programme.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The financial viability modelling sets out to show whether a given scheme can pay for the initial investment itself by using the new rental stream only (net of service charges, management, maintenance, and major repairs and voids costs) over a 60 year period. It also assumes that 30% of the investment costs are met from retained Right to Buy (RTB) Receipts. Assessing the project viability over a 60 year period not only matches the life of the asset but also reduces the need to use existing tenant's rents to support the project.
- 7.2 The total estimated costs for this scheme are detailed in the Appendix 3 Part 2 – cost report; this includes all construction works, allowances for contingency, inflation and professional fees. In accordance with the RTB pooling policy signed in 2012, 30% of the cost of this scheme can be funded from RTB receipts leaving a net investment requirement from the HRA, which at this stage is assumed to be funded by borrowing supported by the new net rental income stream.
- 7.3 In accordance with the proposed new rent policy, three rent levels have been modelled for this scheme. Affordable rents capped at LHA rates, Living Wage rents and target social rent. Service charges are not applicable for this scheme as the proposal is for the development of four houses, whilst the maintenance of the communal gardens will be carried out by the tenants themselves. A summary table of the viability modelling is shown at 3.14.
- 7.4 The impact of using current LHA rates for the assumed rental income results in a surplus of (£0.199m) at today's value. The payback period, i.e. time taken for the future rental income to repay the initial investment, net of RTB receipts is 37.8 years. This level of rent therefore supports a viable project over a 60 year period. It would require an increase in construction costs of an estimated 23% before the scheme is no longer viable, so requiring subsidy from existing tenants' rents.
- 7.5 The impact of using the current Living Wage rents results in a surplus of (£0.016m) at today's value. The payback period for Living Wage rents is 57.0 years. This level of rent therefore supports a viable project over a 60 year period, although only marginally. It would require an increase in construction costs of an estimated 2%, a small change before the scheme is no longer viable so requiring subsidy from existing tenants' rents.
- 7.6 The scheme is not viable when modelled using target social rents. The table at paragraph 3.14 shows that setting rents at target social rents would mean that a subsidy of £0.496m will be required from the HRA at today's value.

- 7.7 The projected surplus from the options modelled would allow the HRA more funds to invest in their current tenant's homes or use to contribute to building much needed affordable housing. The LHA rent option represents a higher surplus to reinvest, with a lower sensitivity risk in relation to the construction costs.
- 7.8 There is sufficient budget set aside for the development at Rotherfield Crescent in the current HRA capital investment programme, approved for the four design competition sites at Policy, Resources & Growth committee (PRG). The remaining three sites will be reported to Housing & New Homes committee and subsequently PRG for scheme approval and where necessary for budget approval.
- 7.9 Any significant variations to the costs at Rotherfield Crescent will be reported in accordance with the council's standard financial procedures and reported through PR&G.
- 7.10 Any decision around the borrowing requirement for this project will be made in consultation with the council's Treasury Management team to ensure that it is undertaken in accordance with the council's borrowing strategy, authorised borrowing limits and prudential indicators.

Finance Officer Consulted: Monica Brooks

Date: 02/11/2017

Legal Implications:

- 7.11 Under S122 of the LGA 1972 a principal council may appropriate land:
- belonging to that council;
 - that is no longer required for the purpose for which it is held; and
 - for any other purpose for which it is authorised by statute to acquire land.
- 7.12 The Council is authorised to acquire land by the Town & Country Planning Act 1990 provided that the authority think that the acquisition will facilitate the carrying out of development, re-development or improvement on or in relation to the land but a local authority must not exercise the power unless they think that the development etc. is likely to promote or improve the economic, social or the environmental well-being of their area. The reasons that the re-development is in the economic and social interests of the area are set out in the body of this report.
- 7.13 The council has powers under the Housing Act 1985 to purchase land for housing and is therefore able to appropriate for housing once the development is complete.
- 7.14 The procurement of the building contractor will be conducted in accordance with the Council's Contract Standing Orders. The estimated value of the contract is under the threshold for works contracts (circa £4.1M) and the Public Contracts Regulations 2015 therefore do not apply.

Equalities Implications:

- 7.15 An increase in housing supply will expand the provision of new, well designed homes to local households registered in need. New development and renovation provides an opportunity to better meet the needs of particularly vulnerable households including those, such as existing elderly residents, who may be under occupying their current home.

Sustainability Implications:

- 7.16 The development is intended to be highly sustainable and comply fully with relevant BHCC planning policies. Simple sustainability strategies have been deployed to reduce the demands on non-renewable energy sources and on the main drainage systems. These include:
- building fabric insulation increased to level above Building Regulations to reduce heat loss;
 - photovoltaic panels provided to roof of each unit; and
 - use of soakaways for storm water drainage (both roof and landscape run-off).

Crime & Disorder Implications:

- 7.17 The new homes will be built following the police Secured by Design guidance. Disused garage sites are unattractive and can be used for anti-social behaviour and fly-tipping etc.

Risk and Opportunity Management Implications:

- 7.18 There are a number of risks associated with developing new homes on small, challenging sites, including the possibility of relatively higher construction and development costs per home. However, the appointment of an independent Cost Consultant/ Clerk of Works to scrutinise the scheme costs in order to identify cost savings and ensure value for money, will hopefully reduce this risk.

Public Health Implications:

- 7.19 Energy efficient homes which are easier and cheaper to heat will help support the health of households. Family homes can be let to households which are currently overcrowded. The two bedroom house would be suitable for applicants with young children, those with very limited mobility or downsizers.

Corporate / Citywide Implications

- 7.20 The New Homes for Neighbourhoods programme of building new homes on council land supports the council's priorities for the economy, jobs and homes. The development of new housing has a strong economic multiplier impact on the local economy, estimated at over £3 of economic output for every £1 of public investment, creating jobs and supply chain opportunities.
- 7.21 Every new home built on small sites helps meet the city's pressing housing needs and deliver the first priority in the council's Housing Strategy 2015 of improving housing supply. New homes help bring benefits to the council in the form of New Homes Bonus payments and new council tax income.

SUPPORTING DOCUMENTATION

Appendices:

1. Site Plan
2. Design Briefing Note
3. Part 2 – Cost report

Background Documents

1. Housing & New Homes Committee Report – Small Sites Design Competition – 15 June 2016

