

<b>Subject:</b>	<b>New Homes For Neighbourhoods - Scheme Approval Victoria Road</b>		
<b>Date of Meeting:</b>	<b>14 November 2018 6 December – Policy, Resources &amp; Growth Committee</b>		
<b>Report of:</b>	<b>Executive Director, Economy, Environment &amp; Culture</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jo Thompson</b>	<b>Tel: 01273 291466</b>
	<b>Email:</b>	<b>jo.thompson@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>South Portslade</b>		

**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, 173 council homes for affordable rent have been completed under the New Homes for Neighbourhoods programme. Twelve more homes are under construction at Kensington Street and will be completed in May 2019, with hundreds more in the pipeline.
- 1.2 As part of its Corporate Property Strategy and Asset Management process, the council approved the marketing of the Victoria Road Housing Office site, part of the car park and an informal practice green area (adjacent to Portslade Town Hall) for disposal and redevelopment at March 2011 Policy & Resources Committee. Portslade Town Hall was part of the council's Workstyles programme and works to Portslade Town Hall were completed in 2015 to create a neighbourhood and community hub of co-located services. The new hub co-located housing and community police services by providing hot desk areas to encourage flexible working. These services were accommodated within a new two storey extension on the south elevation and converting part of the main building from residential (formerly a caretaker's flat) into office use. This facilitated the relocation of staff from the existing Victoria Road Housing Office into the main town hall building and other council offices across the city. Since then, the former housing office building has remained vacant.
- 1.3 The site was passed over to the council's Estates Regeneration team and in-house architects in September 2016 to explore opportunities to bring forward a viable scheme under the council's New Homes for Neighbourhoods Programme. In order to maximise the development potential of the site, officers proactively engaged with the local ward councillors and Portslade Bowls Club to seek their support for the re-location of the Bowls Club to Victoria Recreation Ground. Whilst this engagement and consultation process has inevitably delayed the

delivery of the project, it has forged a really positive relationship between the council and the Bowls Club as well as increased the number of potential residential units from 15 to 45 units. The extended timeframe also enabled council officers to successfully bid for funding (£340k) from the Government's Land Release Fund which will help towards the costs of re-locating the Bowls Club thereby releasing the entire site for residential development.

- 1.4 This report asks for Members approval to progress development proposals for the site comprising the former Housing Office, Portslade Bowls Club and bowling greens (see Appendix 1), which the New Homes for Neighbourhoods Programme wishes to take through to planning and construction stage.

## **2. RECOMMENDATIONS:**

### **Housing & New Homes Committee**

- 2.1 That the options contained on page 12 of the Stage 2 (Light) Feasibility Study in Appendix 2 of this report be noted;
- 2.2 That Option 3 in the report be agreed and the following be approved:
- (1) The proposed scheme of 45 new council homes at the site comprising the former Housing Office, Portslade Bowls Club and bowling greens (see Appendix 1), under the New Homes for Neighbourhoods programme;
  - (2) The provision of a new Joint Sports Pavilion for Portslade Bowls Club, which includes football facilities for users of Victoria Recreation Ground, to facilitate the release of the development site;
  - (3) The scheme rent levels with one bedroom properties set at 37.5% living wage rent and all other properties at 80% of market rent levels capped at LHA rates in line with the New Homes Rent Policy and delegates authority to the Executive Director of Neighbourhoods, Communities & Housing in consultation with the Estate Regeneration Member Board to adjust the rent within the parameters of the Rent Policy should scheme costs change; and
  - (4) Construction through the council's City Build Construction Partnership with Morgan Sindall.
- 2.3 That the Policy, Resources & Growth Committee be recommended to:
- (5) Approve the site within the redline boundary (see Appendix 1) to be appropriated to the HRA from the General Fund for a capital receipt of £1.436m for planning purposes;
  - (6) Delegate authority to the Executive Director of Environment, Economy and Culture to appropriate for housing purposes once the development is complete; and

- (7) Approve a budget of £12.914m financed by HRA borrowing, right to buy receipts and Government Land Release funding to form part of the HRA capital programme for 2019/20 – 2021/22.

### **3. CONTEXT/ BACKGROUND INFORMATION**

#### **The site**

- 3.1 The site is located on Victoria Road adjacent to terraced housing and Portslade Cemetery to the west and a private commercial trading estate to the east. The site is in close proximity to Portslade Town Hall which, although not a statutory listed building is locally listed as a heritage asset. The Town Hall was built in 1927 in the Queen Anne style as Ronuk Hall and Welfare Institute and is a good example of a municipal building in the Portslade area. A bowling green is located to the south of the former Housing Office, which is used by members of the Portslade Bowls Club and other visiting clubs.
- 3.2 The area (see Appendix 1) to be redeveloped into housing comprises the former Victoria Road Housing Office, part of the car park (24 parking spaces), former public toilets, Portslade Bowls Pavilion, bowling green and vacant practice ground. In total, the site area measures 4,850 sq m (0.485 Ha).

#### **Design**

- 3.3 An initial high level feasibility study of the former Victoria Road Housing Office site was produced by the council's in-house architects in October 2017. Three options were developed involving a combination of terraced housing and blocks of low-rise flats. The options are contained on page 12 of the Stage 2 Light Feasibility Report attached in Appendix 2 of this report. Taking forward Option 1 (i.e. the redevelopment of the practice Bowling Green and former Housing Office) or Option 2 (i.e. the redevelopment of the car park, practice Bowling Green and former Housing Office site), would have limited the size of the area to be developed thus restricting the number of housing units to 15 and 19 residential units respectively. Option 3 (i.e. the re-location of the Bowls Club to Victoria Road Recreation Ground and redevelopment of the entire site for housing) is the preferred option. This option, which was supported by the Estate Regeneration Members Board at its meeting on 16 October 2017, maximises the delivery of affordable rented homes (45 residential units) while at the same time provides Portslade Bowls Club with a new fit-for-purpose pavilion in a more visible location.
- 3.4 The delivery of Option 3 would entail the demolition of the existing sports pavilion within Victoria Recreation Ground which is in a very poor state of repair. This building currently has changing room facilities for football clubs and other users of Victoria Recreation Ground. The new pavilion building would be constructed on the footprint of the existing building and has been designed to integrate facilities for both the Bowls Club and local football clubs. Early consultation with stakeholders has revealed strong support for Option 3 from the Bowls Club itself, local football clubs, ward councillors, the Chair of Housing & New Homes and the Chair of Environment, Transport & Sustainability as well as the Friends of Victoria Park. It is this option which has been developed to RIBA Stage 2 Light and costed.

3.5 The latest scheme design is contained in Appendix 2. It includes:

- 13 x one bedroom flats;
- 21 x two bedroom flats;
- 5 x three bedroom flats;
- 2 x four bedroom maisonettes;
- 4 x three bedroom houses.

3.6 All homes meet the Nationally Described Space Standard as specified in the council's Affordable Housing Brief. All ground floor units would also achieve the Building Regulations standard for 'accessible and adaptable' housing (Part M4(2)) which replaced the Lifetime Homes Standard. Four units (10%) will be wheelchair accessible in compliance with planning policy requirements.

#### **Scheme review**

3.7 The scheme has recently been reviewed at a workshop with representatives from Housing, Property and Investment, Estate Regeneration as well as Property and Design. Officer feedback was positive and supportive of the scheme design, which they felt would work well in the existing context. The workshop identified some of the key areas of focus at the detailed design stage, building on the lessons learnt from the delivery of other new build schemes under the New Homes for Neighbourhoods programme i.e. lifts, solar glazing, ventilation of communal areas etc. The design process will also include a value for money check and comparison against the council's standards and specification requirements. Areas of focus so far have included:

- The development of an efficient circulation strategy, vertical and horizontal – by minimising communal areas;
- The stacking of flats for efficient running of services, party and structural walls etc;
- Repetition of flat layouts;
- Exploring the potential for timber frame and/ or Structural Insulated Panels to speed up the build, thus generating savings on materials and preliminaries etc.

3.8 This value engineering approach will be adopted throughout the design and construction stages of the project.

#### **Scheme costs**

3.9 The preferred option has been costed by Potter Raper, the council's QS, under the City Build Construction Partnership (lead by Morgan Sindall). The latest design and costs contained in the Stage 2 Light Feasibility Study (see Appendix 2) were presented to the Estate Regeneration Members Board at their meeting on 22 October 2018. Members were keen for the proposed scheme and costings to be considered at Housing & New Homes Committee on 14 November 2018 but suggested that briefings be offered to each of the political parties to run through the costings in more detail.

3.10 Total scheme costs have been summarised in Table 1.

Table 1 – Scheme Costs	
Cost Area	Cost estimate £'000
Land cost	1,454
Re-provision of Sports Pavilion	781
Base Cost of residential units	6,348
Demolitions and alterations	94
Renewables	323
External works	780
Preliminaries, Overheads & profit	981
Design / Construction contingency	582
Tender Price Inflation	524
<b>Total Build cost</b>	<b>11,867</b>
Fees (Professional, Planning, Building Regs, specialist surveys, Project Management etc)	844
S106 Contributions	203
<b>Total Scheme Costs</b>	<b>12,914</b>

### Residential costs

- 3.11 The estimated base cost of delivering the housing scheme is £6,348,000, which works out at a base cost per unit of approximately £141,000 (see Table 2). The total scheme cost per unit for the Victoria Road Housing scheme (i.e. without the land value and re-provision of the Sports Pavilion) is estimated to be below the average cost of homes delivered through the New Homes for Neighbourhood programme to date.

Table 2 – Unit cost Comparison	
Cost area	QS Estimate £'000
Base cost of constructing each home	141
Total scheme cost of each home (excluding land value and re-provision of Sports Pavilion)	237
Home Purchase Policy purchase limit per home	250
Average total scheme cost for NHfN per home	259

- 3.12 If total scheme costs are used (excluding the land value and re-provision of the Sports Pavilion) then the average cost per unit would be approximately £237,000, including professional fees and S106 contributions. This cost includes an allowance for demolition, abnormals and external works i.e. soft landscaping, roads, paths, paving etc. This represents a favourable cost when benchmarked against previous and similar projects. The QS has included a total risk allowance of £582,000 to cover those risks that may be identified throughout the development of the design and construction period, including the potential upgrade of the existing UK Power Networks substation (circa £175,000). Initial ground and environmental surveys have revealed the presence of asbestos, lead and Polycyclic Aromatic Hydrocarbons on the site of the former Housing Office. The risk allowance incorporates sums for the safe removal of asbestos, lead as

well as the remediation of contaminated land. It is not known at this stage, whether these allowances are sufficient to cover all risk items but officers consider that the QS has adopted a sensible approach, given the results of the initial surveys which have been undertaken.

- 3.13 In order to unlock the site and accelerate the delivery of housing, council officers bid for Land Release Funding under the Ministry of Housing, Communities and Local Government's One Public Estate programme. This bid was successful and the project was awarded £340,000 to offset approximately 43% of the estimated costs associated with re-locating and building a new Sports Pavilion. Some of this funding is profiled to be spent in Qtr 4 of 2018/19, with the remainder in 2019/20. The funding will have to be returned to the DCLG if the proposed scheme is not approved by Members. The gap between the cost of re-provision of the sports facility and the funding secured to do this has been deducted from the land value as a cost of the development, in the same manner as if the site was sold on the open market.

#### **Sports pavilion and bowling green costs**

- 3.14 The total cost of the Sports Pavilion and bowling green is £781,000, including a risk allowance of £52,000, inflation allowance of £41,000 and professional fees of £61,000. Since Victoria Recreation Ground is built on a former brickworks and rubbish tip, it is necessary to set aside a sufficient sum for land remediation, if further surveys reveal that this is necessary. Without an allowance for risk and inflation, the base cost of the re-provision of the sports pavilion and bowling green is £627,000. This includes an allowance for an artificial bowling green of approximately £158,000, which Portslade Bowls Club are very keen to secure in order to extend their playing season and attract new members. The proposed sports pavilion provides enhanced facilities for the Bowls Club, while also integrating the football changing facilities which would be lost when the demolition of the existing pavilion takes place. Officers consider that the costs of these replacement facilities are proportionate given the fact that the re-location of Portslade Bowls Club to Victoria Recreation Ground, will generate an additional 30 residential units thereby significantly increasing the HRA rental stream to the council.

#### **Project delivery and ensuring value for money**

- 3.15 If Housing and New Homes Committee agrees to progress the proposed scheme, the design and development will be undertaken by the council's in-house architects and the council's City Build Construction Partnership. The Partnership was procured under an OJEU procurement process authorised by Policy and Resources Committee in 2016, following three previously successful construction partnerships. The new partnership commenced in September 2017 for a contract term of five years. It is currently delivering the majority of New Homes for Neighbourhoods homes as well as construction projects for various other council client departments and is managed by the council's Property & Design team.
- 3.16 Homes can be delivered by the Partnership more quickly than other delivery routes because the constructor, partner surveyors and sub-contractors are already procured. The early involvement of Morgan Sindall as well as electrical,

structural, mechanical and engineering partners ensures that the final design and construction risks are minimised and that the new homes meet Housing's required specification. Prices for each element are obtained and reviewed by the team, throughout the design process and, if necessary, the design is amended to ensure that the overall scheme budget is met.

- 3.17 Throughout the project cycle, the design team (including the Estate Regeneration Project Manager) meet every four weeks to review the latest designs and associated costs. This process enables the Partnership and council to set the Agreed Maximum Price after which, the Quantity Surveyor will produce a review document to demonstrate that the project has achieved best value. This document benchmarks the square metre rates against previous partnered and non-partnered schemes and also against national construction rates for housing. An independent partnering advisor is employed and a Core Group meets monthly to oversee the arrangements by taking a strategic view on each scheme and ensuring key deadlines are met.

#### **Financial modelling and rent policy**

- 3.18 Financial modelling of the latest design has been undertaken by the council's Finance department. The rent levels shown in Table 3 are in accordance with the New Homes Rent Policy report which was approved by Housing & New Homes Committee in November 2017.
- 3.19 The size and mix of units at Victoria Road, Portslade is in conformity with the council's Affordable Housing Brief. The estimated costs include an allowance for achieving the equivalent of Code for Sustainable Homes Level 4 for energy and water, site abnormalities, infrastructure and external works.
- 3.20 The scheme costs have been estimated by Potter Raper (City Build Construction Partnership's 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.
- 3.21 Table 3 provides a summary of the viability modelling results for each of the rent options considered for Victoria Road housing scheme. This demonstrates that a return is provided by the LHA rents only, whilst a significant subsidy would be required if the three remaining rent levels were to be considered.

<b>Table 3 – Financial Modelling results</b>					
	<b>LHA/80% mkt Rent</b>	<b>Mixed rents (*)</b>	<b>Living Wage 37.5%</b>	<b>Living Wage 27.5%</b>	<b>Social</b>
1 Bed Weekly rent	£146.08	£140.60	£140.60	£103.11	£74.42
2 Bed Weekly Rent	£191.31	£191.31	£168.72	£123.73	£83.22
3 Bed Weekly Rent	£223.34	£223.34	£196.84	£144.35	£97.37

Table 3 – Financial Modelling results					
	LHA/80% mkt Rent	Mixed rents (*)	Living Wage 37.5%	Living Wage 27.5%	Social
4 Bed Weekly Rent	£332.42	£332.42	£224.96	£164.97	£105.03
60 Year Subsidy / (Surplus)	(£0.589m)	(0.488m)	£0.861m	£3.724m	£6.222m
Payback Period (Years)	51	53	60+	60+	60+

(\*) Mixed rents of 1bed flats at 37.5% living wage rent and all others at LHA/ 80% market rent

### Land Valuation

- 3.22 The Council's Property and Design Estates team has been offering ongoing advice as to the value of the land and sought an independent valuation of the site from the council's management agents GVA. This valuation assumes a development of 45 units on a planning compliant basis. The site value, without the inclusion of the cost of providing the sports facility and grant funding, is £1,895,000. This assumes that the site is not subject to significant abnormal costs and is developable in the market.
- 3.23 Officers have sought to adjust this for the site specific circumstances, deducting the cost of the reprovision of the sports facility, less the grant funding secured towards this. Accordingly the market value of the site, taking this additional cost into consideration, is £1,454,000. Officers can recommend a transfer at this level which includes an allowance for initial results of the archaeological and environmental surveys. It is recommended that this price be adjusted to take into account actual costs for these abnormal (site contamination, archaeological finds etc.)

### Appropriation

- 3.24 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.
- 3.25 The appropriation for planning will take place immediately if the recommendation at 2.3 (5) is approved.

3.26 Once the site has been developed, the council will need to appropriate the site for housing purposes and it is therefore proposed that authority is granted to the Executive Director Economy, Environment & Culture to execute that appropriation. That second appropriation will take place when the Executive Director executes an “Appropriation Memo”. The site will be then be held by the council for the purposes of part II of the Housing Act 1985 (provision of housing accommodation). As such, it will be accounted for within the HRA.

#### 4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 At the feasibility stage, three options were presented to Members of the Estate Regeneration Board for their consideration at the meeting on 16 October 2017 (see page 12 of Appendix 2). After thorough exploration of the options and their associated risks, Members felt that Option 3 (i.e. Bowling green to be relocated and full extent of site to be brought forward for development) would maximise the delivery of housing and should therefore be taken forward for further design development and costing.

4.2 As part of the financial modelling process, two other mixed rents options have been tested. Although both are financially viable, they are not recommended. These are shown in Table 4 below. Mixed Rents Option 1 calculates the viability of the 1 bedroom properties and 3 bedroom properties at 37.5% living wage rent while the 2 and 4 bedroom properties are calculated at 80% market rent capped at LHA levels. Although financially viable, there is very little rent differential between the 2 bedroom flats and 3 bedroom houses at £191.31 per week and £196.84 per week respectively. This may cause letting difficulties and be seen to be inequitable given that these properties are in the same location.

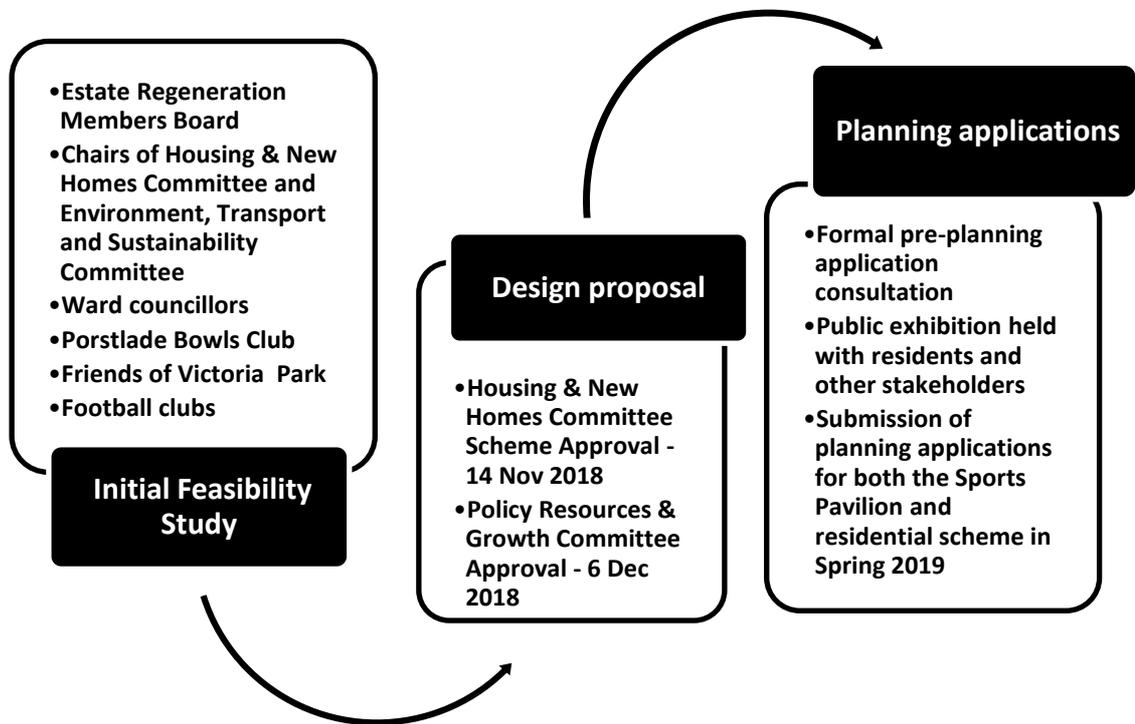
4.3 Similarly, mixed rents Option 2 calculates the viability of the 1 bedroom properties and 4 bedroom properties at 37.5% living wage rent while the 2 and 3 bedroom properties are at 80% market rent capped at LHA levels. Although financially viable, there is very little rent differential between the 3 bedroom and 4 bedroom properties at £223.34 per week and £224.96 per week respectively. Again, this may result in letting difficulties and inequity. This option is therefore not recommended.

	LHA/80% mkt Rent	Mixed rents Option 1	Mixed rents Option 2	Living Wage 37.5%
1 Bed Weekly rent	£146.08	£140.60	£140.60	£140.60
2 Bed Weekly Rent	£191.31	£191.31	£191.31	£168.72
3 Bed Weekly Rent	£223.34	£196.84	£223.34	£196.84
4 Bed Weekly Rent	£332.42	£332.42	£224.96	£224.96
60 Year Subsidy / (Surplus)	(£0.501m)	(0.120m)	(£0.169m)	£0.948m
Payback Period (Years)	51	58	57	60+

## 5 COMMUNITY ENGAGEMENT & CONSULTATION

5.1 During the course of the project, there has been extensive engagement with a number of different stakeholders. The consultation process has been summarised in Fig 1, to ease understanding.

Fig 1 – Consultation process



5.2 Given the complexities associated with developing the site for housing, the Estate Regeneration Member Board, and local ward councillors (South Portslade) were consulted at the initial feasibility stage before the viability study was commissioned. Once Member support was obtained, the options outlined in the initial Feasibility Study were presented to the Chair and Secretary of Portslade Bowls Club to obtain their feedback. It was clear, from this early dialogue with Club officials, that the existing Bowls facilities are poor and no longer fit-for-purpose. Of particular concern, is the lack of operational toilets and a meeting space of sufficient size to accommodate Club functions and their AGMs. The Chair and Secretary are also aware that the Club's existing location i.e. tucked behind the former Housing Office, contributes to their lack of visibility from the street and is no doubt having an adverse impact on growing their membership. For all these reasons, Portslade Bowls Club have given their full support for the council's preferred option i.e. the re-location of the Bowls Club to Victoria Road Recreation Ground and redevelopment of the entire site for housing.

5.3 Officers have subsequently met with Club officials to establish their requirements for a replacement Bowls Club facility. The requirements were used to inform the Client Brief for the site. The preferred option meets the minimum requirements of

the Club but also includes an artificial bowling green which is designed to extend the bowling season, thereby boosting the Club's potential to generate additional income. Other facilities i.e, the provision of short mat bowls within the sports pavilion building etc, would only be provided if Portslade Bowls Club could demonstrate that they had a robust Business Case in place or had successfully bid for sports lottery and/ or Bowls England funding.

- 5.4 The realisation of the preferred option will necessitate the demolition of the existing sports pavilion which currently provides football changing room facilities. Officers from City Parks and the Estate Regeneration team have therefore contacted local football clubs who may be interested in a joint sports pavilion with Portslade Bowls Club, to establish their future requirements. During these discussions, the possibility of upgrading the existing ground facilities to meet the Football Association's requirements for a Step 7 facility has also been explored. Whilst this is desirable from the perspective of local football clubs, the upgraded facilities would entail much larger accommodation than that currently proposed by the preferred option. Any enhanced scheme would need to be funded by the football clubs themselves and/ or by a successful funding bid to the FA.
- 5.5 The Feasibility Study was also shared with the Friends of Victoria Park who are, broadly speaking, supportive of the proposal since it could bring about much needed investment in the Recreation Ground through the enhancement of existing facilities. However, they were keen to alert officers to their plans to extend the existing pathway around the entire Recreation Ground to facilitate events such as the 5km runs which take place every week in other parks across the city. Officers gave their commitment to exploring whether S106 contributions, which would have to be made in mitigation for the loss of open space, could be used to fund this initiative.

## **6. CONCLUSION**

- 6.1 If approved, this proposal will deliver 45 new homes 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, regenerate the site, improve sports provision and provide a capital receipt to the General Fund.

## **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 eligible 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 cost for this scheme is £12.914m; this includes all construction works, allowances for contingency, inflation and professional fees. In accordance with the RTB pooling policy signed in 2012, only eligible costs are assumed to be funded from RTB receipts. Under this policy the appropriation of land and costs which are being subsidised using grant income are not eligible for the use of RTB receipts. Therefore this means that the cost of land and re-provision of the sports pavilion have been excluded from the use of RTB receipts.
- 7.3 Current forecasts for the use of RTB receipts in 2019/20 include costs for the development at Victoria Road; any delay to the scheme would have a negative impact on their use and would increase the risk of not achieving the required expenditure.
- 7.4 Land release funding of £0.340m has been received from the MHCLG as a contribution towards the re-provision of the sports pavilion. As outlined in paragraph 3.11 of the main report there are restrictions that apply to the timing of expenditure. Failure to meet these requirements could result in the grant having to be returned to the MHCLG, putting significant pressure on the viability on the delivery of the scheme.
- 7.5 In accordance with the new rent policy, four rent levels have been modelled for this scheme. 80% market rents capped at LHA rates, 37.5% of Living Wage rents, 27.5% of Living Wage rents and target social rent. An estimate for service charges has been applied for all homes, based on the 2018/19 budget report. A summary table 2 of the viability modelling is shown at 3.18 of the main report.
- 7.6 The impact of using current LHA rates for the assumed rental income results in a surplus of £0.589m 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 estimated to be 51 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 9% before the scheme is no longer viable, so requiring subsidy from existing tenants' rents.
- 7.7 The scheme is not viable when modelled using the three remaining rent options. Table 3 in the report shows that setting rents at these levels would result in a subsidy requirement of between £0.861m and £6.222m from the HRA at today's value. However, the scheme is viable for a number of different mixed rent options. The recommended mixed rent option is shown in Table 3 while two other alternative mixed rent options are shown in Table 4. The report recommends a mixed rent option to set rents at 37.5% living wage rents for the 1 bedroom properties and all other properties at 80% of market rent levels capped at LHA rates. This rent option would result in a £0.488m surplus at today's value and the payback period would be an estimated 53 years. It would require an increase in construction costs of an estimated 7% before the scheme is no longer viable, so requiring subsidy from existing tenants' rents.
- 7.8 The net capital receipt of £1.454m from the appropriation of land to the HRA is to be re-invested as part of the council's medium term financial strategy.

- 7.9 As recommended at paragraph 2.3 (6), if approved a budget of £12.914m will be added to the HRA Capital programme for 2019/20 to 2020/21, funded by HRA borrowing, RTB receipts and Government Land Release Funding. Any significant variations to the costs 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: Craig Garoghan*

*Date: 23/10/2018*

Legal Implications:

- 7.11 A local housing authority such as the council has powers under section 9(1) of the Housing Act 1985 to provide housing accommodation by erecting houses on land acquired by it for the purposes of providing accommodation. The proposal to develop the former Victoria Road Housing Office site falls neatly within those powers. In order to develop the site without the risk of the development being threatened by third parties, the land will need to be appropriated for planning purposes. Fuller details about the effect of appropriation are given in paragraphs 3.24 to 3.26.

*Lawyer Consulted:*

*Name Liz Woodley*

*Date: 23/10/18*

Equalities Implications:

- 7.12 An increase in housing supply will expand the provision of new, well designed homes to local households registered in need. The new development of 45 homes will create a safe environment, which is designed to encourage social integration, irrespective of the race, religion, age, disability, gender etc. of tenants who occupy the development.

Sustainability Implications:

- 7.13 The development is intended to be 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.

Crime & Disorder Implications:

- 7.14 The new homes and Sports Pavilion will be designed having heed to the requirements outlined in the Secured by Design guidance.

### Risk and Opportunity Management Implications:

- 7.15 There are a number of risks associated with developing new homes on sites of this kind which will be monitored by the Project Manager and Design Team.

### Public Health Implications:

- 7.16 Energy efficient homes which are easier and cheaper to heat will help support the health of households. The provision of a new joint Sports Pavilion at Victoria Recreation Ground will bring much needed investment to the Park as well as encourage greater participation in bowls and football activities. This is likely to have a beneficial impact on the health and wellbeing of local residents and visitors to Portslade.

### Corporate / Citywide Implications:

- 7.17 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.
- 7.18 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 also help bring benefits to the council in the form of new council tax income.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Site Plan
2. Stage 2 Light Feasibility Study